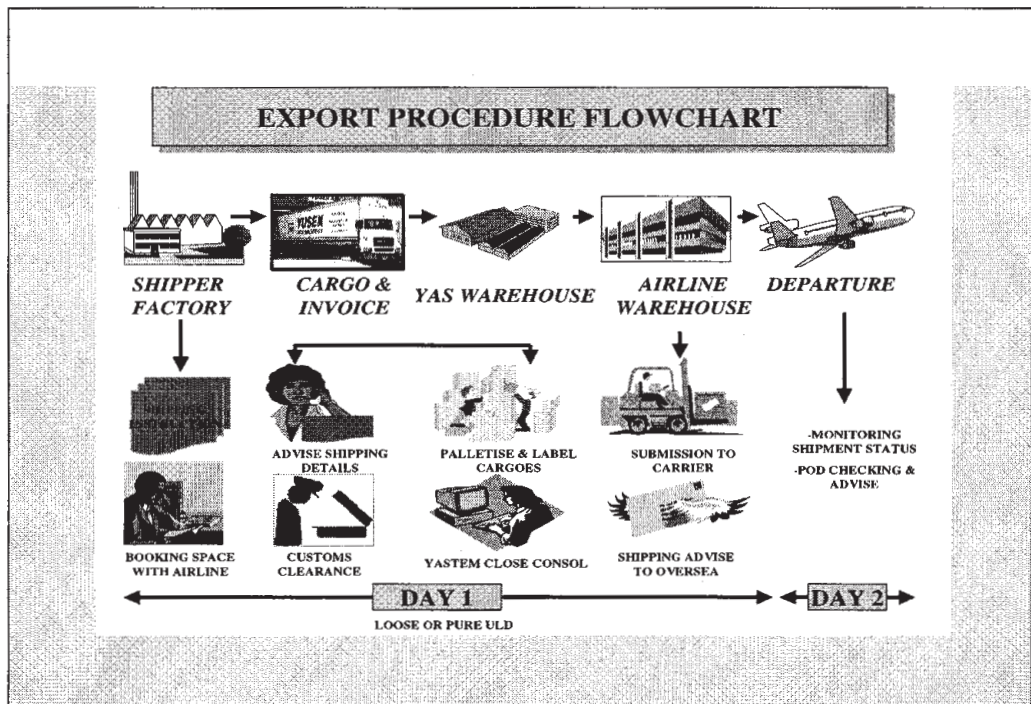
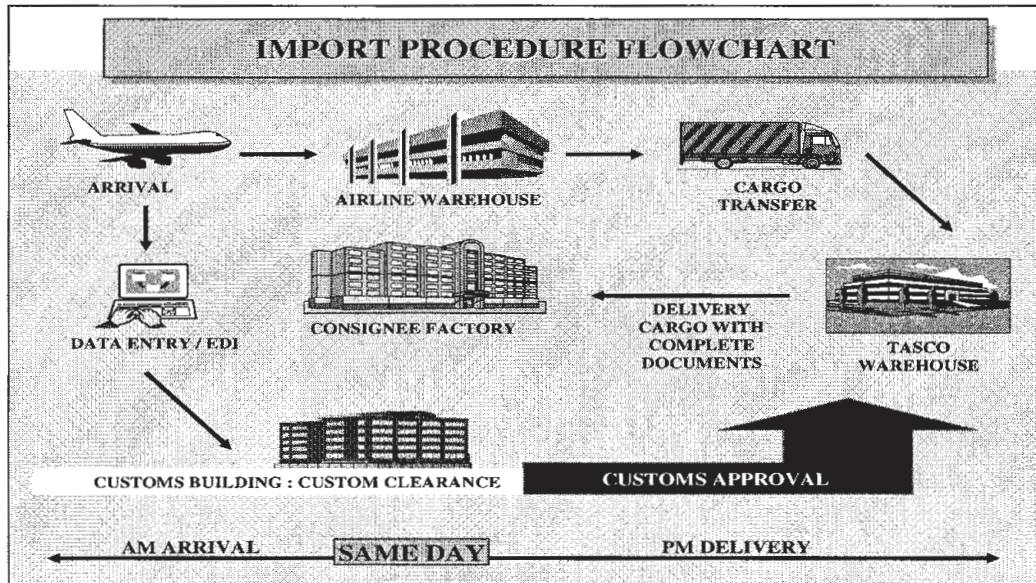


4. INFORMATION ON THE GROUP (Cont'd)

The typical import and export work flows of airfreight forwarding is illustrated below:-

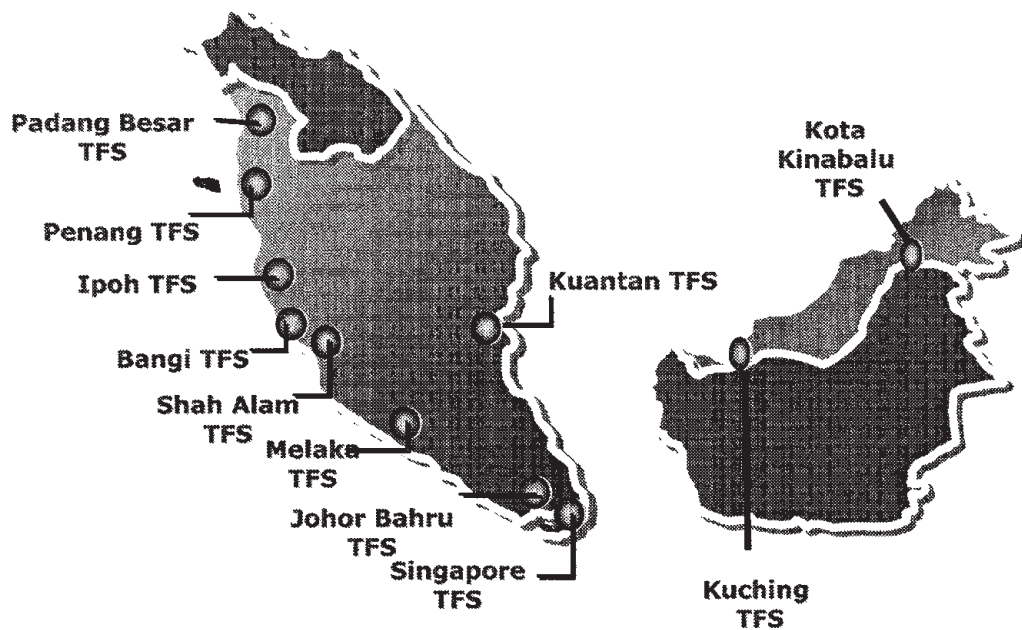


In recognition of our sales contribution to the airfreight industry, our Air Division has received many appreciation awards over the years from major air carriers, such as MAS Kargo, Japan Airlines Co Ltd, and EVA Airways Corporation, amongst others. In addition, MAS Kargo has designated our Air Division as one of the few members of MAS Kargo's priority business centre, whereby preferential clearance services are accorded, thereby enabling our Air Division to provide more timely delivery services to our customers.

**4. INFORMATION ON THE GROUP (Cont'd)****4.3.1.3 Land Division**

Malaysia has an advanced network of modern land transportation system connecting not only domestically but also to its neighbouring countries. Due to this excellent connectivity, the inland truck transportation services have since become one of the key elements in the logistics industry.

Our Land Division operates one of the largest trucking fleets in Malaysia, with a fleet of approximately 165 dedicated trucks as at 31 October 2007, under the brand name "Harimau Express". Our Land Division has an established network for land transportation in Malaysia and operates eleven (11) Truck Freight Stations on a 24-hour basis, from Padang Besar, Penang Prai, Ipoh in the northern region, Shah Alam, Bangi, Malaka in the central region, Senai, Singapore in the southern region, Kuantan in the East Coast, Kuching and Kota Kinabalu in East Malaysia.



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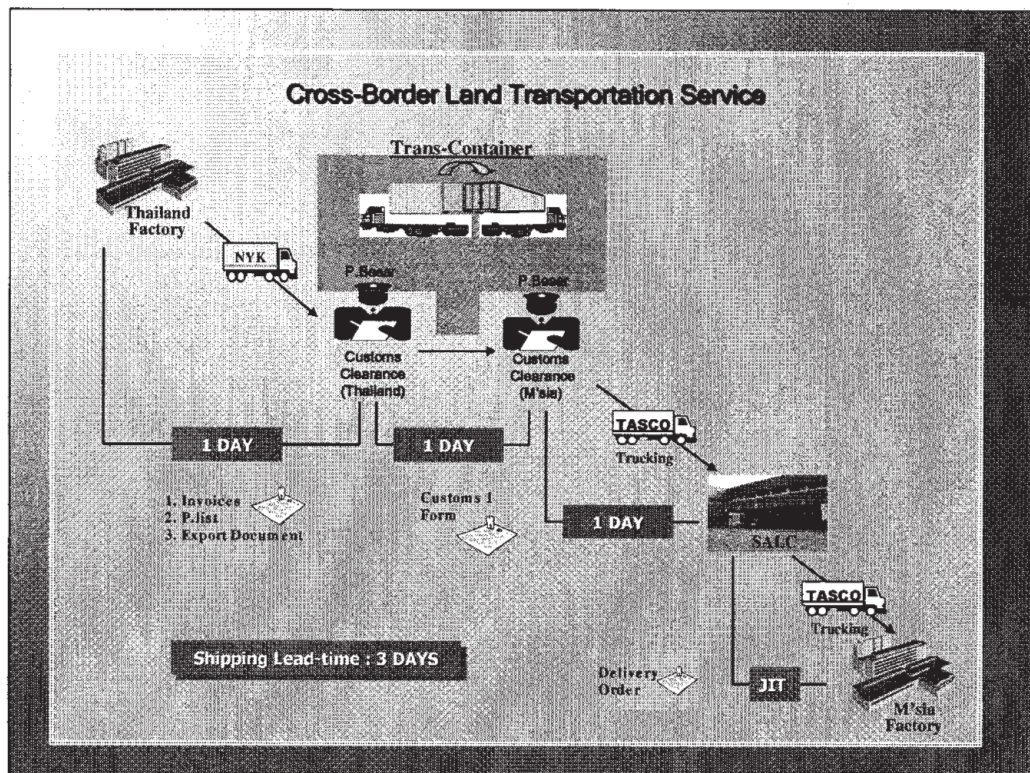
#### 4. INFORMATION ON THE GROUP (Cont'd)

With our well established domestic distribution network pillared by our TFS throughout Malaysia and Singapore, our Land Division is able to provide one-stop transportation services to our customers. Our wide range of land transportation services includes:

- bonded transportation services for carriage of dutiable or custom controlled goods within the Principal Customs Area or land exportation to neighbouring countries;
- daily cross border delivery services from Malaysia to Thailand and Singapore or vice versa;
- scheduled collection and distribution services of less-than-truck load shipments throughout Malaysia; and
- over-night inter-state delivery services within Peninsular Malaysia.

In addition to the above core services and in line with our commitment of providing logistics solutions to our customers, our Land Division also offers the supporting services which covers border customs broking, documentation formalities and online Singapore GST applications. For the movements of high valued goods, dedicated trucks are equipped with GPS for near real-time monitoring and tracking at our controlling site office.

A typical cross-border trucking operation is illustrated below:-



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#### 4. INFORMATION ON THE GROUP (Cont'd)

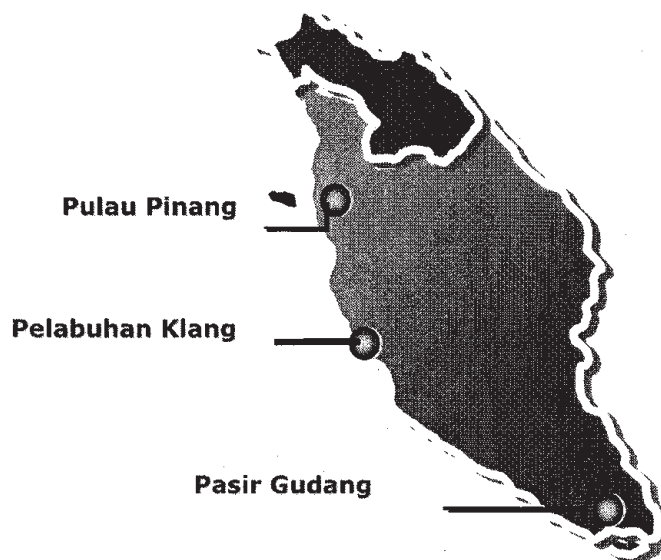
##### 4.3.1.4 International Freight Division

Seafreight forwarding is often regarded as one of the most important elements in international shipping. The increasing specialisation on international shipping and its ensuing complexities have prompted international traders to outsource their shipping formalities to freight forwarders or, in our case, IFD who acts as a gateway partner removing the hassle and tedium of international traders (importers and exporters) associated with the complexities of international shipping. Seafreight forwarder can offer advice on unique international shipping requirement of various countries and is able to offer the most cost efficient and economical international routes for importation and exportation.

Typically, seafreight forwarder operates as a "smaller" shipper which reserves space on vessels in large quantity but at lower rates and sell in smaller space to shippers who have LCL shipments. Subsequently, these small LCL shipments will be consolidated into container loads that move under one bill of lading.

