

[Prepared for inclusion in this Prospectus]

# Deloitte.

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5 April 2005

The Board of Directors  
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Gentlemen,

## ACCOUNTANTS' REPORT GD EXPRESS CARRIER BERHAD

### A. INTRODUCTION

This Report has been prepared by Deloitte KassimChan, an approved company auditors, for inclusion in the Prospectus of GD Express Carrier Berhad (hereinafter referred to as "the Company" or "GDEX") to be dated 15 April 2005 in connection with the public issue of 35,000,000 new ordinary shares of RM0.10 each in GDEX at an issue price of RM0.30 per share payable in full on application pursuant to the listing of and quotation for the entire enlarged issued and paid-up share capital of GDEX comprising 205,748,830 ordinary shares of RM0.10 each on the MESDAQ Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

### B. GENERAL INFORMATION

#### B.1 Incorporation and Principal Activity

GDEX was incorporated in Malaysia under the Companies Act, 1965 on 7 October 2003 as a private limited company. On 8 November 2003, GDEX was converted from private limited company to public limited company.

The Company is principally an investment holding company.

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**B.2 Listing Exercise**

In conjunction with and as an integral part of the listing of and quotation for its entire enlarged issued and paid-up share capital on the MESDAQ Market of Bursa Securities, GDEX undertook/will undertake the following:

- (i) Acquisitions, which entail the following transactions:
  - (a) Acquisition of 17,300,000 ordinary shares of RM1.00 each in GD Express Sdn Bhd ("GDSB"), representing the entire equity interest in GDSB, for a purchase consideration of RM12,774,781 fully satisfied by the issuance of 12,774,781 new ordinary shares of RM1.00 each at par in GDEX;
  - (b) Acquisition of 100 ordinary shares of RM1.00 each in GD Technosystem Sdn Bhd ("GD Tech"), representing the entire equity interest in GD Tech, for a purchase consideration of RM100 fully satisfied by the issuance of 100 new ordinary shares of RM1.00 each at par in GDEX;
- (ii) Acquisition of IT Software System by GDEX for a purchase consideration of RM4,300,000 fully satisfied by the issuance of 4,300,000 new ordinary shares of RM1.00 each at par in GDEX. Subsequently, the said IT Software System is injected to GD Tech by GDEX for a consideration of RM4,300,000 fully satisfied by the issuance of 4,300,000 new ordinary shares of RM1.00 each at par in GD Tech;
- (iii) Share split for the entire issued and paid-up share capital of GDEX after the abovementioned acquisitions, comprising 17,074,883 ordinary shares of RM1.00 each into 170,748,830 ordinary shares of RM0.10 each;
- (iv) Public issue of 35,000,000 new ordinary shares of RM0.10 each at an issue price of RM0.30 per share payable in full on application comprising:
  - (a) 2,000,000 new ordinary shares of RM0.10 each available for application by the Malaysian public;
  - (b) 5,000,000 new ordinary shares of RM0.10 each available for application by eligible employees and executive directors of the GDEX Group;
  - (c) 28,000,000 new ordinary shares of RM0.10 each by way of private placement to identified institutions/investors; and
- (v) Listing of and quotation for the entire enlarged issued and paid-up share capital of GDEX, comprising 205,748,830 ordinary shares of RM0.10 each on the MESDAQ Market of Bursa Securities.

The approvals for the abovesaid flotation scheme were obtained from the Securities Commission and Foreign Investment Committee on 14 December 2004.

The approval-in-principle for, inter-alia, the admission of GDEX to the official list of the MESDAQ Market of Bursa Securities and for permission to deal in and for the listing of and quotation for the entire enlarged issued and paid-up share capital of GDEX has been obtained from Bursa Securities on 16 December 2004.

**13 ACCOUNTANTS' REPORT (CONTINUED)**

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**B.3 Share Capital**

The present authorised share capital of the Company is RM50,000,000, comprising 500,000,000 ordinary shares of RM0.10 each.

The present issued and paid-up share capital of the Company is RM17,074,883, comprising 170,748,830 ordinary shares of RM0.10 each.

Details of the movements in the issued and paid-up share capital of the Company since the date of its incorporation are as follows:

<b>Date Of Allotment</b>	<b>No. Of Ordinary Shares Of RM1.00/RM0.10* Each Allotted</b>	<b>Consideration For Shares Issued</b>	<b>Resultant Share Capital RM</b>
07.10.2003	2	Cash	2
08.02.2005	12,774,781	Shares issued pursuant to GDSB acquisition	12,774,783
08.02.2005	100	Shares issued pursuant to GDTech acquisition	12,774,883
08.02.2005	4,300,000	Shares issued pursuant to IT Software System acquisition	17,074,883
08.02.2005	153,673,947	Subdivision of par value of shares from RM1.00 to RM0.10 each	17,074,883

\* On 8.2.2005, the nominal value of each ordinary share of RM1.00 of GDEX was split into ten ordinary shares of RM0.10 each.

Upon completion of the public issue of 35,000,000 new ordinary shares of RM0.10 each, the issued and paid-up share capital of the Company will be RM20,574,883, comprising 205,748,830 ordinary shares of RM0.10 each.

**B.4 Information On Subsidiary Companies of GDEX****GDSB**

GDSB was incorporated as a private limited company in Malaysia under the Companies Act, 1965 on 21 June 1995 under the name Nitcom Courier Services Sdn Bhd and commenced its business operations on 1 March 1996.

GDSB assumed its present name on 19 February 1997.

GDSB is principally involved in the provision of express delivery services.

The present authorised share capital of GDSB is RM30,000,000, comprising 30,000,000 ordinary shares of RM1.00 each.

**13 ACCOUNTANTS' REPORT (CONTINUED)**

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The present issued and paid-up share capital of GDSB is RM17,300,000, comprising 17,300,000 ordinary shares of RM1.00 each.

