

10. FINANCIAL INFORMATION (Cont'd)**Shipping operations**

Trade Payables [^]	Within credit period			Exceeding credit period			Total
	0-30 days	31-60 days	61-90 days	91-120 days	120-180 days	>180 days	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Third-party suppliers	7,154	7,352	4,338	1,214	1,398	8,221	29,677
Shin Yang Holding Group	221	253	56	103	42	50	725
Companies related to directors	3,990	2,991	2,356	1,955	3,357	953	15,602
Total trade payables	11,365	10,596	6,750	3,272	4,797	9,224	46,004
Percentages of total trade payables	24.7%	23.0%	14.7%	7.1%	10.4%	20.1%	100.0%

Note:-

[^] Exclude amounts due to customers on contracts which represent progress billings in excess of construction work in progress

In respect of shipbuilding operations, the credit terms granted by our sub-contractors and suppliers generally range from 90 to 180 days while in respect of shipping operations, the credit terms granted by our suppliers generally range from 30 to 90 days.

As at the LPD, no legal and other action has been taken against us due to our non-payment or late payment in the amount owed to our suppliers or sub-contractors.

10.7 TREND INFORMATION

As at LPD, to the best of our Directors' knowledge and belief, our financial conditions and operations have not been and are not expected to be affected by any of the following:-

- (a) Known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's financial performance, position and operations other than those discussed in this section and in Section 3 and 4 of this Prospectus;
- (b) Material commitment for capital expenditure save as disclosed in Section 10.5.7(c) of this Prospectus;
- (c) Unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group save as disclosed in this section and in Section 3 of this Prospectus;
- (d) Known trends, demands, commitments, events or uncertainties that have resulted in a substantial increase in our Group revenue save for those that had been disclosed in this section and future plans, strategies and prospects as set out in Section 4.7 and 4.8 of this Prospectus;

10. FINANCIAL INFORMATION (Cont'd)

- (e) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's liquidity and capital resources, other than those discussed in this section and in Section 3 of this Prospectus; and
- (f) Known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not indicative of the future financial performance and position other than those disclosed in this section and in Section 3 of this Prospectus.

Further discussions on the overview of the shipping and shipbuilding industries, the prospects and outlook of our Group are elaborated in Sections 4.7 and 4.8 of this Prospectus.

10.8 ORDER BOOK

We have a strong and unique competitive advantage with both shipbuilding and shipping operations. Our shipbuilding operations also serves our shipping operations when there is a need to increase our fleet size in addition to fulfilling orders from third party customers.

Over the past five (5) years, we have constructed a total of 111 vessels with a total contract value of over RM1.0 billion. As at LPD, our outstanding book orders for shipbuilding operations was approximately RM144.5 million for 9 units of vessels.

Generally we do not have long term contracts for shipping business for the Malaysian operations as most of our businesses are from established customers who have long term relationship with us. We are also continually attracting new customers in our expansion of our business.

With our expansion in our fleet for shipping operations and our capacity in shipbuilding facilities, we are confident that our order book will remain strong as our track record has shown that we are able to deliver high quality services and products consistently to meet the stringent requirements of our customers.

10.9 DIVIDEND POLICY

The declaration of interim dividends and the recommendation of final dividends are subject to the discretion of our Board and any final dividend for the year is subject to our shareholders' approval.

It is our intention to pay dividends to shareholders in the future. However, such payments will depend upon a number of factors, including our Group's financial performance, cash flow requirements for operations, financing commitments and capital expenditure, availability of adequate distributable reserves, and any other factors considered relevant by our Board.

Actual dividends proposed and declared may vary depending on the financial performance and cash flow of our Group, and may be waived if the payment of the dividends would adversely affect the cash flows and operations of our Group.

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11. ACCOUNTANTS' REPORT

(Prepared for inclusion in the Prospectus)



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ACCOUNTANTS' REPORT

The Board of Directors
Shin Yang Shipping Corporation Berhad
Lot 515, Jalan Datuk Edward Jeli
Piasau Industrial Estate
98000 Miri, Sarawak

14 May 2010

Dear Sirs

Shin Yang Shipping Corporation Berhad ("Shin Yang Shipping Corp") Accountants' Report

1.0 INTRODUCTION

This report has been prepared by Ernst & Young, an approved company auditor, exclusively for the inclusion in the Prospectus of Shin Yang Shipping Corp in connection with the listing of and quotation of the entire enlarged issued and paid-up share capital of Shin Yang Shipping Corp on the Main Market of Bursa Malaysia Securities Berhad and should not be relied upon for any other purposes.

1.1 Abbreviations

Unless the context otherwise requires, the following words and abbreviations shall apply throughout this report:

Al Ghaith (L)	Al Ghaith Shin Yang (L) Berhad
Deena LLC	Deena Shipping LLC
Danum Shipping	Danum Shipping Sdn Bhd
EBITA	Earnings before interest, depreciation, taxation and amortisation
EPS	Earnings per Share
FPE	Financial Period Ended
FYE	Financial Year Ended
FRS	Financial Reporting Standards
IPO	Initial Public Offering of the Shares comprising the Public Issue and Offer for Sale collectively
IPO Price/Offer Price	RM1.28 for each IPO Share
IPO Share(s)	The Public Issue Shares and Offer Shares, collectively
Marsol LLC	Marsol Shin Yang LLC
Marsol (L)	Marsol Shin Yang (L) Berhad
NA	Net assets
NTA	Net Tangible assets
PAT	Profit after taxation

11. ACCOUNTANTS' REPORT (Cont'd)**1.1 Abbreviations (Cont'd)**

PBT	Profit before taxation
PERS	Private Entity Reporting Standards
Piasau Slipways	Piasau Slipways Sdn Bhd
Share(s)	Ordinary shares of RM1.00 each
Shinline	Shinline Sdn Bhd
Shin Yang Holding	Shin Yang Holding Sdn Bhd
Shin Yang Holding Group	Shin Yang Holding Sdn Bhd and its subsidiaries
Shin Yang Shipping	Shin Yang Shipping Sdn Bhd
Shin Yang Shipping Group	Shin Yang Shipping Sdn Bhd and its subsidiaries
Shin Yang Shipping Corp	Shin Yang Shipping Corporation Berhad
Shin Yang Shipping Corp Group or Group	Shin Yang Shipping Corporation Berhad and its subsidiaries
Shin Yang Shipyard	Shin Yang Shipyard Sdn Bhd
Thailine	Thailine Sdn Bhd
Trelco FZC	Trelco Shin Yang FZC
Trelco (L)	Trelco Shin Yang (L) Berhad
UAE	United Arab Emirates
USD	United States Dollar

2.0 GENERAL INFORMATION**2.1 Background of Shin Yang Shipping Corp**

Shin Yang Shipping Corp was incorporated in Malaysia on 15 September 2004 as a private limited liability company. The principal activity of Shin Yang Shipping Corp is investment holding. Subsequently on 20 November 2009, it was converted to a Public Limited Company and assumed its present name. Further details on its subsidiaries are set out in paragraph 3.3 below.

2.2 Share Capital of Shin Yang Shipping Corp

At the date of incorporation, the authorised share capital of Shin Yang Shipping Corp was RM100,000 comprising 100,000 ordinary shares of RM1.00 each. At the date, the issued and paid-up share capital of Shin Yang Shipping Corp was RM2.00 comprising 2 ordinary shares of RM1.00 each ("Shin Yang Shipping Corp Shares").

On 31 March 2010, the authorised share capital of Shin Yang Shipping Corp was increased from RM100,000 to RM3,000,000,000 by the creation of an additional 2,999,900,000 Shin Yang Shipping Corp Shares.

Arising from the Acquisitions as mentioned in 3.2 below, the issued and paid-up share capital of Shin Yang Shipping Corp was increased from RM2 to RM1,023,614,000 by way of the issuance of 1,023,613,998 Shin Yang Shipping Corp Shares.

Pursuant to the Public Issue, the issued and paid-up share capital of Shin Yang Shipping Corp will be increased further to RM1,200,000,000 comprising 1,200,000,000 Shin Yang Shipping Corp Shares.

11. ACCOUNTANTS' REPORT (Cont'd)**2.0 GENERAL INFORMATION (Cont'd)****2.3 Subsidiaries of Shin Yang Shipping Corp**

The details of the subsidiaries of Shin Yang Shipping Corp at the date of this report are as follows:

Company	Date and Place of Incorporation	Issued and Paid-up Share Capital	Effective Equity Interest	Principal Activities
Danum Shipping	28 Oct 2004 Malaysia	RM1,000,000	100%	International shipping operations for liquid chemical products
Piasau Slipways	17 Oct 1977 Malaysia	RM4,000,000	100%	Shipbuilding and ship repairing, and fabrication of metal structures
Shinline	19 Aug 1994 Malaysia	RM15,900,000	100%	International shipping operations
Shin Yang Shipyard	14 Feb 1980 Malaysia	RM20,100,000	100%	Shipbuilding and ship repairing, and fabrication of metal structures
Thailine	17 Jan 1984 Malaysia	RM4,000,000	100%	International shipping operations
Shin Yang Shipping	31 Mar 1990 Malaysia	RM10,000,000	100%	Domestic and regional shipping operations
Subsidiary of Shin Yang Shipping				
Shin Yang FZC	19 Sept 2006 UAE	AED4,000,000	90%	Investment holding
Subsidiary of Shin Yang FZC				
Trelco FZC	25 Feb 2008 UAE	AED1,000,000	60%	Shipping operations in Middle East

11. ACCOUNTANTS' REPORT (Cont'd)**2.0 GENERAL INFORMATION (Cont'd)****2.4 Associates of Shin Yang Shipping Corp**

The details of the associates of Shin Yang Shipping Corp at the date of this report are as follows:

Company	Date and Place of Incorporation	Issued and Paid-up Share Capital	Effective Equity Interest	Principal Activities
Associates of Shin Yang FZC				
Al Ghaith LLC	7 Jan 2007 UAE	AED1,000,000	40%	Shipping operations in Middle East
Deena LLC	18 Jan 2006 UAE	AED1,000,000	49%	Shipping operations in Middle East
Marsol LLC	2 Apr 2007 UAE	AED4,000,000	49%	Shipping operations in Middle East
Associate of Trelco FZC				
Trelco (L)	22 Oct 2008 Malaysia	USD2,000	49%	Registered owner of vessels
Associates of Al Ghaith LLC				
Al Ghaith (L)	6 Aug 2007 Malaysia	USD2,050	49%	Registered owner of vessels
Associates of Marsol LLC				
Marsol (L)	6 Aug 2007 Malaysia	USD2,050	49%	Registered owner of vessels

11. ACCOUNTANTS' REPORT (Cont'd)**3.0 LISTING SCHEME**

The listing scheme comprises the following transactions:

3.1 Acquisitions

Acquisitions by Shin Yang Shipping Corp of:

- a) 1,000,000 ordinary shares in Danum Shipping representing 100% equity interest in Danum Shipping;
- b) 4,000,000 ordinary shares in Piasau Slipways representing 100% equity interest in Piasau Slipways;
- c) 15,900,000 ordinary shares in Shinline representing 100% equity interest in Shinline;
- d) 10,000,000 ordinary shares in Shin Yang Shipping representing 100% equity interest in Shin Yang Shipping;
- e) 20,000,000 ordinary shares and 100,000 preference shares in Shin Yang Shipyard representing 100% equity interest in Shin Yang Shipyard; and
- f) 4,000,000 ordinary shares in Thailine representing 100% equity interest in Thailine

(collectively known as Acquiree Companies).

from the respective vendors of the Acquiree Companies for an aggregate purchase consideration of RM1,033,659,761 to be satisfied by way of issuance of 1,023,613,998 new ordinary shares of RM1.00 each in Shin Yang Shipping Corporation ("Shin Yang Shipping Corporation shares").

The abovementioned acquisitions were completed on 31 March 2010.

3.2 Public Issue

The Public Issue of 176,386,000 new Shin Yang Shipping Corp Shares ("Public Issue Shares"), subject to clawback and reallocation, is to be allocated in the following manner:-

- (a) 24,000,000 Public Issue Shares made available to Malaysian Public at the IPO Price of RM1.28 per share payable in full upon application pursuant to the Retail Offering to be allocated via ballot;
- (b) 36,000,000 Public Issue Shares made available for the eligible directors, employees and business associates of the Shin Yang Shipping Corp and its subsidiaries and the eligible directors and employees of Shin Yang Holding Sdn Bhd and its subsidiaries at the IPO Price, payable in full upon application pursuant to the Retail Offering; and
- (c) 116,386,000 Public Issue Shares, representing approximately 9.7% of the enlarged issued and paid-up share capital of the Company, made available to Bumiputera investors approved by Ministry of International Trade and Industry ("MITI") at the institutional price to be determined via book-building ("Institutional Price") pursuant to the Institutional Offering.

11. ACCOUNTANTS' REPORT (Cont'd)



3.2 Public Issue (Cont'd)

The final IPO price ("Final IPO Price") will be determined after the Institutional Price is fixed on the price determination Date, and will be equal to the lower of:-

- (a) the IPO Price of RM1.28 per Share; and
- (b) 95.0% of the Institutional Price;

subject to rounding to the nearest sen.

3.3 Offer for Sale

The Offer for Sale of 128,800,000 existing Shin Yang Shipping Corp Shares ("Offer Shares") by the Shin Yang Holding Sdn Bhd, Datuk Ling Chiong Ho, Ling Chiong Sing, Ling Chiong Pin, Ling Chiong Sieng, Shinline Corporation Sdn Bhd, Ling Siew Ting and Ling Siu Chuo (collectively the "Offerors") at the Institutional Price, subject to clawback and reallocation, to be allocated in the following manner:-

- (a) 24,207,000 Offer Shares, representing approximately 2.0% of the enlarged issued and paid-up share capital of the Company, made available to Bumiputra investors approved by MITI; and
- (b) 104,593,000 Offer Shares, representing approximately 8.7% of the enlarged issued and paid-up share capital of the Company, made available to Malaysian and foreign institutional and selected investors.

3.4 Listing

Upon completion of the Public Issue and Offer for Sale, Shin Yang Shipping Corp will seek the listing of and quotation for its entire enlarged issued and paid-up share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad.

11. ACCOUNTANTS' REPORT (Cont'd)**4.0 AUDITORS AND AUDITED FINANCIAL STATEMENTS**

The auditors of Shin Yang Shipping Corp and its subsidiaries for the relevant financial years/periods are as follows:

Company	FPE/FYE	Auditors
Shin Yang Shipping Corp	31.12.2007	Ernst & Young
	31.12.2008	Ernst & Young
	*i) 30.6.2009	Ernst & Young
	*vi) 30.11.2009	Ernst & Young
Danum Shipping	*ii) 30.6.2007	Ernst & Young
	30.6.2008	Ernst & Young
	30.6.2009	Ernst & Young
	*vi) 30.11.2009	Ernst & Young
Piasau Slipways	31.12.2007	Ernst & Young
	*iii) 30.6.2008	Ernst & Young
	30.6.2009	Ernst & Young
	*vi) 30.11.2009	Ernst & Young
Shinline	31.12.2007	Ernst & Young
	*iii) 30.6.2008	Ernst & Young
	30.6.2009	Ernst & Young
	*vi) 30.11.2009	Ernst & Young
Shin Yang Shipyard	31.7.2007	Lau Hoi Chew & Co.
	*iv) 30.6.2008	Ernst & Young
	30.6.2009	Ernst & Young
	*vi) 30.11.2009	Ernst & Young
Thailine	30.4.2007	Lau Hoi Chew & Co.
	*v) 30.6.2008	Ernst & Young
	30.6.2009	Ernst & Young
	*vi) 30.11.2009	Ernst & Young
Shin Yang Shipping	30.6.2007	Ernst & Young
	30.6.2008	Ernst & Young
	30.6.2009	Ernst & Young
	*vi) 30.11.2009	Ernst & Young

*i) The financial period is from 1.1.2009 to 30.6.2009

*ii) The financial period is from 1.1.2007 to 30.6.2007

*iii) The financial period is from 1.1.2008 to 30.6.2008

*iv) The financial period is from 1.8.2007 to 30.6.2008

*v) The financial period is from 1.5.2007 to 30.6.2008

*vi) The financial period is from 1.7.2009 to 30.11.2009

11. ACCOUNTANTS' REPORT (Cont'd)**4.0 AUDITORS AND AUDITED FINANCIAL STATEMENTS (Cont'd)**

The audited financial statements of the subsidiaries for the FYE 2009 have been prepared in accordance with FRS and those for the FYE and FPE 2007 and 2008 have been prepared in accordance with PERS.

We have audited the financial statements of the Company and the subsidiaries for the FYE/FPE under review except for Shin Yang Shipyard for FYE 31 July 2007 and Thailine for FYE 30 April 2007. We have reviewed the financial statements and the auditors' reports of these subsidiaries of which we have not acted as auditors for the relevant FYE, in accordance with the Malaysian Approved Standards on Auditing AI 600 - Using the Work of Another Auditor, which include considering the professional competence of the other auditors, reviewing their working papers and discussing with them regarding their work to ensure that the work of the other auditors is adequate for our purposes.

In the audit reports of the Company and the subsidiaries for the respective financial years/periods under review, the auditors express the opinion that the respective financial statements have been properly drawn up in accordance with FRS/PERS so as to give a true and fair view of the financial position of the group/company as at the FYE/FPE and of their financial performance and cash flows for the years/periods then ended.

The auditors' reports of the Company and all the subsidiaries were not subject to any qualifications or modifications for all the financial periods/years under review.

The financial information is presented in Ringgit Malaysia (RM), Shin Yang Shipping Corp's functional currency.

5.0 RESTATEMENTS OF FINANCIAL STATEMENTS

For the purpose of this report, the financial information of the subsidiaries has been restated:

- (i) as a result of the adoption of FRS over the periods under review; and
- (ii) to ensure the consistency of presentation between each of the financial period under review for comparability purposes.

The new standard which has become effective over the periods under review and have resulted in the restatement of the financial information of Piasau Slipways, Shin Yang Shipyard and Shin Yang Shipping are as follows:

FRS 117: Leases

Leasehold land held for own use

Prior to 1 July 2008, leasehold land held for own use was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses. The adoption of the revised FRS 117 has resulted in a change in the accounting policy relating to the classification of leases of land and buildings.

11. ACCOUNTANTS' REPORT (Cont'd)**5.0 RESTATEMENTS OF FINANCIAL STATEMENTS (Cont'd)**

Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. Leasehold land held for own use is now classified as operating lease and where necessary, the minimum lease payments or the up-front payments made are allocated between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

The change in accounting policy in respect of leasehold land has been applied in accordance with the transition provision of FRS 117 whereby the unamortised amount of leasehold land is retained as the surrogate carrying amount of prepaid lease payments. The reclassification of leasehold land as prepaid lease payments has been accounted for retrospectively by restating the balance sheets presentation.

6.0 DIVIDENDS

No dividend has been paid or declared by Shin Yang Shipping Corp since the date of incorporation.

Details of the dividends paid by subsidiaries of Shin Yang Shipping Corp for the financial years under review are as follows:

Subsidiaries	FYE	Rate %	Gross dividends RM	Net dividends RM
Danum Shipping	30.6.2009	50	500,000	500,000
Piasau Slipways	30.6.2009	500	5,000,000	5,000,000
Shinline	31.12.2007	750	30,000,000	30,000,000
	30.6.2008	1750	70,000,000	70,000,000
	30.6.2009	812.5	32,500,000	32,500,000
Shin Yang Shipyard	31.7.2007	0.53	10,000	7,300
Thailine	30.4.2007	700	7,000,000	7,000,000
	30.6.2008	6350	63,500,000	63,500,000
	30.6.2009	2550	25,500,000	25,500,000
Shin Yang Shipping	30.6.2007	10	500,000	365,000
	30.6.2008	15	750,000	555,000
	30.6.2009	1015	50,750,000	50,562,500

11. ACCOUNTANTS' REPORT (Cont'd)



7.0 HISTORICAL FINANCIAL INFORMATION

7.1 Shin Yang Shipping Corp

Audited Income Statements of Shin Yang Shipping Corp

	Note	← Financial year/period ended →				
		31.12.2007 RM	31.12.2008 RM	30.6.2009 RM	30.11.2008 RM	30.11.2009 RM
Administrative expenses		(919)	(924)	(1,017)	(924)	-
Loss for the year		(919)	(924)	(1,017)	(924)	-

Audited Balance Sheets of Shin Yang Shipping Corp

	Note	← As at →			
		31.12.2007 RM	31.12.2008 RM	30.6.2009 RM	30.11.2009 RM
CURRENT ASSET					
Cash on hand		2	2	2	2
CURRENT LIABILITY					
Other payables		4,696	5,620	6,637	6,637
NET CURRENT LIABILITY		(4,694)	(5,618)	(6,635)	(6,635)
FINANCED BY					
Share capital	7.1.1	2	2	2	2
Accumulated losses		(4,696)	(5,620)	(6,637)	6,637
Shareholders' equity		(4,694)	(5,618)	(6,635)	(6,635)

Audited Statements of Changes in Equity of Shin Yang Shipping Corp

	Share Capital RM	Accumulated Losses RM	Total RM
At 1 January 2008	2	(4,696)	(4,694)
Loss for the year	-	(924)	(924)
At 31 December 2008	2	(5,620)	(5,618)
Loss for the period	-	(1,017)	(1,017)
At 30 June 2009	2	(6,637)	(6,635)
Loss for the period	-	-	-
At 30 November 2009	2	(6,637)	(6,635)

11. ACCOUNTANTS' REPORT (Cont'd)**7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)****7.1 Shin Yang Shipping Corp (Cont'd)****Audited Cash Flow Statements of Shin Yang Shipping Corp**

	← Financial year/period ended →				
	31.12.2007 RM	31.12.2008 RM	30.6.2009 RM	30.11.2008 RM	30.11.2009 RM
Net Cash generated from operating activities	-	-	-	-	-
Cash and cash equivalents at beginning of financial year	2	2	2	2	2
Cash and cash equivalents at end of financial year	2	2	2	2	2

7.1.1 Share capital

	Number of ordinary shares of RM1 Each	Amount RM
At 31 December 2007 to 2008, 30 June 2009 and 30 November 2009		
Authorised share capital	100,000	100,000
Issued and fully paid	2	2

11. ACCOUNTANTS' REPORT (Cont'd)


ERNST & YOUNG

7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)

7.2 Danum Shipping

Audited Income Statements of Danum Shipping

	Note	← Financial year/period ended →				
		30.6.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2008 RM	30.11.2009 RM
Revenue	7.2.1	2,790,138	6,951,086	7,421,280	3,061,983	2,693,309
Cost of sales	7.2.2	(2,228,049)	(5,443,134)	(5,773,544)	(2,785,306)	(2,151,917)
Gross profit		562,089	1,507,952	1,647,736	276,677	541,392
Other income		3,018	4,977	3,823	2,073	945
Administrative expenses		(3,491)	(8,817)	(36,261)	(1,363)	(6,462)
Profit from operations		561,616	1,504,112	1,615,298	277,387	535,875
Finance cost	7.2.3	(258,171)	(441,711)	(336,225)	(153,339)	(107,166)
Profit for the period/year		303,445	1,062,401	1,279,073	124,048	428,709
Weighted average number of ordinary shares in issue		1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Gross earnings per share (RM)*		^^ 0.61	1.06	1.28	^^ 0.30	^^ 1.03
Net earnings per share (RM)#		^^ 0.61	1.06	1.28	^^ 0.30	^^ 1.03
Gross profit margin (%)		20.15%	21.69%	22.20%	9.04%	20.10%
Profit before tax margin (%)		10.88%	15.28%	17.24%	4.05%	15.92%
Profit after tax margin (%)		10.88%	15.28%	17.24%	4.05%	15.92%
Gross dividend rate (%)^		0.00%	0.00%	50.00%	0.00%	0.00%

* The gross earnings per share is computed based on the profit before tax divided by the weighted average number of ordinary shares in issue during the financial year/period.

The net earnings per share is computed based on the profit after tax divided by the weighted average number of ordinary shares in issue during the financial year/period.

^ Based on gross dividends relating to a financial year/period divided by the weighted average number of ordinary shares in issue as at the end of the financial year/period.

^^ Annualised

11. ACCOUNTANTS' REPORT (Cont'd)**ERNST & YOUNG****7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)****7.2 Danum Shipping (Cont'd)****Audited Balance Sheets of Danum Shipping**

	Note	30.6.2007 RM	30.6.2008 RM	← As at →	
				30.6.2009 RM	30.11.2009 RM
NON-CURRENT ASSET					
Property, plant and equipment	7.2.4	13,304,679	12,154,507	11,017,284	10,537,345
CURRENT ASSETS					
Inventories	7.2.5	260,875	422,389	145,707	93,111
Trade receivables	7.2.6	843,240	890,771	985,242	1,145,986
Other receivables	7.2.7	85,898	88,178	94,513	111,157
Cash and bank balances	7.2.8	428,783	457,312	595,638	296,414
		<u>1,618,796</u>	<u>1,858,650</u>	<u>1,821,100</u>	<u>1,646,668</u>
CURRENT LIABILITIES					
Term loan	7.2.9	1,459,205	1,564,691	1,677,802	1,727,312
Trade payables	7.2.10	764,387	1,000,554	1,440,455	1,471,114
Other payables	7.2.11	5,704,436	4,954,755	4,125,699	3,696,840
		<u>7,928,028</u>	<u>7,520,000</u>	<u>7,243,956</u>	<u>6,895,266</u>
NET CURRENT LIABILITIES		<u>(6,309,232)</u>	<u>(5,661,350)</u>	<u>(5,422,856)</u>	<u>(5,248,598)</u>
		<u>6,995,447</u>	<u>6,493,157</u>	<u>5,594,428</u>	<u>5,288,747</u>
FINANCED BY					
Share capital	7.2.12	1,000,000	1,000,000	1,000,000	1,000,000
Retained earnings	7.2.13	484,126	1,546,527	2,325,600	2,754,309
Shareholders' equity		<u>1,484,126</u>	<u>2,546,527</u>	<u>3,325,600</u>	<u>3,754,309</u>
NON-CURRENT LIABILITY					
Term loan	7.2.9	5,511,321	3,946,630	2,268,828	1,534,438
		<u>6,995,447</u>	<u>6,493,157</u>	<u>5,594,428</u>	<u>5,288,747</u>

Audited Statements of Changes in Equity of Danum Shipping

	Share Capital RM	Retained Earnings RM	Total RM
At 1 January 2007	1,000,000	180,681	1,180,681
Profit for the period	-	303,445	303,445
At 30 June 2007	1,000,000	484,126	1,484,126
Profit for the year	-	1,062,401	1,062,401
At 30 June 2008	1,000,000	1,546,527	2,546,527
Profit for the year	-	1,279,073	1,279,073
Dividend (Note 7.2.15)	-	(500,000)	(500,000)
At 30 June 2009	1,000,000	2,325,600	3,325,600
Profit for the period	-	428,709	428,709
At 30 November 2009	1,000,000	2,754,309	3,754,309

11. ACCOUNTANTS' REPORT (Cont'd)**ERNST & YOUNG****7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)****7.2 Danum Shipping (Cont'd)****Audited Cash Flow Statements of Danum Shipping**

	← Financial year/period ended →				
	30.6.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2008 RM	30.11.2009 RM
Net cash generated from operating activities	563,051	1,487,734	2,217,035	703,490	385,656
Net cash used in investing activities	-	-	(14,018)	(14,018)	-
Net cash used in financing activities	(692,286)	(1,459,205)	(2,064,691)	(638,709)	(684,880)
Net (decrease)/increase in cash and cash equivalents	(129,235)	28,529	138,326	50,763	(299,224)
Cash and cash equivalents at beginning of financial year	558,018	428,783	457,312	457,312	595,638
Cash and cash equivalents at end of financial year (Note 7.2.8)	428,783	457,312	595,638	508,075	296,414

7.2.1 Revenue

This represents the invoiced value of freight charges.