Our IFD, under the brand name of NYK Logistics & Megacarrier, is able to act as a one-stop international shipping forwarder by providing more comprehensive logistics solutions as compared to the smaller freight forwarders due to our well-established logistics facilities and global shipping network through our alliances with NYK Group. NYK's worldwide shipping network has enabled us to provide one-stop international shipping services from point of origin to its final destination under one roof that it frees the customers from tedious and costly multi-party handling and communication. In summary, our IFD is a "small" non vessel operating common carrier capable of delivering services on par with larger carriers, but at lower costs.

The IFD is located in all major seaports in Peninsular Malaysia namely Port Klang, Penang and Pasir Gudang:-

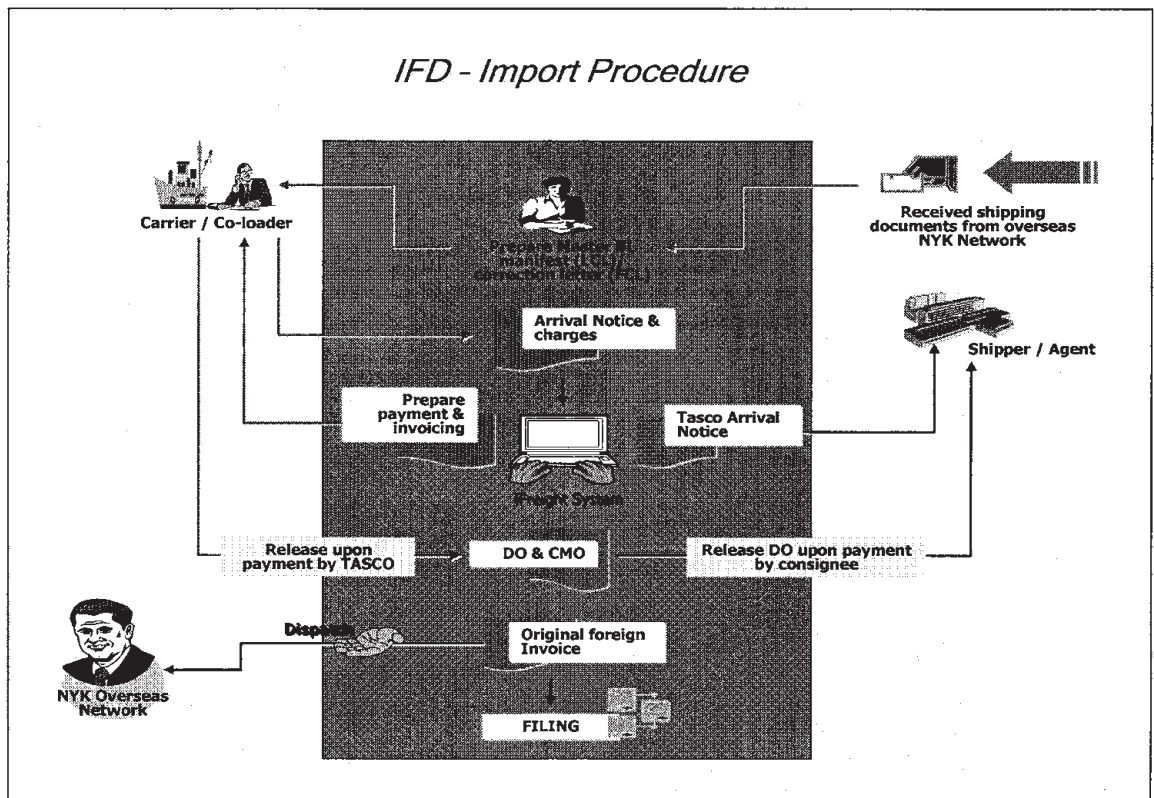


**4. INFORMATION ON THE GROUP (Cont'd)**

Our services currently available include:

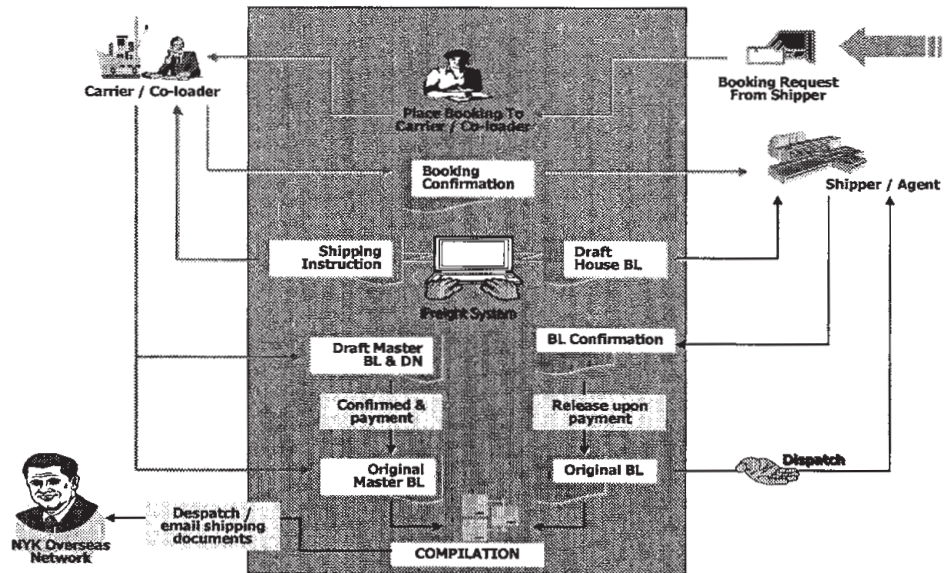
- reserving space with steamship / liners and advertisement of regular shipping schedule;
- arrangement of port to port ocean transportation under one house BL or ocean BL;
- door-to-door service under one multi-modal transport operator;
- consolidating shipments from different exporters;
- preparation of shipping documents and arrangement of marine insurance; and
- provision of advisory services on matters pertaining to compliance of letter of credit.

The typical export and import work flows of our sea freight forwarding operations are illustrated below:-



#### 4. INFORMATION ON THE GROUP (Cont'd)

##### IFD - Export Procedure



##### 4.3.1.5 Auto Logistics Division

The Auto Logistics Division was formed in 2002 in response to the imminent liberalisation of the automobile industry in Malaysia, whereby our management foresaw opportunities to expand our logistics solutions in this market. Within a short span of a few years of its existence, our Auto Logistics Division has emerged as one of a leading automobile related logistics service provider in Malaysia. Currently, our Auto Logistics Division is serving a number of world's leading automotive manufacturers as our customers.

The Auto Logistics Division is located in the Klang Valley.

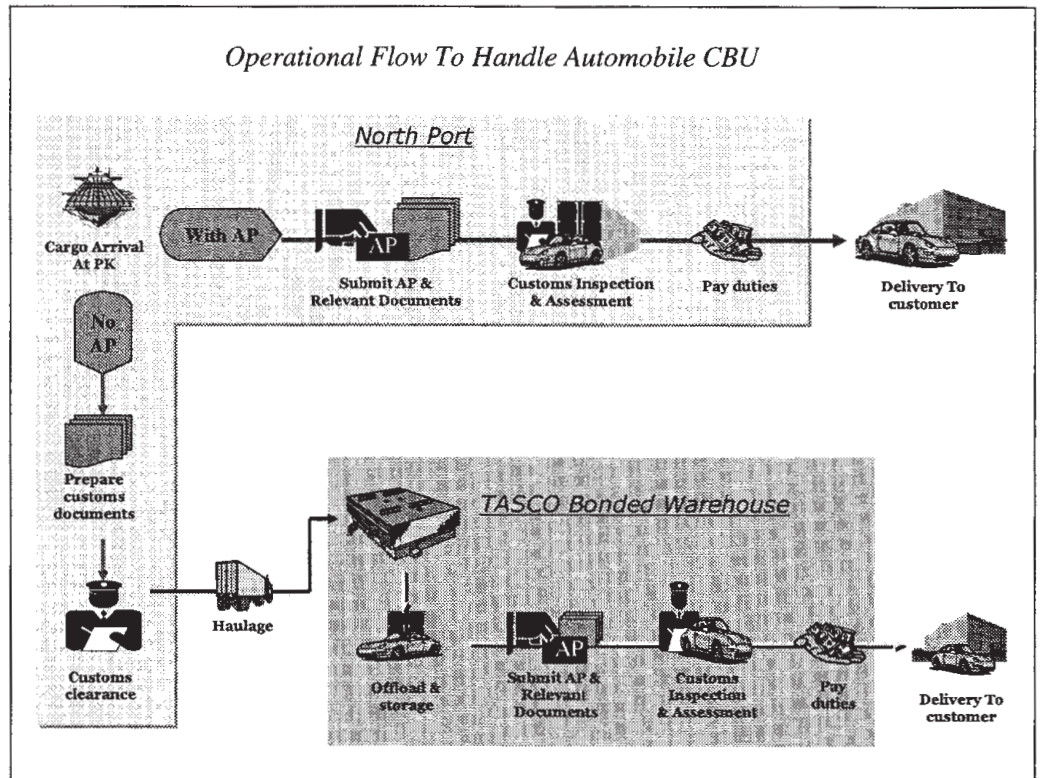
Our Auto Logistics Division provides a full range of automobile related logistics services, including:-

- custom broking for CBU vehicles and CKD parts;
- bonded and non-bonded storage for CBU and CKD vehicles;
- JIT parts distribution;
- transportation by car carrier; and
- value-added services such as pre-delivery inspection, washing, de-waxing, polishing and general technical services.

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4. INFORMATION ON THE GROUP (Cont'd)

A typical work flow of our Auto Logistics Division for handling CBU vehicles from their arrival at the port to final delivery is illustrated below:-



Our Auto Logistics Division operates two (2) auto logistics centres for our automobile related logistics services, namely VDC in Port Klang, PDI in Klang and another warehouse in Shah Alam. VDC is a strategically located modern warehouse, covering an area of approximately 13,300m<sup>2</sup>, specifically built and constructed for automobile related logistics activities. PDI covers an area of approximately 8,800m<sup>2</sup> and mainly caters for pre-delivery inspection services prior to the vehicles being shipped out to customers. The other warehouse in Shah Alam mainly caters to the storage of CKD parts and related distribution and shipping activities.

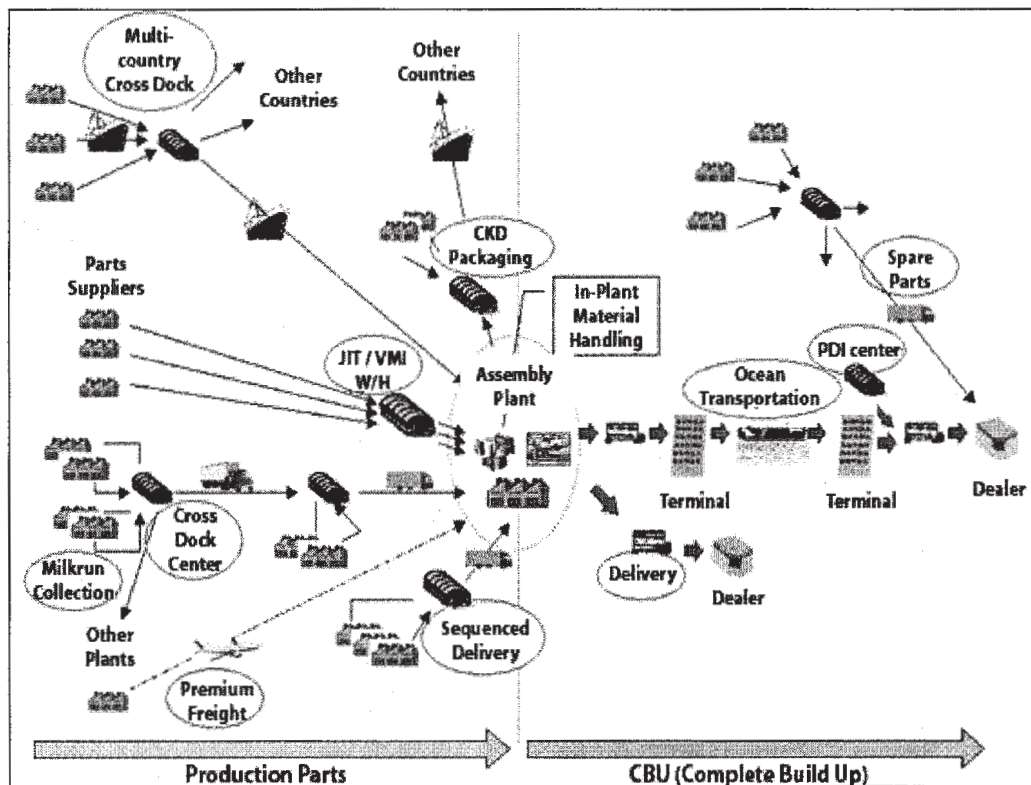
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**4. INFORMATION ON THE GROUP (Cont'd)**

The key differentiating factor of our Auto Logistics Division in the logistics industry is its global logistics network. Typically, automotive manufacturers operate in many different parts of the world, and parts are manufactured or sourced from different countries. The challenge faced by the manufacturers is to maintain the huge volume of parts at minimal inventory levels, while to ensure that there is no shortage occurred for any single part.