Details of the movements in the issued and paid-up share capital of GDSB since the date of its incorporation are as follows:

<b>Date Of Allotment</b>	<b>No. Of Ordinary Shares Of RM1.00 Each Allotted</b>	<b>Consideration For Shares Issued</b>	<b>Resultant Share Capital RM</b>
21.06.1995	2	Cash	2
21.07.1995	99,998	Cash	100,000
25.03.1997	950,000	Cash	1,050,000
01.07.1997	950,000	Cash	2,000,000
18.09.1997	1,000,000	Cash	3,000,000
26.09.1997	500,000	Cash	3,500,000
17.12.1998	1,000,000	Cash	4,500,000
05.05.2000	2,500,000	Cash	7,000,000
10.06.2003	2,700,000	Cash	9,700,000
10.06.2003	6,300,000	Capitalisation of loan	16,000,000
21.11.2003	1,300,000	Cash	17,300,000

**GD Venture (M) Sdn Bhd ("GDV")**

GDV was incorporated as a private limited company in Malaysia under the Companies Act, 1965 on 16 June 2000 under the name DPE Venture (M) Sdn Bhd and commenced its business operations since then.

GDV assumed its present name on 10 March 2001.

The company is principally involved in the provision of transportation services solely to GDSB.

The present authorised share capital of the company is RM100,000, comprising 100,000 ordinary shares of RM1.00 each.

The present issued and paid-up share capital of the company is RM100, comprising 100 ordinary shares of RM1.00 each.

**13 ACCOUNTANTS' REPORT (CONTINUED)**

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Details of the movements in the issued and paid-up share capital of GDV since the date of its incorporation are as follows:

<b>Date Of Allotment</b>	<b>No. Of Ordinary Shares Of RM1.00 Each Allotted</b>	<b>Consideration For Shares Issued</b>	<b>Resultant Share Capital RM</b>
16.06.2000	100	Cash	100

**GDTech**

GDTech was incorporated as a private limited company in Malaysia under the Companies Act, 1965 on 16 June 2000.

GDTech was incorporated under the name DPE Warehouse (M) Sdn Bhd and the name was subsequently changed to GD Warehouse (M) Sdn Bhd on 10 March 2001. On 22 October 2003, GDTech assumed its present name.

GDTech commenced business operations on 8 February 2005.

The present authorised share capital of the company is RM5,000,000, comprising 5,000,000 ordinary shares of RM1.00 each.

The present issued and paid-up share capital of the company is RM4,300,100, comprising 4,300,100 ordinary shares of RM1.00 each.

Details of the movements in the issued and paid-up share capital of GDTech since the date of its incorporation are as follows:

<b>Date Of Allotment</b>	<b>No. Of Ordinary Shares Of RM1.00 Each Allotted</b>	<b>Consideration For Shares Issued</b>	<b>Resultant Share Capital RM</b>
16.06.2000	100	Cash	100
01.03.2005	4,300,000	Shares issued pursuant to IT Software System acquisition	4,300,100

**C. AUDITED FINANCIAL STATEMENTS**

We have acted as auditors of GDEX since its incorporation.

**13 ACCOUNTANTS' REPORT (CONTINUED)**

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We have acted as auditors of GDSB, GDV and GDTech for the financial years ended 30 June 2003 and 2004 and period ended 31 October 2004. The financial statements for the financial years ended 30 June 2000 to 2002 were audited by other firms of auditors.

Except as mentioned below, the financial statements of GDEX, GDSB, GDV and GDTech for the respective years/period under review were not subject to any audit qualification:

- (i) In 2002, a 'subject to' type of qualified audit opinion was issued on the financial statements of GDSB concerning the appropriateness of presenting the financial statements on the basis of accounting principles applicable to a going-concern as GDSB has a capital deficiency of RM1,266,354.
- (ii) In period ended 31 October 2004, an 'except for' type of qualified audit opinion was issued on the financial statements of GDSB, GDV and GDTech as the companies did not present comparative statements of income, cash flows and changes in equity for the corresponding interim period. The presentation of such comparative statements is required under the Malaysian Accounting Standards Board Standard 26, Interim Financial Reporting.

**D. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS**

The financial statements of GDEX, GDSB, GDV and GDTech included in this Report have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards issued and adopted by the Malaysian Accounting Standards Board and using the same accounting principles and policies as were used in the preparation of the statutory financial statements.

There were no changes in accounting policies or accounting estimates by GDEX, GDSB, GDV and GDTech for the financial years/period under review other than as disclosed in Section F of this Report.

**E. DIVIDENDS**

No dividend has been paid or declared by GDEX, GDSB, GDV and GDTech since their respective dates of incorporation.

**13 ACCOUNTANTS' REPORT (CONTINUED)**

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**F. SUMMARISED INCOME STATEMENTS****F.1 Summarised Proforma Consolidated Income Statements**

The summarised proforma consolidated income statements of GDEX and its subsidiary companies ("Proforma Group") for the six financial years/period ended 31 October 2004 are as follows:

	Financial Years Ended 30 June					Period Ended
	2000 RM	2001 RM	2002 RM	2003 RM	2004 RM	31 October 2004 RM
Revenue	8,605,763	10,638,550	13,284,283	20,826,142	29,473,494	12,182,443
Profit/(Loss) before depreciation and interest expense	(734,625)	209,248	(1,085,926)	2,104,054	4,064,351	1,431,528
Depreciation	(421,350)	(598,874)	(716,666)	(915,041)	(1,219,111)	(574,571)
Interest expense	(167,781)	(123,086)	(105,419)	(150,826)	(156,585)	(71,108)
Profit/(Loss) before tax	(1,323,756)	(512,712)	(1,908,011)	1,038,187	2,688,655	785,849
Income tax (expense)/credit	129,000	219,000	554,000	(390,000)	(1,085,000)	(236,000)
Net profit/(loss) for the year/period	(1,194,756)	(293,712)	(1,354,011)	648,187	1,603,655	549,849
Number of ordinary shares of RM0.10 each assumed in issue*	170,748,830	170,748,830	170,748,830	170,748,830	170,748,830	170,748,830
Net earnings/(loss) per ordinary share of RM0.10 each (sen)	(0.70)	(0.17)	(0.79)	0.38	0.94	0.32

\* The number of ordinary shares assumed in issue throughout the financial years/period under review represents the number of ordinary shares in issue after the acquisition of GDSB, GDTech and IT Software System by GDEX, and after the share split but before the Public Issue.

