OWW *Investment Quarterly* 2Q06

China reopens domestic IPO market

A year-long ban on initial public offerings ("IPOs") on the Chinese stock markets ended on 17 May 2006 when the China Securities Regulation Commission ("CSRC") released a statement detailing the revised regulations for new IPOs. IPOs and secondary share offerings have been suspended since April 2005 to facilitate restructuring of non-tradable shares in state-owned companies already listed on the domestic stock exchanges. As more than 70% of all listed companies have completed the said restructuring, the regulators have decided to reopen the equity capital market.

The announcement has brought mixed reactions from market players both within and outside China. Domestic IPO professionals welcome the announcement and over 100 companies are now restarting their IPO initiatives to have their shares listed on either Shanghai or Shenzhen stock exchanges. On the other hand, foreign players believe that overseas stock exchanges will continue to attract Chinese enterprises by virtue of their transparent listing processes. In the short term, both sides are likely to be correct in their assessments, mainly supported by a fast growing Chinese economy which creates huge number of listing aspirants for both domestic and foreign stock exchanges.

Thinking ahead, this certainly spells good news for long-term private investors in China who have traditionally relied on offshore listings of their Chinese investments as an exit mechanism. While CSRC's announcement may not trigger an immediate change in the way foreign investors structure their investments into China, it is noteworthy that the Chinese authority is embarking on steady reforms to bring Chinese financial, legal and regulatory frameworks in line with that of other international markets. Coupled with recent dual listings by Chinese enterprises (such as Bank of China) on a domestic stock exchange and a foreign exchange, it is likely that the market will be progressively liberalised and become more market oriented and international. This is certainly beneficial in the long term for private investors in having an additional exit option to their investments in China.

Logistics outsourcing in Asia

Logistics outsourcing continues to grow in size and scope in Asia as companies focus on their core competencies while outsourcing non-core activities and looking to achieve better supply chain management. The key drivers underlying demand for logistics outsourcing include globalisation, customer service improvement, technology enhancement and overall economic pressures. With Asia likely to remain as the global production hub for the next 8 to 10 years, logistics outsourcing is also expected to post healthy growth, with a CAGR of 13% up to 2007 according to Frost and Sullivan's study.

Apart from transportation (outbound and inbound) as well as warehousing which are the traditional forms of services being outsourced to logistics providers, increasingly users are expecting vendors to provide more comprehensive and integrated services, including customs clearance and brokerage, freight forwarding, cross-docking/shipment consolidation, as well as order fulfillment and distribution.

Integrated Logistics (Bursa Malaysia : 5614) is an example of a company that is well positioned in the Asian logistics outsourcing sector. The company has evolved into a full-fledged logistics player and is one of the few regional players that offer vendor management services and supply chain management. It has also secured a strong position in the fast-growing Chinese market and revenue from China has grown more than 15 times from 1999. With its Class A license that has been awarded since fourth quarter 2005, this will permit the group unlimited geographical expansion in China. Integrated Logistics intends to leverage its strong presence in Malaysia and China, and integrate the regional operations that cut across seven countries in Asia Pacific.

As the logistics outsourcing market in Asia maintains its healthy expansion, there will be opportunities for leading local 3rd party logistics providers to emerge and become strong regional players.

i-Magination investment

OWW funded S$3.5 million in the management buyout of Singapore-based i-Magination Group Pte Ltd ("I-mag") (www.i-maginationgroup.com). I-mag was formerly the IT arm of CSE Global Ltd listed on SGX Main Board. It provides e-Government solutions and markets its proprietary enterprise content management software (branded as Document WorkBench) in Asia. Over the years, the company has established a regional clientele in the government, financial services, logistics and manufacturing sectors.

I-mag has installed and is managing the electronic patent submission solution for Intellectual Property Office of Singapore on an outsourced basis. Its Document WorkBench suite of software was voted the Best Enterprise Content Management and Best Document Management software, respectively, in 2002 by Computerworld Singapore and Computerworld Hong Kong.

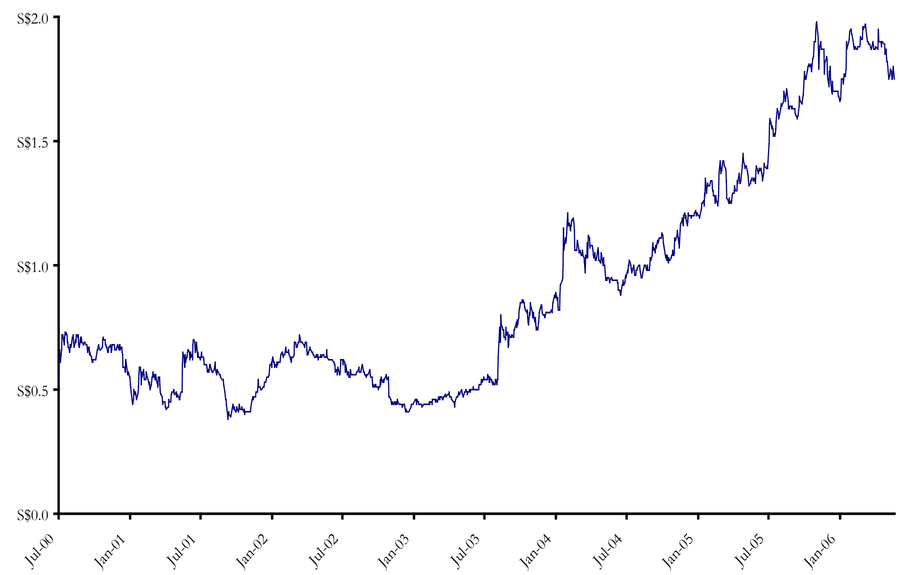
According to IDC's press release in August 2005, content management software market in Asia Pacific excluding Japan is valued at US$102 million (approximately S$171 million) and is expected to grow at a 5-year CAGR of 16.6%. With its track record and proprietary products, I-mag would be able to capitalise on the growth opportunities in this region.

Investee profile – Goodpack Limited

Goodpack (www.goodpack.com) owns and operates the largest fleet of Intermediate Bulk Containers ("IBC") in the world. The multi-modal, reusable IBCs are designed for use in the packaging, transportation and storage of liquid, solid or powder bulk cargo. The IBCs are leased on per trip or long term basis to multinational customers in more than 50 countries worldwide.

Goodpack has been listed on SGX Main Board since 10 July 2000. OWW invested a total of S$13.9 million since 1999 and continues to work closely with management to position it as a leading global logistics player.

Share price performance of Goodpack since listing



Raffles Campus exit

OWW has exited its investment in Raffles Campus Pte Ltd (www.rafflescampus.com). Raffles Campus runs a network of training colleges in Singapore, China and Vietnam. It collaborates with world-renowned institutions to run professional courses leading to certification such as diploma and bachelor degree.

OWW will continue to seek out investments in the education and training sector.

About OWW

OCBC, Wearnes & Walden ("OWW") (www.oww.com.sg) is a venture capital firm established by OCBC Bank, WBL Corporation and Walden International. OWW focuses on expansion stage companies in the enterprise and consumer services sectors within the South East Asia and North Asia regions.

« Contact Details »

Bien Chuan TAN
☎ +65 65381220
✉ bctan@oww.com.sg

Richard CHOONG
☎ +65 62317103
✉ rchoong@oww.com.sg

Shannon THONG
☎ +65 62317102
✉ sthong@oww.com.sg

Wendy NG
☎ +65 62317104
✉ wng@oww.com.sg

Yee Ming SEE
☎ +65 62317107
✉ ymsee@oww.com.sg