Hence, automotive manufacturers normally look for only total logistics solutions providers with strong international connection and networks when considering the outsourcing of logistics activities, since these TLSPs are typically the only logistics solutions providers which can provide global end-to-end supply chain solutions. Working synergistically with NYK Group, our Auto Logistics Division is able to provide a range of logistics solutions to meet these logistics challenges while considering each customer's specific business requirements.

A typical illustration of a complete automobile supply chain solutions offered by NYK Group is shown below:-



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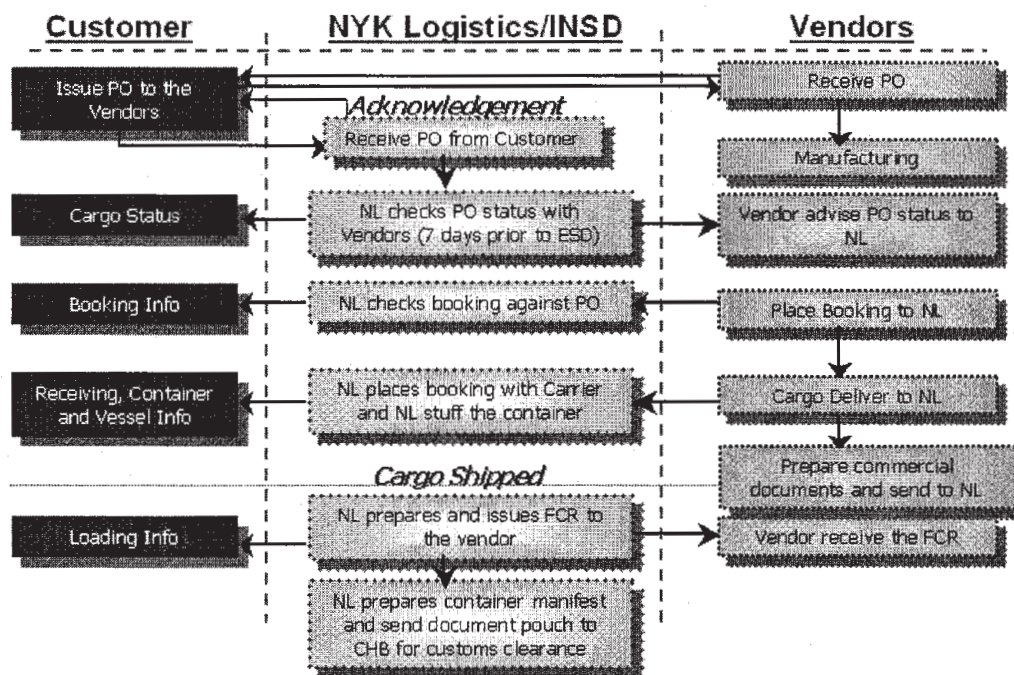


#### 4. INFORMATION ON THE GROUP (Cont'd)

##### 4.3.1.6 International Network Solutions Division

Our INSD was formed in March 2007. It is a multinational, multidimensional global logistics network that provides systems and solutions for integrated supply chain management. With our synergies with NYK Group, our INSD has the global reach, resources, equipment, technology, experience, and expertise to efficiently offer logistics solutions to our customers. One of the logistics solutions offered by our INSD is buyer's consolidation services whereby we are responsible for expediting, coordinating, scheduling and tracking cargoes to be delivered by our customers' suppliers. Our major customers are mainly international merchandisers who source their products in Malaysia and market in Europe and North America. Our INSD focuses on maintaining long term partnership with our customers and increasing value for our customers' supply chain. Other logistics solutions offered by our International Network Solutions Division include origin cargo order management, vendor compliance, track and trace of cargo, supply chain security assurance, KPI and discrepancy reporting and project management.

The INSD is located in Port Klang and Penang. A typical work flow of the origin consolidation procedure is illustrated below:



**4. INFORMATION ON THE GROUP (Cont'd)****4.3.2 Principal Markets**

Our Group does not operate in a particular market or industry. Generally, our Group offers total logistics solutions to any industry which requires delivery of cargoes from one point to another.

**4.3.3 Seasonal/Cyclical Factors**

The logistics industry is cyclical, as demand is generally highly dependent on the level of the manufacturing and external trade activities. Most logistics service providers are dependent on external trade activities, especially TLSPs, which typically cater to MNCs.

Sales generally peak between the third and fourth quarter, coinciding with the period of festivities at the end of the calendar year. However, our Company does not foresee any significant problems arising from the aforementioned effects of seasonal sales and its financial impact on our Group is mitigated by diversifying and widening our customer base to maintain a good mix of customer profiles in order to stabilise seasonal sales fluctuations. For further details on how our Group mitigates this risk further, please refer to Section 3.1(h) of this Prospectus.

**4.3.4 Competitive Strengths and Advantages****(i) Fully Integrated TLSP with Comprehensive Logistics Solutions**

There are numerous providers of logistics related services. However, there are only a handful of local TLSPs who are capable of providing fully integrated logistics services and most of them are either subsidiaries or alliances of some global logistics players with comprehensive logistics services and massive networks.

In addition, due to the high barriers of entry, there are only a few new entrants to the local TLSP industry in the recent years. These barriers include having to build competent human resources and local expertise, having a sizeable trucking fleet, extensive domestic network and adequate IT support. Furthermore, the local logistics industry is highly regulated to a certain degree that forwarding licences and vehicle permits are required to be obtained from local authorities.

With more than 30 years of logistic experience and the support of NYK Group, TASCOS has emerged as one of the more capable TLSPs who is able to provide fully integrated TLSP facilities and offering comprehensive logistic solutions from any of our six (6) business divisions. This includes offering customs broking, sea and air freight forwarding, trucking, container haulage, warehousing and multi-modal door to door delivery supply chain management from our twenty eight (28) business locations across Malaysia.

**4. INFORMATION ON THE GROUP (Cont'd)**

This gives us the advantage of not only being able to serve our customers with a variety of logistics service needs, but it is also able to customise our logistics solutions to cater to customers with special requirements by offering higher value added services via its VDC, IPC, and VMI. This allows us to expand our logistics solutions to a certain degree that our competitors or customers may not be able to duplicate or accomplish in-house. With these advantages, our customers can engage us to be their sole TLSP to handle all of their logistics needs.

**(ii) Extensive Global and Domestic Logistics Network**

Our Group has an established domestic network with twenty eight (28) business locations across the country which includes all major air and sea ports. This has enabled us to provide quick response to our customers' demands in various location and also allowed our trucks to consolidate cargoes in these various locations so to maximise our carriage per trip and improve the utilisation of our equipments.

On the international front, our global alliance partner, NYK, a Global Fortune 500 company is listed on the Tokyo Stock Exchange, Osaka Securities Exchange and Nagoya Stock Exchange (*Source: IMR*). NYK Group operates one of Japan's largest shipping fleets and provides a diverse range of transportation and logistics solutions. With a total of three hundred seventy nine (379) logistics centres in thirty four (34) countries world-wide, NYK Group has a substantial portfolio of MNC customers and has been a prominent global logistics player in the industry. (*Source: IMR*)

In recent years, many of the sizeable local manufacturers are expanding overseas and our alliance with NYK Group enables us to leverage on NYK global logistics network to fulfil our customers' demands. On the other hand, many of NYK's MNC customers are also setting up and expanding their operations in Malaysia and our Group can extend our extensive domestic network to these customers.

The synergies between our Group and NYK Group are strategic as it ensures both their local and overseas customers receive consistent logistics services and supply chains transparency during the delivery process.

**(iii) Prominent Player in the Logistics Industry**

With the relatively high entry barriers and a handful of local TLSPs in the current logistics industry, our Group has established a market reputation of being a one stop international TLSP which provides comprehensive logistics solutions with extensive domestic and global networks. Leveraging on our market reputation and our strong branding through "TASCO", "Harimau Express", "NYK Logistics & Megacarrier" and "Yusen Global Logistics Air and Sea Service", we are well positioned to attract more potential new customers in the domestic and global markets. Our Group has also developed strategic alliances with other logistics service providers, such as container hauliers and transportation service providers, and has become a major customer to these providers. This strategic development will ensure that our customers' cargoes receive priority services.

**4. INFORMATION ON THE GROUP (Cont'd)**

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With these effects, our Group, according to HwangDBS Vickers Research, ranks as among the largest TLSPs in the country, based on 2005-2007 revenues. Please refer to Section 4.6.12 of this Prospectus for further details of our market position and market share.

**(iv) Niche Expertise in the E&E, Automotive and Retail Industry**

Our Group has a niche in providing logistics solutions in the E&E, automotive and retail industry. With more than thirty (30) years experience in the logistics industry, our Group specialises in the specifics of the supply chain of these industries and matches them with the cost and performance (speed, reliability, flexibility) of various modes of transportation, warehouse and distribution options. Our Company's web-based in-house IT systems are highly flexible and it can handle diverse logistics solutions and accommodate cargoes of different industries in various locations. With these relevant experiences, skills and IT systems, our Group custom-designs specific supply chain solutions for our customers (especially those in the E&E, automotive and retail industry) to optimise the cargo flows and to reduce cost.

Additionally, our Group offers project management and consultation services to our customers. These logistics related services include Machinery and Tax Exemption Application, Import Export of Used Machinery, Installation Engineering Services, LMW and related licence consultations.

**(v) Experienced Management and Supervisory Team**

Our Group is spearheaded by LCP, who has more than thirty (30) years of experience in the logistics industry, bringing with him vast knowledge and industry experience. Our senior management team possesses a mix of skills and multinational experience necessary to grow a TLSP in a highly competitive environment, particularly in the areas of sales, operation, technology and finance. Many of our senior management team have been with us for the greater part of their active life and have implemented many initiatives which have allowed us to adapt to changing market dynamics and attain our current market-leading position. Our Group believes that their expertise and effective management styles, coupled with their diligence and in-depth understanding of the industry have contributed significantly to the progress of our Group. For further details on our key management please refer to Section 5.5 of this Prospectus.

Our Group's commitment in providing a series of continuous training and development programmes to our employees to keep abreast with the latest developments in the logistics industry is a testimonial to our Group's effort in implementing a consistent and continuous improvement strategy.

**4. INFORMATION ON THE GROUP (Cont'd)****(vi) Strong Services Quality and Many Accreditations**

With more than thirty (30) years experience in the industry, our Group has successfully developed track records and market reputation for quality, reliability and timely delivery of products and services, which are essential in the logistics industry, thus gaining customers' loyalty and confidence. As a testimony of customers' satisfaction, nine (9) of our top ten (10) customers have been dealing with us for more than ten (10) years. The long term business relationships that our Group has with our customers serve as an endorsement of the quality and reliability of our logistics solutions.

In addition, our Group emphasises stringent service quality control during collection and/or delivery of cargoes. Our "5R" service policy focuses on delivering the "R"ight cargoes from our shippers to our "R"ight consignees at the "R"ight place, "R"ight time and "R"ight quantity. Our Group also emphasises responsive and consistent customer services. Communication channels are kept opened at all times to attend to customers' feedback and requests.

As a testament of its excellence in service quality, our KLIA AFS, Penang AFS and PPLC have been accredited and certified with MS ISO 9001:2000 certifications apart from receiving many other awards, as detailed in Section 4.1.2(ii) of this Prospectus.

**(vii) Financial Strength of Our Group**

Our Group has been profitable for at least the past fifteen (15) years. This is reflected by our Group's low gearing ratio of 0.06 times as at 31 August 2007. Our Group relies primarily on its internally generated funds and thus reduces its financing cost significantly. This gives us a competitive edge and flexibility.

The low gearing ratio also means that our Group has easy access to credit facilities based on our Group's assets and profitability records to address future opportunities. As at 31 August 2007, our Group has cash and bank balances (including fixed deposits) of approximately RM26.1 million and unutilised short term borrowings of RM20.0 million.

**(viii) Flexibility in Managing Resources**

Our Group seeks to minimise our cost structure by operating with minimal capital investments in all business divisions. To achieve this, our Group manages a mix of owned and rented trucks, warehouses and equipments to avoid any excessive capital commitment and to improve the utilisation rate of our own resources. Furthermore, our Group regularly seeks additional resources (such as trucks, warehouses, contract workers or equipments) from other logistics service providers to support our operations.

With the flexibility to alter our resources, our Group is able not only to minimise our operational and financial commitments, but also to change and suit our logistics solutions to our customers' needs at any time.

**4. INFORMATION ON THE GROUP (Cont'd)****(ix) Innovative Technology and Comprehensive Security**

Our Group also prides ourselves for offering innovative technology and comprehensive security as part of our logistics solutions to our customers. To enhance our efficiency in operation and cargo security, our Group has made great stride in the areas of new technology adoption. Developed by our in-house IT team, our iT@SCO is one of the few web-based information systems software in the market that can handle diverse logistics solutions. In addition, it is highly flexible and can be integrated with our customers' systems to improve operation efficiency.

Please refer to Section 4.3.6 of this Prospectus for details of our technology.

Our Group has also taken proactive measures by installing GPS in our trucks, equipping our warehouses with CCTV and upgrading of our security centre. This facility provides 24-hour monitoring of GPS and CCTV as well as maintains direct communication with our trucks and operation workers. The centre is operated daily and our security department consists of approximately forty three (43) experienced security personnel located across the country.