7.2.2 Cost of sales

This represents cost of services rendered.

7.2.3 Finance cost

	← Financial year/period ended →				
	30.6.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2008 RM	30.11.2009 RM
Interest expense on term loan	258,171	441,711	336,225	153,339	107,166

11. ACCOUNTANTS' REPORT (Cont'd)**ERNST & YOUNG****7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)****7.2 Danum Shipping (Cont'd)****7.2.4 Property, plant and equipment**

	Cost RM	Accumulated Depreciation RM	Net Carrying Amount RM
At 30 June 2007			
Vessel	14,331,385	1,053,847	13,277,538
Vessel equipment	30,506	3,365	27,141
	<u>14,361,891</u>	<u>1,057,212</u>	<u>13,304,679</u>
At 30 June 2008			
Vessel	14,331,385	2,200,358	12,131,027
Vessel equipment	30,506	7,026	23,480
	<u>14,361,891</u>	<u>2,207,384</u>	<u>12,154,507</u>
At 30 June 2009			
Vessel	14,331,385	3,346,869	10,984,516
Vessel equipment	44,524	11,756	32,768
	<u>14,375,909</u>	<u>3,358,625</u>	<u>11,017,284</u>
At 30 November 2009			
Vessel	14,331,385	3,824,582	10,506,803
Vessel equipment	44,524	13,982	30,542
	<u>14,375,909</u>	<u>3,838,564</u>	<u>10,537,345</u>

The above vessel was pledged to a financial institution for bank borrowing as referred to in Note 7.2.9.

7.2.5 Inventories

	30.6.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
At cost:				
Petrol, oil and lubricants	260,875	422,389	145,707	93,111

7.2.6 Trade receivables

Amount due from a related company	502,451	358,541	157,691	483,155
Trade receivables	340,789	532,230	827,551	662,831
	<u>843,240</u>	<u>890,771</u>	<u>985,242</u>	<u>1,145,986</u>

The Company's normal trade credit term is 30 days. Other credit terms are assessed and approved on a case-by-case basis.

The amount due from a related company is unsecured, interest free and is repayable on demand.

11. ACCOUNTANTS' REPORT (Cont'd)
ERNST & YOUNG
7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)**7.2 Danum Shipping (Cont'd)****7.2.7 Other receivables**

	30.6.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Prepayments	85,898	53,406	62,024	44,725
Sundry receivables	-	34,772	32,489	66,432
	<u>85,898</u>	<u>88,178</u>	<u>94,513</u>	<u>111,157</u>

7.2.8 Cash and cash equivalents

Cash and bank balances	<u>428,783</u>	<u>457,312</u>	<u>595,638</u>	<u>296,414</u>
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7.2.9 Term loan

Not later than 1 year	1,459,205	1,564,691	1,677,802	1,727,312
Later than 1 year and not later than 2 years	1,564,691	1,677,802	1,799,090	1,534,438
Later than 2 years and not later than 5 years	3,946,630	2,268,828	469,738	-
	<u>6,970,526</u>	<u>5,511,321</u>	<u>3,946,630</u>	<u>3,261,750</u>
Analysed as:				
Due within 12 months	1,459,205	1,564,691	1,677,802	1,727,312
Due after 12 months	5,511,321	3,946,630	2,268,828	1,534,438
	<u>6,970,526</u>	<u>5,511,321</u>	<u>3,946,630</u>	<u>3,261,750</u>

The term financing is from an Islamic bank. The finance cost is in the form of a profit margin for the lender in purchasing the vessel, and selling it to the Company.

The term financing is secured by the following:

- A mortgage on the vessel as disclosed in Note 7.2.4; and
- Joint and several guarantees by the Directors.

7.2.10 Trade payables

	30.6.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Amount due to related companies	3,914	2,068	5,360	883,467
Trade payables	760,473	998,486	1,435,095	587,647
	<u>764,387</u>	<u>1,000,554</u>	<u>1,440,455</u>	<u>1,471,114</u>

The amount due to related companies is unsecured interest free and is repayable on demand.

The normal trade credit terms granted to the Company ranges from 30 to 90 days.

11. ACCOUNTANTS' REPORT (Cont'd)**7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)****7.2 Danum Shipping (Cont'd)****7.2.11 Other payables**

	30.6.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Amount due to related companies	3,906,686	2,260,365	80,411	3,653,919
Deposits	7,170	7,170	7,170	6,580
Accruals	13,072	14,032	193,370	29,202
Sundry payables	1,777,508	2,673,188	3,844,748	7,139
	<u>5,704,436</u>	<u>4,954,755</u>	<u>4,125,699</u>	<u>3,696,840</u>

The amount due to related companies is unsecured, interest free and has no fixed term of repayment.

7.2.12 Share capital

As at 30 June 2007 to 2009 and 30 November 2009	Number of ordinary shares of RM1 Each	Amount RM
Authorised share capital	1,000,000	1,000,000
Issued and fully paid	1,000,000	1,000,000

7.2.13 Retained earnings

The Company has sufficient balance in the tax exempt income account to frank the payment of dividends out of its entire retained earnings as at 30 November 2009.

Alternatively, the Company may distribute such dividends under Section 108 of the Income Tax Act, 1967 as tax exempt dividends.

7.2.14 Income tax expense

The Company enjoys tax exempt profits arising from its shipping profits under Section 54A of the Income Tax Act, 1967.

7.2.15 Dividends

	30.6.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Interim dividends:				
Interim dividend of RM0.50 per share, tax exempt	-	-	500,000	-

11. ACCOUNTANTS' REPORT (Cont'd)
ERNST & YOUNG
7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)**7.3 Piasau Slipways****Audited Income Statements of Piasau Slipways**

	Note	← Financial year/period ended →				
		31.12.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2008 RM	30.11.2009 RM
Revenue	7.3.1	124,075,376	80,413,836	167,342,534	91,875,104	54,486,817
Cost of sales	7.3.2	(107,790,498)	(69,484,383)	(144,412,344)	(78,936,698)	(43,200,093)
Gross profit		16,284,878	10,929,453	22,930,190	12,938,406	11,286,724
Other income	7.3.3	632,865	349,722	657,667	275,132	998,577
Other operating expenses		-	(475,981)	-	-	-
Administrative expenses		(3,310,353)	(2,484,684)	(3,671,712)	(1,286,534)	(1,550,288)
Profit from operations		13,607,390	8,318,510	19,916,145	11,927,004	10,735,013
Finance cost	7.3.4	(2,967,750)	(2,532,507)	(3,501,859)	(1,643,569)	(1,394,091)
Profit before tax		10,639,640	5,786,003	16,414,286	10,283,435	9,340,922
Income tax expense	7.3.5	(1,294,514)	(893,534)	(3,907,850)	(2,145,503)	(1,048,795)
Profit for the year/period		9,345,126	4,892,469	12,506,436	8,137,932	8,292,127
Weighted average number of ordinary shares in issue		1,000,000	1,000,000	1,000,000	1,000,000	4,000,000
Gross earnings per share (RM)*		10.64	5.79	16.41	^^ 24.68	^^ 5.60
Net earnings per share (RM) #		9.35	4.89	12.51	^^ 19.53	^^ 4.97
Gross profit margin (%)		13.12%	13.59%	13.70%	14.08%	20.71%
Profit before tax margin (%)		8.58%	7.20%	9.81%	11.19%	17.14%
Profit after tax margin (%)		7.53%	6.08%	7.47%	8.86%	15.22%
Effective tax rate (%)		12.17%	15.44%	23.81%	20.86%	11.23%
Gross dividend rate (%)^		0.00%	0.00%	500.00%	0.00%	0.00%

* The gross earnings per share is computed based on the profit before tax divided by the weighted average number of ordinary shares in issue during the financial year/period.

The net earnings per share is computed based on the profit after tax divided by the weighted average number of ordinary shares in issue during the financial year/period.

^ Based on gross dividends relating to a financial year/period divided by the weighted average number of ordinary shares in issue as at the end of the financial year/period.

^^ Annualised

11. ACCOUNTANTS' REPORT (Cont'd)**7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)****7.3 Piasau Slipways (Cont'd)****Audited Balance Sheets of Piasau Slipways**

	Note	31.12.2007 RM	30.6.2008 RM	← As at → 30.6.2009 RM	30.11.2009 RM
NON-CURRENT ASSETS					
Property, plant and equipment	7.3.6	38,056,226	28,128,458	29,203,636	28,887,472
Prepaid land lease payments	7.3.7	15,005,314	13,883,149	14,695,790	17,178,595
		<u>53,061,540</u>	<u>42,011,607</u>	<u>43,899,426</u>	<u>46,066,067</u>
CURRENT ASSETS					
Inventories	7.3.8	29,171,549	44,371,877	51,885,720	44,447,492
Trade receivables	7.3.9	81,604,906	79,425,563	52,147,072	50,002,886
Other receivables	7.3.10	2,021,442	4,771,654	11,734,269	15,259,062
Cash and bank balances	7.3.12	30,581	62,293	115,442	533,129
		<u>112,828,478</u>	<u>128,631,387</u>	<u>115,882,503</u>	<u>110,242,569</u>
CURRENT LIABILITIES					
Short-term borrowings	7.3.13	50,904,464	61,948,802	59,948,095	55,473,346
Trade payables	7.3.15	48,439,886	58,605,375	35,032,157	20,748,447
Other payables	7.3.16	25,128,711	3,361,691	4,275,646	8,007,960
Current tax payable		62,248	1,237,526	3,755,580	4,214,888
		<u>124,535,309</u>	<u>125,153,394</u>	<u>103,011,478</u>	<u>88,444,641</u>
NET CURRENT (LIABILITIES)/ASSETS					
		<u>(11,706,831)</u>	<u>3,477,993</u>	<u>12,871,025</u>	<u>21,797,928</u>
		<u>41,354,709</u>	<u>45,489,600</u>	<u>56,770,451</u>	<u>67,863,995</u>
NON-CURRENT LIABILITIES					
Long term borrowings	7.3.13	248,902	189,736	3,956,301	3,443,232
Deferred taxation	7.3.19	1,556,856	858,444	866,294	1,180,780
		<u>1,805,758</u>	<u>1,048,180</u>	<u>4,822,595</u>	<u>4,624,012</u>
		<u>39,548,951</u>	<u>44,441,420</u>	<u>51,947,856</u>	<u>63,239,983</u>
FINANCED BY					
Share capital	7.3.17	1,000,000	1,000,000	1,000,000	4,000,000
Retained earnings	7.3.18	38,548,951	43,441,420	50,947,856	59,239,983
Shareholders' equity		<u>39,548,951</u>	<u>44,441,420</u>	<u>51,947,856</u>	<u>63,239,983</u>

11. ACCOUNTANTS' REPORT (Cont'd)



7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)

7.3 Piasau Slipways (Cont'd)

Audited Statements of Changes in Equity of Piasau Slipways

	Share Capital RM	Retained Earnings RM	Total RM
At 1 January 2007	1,000,000	29,203,825	30,203,825
Profit for the year	-	9,345,126	9,345,126
At 31 December 2007	1,000,000	38,548,951	39,548,951
Profit for the period	-	4,892,469	4,892,469
At 30 June 2008	1,000,000	43,441,420	44,441,420
Profit for the year	-	12,506,436	12,506,436
Dividend (Note 7.3.20)	-	(5,000,000)	(5,000,000)
At 30 June 2009	1,000,000	50,947,856	51,947,856
Issue of share capital	3,000,000	-	3,000,000
Profit for the period	-	8,292,127	8,292,127
At 30 November 2009	4,000,000	59,239,983	63,239,983

Audited Cash Flow Statements of Piasau Slipways

	31.12.2007 RM	30.6.2008 RM	← Financial year/period ended →		30.11.2009 RM
			30.6.2009 RM	30.11.2008 RM	
Net cash (used in)/from operating activities	(9,650,355)	(20,714,544)	8,108,051	(1,013,443)	4,945,868
Net cash (used in)/from Investing activities	(19,254,528)	9,832,084	(4,200,640)	(3,976,510)	(2,515,362)
Net cash from financing activities	30,758,100	8,995,371	(612,801)	5,114,827	(5,266,602)
Net increase/(decrease) in cash and cash equivalents	1,853,217	(1,887,089)	3,294,610	124,874	(2,836,096)
Cash and cash equivalents at beginning of financial year	(6,300,335)	(4,447,118)	(6,334,207)	(6,334,207)	(3,039,597)
Cash and cash equivalents at end of financial year (Note 7.3.12)	(4,447,118)	(6,334,207)	(3,039,597)	(6,209,333)	(5,875,693)

11. ACCOUNTANTS' REPORT (Cont'd)


ERNST & YOUNG

7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)

7.3 Piasau Slipways (Cont'd)

7.3.1 Revenue

	31.12.2007	30.6.2008	30.6.2009	30.11.2008	30.11.2009
	RM	RM	RM	RM	RM
Shipbuilding	68,631,903	43,367,345	111,574,958	56,269,602	44,150,156
Ship repairs and other services	55,443,473	37,046,491	55,767,576	35,605,502	10,336,661
	<u>124,075,376</u>	<u>80,413,836</u>	<u>167,342,534</u>	<u>91,875,104</u>	<u>54,486,817</u>

7.3.2 Cost of sales

Direct material costs and expenses	107,790,498	69,484,383	144,412,344	78,936,698	43,200,093
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7.3.3 Other income

Gain on disposal of prepaid land lease payments	-	122,070	-	-	-
Gain on disposal of property, plant and equipment	9,750	-	105	105	-
Realised gain on foreign exchange	331,525	51,165	281,274	131,818	14,252
Rental income from land and buildings	287,355	172,220	366,421	138,237	144,692
Interest income	-	-	-	-	819,097
Sundry income	4,235	4,267	9,867	4,972	20,536
	<u>632,865</u>	<u>349,722</u>	<u>657,667</u>	<u>275,132</u>	<u>998,577</u>

7.3.4 Finance costs

Interest expenses on:					
- Bank overdrafts	452,278	211,102	383,797	177,133	167,847
- Bankers acceptances	969,525	579,506	2,071,320	922,408	996,174
- Hire purchase	30,797	15,751	41,244	15,055	13,774
- Revolving credits	676,050	287,997	444,635	171,606	82,883
- Term loan	10,843	-	332,328	128,832	133,413
- Other interest	828,257	1,438,151	228,535	228,535	-
	<u>2,967,750</u>	<u>2,532,507</u>	<u>3,501,859</u>	<u>1,643,569</u>	<u>1,394,091</u>

11. ACCOUNTANTS' REPORT (Cont'd)**ERNST & YOUNG****7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)****7.3 Piasau Slipways (Cont'd)****7.3.5 Income tax expense**

	31.12.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2008 RM	30.11.2009 RM
Current income tax:					
Malaysian income tax	715,000	1,300,000	3,900,000	2,141,194	2,493,944
Under/(Over) provision in prior years	2,012	291,946	-	-	(1,759,635)
	<u>717,012</u>	<u>1,591,946</u>	<u>3,900,000</u>	<u>2,141,194</u>	<u>734,309</u>
Deferred tax (Note 7.3.19):					
Relating to origination and reversal of temporary differences	637,274	(638,022)	7,850	4,309	322,337
Relating to changes in tax rates	(59,879)	(34,338)	-	-	-
Over/(Under) provision in prior years	107	(26,052)	-	-	(7,851)
	<u>577,502</u>	<u>(698,412)</u>	<u>7,850</u>	<u>4,309</u>	<u>314,486</u>
	<u>1,294,514</u>	<u>893,534</u>	<u>3,907,850</u>	<u>2,145,503</u>	<u>1,048,795</u>

7.3.6 Property, plant and equipment

	Cost RM	Accumulated Depreciation RM	Net Carrying Amount RM
At 31 December 2007			
Buildings, wharf and slipways	38,971,298	5,048,763	33,922,535
Plant, machinery and slipway equipment	12,349,027	8,867,793	3,481,234
Motor vehicles	1,009,545	936,010	73,535
Office furniture, fittings and equipment	1,181,368	602,446	578,922
	<u>53,511,238</u>	<u>15,455,012</u>	<u>38,056,226</u>
At 30 June 2008			
Buildings, wharf and slipways	27,930,185	4,899,538	23,030,647
Plant, machinery and slipway equipment	11,967,401	7,774,509	4,192,892
Motor vehicles	1,086,679	965,400	121,279
Office furniture, fittings and equipment	1,301,532	682,729	618,803
Capital work-in-progress	164,837	-	164,837
	<u>42,450,634</u>	<u>14,322,176</u>	<u>28,128,458</u>
At 30 June 2009			
Buildings, wharf and slipways	30,412,500	6,136,741	24,275,759
Plant, machinery and slipway equipment	12,925,901	8,926,570	3,999,331
Motor vehicles	1,236,679	1,047,595	189,084
Office furniture, fittings and equipment	1,378,120	852,331	525,789
Capital work-in-progress	213,673	-	213,673
	<u>46,166,873</u>	<u>16,963,237</u>	<u>29,203,636</u>

11. ACCOUNTANTS' REPORT (Cont'd)**ERNST & YOUNG****7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)****7.3 Piasau Slipways (Cont'd)****7.3.6 Property, plant and equipment (Cont'd)**

	Cost RM	Accumulated Depreciation RM	Net Carrying Amount RM
At 30 November 2009			
Buildings, wharf and slipways	30,412,500	6,658,529	23,753,971
Plant, machinery and slipway equipment	12,993,826	9,352,178	3,641,648
Motor vehicles	1,236,679	1,079,098	157,581
Office furniture, fittings and equipment	1,461,083	926,420	534,663
Capital work-in-progress	799,609	-	799,609
	<u>46,903,697</u>	<u>18,016,225</u>	<u>28,887,472</u>

Net carrying amount of property, plant and equipment held under hire purchase agreements are as follows:

	31.12.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Motor vehicles	36,896	97,092	173,993	155,066
Plant and machinery	689,245	620,624	758,222	711,513
	<u>726,141</u>	<u>717,716</u>	<u>932,215</u>	<u>866,579</u>

The net carrying amount of property, plant and equipment pledged for borrowings as referred to in Note 7.3.13 are as follows:

	31.12.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Buildings	<u>5,441,301</u>	<u>5,399,494</u>	<u>4,788,373</u>	<u>11,223,355</u>

7.3.7 Prepaid land lease payments

	31.12.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
At 1 January/1 July	8,497,935	15,005,314	13,883,149	14,695,790
Additions	6,795,849	-	1,104,521	2,622,635
Amortisation for the year/period	(288,470)	(144,235)	(291,880)	(139,830)
Disposals	-	(977,930)	-	-
At 31 December/30 June	<u>15,005,314</u>	<u>13,883,149</u>	<u>14,695,790</u>	<u>17,178,595</u>
Analysed as:				
Short term leasehold land	3,247,267	7,257,196	8,183,101	8,108,678
Long term leasehold land	11,758,047	6,625,953	6,512,689	9,069,917
	<u>15,005,314</u>	<u>13,883,149</u>	<u>14,695,790</u>	<u>17,178,595</u>

11. ACCOUNTANTS' REPORT (Cont'd)
ERNST & YOUNG
7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)**7.3 Piasau Slipways (Cont'd)****7.3.7 Prepaid land lease payments (Cont'd)**

The net carrying amount of leasehold land pledged for borrowings as referred to in Note 7.3.13 are as follows:

	31.12.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Short term leasehold land	2,259,043	2,231,493	2,176,395	9,069,918
Long term leasehold land	-	-	6,512,689	2,153,437
	<u>2,259,043</u>	<u>2,231,493</u>	<u>8,689,084</u>	<u>11,223,355</u>

As at the end of the year, the Company is in the process of obtaining the land titles for its long term leasehold land and one of its short term leasehold land.

7.3.8 Inventories

	31.12.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
At cost:				
Consumable materials	26,831,607	41,978,541	43,908,615	41,669,485
Work-in-progress	2,339,942	2,393,336	7,977,105	2,778,007
	<u>29,171,549</u>	<u>44,371,877</u>	<u>51,885,720</u>	<u>44,447,492</u>

Included in inventories during the financial year/period is:

Depreciation	40,167	31,712	337,338	-
Hire purchase interest	645	-	-	-

7.3.9 Trade receivables

Trade receivables	62,400,492	61,373,602	22,405,146	2,964,475
Due from related companies	-	-	-	30,460,834
Due from customers on contracts (Note 7.3.11)	17,793,037	17,000,875	29,741,926	16,577,580
Due from a director	1,411,377	1,503,898	-	-
	<u>81,604,906</u>	<u>79,878,375</u>	<u>52,147,072</u>	<u>50,002,889</u>
Less: Provision for doubtful debts	-	(452,812)	-	-
	<u>81,604,906</u>	<u>79,425,563</u>	<u>52,147,072</u>	<u>50,002,889</u>

The Company's normal trade credit term is 90 days.

The amount due from a Director was unsecured, interest free and had no fixed terms of repayment.

11. ACCOUNTANTS' REPORT (Cont'd)
ERNST & YOUNG
7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)**7.3 Piasau Slipways (Cont'd)****7.3.10 Other receivables**

	31.12.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Deposits	1,391,100	4,146,265	2,079,406	3,628,623
Due from related companies	-	-	-	8,605,392
Due from holding company	-	-	-	3,000,000
Prepayments	536,000	529,007	414,252	-
Sundry receivables	94,342	96,382	9,240,611	25,047
	<u>2,021,442</u>	<u>4,771,654</u>	<u>11,734,269</u>	<u>15,259,062</u>

7.3.11 Due from/(to) customers on contracts

	31.12.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Construction contract costs incurred to date	34,216,381	44,728,194	57,282,709	49,349,738
Attributable profits	3,218,259	3,694,122	2,987,939	(1,452,473)
	<u>37,434,640</u>	<u>48,422,316</u>	<u>60,270,648</u>	<u>47,897,265</u>
Less: Progress billings	(33,441,937)	(42,087,762)	(31,471,530)	(32,590,000)
	<u>3,992,703</u>	<u>6,334,554</u>	<u>28,799,118</u>	<u>15,307,265</u>
Due from customers on contracts (Note 7.3.9)	17,793,037	17,000,875	29,741,926	16,577,580
Due to customers on contracts (Note 7.3.15)	(13,800,334)	(10,666,321)	(942,808)	(1,270,315)
	<u>3,992,703</u>	<u>6,334,554</u>	<u>28,799,118</u>	<u>15,307,265</u>

7.3.12 Cash and cash equivalents

Cash and bank balances	30,581	62,293	115,442	533,129
Less: Bank overdrafts (Note 7.3.13)	(4,477,699)	(6,396,500)	(3,155,039)	(6,408,822)
Cash and cash equivalents	<u>(4,447,118)</u>	<u>(6,334,207)</u>	<u>(3,039,597)</u>	<u>(5,875,693)</u>

11. ACCOUNTANTS' REPORT (Cont'd)
ERNST & YOUNG
7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)**7.3 Piasau Slipways (Cont'd)****7.3.13 Borrowings**

	31.12.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Short Term Borrowings				
Unsecured:				
Bank overdrafts	4,477,699	6,396,500	3,155,039	6,408,822
Bankers acceptances	35,096,000	45,966,000	47,948,000	40,247,000
Revolving credits	2,500,000	2,500,000	2,500,000	2,500,000
	<u>42,073,699</u>	<u>54,862,500</u>	<u>53,603,039</u>	<u>49,155,822</u>
Secured:				
Revolving credits	8,537,444	6,837,444	5,000,000	5,000,000
Term loan	-	-	952,659	980,994
Hire purchase payables (Note 7.3.14)	293,321	248,858	392,397	336,530
	<u>8,830,765</u>	<u>7,086,302</u>	<u>6,345,056</u>	<u>6,317,524</u>
	<u>50,904,464</u>	<u>61,948,802</u>	<u>59,948,095</u>	<u>55,473,346</u>
Long Term Borrowings				
Secured:				
Term loan	-	-	3,701,963	3,285,683
Hire purchase payables (Note 7.3.14)	248,902	189,736	254,338	157,549
	<u>248,902</u>	<u>189,736</u>	<u>3,956,301</u>	<u>3,443,232</u>
Total Borrowings:				
Bank overdrafts (Note 7.3.12)	4,477,699	6,396,500	3,155,039	6,408,822
Bankers acceptances	35,096,000	45,966,000	47,948,000	40,247,000
Revolving credits	11,037,444	9,337,444	7,500,000	7,500,000
Term loan	-	-	4,654,622	4,266,677
Hire purchase payables (Note 7.3.14)	542,223	438,594	646,735	494,079
	<u>51,153,366</u>	<u>62,138,538</u>	<u>63,904,396</u>	<u>58,916,578</u>
Maturity of borrowings (excluding hire purchase):				
Not later than 1 year	50,611,143	61,699,944	59,555,698	55,136,816
Later than 1 year and not later than 2 years	-	-	1,022,239	3,285,683
Later than 2 years and not later than 5 years	-	-	2,679,724	-
	<u>50,611,143</u>	<u>61,699,944</u>	<u>63,257,661</u>	<u>58,422,499</u>

The bank borrowings are secured over:-

- a) First legal charge over the landed properties of the Company as disclosed in Notes 7.3.6 and 7.3.7;
- b) Corporate guarantee by third parties; and
- c) Joint and several guarantee by the Directors.