**Assumptions used in the preparation of the summarised proforma consolidated income statements**

The summarised proforma consolidated income statements of the Proforma Group for the six financial years/period ended 31 October 2004, provided for illustrative purposes only, are prepared by aggregating the audited results of GDEX, GDSB, GDV and GDTech for the respective years/period on the assumption that the Proforma Group has existed throughout the years/period under review and incorporating such adjustments as considered necessary.

**13 ACCOUNTANTS' REPORT (CONTINUED)**

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**Notes:**

- (a) The summarised proforma consolidated income statements of the Proforma Group for the five financial years ended 30 June 2004 and four month period ended 31 October 2004 are prepared based on the audited financial statements of GDEX, GDSB, GDV and GDTech for the respective financial years/period.
- (b) No provision for estimated current tax payable has been made for 2000, 2001 and 2002 as GDSB, GDV and GDTech incurred tax losses.

No provision for estimated current tax payable has been made by GDSB for financial years 2003, 2004 and period ended 31 October 2004 due mainly to the utilisation of unabsorbed capital allowances to offset in full the chargeable income that would otherwise be taxable. No provision for estimated current tax payable has been made by GDV and GDTech for for financial years 2003, 2004 and period ended 31 October 2004 due to tax losses incurred.

No provision for estimated current tax payable has been made by GDEX for the two financial periods ended 31 October 2004 due to tax losses incurred.

Income tax expense/credit during the financial years/period under review arose mainly from the recognition of deferred tax assets by GDSB in accordance with MASB Standard No 25, Income Taxes. Income tax expense/credit for the financial years/period under review incorporates the retrospective effect of MASB Standard No 25, Income Taxes, pursuant to which the deferred tax assets for the years/period under review, which were not recognised in the audited financial statements, have now been recognised by way of retrospective adjustments.

The effective tax rates of the Proforma Group for the financial years 2003, 2004 and period ended 31 October 2004 are higher than the statutory tax rate due mainly to certain expenses that are not deductible in determining taxable profit and no group relief is available for the losses incurred by GDEX, GDV and GD Tech.

The income tax expense/credit has been adjusted to reallocate the underprovision to the year in which it relates.

- (c) The net earnings/loss per ordinary share of the Proforma Group for the respective financial years/period under review is calculated based on the proforma consolidated net profit/loss for the years/period over the enlarged issued and paid-up share capital of 170,748,830 ordinary shares of RM0.10 each.
- (d) There were no extraordinary or exceptional items during the financial years/period under review except for the allowance for doubtful debts of RM1,560,000 made by GDSB for the financial year ended 30 June 2002.
- (e) There were no changes in accounting policies or accounting estimates for the financial years/period under review except for the change in accounting policy arising from the adoption of MASB Standard No 25, Income Taxes as mentioned above.



**13 ACCOUNTANTS' REPORT (CONTINUED)**

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**F.2 GDEX**

The summarised income statements of GDEX based on the audited financial statements for the two financial periods ended 31 October 2004 are as follows:

	Financial Periods Ended	
	30 June 2004 RM	31 October 2004 RM
Revenue	-	-
Loss before depreciation and interest expense	(75,070)	(2,684)
Depreciation	-	-
Interest expense	-	-
Loss before tax	(75,070)	(2,684)
Income tax expense	-	-
Net loss for the period	(75,070)	(2,684)
Number of ordinary shares of RM1.00 each in issue	2	2
Net loss per ordinary share of RM1.00 each (RM)	(37,535)	(1,342)

**Notes:**

- (a) GDEX was incorporated on 7 October 2003 and accordingly, the financial statements were drawn up for the period 7 October 2003 to 30 June 2004 or a period of nine months.
- (b) No provision for estimated current tax payable has been made for the periods under review as GDEX incurred tax losses.
- (c) The net loss per ordinary share of GDEX for the respective financial periods under review is calculated based on the net loss for the period over ordinary shares of RM1.00 each in issue during the respective periods.
- (d) There were no extraordinary or exceptional items during the financial periods under review.
- (e) There were no changes in accounting policies or accounting estimates for the financial years/period under review.

**13 ACCOUNTANTS' REPORT (CONTINUED)**

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**F.3 GDSB**

The summarised income statements of GDSB based on the audited financial statements, after making such adjustments as we considered necessary, for the six financial years/period ended 31 October 2004 are as follows:

	← Financial Years Ended 30 June →					Period Ended
	2000 RM	2001 RM	2002 RM	2003 RM	2004 RM	31 October 2004 RM
Revenue	8,605,763	10,638,550	13,284,283	20,826,142	29,473,494	12,182,443
Profit/(Loss) before depreciation and interest expense	(734,625)	217,881	(1,169,968)	1,627,508	3,483,052	1,153,017
Depreciation	(421,350)	(593,437)	(559,490)	(491,155)	(597,056)	(268,611)
Interest expense	(167,781)	(121,678)	(69,891)	(69,218)	(57,694)	(35,355)
Profit/(Loss) before tax	(1,323,756)	(497,234)	(1,799,349)	1,067,135	2,828,302	849,051
Income tax (expense)/credit	129,000	219,000	554,000	(390,000)	(963,000)	(272,000)
Net profit/(loss) for the year/period	(1,194,756)	(278,234)	(1,245,349)	677,135	1,865,302	577,051
Number/Weighted average number of ordinary shares of RM1.00 each in issue	4,890,411	7,000,000	7,000,000	7,517,808	16,822,740	17,300,000
Net earnings/(loss) per ordinary share of RM1.00 each (sen)	(24.43)	(3.97)	(17.79)	9.01	11.09	3.34

**Notes:**

- (a) No provision for estimated current tax payable has been made for 2000, 2001 and 2002 as GDSB incurred tax losses.