**4.3.5 Types, Sources and Availability of Core Resources**

As at 31 October 2007, the core resources required for our Group to operate are as follows: -

**(i) Warehouse**

<b>Location</b>	<b>Type</b>	<b>Approximately m<sup>2</sup> ( '000)</b>
PKLC	Logistics centre	16.2
SALC	Logistics centre	10.4
PGLC	Logistics centre	10.0
PPLC	Logistics centre	8.7
NPLC	Logistics centre	4.6
VDC	Auto Logistics centre	13.3
PDI	Auto Logistics centre	8.8
KLIA AFS	Air Freight Station	2.4
Penang AFS	Air Freight Station	1.0
Senai AFS	Air Freight Station	0.6
<b>Total</b>		<b>76.0</b>

**4. INFORMATION ON THE GROUP (Cont'd)**

## (ii) Vehicles

Type of Vehicles	Approximately Units
Prime movers/ Trucks/ Trailers	535

## (iii) Staff Strength

Further details of our Group employees are set out in Section 5.10 of this Prospectus.

In cases where the shortages occur for the above core resources, the management of our Group has the flexibility to outsource from other logistics service provider such as rental of additional warehouse space, trucks and forklifts or employ additional contracted workers.

**4.3.6 Technology Used /To Be Used**

A significant part of our Group's business involves the utilisation of various IT applications in order to meet the specific requirements of all business divisions. Our Group believes that the application of IT system is crucial to the logistics industry as it increases the efficiency as well as effectiveness of service delivery. Hence, our Group has a team of IT programmers to develop our own in-house IT software under the name of iT@SCO. The IT systems used by our respective divisions and departments are as follows:-

System	Division	Details
iT@SCO	Land Division, International Freight Division, Customs Clearance Department, Container Haulage Department, Finance Department, Sales and Marketing Department	<p>iT@SCO is a web based information systems software that provides a common platform for our operation team to input and process daily operations, for Sales and Marketing Department to issue quotations as well as for Finance Department to issue invoices, credit notes and generate reports.</p> <p>From the operations prospective, iT@SCO manages our operating processes for customs broking, container haulage, trucking and sea freight forwarding. It provides online tracking capabilities and it helps to highlight potential exceptions and make effective business decisions.</p>
YASTEM	Air Division	An extensive global on-line information system used by NYK Group's Air Division which enables customers

**4. INFORMATION ON THE GROUP (Cont'd)**

System	Division	Details
Impulse II	Warehouse Department	<p>to track the cargo status via the internet, with the support of approximately 800 terminals worldwide as well as billing purposes.</p> <p>Impulse II is a Windows based WMS used for the day to day operations of the warehouse. The primary purpose of WMS is to control the movement and storage of incoming and outgoing materials within an operation. The features of this WMS are Location Management, Barcode Operation and EDI. Web features like real time information can be provided to customers through the internet. Customers can monitor their stock level and issue shipping instructions any time of the day. Various reports are available and customized reports can be obtained for each customer's requirement.</p>
Griffin	International Network Solutions Division	<p>Griffin is an enterprise system that manages all the processes in the entire supply chain. It provides timely and accurate information, and facilitates communication and decision-making between all the parties involved.</p> <p>It provides visibility of cargo at every stage of the supply chain. It helps to highlight potential exceptions and make effective business decisions.</p> <p>Griffin provides a number of general reports and KPI reports, which are valuable in making continuous business process improvements.</p>

**4.3.7 Production/Operating Capacities and Output**

The Group is not involved in manufacturing activities, and as such, is not reliant on production or operating capacities.



#### 4. INFORMATION ON THE GROUP (Cont'd)

##### 4.3.8 Quality Control Management

As part of our commitment in delivering consistent quality logistics solutions to our customers, our Group emphasises stringent service quality control during collection and/or delivery of cargoes. Our “5R” service policy focuses on delivering the “R”ight cargoes from our shippers to our “R”ight consignees at the “R”ight place, “R”ight time and “R”ight quantity. Our Group also emphasises responsive and consistent customer services whereby communication channels are kept opened at all times to attend to customer feedback and requests.

As testament to our achievements in service quality and accreditation, our KLIA AFS, Penang AFS, PPLC and SALC have been certified with MS ISO 9001:2000 certifications and our Group was also presented with various awards, as detailed in Section 4.1.2(ii) of this Prospectus. Our Group believes that our stringent quality control procedures have resulted in and will continue to result in high customers’ satisfaction and confidence.

##### 4.3.9 Modes of Sales and Marketing

Our Group’s sales are derived from our domestic and global logistics networks that our Group have established over the years. Our Group has twenty eight (28) offices in Malaysia which are mainly located at all major airports such as KLIA, PIA, SIA and Kuching and seaports such as Port Klang, Penang, Pasir Gudang, Pelabuhan Tanjung Pelepas, Kuantan, Kota Kinabalu and Kuching. This enables us to offer personalised and prompt customer services at major cargo entry and exit points.

Our marketing strategies are as follows:-

- (i) to position ourselves as an established TLSP with full capabilities and resources to act as a one stop global logistics solutions provider;
- (ii) to continuously provide value-added services with the aim of developing long-term business relationships with our customers;
- (iii) to expand our market presence and develop new business opportunities by working in close partnership with both existing and potential customers; and
- (iv) to keep abreast of new technological or industrial developments to stay ahead of competition as well as better meet the needs of our customers.

Our Group achieves our sales primarily through:

- Direct sales;
- Referrals and recommendations;
- NYK Global Account and SEA LIP Account; and
- Other marketing channels.

**4. INFORMATION ON THE GROUP (Cont'd)**

Direct sales	Our Group derives direct sales by marketing directly to our existing and potential customers with the main focus being on Klang Valley, Penang and Johor, where our management team is directly involved in business development.
Referrals and recommendations	Our Group also grows our customer base through referrals and recommendations from existing customers to potential customers.
NYK Global Accounts and SEA LIP Accounts	As part of our synergies with NYK Group, regional meetings are regularly held with other NYK companies to strategise our marketing plans for our NYK Global Accounts and SEA LIP Accounts. NYK Global Accounts are programmed to promote our global logistics network and services to our MNC customers while NYK SEA LIP Accounts are designed to promote our sea, earth and air logistics solutions to our local customers.
Other marketing channels	Our Group markets our logistics solutions through various marketing channels including sales presentations and flyer distribution. In order to keep abreast with the latest developments in the logistics industry, our Group regularly arranges regional marketing meetings with our northern, central and southern marketing teams to develop and adapt our marketing strategies.

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#### 4. INFORMATION ON THE GROUP (Cont'd)

##### 4.3.10 Approvals, Major Licences and Permits Obtained

Details of the approvals obtained by our Group for the Listing from the SC, MITI and FIC together with the conditions imposed by these authorities and status of compliance are set out in Section 6.1 of this Prospectus. Other major approvals, licences and permits obtained by our Group are as follows:-

(a) TASCO

Authority	Description / Type of licence	Major conditions attached	Effective date / Date of expiry	Status of compliance
Kastam Diraja Selangor	Forwarding licence to operate the main branch at: Lot 22, Lengkungan Sultan Hishamudin Kawasan 20, North Klang Straits Industrial Area, 42000 Pelabuhan Klang Selangor	1. For companies registered as a forwarding and shipping agent with the Customs Department after 01.01.1976, the Bumiputera participation in the company involving shareholdings, board of directors, management staff and support staff of the Company shall not be less than:  i. forwarding agent - 51% ii. shipping agent - 30% iii. forwarding and shipping - 51%  at all times.^  2. The Company shall not change its name, sell, transfer or hand over its shares or business to any parties without the permission of the Customs. Any changes involving the shareholdings, the board of directors or the officers of the company, change of address and any other matters related to the Customs must be approved by the Customs Department, Port Klang.  3. If the Company is registered as a forwarding and shipping agent before 1 January 1976 and is either Malaysian owned or foreign owned with a paid-up	09.10.2006 / 31.10.2008	Complied

## 4. INFORMATION ON THE GROUP (Cont'd)

Authority	Description / Type of licence	Major conditions attached	Effective date / Date of expiry	Status of compliance
Kastam Diraja Selangor/ Kastam Diraja Malaysia	Forwarding licence to operate branches at: (a) Lot 2, Padang Besar Industrial Estate Jalan Kampung Kolam 02100 Padang Besar (U) Perlis (b) Lot 5, Block A Cargo Agent Building MAS Complex Penang International Airport 11900 Bayan Lepas Pulau Pinang (c) Lot 247, Lorong Perusahaan 10 Prai Industrial Complex 13600 Prai Pulau Pinang (d) 11A, Jalan Perindustrian Silibin 1 Kawasan Perindustrian Ringan Silibin 30100 Ipoh Perak (e) Lot A-7 Malaysian Airlines Freight Forwarders Complex KLIA Cargo Village Free Commercial Zone Southern Support Zone Kuala Lumpur International Airport 64000 KLIA Selangor	capital of more than RM50,000, the Company shall offer not less than 30% of its shares to Bumiputeras or offer a Bumiputera Participation Scheme approved by the Treasury. This condition shall be complied with within 1 year from the date of this licence.  1. The Company shall not change its name, sell, transfer or hand over its shares or business to any parties without the permission of the Customs. Any changes involving the shareholdings, the board of directors or the officers of the company and any other matters related to the Customs must be approved by the Director of Customs for the state of Selangor.  2. The Bumiputera participation in the company in terms of shareholdings, board of directorships or partnerships and staff shall not be less than 51% in respect of a forwarding agent and not less than 30% in respect of a shipping agent at all times.  <u>Further major conditions imposed by Kastam Diraja Johor (applicable to those marked <sup>(***)</sup>):</u>  1. For a company engaging in business activities as a forwarding agent, the percentage of Bumiputera participation involving shareholdings, board of directors, management staff and support staff of the Company shall not be less than 51% at all times. This condition is 30% in respect of a shipping agent. ^	09.10.2006 / 31.10.2008	Complied
				Complied
				Complied

## 4. INFORMATION ON THE GROUP (Cont'd)

Authority	Description / Type of licence	Major conditions attached	Effective date / Date of expiry	Status of compliance
(f)	7, Jalan IMJ 4 Taman Industri Malim Jaya 75250 Melaka			Complied
(g)	Lot 5646 Jalan Seelong 81400 Mukim Senai Daerah Kulai Johor Bahru, Johor*	2. The Company shall not change its name, sell, transfer or hand over its shares or business to any parties without the permission of the Customs. Any changes involving the shareholdings, the board of directors or the officers of the company and any other matters related to the Customs must be approved by the Royal Customs Department, Johor Bahru.		Complied
(h)	Lot 26, Jalan Cecair Kawasan Perindustrian Zon Bebas Lembaga Pelabuhan Johor 91707 Pasir Gudang Johor*	3. If the Company is categorised as a locally owned agency with a paid-up capital of more than RM50,000, the Company shall offer at least 30% of its shares to Bumiputeras or offer a Bumiputera Participation Scheme approved by the Treasury. This condition shall be complied with within 1 year from the date of this licence.		Complied
(i)	No 39, (1 <sup>st</sup> Floor) Jalan Ah Siang 80300 Johor Bahru			
(j)	P5, SL 1417, PL 12 Jalan Setia Raja Muara Tabuan Light Industrial Park 93350 Kuching Sarawak			
(k)	A-3, Jalan Gebeng 2/6 Pusat Perkhidmatan Gebeng 26080 Kuantan Pahang			
(l)	Lot No. D5, DBKK 03 Taman Industri Warisan Indah Lorong Indah Warisan Indah 2 88450 Inanam Kota Kinabalu, Sabah			

## 4. INFORMATION ON THE GROUP (Cont'd)

Authority	Description / Type of licence	Major conditions attached	Effective date / Date of expiry	Status of compliance
Kastam Diraja Malaysia	Warehouse licence to operate at: Lot 22, Lengkungan Sultan Hishamuddin Kawasan 20, Selat Klang Utara 42000 Pelabuhan Klang Selangor	The licensee is required to inform the Customs Officer in charge in Port Klang in the event there is a change in the Company's Board of Directors.	01.10.2007 / 30.09.2009	Complied
Kastam Diraja Malaysia	Warehouse licence to operate at: Lot 247, Lorong Perusahaan 10 Kawasan Perusahaan Perai 13600 Perai Pulau Pinang	The licensee is required to inform the Customs Officer in charge at the warehousing branch in Seberang Perai in the event there is a change in the Company's Board of Directors.	01.04.2007 / 31.03.2009	Complied
Kastam Diraja Malaysia	Warehouse licence to operate at: Lot 12, Lengkungan Sultan Hishamuddin Kawasan Perindustrian Selat Klang Utara Kawasan 20, Bandar Sultan Sulaiman 42000 Pelabuhan Klang Selangor	The licensee is required to inform the Customs Officer in charge in Port Klang in the event there is a change in the Company's Board of Directors.	01.08.2007 / 31.07.2009	Complied
Malaysia Airports (Sepang) Sdn Bhd	Free trade zone permit to operate at: Lot A-7, MAS Cargo Complex Free Commercial Zone 64000 KLIA Selangor	Prior to change of address or cease of operation at FCZ KLIA, the licence holder shall give 30 days notice in writing to Malaysia Airports (Sepang) Sdn Bhd.	19.06.2007 / 29.06.2009	Noted
Pihak Berkuasa Zon Bebas, Johor Port Berhad	Free trade zone permit to operate at: Lot 26, Jalan Cecair Kawasan Zon Bebas Pelabuhan Johor 81700 Pasir Gudang Johor	The operator is required to inform the Free Zone authority in the event of a change in the composition of the Board of Directors.	01.07.2006 / 30.06.2008	Complied

## 4. INFORMATION ON THE GROUP (Cont'd)

Authority	Description / Type of licence	Major conditions attached	Effective date / Date of expiry	Status of compliance
Pihak Berkuasa Zon Perdagangan Bebas, Malaysia Airlines	Free trade zone permit to operate at: 49 & 51, Dis3plex, Zon Perdagangan Bebas Gudang Penghantaran Kargo Udara Lapangan Terbang Antarabangsa 11960 Jalan Batu Maung Pulau Pinang	Nil	01.01.2007 / 31.12.2007	N/A
Pihak Berkuasa Zon Perdagangan Bebas, Malaysia Airlines	Free trade zone permit to operate at: Block A, Lot 5, Kompleks Kargo MAS Lapangan Terbang Antarabangsa 11900 Jalan Batu Maung Pulau Pinang	Nil	01.01.2007 / 31.12.2007	N/A

Note:  
^

Vide a letter dated 3 January 2002 the Royal Malaysian Customs confirmed that the companies listed on Bursa Malaysia are required to offer 30% of its shares to Bumiputera or offer such shares via any Bumiputera participation schemes approved by the Treasury.