11. ACCOUNTANTS' REPORT (Cont'd)


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7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)

7.3 Piasau Slipways (Cont'd)

7.3.14 Hire purchase payables

	31.12.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Minimum lease payments:				
Not later than 1 year	315,863	266,495	418,065	354,287
Later than 1 year and not later than 2 years	190,317	171,057	218,408	161,469
Later than 2 years and not later than 5 years	68,698	24,767	44,454	-
	<u>574,878</u>	<u>462,319</u>	<u>680,927</u>	<u>515,756</u>
Less: Future finance charges	(32,655)	(23,725)	(34,192)	(21,677)
Present value of finance lease liabilities	<u>542,223</u>	<u>438,594</u>	<u>646,735</u>	<u>494,079</u>
Present value of finance lease liabilities:				
Not later than 1 year	293,321	248,858	392,397	336,530
Later than 1 year and not later than 2 years	181,349	165,292	210,318	157,549
Later than 2 years and not later than 5 years	67,553	24,444	44,020	-
	<u>542,223</u>	<u>438,594</u>	<u>646,735</u>	<u>494,079</u>
Less: Amount due within 12 months (Note 7.3.13)	(293,321)	(248,858)	(392,397)	(336,530)
Amount due after 12 months (Note 7.3.13)	<u>248,902</u>	<u>189,736</u>	<u>254,338</u>	<u>157,549</u>

7.3.15 Trade payables

	31.12.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Trade payables	34,639,552	47,939,054	34,089,349	14,589,088
Due to related companies	-	-	-	4,889,044
Due to customers on contracts (Note 7.3.11)	13,800,334	10,666,321	942,808	1,270,315
	<u>48,439,886</u>	<u>58,605,375</u>	<u>35,032,157</u>	<u>20,748,447</u>

The normal trade credit terms granted to the Company ranges from 90 days to 180 days.

11. ACCOUNTANTS' REPORT (Cont'd)**ERNST & YOUNG****7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)****7.3 Piasau Slipways (Cont'd)****7.3.16 Other payables**

	31.12.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Deposits received	300,808	301,408	91,800	21,930
Accruals	444,133	454,924	503,748	4,319,866
Sundry payables	23,405,227	1,626,816	471,893	457,959
Land premium payable	978,543	978,543	-	-
Amount due to directors	-	-	3,208,205	3,208,205
	<u>25,128,711</u>	<u>3,361,691</u>	<u>4,275,646</u>	<u>8,007,960</u>

7.3.17 Share capital

	Number of ordinary shares of RM1 Each	Amount RM
At 31 December 2007 and 30 June 2008 to 2009		
Authorised share capital	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid	<u>1,000,000</u>	<u>1,000,000</u>
At 30 November 2009		RM
Authorised share capital	<u>5,000,000</u>	<u>5,000,000</u>
Issued and fully paid	<u>4,000,000</u>	<u>4,000,000</u>

7.3.18 Retained Earnings

Prior to the year of assessment 2008, Malaysian companies adopt the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Company did not elect for the irrevocable option to disregard the 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the 108 balance as at 30 November 2009 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007. As at 30 November 2009, the Company has sufficient credit in the 108 balance and the tax exempt income account to pay franked dividends amounting to RM30,609,609 out of its retained earnings. If the balance of the retained earnings of RM28,630,374 were to be distributed as dividends, the Company may distribute such dividends under the single tier system.

11. ACCOUNTANTS' REPORT (Cont'd)


ERNST & YOUNG

7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)

7.3 Piasau Slipways (Cont'd)

7.3.19 Deferred tax liabilities

	31.12.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
At 1 July/1 January	979,354	1,556,856	858,444	866,294
Recognised in the income statements (Note 7.3.5)	577,502	(698,412)	7,850	314,486
At 30 June	<u>1,556,856</u>	<u>858,444</u>	<u>866,294</u>	<u>1,180,780</u>

The deferred tax liabilities are in respect of the capital allowance claimed in advance of depreciation.

7.3.20 Dividends

	31.12.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Interim dividends:				
First interim dividend of RM5.00 per share, tax exempt	-	-	5,000,000	-

7.3.21 Comparative figures

(a) Reclassification of Income Statements

The reclassifications of income statements of Piasau Slipways were made to reflect more appropriately the nature of the items and to ensure consistency of presentation throughout the financial years and period under review. The reconciliations of the audited financial statements to that presented in this report are set out below:

	31.12.2007 RM	← Financial year/period ended →		
		30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
<u>Administrative expenses</u>				
Per audited financial statements	2,984,006	2,484,684	3,671,712	-
Reclassified from:				
- Finance costs	326,347	-	-	-
As restated	<u>3,310,353</u>	<u>2,484,684</u>	<u>3,671,712</u>	<u>-</u>

11. ACCOUNTANTS' REPORT (Cont'd)
ERNST & YOUNG
7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)**7.3 Piasau Slipways (Cont'd)****7.3.21 Comparative figures (Cont'd)****(a) Reclassification of Income Statements (Cont'd)**

		← Financial year/period ended →		
	31.12.2007	30.6.2008	30.6.2009	30.11.2009
	RM	RM	RM	RM
<u>Finance costs</u>				
Per audited financial statements	3,294,097	2,532,501	3,501,859	-
Reclassified to:				
- Administrative expenses	(326,347)	-	-	-
As restated	2,967,750	2,532,501	3,501,859	-

(a) Restatement of Balance Sheets

The restatement of balance sheets of Piasau Slipways arose from the adoption of FRS. The following figures have been restated to conform with the current presentation:-

	31.12.2007	30.6.2008	30.6.2009	30.11.2009
	RM	RM	RM	RM
<u>Property, Plant and Equipment</u>				
Per audited financial statements	53,061,540	28,128,458	29,203,636	-
Reclassified to:				
- Prepaid land lease payments	(15,005,314)	-	-	-
As restated	38,056,226	28,128,458	29,203,636	-
<u>Prepaid Land Lease Payments</u>				
Per audited financial statements	-	13,883,149	14,695,790	-
Reclassified from:				
- Property, plant and equipment	15,005,314	-	-	-
As restated	15,005,314	13,883,149	14,695,790	-

11. ACCOUNTANTS' REPORT (Cont'd)**ERNST & YOUNG****7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)****7.4 Shinline**

Audited Income Statements of Shinline

	Note	← Financial year/period ended →				
		31.12.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2008 RM	30.11.2009 RM
Revenue	7.4.1	67,761,606	50,260,930	76,084,146	46,651,520	41,842,975
Cost of sales	7.4.2	(49,549,980)	(39,073,613)	(60,125,914)	(32,668,094)	(34,585,773)
Gross profit		18,211,626	11,187,317	15,958,232	13,983,426	7,257,202
Other income	7.4.3	1,053	17,000	32,187	32,819	1,000
Administrative expenses		(1,618,140)	(979,639)	(2,062,799)	(876,765)	(885,831)
Profit from operations		16,594,539	10,224,678	13,927,620	13,139,480	6,372,371
Finance cost	7.4.4	(326,568)	(137,971)	(249,715)	(84,602)	(89,053)
Profit before tax		16,267,971	10,086,707	13,677,905	13,054,878	6,283,318
Income tax expense	7.4.5	(270)	-	(780)	(780)	(250)
Profit for the year/period		16,267,701	10,086,707	13,677,125	13,054,098	6,283,068
Weighted average number of ordinary shares in issue		4,000,000	4,000,000	4,000,000	4,000,000	15,900,000
Gross earnings per share (RM)*		4.07	2.52	3.42	^^ 7.83	^^ 0.95
Net earnings per share (RM) #		4.07	2.52	3.42	^^ 7.83	^^ 0.95
Gross profit margin (%)		26.88%	22.26%	20.97%	29.97%	17.34%
Profit before tax margin (%)		24.01%	20.07%	17.98%	27.98%	15.02%
Profit after tax margin (%)		24.01%	20.07%	17.98%	27.98%	15.02%
Effective tax rate (%)		0.00%	0.00%	0.01%	0.01%	0.00%
Gross dividend rate (%)^		750.00%	1750.00%	812.50%	0.00%	0.00%

* The gross earnings per share is computed based on the profit before tax divided by the weighted average number of ordinary shares in issue during the financial year/period.

The net earnings per share is computed based on the profit after tax divided by the weighted average number of ordinary shares in issue during the financial year/period.

^ Based on gross dividends relating to a financial year/period divided by the weighted average number of ordinary shares in issue as at the end of the financial year/period.

^^ Annualised

11. ACCOUNTANTS' REPORT (Cont'd)**7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)****7.4 Shinline (Cont'd)**

Audited Balance Sheets of Shinline

	Note	31.12.2007 RM	30.6.2008 RM	← As at →	
				30.6.2009 RM	30.11.2009 RM
NON-CURRENT ASSETS					
Property, plant and equipment	7.4.6	17,477,056	44,688,735	70,084,732	111,639,336
Other investments	7.4.7	66,500	66,500	66,500	66,500
		<u>17,543,556</u>	<u>44,755,235</u>	<u>70,151,232</u>	<u>111,705,836</u>
CURRENT ASSETS					
Inventories	7.4.8	2,448,147	2,279,109	1,397,990	2,757,383
Trade receivables	7.4.9	29,234,016	30,333,824	10,573,587	20,267,589
Other receivables	7.4.10	77,287,384	9,019,344	5,519,142	18,169,930
Cash and bank balances	7.4.11	3,439,546	2,867,789	859,396	1,445,894
		<u>112,409,093</u>	<u>44,500,066</u>	<u>18,350,115</u>	<u>42,640,796</u>
CURRENT LIABILITIES					
Borrowings	7.4.12	2,733,766	29,619	3,491,908	1,630,472
Trade payables	7.4.14	10,637,130	35,089,992	45,229,692	16,312,985
Other payables	7.4.15	3,972,723	1,381,866	5,879,881	74,881,635
		<u>17,343,619</u>	<u>36,501,477</u>	<u>54,601,481</u>	<u>92,825,092</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>95,065,474</u>	<u>7,998,589</u>	<u>(36,251,366)</u>	<u>(50,184,296)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>112,609,030</u>	<u>52,753,824</u>	<u>33,899,866</u>	<u>61,521,540</u>
NON-CURRENT LIABILITIES					
Borrowings	7.4.12	-	58,087	27,004	9,465,610
		<u>112,609,030</u>	<u>52,695,737</u>	<u>33,872,862</u>	<u>52,055,930</u>
FINANCED BY					
Share capital	7.4.16	4,000,000	4,000,000	4,000,000	15,900,000
Retained earnings	7.4.17	108,609,030	48,695,737	29,872,862	36,155,930
Shareholders' equity		<u>112,609,030</u>	<u>52,695,737</u>	<u>33,872,862</u>	<u>52,055,930</u>

11. ACCOUNTANTS' REPORT (Cont'd)
ERNST & YOUNG
7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)**7.4 Shinline (Cont'd)****Audited Statements of Changes in Equity of Shinline**

	Share Capital RM	Retained Earnings RM	Total RM
At 1 January 2007	4,000,000	122,341,329	126,341,329
Profit for the year		16,267,701	16,267,701
Dividends (Note 7.4.18)	-	(30,000,000)	(30,000,000)
At 31 December 2007	4,000,000	108,609,030	112,609,030
Profit for the period	-	10,086,707	10,086,707
Dividends (Note 7.4.18)	-	(70,000,000)	(70,000,000)
At 30 June 2008	4,000,000	48,695,737	52,695,737
Profit for the year		13,677,125	13,677,125
Dividends (Note 7.4.18)	-	(32,500,000)	(32,500,000)
At 30 June 2009	4,000,000	29,872,862	33,872,862
Issue of share capital	11,900,000	-	11,900,000
Profit for the period		6,283,068	6,283,068
At 30 November 2009	15,900,000	36,155,930	52,055,930

Audited Cash Flow Statements of Shinline

	← Financial year/period ended →				
	31.12.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2008 RM	30.11.2009 RM
Net cash from operating activities	32,196,090	101,918,060	57,372,091	9,387,168	24,691,777
Net cash used in investing activities	(1,975,811)	(29,751,257)	(30,311,690)	(12,163)	(43,515,649)
Net cash used in financing activities	(30,075,449)	(70,023,198)	(32,529,619)	(15,390,586)	22,565,542
Net increase/(decrease) in cash and cash equivalents	144,830	2,143,605	(5,469,218)	(6,015,581)	3,741,670
Cash and cash equivalents at beginning of financial year	579,354	724,184	2,867,789	2,867,789	(2,601,429)
Cash and cash equivalents at end of financial year (Note 7.4.11)	724,184	2,867,789	(2,601,429)	(3,147,792)	1,140,241

11. ACCOUNTANTS' REPORT (Cont'd)**7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)****7.4 Shinline (Cont'd)****7.4.1 Revenue**

	31.12.2007	30.6.2008	30.6.2009	30.11.2008	30.11.2009
	RM	RM	RM	RM	RM
The revenue of the Company consists of the following:					
Charterage received	8,515,364	5,293,581	6,907,196	3,449,624	2,156,269
Freight received	59,246,242	44,967,349	69,176,950	43,201,896	39,686,706
	<u>67,761,606</u>	<u>50,260,930</u>	<u>76,084,146</u>	<u>46,651,520</u>	<u>41,842,975</u>

7.4.2 Cost of sales

Cost of sales represents cost of services provided.

7.4.3 Other income

	31.12.2007	30.6.2008	30.6.2009	30.11.2008	30.11.2009
	RM	RM	RM	RM	RM
Dividend income	1,000	-	3,000	3,000	1,000
Gain on disposal of property, plant and equipment	53	-	29,187	29,819	-
Sundry income	-	17,000	-	-	-
	<u>1,053</u>	<u>17,000</u>	<u>32,187</u>	<u>32,819</u>	<u>1,000</u>

7.4.4 Finance costs

Interest expenses on:					
- Bank overdrafts	322,406	137,071	246,238	82,975	87,684
- Hire purchase	4,162	900	3,477	1,627	1,369
	<u>326,568</u>	<u>137,971</u>	<u>249,715</u>	<u>84,602</u>	<u>89,053</u>

7.4.5 Income tax expense

Tax expense for the year/period:					
Based on dividend income for the year/period	270	-	780	780	250

The Company enjoys tax exempt profits arising from its shipping profits under Section 54A of the Income Tax Act, 1967.

11. ACCOUNTANTS' REPORT (Cont'd)**ERNST & YOUNG****7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)****7.4 Shinline (Cont'd)****7.4.6 Property, plant and equipment**

	Cost RM	Accumulated Depreciation RM	Net Carrying Amount RM
At 31 December 2007			
Ocean liners and dry docking expenses	57,217,219	40,902,122	16,315,097
Shipping equipment and machinery	3,277,239	2,278,739	998,500
Motor vehicles and boats	717,800	600,578	117,222
Office equipment, furniture and fittings	86,254	40,017	46,237
	<u>61,298,512</u>	<u>43,821,456</u>	<u>17,477,056</u>
At 30 June 2008			
Ocean liners and dry docking expenses	58,119,661	43,404,076	14,715,585
Shipping equipment and machinery	3,614,705	2,379,571	1,235,134
Motor vehicles and boats	818,270	624,500	193,770
Office equipment, furniture and fittings	89,633	45,387	44,246
Capital work-in progress	28,500,000	-	28,500,000
	<u>91,142,269</u>	<u>46,453,534</u>	<u>44,688,735</u>
At 30 June 2009			
Ocean liners and dry docking expenses	55,242,558	43,478,224	11,764,334
Shipping equipment and machinery	3,756,115	2,599,114	1,157,001
Motor vehicles and boats	631,770	507,135	124,635
Office equipment, furniture and fittings	94,753	55,991	38,762
Capital work-in progress	57,000,000	-	57,000,000
	<u>116,725,196</u>	<u>46,640,464</u>	<u>70,084,732</u>
At 30 November 2009			
Ocean liners and dry docking expenses	55,242,558	45,432,976	9,809,582
Shipping equipment and machinery	3,756,115	2,689,643	1,066,472
Motor vehicles and boats	708,509	526,452	182,057
Office equipment, furniture and fittings	101,943	60,999	40,944
Capital work-in progress	100,540,281	-	100,540,281
	<u>160,349,406</u>	<u>48,710,070</u>	<u>111,639,336</u>

Net carrying amount of property, plant and equipment held under hire purchase agreements are as follows:

	31.12.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Motor vehicles and boats	32,480	95,778	75,684	143,047
Shipping equipment and machinery	152,115	-	-	-
	<u>184,595</u>	<u>95,778</u>	<u>75,684</u>	<u>143,047</u>

11. ACCOUNTANTS' REPORT (Cont'd)


ERNST & YOUNG

7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)

7.4 Shinline (Cont'd)

7.4.6 Property, plant and equipment (Cont'd)

The net carrying amount of property, plant and equipment pledged for borrowings as referred to in Note 7.4.12 are as follows:

	31.12.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Ocean liners and dry docking expenses	6,190,591	-	-	-
Capital work in progress	-	-	-	57,194,672
	<u>6,190,591</u>	<u>-</u>	<u>-</u>	<u>57,194,672</u>

7.4.7 Other investments

	31.12.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Quoted shares at cost	66,500	66,500	66,500	66,500
At market value	<u>53,760</u>	<u>47,560</u>	<u>41,040</u>	<u>36,520</u>

7.4.8 Inventories

At cost:				
Petrol, oil and lubricants	2,448,147	2,279,109	1,397,990	2,757,383

11. ACCOUNTANTS' REPORT (Cont'd)


ERNST & YOUNG

7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)

7.4 Shinline (Cont'd)

7.4.9 Trade receivables

The Company's trade credit terms are assessed and approved on a case-by-case basis.

7.4.10 Other receivables

	31.12.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Deposits	3,446,635	3,441,635	30,726	30,726
Prepayments	398,552	996,420	1,151,676	2,129,394
Sundry receivables	73,442,197	4,581,289	4,336,740	16,009,810
	<u>77,287,384</u>	<u>9,019,344</u>	<u>5,519,142</u>	<u>18,169,930</u>

7.4.11 Cash and cash equivalents

	31.12.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Cash and bank balances	3,439,546	2,867,789	859,396	1,445,894
Bank overdrafts (Note 7.4.12)	(2,715,362)	-	(3,460,825)	(305,653)
	<u>724,184</u>	<u>2,867,789</u>	<u>(2,601,429)</u>	<u>1,140,241</u>

7.4.12 Borrowings

Short Term Borrowings

Secured:

Bank overdrafts (Note 7.4.11)	2,715,362	-	-	-
Hire purchase payables (Note 7.4.13)	18,404	29,619	31,083	52,675
Term loan	-	-	-	1,272,144
	<u>2,733,766</u>	<u>29,619</u>	<u>31,083</u>	<u>1,324,819</u>

Unsecured:

Bank overdrafts (Note 7.4.11)	-	-	3,460,825	305,653
	<u>2,733,766</u>	<u>29,619</u>	<u>3,491,908</u>	<u>1,630,472</u>

Long Term Borrowings

Secured:

Hire purchase payables (Note 7.4.13)	-	58,087	27,004	57,754
Term loan	-	-	-	9,407,856
	<u>-</u>	<u>58,087</u>	<u>27,004</u>	<u>9,465,610</u>

Total Borrowings:

Bank overdrafts (Note 7.4.11)	2,715,362	-	3,460,825	305,653
Hire purchase payables (Note 7.4.13)	18,404	87,706	58,087	110,429
Term loan	-	-	-	10,680,000
	<u>2,733,766</u>	<u>87,706</u>	<u>3,518,912</u>	<u>11,096,082</u>

11. ACCOUNTANTS' REPORT (Cont'd)**7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)****7.4 Shinline (Cont'd)****7.4.12 Borrowings (Cont'd)**

	31.12.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Maturity of borrowings (excluding hire purchase):				
Within 1 year	2,715,362	-	3,460,825	1,577,797
Later than 1 year and not later than 2 years	-	-	-	7,632,864
Later than 2 years and not later than 5 years	-	-	-	1,774,992
	<u>2,715,362</u>	<u>-</u>	<u>3,460,825</u>	<u>10,985,653</u>

The bank overdraft is secured by the following:

- (a) Statutory mortgage over certain vessels of the Company as disclosed in Note 7.4.6;
and
- (b) Guaranteed by the Directors of the Company.

7.4.13 Hire purchase payables

	31.12.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Minimum lease payments:				
Not later than 1 year	18,547	33,096	33,096	57,540
Later than 1 year and not later than 2 years	-	33,096	27,563	38,217
Later than 2 years and not later than 5 years	-	27,563	-	22,388
	<u>18,547</u>	<u>93,755</u>	<u>60,659</u>	<u>118,145</u>
Less: Future finance charges	(143)	(6,049)	(2,572)	(7,716)
Present value of finance lease liabilities	<u>18,404</u>	<u>87,706</u>	<u>58,087</u>	<u>110,429</u>
Present value of finance lease liabilities:				
Not later than 1 year	18,404	29,619	31,083	52,675
Later than 1 year and not later than 2 years	-	31,083	27,004	36,011
Later than 2 years and not later than 5 years	-	27,004	-	21,743
	<u>18,404</u>	<u>87,706</u>	<u>58,087</u>	<u>110,429</u>
Analysed as:				
Due within 12 months (Note 7.4.12)	18,404	29,619	31,083	52,675
Due after 12 months (Note 7.4.12)	-	58,087	27,004	57,754
	<u>18,404</u>	<u>87,706</u>	<u>58,087</u>	<u>110,429</u>

11. ACCOUNTANTS' REPORT (Cont'd)
ERNST & YOUNG
7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)**7.4 Shinline (Cont'd)****7.4.14 Trade payables**

The normal trade credit term granted to the Company is 90 days.

7.4.15 Other payables

	31.12.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Accruals	758,722	960,385	1,990,832	45,172,933
Deposits	52,049	47,600	54,845	47,881
Sundry payables	3,161,952	373,881	3,834,204	29,660,821
	<u>3,972,723</u>	<u>1,381,866</u>	<u>5,879,881</u>	<u>74,881,635</u>

7.4.16 Share capital

	Number of ordinary shares of RM1 Each	Amount RM
As at 31 December 2007 and 30 June 2008 to 2009		
Authorised share capital	5,000,000	5,000,000
Issued and fully paid	4,000,000	4,000,000
As at 30 November 2009		RM
Authorised share capital	25,000,000	25,000,000
Issued and fully paid	15,900,000	15,900,000

7.4.17 Retained earnings

The Company has sufficient balance in the tax exempt income account to frank the payment of dividends out of its entire retained earnings as at 30 November 2009.

Alternatively, the Company may distribute such dividends under Section 108 of the Income Tax Act, 1967 as tax exempt dividends.

7.4.18 Dividends

	31.12.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Interim dividends:				
First interim dividend of RM2.50 (2008: RM17.50; 2007: RM2.50) per share, tax exempt	10,000,000	70,000,000	10,000,000	-
Second interim dividend of RM5.63 (2007: RM5.00) per share, tax exempt	20,000,000	-	22,500,000	-
	<u>30,000,000</u>	<u>70,000,000</u>	<u>32,500,000</u>	<u>-</u>

11. ACCOUNTANTS' REPORT (Cont'd)



7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)

7.5 Shin Yang Shipyard

Audited Income Statements of Shin Yang Shipyard

	Note	← Financial year/period ended →				
		31.7.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2008 RM	30.11.2009 RM
Revenue	7.5.1	142,431,994	190,682,553	294,791,405	124,519,730	133,147,605
Cost of sales	7.5.2	(124,717,952)	(167,847,377)	(263,845,327)	(110,473,188)	(106,466,321)
Gross profit		17,714,042	22,835,176	30,946,078	14,046,542	26,681,284
Other income	7.5.3	324,734	165,128	1,302,607	58,192	279,054
Other operating expense		-	(1,046,460)	(42,500)	(575,026)	-
Administrative expenses		(1,775,245)	(3,421,425)	(4,825,151)	(1,715,657)	(2,153,114)
Operating profit		16,263,531	18,532,419	27,381,034	11,814,051	24,807,224
Finance cost	7.5.4	(1,680,942)	(1,919,057)	(11,230,178)	(4,900,221)	(3,388,238)
Profit before tax		14,582,589	16,613,362	16,150,856	6,913,830	21,418,986
Income tax expense	7.5.5	(2,088,992)	(1,517,812)	(2,608,550)	(676,599)	(4,976,179)
Profit for the year		12,493,597	15,095,550	13,542,306	6,237,231	16,442,807
Weighted average number of ordinary shares in issue		1,900,000	4,900,000	4,900,000	4,900,000	20,000,000
Gross earnings per share (RM)*		7.68	3.39	3.30	^^ 3.39	^^ 2.57
Net earnings per share (RM) #		6.58	3.08	2.76	^^ 3.05	^^ 1.97
Gross profit margin (%)		12.44%	11.98%	10.50%	11.28%	20.04%
Profit before tax margin (%)		10.24%	8.71%	5.48%	5.55%	16.09%
Profit after tax margin (%)		8.77%	7.92%	4.59%	5.01%	12.35%
Effective tax rate (%)		14.33%	9.14%	16.15%	9.79%	23.23%
Gross dividend rate (%)^		0.53%	0.00%	0.00%	0.00%	0.00%

* The gross earnings per share is computed based on the profit before tax divided by the weighted average number of ordinary shares in issue during the financial year/period.

The net earnings per share is computed based on the profit after tax divided by the weighted average number of ordinary shares in issue during the financial year/period.

^ Based on gross dividends relating to a financial year/period divided by the weighted average number of ordinary shares in issue as at the end of the financial year/period.