No provision for estimated current tax payable has been made by GDSB for financial years 2003, 2004 and period ended 31 October 2004 due mainly to the utilisation of unabsorbed capital allowances to offset in full the chargeable income that would otherwise be taxable.

Income tax expense/credit during the financial years under review arose mainly from the recognition of deferred tax assets by GDSB in accordance with MASB Standard No 25, Income Taxes. Income tax expense/credit for the financial years/period under review incorporates the retrospective effect of MASB Standard No 25, Income Taxes, pursuant to which the deferred tax assets for the years/period under review, which were not recognised in the audited financial statements, have now been recognised by way of retrospective adjustments.

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The effective tax rates of GDSB for the financial years 2003, 2004 and period ended 31 October 2004 are higher than the statutory tax rate due mainly to certain expenses that are not deductible in determining taxable profit.

The income tax expense/credit has been adjusted to reallocate the underprovision to the year in which it relates.

- (b) The net earnings/loss per ordinary share of GDSB for the respective financial years/period under review is calculated based on the net profit/loss for the year/period over the number/weighted average number of ordinary shares of RM1.00 each in issue during the respective years/period.
- (c) There were no extraordinary or exceptional items during the financial years/period under review except for the allowance for doubtful debts of approximately RM1,560,000 made by GDSB for the financial year ended 30 June 2002.
- (d) There were no changes in accounting policies or accounting estimates for the financial years/period under review except for the change in accounting policy arising from the adoption of MASB Standard No 25, Income Taxes by GDSB as mentioned above.

## 13 ACCOUNTANTS' REPORT (CONTINUED)

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## F.4 GDV

The summarised income statements of GDV based on the audited financial statements for the five financial years/period ended 31 October 2004 are as follows:

	Period Ended	Financial Years Ended 30 June			Period Ended
	30 June 2001 RM	2002 RM	2003 RM	2004 RM	31 October 2004 RM
Revenue	7,500	195,800	588,050	934,150	398,350
Profit/(Loss) before depreciation and interest expense	(5,288)	85,307	478,101	658,530	282,344
Depreciation	(5,437)	(157,176)	(423,886)	(622,055)	(305,960)
Interest expense	(1,408)	(35,438)	(81,608)	(98,891)	(35,753)
Loss before tax	(12,133)	(107,307)	(27,393)	(62,416)	(59,369)
Income tax (expense)/credit	-	-	-	(122,000)	36,000
Net loss for the year/period	(12,133)	(107,307)	(27,393)	(184,416)	(23,369)
Number of ordinary shares of RM1.00 each in issue	100	100	100	100	100
Loss per ordinary share of RM1.00 each (RM)	(121.33)	(1,073.07)	(273.93)	(1,844.16)	(233.69)

## Notes:

- GDV was incorporated on 16 June 2000 and accordingly, the financial statements were drawn up for the period 16 June 2000 to 30 June 2001 or a period of thirteen months.
- No provision for estimated current tax payable has been made over the years/period under review as GDV incurred tax losses.
- The net loss per ordinary share of GDV for the respective financial years/period under review is calculated based on the net loss for the year over ordinary shares of RM1.00 each in issue during the respective years/period.
- There were no extraordinary or exceptional items during the financial years/period under review.
- There were no changes in accounting policies or accounting estimates for the financial years/period under review except for the change in accounting policy arising from the adoption of MASB Standard No 25, Income Taxes. The change, however, has no significant impact on the financial statements of GDV.

**13 ACCOUNTANTS' REPORT (CONTINUED)**

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**F.5 GDTech**

The summarised income statements of GDTech based on the audited financial statements for the five financial years/period ended 31 October 2004 are as follows:

	Period Ended 30 June 2001 RM	← Financial Years Ended 30 June →			Period Ended 31 October 2004 RM
	2001 RM	2002 RM	2003 RM	2004 RM	2004 RM
Revenue	-	-	-	-	-
Loss before depreciation and interest expense	(3,345)	(1,355)	(1,555)	(2,161)	(1,149)
Depreciation	-	-	-	-	-
Interest expense	-	-	-	-	-
Loss before tax	(3,345)	(1,355)	(1,555)	(2,161)	(1,149)
Income tax expense	-	-	-	-	-
Net loss for the year/period	(3,345)	(1,355)	(1,555)	(2,161)	(1,149)
Number of ordinary shares of RM1.00 each in issue	100	100	100	100	100
Net loss per ordinary share of RM1.00 each (RM)	(33.45)	(13.55)	(15.55)	(21.61)	(11.49)

**Notes:**

- (a) GDTech was incorporated on 16 June 2000 and accordingly, the financial statements were drawn up for the period 16 June 2000 to 30 June 2001 or a period of thirteen months.
- (b) No provision for estimated current tax payable has been made over the years/period under review as GDTech incurred tax losses.
- (c) The net loss per ordinary share of GDTech for the respective financial years/period under review is calculated based on the net loss for the year over ordinary shares of RM1.00 each in issue during the respective years/period.
- (d) There were no extraordinary or exceptional items during the financial years/period under review.
- (e) There were no changes in accounting policies or accounting estimates for the financial years/period under review except for the change in accounting policy arising from the adoption of MASB Standard No 25, Income Taxes. The change, however, has no significant impact on the financial statements of GDTech.

**13 ACCOUNTANTS' REPORT (CONTINUED)**

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**G. BALANCE SHEETS**

It is impractical to present the proforma consolidated balance sheets of the Proforma Group for all the financial years/period under review as the acquisitions of GDSB and GDTech by GDEX were completed on 8 February 2005 and the purchase consideration is determined based on the net assets of GDSB and GDTech as of 30 June 2003 as shown in the audited financial statements, after taking into consideration the 1,300,000 new ordinary shares of RM1.00 each issued by GDSB at RM2.00 per share subsequent to 30 June 2003. Accordingly, the proforma consolidated balance sheet of the Proforma Group has only been presented by way of proforma statement of assets and liabilities as of 31 October 2004 based on the latest audited financial statements of GDEX, GDSB, GDV and GDTech as of 31 October 2004.