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## 4. INFORMATION ON THE GROUP (Cont'd)

b) PKSB

Authority	Description / Type of licence	Major conditions attached	Effective date / Date of expiry	Status of compliance
Jabatan Kastam Diraja Malaysia	Forwarding licence to operate branches at: (a) Lot A-7, MAS Kargo Kompleks, FCZ 64000 KLIA Sepang, Selangor	1. The percentage of Bumiputera shareholders, Board of Directors, management staff and support staff of the Company must not be less than 51% in respect of forwarding agent and 30% in respect of shipping agent at all times.  2. The Company shall not change its name or address, sell, transfer or hand over its shares or business to any parties without the approval of the Customs.	01.07.2007 / 30.06.2009	Complied

c) OSSB

Authority	Description / Type of licence	Major conditions attached	Effective date / Date of expiry	Status of compliance
Jabatan Kastam Diraja Malaysia	Forwarding licence to operate branches at: (a) Lot A-7, MAS Kargo Kompleks, FCZ 64000 KLIA, Sepang, Selangor	1. The Bumiputera participation in the company in terms of shareholdings, board of directors or partnerships and staff shall not be less than 51% in respect of a forwarding agent and not less than 30% in respect of a shipping agent at all times.  2. The Company shall not change its name or address, sell, transfer or hand over its shares or business to any parties without the approval of the Customs.	01.09.2007 / 31.08.2009	Complied



**4. INFORMATION ON THE GROUP (Cont'd)****4.3.11 Brand Names, Patents, Trade Marks, Licences, Technical Assistance Agreements, Franchises And Other Intellectual Property Rights**

As at 31 October 2007 (being the latest practicable date prior to the printing of this Prospectus), our Company has several brand names currently used in our day-to-day business and they are as follows:-

- (i) TASCO
- (ii) Harimau Express
- (iii) NYK Logistics & Megacarrier
- (iv) Yusen Global Logistics Air and Sea Service

As at 31 October 2007 (being the latest practicable date prior to the issuance of this Prospectus), our Company has the following trade mark agreement which our Company is currently using in our day-to-day business:-

	Description / Type of licence	Effective date	Major conditions attached
1.	Agreement on the Use of Trademark (Service Mark) entered into between NYK and our Company, whereby NYK grants us non-exclusive use of the trademark "NYK Logistics & Megacarrier" with the original application numbers 2000-134382, 2000-134406, 2000-134424, 2000-134451 and 2000-134468 (the "Trademark").	This Agreement will remain in effect for a period of one (1) year from 3 May 2001 and will be automatically renewed for successive periods of one (1) year unless either party informs the other party of any particular intention at least one month prior to the expiration of the original and subsequent one year terms.	<ul style="list-style-type: none"> <li>1) TASCO may not allow a third party the use of the Trademark and not to file the applications for registration of the Trademark or similar Trademark(s) without NYK's consent.</li> <li>2) The use of the Trademark shall be limited to incorporation into business cards and pamphlets which shall be used in TASCO's business activities.</li> <li>3) The use of the Trademark for other purposes is prohibited without NYK's written consent.</li> <li>4) The Trademark shall not be used outside the scope of the designated services of the Trademark set out in the attachment to this Agreement.</li> <li>5) It is agreed that TASCO shall indemnify and hold NYK harmless in respect of any liability for losses and damages which NYK may sustain by reason of TASCO's use of the Trademark.</li> <li>6) This Agreement is governed by the laws of Japan.</li> </ul>

**4. INFORMATION ON THE GROUP (Cont'd)**

	Description / Type of licence	Effective date	Major conditions attached
2.	Agreement for Right to Usage of Trademark dated 16.03.2001 (" <b>Agreement</b> ") entered into between Nippon Yusen K.K (Co, Ltd) (" <b>Nippon Yusen</b> ") and Yusen Koku Services K.K. (Co. Ltd) (" <b>Yusen Koku</b> ") whereby Nippon Yusen agrees to grant to Yusen Koku the use of the service mark 'Yusen Global Logistics Air & Sea Service' (" <b>Trademark</b> ").	The Agreement is effective as long as the Trademark rights exist which shall commence from the date of execution of the Agreement.	1) The usage of the Trademark is limited to use by the branch offices of Nippon Yusen in Japan and 25 overseas offices of Yusen Koku as listed in the attached schedule (" <b>Schedule</b> ") and the usage shall also be limited to acts as designated in the Schedule.

TASCO has filed trademark applications with the Registry of Trade Marks, Malaysian Intellectual Property Corporation office on 21 August 2006 for registration of the trademarks "TASCO and Device" (Application Number: 06014882) "HARIMAU EXPRESS and Device" (Application Number: 06014881). The applications were filed in respect of goods under Class 39, which is for transportation services (land, air and sea), freight forwarding services, warehousing services, storage and distribution of vehicles/goods, and packaging services of goods. The marks are now pending examination by the Registrar of Trade Marks. TASCO is awaiting the Registrar's acceptance of the marks.

**4.3.12 Dependency on Contracts or Arrangements**

There are no patents, licences, industrial, commercial or financial contracts (including informal arrangements or understandings), as at 31 October 2007, being the latest practicable date prior to the issuance of the Prospectus, which have been entered into by TASCO and / or its subsidiary companies which TASCO Group is highly dependent upon.

**4.3.13 Research and Development**

Due to our Group's non-manufacturing nature of business, our Group does not engage in research and development activities. Our Group, however, strives to continuously develop and enhance the quality of our services through staff training and development programmes, attend external conferences and participate in trade fairs to keep abreast with the latest development in the logistics industry. Our Group will adopt the appropriate latest technologies, if need be, to maintain our competitiveness.

**4.3.14 Interruptions in Business for the Past Twelve (12) Months**

There has not been any interruption in the form of trade disputes or major operational breakdown occurring within and outside our Group that may significantly impair our Group's business performance during the past twelve (12) months.

**4. INFORMATION ON THE GROUP (Cont'd)****4.4 MAJOR CUSTOMERS**

Our major customers who individually contribute more than 10% of our Group's total revenue for each of the last three (3) financial years ended 31 December 2004 to 2006 and 8-month financial period ended 31 August 2007 are as follows:-

**8-month financial period ended 31 August 2007**

No.	Name of Customer	Sales Contribution (%)	Length of Relationship (Years)	Country of Origin	Services rendered
		2007			
1	SSCSM	15.37	>20	Malaysia	Total Logistics Solutions

**Financial year ended 31 December 2006**

No.	Name of Customer	Sales Contribution (%)	Length of Relationship (Years)	Country of Origin	Services rendered
		2006			
1	SSCSM	14.28	>20	Malaysia	Total Logistics Solutions

**Financial year ended 31 December 2005**

No.	Name of Customer	Sales Contribution (%)	Length of Relationship (Years)	Country of Origin	Services rendered
		2005			
1	SSCSM	18.05	>20	Malaysia	Total Logistics Solutions

**Financial year ended 31 December 2004**

No.	Name of Customer	Sales Contribution (%)	Length of Relationship (Years)	Country of Origin	Services rendered
		2004			
1	SSCSM	24.33	>20	Malaysia	Total Logistics Solutions

Although SSCSM contributed more than 10% to the total turnover of our Group for financial period ended 31 August 2007, the following are some of the mitigating factors:-

- Our Group builds a wider customer base through fostering close business relationships with our customers. As at 31 October 2007, our customer base consists of approximately 1,500 active customers.
- Having dealt with SSCSM for the past twenty (20) years, our Group has established a long term business relationship with them. As a testament to our Group's established track records, nine (9) of our top ten (10) customers have been dealing with us for more than ten (10) years.
- With our efforts in diversifying our customer base, our Group's reliance on SSCSM has been reduced from approximately 24% in 2004 to approximately 15% in 2007.

**4. INFORMATION ON THE GROUP (Cont'd)****4.5 MAJOR SUPPLIERS**

Our major suppliers who individually contributed more than 10% of our Group's total cost of sales for each of the last three (3) financial years ended 31 December 2004 to 2006 and 8-month financial period ended 31 August 2007 are as follows:-

**8-month financial period ended 31 August 2007**

No.	Name of Supplier	Purchases Contribution (%)	Length of Relationship (Years)	Country of Origin	Services rendered
		2007			
1	MAS Kargo	13.60	>20	Malaysia	Air cargo carrier

**Financial year ended 31 December 2006**

No.	Name of Supplier	Purchases Contribution (%)	Length of Relationship (Years)	Country of Origin	Services rendered
		2006			
1	MAS Kargo	14.95	>20	Malaysia	Air cargo carrier

**Financial year ended 31 December 2005**

No.	Name of Supplier	Purchases Contribution (%)	Length of Relationship (Years)	Country of Origin	Services rendered
		2005			
1	MAS Kargo	10.52	>20	Malaysia	Air cargo carrier

**Financial year ended 31 December 2004**

There were no suppliers who individually contributed more than 10% of our Group's total cost of sales for financial year ended 31 December 2004.

TLSPs typically engage various logistics service providers, which include transportation service providers and owners of warehousing facility to augment their transportation and warehousing infrastructure. Third-party transportation and storage charges are typically competitive, reflecting the numerous logistics service providers available in the market. Our Company has been dealing with our major suppliers for over twenty (20) years.

Although MAS Kargo contributed more than 10% for financial year ended 31 August 2007, the following are some of the mitigating factors:-

- Our Group has an established business relationship with MAS Kargo. Our Group has been dealing with MAS Kargo for over twenty (20) years.
- Our supplier base consists of approximately three hundred (300) active suppliers. As such, our Group can source capacity from alternative suppliers if necessary.

#### 4. INFORMATION ON THE GROUP (Cont'd)

##### 4.6 INDUSTRY OVERVIEW

###### 4.6.1 Overview and Outlook of the Global Economy

The world economy is expected to continue expanding for the fifth consecutive year in 2007, albeit at a more moderate pace, amidst high crude oil prices and uncertainties in the economy of the United States (US). While growth is relatively lower than the 2006 performance, it is nonetheless expected to remain strong with further expansion in economic activities, especially in the fast-growing emerging economies, notably China, India and Russia, as well as recovering Europe and Japan. Global inflation remains at manageable levels although it has edged upwards due to high crude oil prices.

For the advanced countries, growth is more balanced across regions with the steady recovery in Europe and Japan partially offsetting the moderation in the US. Developing countries, primarily driven by investment and robust trade, are expected to outperform advanced countries and increasingly contribute to global growth. In this context, China, India and Russia are anticipated to account for more than half of this year's growth. Rapid growth has also led several large developing countries to significantly contribute to outward foreign direct investment (FDI), an area where traditionally, developed countries were the main sources.

The more widely-shared growth in 2007 is expected to spill over into 2008, with world trade and investment projected to continue steadily expanding, and against a backdrop of relatively benign inflation. The favourable environment is expected to contribute positively to the Malaysian economy. In addition, Malaysia's continued engagement in regional and multilateral cooperation is set to further deepen its integration with the global economy.

The global economy is expected to expand at 5.2% in 2007, mainly driven by robust growth in China, India as well as Russia, which is envisaged to offset the impact of moderation in the US economy arising from the housing market slump and dampened consumer spending. Although global growth remains strong, inflation is still at a manageable level.

Global growth in 2008, expected to be generally more broad-based both across regions and within countries, will continue to spur world trade and investment flows. Growth in world trade volume is projected at 7.4% in 2008 (2007: 7.1%), supported by steady demand-driven expansion in global high-technology industries, commodities and services. With regard to investment, global FDI is expected to remain strong, driven by rising M&A activities, sustained economic growth and an increase in fixed capital spending. Leading FDI recipients among the developed countries would be the US, Belgium, Luxembourg, France and the UK, while China, Hong Kong SAR, Singapore and India are expected to be the top four among newly-industrialised and emerging economies.