^^ Annualised

11. ACCOUNTANTS' REPORT (Cont'd)



7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)

7.5 Shin Yang Shipyard (Cont'd)

Audited Balance Sheets of Shin Yang Shipyard

	Note	31.7.2007 RM	30.6.2008 RM	← As at →	
				30.6.2009 RM	30.11.2009 RM
NON-CURRENT ASSETS					
Property, plant and equipment	7.5.6	30,877,581	63,591,104	94,422,503	100,802,507
Prepaid land lease payments	7.5.7	3,093,722	35,697,408	35,342,626	36,097,832
		<u>33,971,303</u>	<u>99,288,512</u>	<u>129,765,129</u>	<u>136,900,339</u>
CURRENT ASSETS					
Inventories	7.5.8	24,782,271	94,385,708	119,612,813	115,718,940
Trade receivables	7.5.9	47,450,314	88,731,130	139,995,243	120,534,351
Other receivables	7.5.10	956,920	27,678,533	23,754,270	12,564,261
Cash and bank balances	7.5.12	1,154,682	619,537	363,842	393,665
		<u>74,344,187</u>	<u>211,414,908</u>	<u>283,726,168</u>	<u>249,211,217</u>
CURRENT LIABILITIES					
Short-term borrowings	7.5.13	17,652,895	124,397,113	240,415,440	186,295,068
Trade payables	7.5.15	60,390,243	86,036,575	61,348,859	68,262,639
Other payables	7.5.16	842,828	5,074,248	26,071,077	13,689,513
Provision for taxation		1,067,870	-	-	1,902,030
		<u>79,953,836</u>	<u>215,507,936</u>	<u>327,835,376</u>	<u>270,149,250</u>
NET CURRENT LIABILITIES		<u>(5,609,649)</u>	<u>(4,093,028)</u>	<u>(44,109,208)</u>	<u>(20,938,033)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>28,361,654</u>	<u>95,195,484</u>	<u>85,655,921</u>	<u>115,962,306</u>
FINANCED BY					
Share capital	7.5.17	1,900,000	4,900,000	4,900,000	20,000,000
Retained earnings	7.5.18	23,284,297	35,529,847	49,072,153	65,514,960
Shareholders' equity		<u>25,184,297</u>	<u>40,429,847</u>	<u>53,972,153</u>	<u>85,514,960</u>
NON-CURRENT LIABILITIES					
Long-term borrowings	7.5.13	887,281	27,931,209	10,894,469	9,392,094
Other payables	7.5.16	-	23,592,388	14,738,930	14,679,674
Deferred tax	7.5.19	2,190,076	3,142,040	5,950,369	6,275,578
Cumulative preference shares		100,000	100,000	100,000	100,000
		<u>3,177,357</u>	<u>54,765,637</u>	<u>31,683,768</u>	<u>30,447,346</u>
		<u>28,361,654</u>	<u>95,195,484</u>	<u>85,655,921</u>	<u>115,962,306</u>

11. ACCOUNTANTS' REPORT (Cont'd)


ERNST & YOUNG

7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)

7.5 Shin Yang Shipyard (Cont'd)

Audited Statements of Changes in Equity of Shin Yang Shipyard

	Share Capital RM	Retained Earnings RM	Total RM
At 1 August 2006	1,900,000	10,798,000	12,698,000
Profit for the year	-	12,493,597	12,493,597
Dividend (Note 7.5.20)	-	(7,300)	(7,300)
At 31 July 2007	1,900,000	23,284,297	25,184,297
Issue of share capital	150,000	-	150,000
Bonus share	2,850,000	(2,850,000)	-
Profit for the period	-	15,095,550	15,095,550
At 31 July 2008	4,900,000	35,529,847	40,429,847
Profit for the year	-	13,542,306	13,542,306
At 30 June 2009	4,900,000	49,072,153	53,972,153
Issue of share capital	15,100,000	-	15,100,000
Profit for the period	-	16,442,807	16,442,807
At 30 November 2009	20,000,000	65,514,960	85,514,960

Audited Cash Flow Statements of Shin Yang Shipyard

	← Financial year/period ended →				
	31.7.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2008 RM	30.11.2009 RM
Net cash from/(used in) operating activities	6,498,430	(65,626,658)	(63,065,734)	(94,394,774)	50,213,689
Net cash used in investing activities	(13,923,746)	(64,788,733)	(34,646,148)	(4,786,491)	(8,957,919)
Net cash from/(used in) financing activities	6,604,331	115,127,330	90,914,856	87,240,143	(36,852,774)
Net (decrease)/increase in cash and cash equivalents	(820,985)	(15,288,061)	(6,797,026)	(11,941,122)	4,402,996
Cash and cash equivalents at beginning of financial year	469,006	(351,979)	(15,640,040)	(15,640,040)	(22,437,066)
Cash and cash equivalents at end of financial year (Note 7.5.12)	(351,979)	(15,640,040)	(22,437,066)	(27,581,162)	(18,034,070)

11. ACCOUNTANTS' REPORT (Cont'd)



7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)

7.5 Shin Yang Shipyard (Cont'd)

7.5.1 Revenue

	31.7.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2008 RM	30.11.2009 RM
Shipbuilding	94,921,693	147,771,079	216,796,893	77,900,190	126,300,640
Ship repairs and other services	47,510,301	42,911,474	77,994,512	46,619,540	6,846,965
	<u>142,431,994</u>	<u>190,682,553</u>	<u>294,791,405</u>	<u>124,519,730</u>	<u>133,147,605</u>

7.5.2 Cost of sales

Direct material costs and expenses	124,717,952	167,847,377	263,845,327	110,473,188	106,466,321
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7.5.3 Other income

Doubtful debts recovered	-	-	915,507	-	31,371
Gain on disposal of property, plant and equipment	-	-	28,516	28,801	16,596
Gain on foreign exchange					
- Realised	324,734	165,128	-	-	80,863
- Unrealised	-	-	358,584	29,391	132,570
Interest income	-	-	-	-	17,654
	<u>324,734</u>	<u>165,128</u>	<u>1,302,607</u>	<u>58,192</u>	<u>279,054</u>

7.5.4 Finance costs

Interest expenses on:					
- Bank overdrafts	94,860	450,285	1,284,279	519,106	556,918
- Bankers acceptances	702,036	1,225,468	5,068,265	1,983,497	1,754,108
- Hire purchase	44,042	127,281	201,393	91,832	87,213
- Revolving credits	-	78,713	3,850,188	2,007,071	654,711
- Term loans	88,430	37,310	826,053	298,715	335,288
- Other interest	751,574	-	-	-	-
	<u>1,680,942</u>	<u>1,919,057</u>	<u>11,230,178</u>	<u>4,900,221</u>	<u>3,388,238</u>

7.5.5 Income tax expense

Current income tax:					
Malaysian income tax	1,484,295	565,848	366,069	154,627	4,552,684
Under/(Over)provision in prior years	3,484	-	(565,848)	(565,848)	98,286
	<u>1,487,779</u>	<u>565,848</u>	<u>(199,779)</u>	<u>(411,221)</u>	<u>4,650,970</u>
Deferred tax (Note 7.5.19):					
Relating to origination of temporary differences	487,420	1,123,023	2,978,717	1,258,208	325,209
Relating to changes in tax rates	(82,488)	(125,682)	-	-	-
Under/(Over)provision in prior years	196,281	(45,377)	(170,388)	(170,388)	-
	<u>601,213</u>	<u>951,964</u>	<u>2,808,329</u>	<u>1,087,820</u>	<u>325,209</u>
Total income tax expense	<u>2,088,992</u>	<u>1,517,812</u>	<u>2,608,550</u>	<u>676,599</u>	<u>4,976,179</u>

11. ACCOUNTANTS' REPORT (Cont'd)



7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)

7.5 Shin Yang Shipyard (Cont'd)

7.5.6 Property, plant and equipment

	Cost RM	Accumulated Depreciation RM	Net Carrying Amount RM
At 31 July 2007			
Buildings, jetty and slipways	28,294,616	3,579,811	24,714,805
Plant, machinery and slipway equipment	5,557,927	2,056,265	3,501,662
Motor vehicles	471,075	372,057	99,018
Office furniture, fittings and equipment	1,092,237	289,064	803,173
Capital work-in-progress	1,758,923	-	1,758,923
	<u>37,174,778</u>	<u>6,297,197</u>	<u>30,877,581</u>
At 30 June 2008			
Buildings, jetty and slipways	46,884,895	5,054,081	41,830,814
Plant, machinery and slipway equipment	17,347,171	3,639,533	13,707,638
Motor vehicles	641,179	433,752	207,427
Office furniture, fittings and equipment	1,635,826	438,171	1,197,655
Capital work-in-progress	6,647,570	-	6,647,570
	<u>73,156,641</u>	<u>9,565,537</u>	<u>63,591,104</u>
At 30 June 2009			
Buildings, jetty and slipways	51,073,839	6,774,478	44,299,361
Plant, machinery and slipway equipment	31,594,778	6,555,161	25,039,617
Motor vehicles	772,849	527,418	245,431
Office furniture, fittings and equipment	3,414,053	998,129	2,415,924
Capital work-in-progress	22,422,170	-	22,422,170
	<u>109,277,689</u>	<u>14,855,186</u>	<u>94,422,503</u>
At 30 November 2009			
Buildings, jetty and slipways	55,675,680	7,526,104	48,149,576
Plant, machinery and slipway equipment	34,883,097	8,003,112	26,879,985
Motor vehicles	847,349	572,253	275,096
Office furniture, fittings and equipment	3,455,272	1,141,853	2,313,419
Capital work-in-progress	23,184,431	-	23,184,431
	<u>118,045,829</u>	<u>17,243,322</u>	<u>100,802,507</u>

Net carrying amount of property, plant and equipment held under hire purchase agreements are as follows:

	31.7.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Motor vehicles	59,404	104,246	47,566	80,008
Plant and machinery	1,175,250	4,889,865	5,745,990	6,080,649
	<u>1,234,654</u>	<u>4,994,111</u>	<u>5,793,556</u>	<u>6,160,657</u>

11. ACCOUNTANTS' REPORT (Cont'd)**ERNST & YOUNG****7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)****7.5 Shin Yang Shipyard (Cont'd)****7.5.6 Property, plant and equipment (Cont'd)**

The net carrying amount of property, plant and equipment pledged for borrowings as referred to in Note 7.5.13 are as follows:

	31.7.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Buildings	10,713,681	12,169,557	11,897,401	11,784,002

7.5.7 Prepaid land lease payments

	31.7.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
At 1 August/1 July	3,093,722	3,093,722	35,697,408	35,342,626
Additions	-	32,864,770	-	907,096
Amortisation for the year/period	-	(261,084)	(354,782)	(151,890)
At 31 July/30 June	3,093,722	35,697,408	35,342,626	36,097,832
Analysed as:				
Short term leasehold land	3,093,722	32,770,504	32,597,706	2,669,093
Long term leasehold land	-	2,926,904	2,744,920	33,428,739
	3,093,722	35,697,408	35,342,626	36,097,832

The long term leasehold land is registered under the name of a third party.

The net carrying amount of leasehold land pledged for borrowings as referred to in Note 7.5.13 are as follows:

	31.7.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Short term leasehold land	3,093,722	16,691,644	16,691,645	2,669,093
Long term leasehold land	-	2,926,904	2,744,920	16,691,645
	3,093,722	19,618,548	19,436,565	19,360,738

7.5.8 Inventories

	31.7.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
At cost:				
Consumable materials	21,907,465	84,556,580	97,338,281	85,369,169
Work-in-progress	2,874,806	9,829,128	22,274,532	30,349,771
	24,782,271	94,385,708	119,612,813	115,718,940
Included in inventories during the financial year/period is:				
Depreciation	-	274,107	340,160	-

11. ACCOUNTANTS' REPORT (Cont'd)**7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)****7.5 Shin Yang Shipyard (Cont'd)****7.5.9 Trade receivables**

	31.7.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Trade receivables	38,847,607	68,855,025	64,098,765	57,307,854
Less: Provision for doubtful debts	-	(1,046,460)	(130,953)	(99,582)
	<u>38,847,607</u>	<u>67,808,565</u>	<u>63,967,812</u>	<u>57,208,272</u>
Due from customers on contracts (Note 7.5.11)	8,602,707	20,922,565	76,027,431	63,326,079
	<u>47,450,314</u>	<u>88,731,130</u>	<u>139,995,243</u>	<u>120,534,351</u>

The Company's normal trade credit term is 90 days.

7.5.10 Other receivables

	31.7.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Deposits	859,283	19,150,855	20,398,712	11,585,446
Prepayments	66,076	740,457	869,713	855,809
Sundry receivables	31,561	6,913,728	25,905	123,006
Tax recoverable	-	873,493	2,459,940	-
	<u>956,920</u>	<u>27,678,533</u>	<u>23,754,270</u>	<u>12,564,261</u>

7.5.11 Due from/(to) customers on contracts

Construction contract costs incurred to date	48,477,053	98,784,393	203,123,228	142,083,684
Attributable profits	369,824	7,984,949	9,713,681	4,325,479
	<u>48,846,877</u>	<u>106,769,342</u>	<u>212,836,909</u>	<u>146,409,163</u>
Less: Progress billings	(47,922,820)	(111,410,225)	(142,212,086)	(83,815,203)
	<u>924,057</u>	<u>(4,640,883)</u>	<u>70,624,823</u>	<u>62,593,960</u>
Due from customers on contracts (Note 7.5.9)	8,602,707	20,922,565	76,027,431	63,326,079
Due to customers on contracts (Note 7.5.15)	(7,678,650)	(25,563,448)	(5,402,608)	(732,119)
	<u>924,057</u>	<u>(4,640,883)</u>	<u>70,624,823</u>	<u>62,593,960</u>

7.5.12 Cash and cash equivalents

Cash at bank	1,154,682	259,537	3,842	16,610
Deposit with licensed bank	-	360,000	360,000	377,055
Cash and bank balances	<u>1,154,682</u>	<u>619,537</u>	<u>363,842</u>	<u>393,665</u>
Less: Bank overdrafts (Note 7.5.13)	(1,506,661)	(16,259,577)	(22,800,908)	(18,427,735)
Cash and cash equivalents	<u>(351,979)</u>	<u>(15,640,040)</u>	<u>(22,437,066)</u>	<u>(18,034,070)</u>

Deposit with licensed bank is pledged to a bank for bank facility granted to the Company.

11. ACCOUNTANTS' REPORT (Cont'd)


ERNST & YOUNG

7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)

7.5 Shin Yang Shipyard (Cont'd)

7.5.13 Borrowings

	31.7.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Short Term Borrowings				
Unsecured:				
Bank overdrafts	499,044	204,234	964,527	2,866,948
Revolving credits	-	10,000,000	30,000,000	20,000,000
Bankers acceptances	-	-	24,603,000	29,482,000
Term loan	156,498	-	-	-
	<u>655,542</u>	<u>10,204,234</u>	<u>55,567,527</u>	<u>52,348,948</u>
Secured:				
Bank overdrafts	1,007,617	16,055,343	21,836,381	15,560,787
Revolving credits	-	40,000,000	50,000,000	25,000,000
Bankers acceptances	15,607,000	56,291,000	108,469,000	88,612,000
Hire purchase payables (Note 7.5.14)	382,736	1,690,792	2,039,345	2,166,528
Term loan	-	155,744	2,503,187	2,606,805
	<u>16,997,353</u>	<u>114,192,879</u>	<u>184,847,913</u>	<u>133,946,120</u>
	<u>17,652,895</u>	<u>124,397,113</u>	<u>240,415,440</u>	<u>186,295,068</u>
Long Term Borrowings				
Unsecured:				
Revolving credits	-	25,300,000	-	-
Secured:				
Term loan	397,150	265,132	9,223,221	8,092,348
Hire purchase payables (Note 7.5.14)	490,131	2,366,077	1,671,248	1,299,746
	<u>887,281</u>	<u>2,631,209</u>	<u>10,894,469</u>	<u>9,392,094</u>
	<u>887,281</u>	<u>27,931,209</u>	<u>10,894,469</u>	<u>195,687,162</u>
Total Borrowings:				
Bank overdrafts (Note 7.5.12)	1,506,661	16,259,577	22,800,908	18,427,735
Bankers acceptances	15,607,000	56,291,000	133,072,000	118,094,000
Revolving credits	-	75,300,000	80,000,000	45,000,000
Term loan	553,648	420,876	11,726,408	10,699,153
Hire purchase payables (Note 7.5.14)	872,867	4,056,869	3,710,593	3,466,274
	<u>18,540,176</u>	<u>152,328,322</u>	<u>251,309,909</u>	<u>195,687,162</u>

11. ACCOUNTANTS' REPORT (Cont'd)
ERNST & YOUNG
7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)**7.5 Shin Yang Shipyard (Cont'd)****7.5.13 Borrowings (Cont'd)**

	31.7.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Maturity of borrowings (excluding hire purchase):				
Not later than 1 year	17,270,159	122,706,321	238,376,095	184,128,541
Later than 1 year and not later than 2 years	145,602	25,469,511	2,622,287	2,592,758
Later than 2 years and not later than 5 years	251,548	95,621	6,600,934	5,499,589
	<u>17,667,309</u>	<u>148,271,453</u>	<u>247,599,316</u>	<u>192,220,888</u>

The bank overdrafts, bankers acceptances, revolving credits and term loan are secured over:-

- a) First legal charge over the landed properties of the Company as disclosed in Notes 7.5.6 and 7.5.7;
- b) Fixed deposit with the bank;
- c) Corporate guarantee by third parties;
- d) Joint and several guarantee by the third parties;
- e) Deed of debenture incorporating a fixed and floating charge over all current and future fixed and floating assets of the Company; and
- f) Specific debenture on two vessels

7.5.14 Hire purchase payables

	31.7.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Minimum lease payments:				
Not later than 1 year	423,348	1,872,417	2,187,570	2,297,267
Later than 1 year and not later than 2 years	382,510	1,633,530	1,347,327	975,019
Later than 2 years and not later than 5 years	128,404	834,841	380,945	371,022
	<u>934,262</u>	<u>4,340,788</u>	<u>3,915,842</u>	<u>3,643,308</u>
Less: Future finance charges	(61,395)	(283,919)	(205,249)	(177,034)
Present value of finance lease liabilities:	<u>872,867</u>	<u>4,056,869</u>	<u>3,710,593</u>	<u>3,466,274</u>
Present value of finance lease liabilities:				
Not later than 1 year	382,736	1,690,792	2,039,345	2,166,528
Later than 1 year and not later than 2 years	364,133	1,545,866	1,299,542	934,963
Later than 2 years and not later than 5 years	125,998	820,211	371,706	364,783
	<u>872,867</u>	<u>4,056,869</u>	<u>3,710,593</u>	<u>3,466,274</u>
Less: Amount due within 12 months (Note 7.5.13)	(382,736)	(1,690,792)	(2,039,345)	(2,166,528)
Amount due after 12 months (Note 7.5.13)	<u>490,131</u>	<u>2,366,077</u>	<u>1,671,248</u>	<u>1,299,746</u>

11. ACCOUNTANTS' REPORT (Cont'd)**7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)****7.5 Shin Yang Shipyard (Cont'd)****7.5.15 Trade payables**

	31.7.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Trade payables	52,711,593	60,473,127	55,946,251	67,530,520
Due to customers on contracts (Note 7.5.11)	7,678,650	25,563,448	5,402,608	732,119
	<u>60,390,243</u>	<u>86,036,575</u>	<u>61,348,859</u>	<u>68,262,639</u>

The normal trade credit terms granted to the Company ranges from 90 days to 180 days.

7.5.16 Other payables

	31.7.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Current:				
Accruals	314,819	1,524,412	580,877	327,518
Deposit received	-	-	-	26,769
Sundry payables	528,009	3,549,836	2,990,200	13,335,226
Amount due to directors	-	-	22,500,000	-
	<u>842,828</u>	<u>5,074,248</u>	<u>26,071,077</u>	<u>13,689,513</u>
Non-Current:				
Sundry payables	-	23,592,388	14,738,930	14,679,674
	<u>842,828</u>	<u>28,666,636</u>	<u>40,810,007</u>	<u>28,369,187</u>

7.5.17 Share capital

	Number of ordinary shares of RM1 Each	Amount RM
At 31 July 2007		
Authorised share capital	1,900,000	1,900,000
Issued and fully paid	1,900,000	1,900,000
At 30 June 2008 to 2009		RM
Authorised share capital	4,900,000	4,900,000
Issued and fully paid	4,900,000	4,900,000
At 30 November 2009		RM
Authorised share capital	20,000,000	20,000,000
Issued and fully paid	20,000,000	20,000,000

7.5.18 Retained earnings

Prior to the year of assessment 2008, Malaysian companies adopt the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

11. ACCOUNTANTS' REPORT (Cont'd)**7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)****7.5 Shin Yang Shipyard (Cont'd)****7.5.18 Retained earnings (Cont'd)**

The Company did not elect for the irrevocable option to disregard the 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the 108 balance as at 30 November 2009 to distribute cash dividend payments to ordinary shareholders as defined under the Finance Act 2007. As at 30 November 2009, the Company has sufficient credit in the 108 balance and tax exempt income account to pay franked dividends amounting to RM41,482,471 out of its entire retained earnings. If the balance of the retained earnings of RM24,032,032 were to be distributed as dividends, the Company may distribute such dividends under the single tier system.

7.5.19 Deferred tax

	31.7.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
At 1 July/1 August	1,588,863	2,190,076	3,142,040	5,950,369
Recognised in the income statement (Note 7.5.5)	601,213	951,964	2,808,329	325,209
At 31 July/30 June	<u>2,190,076</u>	<u>3,142,040</u>	<u>5,950,369</u>	<u>6,275,578</u>

7.5.20 Dividends

Interim dividend of RM0.10 per share on 100,000 preference shares, less 27% tax in 2007	7,300	-	-	-
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7.5.21 Comparative figures**Restatement of Balance Sheets**

The restatement of balance sheets of Shin Yang Shipyard arose from the adoption of FRS. The following figures have been restated to conform with the current presentation:-

	31.7.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
<u>Property, Plant and Equipment</u>				
Per audited financial statements	33,971,303	63,591,104	94,422,503	-
Reclassified to:				
- Prepaid land lease payments	(3,093,722)	-	-	-
As restated	<u>30,877,581</u>	<u>63,591,104</u>	<u>94,422,503</u>	<u>-</u>
<u>Prepaid Land Lease Payments</u>				
Per audited financial statements	-	35,697,408	35,342,626	-
Reclassified from:				
- Property, plant and equipment	3,093,722	-	-	-
As restated	<u>3,093,722</u>	<u>35,697,408</u>	<u>35,342,626</u>	<u>-</u>

11. ACCOUNTANTS' REPORT (Cont'd)**7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)****7.6 Thailine**

Audited Income Statements of Thailine

	Note	← Financial year/period ended →				
		30.4.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2008 RM	30.11.2009 RM
Revenue	7.6.1	84,277,114	106,504,122	91,667,671	48,207,942	35,189,629
Cost of sales	7.6.2	(50,427,291)	(62,213,155)	(59,449,581)	(29,724,302)	(23,925,869)
Gross profit		33,849,823	44,290,967	32,218,090	18,483,640	11,263,760
Other income	7.6.3	31,000	1,000	5,999	5,999	1,000
Administrative expenses		(1,209,923)	(1,218,986)	(1,073,365)	(445,715)	(435,425)
Operating profit		32,670,900	43,072,981	31,150,724	18,043,924	10,829,335
Finance costs	7.6.4	(3,224,501)	(2,376,972)	(1,577,341)	(776,488)	(545,712)
Profit before tax		29,446,399	40,696,009	29,573,383	17,267,436	10,283,623
Income tax expense	7.6.5	(197)	(270)	(780)	(780)	(250)
Profit for the year/period		29,446,202	40,695,739	29,572,603	17,266,656	10,283,373
Weighted average number of ordinary shares in issue		1,000,000	1,000,000	1,000,000	1,000,000	4,000,000
Gross earnings per share (RM)*		29.45	40.70	29.57	^^ 41.44	^^ 6.17
Net earnings per share (RM) #		29.45	40.70	29.57	^^ 41.44	^^ 6.17
Gross profit margin (%)		40.16%	41.59%	35.15%	38.34%	32.01%
Profit before tax margin (%)		34.94%	38.21%	32.26%	35.82%	29.22%
Profit after tax margin (%)		34.94%	38.21%	32.26%	35.82%	29.22%
Effective tax rate (%)		0.00%	0.00%	0.00%	0.00%	0.00%
Gross dividend rate (%)^		700.00%	6350.00%	2550.00%	0.00%	0.00%

* The gross earnings per share is computed based on the profit before tax divided by the weighted average number of ordinary shares in issue during the financial year/period.

The net earnings per share is computed based on the profit after tax divided by the weighted average number of ordinary shares in issue during the financial year/period.

^ Based on gross dividends relating to a financial year/period divided by the weighted average number of ordinary shares in issue as at the end of the financial year/period.