**G.1 GDEX**

The summarised balance sheets of GDEX based on the audited financial statements for the two financial periods ended 31 October 2004 are as follows:

	← As Of →	
	30 June 2004 RM	31 October 2004 RM
Total current assets	2	1,842
Total current liabilities	(75,070)	(79,594)
<b>Net Liabilities</b>	<b>(75,068)</b>	<b>(77,752)</b>
<b>Represented by:</b>		
Issued capital	2	2
Accumulated loss	(75,070)	(77,754)
<b>Capital Deficiency</b>	<b>(75,068)</b>	<b>(77,752)</b>
Net liabilities per ordinary share of RM1.00 each based on number of shares in issue as at balance sheet date	(37,534)	(38,876)

## 13 ACCOUNTANTS' REPORT (CONTINUED)

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## G.2 GDSB

The summarised balance sheets of GDSB based on the audited financial statements, after making such adjustments as we considered necessary, for the six financial years/period ended 31 October 2004 are as follows:

	← As Of 30 June →					As Of
	2000 RM	2001 RM	2002 RM	2003 RM	2004 RM	31 October 2004 RM
Property, plant and equipment	1,584,728	1,779,080	1,488,970	1,770,485	4,829,188	4,940,782
Investment in subsidiary companies	-	1	94,401	100	100	100
Deferred tax assets	991,000	1,210,000	1,764,000	1,374,000	411,000	139,000
Total current assets	6,717,850	7,955,207	7,972,863	11,704,274	15,532,850	16,988,257
Total current liabilities	(6,501,197)	(8,770,946)	(10,602,666)	(4,576,396)	(4,584,767)	(5,382,339)
<b>Net Current Assets/(Liabilities)</b>	<b>216,653</b>	<b>(815,739)</b>	<b>(2,629,803)</b>	<b>7,127,878</b>	<b>10,948,083</b>	<b>11,605,918</b>
<b>Long Term Liabilities</b>						
Finance lease payables- non-current portion	-	-	(158,699)	(75,447)	(4,631)	(4,022)
Hire purchase payables- non-current portion	(771,152)	(430,347)	(61,223)	(22,235)	-	-
Borrowings – non-current portion	-	-	-	-	(1,543,657)	(1,464,644)
	(771,152)	(430,347)	(219,922)	(97,682)	(1,548,288)	(1,468,666)
<b>Net Assets</b>	<b>2,021,229</b>	<b>1,742,995</b>	<b>497,646</b>	<b>10,174,781</b>	<b>14,640,083</b>	<b>15,217,134</b>
<b>Represented by:</b>						
Issued capital	7,000,000	7,000,000	7,000,000	16,000,000	17,300,000	17,300,000
Reserves	(4,978,771)	(5,257,005)	(6,502,354)	(5,825,219)	(2,659,917)	(2,082,866)
<b>Shareholder's Equity</b>	<b>2,021,229</b>	<b>1,742,995</b>	<b>497,646</b>	<b>10,174,781</b>	<b>14,640,083</b>	<b>15,217,134</b>
Net tangible assets per ordinary share of RM1.00 each based on number of shares in issue as at balance sheet date (sen)	28.87	24.89	7.11	63.59	84.62	87.96

**13 ACCOUNTANTS' REPORT (CONTINUED)**

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**G.3 GDV**

The summarised balance sheets of GDV based on the audited financial statements for the five financial years/period ended 31 October 2004 are as follows:

	← As Of 30 June →				As Of
	2001 RM	2002 RM	2003 RM	2004 RM	31 October 2004 RM
<b>Property, plant and equipment</b>	239,217	1,069,679	2,102,439	2,552,509	3,446,675
Total current assets	100	46,555	4,713	395,768	234,846
Total current liabilities	(128,587)	(914,001)	(1,765,332)	(2,725,068)	(3,299,414)
<b>Net Current Liabilities</b>	(128,487)	(867,446)	(1,760,619)	(2,329,300)	(3,064,568)
<b>Long Term and Deferred Liabilities</b>					
Hire-purchase payable - non-current portion	(122,763)	(321,573)	(488,553)	(432,358)	(650,625)
Deferred tax liabilities	-	-	-	(122,000)	(86,000)
	(122,763)	(321,573)	(488,553)	(554,358)	(736,625)
<b>Net Liabilities</b>	(12,033)	(119,340)	(146,733)	(331,149)	(354,518)
<b>Represented by:</b>					
Issued capital	100	100	100	100	100
Accumulated loss	(12,133)	(119,440)	(146,833)	(331,249)	(354,618)
<b>Capital Deficiency</b>	(12,033)	(119,340)	(146,733)	(331,149)	(354,518)
Net liabilities per ordinary share of RM1.00 each based on number of shares in issue as at balance sheet date	(120.33)	(1,193.40)	(1,467.33)	(3,311.49)	(3,545.18)



**13 ACCOUNTANTS' REPORT (CONTINUED)**

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**G.4 GDTech**

The summarised balance sheets of GDTech based on the audited financial statements for the five financial years/period ended 31 October 2004 are as follows:

	← As Of 30 June →				As Of
	2001 RM	2002 RM	2003 RM	2004 RM	31 October 2004 RM
Total current assets	100	100	100	5,085	3,589
Total current liabilities	(3,345)	(4,700)	(6,255)	(13,401)	(13,054)
<b>Net Liabilities</b>	<b>(3,245)</b>	<b>(4,600)</b>	<b>(6,155)</b>	<b>(8,316)</b>	<b>(9,465)</b>
<b>Represented by:</b>					
Issued capital	100	100	100	100	100
Accumulated loss	(3,345)	(4,700)	(6,255)	(8,416)	(9,565)
<b>Capital Deficiency</b>	<b>(3,245)</b>	<b>(4,600)</b>	<b>(6,155)</b>	<b>(8,316)</b>	<b>(9,465)</b>
Net liabilities per ordinary share of RM1.00 each based on number of shares in issue as at balance sheet date	(32.45)	(46.00)	(61.55)	(83.16)	(94.65)