The positive outlook, however, could be affected by a fallout of the US subprime mortgage crisis, impacting on the real economy in the US and the global economy. The ensuing credit crunch prompted central bank intervention in early August to ease pressures on the global financial system, but the effectiveness of the measures has yet to be determined. Other near-term risks include the possibility of a disorderly unwinding of global imbalances, and global inflationary pressures arising from higher crude oil prices.

#### 4. INFORMATION ON THE GROUP (Cont'd)

In the longer term, risks that could undermine growth encompass trends such as aging population and rising protectionist sentiments, as well as environmental consequences of rapid development. These issues will continue to be discussed at various regional and multilateral fora with a view to ensuring economic stability and sustainable development.

Notwithstanding these risks, the global economy is anticipated to continue expanding at 5.2% in 2008 (2007: 5.2%) with Japan, Europe and emerging Asia, in particular China and India, counterbalancing a possible moderation of the US economy. Malaysia is well positioned to take advantage of the growing external market as well as the increasing trade and investment opportunities, supported by continuous efforts to enhance national competitiveness and resilience.

*(Source: Economy Report 2007/2008)*

##### 4.6.2 Overview and Outlook of the Malaysian Economy

Economic management in 2007 is focused on enhancing domestic resilience to facilitate growth and development as envisaged in the National Mission. In this context, initiatives were taken to encourage the private sector to assume a leading role in economic development. Efforts were taken to liberalise the Foreign Investment Committee (FIC) guidelines, reduce corporate tax to 26% in 2008 and attract investment through special incentives, particularly in the Iskandar Development Region (IDR). Towards strengthening human capital development, three key policy documents, namely the Education Blueprint 2006-2010, the Strategic Plan for Higher Education: Laying the Foundation Beyond 2020 and the Higher Education Action Plan 2007-2010 were launched, setting the stage for the creation of an innovative and skilful workforce. Efforts were also undertaken to address security and safety concerns as well as improve the public transportation system to enhance the quality of life of the population. To further improve the public delivery system, a special task force comprising high-level government officials and captains of industry (PEMUDAH) and the Public Delivery Monitoring Panel (Panel 3P), were established to review and improve Government processes and procedures. One such initiative is the setting up of one-stop centres (OSCs) to expedite approval and delivery of completed properties.

While pursuing these measures, the Government remains committed towards growth with equity and prudent fiscal management. Towards equitable and balanced growth, key initiatives include initiating five economic corridors across the country, intensifying efforts on the eradication of hardcore poverty and furthering the Bumiputera agenda, such as through the establishment of Pelaburan Hartanah Bumiputera Berhad (PHBB). The Government is both pragmatic and prudent in maintaining a sustainable deficit. The increase in Government spending is fully supported by higher revenues. The progressive consolidation of the fiscal deficit to 3.2% of nominal gross domestic product (GDP) in 2007, provides the Government with flexibility to respond to external shocks. Domestic consumption-led growth and the diversification of the economy continue to strengthen domestic resilience, particularly in the context of global uncertainties arising from global imbalances and the recent market volatility caused by the subprime mortgage issue.

**4. INFORMATION ON THE GROUP (Cont'd)**

The Malaysian economy is expected to register robust growth in 2008, with real GDP expanding between 6.0% and 6.5%. This translates to a 6.8% growth in nominal per capita income, rising from RM22,345 in 2007 to RM23,864 in 2008 or in PPP terms from USD13,289 to USD14,206. With an unemployment rate of 3.3%, the Malaysian economy will continue to operate under full employment. In tandem with the Government's efforts to ensure fiscal sustainability, the fiscal deficit will continue to decline to 3.1% of GDP. Malaysia's balance of payments position is expected to remain strong with the current account recording a surplus for the eleventh consecutive year. The current account surplus amounting to 13.0% of GDP will emanate from the goods and travel account. These developments augur well for all Malaysians and keep the nation on track towards realising Vision 2020.

*(Source: Economic Report 2007/2008)*

**4.6.3 Overview and Outlook of the Malaysian Manufacturing Sector**

The manufacturing sector is expected to grow 3.1% in 2007 (2006: 7.1%) supported by domestic-oriented industries, particularly chemicals and chemical products, food and construction-related industries. During the first half of the year, softer external demand, particularly for E&E products, textiles and apparels as well as machinery and equipment affected the overall performance of the sector, which grew 0.5% (January-June 2006: 8.8%).

Output in the domestic-oriented industries grew 5.3% while export-oriented industries contracted 1.9% during the first six months (January-June 2006: 5.0%; 11.1%). Despite contraction in output, the export-oriented industries continue to remain as a major contributor to the total manufactured output. Meanwhile, sales value of the sector increased 2.9% to RM248 billion (January-June 2006: 9.4%; RM241 billion), mainly contributed by the increase in sales of electronic valves and tubes as well as basic iron and steel products. During the period under review, capacity utilisation of the sector edged higher to 80.4%, particularly, paper, chemical and rubber-based products.

Value added in the manufacturing sector is projected to grow by 3.8% (2007: 3.1%) in line with expansion in global trade. Global demand for manufactured goods, particularly E&E products, is expected to rise sharply, underpinned by sustained world growth and strengthening US economy. This will benefit Malaysia's export-oriented industries. Output of resource-based products is expected to expand due to strong demand for refined petroleum products, plastics and chemicals including biofuels, rubber gloves as well as wooden furniture and fixtures. Growth in non-metallic minerals and metal industries will be further supported by increased activity in the domestic economy, in particular construction.

*(Source: Economic Report 2007/2008)*

**4. INFORMATION ON THE GROUP (Cont'd)****4.6.4 Overview and Outlook of the Malaysian Services Sector**

Value added of all sectors in the economy is expected to record positive growth, led by the services sector. In 2007, the services sector is expected to register solid growth of 9.0% (2006: 7.2%), exceeding the overall expansion of the economy. Growth in the sector is projected to surpass that of the manufacturing sector and contribute 4.6 percentage points to GDP growth (2006: 3.7 percentage points). This reflects a gradual shift in the structure of the Malaysian economy, from manufacturing to services.

Growth in the services sector is led by the intermediate services group comprising finance and insurance, real estate and business services, transport and storage as well as communication sub-sectors. The intermediate services group is estimated to grow at a faster pace of 10.6% in 2007 (2006: 7.6%), underpinned by double-digit

All sectors of the economy are expected to register steady growth in 2008, led by services, reinforced by faster pace in construction activities as well as high global electronics demand. The services sector is forecast to sustain solid growth at 8.6% (2007: 9.0%) with favourable performance across all sub-sectors. Strong domestic consumption spending as well as higher tourist arrivals and establishment of new retail outlets will contribute to sturdy growth in the wholesale and retail trade as well as the accommodation and restaurants sub-sectors. In addition, real estate and business services as well as finance and insurance sub-sectors are expected to benefit mainly from increased property transactions and continued expansion in the demand for IT-related and financial services. Growth in the transport and storage as well as communication sub-sectors are expected to be sustained, following upgrading of port facilities, higher investment in the air and land transportation segments as well as enhancement in the telecommunications network.

*(Source: Economic Report 2007/2008)*

**4.6.5 Overview of Malaysian Export and Import Performance**

Exports moderated to 1.1% (January-June 2006: 10.5%) in the first six months of the year amidst continued soft external demand for E&E products, in particular semiconductor devices, automatic data processing (ADP) machines and parts as well as telecommunications equipment and parts. However, export growth is expected to pick up momentum towards the second half of the year, supported by firm commodity prices and an upswing in the global demand for E&E products. For the year, gross exports are expected to remain strong despite a moderate expansion in global trade. Gross export earnings free on board (f.o.b) are projected to grow at 4.8% (2006: 10.3%) contributed by manufactured goods which comprise 79.3% of total exports. Meanwhile, robust global demand for major commodities such as palm oil, crude petroleum and LNG is expected to boost export receipts of agriculture and mineral products by 33.6% and 8.3% (2006: 14.6%; 9.3%), respectively. Given the strong performance, Malaysia is expected to record a trade surplus for the 10<sup>th</sup> consecutive year since 1998.

Gross imports valued at cost, insurance and freight (c.i.f.) are expected to expand 7.6% in 2007 to RM517,264 million (2006: 10.8%; RM480,773 million). During the first six months of the year, gross imports increased 3.5% to RM239,393 million (January-June 2006: 12.6%; RM231,237 million) following strong demand for intermediate goods which accounted for 71.5% of total imports. Likewise, imports of consumption goods grew in consonant with resilient household spending and increased tourist arrivals. The level of



#### 4. INFORMATION ON THE GROUP (Cont'd)

imports of capital goods was sustained. In terms of product sectors, imports included mainly E&E products, machinery, appliances and parts, chemical and chemical products, manufactures of metal as well as iron and steel products.

(Source: Economic Report 2007/2008)

##### 4.6.6 The Cargo Logistics Industry

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.

Components of the logistics industry value chain	Functions
Freight forwarding (air and ocean)	<ul style="list-style-type: none"> <li>i) Custom brokerage</li> <li>ii) Port clearance</li> <li>iii) Ship/airplane chartering/shipping agency</li> </ul>
Port operation	<ul style="list-style-type: none"> <li>i) Cargo loading/unloading</li> </ul>
Transportation	<ul style="list-style-type: none"> <li>i) Shipping, rail and air transportation</li> <li>ii) General trucking</li> <li>iii) Container haulage</li> </ul>
Warehousing and related activities	<ul style="list-style-type: none"> <li>i) General warehousing</li> <li>ii) Bonded warehousing</li> <li>iii) Cold room</li> <li>iv) International procurement centre</li> </ul>
Value-added services	<ul style="list-style-type: none"> <li>i) Cargo deconsolidation/consolidation</li> <li>ii) Domestic or regional distribution</li> </ul>

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.

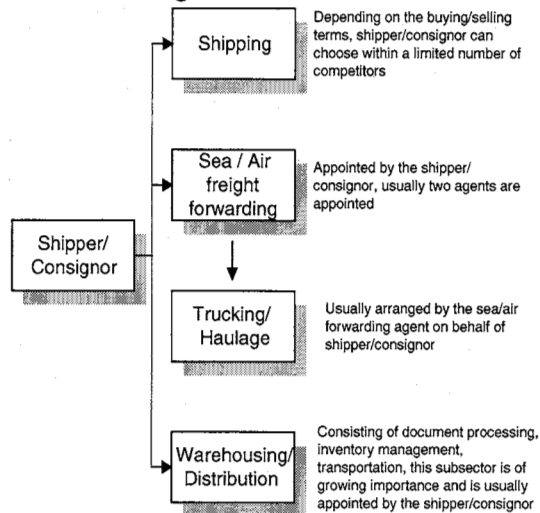
In the current economy, which places increasing focus on cash flows, tight inventory management, and JIT processes, customers have increasingly required intermediaries to provide total logistics solutions rather than just transportation-centric services.

The charts below which depict 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.

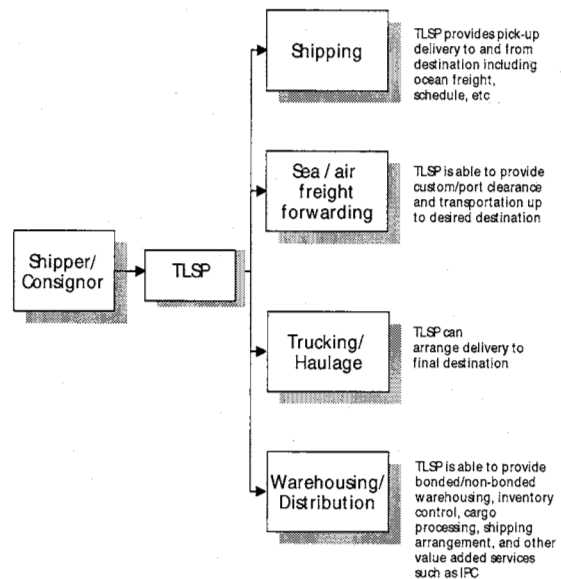
#### 4. INFORMATION ON THE GROUP (Cont'd)

##### The logistics process: old and new

##### Traditional logistics chain model



##### TLSP



(Source: IMR)

#### 4.6.7 Rising Significance of TLSPs

Due to the rising complexity of today's logistics processes, including the high cost of establishing adequate infrastructures 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 the 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.

(Source: IMR)

#### 4. INFORMATION ON THE GROUP (Cont'd)

##### 4.6.8 Differing Segments of the Logistics Industry

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

Subsector	Market characteristics	Barriers to entry	Competition	Pricing Power	Comments
Airfreight forwarding	Fragmented	Moderate	Moderate	Moderate	More capital intensive than seafreight 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.

There are numerous companies involved in the highly 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 which typically have many offices and employ hundreds of staff.

There are two (2) broad categories of TLSPs:-

- (i) TLSPs with global alliances

Among the characteristics of global alliances include:-

- (a) extensive international network;
- (b) wide range of services and geographical coverage;
- (c) common IT system base; and
- (d) 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.

**4. INFORMATION ON THE GROUP (Cont'd)**

- (ii) 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.