^^ Annualised

11. ACCOUNTANTS' REPORT (Cont'd)**7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)****7.6 Thailine (Cont'd)**

Audited Balance Sheets of Thailine

	Note	30.4.2007 RM	30.6.2008 RM	← As at →	
				30.6.2009 RM	30.11.2009 RM
NON-CURRENT ASSETS					
Property, plant and equipment	7.6.6	87,662,978	76,905,162	67,190,032	63,038,535
Investments	7.6.7	27,700	7,700	7,700	7,700
		<u>87,690,678</u>	<u>76,912,862</u>	<u>67,197,732</u>	<u>63,046,235</u>
CURRENT ASSETS					
Inventories	7.6.8	2,156,579	4,983,402	2,367,173	3,619,221
Trade receivables	7.6.9	26,746,637	42,660,857	46,520,255	31,129,307
Other receivables	7.6.10	42,864,011	1,917,133	6,114,217	34,347,611
Cash and bank balances	7.6.11	253,112	784,597	9,732,685	9,474,025
		<u>72,020,339</u>	<u>50,345,989</u>	<u>64,734,330</u>	<u>78,570,164</u>
CURRENT LIABILITIES					
Borrowings	7.6.12	11,191,225	10,411,457	6,531,388	9,687,743
Trade payables	7.6.14	4,553,041	4,918,582	4,147,491	4,499,736
Other payables	7.6.15	977,967	1,341,864	10,824,998	10,802,686
		<u>16,722,233</u>	<u>16,671,903</u>	<u>21,503,877</u>	<u>24,990,165</u>
NET CURRENT ASSETS		<u>55,298,106</u>	<u>33,674,086</u>	<u>43,230,453</u>	<u>53,579,999</u>
TOTAL ASSETS					
LESS CURRENT LIABILITIES		<u>142,988,784</u>	<u>110,586,948</u>	<u>110,428,185</u>	<u>116,626,234</u>
NON-CURRENT LIABILITY					
Borrowings	7.6.12	29,817,760	20,220,185	15,988,819	8,903,495
		<u>113,171,024</u>	<u>90,366,763</u>	<u>94,439,366</u>	<u>107,722,739</u>
FINANCED BY					
Share capital	7.6.16	1,000,000	1,000,000	1,000,000	4,000,000
Retained earnings	7.6.17	112,171,024	89,366,763	93,439,366	103,722,739
Shareholders' equity		<u>113,171,024</u>	<u>90,366,763</u>	<u>94,439,366</u>	<u>107,722,739</u>

11. ACCOUNTANTS' REPORT (Cont'd)**7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)****7.6 Thailine (Cont'd)****Audited Statements of Changes in Equity of Thailine**

	Share Capital RM	Retained Earnings RM	Total RM
At 1 May 2006	1,000,000	89,724,822	90,724,822
Profit for the year	-	29,446,202	29,446,202
Dividends (Note 7.6.18)	-	(7,000,000)	(7,000,000)
At 30 April 2007	1,000,000	112,171,024	113,171,024
Profit for the period	-	40,695,739	40,695,739
Dividends (Note 7.6.18)	-	(63,500,000)	(63,500,000)
At 30 June 2008	1,000,000	89,366,763	90,366,763
Profit for the year	-	29,572,603	29,572,603
Dividends (Note 7.6.18)	-	(25,500,000)	(25,500,000)
At 30 June 2009	1,000,000	93,439,366	94,439,366
Issue of share capital	3,000,000	-	3,000,000
Profit for the period	-	10,283,373	10,283,373
At 30 November 2009	4,000,000	103,722,739	107,722,739

Audited Cash Flow Statements of Thailine

	← Financial year/period ended →				
	30.4.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2008 RM	30.11.2009 RM
Net cash from operating activities	46,520,183	75,241,770	42,800,703	3,359,381	669,559
Net cash used in investing activities	(26,110,090)	(763,442)	(241,180)	(215,899)	750
Net cash used in financing activities	(21,242,602)	(73,497,151)	(33,611,435)	(4,224,188)	(928,969)
Net (decrease)/increase in cash and cash equivalents	(832,509)	981,177	8,948,088	(1,080,706)	(258,660)
Cash and cash equivalents at beginning of financial year	635,929	(196,580)	784,597	784,597	9,732,685
Cash and cash equivalents at end of financial year (Note 7.6.11)	(196,580)	784,597	9,732,685	(296,109)	9,474,025

11. ACCOUNTANTS' REPORT (Cont'd)**7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)****7.6 Thailine (Cont'd)****7.6.1 Revenue**

	30.4.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2008 RM	30.11.2009 RM
The revenue of the Company consists of the following:					
Charterage received	17,318,528	25,007,465	15,639,760	10,776,905	4,811,174
Freight received	66,958,586	81,496,657	76,027,911	37,431,037	30,378,455
	<u>84,277,114</u>	<u>106,504,122</u>	<u>91,667,671</u>	<u>48,207,942</u>	<u>35,189,629</u>

7.6.2 Cost of sales

Cost of services rendered	<u>50,427,291</u>	<u>62,213,155</u>	<u>59,449,581</u>	<u>29,724,302</u>	<u>23,925,869</u>
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7.6.3 Other income

Gain on disposal of property, plant and equipment	-	-	2,999	2,999	-
Dividend income	1,000	1,000	3,000	3,000	1,000
Sundry income	30,000	-	-	-	-
	<u>31,000</u>	<u>1,000</u>	<u>5,999</u>	<u>5,999</u>	<u>1,000</u>

7.6.4 Finance costs

Interest expenses on:					
- Term loans	3,203,742	2,302,238	1,471,842	729,124	510,493
- Revolving credits	-	52,267	95,049	44,381	32,984
- Hire purchase	3,814	4,837	2,372	1,175	534
- Bank overdrafts	16,945	17,630	8,078	1,808	1,701
	<u>3,224,501</u>	<u>2,376,972</u>	<u>1,577,341</u>	<u>776,488</u>	<u>545,712</u>

7.6.5 Income tax expense

Tax expense for the year/period:					
Based on dividend income for the year/period	<u>197</u>	<u>270</u>	<u>780</u>	<u>780</u>	<u>250</u>

The Company enjoys tax exempt profits arising from its shipping profits under Section 54A of the Income Tax Act, 1967.

11. ACCOUNTANTS' REPORT (Cont'd)



7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)

7.6 Thailine (Cont'd)

7.6.6 Property, plant and equipment

	Cost RM	Accumulated Depreciation RM	Net Carrying Amount RM
At 30 April 2007			
Ocean liners and dry docking expenses	121,801,224	35,072,306	86,728,918
Shipping equipment and machinery	1,770,435	932,108	838,327
Furniture, fittings and office equipment	31,071	20,798	10,273
Motor vehicles	181,000	95,540	85,460
	<u>123,783,730</u>	<u>36,120,752</u>	<u>87,662,978</u>

	Cost RM	Accumulated Depreciation RM	Net Carrying Amount RM
At 30 June 2008			
Ocean liners and dry docking expenses	121,801,224	46,348,666	75,452,558
Shipping equipment and machinery	2,524,610	1,202,853	1,321,757
Furniture, fittings and office equipment	31,071	24,459	6,612
Motor vehicles	280,497	156,262	124,235
	<u>124,637,402</u>	<u>47,732,240</u>	<u>76,905,162</u>

	Cost RM	Accumulated Depreciation RM	Net Carrying Amount RM
At 30 June 2009			
Ocean liners and dry docking expenses	121,801,224	56,014,117	65,787,107
Shipping equipment and machinery	2,771,010	1,447,123	1,323,887
Furniture, fittings and office equipment	31,071	27,168	3,903
Motor vehicles	245,497	170,362	75,135
	<u>124,848,802</u>	<u>57,658,770</u>	<u>67,190,032</u>

	Cost RM	Accumulated Depreciation RM	Net Carrying Amount RM
At 30 November 2009			
Ocean liners and dry docking expenses	121,801,224	60,041,388	61,759,836
Shipping equipment and machinery	2,771,010	1,550,656	1,220,354
Furniture, fittings and office equipment	31,071	27,560	3,511
Motor vehicles	245,497	190,663	54,834
	<u>124,848,802</u>	<u>61,810,267</u>	<u>63,038,535</u>

Net carrying amount of property, plant and equipment held under hire purchase agreements are as follows:

	30.4.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Motor vehicles	<u>78,920</u>	<u>79,380</u>	<u>59,481</u>	<u>51,189</u>

The net carrying amount of property, plant and equipment pledged for borrowings as referred to in Note 7.6.12 are as follows:

	30.4.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Ocean liners	<u>70,835,993</u>	<u>55,525,080</u>	<u>40,022,321</u>	<u>38,064,945</u>

11. ACCOUNTANTS' REPORT (Cont'd)**ERNST & YOUNG****7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)****7.6 Thailine (Cont'd)****7.6.7 Investments**

	30.4.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Quoted shares				
At cost	86,500	66,500	66,500	66,500
Less: Impairment loss	(58,800)	(58,800)	(58,800)	(58,800)
	<u>27,700</u>	<u>7,700</u>	<u>7,700</u>	<u>7,700</u>
At market value	<u>77,400</u>	<u>47,560</u>	<u>41,040</u>	<u>36,520</u>

7.6.8 Inventories

	30.4.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
At cost:				
Petrol, oil and lubricants on board	2,156,579	4,983,402	2,367,173	3,619,221

7.6.9 Trade Receivables

The Company's trade credit terms are assessed and approved on a case-by-case basis.

7.6.10 Other Receivables

	30.4.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Deposits	38,290	38,290	19,300	19,300
Prepayments	1,061,643	1,187,241	1,260,717	1,002,699
Sundry receivables	41,763,835	691,522	4,834,120	33,325,532
Tax recoverable	243	80	80	80
	<u>42,864,011</u>	<u>1,917,133</u>	<u>6,114,217</u>	<u>34,347,611</u>

7.6.11 Cash and cash equivalents

	30.4.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Cash and bank balances	253,112	784,597	9,732,685	9,474,025
Less: Bank overdraft (Note 7.6.12)	(449,692)	-	-	-
	<u>(196,580)</u>	<u>784,597</u>	<u>9,732,685</u>	<u>9,474,025</u>

11. ACCOUNTANTS' REPORT (Cont'd)**7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)****7.6 Thailine (Cont'd)****7.6.12 Borrowings**

	30.4.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Short Term Borrowings				
Secured:				
Hire purchase payables (Note 7.6.13)	36,915	29,836	31,366	18,480
Term loans	10,704,618	8,381,621	4,500,022	7,669,263
	<u>10,741,533</u>	<u>8,411,457</u>	<u>4,531,388</u>	<u>7,687,743</u>
Unsecured:				
Bank overdraft (Note 7.6.11)	449,692	-	-	-
Revolving credit	-	2,000,000	2,000,000	2,000,000
	<u>449,692</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>
	<u>11,191,225</u>	<u>10,411,457</u>	<u>6,531,388</u>	<u>9,687,743</u>
Long Term Borrowings				
Secured:				
Hire purchase payables (Note 7.6.13)	-	31,366	-	-
Term loans	29,817,760	20,188,819	15,988,819	8,903,495
	<u>29,817,760</u>	<u>20,220,185</u>	<u>15,988,819</u>	<u>8,903,495</u>
Total Borrowings:				
Bank overdraft (Note 7.6.11)	449,692	-	-	-
Hire purchase payables (Note 7.6.13)	36,915	61,202	31,366	18,480
Revolving credits	-	2,000,000	2,000,000	2,000,000
Term loans	40,522,378	28,570,440	20,488,841	16,572,758
	<u>41,008,985</u>	<u>30,631,642</u>	<u>22,520,207</u>	<u>18,591,238</u>
Maturity of borrowings (excluding hire purchase):				
Not later than 1 year	11,154,310	10,381,621	9,886,696	9,669,263
Later than 1 year and not later than 2 years	9,032,251	7,904,119	8,104,357	6,099,374
Later than 2 years and not later than 5 years	15,954,161	12,284,700	4,497,788	2,804,121
5 years or more	4,831,348	-	-	-
	<u>40,972,070</u>	<u>30,570,440</u>	<u>22,488,841</u>	<u>18,572,758</u>

The term loans and revolving credit are secured by the following:

- First legal charge on the vessels of the Company as disclosed in Note 7.6.6; and
- Guaranteed by certain Directors of the Company.

11. ACCOUNTANTS' REPORT (Cont'd)**7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)****7.6 Thailine (Cont'd)****7.6.13 Hire purchase payables**

	30.4.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Minimum lease payments:				
Not later than 1 year	37,842	32,208	32,199	18,779
Later than 1 year and not later than 2 years	-	32,199	-	-
	<u>37,842</u>	<u>64,407</u>	<u>32,199</u>	<u>18,779</u>
Less: Future finance charges	(927)	(3,205)	(833)	(299)
Present value of finance lease liabilities:	<u>36,915</u>	<u>61,202</u>	<u>31,366</u>	<u>18,480</u>
Present value of finance lease liabilities:				
Not later than 1 year (Note 7.6.12)	36,915	29,836	31,366	18,480
Later than 1 year and not later than 2 years (Note 7.6.12)	-	31,366	-	-
	<u>36,915</u>	<u>61,202</u>	<u>31,366</u>	<u>18,480</u>

7.6.14 Trade payables

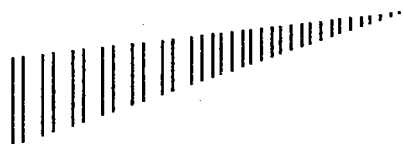
The normal trade credit term granted to the Company is 90 days.

7.6.15 Other payables

	30.4.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Deposit held	69,531	69,149	71,521	68,743
Accruals	793,708	1,036,005	1,351,699	1,381,779
Sundry payables	114,728	236,710	9,401,778	9,352,164
	<u>977,967</u>	<u>1,341,864</u>	<u>10,824,998</u>	<u>10,802,686</u>

7.6.16 Share capital

	Number of ordinary shares of RM1 Each	Amount RM
At 30 April 2007 and 30 June 2008 to 2009		
Authorised share capital	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid	<u>1,000,000</u>	<u>1,000,000</u>
At 30 November 2009		RM
Authorised share capital	<u>5,000,000</u>	<u>5,000,000</u>
Issued and fully paid	<u>4,000,000</u>	<u>4,000,000</u>

11. ACCOUNTANTS' REPORT (Cont'd)**7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)****7.6 Thailine (Cont'd)****7.6.17 Retained earnings**

The Company has sufficient balance in the tax exempt income account to frank the payment of dividends out of its entire retained earnings as at 30 November 2009.

Alternatively, the Company may distribute such dividends under Section 108 of the Income Tax Act, 1967 as tax exempt dividends.

7.6.18 Dividends

	30.4.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Interim dividends:				
First interim dividend of RM8.00 (2008: RM3.50; 2007: RM7.00) per share, tax exempt	7,000,000	3,500,000	8,000,000	-
Second interim dividend of RM17.50 (2008: RM60.00) per share, tax exempt	-	60,000,000	17,500,000	-
	<u>7,000,000</u>	<u>63,500,000</u>	<u>25,500,000</u>	<u>-</u>

11. ACCOUNTANTS' REPORT (Cont'd)


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7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)

7.7 Shin Yang Shipping Group

Audited Income Statements of Shin Yang Shipping Group

	Note	← Financial year ended →				
		30.6.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2008 RM	30.11.2009 RM
Revenue	7.7.1	192,996,312	246,162,570	257,691,251	123,909,794	106,306,164
Cost of services	7.7.2	(154,626,406)	(204,511,737)	(200,391,879)	(94,961,741)	(79,379,289)
Gross profit		38,369,906	41,650,833	57,299,372	28,948,053	26,926,875
Other income	7.7.3	7,635,196	58,860,529	15,937,609	1,511,164	5,335,917
Other operating expenses		(280,299)	(522,924)	(28,307,646)	-	-
Administrative expenses		(5,168,021)	(5,687,795)	(10,286,577)	(2,200,404)	(2,575,464)
Operating profit		40,556,782	94,300,643	34,642,758	28,258,813	29,687,328
Finance costs	7.7.4	(8,125,664)	(8,982,224)	(8,318,437)	(3,823,990)	(4,126,652)
Share of profits of associates		-	2,315,937	12,315,046	9,386,798	(2,666,333)
Profit before tax		32,431,118	87,634,356	38,639,367	33,821,621	22,894,343
Income tax expense	7.7.5	(1,274,323)	8,102,663	(4,859,308)	(1,601,581)	(2,869,813)
Profit after tax		31,156,795	95,737,019	33,780,059	32,220,040	20,024,530
Minority interests		(1,154,488)	(2,825,150)	420,320	(1,244,696)	187,567
Net profit for the year		30,002,307	92,911,869	34,200,379	30,975,344	20,212,097

11. ACCOUNTANTS' REPORT (Cont'd)



7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)

7.7 Shin Yang Shipping Group (Cont'd)

Audited Income Statements of Shin Yang Shipping Group (Cont'd)

	30.6.2007	30.6.2008	30.6.2009	30.11.2008	30.11.2009
Weighted average number of ordinary shares in issue	5,000,000	5,000,000	5,000,000	5,000,000	10,000,000
Gross earnings per share (RM)*	6.49	17.53	7.73	^^ 16.23	^^ 5.49
Net earnings per share (RM) #	6.00	18.58	6.84	^^ 15.47	^^ 4.81
Gross profit margin (%)	19.88%	16.92%	22.24%	23.36%	25.33%
Profit before tax margin (%)	16.80%	35.60%	14.99%	27.30%	21.54%
Profit after tax margin (%)	16.14%	38.89%	13.11%	26.00%	18.84%
Effective tax rate (%)	3.93%	(9.25)%	12.58%	4.74%	14.33%
Gross dividend rate (%)^	10.00%	15.00%	1015.00%	0.00%	0.00%

* The gross earnings per share is computed based on the profit before tax divided by the weighted average number of ordinary shares in issue during the financial year.

The net earnings per share is computed based on the profit after tax and after minority interests divided by the weighted average number of ordinary shares in issue during the financial year.

^ Based on gross dividends relating to a financial year divided by the weighted average number of ordinary shares in issue as at the end of the financial year.

^^ Annualised

11. ACCOUNTANTS' REPORT (Cont'd)


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7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)

7.7 Shin Yang Shipping Group (Cont'd)

Audited Balance Sheets of Shin Yang Shipping Group

	Note	← As at →			
		30.6.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
NON-CURRENT ASSETS					
Property, plant and equipment	7.7.6	340,556,712	313,787,035	352,818,851	367,641,856
Prepaid land lease payments	7.7.7	139,427	-	-	-
Goodwill	7.7.8	280,296	-	-	-
Investment in subsidiaries	7.7.9	-	-	-	-
Investment in associates	7.7.10	847,801	1	393,348	-
Other investments	7.7.11	86,500	57,500	57,500	57,500
		341,910,736	313,844,536	353,269,699	367,699,356
CURRENT ASSETS					
Inventories	7.7.12	693,169	226,817	270,157	337,882
Trade receivables	7.7.13	88,549,531	121,744,566	87,270,151	95,690,086
Other receivables	7.7.14	15,402,288	30,088,540	63,403,412	68,760,702
Cash and bank balances	7.7.15	1,901,757	2,302,318	5,547,443	3,403,995
		106,546,745	154,362,241	156,491,163	168,192,665
CURRENT LIABILITIES					
Borrowings	7.7.16	100,406,423	57,848,874	69,348,285	72,501,783
Trade payables	7.7.18	106,634,850	68,887,149	40,529,899	42,792,312
Other payables	7.7.19	46,882,069	9,752,060	9,325,526	8,536,326
		253,923,342	136,488,083	119,203,710	123,830,421
		(147,376,597)	17,874,158	37,287,453	44,362,244
NET CURRENT ASSETS					
		194,534,139	331,718,694	390,557,152	412,061,600
TOTAL ASSETS LESS CURRENT LIABILITIES					
NON-CURRENT LIABILITIES					
Borrowings	7.7.16	58,126,773	85,692,000	160,815,118	152,841,450
Deferred tax liabilities	7.7.23	9,831,517	1,709,108	5,882,076	9,431,029
Deferred income	7.7.20	-	23,398,693	16,286,196	18,496,295
		67,958,290	110,799,801	182,983,390	180,768,774
		126,575,849	220,918,893	207,573,762	231,292,826
EQUITY					
Share capital	7.7.21	5,000,000	5,000,000	5,000,000	10,000,000
Retained earnings	7.7.22	120,604,236	212,961,105	196,598,984	216,811,081
Foreign currency translation reserve		(255,487)	(1,330,029)	1,736,192	561,272
Shareholders' equity		125,348,749	216,631,076	203,335,176	227,372,353
Minority interests		1,227,100	4,287,817	4,238,586	3,920,473
Total equity		126,575,849	220,918,893	207,573,762	231,292,826

11. ACCOUNTANTS' REPORT (Cont'd)



7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)

7.7 Shin Yang Shipping Group (Cont'd)

Audited Statements of Changes in Equity of Shin Yang Shipping Group

	Share Capital RM	Retained Earnings RM	Foreign Currency Translation Reserve RM	Total RM	Minority Interests RM	Total Equity RM
At 1 July 2006	5,000,000	90,966,929	-	95,966,929	-	95,966,929
Foreign currency translation: Group	-	-	(255,487)	(255,487)	72,612	(182,875)
Profit for the year	-	30,002,307	-	30,002,307	1,154,488	31,156,795
Dividends (Note 7.7.24)	-	(365,000)	-	(365,000)	-	(365,000)
At 30 June 2007	5,000,000	120,604,236	(255,487)	125,348,749	1,227,100	126,575,849
Foreign currency translation: Group	-	-	(1,074,542)	(1,074,542)	235,567	(838,975)
Profit for the year	-	92,911,869	-	92,911,869	2,825,150	95,737,019
Dividends (Note 7.7.24)	-	(555,000)	-	(555,000)	-	(555,000)
At 30 June 2008	5,000,000	212,961,105	(1,330,029)	216,631,076	4,287,817	220,918,893
Foreign currency translation: Group	-	-	3,066,221	3,066,221	371,089	3,437,310
Profit for the year	-	34,200,379	-	34,200,379	(420,320)	33,780,059
Dividends (Note 7.7.24)	-	(50,562,500)	-	(50,562,500)	-	(50,562,500)
At 30 June 2009	5,000,000	196,598,984	1,736,192	203,335,176	4,238,586	207,573,762
Foreign currency translation: Group	-	-	(1,174,920)	(1,174,920)	(130,546)	(1,305,466)
Profit for the period	-	20,212,097	-	20,212,097	(187,567)	20,024,530
Dividends (Note 7.7.24)	5,000,000	-	-	5,000,000	-	5,000,000
At 30 November 2009	10,000,000	216,811,081	561,272	227,372,353	3,920,473	231,292,826

11. ACCOUNTANTS' REPORT (Cont'd)**7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)****7.7 Shin Yang Shipping Group (Cont'd)****Audited Cash Flow Statements of Shin Yang Shipping Group**

	← Financial year ended →				
	30.6.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2008 RM	30.11.2009 RM
Net cash from/(used in) operating activities	107,584,366	(56,768,562)	62,105,938	39,470,005	24,013,626
Net cash (used in)/from investing activities	(131,888,502)	116,818,669	(76,739,567)	(26,656,417)	(9,016,256)
Net cash from/(used in) financing activities	22,873,105	(61,027,546)	22,837,745	(9,927,420)	(13,938,519)
Net (decrease)/increase in cash and cash equivalents	(1,431,031)	(977,439)	8,204,116	2,886,168	1,058,851
Cash and cash equivalents at beginning of financial year	(7,018,384)	(8,516,951)	(8,392,248)	(8,392,248)	929,575
Effect of foreign exchange rate	(67,536)	1,102,142	2,015,722	212,861	892,268
Cash and cash equivalents at end of financial year (Note 7.7.15)	(8,516,951)	(8,392,248)	1,827,590	(5,293,219)	2,880,694

11. ACCOUNTANTS' REPORT (Cont'd)**7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)****7.7 Shin Yang Shipping Group (Cont'd)****7.7.1 Revenue**

	30.6.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2008 RM	30.11.2009 RM
Charterage and hiring charges	27,643,397	36,281,317	32,809,771	13,787,841	17,239,151
Freight and lighterage charges	114,025,867	143,987,468	159,877,806	77,972,396	62,724,617
Slinging and stevedoring charges	62,629	36,126	24,888	8,710	20,069
Towage and rafting charges	50,883,885	65,415,446	64,734,532	32,077,097	26,217,687
Rental income	18,000	18,000	-	-	-
Sundry income	362,534	424,213	244,254	63,750	104,640
	<u>192,996,312</u>	<u>246,162,570</u>	<u>257,691,251</u>	<u>123,909,794</u>	<u>106,306,164</u>

7.7.2 Cost of services

Cost of services rendered	<u>154,626,406</u>	<u>204,511,737</u>	<u>200,391,879</u>	<u>94,961,741</u>	<u>79,379,289</u>
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7.7.3 Other income

Bunker income	286,761	1,068,904	750,604	27,559	661,114
Bad debt recovered	-	-	-	-	22,800
Dividend income	1,000	1,000	3,000	3,000	1,000
Interest income	10,375	65,594	54,121	26,281	139
Gain on disposal of property, plant and equipment	7,235,935	50,059,575	5,236,053	475,587	4,004,637
Gain on disposal of a subsidiary	-	2,762,449	-	-	-
Realised gain on foreign exchange	17,327	3,455,115	7,683,396	367,136	352,970
Rental income	6,345	11,951	-	-	-
Other miscellaneous income	24,237	1,418,024	2,210,435	611,601	293,257
Towing income	53,216	17,917	-	-	-
	<u>7,635,196</u>	<u>58,860,529</u>	<u>15,937,609</u>	<u>1,511,164</u>	<u>5,335,917</u>

7.7.4 Finance costs

Interest expenses on:					
- Bank overdrafts	837,636	786,154	517,239	358,378	156,177
- Bankers acceptance	252,488	239,962	191,181	102,311	65,048
- Hire purchase	3,688,132	3,657,531	4,076,744	1,661,735	1,519,385
- Loans	2,553,272	2,817,798	4,766,605	1,560,636	2,367,284
- Revolving credit	682,394	1,480,779	78,342	65,208	-
- Others	111,742	-	111,512	75,722	46,372
	<u>8,125,664</u>	<u>8,982,224</u>	<u>9,741,623</u>	<u>3,823,990</u>	<u>4,154,266</u>
Unrealised gain on foreign exchange	-	-	(1,423,186)	-	(27,614)
	<u>8,125,664</u>	<u>8,982,224</u>	<u>8,318,437</u>	<u>3,823,990</u>	<u>4,126,652</u>

11. ACCOUNTANTS' REPORT (Cont'd)
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7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)**7.7 Shin Yang Shipping Group (Cont'd)****7.7.5 Income tax expense**

	30.6.2007	30.6.2008	30.6.2009	30.11.2008	30.11.2009
	RM	RM	RM	RM	RM
Tax expense for the year:					
Malaysian income tax	5,367	2,904	686,080	225,951	285
(Over)/Underprovision in previous years	-	(2,393)	260	260	(679,425)
	<u>5,367</u>	<u>511</u>	<u>686,340</u>	<u>226,211</u>	<u>(679,140)</u>
Deferred tax (Note 7.7.23):					
Relating to origination and reversal of temporary differences	1,647,874	(8,245,528)	4,172,968	1,375,370	3,548,953
Relating to changes in tax rates	(378,135)	(69,134)	-	-	-
(Over)/Underprovision in previous year	(783)	211,488	-	-	-
	<u>1,268,956</u>	<u>(8,103,174)</u>	<u>4,172,968</u>	<u>1,375,370</u>	<u>3,548,953</u>
	<u>1,274,323</u>	<u>(8,102,663)</u>	<u>4,859,308</u>	<u>1,601,581</u>	<u>2,869,813</u>

The Company enjoys tax exempt profits arising from its operations of seagoing vessels, under Section 54A of the Income Tax Act, 1967.

The profits of the subsidiaries are not subject to income tax as there are no taxes imposed by the federal government of the United Arab Emirates.

In 2008, the negative effective tax rate was due to reversal of deferred tax liabilities overprovided in previous years.