**13 ACCOUNTANTS' REPORT (CONTINUED)**

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**H. PROFORMA STATEMENTS OF ASSETS AND LIABILITIES AS OF 31 OCTOBER 2004**

The proforma statements of assets and liabilities of the Proforma Group and the Company as of 31 October 2004 are as follows:

	Note	The Proforma Group RM	The Company RM
<b>Property, plant and equipment</b>	J.3	12,687,457	-
<b>Investment in subsidiary companies</b>	J.4	-	17,074,881
<b>Goodwill on consolidation</b>		156,398	-
<b>Deferred tax assets</b>	J.5	139,000	-
<b>Current Assets</b>			
Inventories – at cost		349,757	-
Trade receivables	J.6	10,175,309	-
Other receivables and prepaid expenses	J.6	1,609,554	1,840
Deposits with licensed banks		1,588,670	-
Cash and bank balances		914,937	2
		<u>14,638,227</u>	<u>1,842</u>
<b>Current Liabilities</b>			
Trade payables	J.7	3,053,759	-
Other payables and accrued expenses	J.7	2,173,493	79,594
Finance lease payables – current portion	J.8	42,054	-
Hire-purchase payables – current portion	J.9	693,999	-
Borrowings (secured) – current portion	J.10	220,789	-
		<u>6,184,094</u>	<u>79,594</u>
<b>Net Current Assets/(Liabilities)</b>		8,454,133	(77,752)
<b>Long-Term And Deferred Liabilities</b>			
Finance lease payables – non-current portion	J.8	4,022	-
Hire-purchase payables – non-current portion	J.9	650,625	-
Borrowing (secured) – non-current portion	J.10	1,464,644	-
Deferred tax liabilities	J.5	86,000	-
		<u>(2,205,291)</u>	<u>-</u>
<b>Net Assets</b>		<u>19,231,697</u>	<u>16,997,129</u>

(Forward)

**13 ACCOUNTANTS' REPORT (CONTINUED)**

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	Note	The Proforma Group RM	The Company RM
<b>Represented by:</b>			
Issued capital	J.11	17,074,883	17,074,883
Reserves	J.12	2,156,814	(77,754)
<b>Shareholders' Equity</b>		<u>19,231,697</u>	<u>16,997,129</u>
<b>Total net tangible assets</b>		<u>19,075,299</u>	<u>16,997,129</u>
Net tangible assets per ordinary share of RM0.10 each (sen)		<u>11.1</u>	<u>10.0</u>

**Assumptions used in the preparation of the proforma statements of assets and liabilities of the Proforma Group and of the Company as of 31 October 2004**

The proforma statements of assets and liabilities of the Proforma Group and of the Company as of 31 October 2004 are prepared for illustrative purposes only on the assumption that the acquisition of GDSB, GDTech and the IT Software System by GDEX had been effected on 31 October 2004.

**Notes on the preparation of the proforma statements of assets and liabilities of the Proforma Group and of the Company as of 31 October 2004**

The proforma statements of assets and liabilities of the Proforma Group and of the Company as of 31 October 2004 are prepared based on the following:

- (i) Audited financial statements of GDEX, GDSB and GDV as of 31 October 2004.
- (ii) Audited financial statements of GDTech as of 31 October 2004 after making adjustment to reflect the following transaction:

Acquisition of IT Software System from GDEX for a purchase consideration of RM4,300,000 fully satisfied by the issuance of 4,300,000 new ordinary shares of RM1.00 each at par by GDTech to GDEX.

The above proforma statements of assets and liabilities should be read in conjunction with the Notes as set out in Section J of this Report.

**13 ACCOUNTANTS' REPORT (CONTINUED)**

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**I. PROFORMA CONSOLIDATED CASH FLOW STATEMENT**

The proforma consolidated cash flow statement of the Proforma Group for the four month period ended 31 October 2004 is as follows:

	Note	The Proforma Group RM
<b>CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>		
Profit before tax		785,849
Adjustments for:		
Depreciation of property, plant and equipment		574,571
Finance costs		71,108
Unrealised loss on foreign exchange		1,502
Write off of trade receivables		1,206
Interest income		<u>(17,327)</u>
Operating Profit Before Working Capital Changes		1,416,909
(Increase)/Decrease in:		
Inventories		(94,034)
Trade receivables		(970,903)
Other receivables and prepaid expenses		249,375
Increase in:		
Trade payables		502,159
Other payables and accrued expenses		<u>590,304</u>
Net Cash From Operating Activities		<u>1,693,810</u>
<b>CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment		(5,187,278)
Interest received		<u>17,327</u>
Net Cash Used In Investing Activities		<u>(5,169,951)</u>
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>		
Payments of:		
Hire-purchase payables		(319,887)
Finance lease payables		(24,081)
Islamic debt facility		(314,567)
Finance costs paid		<u>(71,108)</u>
Net Cash Used In Financing Activities		<u>(729,643)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		(4,205,784)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		<u>6,364,391</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	J.14	<u>2,158,607</u>

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**Assumptions used in the preparation of the proforma consolidated cash flow statement of the Proforma Group for the four month period ended 31 October 2004**

The proforma consolidated cash flow statement of the Proforma Group for the four month period ended 31 October 2004 is prepared for illustrative purposes only on the assumption that the acquisition of GDSB, GDTech and the IT Software System by GDEX had been effected on 1 July 2004.