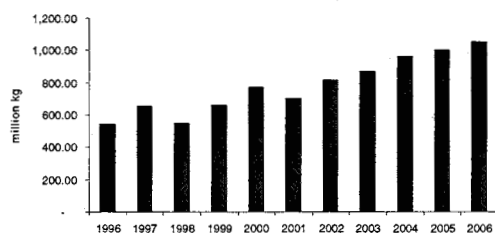
(Source: IMR)

**4.6.9 Past Performance of the Logistics Industry**

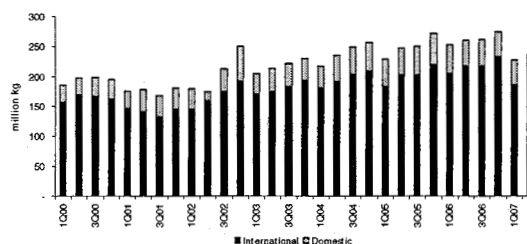
Over the years, the government has placed increasing emphasis on the development of Malaysian ports. Focus has been on expanding capacity, upgrading and increasing equipment and facilities as well as enhancing the efficiency of ports and port-related services. Cargo throughput in Port Klang has had a double digit growth since the introduction of the load centering policy in 1993, where Port Klang was designated as the national load center for local and regional containers. As such, cargos from all other Malaysian ports are being consolidated where possible through Port Klang. The highest growth was at 40% in 1999 at 2.5m TEU (1998: 1.8m TEU). Total cargo movement in Malaysian ports grew by 10.2% y-o-y in 2004 and climbed to 39.5% in 2005. The healthy increase is reflective of the buoyant economic growth enjoyed by the country.

Annual air cargo movements in Malaysian airports steadily increased from 2001 onwards. In 2006, growth for air cargo movements was at 5.1% y-o-y mainly supported by international movements which grew at 7.7% from 2005 whereas domestic cargoes dropped by 5.9% y-o-y. Total cargo movement was highest in the Kuala Lumpur International Airport followed by Penang Airport. Quarterly data shows that domestic movement grew slightly between 1Q00 and 1Q06, whereas international air cargo movement grew steadily. Cargo movements are affected by the seasonality factor where the fourth quarter of every year is usually the busiest, and the first quarter is usually quiet. Q-o-q, air cargo movement for 2Q07 grew by 4% compared to 1Q07.

**Annual Air Cargo Movement**

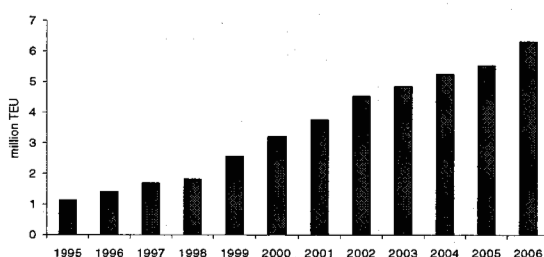


**Quarterly Air Cargo Movement**

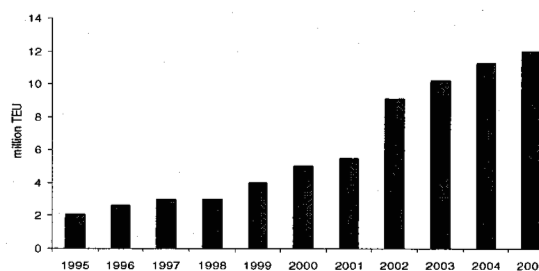


#### 4. INFORMATION ON THE GROUP (Cont'd)

##### Cargo Throughput in Port Klang



##### Cargo Throughput in All Malaysian Ports



(Source: IMR)

#### 4.6.10 Future Growth of the Logistics Industry

The following sub-segments illustrate potential opportunities for the general cargo logistics industry.

##### (i) Growth of Electronic Exports

Exports of electronics constituted 60% of Malaysia's export value during January-June 2007, according to the Department of Statistics (see table below for a detailed breakdown of manufacturing exports). Higher global semiconductor sales could lead to stronger exports from Malaysia.

##### Malaysia: Manufacturing Exports (January – June)

	RM million		Change (%)		Share (%)	
	2006	2007	2006	2007	2006	2007
<b>Electronics, electrical and machinery appliances</b>	<b>143.1</b>	<b>136.8</b>	<b>6.9</b>	<b>-4.4</b>	<b>62.9</b>	<b>59.8</b>
Semiconductors	45.0	46.5	1.0	3.3	19.8	20.3
Electronic equipment and parts	61.3	54.8	13.8	-10.6	26.9	24.0
Machinery and electrical products	36.8	35.5	3.7	-3.6	16.2	15.5
<b>Non E&amp;E</b>	<b>84.5</b>	<b>92.1</b>	<b>16.1</b>	<b>8.9</b>	<b>37.1</b>	<b>40.2</b>
Chemicals, chemical and plastic products	16.5	20.1	2.4	22.1	7.2	8.8
Iron, steel and metal products	11.1	12.7	29.3	14.4	4.9	5.5
Petroleum products	12.1	11.5	34.9	-5.2	5.3	5.0
Wood-based products	6.7	7.4	5.2	9.7	2.9	3.2
Textiles, apparel and footwear	5.4	5.0	8.9	-8.4	2.4	2.2
Food, beverages and tobacco	5.4	6.3	13.3	15.4	2.4	2.7
Rubber products	4.2	5.0	28.1	16.7	1.9	2.2
Transport equipment	5.1	4.0	80.0	-21.0	2.2	1.7
Non-metallic mineral products	1.6	1.8	12.0	14.9	0.7	0.8
Other manufactured goods	16.4	18.4	6.2	12.3	7.2	8.0
<b>Total</b>	<b>227.6</b>	<b>228.8</b>	<b>10.1</b>	<b>0.5</b>	<b>100.0</b>	<b>100.0</b>

**4. INFORMATION ON THE GROUP (Cont'd)**

## (ii) Improvement of Infrastructure

Going forward, the Malaysian Government has planned for capacity expansion of the country's transportation infrastructure. Together with several private sector initiatives, the improvement in infrastructure should support growth in transport services. In the nation's mission towards achieving developed nation status by 2020, the Government has outlined its policies, key programs and projects for 2006-2010 in the Ninth Malaysia Plan ("9MP"). For the 9MP period, the Government has planned RM30.3 billion in expenditure (8MP:RM30.9 billion) to increase capacity, upgrade and refurbish infrastructure networks to meet rising demand and improve service delivery. The domestic expenditure and allocation for infrastructure and utilities for 2001 to 2010 is as follows:-

Sector	8MP Expenditure (RM Million)	9MP Allocation (RM Million)	% Growth
<b>Transport</b>			
Roads	18,451.4	17,303.1	(6.2)
Urban Transport	706.6	1,565.5	121.6
Rail	5,270.1	3,634.9	(31.0)
Ports	2,443.0	1,290.0	(47.2)
Airports	1,779.3	2,868.5	61.2
Rural Roads <sup>1</sup>	2,286.1	3,642.4	59.3
	<b>30,936.5</b>	<b>30,304.4</b>	<b>(2.0)</b>

Note:-

1. Includes village roads.

## (iii) Iskandar Development Region

Several developments are being planned in the Iskandar Development Region that could potentially create significant business opportunities for total logistics providers. Senai Airport Terminal Services Sdn Bhd ("SATS") has developed a comprehensive 20-year master plan to transform Senai International Airport and its surroundings to a world-class airport city comprising of transportation, logistics, commercial, retails and tourist development.

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#### 4. INFORMATION ON THE GROUP (Cont'd)

##### (iv) Rising Outsourcing of Logistics Services

Manufacturers have increasingly outsourced their logistics operations to save costs. One example is TASC0's IPC operations for a large Japanese electronics manufacturer. TASC0 warehouses and distributes, on demand, components to customers' factories.

(Source: IMR)

#### 4.6.11 Industry Players and Competition

There are many niche players in operating in the eight (8) main sub-sectors, as highlighted in Section 4.6.8 above. The analysis of the industry players within each sub-section is set out below:-

##### 4.6.11.1 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**

<b>On behalf of the consignor (exporter)</b>	<b>On behalf on consignee (importer)</b>
<ul style="list-style-type: none"> <li>• Chooses the route, mode of transport and a suitable carrier</li> <li>• Books space with the selected carrier</li> <li>• Takes delivery of goods and issues relevant documentation</li> <li>• Ensures proper provision of the letter of credit and observance of governments regulations in the importing, exporting and transit countries</li> <li>• Packs the goods, arranges for warehousing and insures the goods</li> <li>• Arranges for transportation and customs clearance</li> <li>• Pays fees (including freight charges and foreign exchange transactions)</li> <li>• Obtains signed bill of lading from the carrier, arranges delivery for consignor</li> <li>• Monitors the movement of goods all the way to the destination</li> <li>• Assists the consignor in pursuing claims (if any)</li> </ul>	<ul style="list-style-type: none"> <li>• Monitors the movement of goods (if the consignee is in control of the freight)</li> <li>• Receives and checks all relevant documents</li> <li>• Takes delivery of the goods from the carrier</li> <li>• Arranges customs clearance and pays duties/fees</li> <li>• Arranges transit warehouse (if necessary)</li> <li>• Delivers cleared goods to consignee</li> <li>• Assists the consignee in pursuing claims (if any)</li> <li>• Assists in warehousing and distribution (if necessary)</li> </ul>

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.

#### 4. INFORMATION ON THE GROUP (Cont'd)

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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.

##### 4.6.11.2 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.

TASCO is a TLSP which also operates eleven (11) truck freight stations on a 24-hour basis under the brand name “Harimau Express”.

##### 4.6.11.3 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 licenced by the Commercial Vehicle Licensing Board (“CVLB”) are allowed to operate in this industry.

In 1997, there were five licenced 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 licences 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.



**4. INFORMATION ON THE GROUP (Cont'd)****4.6.11.4 Warehousing**

Warehousing has a higher start-up cost and thus harder for competitors to enter compared to 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 – 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:-

- i) Licenced exporters (mostly MNCs), which are required to store their goods in bonded warehouses;
- ii) Importers – goods stored in bonded warehouses do not incur duties, thus preserving importers' cash flows; and
- iii) 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 licenced bonded warehouse operators is limited, as a licence from the Royal Malaysian Customs is required.

Most of the bonded warehouses in Malaysia cater to licenced manufacturers which are required by the Royal 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.

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**4. INFORMATION ON THE GROUP (Cont'd)**

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**4.6.11.5 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.

*(Source: IMR)*

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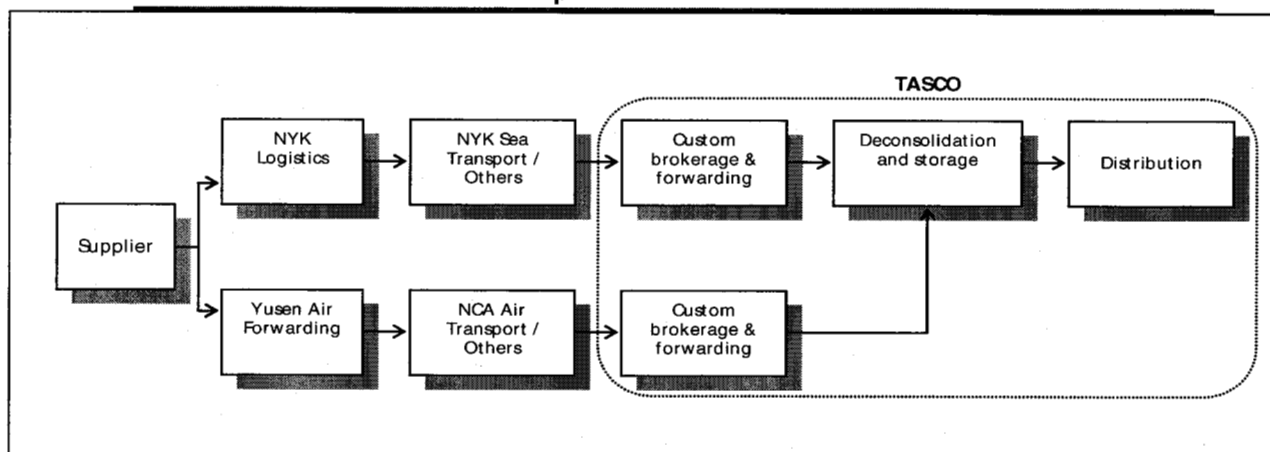
#### 4. INFORMATION ON THE GROUP (Cont'd)

##### 4.6.12 Market Position and Share

Our Company is one of the leading TLSPs in Malaysia with an extensive international network. Its logistics services are divided into airfreight and ocean freight forwarding, custom brokerage, container haulage, trucking, warehousing-related services, distribution and automobile-related logistics. Our company is an established provider of airfreight and ocean freight forwarding services, and also NVOCC services, which buy and sell ocean freight from carriers. The range of its warehousing-related services includes IPC, cold-room, and value-added services such as cargo consolidation, break-bulking, minor assembly.

Our Company's role within the NYK Group's logistics process is best illustrated by the following chart of incoming cargo either by air or by ocean, forwarded by NYK or its affiliates. The cargo arriving in Malaysia is entrusted to our Company, which provides full logistics services (within the dotted lines) encompassing customs brokerage, freight forwarding, transportation, warehousing-related activities and, finally, distribution. The combination of our Company's wide range of services with its global network and management system enables our Group to meet a wide range of customer needs effectively.

**TASCO's Functions in the NYK Group**



**Note:**

*Yusen Air Forwarding, NYK Sea Transport and NCA Air Transport are members of NYK Group. The above flowchart is for imports. For exports, direction of arrows is reversed.*

According to the IMR, our Company ranks as among the larger TLSPs in the country, based on 2005-07 revenues.