7.7.6 Property, plant and equipment

At 30 June 2007	Cost RM	Accumulated Depreciation RM	Net Carrying Amount RM
Buildings	342,051	34,325	307,726
Wharf	1,179,426	299,711	879,715
Motor vehicles	1,082,595	633,750	448,845
Furniture, fittings, equipment, plant and machinery	42,198,822	20,339,368	21,859,454
Seagoing vessels and rivercraft	356,050,165	111,836,711	244,213,454
Capital work-in-progress	72,847,518	-	72,847,518
	<u>473,700,577</u>	<u>133,143,865</u>	<u>340,556,712</u>

11. ACCOUNTANTS' REPORT (Cont'd)


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7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)

7.7 Shin Yang Shipping Group (Cont'd)

7.7.6 Property, plant and equipment (Cont'd)

	Cost RM	Accumulated Depreciation RM	Net Carrying Amount RM
At 30 June 2008			
Wharf	485,598	193,615	291,983
Motor vehicles	1,533,558	764,072	769,486
Furniture, fittings, equipment, plant and machinery	53,026,493	24,286,627	28,739,866
Seagoing vessels and rivercraft	351,667,789	120,607,116	231,060,673
Capital work-in-progress	52,925,027	-	52,925,027
	<u>459,638,465</u>	<u>145,851,430</u>	<u>313,787,035</u>

	Cost RM	Accumulated Depreciation RM	Net Carrying Amount RM
At 30 June 2009			
Wharf	485,598	217,895	267,703
Motor vehicles	1,561,088	787,983	773,105
Furniture, fittings, equipment, plant and machinery	53,554,862	28,879,354	24,675,508
Seagoing vessels and rivercraft	440,185,425	181,180,396	259,005,029
Capital work-in-progress	68,097,506	-	68,097,506
	<u>563,884,479</u>	<u>211,065,628</u>	<u>352,818,851</u>

	Cost RM	Accumulated Depreciation RM	Net Carrying Amount RM
At 30 November 2009			
Wharf	485,598	228,012	257,586
Motor vehicles	1,566,009	847,008	719,001
Furniture, fittings, equipment, plant and machinery	63,628,665	30,896,987	32,731,678
Seagoing vessels and rivercraft	445,978,021	193,072,733	252,905,288
Capital work-in-progress	81,028,303	-	81,028,303
	<u>592,686,596</u>	<u>225,044,740</u>	<u>367,641,856</u>

Net carrying amount of property, plant and equipment held under hire purchase agreements are as follows:

	30.6.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Motor vehicles	49,236	381,143	504,944	490,874
Plant and machinery	11,993,287	16,286,777	9,215,217	18,746,186
Seagoing vessels and rivercraft	47,630,806	80,663,555	65,796,979	61,945,127
Capital work-in-progress	11,671,450	7,004,650	24,452,440	-
	<u>71,344,779</u>	<u>104,336,125</u>	<u>99,969,580</u>	<u>81,182,187</u>

11. ACCOUNTANTS' REPORT (Cont'd)**7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)****7.7 Shin Yang Shipping Group (Cont'd)****7.7.6 Property, plant and equipment (Cont'd)**

The net carrying amount of property, plant and equipment pledged for borrowings as referred to in Note 7.7.16 are as follows:

	30.6.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Seagoing vessels and rivercraft	63,031,859	84,988,756	183,147,379	180,504,773

7.7.7 Prepaid land lease payments

	30.6.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
At 1 July	143,195	139,427	-	-
Disposal of a subsidiary	-	(135,659)	-	-
Amortisation for the year	(3,768)	(3,768)	-	-
At 30 June	139,427	-	-	-
Analysed as:				
Short term leasehold land	139,427	-	-	-

7.7.8 Goodwill

	30.6.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Cost	2,802,987	2,802,987	-	-
Less: Accumulated amortisation	(2,522,691)	(2,802,987)	-	-
Net book value	280,296	-	-	-

11. ACCOUNTANTS' REPORT (Cont'd)**7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)****7.7 Shin Yang Shipping Group (Cont'd)****7.7.9 Investment in subsidiaries**

Details of the subsidiaries are as follows:

Name of Company	Country of Incorporation	Principal Activities	Percentage of equity held		
			2007	2008	2009
Forward Wood Products Sdn. Bhd.	Malaysia	Provision of berthing facilities and letting of properties	100%	-	-
Shin Yang FZC	United Arab Emirates	Investment holding, trading of wood products and marine related services	90%	90%	90%
Subsidiary of Shin Yang FZC					
Trelco Shin Yang FZC	United Arab Emirates	Regional and coastal shipping business	-	60%	60%

Acquisitions of subsidiaries**Shin Yang FZC**

On 24 September 2006, the Company acquired 90% equity interest in Shin Yang FZC for a cash consideration of RM909,000.

Trelco Shin Yang FZC

On 25 February 2008, Shin Yang FZC acquired 60% equity interest in Trelco Shin Yang FZC for a cash consideration of RM523,440.

11. ACCOUNTANTS' REPORT (Cont'd)
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7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)**7.7 Shin Yang Shipping Group (Cont'd)****7.7.9 Investment in subsidiaries (Cont'd)****Acquisitions of subsidiaries (Cont'd)**

The acquisitions had the following effects on Shin Yang Shipping Group's financial results for the year:

	30.6.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Profit for the year	11,544,875	-	-	-
Minority interest	(1,154,488)	-	-	-
Profit after minority interest	10,390,387	-	-	-

The acquisitions had the following effects on the financial positions of Shin Yang Shipping Group as at the end of the year:

	30.6.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Property, plant and equipment	129,846	-	-	-
Investment in associates	847,800	-	-	-
Inventories	693,169	-	-	-
Trade and other receivables	11,255,591	39,054	-	-
Cash and bank balances	97,396	887,400	-	-
Trade and other payables	(708,842)	(39,054)	-	-
Hire purchase payable	(43,960)	-	-	-
Net assets acquired	12,271,000	887,400	-	-
Minority interest	(1,227,100)	(354,960)	-	-
Group's share of net assets	11,043,900	532,440	-	-

11. ACCOUNTANTS' REPORT (Cont'd)**7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)****7.7 Shin Yang Shipping Group (Cont'd)****7.7.9 Investment in subsidiaries (Cont'd)**

The fair value of the assets acquired and liabilities assumed from the acquisition of the subsidiary is as follows:

	30.6.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Net assets acquired:				
Cash and bank balances	1,023,800	872,400	-	-
Fair value of total net assets	1,023,800	872,400	-	-
Less: Minority interest	(102,380)	(348,960)	-	-
Less: Foreign exchange reserve	(12,420)	-	-	-
Total consideration	909,000	523,440	-	-
Satisfied by:				
Cash	909,000	523,440	-	-
Total consideration	909,000	523,440	-	-
Cash outflow arising on acquisition:				
Cash consideration	909,000	523,440	-	-
Cash and cash equivalents of subsidiary acquired	(1,023,800)	(872,400)	-	-
Foreign exchange reserve	12,420	-	-	-
Net cash outflow of the Group	(102,380)	(348,960)	-	-

Disposal of subsidiary

On 30 June 2008, the Company disposed 100% equity interest in Forward Wood Products Sdn. Bhd. for a cash consideration of RM2,756,208.

The disposal had the following effects on Shin Yang Shipping Group's financial results for the year:

	30.6.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Revenue	-	79,000	-	-
Profit from operations	-	35,716	-	-
Net profit for the year	-	1,059	-	-

11. ACCOUNTANTS' REPORT (Cont'd)**7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)****7.7 Shin Yang Shipping Group (Cont'd)****7.7.9 Investment in subsidiaries (Cont'd)**

The disposals had the following effects on the financial position of Shin Yang Shipping Group as at the end of the year:

	30.6.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Property, plant and equipment	-	991,208	-	-
Trade and other receivables	-	7,960	-	-
Tax recoverable	-	1,169	-	-
Cash and bank balances	-	9,086	-	-
Trade and other payables	-	(996,429)	-	-
Deferred taxation	-	(19,235)	-	-
Net assets disposed of	-	(6,241)	-	-
Total disposal proceeds	-	(2,756,208)	-	-
Gain on disposal to the Group	-	(2,762,449)	-	-
Disposals proceeds settled by:				
Cash	-	2,756,208	-	-
Cash inflow arising on disposals:				
Cash consideration, representing cash inflow of the Company	-	2,756,208	-	-
Cash and cash equivalents of subsidiary disposed	-	(9,086)	-	-
Net cash inflow of the Group	-	2,747,122	-	-

The disposal of subsidiary had the following effect on the financial results of the Company:

	30.6.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Total disposal proceeds	-	2,756,208	-	-
Less: Cost of investment in subsidiary	-	(2,756,208)	-	-
Gain on disposal of subsidiary	-	-	-	-

11. ACCOUNTANTS' REPORT (Cont'd)
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7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)**7.7 Shin Yang Shipping Group (Cont'd)****7.7.10 Investment in associates**

	30.6.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Unquoted shares, at cost	847,801	798,661	2,790,242	-
Share of post acquisition profits and reserves	-	(798,660)	(2,396,894)	-
Gain on disposal of subsidiary	847,801	1	393,348	-

Details of the associates are as follows:

Name of Company	Country of Incorporation	Principal Activities	Percentage of equity held		
			2007 %	2008 %	2009 %
Micaline Sdn. Bhd.	Malaysia	Inactive	50	50	50
Associates of Shin Yang FZC					
Al Ghaith Shin Yang L.L.C	United Arab Emirates	Shipping business	40	40	40
Marsol Shin Yang L.L.C	United Arab Emirates	Shipping business	50	50	50
Deena Shipping L.L.C	United Arab Emirates	Offshore and marine related shipping business, Cargo services and charters	-	-	49
Associate of Al Ghaith Shin Yang L.L.C					
Al Ghaith Shin Yang (L) Berhad	Malaysia	Inactive	49	49	49
Associate of Marsol Shin Yang L.L.C					
Marsol Shin Yang (L) Berhad	Malaysia	Inactive	49	49	49

Shin Yang Shipping Group has discontinued the recognition of its share of losses of Micaline Sdn. Bhd. because the share of losses of this associate has exceeded the group's interest in the associate. The group's unrecognised share of losses of this associate for current year and cumulatively were RM623 (2008: RM462; 2007: RM465) and RM4,271 (2008: RM3,648; 2007: RM3,186) respectively.

Subsequent to 30 June 2009, Shin Yang Shipping Group disposed of Micaline Sdn. Bhd.

11. ACCOUNTANTS' REPORT (Cont'd)**7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)****7.7 Shin Yang Shipping Group (Cont'd)****7.7.11 Other Investments**

	30.6.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Shares quoted in Malaysia, at cost	86,500	57,500	57,500	57,500
Market value of quoted shares	69,800	47,560	41,240	36,520

7.7.12 Inventories

At cost:				
Petrol, oil and lubricants	693,169	226,817	270,157	337,882

7.7.13 Trade receivables

Trade receivables	46,503,227	60,448,329	35,200,924	41,085,259
Due from related companies	42,046,304	58,838,181	36,777,053	34,276,774
Due from holding company	-	33,040	-	-
Due from associates	-	2,667,644	15,534,802	20,486,725
	88,549,531	121,987,194	87,512,779	95,848,758
Less: Provision for doubtful debts	-	(242,628)	(242,628)	(158,672)
	88,549,531	121,744,566	87,270,151	95,690,086

Shin Yang Shipping Group's normal trade credit term ranges from 30 to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

The amounts due from related companies, holding company and associates are unsecured, interest free and have no fixed terms of repayment.

11. ACCOUNTANTS' REPORT (Cont'd)
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7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)**7.7 Shin Yang Shipping Group (Cont'd)****7.7.14 Other receivables**

	30.6.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Deposits	87,476	2,133,033	128,051	214,749
Prepayments	1,982,277	2,147,681	2,309,089	1,905,712
Sundry receivables	4,406,286	435,306	9,701,565	10,497,316
Tax recoverable	5,020,265	5,025,125	1,723,597	1,230,907
Due from a director	-	-	96,428	93,380
Due from a related company	3,905,984	2,260,365	-	129,447
Due from associates	-	18,087,030	49,444,682	51,080,194
Due from holding company	-	-	-	3,608,997
	<u>15,402,288</u>	<u>30,088,540</u>	<u>63,403,412</u>	<u>68,760,702</u>

The amounts due from a Director, a related company and associates are unsecured, interest free and have no fixed terms of repayment.

7.7.15 Cash and cash equivalents

	30.6.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Cash on hand and at bank	1,598,586	2,302,318	5,547,443	3,403,995
Fixed deposit with a licensed bank	303,171	-	-	-
	<u>1,901,757</u>	<u>2,302,318</u>	<u>5,547,443</u>	<u>3,403,995</u>
Bank overdrafts (Note 7.7.16)	(10,418,708)	(10,694,566)	(3,719,853)	(523,301)
Cash and bank balances	<u>(8,516,951)</u>	<u>(8,392,248)</u>	<u>1,827,590</u>	<u>2,880,694</u>

11. ACCOUNTANTS' REPORT (Cont'd)



7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)

7.7 Shin Yang Shipping Group (Cont'd)

7.7.16 Borrowings

	30.6.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Short Term Borrowings				
Secured:				
Bank overdrafts	2,022,054	720,599	-	-
Term loans	10,806,194	15,375,468	34,029,908	34,056,300
Hire purchase payables (Note 7.7.17)	19,481,521	25,253,840	27,498,524	33,922,182
	<u>32,309,769</u>	<u>41,349,907</u>	<u>61,528,432</u>	<u>67,978,482</u>
Unsecured:				
Bankers acceptances	5,000,000	3,000,000	4,100,000	4,000,000
Bank overdrafts	8,396,654	9,973,967	3,719,853	523,301
Revolving credit	54,700,000	3,525,000	-	-
	<u>68,096,654</u>	<u>16,498,967</u>	<u>7,819,853</u>	<u>4,523,301</u>
	<u>100,406,423</u>	<u>57,848,874</u>	<u>69,348,285</u>	<u>72,501,783</u>
Long Term Borrowings				
Secured:				
Term loans	31,707,050	42,518,993	123,380,630	113,020,783
Hire purchase payables (Note 7.7.17)	26,419,723	43,173,007	37,434,488	39,820,667
	<u>58,126,773</u>	<u>85,692,000</u>	<u>160,815,118</u>	<u>152,841,450</u>
Total Borrowings:				
Bankers acceptances	5,000,000	3,000,000	4,100,000	4,000,000
Bank overdrafts (Note 7.7.15)	10,418,708	10,694,566	3,719,853	523,301
Revolving credits	54,700,000	3,525,000	-	-
Term loan	42,513,244	57,894,461	157,410,538	147,077,083
Hire purchase payables (Note 7.7.17)	45,901,244	68,426,847	64,933,012	73,742,849
	<u>158,533,196</u>	<u>143,540,874</u>	<u>230,163,403</u>	<u>225,343,233</u>
Maturity of borrowings (excluding hire purchase):				
Not later than 1 year	80,924,902	32,595,034	41,849,761	38,579,601
Later than 1 year and not later than 2 years	10,882,325	13,513,181	31,914,946	32,203,809
Later than 2 years and not later than 5 years	17,726,584	28,113,484	81,431,003	79,197,812
5 years or more	3,098,141	892,328	10,034,681	1,619,162
	<u>112,631,952</u>	<u>75,114,027</u>	<u>165,230,391</u>	<u>151,600,384</u>

The term loans, revolving credits, bank overdrafts and bankers acceptances are secured by the following:

- Fixed charges over certain assets of Shin Yang Shipping Group as disclosed in Note 7.7.6; and
- Joint and several guarantee by certain Directors, third parties and the holding company.

11. ACCOUNTANTS' REPORT (Cont'd)**7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)****7.7 Shin Yang Shipping Group (Cont'd)****7.7.17 Hire purchase payables**

	30.6.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Minimum lease payments:				
Not later than 1 year	21,721,901	28,595,062	30,508,920	37,185,579
Later than 1 year and not later than 2 years	15,940,630	21,012,358	24,873,513	26,512,332
Later than 2 years and not later than 5 years	12,245,982	25,478,334	14,477,873	15,193,559
Total future minimum lease Payments	49,908,513	75,085,754	69,860,306	78,891,470
Less: Future finance charges	(4,007,269)	(6,658,907)	(4,927,294)	(5,148,621)
Present value of finance lease liabilities:	45,901,244	68,426,847	64,933,012	73,742,849
Present value of finance lease liabilities:				
Not later than 1 year	19,481,521	25,253,840	27,498,524	33,922,182
Later than 1 year and not later than 2 years	14,779,459	19,019,763	23,433,110	25,022,828
Later than 2 years and not later than 5 years	11,640,264	24,153,244	14,001,378	14,797,839
	45,901,244	68,426,847	64,933,012	73,742,849
Less: Amount due within 12 months (Note 7.7.16)	(19,481,521)	(25,253,840)	(27,498,524)	(33,922,182)
Amount due after 12 months (Note 7.7.16)	26,419,723	43,173,007	37,434,488	39,820,667

11. ACCOUNTANTS' REPORT (Cont'd)**7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)****7.7 Shin Yang Shipping Group (Cont'd)****7.7.18 Trade payables**

	30.6.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Trade payables	97,973,353	67,812,978	39,886,210	26,910,232
Due to related companies	8,661,497	1,074,171	643,689	15,882,080
	<u>106,634,850</u>	<u>68,887,149</u>	<u>40,529,899</u>	<u>42,792,312</u>

The normal trade credit term granted to Shin Yang Shipping Group ranges from 30 to 90 days.

The amount due to related companies is unsecured, interest free and has no fixed terms of repayment.

7.7.19 Other payables

	30.6.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Deposit received	25,197,477	464,640	122,395	-
Accruals	1,700,478	2,312,666	2,558,202	3,099,932
Sundry payables	5,109,708	5,147,278	4,075,889	4,608,480
Due to an associate	-	-	2,064,451	-
Due to directors	-	-	472,497	457,562
Due to related companies	8,726,299	1,827,476	32,092	370,352
Due to holding company	6,148,107	-	-	-
	<u>46,882,069</u>	<u>9,752,060</u>	<u>9,325,526</u>	<u>8,536,326</u>

The amounts due to an associate, directors and related companies are unsecured, interest free and have no fixed terms of repayment.

7.7.20 Deferred income

Deferred income is the excess of the group's share of the unrealised gain on disposal of property, plant and equipment over the investment in the associate. The deferred income will be reversed against the investment in associates when the associates report profits in the future.

11. ACCOUNTANTS' REPORT (Cont'd)
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7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)**7.7 Shin Yang Shipping Group (Cont'd)****7.7.21 Share capital**

	Number of ordinary shares of RM1 Each	Amount RM
At 30 June 2007 to 2009		
Authorised share capital	5,000,000	5,000,000
Issued and fully paid	5,000,000	5,000,000
At 30 November 2009		
Authorised share capital	10,000,000	10,000,000
Issued and fully paid	10,000,000	10,000,000

7.7.22 Retained earnings

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2008.

The Company did not elect for the irrevocable option to disregard the 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the 108 balance as at 30 November 2009 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2008. As at 30 November 2009, the Company has sufficient credit in the 108 balance and tax exempt income account to pay franked dividends amounting to RM118,417,666 out of its retained earnings. If the balance of the retained earnings of RM102,508,687 were to be distributed as dividends, the Company may distribute such dividends under the single tier system.

7.7.23 Deferred tax liabilities

	30.6.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
At 1 July	8,562,561	9,831,517	1,709,108	5,882,076
Disposal of a subsidiary	-	(19,235)	-	-
Recognised in the income statements (Note 7.7.5)	1,268,956	(8,103,174)	4,172,968	3,548,953
At 30 June	9,831,517	1,709,108	5,882,076	9,431,029

11. ACCOUNTANTS' REPORT (Cont'd)


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7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)

7.7 Shin Yang Shipping Group (Cont'd)

7.7.24 Dividends

	30.6.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Interim dividends:				
First interim dividend of RM0.15 (2008: RM0.15; 2007: RM0.10) per share, less tax	365,000	555,000	562,500	-
Second interim dividend of RM10.00 per share, tax exempt	-	-	50,000,000	-
	<u>365,000</u>	<u>555,000</u>	<u>50,562,500</u>	<u>-</u>

7.7.25 Comparative figures

Restatement of Balance Sheets

The restatement of balance sheets of Shin Yang Shipping Group arose from the adoption of FRS. The following figures have been restated to conform with the current presentation:-

	30.6.2007 RM	30.6.2008 RM	30.6.2009 RM	
<u>Property, Plant and Equipment</u>				
Per audited financial statements	340,696,139	313,787,035	352,818,851	-
Reclassified to:				
- Prepaid land lease payments	(139,427)	-	-	-
As restated	<u>340,556,712</u>	<u>313,787,035</u>	<u>352,818,851</u>	<u>-</u>
<u>Prepaid Land Lease Payments</u>				
Per audited financial statements	-	-	-	-
Reclassified from:				
- Property, plant and equipment	139,427	-	-	-
As restated	<u>139,427</u>	<u>-</u>	<u>-</u>	<u>-</u>

11. ACCOUNTANTS' REPORT (Cont'd)**7.0 HISTORICAL FINANCIAL INFORMATION (Cont'd)****7.7 Shin Yang Shipping Group (Cont'd)****7.7.26 Prior year adjustments**

The financial statements of 2007 have been restated to include the financial results of a foreign subsidiary. The financial statements of 2008 have been restated to include the elimination of group's share of unrealised gain on disposal of property, plant and equipment to its associates. The effects of the adjustments are as follows:

	30.6.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Effects on retained profits:				
At 1 July, as previously stated	90,966,929	110,213,849	237,596,375	-
Effect of adjustments	-	10,390,387	(24,635,270)	-
At 1 July, as restated	<u>90,966,929</u>	<u>120,604,236</u>	<u>212,961,105</u>	-
	30.6.2007 RM	30.6.2008 RM	30.6.2009 RM	30.11.2009 RM
Effects on net profit for the year:				
Net profit before adjustments	19,611,920	117,547,139	35,912,855	-
Effect of adjustments	10,390,387	(24,635,270)	-	-
Net profit for the year	<u>30,002,307</u>	<u>92,911,869</u>	<u>35,912,855</u>	-



8.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention. The financial statements comply with Financial Reporting Standards in Malaysia.

The financial statements are presented in Ringgit Malaysia (RM).

(b) Subsidiaries and Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(ii) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

11. ACCOUNTANTS' REPORT (Cont'd)**8.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****(b) Subsidiaries and Basis of Consolidation (Cont'd)****(ii) Basis of Consolidation (Cont'd)**

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

Subsidiaries arising from common control transfers are consolidated using the principles of the merger method of accounting. Common control transfers are acquisitions of entities whereby these entities have common ultimate controlling parties prior to and immediately after such transfers. The difference between the carrying value of the investment and the nominal value of ordinary shares acquired is treated as a merger reserve or merger deficit. Merger deficit is adjusted against suitable reserves of the subsidiaries acquired to the extent that laws or statutes do not prohibit the use of such reserves. The results and financial position of the companies being merged are included as if the merger had been effected throughout the current financial period.

(c) Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated profit or loss. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes. In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.



8.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(c) Associates (Cont'd)

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

In the Company's separate financial statements, investments in associates are stated at cost less impairment losses.

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(d) Intangible Assets

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(e) Property, Plant and Equipment and Depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

11. ACCOUNTANTS' REPORT (Cont'd)**8.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****(e) Property, Plant and Equipment and Depreciation**

Depreciation of property, plant and equipment is provided for on a straight line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Wharf	5%
Motor vehicles	10% - 33 ¹ / ₃ %
Furniture, fittings and equipment	10% - 33 ¹ / ₃ %
Plant and machinery	10%
Seagoing vessels and rivercraft	5% - 20%

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss and the unutilised portion of the revaluation surplus on that item is taken directly to retained earnings.

Subsequent to 30 June 2009, the Group changed the accounting policy for vessels. Subsequent to initial recognition, vessels will be stated at revalued amounts, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation and impairment losses. Fair value is determined from market-based evidence by appraisal that is undertaken by professionally qualified valuers. Revaluations are performed with sufficient regularity to ensure that the carrying value of a revalued asset does not differ materially from that which would be determined using fair values at the balance sheet date. Any revaluation surplus is credited to the revaluation reserve included within equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss to the extent of the decrease previously recognised. A revaluation deficit is first offset against unutilised previously recognised revaluation surplus in respect of the same asset and the balance is thereafter recognised in profit or loss. Upon disposal or retirement of an asset, any revaluation reserve relating to the particular asset is transferred directly to retained earnings.

This change in accounting policy will be implemented prospectively. The financial statements of the subsidiaries are therefore not restated for the purpose of this report.

11. ACCOUNTANTS' REPORT (Cont'd)**8.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****(f) Impairment of Non-financial Assets**

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated to reduce the carrying amount of the assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(g) Construction Contracts

Where the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.



8.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(g) Construction Contracts (Cont'd)

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable the costs will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When costs incurred on construction contracts plus recognised profits (less recognised losses) exceeds progress billings, the balance is shown as amount due from customers on contracts. When progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as amount due to customers on contracts.

(h) Inventories

Inventories are stated at lower of cost and net realisable value. Cost is determined using the first-in, first-out method and includes all applicable purchase costs.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. In arriving at the net realisable value, due allowance is made for all damaged, obsolete and slow moving items.

(i) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly in equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) Cash and Cash Equivalents

For the purposes of the Cash Flow Statement, cash and cash equivalents include cash on hand and at bank, fixed deposits with a licensed bank, net of outstanding bank overdrafts.

11. ACCOUNTANTS' REPORT (Cont'd)**8.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****(i) Financial Instruments (Cont'd)****(ii) Other Non-Current Investments**

Non-current investments other than investment in subsidiaries and associates are stated at cost less impairment losses. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in profit or loss.

(iii) Trade Receivables

Trade receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debt based on a review of all outstanding amounts as at the balance sheet date.

(iv) Trade Payables

Trade payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(v) Interest-Bearing Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

(vi) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(j) Leases**(i) Classification**

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership. All leases are classified as operating leases.

(ii) Finance Leases

Assets acquired by way of hire purchase are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

11. ACCOUNTANTS' REPORT (Cont'd)**8.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****(j) Leases (Cont'd)****(ii) Finance Leases (Cont'd)**

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is consistent with that for depreciable property, plant and equipment as described in Note 8(e).

(iii) Operating Leases

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(k) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

11. ACCOUNTANTS' REPORT (Cont'd)**8.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****(l) Borrowing Costs**

The borrowing costs are recognised in profit or loss in the period in which they are incurred.

(m) Employee Benefits*Short Term Benefits*

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Company.

Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

(n) Foreign Currency**i) Foreign Currency Transactions**

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation are recognised in profit or loss in the Company's separate financial statements or the individual financial statements of the foreign operation, as appropriate.

11. ACCOUNTANTS' REPORT (Cont'd)**8.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****(n) Foreign Currency (Cont'd)****i) Foreign Currency Transactions (Cont'd)**

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

ii) Foreign Operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;
- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date.

(o) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

(i) Construction Contracts

Revenue from construction contracts is accounted for by the stage of completion method as described in Note 8(g).

(ii) Sale of Services

Revenue from services rendered is recognised net of discount as and when the services are performed.



8.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(p) Significant accounting estimates and judgements

The preparation of financial statements in accordance with FRSs requires the use of certain accounting estimates and exercise of judgement. Estimate and judgements are continually evaluated and are based on past experience, reasonable expectations of future events and other factors.

Key source of Estimation and Judgements

The key assumptions concerning the future, and other key source of estimation uncertainty at the balance sheet date, that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial years are discussed below:

(i) Depreciation of property, plant and equipment

The costs of property, plant and equipment of the Group are depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these plant and equipment based on common life expectancies in the industry. As various factors may affect the economic useful lives and the residual values of these assets, future depreciation charges could be revised.

(ii) Revenue recognition

The Group recognises shipbuilding construction revenues and expenses in the income statement by using the stage of completion method. The stage of completion is determined by the proportion that construction cost incurred for work performed to date compared to the estimated total construction costs.

Significant judgement is required in determining the stage of completion, the extent of the construction cost incurred and the estimated total construction revenue and costs. In making such judgement, the Group evaluates based on past experience and internal budgeting.

(q) Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs

At the beginning of the financial period, the Company adopted the following new and revised FRSs and interpretations mandatory for the current financial period:

- FRS 8: Operating Segments

11. ACCOUNTANTS' REPORT (Cont'd)**8.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****(q) Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Cont'd)****Standards and Interpretations issued but not yet Effective**

At the date of authorisation of these financial statements, the following new FRSs and Interpretations, and amendments to certain Standards and Interpretations were issued but not yet effective and have not been applied by the Company, which are:

Effective for financial periods beginning on or after 1 January 2010

- FRS 4: Insurance Contracts
- FRS 7: Financial Instruments: Disclosures
- FRS 101: Presentation of Financial Statements (revised)
- FRS 123: Borrowing Costs
- FRS 139: Financial Instruments: Recognition and Measurement
- Amendments to FRS 1: First-time Adoption of Financial Reporting Standards and FRS 127: Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendments to FRS 2: Share-based Payment - Vesting Conditions and Cancellations
- Amendments to FRS 132: Financial Instruments: Presentation
- Amendments to FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures and IC Interpretation 9: Reassessment of Embedded Derivatives
- Amendments to FRSs 'Improvements to FRSs (2009)'
- IC Interpretation 9: Reassessment of Embedded Derivatives
- IC Interpretation 10: Interim Financial Reporting and Impairment
- IC Interpretation 11: FRS 2 - Group and Treasury Share Transactions
- IC Interpretation 13: Customer Loyalty Programmes
- IC Interpretation 14: FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- TR i - 3: Presentation of Financial Statements of Islamic Financial Institutions

Effective for financial periods beginning on or after 1 March 2010

- Amendments to FRS 132: Classification of Rights Issues

Effective for financial periods beginning on or after 1 July 2010

- FRS 1: First-time Adoption of Financial Reporting Standards
- FRS 3: Business Combinations (revised)
- FRS 127: Consolidated and Separate Financial Statements (amended)
- Amendments to FRS 2: Share-based Payment
- Amendments to FRS 5: Non-current Assets Held for Sale and Discontinued Operations
- Amendments to FRS 138: Intangible Assets
- Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives



8.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(q) Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Cont'd)

- **Effective for financial periods beginning on or after 1 July 2010 (Cont'd)**
- IC Interpretation 12: Service Concession Arrangements
- IC Interpretation 15: Agreements for the Construction of Real Estate
- IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation
- IC Interpretation 17: Distributions of Non-cash Assets to Owners

Effective for financial periods beginning on or after 1 January 2011

- Amendments to FRS 1: Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
- Amendments to FRS 7: Improving Disclosures about Financial Instruments

The new FRSs and Interpretations, and amendments to certain Standards and Interpretations above are expected to have no significant impact on the financial statements of the Company upon their initial application except for the changes in disclosures arising from the adoption of FRS 8.

The Company is exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 7 and FRS 139.

Changes in Estimates

During the year, there were no material changes in accounting estimates of the Company.

11. ACCOUNTANTS' REPORT (Cont'd)**9.0 SIGNIFICANT POST BALANCE SHEET EVENTS****9.1 Allotment of ordinary shares in subsidiaries**

Allotment of ordinary shares of RM1.00 each at par for cash, in each of the following subsidiaries:

	<u>Number of shares</u>
Shin Yang Shipping	5,000,000
Shinline	11,900,000
Thailine	3,000,000
Piasau Slipways	3,000,000
Shin Yang Shipyard	<u>15,100,000</u>
	<u>38,000,000</u>

9.2 Provisions for doubtful debts

To comply with the conditions set by Securities Commission for the listing of and quotation for its entire enlarged issued and paid-up share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad, the Group made full provision for doubtful debts for all overdue trade receivables which had been outstanding for more than 6 months as at 30 April 2010 in the management accounts for the financial period ended 30 April 2010. The provisions amounted to RM21,134,425 of which RM19,674,068 were due from associate companies of the Group.

There are no other significant events which have arisen subsequent to the balance sheet date, which requires disclosure in this Report.

Ernst & Young
AF: 0039
Chartered Accountants

Yong Nyet Yun
2708/04/12 (J)
Chartered Accountant

12. INDEPENDENT MARKET RESEARCH REPORT

(Prepared for inclusion in the Prospectus)



VITAL FACTOR CONSULTING
Creating Winning Business Solutions

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14 May 2010

The Board of Directors
Shin Yang Shipping Corporation Berhad
Lot 515, Jalan Datuk Edward Jeli
Piasau Industrial Estate
98000 Miri, Sarawak

Dear Sirs

Independent Assessment of the Shipping and Shipbuilding Industries

The following is an independent assessment of the Shipping and Shipbuilding Industries in Malaysia prepared by Vital Factor Consulting Sdn Bhd for inclusion in the prospectus of Shin Yang Shipping Corporation Berhad (herein together with all or any one or more of its subsidiaries will be referred as Shin Yang Shipping Corp Group or the Group) in relation to its listing on the Main Market of Bursa Malaysia Securities Berhad.

1. BACKGROUND

- Shin Yang Shipping Corp Group's principal business activities are in shipping and shipbuilding. The Group's secondary business activities also include ship repairing and metal fabrication. The term 'shipping' used in this report refers to freight only.
- For the financial year ended 30 June 2009, the total revenue of Shin Yang Shipping Corp Group amounted to RM673.5 million. Of this, shipping and shipbuilding accounted for 62.9% and 24.5% of the Group's total revenue respectively. As such, this report will focus on the Shipping and Shipbuilding Industries.
- Within the context of this report, the term 'ships' will be used interchangeably with 'vessels'.

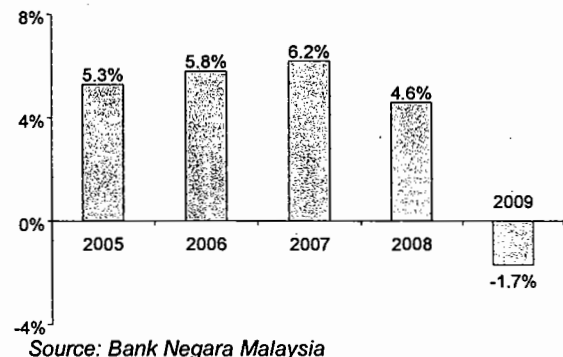
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2. ECONOMIC PERFORMANCE OF MALAYSIA**2.1 Economic Performance**

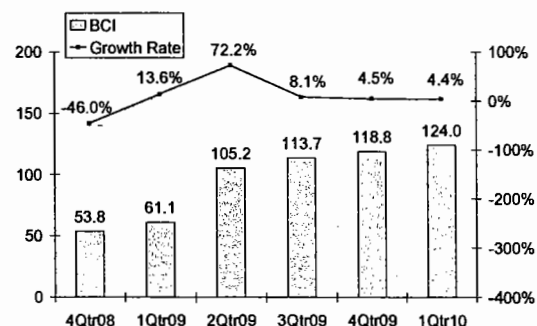
- Malaysia's real GDP has been growing every year from 2005 to 2008. The Malaysian economy registered a growth of 4.6% in 2008, amidst the international financial turmoil and sharp deterioration in the global economic environment. Robust domestic demand, in particular private consumption and strong public spending, supported the growth during the year.

**Figure 1. Real GDP Growth**

- While external demand was strong in the first half of 2008, the sharp and rapid deterioration in the global economic conditions as well as major correction in the commodity prices in the second half led to a contraction in Malaysia's export performance in the latter part of the second half of the year.
- As for 2009, Malaysia's real GDP for the first quarter contracted by 6.2% compared to the same period in the previous year. However, the implementation of fiscal stimulus measures by the Malaysian Government led to the subsequent recovery in the last quarter of 2009. Overall, Malaysia's real GDP for 2009 contracted moderately by 1.7%. (Source: Bank Negara Malaysia)

2.2 Business Conditions

- In the fourth quarter of 2008, the BCI declined by 46.0% or 45.8 points to settle lower at 53.8 points, which was substantially below the 100-point threshold, an indication of the contraction in manufacturing activities.
- In the first quarter of 2009, the BCI gained 13.6% to reach 61.1 points. The growth can be attributed to a number of reasons, including the RM60 billion stimulus package announced in March. Apart from that, the BCI remained substantially below its 100-point threshold, indicating that manufacturing activities in Malaysia are still in a state of contraction, albeit at a slower rate.

**Figure 2. Business Conditions Index**

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- During the second quarter of 2009, the BCI registered a strong growth of 72.2% to reach 105.2 points. The surge suggested a significant improvement in the overall business conditions in Malaysia.
- By the third quarter of 2009, the BCI continued to grow by 8.1% to reach 113.7 points, indicating an expansionary mode in the manufacturing sector. Domestic demand for Malaysia's manufactured goods started to recover whilst external demand also improved albeit at a slower pace.
- The BCI continued to grow by 4.5% to reach 118.8 points by the fourth quarter of 2009. The manufacturing sector continued to improve with expected increases in export sales and local sales.
- In the first quarter of 2010, the BCI grew further by 4.4% to reach 124.0 points. The growth is attributable to the continued increase in domestic order, expected production and expected export sales.

(Source: Business Conditions Survey Report – Various Issues, Malaysian Institute of Economic Research)

3. OVERALL INDUSTRY STRUCTURE

3.1 Structure of the Shipping Industry

- In general, the Shipping Industry can be segmented into the following:

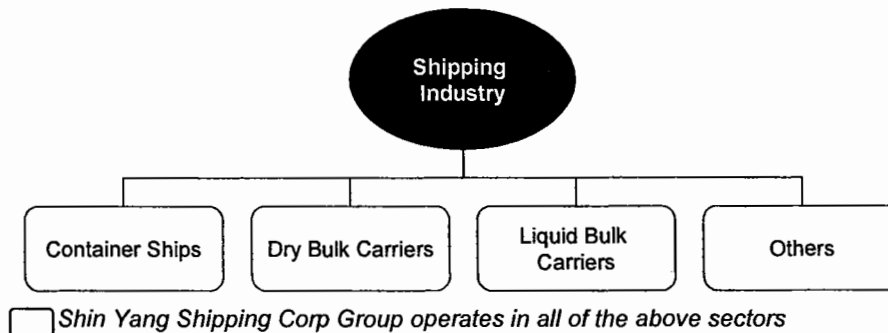


Figure 3. Structure of the Shipping Industry

- **Container Ship** is a type of cellular vessel, designed to carry containers or containerised cargo. In general, a container ship can store up to four tiers of containers below the main deck and up to three tiers of containers above deck. Containers can be refrigerated or non-refrigerated. Refrigerated containers are mainly used to transport perishable edibles while non-refrigerated containers are mainly used to carry non-perishable manufactured goods.

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- **Dry Bulk Carrier** refers to vessels such as bulk carriers, tugboats and barges used to ship unpackaged dry goods in large quantities. Tugboats used as dry bulk carrier normally do not carry goods but to push and tow a barge without propulsion. Multiple tugboats can also be used to manoeuvre a vessel in a crowded harbour or narrow canal. Examples of dry bulk cargo include coal, grain, iron ore, bauxite, timber, cement, chemicals, dry edibles and bulk mine.
- **Liquid Bulk Carrier** generally refers to tankers used to carry liquid goods in large quantities such as petroleum, liquefied natural gas (LNG), gasoline, chemicals and edible oils. A liquid bulk carrier is normally equipped with oil pumps, heaters and other necessary equipment and facilities on board. In general, a liquid bulk carrier normally specialises in carrying one type of product only.
- **Others** refer to all other types of water shipping carriers used to transport goods. Some of these examples include the following:
 - General cargo ship refers to non-specialised cargo ships that are used to transport goods in boxes, bales, crates, packages, bundles and others.
 - Roll-on/roll-off (Ro-Ro) is normally used to transport motor vehicles and rolling stocks. A Ro-Ro is equipped with a hinged ramp at the stern that allows motor vehicles and rolling stocks to drive on and off the vessel.
 - Heavy lift vessel is designed to carry extremely large and heavy items that cannot be transported by other vessels.
 - Landing craft used in shipping of goods is a type of vessel with a ramp that can be lowered and opened at one end. It is normally used to carry containers and other types of general cargo directly or close to the shore.
 - Offshore support vessel that are used for the transportation of goods commonly carry cargo and supporting tools such as pulverised cement, diesel fuel, potable and non-potable water, chemicals and fire fighting tools, and ferrying of equipment to and from the oil platforms.
- The Group provides shipping services using container ships, dry bulk carriers, liquid bulk carriers and others including general cargo ships and landing crafts. The focus of the Group is in the shipping of dry bulk cargo. Shipping involves the transportation of goods and cargo by sea using vessels.



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3.2 Structure of the Naval Industry

- In general, the overall Naval Industry can be broadly categorised as follows:

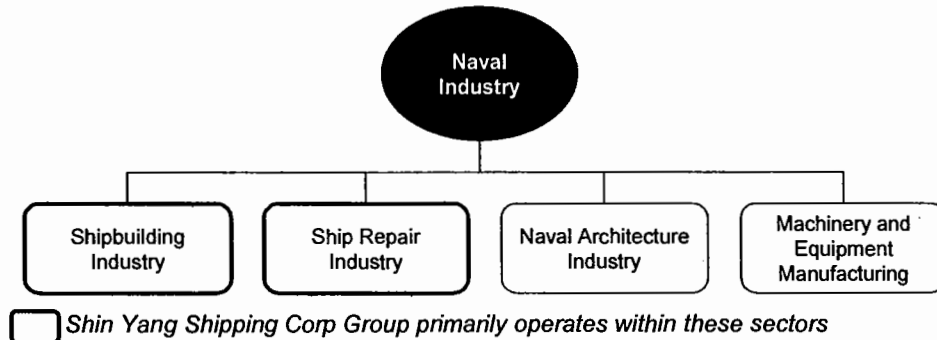


Figure 4. Structure of the Naval Industry

- The Shipbuilding Industry** comprises operators that are engaged in ship construction.
- The Ship Repair Industry** comprises operators that are engaged in providing ship repair and maintenance services. It is common for operators who are in shipbuilding to also provide ship repair services.
- The Naval Architecture Industry** comprises naval architects and naval engineers who are engaged in producing designs for the Shipbuilding Industry.
- Manufacturers of machinery and equipment** support the Shipbuilding and the Ship Repair Industries by manufacturing the machinery and equipment that are installed on vessels.
- Shin Yang Shipping Corp Group is currently involved in the following sectors of the overall Naval Industry:
 - Shipbuilding Industry;
 - Ship Repair Industry.

3.3 Structure of the Shipbuilding Industry

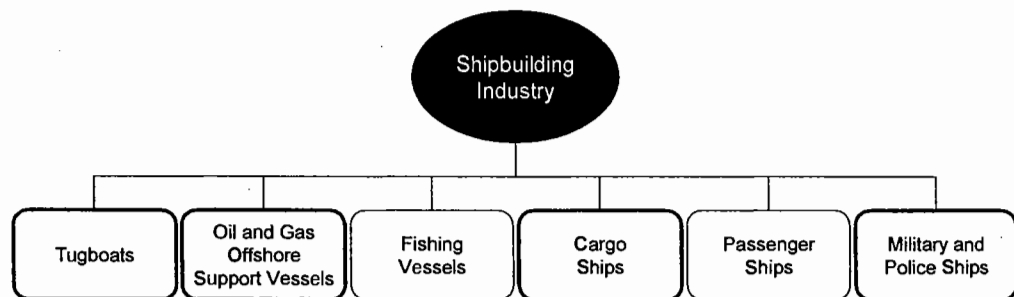
- The Shipbuilding Industry has developed specialised skills and technological capabilities in engineering design, metallurgy, corrosion control, machining, welding and fabrication.
- In 2009, there were approximately 70 shipyards in Malaysia. Most of the shipyards operate on a small-scale basis, building mostly smaller wooden and aluminium hulled boats and watercrafts.

12. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

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- The demand for ships in Malaysia is generally based on a number of factors, including the replacement of old ships, demand for new ships on a jobbing basis, demand for ships to support the Oil and Gas Industry, and to meet the requirements of the military and police.
(Source: Malaysian Industrial Development Authority)
- There is also considerable demand from overseas customers for ships built by Malaysian shipbuilders.
- In general, the Shipbuilding Industry in Malaysia can be broadly categorised by the types of ships built as follows:



Shin Yang Shipping Corp Group mainly operates within these sectors

Figure 5. Structure of the Shipbuilding Industry

- A **tugboat** is primarily designed to manoeuvre or tow other vessels. Tugboats are currently used to perform many functions, including towing, pushing or manoeuvring barges or disabled vessels or vessels in harbours, open ocean, rivers and canals; and offshore structures such as drilling rigs and offshore platforms for the Oil and Gas Industry.
- **Oil and gas offshore support vessels** comprise a wide range of vessels that are designed to provide various supporting services to the Oil and Gas Industry. Some examples of Oil and Gas Industry support vessels include anchor handling tugs, anchor handling tug supply vessels, utility support vessels, maintenance/work vessels, crew boats, and accommodation boats.
- **Fishing vessels** refer to ships and boats that are primarily designed to carry out commercial fishing activities.
- **Cargo ships** are primarily designed to transport cargo, goods and materials from one port to another. Some examples of cargo ships include container ship, bulk carriers, barges, tankers, general cargo ships and landing crafts for transportation of goods onto the shore.
- **Passenger ships** are primarily designed to transport passengers.

12. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)**VITAL FACTOR CONSULTING**

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- **Military and police ships** are primarily designed for military and security purposes. Some examples include navy carriers and landing crafts used for military purposes.
- For the financial year ended 30 June 2009, Shin Yang Shipping Corp Group is mainly engaged in the construction of the following types of ships or vessels:
 - Maintenance/work vessels;
 - Landing crafts;
 - Anchor handling tugs;
 - Tugboats;
 - Barges.
- In addition, the Group have also constructed the following types of ships or vessels specifically for its shipping operations:
 - General cargo ships;
 - Container ships;
 - Oil tankers.
- During the fourth quarter of 2009, the Group has also started the construction of navy carriers.

4. SUBSTITUTE PRODUCTS AND SERVICES**Shipping**

- There are other ways to substitute shipping by transporting goods through land, air or pipeline.
- However, none of these modes of transportation can completely replace shipping as it is either not practicable or impossible to transport certain types of goods through land, air or pipeline. Some examples include large vehicles such as aircrafts and vessels, heavy loads of containerised goods, transportation of goods to offshore platforms, and the transportation of large amount of oil and liquefied gas where there are no pipeline linkages to the destinations.
- Shipping also has its advantages compared to other modes of transportation as it is capable of the following:
 - Able to carry a large variety of goods;
 - Able to carry heavy loads and large sized goods;
 - Low freight cost in relation to weight;
 - Able to reach long distance destinations.

Shipbuilding

- In general, there are currently no practicable substitutes for marine vessels. Within the different types of vessels, there are also no practical substitutes as each type of vessel is designed to perform a specific function.

12. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)**VITAL FACTOR CONSULTING**

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- There are no practicable substitutes for offshore anchor handling vessels, maintenance/work vessels as these types of vessels are required to provide anchor handling and maintenance support for offshore Oil and Gas Industry platforms.
- Similarly, there are no practicable substitutes to tugboats, as there are currently no other types of vessel in service that combines all of the following characteristics of tugboats:
 - Highly manoeuvrability which enables tugboats to navigate confined waterways such as ports and rivers;
 - High power to weight ratio;
 - Relatively small in size;
 - Good sea-going characteristics.

5. GOVERNMENT REGULATIONS, POLICIES AND INCENTIVES**5.1 Government Laws and Regulations****Manufacturing Licence**

- Application of a manufacturing licence under the Industrial Coordination Act, 1975 is mandatory for companies with shareholders' funds of RM2.5 million or above or engaging 75 or more full-time paid employees. (*Source: Malaysian Industrial Development Authority*)
- Piasau Slipways and Shin Yang Shipyard, subsidiaries of Shin Yang Shipping Corp Group, obtained manufacturing licences on 14 November 1994 and 15 October 2008 respectively from the Ministry of International Trade and Industry.

5.2 Registration with Federal Treasury Sarawak

- Piasau Slipways was registered as a contractor for building and repairing of boats and ships "AA" with the Federal Treasury Sarawak. The effective period of the registration is from 25 July 2009 until 24 July 2012.

5.3 Registration of Vessel

- According to the Merchant Shipping Ordinance 1952, every Malaysian ship has to be registered with the Registrar at the Port of Registry unless exempted under the following conditions:
 - Any ship not exceeding 15 tonnes net used for navigation on the rivers and coastal waters of Malaysia;
 - Any vessel licensed under section 475 of the Merchant Shipping Ordinance 1952;
 - Any local fishing vessel not exceeding 500 tonnes gross where such vessel is licensed under any written law relating to fisheries. (*Source: Marine Department*)

12. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)**VITAL FACTOR CONSULTING**

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- All of Shin Yang Shipping Corp Group's Malaysian vessels that are used in shipping operations are registered with the Port of Registry.

5.4 Registration with the Domestic Shipping Licensing Board

- According to the Merchant Shipping Ordinance 1952, any ship that engages in domestic shipping must obtain a licence from the Domestic Shipping Licensing Board unless exempted under the following conditions:
 - Any ship under 15 tonnes net;
 - Any vessel licensed under section 475 of the Merchant Shipping Ordinance 1952;
 - In relation to the State of Sabah, any vessel licensed under the Merchant Shipping Ordinance 1960 of Sabah;
 - In relation to the State of Sarawak, any vessel licensed under the Merchant Shipping Ordinance 1960 of Sarawak;
 - Any ship belonging to or in the employment of the Government of Malaysia or any State thereof or any Port Authority therein.

(Source: Marine Department)

- Shin Yang Shipping Corp Group has obtained Domestic Shipping Licences for vessels that are used in domestic shipping operations within Malaysian ports.

5.5 Safety Certificates

- According to the Merchant Shipping Ordinance 1952, no cargo ships registered in Malaysia shall proceed to sea without the appropriate safety certificates. *(Source: Marine Department)*
- The Group's vessels have a combination of the following certificates including:
 - Cargo ship safety equipment certificates;
 - Cargo ship safety radio certificates;
 - Safety management certificates;
 - Cargo ship safety construction certificates.

5.6 Compliance with the Conventions of International Maritime Organisation

- The Malaysian Government is a contracting party of the conventions adopted by the International Maritime Organisation and as such certain international certificates are a pre-requisite for all Malaysian ships going on an international voyage.

International Ship Security Certificate

- The International Ship and Port Facility Security Code (ISPS Code) is a set of measures that are implemented to enhance maritime security in the International Convention for the Safety of Life at Sea (SOLAS).

12. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)**VITAL FACTOR CONSULTING**

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- Compliance with the ISPS Code is mandatory for all SOLAS contracting parties, which the Malaysian Government is part of. A ship that is compliant should have an International Ship Security Certificate.

(Source: International Maritime Organisation)

- Shin Yang Shipping Corp Group has obtained International Ship Security Certificates for vessels with more than 500 GRT that are used in international shipping operations.

International Tonnage Certificate

- According to the International Convention on Tonnage Measurement of Ships 1969 adopted by the International Maritime Organisation, all ships built on or after 18 July 1982 shall adopt this universal tonnage measurement system.
(Source: International Maritime Organisation)
- Under the International Convention on Tonnage Measurement of Ship 1969, Shin Yang Shipping Corp Group has obtained International Tonnage Certificates for vessels that are used in international shipping operations.

International Load Line Certificate

- According to the 1966 Load Lines Convention adopted by the International Maritime Organisation, no ship shall proceed to sea on an international voyage unless it has been surveyed, marked and provided with an International Load Line Certificate or where appropriate, an exemption certificate in accordance with the provisions of the present Convention. The Convention puts a limitation on the draft to which a ship may be loaded to ensure its safety.
(Source: International Maritime Organisation)
- Under the International Convention on Load Lines 1966, Shin Yang Shipping Corp Group has obtained International Load Line Certificates for vessels that are used in international shipping operations.

International Convention for the Prevention of Pollution from Ships 1973 (MARPOL)

- The MARPOL Convention is the main international convention covering prevention of pollution of the marine environment by ships from operational or accidental cases. *(Source: International Maritime Organisation)*
- Under the Convention, Shin Yang Shipping Corp Group has obtained the following certificates for vessels used in international shipping operations:
 - International Oil Pollution Prevention Certificate;
 - International Air Pollution Prevention Certificate;
 - International Sewage Pollution Prevention Certificate.