**Notes on the preparation of the proforma consolidated cash flow statement of the Proforma Group for the four month period ended 31 October 2004**

The proforma consolidated cash flow statement of the Proforma Group for the four month period ended 31 October 2004 is prepared based on the following:

- (i) Audited financial statements of GDEX, GDSB and GDV as of 30 June 2004 and 31 October 2004;
- (ii) Audited financial statements of GDTech as of 30 June 2004 and 31 October 2004 after making adjustment to reflect the following transaction:

Acquisition of IT Software System from GDEX for a purchase consideration of RM4,300,000 fully satisfied by the issuance of 4,300,000 new ordinary shares of RM1.00 each at par by GDTech to GDEX.

The above proforma consolidated cash flow statement should be read in conjunction with the Notes as set out in Section J of this Report.

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## J. NOTES TO THE PROFORMA STATEMENTS OF ASSETS AND LIABILITIES

### 1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The proforma statements of assets and liabilities of the Proforma Group and of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards of the MASB, and using the same accounting principles and policies as were used in the preparation of the statutory financial statements of the Company and its subsidiary companies.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Accounting**

The proforma statements of assets and liabilities of the Proforma Group and of the Company have been prepared under the historical cost convention.

#### **Basis of Consolidation**

Subsidiary companies are the enterprises controlled by the Proforma Group. Control exists when the Proforma Group has the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

The consolidated financial statements incorporate the financial statements of the Company and of its subsidiary companies made up to 31 October 2004.

Subsidiary companies are consolidated using the acquisition method of accounting. On acquisition, the assets and liabilities of the subsidiary companies are measured at their fair values at the date of acquisition.

The results of the subsidiary companies acquired or disposed of during the period are included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal.

All significant intercompany transactions and balances are eliminated on consolidation.

#### **Goodwill/Reserve on Consolidation**

Goodwill on consolidation represents the excess of the Proforma Group's cost of investment over the fair values of the net assets of the subsidiary companies at the effective date of acquisition. Goodwill on consolidation is amortised evenly over a period of 10 years.

Reserve on consolidation represents the excess of the fair values of the net assets of the subsidiary companies at the effective date of acquisition over the cost of the Proforma Group's investment. Reserve on consolidation is not amortised.

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**Foreign Currency Conversion**

Transactions in foreign currencies are converted into Ringgit Malaysia at exchange rates prevailing at the transaction dates or, where settlement has not yet been made at the end of the financial year, at approximate rates prevailing at that date. All foreign exchange gains or losses are currently taken up in the income statements.

The principal closing rate used in translation of foreign currency amounts is as follows:

<u>Foreign currency</u>	<u>RM</u>
1 Singapore Dollar	2.20

**Impairment of Assets**

The carrying amounts of property, plant and equipment, goodwill on consolidation, and investment in subsidiary companies 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. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. All impairment losses are recognised in the income statements.

An impairment loss in respect of goodwill is not reversed unless the loss is caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of the event. In respect of other assets, an impairment loss is reversed if there has been change in the estimate used to determine the recoverable amount.

An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. All reversals of impairment loss are recognised in the income statements.

**Investment in Subsidiary Companies**

Investment in unquoted shares of subsidiary companies is stated at cost less any impairment losses in the Company's financial statements.

**Property, Plant and Equipment and Depreciation**

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

Gain or loss arising from the disposal of an asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset, and is recognised in the income statements.

**13 ACCOUNTANTS' REPORT (CONTINUED)**

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Property, plant and equipment are depreciated using the straight-line method at the following annual rates to write off the cost of these assets over their estimated useful lives:

Long leasehold land	Over the lease period of 57 years
Office equipment, furniture and fittings	12.5%
Computers and IT Software System	20%
Tools and equipment	12.5%
Motor vehicles	20%
Renovation	20% - 33.3%

**Property, Plant and Equipment Under Hire-Purchase Arrangements**

Property, plant and equipment acquired under hire-purchase arrangements are capitalised in the financial statements and the corresponding obligations treated as liabilities. Finance charges are allocated to the income statements to give a constant periodic rate of interest on the remaining hire-purchase liabilities.

**Leased Assets**

Assets under leases which in substance transfer the risks and benefits of ownership of the assets are capitalised under property, plant and equipment. The assets and the corresponding lease obligations are recorded at the fair value of the leased assets which approximates the present value of the minimum lease payments, at the beginning of the respective lease terms.

Finance costs which represent the difference between the total leasing commitments and the fair value of the assets acquired are charged to the income statements over the term of the relevant lease period so as to give a constant periodic rate of charge on the remaining balance of the obligation for each accounting period. All the related rentals are charged to the income statements as incurred.

**Inventories**

Inventories, which consist of consumables, are stated at the lower of cost (determined on the 'first-in, first-out' basis) and net realisable value. Cost comprises the original cost of purchase plus incidental costs incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

**Receivables**

Trade and other receivables are stated at nominal value as reduced by the appropriate allowances for estimated irrecoverable amounts. Allowance for doubtful debts is made based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

**Provisions**

Provisions are made when the Proforma Group and the Company have a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be recognised to settle the obligation, and when a reliable estimate of the amount can be made.



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**Proforma Consolidated Cash Flow Statement**

The Proforma Group adopts the indirect method in the preparation of the consolidated cash flow statement.

Cash equivalents are short term, highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risk of changes in value.

3. **PROPERTY, PLANT AND EQUIPMENT****The Proforma Group**

Property, plant and equipment consist of the following:

	COST RM	ACCUMULATED DEPRECIATION RM	NET BOOK VALUE RM
Long leasehold land	2,610,993	19,710	2,591,283
Office equipment, furniture and fittings	1,335,771	537,002	798,769
Computers and IT Software System	5,898,723	678,513	5,220,210
Tools and equipment	176,548	61,337	115,211
Motor vehicles	6,095,336	2,565,953	3,529,383
Renovation	1,029,711	597,110	432,601
	<u>17,147,082</u>	<u>4,459,625</u>	<u>12,687,457</u>

Included in property, plant and equipment of the Proforma Group are property, plant and equipment acquired under hire-purchase and finance lease arrangements with net book values of approximately RM2,783,500.