TASCO is one of the larger airfreight forwarders in the country, handling 31,472 tonnes of airfreight cargo in 2006 (26,114 tonnes in 2005), or about 2.6% (2.4% in 2005) of the volume cargo carried through Malaysian airports. Its 24,000 sq ft office-cum-warehouse facility is one of the largest in KLIA. The bulk of its airfreight forwarding revenues are derived from referral business from NYK Group.

TASCO is also a significant ocean freight forwarder. TASCO's container throughput in Port Klang is 59,636 TEU in 2006 and 64,431 TEU in 2005. TASCO is one of the larger NVOCC operators in Port Klang by leveraging on its global relationship with NYK Group.

#### 4. INFORMATION ON THE GROUP *(Cont'd)*

TASCO also operates a sizable trucking fleet in Malaysia under the brand name "Harimau Express." TASCO Group has a wide network operating from Padang Besar to Singapore. Under the logistics network of NYK Group, TASCO Group is able to deliver cargo to Thailand. TASCO Group operates bonded trucking services between Malaysia and Thailand under "NYK-HARIMAU EXPRESS Cross-Border Service". It offers regular services of bonded trucking for both full truck load and less-than truck load.

*(Source: IMR)*

##### 4.6.13 Government Legislations, Policies and Incentives

###### (a) Government Legislations

The more relevant legislations governing the logistics industry's activities, for licensing purposes, includes:

- (i) Customs Act 1967: This Act governs activities related to forwarding and bonded warehouses, and is regulated by the Royal Customs Department (under the Ministry of Finance); and
- (ii) CVLB 1987: This Act is concerned with licensing of operators. Different permits are required for carriage of the operator's own goods, third-party cargoes and container haulage. Car carriers require special permits.

###### (b) Government Policies

Malaysia's entry into the ASEAN Free Trade Area ("AFTA") in 2003, meant to spur intra-ASEAN trade, should have a positive effect on the logistics industry. Under AFTA, the intra-regional tariffs for most products between the member nations will be substantially reduced. This is expected to enhance trade activities, and hence, the need for logistics services.

###### (c) Government Incentives

The following incentives have been introduced by the Government:-

###### (i) Incentives for Integrated Logistics Services

To encourage integrated logistics solution providers, companies are eligible to apply for incentives under the Promotion of Investments Act, 1986. Integrated logistics services comprise the entire supply chain management, including procurement of software and hardware, warehousing, distribution, packaging activities and customs clearance. The tax incentives include:-

- (a) Pioneer status with tax exemption of 70-100% of the increased statutory income arising from the reinvestment for a period of five years; and
- (b) Investment tax allowance of 60-100% of the additional qualifying capital expenditure incurred within a period of five years. The allowance can be

#### 4. INFORMATION ON THE GROUP (Cont'd)

offset against 70-100% of the statutory income for each year of assessment.

(ii) Incentives for Cold Chain Facilities

The government has also established incentives for companies undertaking cold chain facilities including cold room, refrigerated truck and related services such as collection, storage and distribution of perishable locally produced food products. The incentives include:-

- (a) For companies providing cold chain facilities, there is pioneer status and Investment tax allowance; and
- (b) For companies providing cold chain facilities intending to import machinery and equipment that are not available locally can apply for import duty and sales tax exemption.

The government provides ample incentives to promote Malaysia as an ASEAN hub for logistics services, including:

(i) Special capital allowance for warehouses serving the export market

With effect from the assessment year 1998, a special capital allowance was given for 10 years to warehouse buildings used for exports and re-exports of imported goods. Previously, logistics companies were allowed to write-off only 10% as an initial allowance, followed by 2% annually thereafter for the remaining 45 years. This allows logistics companies to accelerate the depreciation rate of their warehouse investments over a period of 10 years instead 45 years for tax purposes – offsetting and lowering the effective tax rate.

(ii) Incentives for IPCs or RDCs

A company granted an IPC or RDC status will enjoy the following incentives:-

- (a) Full tax exemption of its statutory income for ten (10) years, under Section 127 of the Income Tax Act 1967
- (b) Dividends paid from the exempt income will be exempted from tax in the hands of its shareholders
- (c) Open one or more foreign currency accounts with any licenced commercial bank to retain its export proceeds, without any limit imposed;
- (d) Enter into foreign exchange forward contracts with any licenced commercial bank

#### 4. INFORMATION ON THE GROUP (Cont'd)

to sell forward export proceeds, based on projected sales;

- (e) Allow 100% equity holding by the promoter of the company; and
- (f) Bring in raw materials, components or finished products with customs duty exemption into Free Industrial Zones, Licenced Manufacturing Warehouses, FCZ, and Bonded Warehouses for repackaging, cargo consolidation and integration before distribution to the final consumers.

(Source: IMR)

##### 4.6.14 Industry Dynamics for TLSPs

###### (a) Substitutes

There are no substitutes to the services provided by TLSPs, which supply all modes of transportation, warehousing and value-added services.

###### (b) Suppliers

TLSPs typically engage various logistics service providers to augment their transportation and warehousing infrastructure. Third-party transportation and storage charges are typically competitive, reflecting the numerous logistics service providers available in the market. Generally, these logistics providers have weak to moderate bargaining power.

###### (c) Customers

TLSPs generally have many and a broad range of customers. As a result, TLSPs are not usually over dependent on a handful of clients. TLSPs with a global network have an advantage over smaller players in that they are able to offer multinational corporations the convenience of dealing with one provider for their logistic needs.

###### (d) Competitive Threats and New Entrants

While there are numerous providers of logistics-related services, there are only a handful of TLSPs, as a result of the relatively high barriers to entry. Most of the TLSPs have global alliances, and are either subsidiaries of global logistic players or have alliances/relationships with either regional/global logistics companies such as TASCOS.

There have been only a few new entrants to the TLSP industry in recent years, due to the relatively high entry barriers, including having global alliances, a sizeable trucking fleet, extensive warehouse network, and adequate IT support.

(Source: IMR)

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**4. INFORMATION ON THE GROUP (Cont'd)**

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**4.6.15 Challenges in the Logistics Industry**

**(a) Cyclical**

The cargo logistics industry is cyclical, as demand is generally highly dependent on the level of the manufacturing and external trade activities. Most logistics providers are dependent on external trade activities, especially TLSPs, which typically cater to the multinational companies. Sales are relatively higher in the second half of the year due to increased transportation requirements in preparation for year-end festivities.

**(b) Increasing oil prices**

The increasing oil prices have led to higher cost for transporters. The two operations that are worst hit are the haulage operations and trucking business, as the competition in these segments result in relatively slower cost pass through. For air and ocean freight, transporters are generally able to pass through higher jet fuel and bunker cost. However, there is usually a lag effect, causing a squeeze in near term profitability.

Nevertheless, several TLSPs should be more insulated because they subcontract out some of their transportation needs.

**(c) Moves Closely with GDP**

The logistics business growth moves closely with the country's GDP. As a result, business activity for the logistics sector may contract with lower GDP. Conversely, a growth in GDP will normally impact the logistics growth positively.

*(Source: IMR)*

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#### 4. INFORMATION ON THE GROUP (Cont'd)

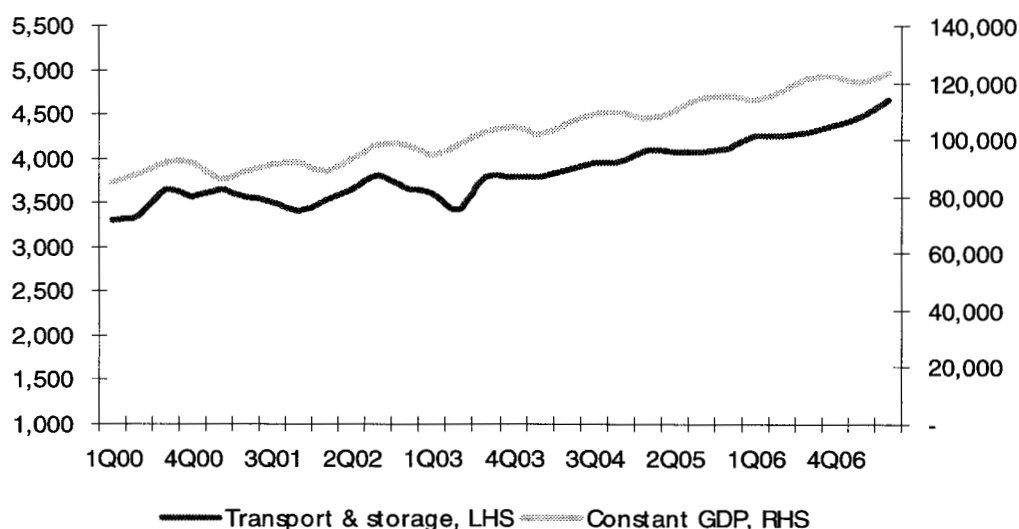
##### 4.6.16 Logistics Industry Outlook and Prospects

Growth in the 'transport, communications and storage' segment of GDP shows a strong correlation with GDP growth. GDP is expected to grow 5.8% in 2008. This should provide a boost for external trade activities. Moreover, the Malaysian Government has planned for capacity expansion of the country's transportation infrastructure – under the Ninth Malaysia Plan. Specific projects such as the Iskandar Development Region will also provide opportunities for the cargo logistics sector. Together with several private sector initiatives, the improvement in infrastructure should support growth in transport services.

Future growth will be driven by volume recovery rather than pricing. The outlook for pricing of logistics services is generally stable in the near term. Long-term pricing for container haulage may improve with industry consolidation.

The closest officially obtainable proxy to measure the services provided by the logistics industry is the GDP component 'transport, communications and storage' provided by the Department of Statistics.

GDP vs transport industry



(Source:IMR)

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**4. INFORMATION ON THE GROUP (Cont'd)**

**4.7 FUTURE PLANS, STRATEGIES AND PROSPECTS**

**Future Plans**

**(i) Expansion of Operations Equipment and Resources**

Our Group intends to focus on expanding our operation equipments and resources such as warehouses, auto logistics centres, freight stations and truck fleet to enlarge our operation capacity within the next 12 months. This is in line with our expected increase in business volume from our existing and new customers.

One of our expansion plans is the development of Bangi Logistics Centre and the acquisition of PKLC, which are expected to reduce our storage constraints, lower down our operation cost and strengthen our market positions in Bangi and Port Klang. Our Group will also further enhance our current facilities in our logistics centres and freight stations to cater for our future expansions and improve quality of services.

Subject to the approvals of relevant authorities, our Group is expected to claim capital expenditures from these expansion plans under the Investment Tax Allowance. These capital expenditures can be utilised to set off up to 70% of the statutory income which in turn reduces our tax expense.

**(ii) Application of Technologies**

Our Group will continue to build on our investments in IT to further enhance the efficiency of our operations. Approximately RM1.0 million has been allocated for the enhancement of our Group's IT. This amount will be utilised for upgrading of the existing computer systems by end of 2008. Our Group will strive to use IT innovatively to develop services and solutions to meet the changing needs of our customers and to streamline our business processes. We intend to broaden our range of services both to our existing and new customers.

The Directors of our Group are of the opinion that our Group's internally generated funds, bank borrowings and IPO proceeds are sufficient to finance our future plans.

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**4. INFORMATION ON THE GROUP (Cont'd)**

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**Business Strategy**

Our Group intends to consolidate further our market position in the Malaysian logistics industry and continue to grow our business profitably. Our mission is to be the professional total logistics solution provider that consistently performs beyond the expectation of our customers, partners and employees. To achieve this mission, our Group has developed a three-pronged strategy:

**(a) Continue to pursue profitable market share growth while defending our existing customer base through building on existing strengths and focusing on targeting specific market segments**

Under our global and domestic brandings of "TASCO", "Harimau Express", "NYK Logistics & Megacarrier" and Yusen Global Logistics Air and Sea Service", our Company managed to secure various projects and businesses from MNCs and have achieved brand awareness and preference among MNCs on the basis of our service and network quality. Our Company intends to further promote and improve our brand presence and preference within our specialised industries such as E&E industry, automotive industry and retail industry. Our Group also intends to continue to refine our marketing and branding strategies to capture additional customers in other market segments such as pharmaceutical, home appliances, constructions and chemicals.

**(b) Providing innovative new services or supply chain solutions to differentiate our Group from our competitors and extend leadership in the logistics industry**

Our Group constantly seeks to improve our services and processes to meet the constantly changing customers' needs. With more than 30 years of experience in the logistics industry, our Group has built extensive global and domestic networks as well as a competent and experienced management team. With this backing, our Group intends to synergise our sea, air and land services. The final phase of our strategy is to service the customers with a network that combines the shipping fleet of NYK with our sea, air and land services. Our Total Logistics Sales Division serves as the cross divisional body and the sole customer contact point for sea, air and land services. The team's objective is to meet constantly changing customers' needs expeditiously and to pursue worldwide synergies in our business covering sea, air and land logistics services.

The wide range of logistics services that our Group currently offers have expanded our logistics services and provide customised solutions to our customers. This is attractive to many sizeable companies which prefer to deal with only one (1) total logistics solutions provider who can provide one-stop comprehensive logistics solutions. This will enable the customers to focus on their core competences by outsourcing their logistics requirements.