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6. DEMAND AND DEMAND DEPENDENCIES**6.1 Demand – Shipping****Malaysia**

- Shin Yang Shipping Corp Group's shipping operations primarily cover Sarawak with some operations in the United Arab Emirates and Qatar, therefore this report will also cover the general performance of the ports in Malaysia, Sarawak and the Middle East.
- Between 2005 and 2009, total cargo throughput at Malaysian ports increased at an average annual rate of 4.3%. In 2009, it declined by 5.9% to 390.6 million freight weight tonnes.
- Between 2005 and 2009, dry bulk cargo throughput at Malaysian ports (a sub-sector of total cargo throughput at Malaysian ports) increased at an average annual rate of 6.1%. In 2009, it declined by 8.4% to 28.6 million freight weight tonnes.
- Between 2005 and 2009, local trade of dry bulk cargo throughput at Malaysian ports (a sub-sector of dry bulk cargo throughput at Malaysian ports) increased at an average annual rate of 17.8%. In 2009, it grew by 128.5% to reach 4.5 million freight weight tonnes.
- Between 2005 and 2009, total number of ships calling at Malaysian ports decreased at an average annual rate of 1.5%. In 2009, the total number of ships calling at the Malaysian ports declined by 4.2% to 60,418 ships.
- Between 2005 and 2009, total commodities unloaded at Malaysian ports increased at an average annual rate of 2.1%. In 2009, it declined by 9.6% to 139.0 million freight weight tonnes.
- Between 2005 and 2009, total commodities loaded at Malaysian ports increased at an average annual rate of 2.9%. In 2009, it declined by 6.8% to 163.3 million freight weight tonnes.
- Between 2005 and 2009, quantity of processed timber loaded at Malaysian ports (a sub-sector of the total commodities loaded at Malaysian ports) decreased at an average annual rate of 13.2%. In 2009, it declined by 22.9% to 4.1 million freight weight tonnes.
- Between 2005 and 2009, quantity of logs loaded at Malaysian ports (a sub-sector of the total commodities loaded at Malaysian ports) decreased at an average annual rate of 7.1%. In 2009, it grew by 19.1% to 3.8 million freight weight tonnes.

12. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)**VITAL FACTOR CONSULTING**

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Sarawak

- Between 2005 and 2009, total cargo throughput at ports in Sarawak (a sub-sector of total cargo throughput at Malaysian ports) increased at an average annual rate of 0.9%. In 2009, declined by 7.0% to 55.7 million freight weight tonnes.
- Between 2005 and 2009, dry bulk cargo throughput at ports in Sarawak (a sub-sector of total cargo throughput at ports in Sarawak) decreased at an average annual rate of 1.1%. In 2009, it declined by 6.7% to 5.9 million freight weight tonnes.
- Between 2005 and 2009, local trade of dry bulk cargo throughput at ports in Sarawak (a sub-sector of dry bulk cargo throughput at ports in Sarawak) decreased at an average annual rate of 14.1%. In 2009, it declined by 32.4% to 368,000 freight weight tonnes.
- Between 2005 and 2009, total number of ships calling at ports in Sarawak (a sub-sector of total number of ships calling at Malaysian ports) decreased at an average annual rate of 2.6%. In 2009, it grew by 1.2% to reach 12,740 ships.
- Between 2005 and 2009, total commodities unloaded at ports in Sarawak (a sub-sector of total commodities unloaded at the Malaysian ports) decreased marginally at an average annual rate of 0.6%. In 2009, it declined by 6.5% to 10.4 million freight weight tonnes.
- Between 2005 and 2009, total commodities loaded at ports in Sarawak (a sub-sector of the total commodities loaded at the Malaysian ports) increased marginally at an average annual rate of 0.1%. In 2009, it declined by 6.6% to 43.3 million freight weight tonnes.
- Between 2005 and 2009, quantity of processed timber loaded at ports in Sarawak (a sub-sector of total commodities loaded at ports in Sarawak) decreased at an average annual rate of 6.4%. In 2009, declined by 22.6% to 3.6 million freight weight tonnes.
- Between 2005 and 2009, quantity of logs loaded at the ports in Sarawak (a sub-sector of total commodities loaded at ports in Sarawak) decreased at an average annual rate of 2.6%. In 2009, it grew by 5.6% to 3.3 million tonnes.

(Source: All the Ports and Marine Department of Malaysia)

12. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)**VITAL FACTOR CONSULTING**

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United Arab Emirates

- As specific data on shipping demand is not available, trade statistics and container port traffic will be used to provide an indication of the shipping industry in the United Arab Emirates (UAE). All currency denominated in AED refers to Arab Emirates Dirham and QAR refers to Qatar Rial.
- Between 2004 and 2008, the import value of foreign trade in the UAE increased at an average annual rate of 29.2%. In 2008, the import value of foreign trade in the UAE grew by 45.7% to reach AED565.7 billion.
- Between 2004 and 2008, the export value of foreign trade in the UAE increased at an average annual rate of 42.6%. In 2008, the export value of foreign trade in the UAE grew by 66.5% to AED60.4 billion.
- Between 2004 and 2008, preliminary figures indicate that the container port traffic in the UAE increased at an average annual rate of 11.5%. In 2008, the container port traffic in the UAE grew by 9.4% to reach 13.9 million of twenty-foot equivalent unit.
- In 2007, the import value of foreign trade at the Ras al-Khaimah sea ports amounted to AED3.8 billion.
- In 2007, the export value of foreign trade at the Ras al-Khaimah sea ports amounted to AED2.2 billion.

(Source: The United Arab Emirates Ministry of Economy and UNCTAD)

Qatar

- As specific data on shipping demand is not available, trade statistics will be used to provide an indication of the performance of the shipping industry in Qatar.
- Between 2004 and 2008, the import value of foreign trade in Qatar increased at an average annual rate of 46.8%. In 2008, the import value of foreign trade in Qatar increased by 19.1% to QAR101.6 billion.
- Between 2004 and 2008, the export value of foreign trade in Qatar increased at an average annual rate of 31.8%. In 2008, the export value of foreign trade in Qatar increased by 34.3% to QAR202.8 billion.

(Source: Qatar Statistics Authority)

6.2 Demand - Shipbuilding

- Between 2005 and 2009, export value of ships, boats and floating structures declined at an average annual rate of 4.2%. In 2009, it increased by 125.6% to reach RM2.6 billion.

12. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)**VITAL FACTOR CONSULTING**

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- Between 2005 and 2009, export value of tugs and pusher craft increased at an average annual rate of 148.8%. In 2009, it grew by 346.6% to RM785.2 million.
- In 2009, Singapore and the United Arab Emirates were the major export destinations for tugs and pusher craft, representing 60.8% and 19.2% of total exports under this category respectively. The other export markets for tugs and pusher craft in 2009 were Indonesia, Bahrain, British Virgin Islands, Qatar, Nigeria, Australia and Iran.
- Between 2005 and 2009, export value of cruise ships, excursion boats, ferry boats, cargo ships, barges and similar vessels for the transport of persons or goods increased at an average annual rate of 111.7%. In 2009, it grew by 4154.8% to RM112.0 million.
- Between 2005 and 2009, export value of other vessels for the transport of goods and other vessels for the transport of both persons and goods (a sub-sector of export value of cruise ships, excursion boats, ferry boats, cargo ships, barges and similar vessels for the transport of persons or goods) increased at an average annual rate of 81.1%. In 2009, it grew by 43.9% to RM196.5 million.

(Source: Department of Statistics)

6.3 Demand Dependencies - Shipping

- As the demand for shipping services is largely dependent on the user industries, the performance of following sectors will have an impact on Shipping Industry:
 - Performance of the manufacturing sector;
 - Performance of the construction sector;
 - Performance of the mining and quarrying sector;
 - Production of oil and gas;
 - Manufacture of wood products;
 - Manufacture of chemicals.
- Shipping Industry is also largely dependent on the fluctuations of the world crude oil prices as it can affect freight costs and charges.
- Between 2005 and 2009, gross domestic product of the manufacturing sector at current prices increased at an average annual rate of 2.8%. In 2009, it declined by 11.0% to RM172.7 billion.
- Between 2005 and 2009, gross domestic product of the construction sector at current prices increased at an average annual rate of 7.8%. In 2009, it grew by 8.1% to reach RM21.2 billion.
- Between 2005 and 2009, gross domestic product of the mining and quarrying sector at current prices increased at an average annual rate of 4.0%. However, in 2009, it declined by 31.0% to RM87.7 billion.

12. INDEPENDENT MARKET RESEARCH REPORT (*Cont'd*)**VITAL FACTOR CONSULTING**

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- Between 2005 and 2009, average daily production of crude oil and condensates in Malaysia decreased at an average annual rate of 1.6%. In 2009, it declined by 4.1% to 660,000 barrels of oil per day.
- Between 2005 and 2009, average daily production of natural gas in Malaysia decreased marginally at an average annual rate of 0.6%. In 2009, it declined by 3.8% to 5,667 million standard cubic feet per day.
- Between 2005 and 2009, sales value of the manufacture of veneer sheets and plywood increased marginally at an average annual rate of 0.4%. However, in 2009, it decreased by 13.4% to RM6.2 billion.
- Between 2005 and 2009, sales value of the manufacture of laminboard, particleboard and other panels and board decreased marginally at an average annual rate of 0.4%. In 2009, it decreased by 14.7% to RM1.6 billion.
- Between 2005 and 2009, sales value of the manufacture of other basic industrial chemicals except fertilisers and nitrogen compounds increased at an average annual rate of 3.2%. In 2009, it declined by 21.0% to RM20.5 billion.

(Source: Bank Negara Malaysia and Department of Statistics)

- Between 2005 and 2009, the annual world crude oil prices increased at an average annual rate of 3.1%. In 2009, the annual world crude oil prices declined by 36.3% to USD 61.7 per barrel.
- In March 2010, the annual world crude oil prices reached USD 78.8 per barrel, representing an increase of 69.4% compared to the corresponding period in 2009.

(Source: Energy Information Administration of the United States)

United Arab Emirates

- As Shin Yang Shipping Corp Group's operations in the UAE and Qatar are mainly focused on the shipping of aggregates, the following sections will cover the performance of the construction sectors in the respective countries.
- Between 2004 and 2008, GDP at current prices of the Building and Construction Industry in the UAE increased at an average annual rate of 24.3%. In 2008, GDP at current prices of the Building and Construction Industry in the UAE increased by 26.1% to AED69,218 million.

(Source: The United Arab Emirates Ministry of Economy)

12. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)**VITAL FACTOR CONSULTING**

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Qatar

- Between 2004 and 2008, GDP at current prices of the Building and Construction Industry in Qatar increased at an average annual rate of 29.7%. In 2008, GDP at current prices of the Building and Construction Industry in Qatar increased by 24.1% to QAR18.2 billion. For the first three quarters of 2009, GDP at current prices of the Building and Construction Industry in Qatar totalled QAR15.4 billion, representing an increase of 15.8% compared to the corresponding period in 2008. (Source: Qatar Statistics Authority and Qatar Central Bank)

6.4 Demand Dependencies– Shipbuilding

- A major proportion of the ships that are currently constructed by Shin Yang Shipping Corp Group are intended for use in the Oil and Gas, and Shipping Industries. As such, the demand for the Group is dependent on the performance of these industries.
- The level of Investment made by PETRONAS and Petroleum Sharing Contract (PSC) Operators in the exploration and production of oil and gas in Malaysia increased at an average annual rate of 16.0% between the financial years ended 31 March 2005 and 2009. For the financial year ended 31 March 2009, investment in exploration and production increased by 3.5% to reach RM22.3 billion.
- Between 2005 and 2009, average daily production of crude oil and condensates in Malaysia decreased at an average annual rate of 1.6%. In 2009, it declined by 4.1% to 660,000 barrels of oil per day.
- Between 2005 and 2009, average daily production of natural gas in Malaysia decreased marginally at an average annual rate of 0.6%. In 2009, declined by 3.8% to 5,667 million standard cubic feet per day.
- Malaysia's exploration and production sector remained vibrant despite the challenging environment characterised by maturing hydrocarbon acreages, increasing geological complexity of remaining reserves, the sharp fall in crude oil prices and tightness in the supply of materials, equipment and experienced human capital.

(Source: PETRONAS and Bank Negara Malaysia)

6.4.1 United Arab Emirates

- Between 2004 and 2008, the production of crude oil in the UAE increased at an average annual rate of 2.4%. In 2008, crude oil production in the UAE increased by an estimated 1.7% to 2.6 million barrels per day.

12. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)**VITAL FACTOR CONSULTING**

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- Between 2004 and 2008, the marketable production of natural gas in the UAE increased at an average annual rate of 2.1%. In 2008, the marketable production of natural gas in the UAE declined by an estimated 0.1% to 50.2 billion standard cubic metres.
- Between 2004 and 2008, the number of active rigs in the UAE declined at an average annual rate of 6.9%. In 2008, the number of active rigs in the UAE declined by an estimated 14.3% to a total of 12 rigs.

*(Source: OPEC)***6.4.2 Global Oil and Gas****Active Rigs**

- Between 2004 and 2008, the number of active rigs in the world* increased at an average annual rate of 8.9%. In 2008, it grew by 7.4% to reach 3,736 rigs. (*excluding China and the former Soviet Union) *(Source: Organization of the Petroleum Exporting Countries (OPEC))*

Marketed Production of Natural Gas

- Between 2004 and 2008, the world marketed production of natural gas increased at an average annual rate of 2.8%. In 2008, it grew by 4.2% to reach 3.1 trillion standard cubic metres. *(Source: OPEC)*

Crude Oil Production

- Between 2004 and 2008, the global crude oil production increased at an average annual rate of 0.5%. In 2008, it grew by 0.9% to reach 72.0 million barrels per day. *(Source: OPEC)*

Crude Oil Prices

- Between 2005 and 2009, the annual world crude oil prices increased at an average annual rate of 3.1%. In 2009, it declined by 36.3% to USD 61.7 per barrel.
- In March 2010, the annual world crude oil prices reached USD 78.8 per barrel, representing an increase of 69.4% compared to the corresponding period in 2009.

*(Source: Energy Information Administration of the United States)***Exploration and Production Spending**

- Between 2005 and 2009, the global exploration and production (E&P) spending increased at an average annual rate of 17.5%. In 2009, it declined by 13.6% to USD 395.0 billion. *(Source: Secondary Market Research)*

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7. SUPPLY AND SUPPLY DEPENDENCIES**7.1 Supply Dependencies – Shipping**

- The Shipping Industry depends largely on the availability of ships. Shin Yang Shipping Corp Group mainly uses tugboats, barges and general cargo ships for its shipping services.
- Licences from the Domestic Shipping Licensing Board are required for the shipping of goods. Shin Yang Shipping Corp Group mainly ships dry bulk cargo and timber products. As such, obtaining the relevant licences would be crucial to the Group for its continuous supply of shipping services.
- Between 2003 and 2007, value of gross output for the building and repairing of ships increased at an average annual rate of 12.4%. In 2007, it increased by 37.2% to RM4.7 billion.
- Between 2005 and 2009, total number of ships registered in Malaysia increased at an average annual rate of 4.9%. In 2009, it grew by 5.1% to reach 4,677.
- Between 2005 and 2009, total number of barges registered in Malaysia (a sub-sector of total number of ships registered in Malaysia) increased at an average annual rate of 3.1%. In 2009, it grew by 2.7% to reach 1,441.
- Between 2005 and 2009, total number of tugboats registered in Malaysia (a sub-sector of total number of ships registered in Malaysia) increased at an average annual rate of 5.4%. In 2009, it grew by 4.3% to reach 966.
- Between 2005 and 2009, total number of general cargo and semi-container ships registered in Malaysia increased at an average annual rate of 1.7%. In 2009, it grew by 0.8% to reach 512.
- Between 2005 and 2009, import value of ships, boats (including hovercraft) and floating structures increased at an average annual rate of 10.0%. In 2009, it grew by 98.9% to RM4.7 billion.
- Between 2005 and 2009, import value of tugs and pusher craft increased at an average annual rate of 86.6%. In 2009, it decreased by 18.8% to RM67.7 million.
- Between 2005 and 2009, import value of cruise ships, excursion boats, ferry boats, cargo ships, barges and similar vessels for the transport of persons or goods increased at an average annual rate of 35.5%. In 2009, it decreased by 52.5% to RM63.2 million.

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- Between 2005 and 2009, import value of other vessels for the transport of goods and other vessels for the transport of both persons and goods (a sub-sector of import value of cruise ships, excursion boats, ferry boats, cargo ships, barges and similar vessels for the transport of persons or goods) increased at an average annual rate of 107.0%. In 2009, it increased by 54.9% to reach RM1.1 billion.
- Between 2005 and 2009, total number of licences issued for the shipping of dry bulk cargo by the Domestic Shipping Licensing Board decreased at an average annual rate of 8.2%. In 2009, it declined by 9.4% to 909 licences.
- Between 2006 and 2009, total number of licences issued for the shipping of log wood by the Domestic Shipping Licensing Board increased at an average annual rate of 1.9%. In 2009, it declined by 2.9% to 235 licences.

(Source: Department of Statistics and All the Ports and Marine Department of Malaysia)

7.2 Supply – Shipbuilding

- Between 2003 and 2007, value of gross output for the building and repairing of ships increased at an average annual rate of 12.4%. In 2007, it increased by 37.2% to RM4.7 billion.
- Between 2002 and 2006, the sales value of the manufacture of tugs and pusher craft increased at an average annual rate of 42.5%. In 2006, it increased by 30.1% to reach RM322.2 million.
- Between 2002 and 2006, the sales value of the manufacture of multi-purpose vessels increased at an average annual rate of 76.0%. In 2006, it grew by 165.1% to reach RM375.9 million.
- Between 2005 and 2009, import value of ships, boats (including hovercraft) and floating structures increased at an average annual rate of 10.0%. In 2009, it grew by 98.9% to RM4.7 billion.
- Between 2005 and 2009, import value of tugs and pusher craft increased at an average annual rate of 86.6%. In 2009, it decreased by 18.8% to RM67.7 million.
- Between 2005 and 2009, import value of cruise ships, excursion boats, ferry boats, cargo ships, barges and similar vessels for the transport of persons or goods increased at an average annual rate of 35.5%. In 2009, it decreased by 52.5% to RM63.2 million.
- Between 2005 and 2009, import value of other vessels for the transport of goods and other vessels for the transport of both persons and goods (a sub-sector of import value of cruise ships, excursion boats, ferry boats, cargo ships, barges and similar vessels for the transport of persons or goods) increased at an average annual rate of 107.0%. In 2009, it increased by 54.9% to reach RM1.1 billion.

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7.3 Supply Dependencies – Shipbuilding

- The main raw materials used in the Shipbuilding Industry include steel (comprising plates and bars) and marine engines.
- Between 2005 and 2009, sales value of the manufacture of basic iron and steel products declined at an average annual rate of 3.0%. In 2009, it decreased by 42.3% to RM16.4 billion.
- Between 2005 and 2009, import value of iron and steel declined marginally at an average annual rate of 0.5%. In 2009, it decreased by 34.7% to RM15.8 billion.
- Between 2005 and 2009, import value of flat-rolled products of iron or non-alloy steel, not clad, plated or coated increased at an average annual rate of 3.1%. In 2009, it decreased by 32.1% to RM4.0 billion.
- Between 2005 and 2009, import value of iron and steel bars, rods, angles, shapes and sections increased at an average annual rate of 3.7%. In 2009, it decreased by 38.2% to RM2.1 billion.
- Between 2005 and 2009, import value of marine propulsion engines increased at an average annual rate of 8.2%. In 2009, it decreased by 22.9% to RM392.4 million.

*(Source: Department of Statistics)***8. COMPETITION****8.1 Nature of Competition in the Shipping and Shipbuilding Industries**

- All operators in the Shipping and Shipbuilding Industries face normal competitive conditions. This is similar to a free enterprise environment where there are no undue government regulations or licensing requirements. There are also many operators, and operators may enter and leave the industry, and no one operator is large enough to dictate product pricing. In such an environment, the industry is also subjected to normal supply and demand conditions moderated by the price mechanism. Operators compete on product and service differentiations, and other factors of competition.

8.2 Factors of Competition

- As with most free enterprises environments, competition among shipping operators and shipbuilders is based on a number of factors, including:
 - Prompt delivery;
 - Established track record;
 - Financial strength to compete and grow the business;
 - Capability to construct ships in accordance with the technical requirements of the relevant classification societies;
 - Quality of products and services

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8.3 Impact of Factors of Competition on Shin Yang Shipping Corp Group

- **Prompt delivery:** Prompt delivery is important in gaining customer loyalty as late delivery may cause disruption to their operations. Shin Yang Shipping Corp Group currently has a total number of 245 ships providing shipping services. Of these, 149 ships operate within domestic waters while 96 ships operate in international waters. With a large quantity of ships available, the Group can ensure that it has enough resources to meet the delivery schedule.
- **Established track record:** Shin Yang Shipping Corp Group has been engaged in shipping and shipbuilding since 1983 and 1986 respectively. Throughout these years, the Group has cultivated a loyal group of customers. This can be demonstrated by the fact that for the financial year ended 30 June 2009, 80% of the Group's top 5 customers have been dealing with the Group for 5 or more years. For the financial year ended 30 June 2009, the Group services approximately 58 customers. In addition, the Group had successfully completed approximately 250 ships of various types and sizes for its overseas and local customers since the commencement of the Group's shipbuilding business in 1986. Its long and established track record provides the Group with a competitive advantage over new entrants and companies who have only been in operations for a short period of time.
- **Capability to construct vessels in accordance with the technical requirements of the relevant classification societies:** The ships constructed by Shin Yang Shipping Corp Group are built in accordance with stringent international maritime standards. The capability to construct ships in accordance with the technical requirements of the relevant classification societies is an important competitive factor, as shipbuilders that lack this capability will not be able to secure orders and contracts for ships.
- **Financial strength to compete and grow the business:** For the financial year ended 30 June 2009, Shin Yang Shipping Corp Group's revenue and profit before tax amounted to RM673.5 million and RM112.7 million respectively. Shin Yang Shipping Corp Group's financial strength enables the Group to secure supplies of key raw materials, parts and components and ensure that there is no disruption to the Group's shipbuilding operations stemming from a shortage of these materials. As the Group's shipping operations are also largely supported by its own shipbuilding capabilities, this provides the assurance of a continuing supply of vessels. In addition, the Group's financial strength will also support its on-going operations and future expansion plans.
- **Quality of products and services:** The Group's ability to construct ships in accordance with the technical requirements of the relevant classification societies will provide customers with the assurance of quality of the vessels constructed. This is important to garner customer loyalty as well as serve as a reference site to attract new customers. As such, operators with demonstrable quality management system in place would have an advantage. As part of its emphasis and achievement on quality, Shin Yang Shipping Corp Group's subsidiaries has obtained the following certifications and awards:

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- Shin Yang Shipyard obtained MS ISO 9001:2000 Quality Management Systems for Shipbuilding and Maintenance and Related Metal Fabrication Activities on 24 January 2003, issued by SIRIM QAS International Sdn Bhd;
- Piasau Slipways obtained MS ISO 9001:2000 Quality Management Systems for Shipbuilding and Maintenance and Related Metal Fabrication Activities on 24 January 2003, issued by SIRIM QAS International Sdn Bhd;
- Awarded finalist of the Lloyd's List Shipbuilding Asia Award 2007, Hong Kong.

8.4 Competitive Intensity

- Competitive intensity among operators in the Shipping and Shipbuilding Industries within Malaysia is based on the following observations:
 - In 2009, there are approximately 200 companies registered with the Malaysia Shipowners' Association. (Source: *Malaysia Shipowners' Association*) Of these, many are shipping operators.
 - In 2009, the market size of the Shipping Industry in Malaysia was estimated at 390.6 million freight weight tonnes. The large market size somewhat moderates the competitive intensity of the industry. (Source: *Marine Department*)
 - There were approximately 70 shipyards in Malaysia in 2009. Most of the shipyards operate on a small-scale basis, building mostly smaller wooden and aluminium hulled boats and watercraft (Source: *Malaysian Industrial Development Authority*). The moderate number of steel vessel builders would somewhat mitigate the competitive pressure on existing shipbuilders.
 - Capital and set-up cost for an entry-level shipping operation is approximately RM25 million while the capital and set-up cost to establish an entry-level shipbuilding yard is approximately RM25 million to RM30 million. The relatively high capital and set-up costs required in this industry will limit the number of new entrants, and thus somewhat reduces the competitive pressure from new entrants into the Shipping and Shipbuilding Industries.
 - With the recent liberalisation of the Cabotage Policy, ships with a foreign flag is allowed to transport containerised transshipment cargo between Sepangar Port, Bintulu Port, Kuching Port and that of the Port of Tanjung Pelepas and Port Klang. As such, competition from the international shipping operators will increase the competitive intensity of the Shipping Industry.

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- Experience, track record, technical skills and relevant accreditations and certifications are prerequisites for any new entrants to commence business in this industry. These prerequisites would somewhat moderate the competitive intensity among more experienced and established shipping operators and shipbuilders who have a longer track record.

8.5 Players in the Industry**8.5.1 Shipping**

- In 2009, there are approximately 200 companies registered with the Malaysia Shipowners' Association, including shipping operators and shipowners. (Source: Malaysia Shipowners' Association). Some of the shipping operators in Malaysia listed in alphabetical order are as follows:

- Ajang Shipping Sdn Bhd;
- Borneo Shipping & Timber Agencies Sdn Bhd;
- Coastal Contracts Bhd;
- Complete Logistic Services Berhad;
- E.A. Technique (M) Sdn Bhd;
- Gagasan Carriers Sdn Bhd;
- Harbour-Link Group Berhad;
- Hubline Berhad (Formerly known as EOX Group Berhad);
- KBH Capital Sdn Bhd;
- Lunar Shipping Sdn Bhd;
- Malaysian Bulk Carriers Berhad;
- MISC Berhad;
- PDZ Holdings Bhd;
- Pengangkutan Kekal Sdn Bhd;
- Sealink International Berhad;
- **Shin Yang Shipping Corp Group;**
- Sin Matu Sdn Bhd;
- Swee Joo Berhad;
- Syarikat Borcos Shipping Sdn Bhd;
- Viva Omega Sdn Bhd.

(Note: The above is not an exhaustive list and only includes shipping operators that transport goods for third parties)

(Source: Malaysia Shipowners' Association and Primary Market Research undertaken by Vital Factor Consulting Sdn Bhd)

- Revenues of some of the public listed shipping operators in Malaysia are:

	Revenue RM'000
Coastal Contracts Bhd (FYE 31 December 2008)	348,059
Complete Logistic Services Berhad (FYE 31 March 2009)	108,068
Harbour-Link Group Berhad (FYE 30 June 2009)	327,565
Hubline Berhad (FYE 30 September 2009)	572,865