As of 31 October 2004, long leasehold land of the Proforma Group with net book value amounting to RM2,591,283 is pledged to a licensed bank for credit facilities granted to the Proforma Group as disclosed in Note J.10. The title to the said long leasehold land has not been issued to the Proforma Group.

Included in the cost of property, plant and equipment of the Proforma Group is an amount of approximately RM1,105,000 representing fully depreciated property, plant and equipment which are still in use by the Proforma Group.

**13 ACCOUNTANTS' REPORT (CONTINUED)**

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**4. INVESTMENT IN SUBSIDIARY COMPANIES**

Investment in subsidiary companies consist of:

	<b>The Company RM</b>
Unquoted shares – at cost	<u>17,074,881</u>

<b>Company</b>	<b>Principal Activity</b>	<b>Effective Equity Interest</b>	<b>Country of Incorporation</b>
GD Express Sdn Bhd	Express delivery services	100%	Malaysia
GD Venture (M) Sdn Bhd	Transportation services	100%	Malaysia
GD Technosystem Sdn Bhd	Dormant	100%	Malaysia

**5. DEFERRED TAX ASSETS/(LIABILITIES)**

The deferred tax assets represent the tax effects of the following:

	<b>The Proforma Group Deferred Tax Asset/ (Liability) RM</b>
Unabsorbed tax losses	49,000
Temporary differences arising from:	
Property, plant and equipment	(324,000)
Trade receivables	<u>414,000</u>
Net deferred tax asset	<u>139,000</u>

**13 ACCOUNTANTS' REPORT (CONTINUED)**

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The deferred tax liabilities represent the tax effects of the following:

	<b>The Proforma Group Deferred Tax Asset/ (Liability) RM</b>
Unabsorbed tax losses	2,000
Unabsorbed capital allowances	147,000
Temporary differences arising from property, plant and equipment	<u>(235,000)</u>
Net deferred tax liability	<u>(86,000)</u>

The unabsorbed capital allowances and tax losses are subject to agreement with the tax authorities

**6. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAID EXPENSES**

Trade receivables consist of:

	<b>The Proforma Group RM</b>
Trade receivables	11,655,078
Less: Allowance for doubtful debts	<u>(1,479,769)</u>
	<u>10,175,309</u>

Trade receivables of the Proforma Group represent amounts receivable for the provision of express delivery services. The credit period granted to customers is 30 days.

Other receivables and prepaid expenses consist of:

	<b>The Proforma Group RM</b>	<b>The Company RM</b>
Other receivables	123,358	1,840
Refundable deposits	372,925	-
Prepaid expenses	<u>1,113,271</u>	<u>-</u>
	<u>1,609,554</u>	<u>1,840</u>

**13 ACCOUNTANTS' REPORT (CONTINUED)**

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**7. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES**

Trade payables comprise mainly amounts outstanding for services rendered by suppliers. The average credit period granted to the Proforma Group is 30 days.

The currency exposure profile of trade payables is as follows:

	<b>The Proforma Group RM</b>
Analysis of trade payables by currency:	
Singapore Dollar	38,229
Ringgit Malaysia	<u>3,015,530</u>
	<u>3,053,759</u>

Other payables and accrued expenses consist of:

	<b>The Proforma Group RM</b>	<b>The Company RM</b>
Other payables	349,889	79,594
Accrued expenses	<u>1,823,604</u>	<u>-</u>
	<u>2,173,493</u>	<u>79,594</u>

Included in other payables of the Proforma Group is an amount of RM124,448 owing to GDX Private Limited, a company incorporated in Republic of Singapore and in which certain directors of the Proforma Group are also directors and have substantial interests. The said amount, which arose from the provision for software training and maintenance services to the Proforma Group amounting to RM72,000, is interest-free and has no fixed repayment terms.

The directors of the Proforma Group are of the opinion that the above transactions have been entered into in the normal course of business and have been established under terms that are no less favourable than those arranged with independent third parties.

**13 ACCOUNTANTS' REPORT (CONTINUED)**

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**8. FINANCE LEASE PAYABLES**

	<b>Minimum lease payments RM</b>	<b>The Proforma Group Present value of minimum lease payments RM</b>
Amounts payable under finance lease:		
Within one year	50,083	42,054
In the second to fifth years inclusive	<u>6,163</u>	<u>4,022</u>
	56,246	46,076
Less: Future finance charges	<u>(10,170)</u>	<u>N/A</u>
Present value of lease payables	<u>46,076</u>	46,076
Less: Amount due within 12 months (shown under current liabilities)		<u>(42,054)</u>
Non-current portion		<u>4,022</u>

The non-current portion is payable as follows:

	<b>The Proforma Group RM</b>
Between 1 – 2 years	<u>4,022</u>

It is the Proforma Group's policy to lease certain of its property, plant and equipment under finance lease. The average lease period is about 3 to 5 years. For the financial period ended 31 October 2004, the average effective borrowing rate was 11.77% per annum. Interest rates are fixed at the inception of the lease. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payment.

**13 ACCOUNTANTS' REPORT (CONTINUED)**

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**9. HIRE-PURCHASE PAYABLES**

	<b>The Proforma Group RM</b>
Total outstanding	1,520,760
Less: Interest-in-suspense	<u>(176,136)</u>
Principal outstanding	1,344,624
Less: Amount due within 12 months (shown under current liabilities)	<u>(693,999)</u>
Non-current portion	<u>650,625</u>

The non-current portion is payable as follows:

	<b>The Proforma Group RM</b>
Between 1 - 2 years	441,705
Between 2 - 3 years	200,540
Between 3 - 4 years	<u>8,380</u>
	<u>650,625</u>

The interest rates implicit in these hire-purchase obligations range from 4.10% to 7.90% per annum.

**10. BORROWINGS - SECURED**

	<b>The Proforma Group RM</b>
Total Islamic debt facility - Al Bai Bithaman Ajil	1,685,433
Less: Current portion (shown under current liabilities)	<u>(220,789)</u>
Non-current portion	<u>1,464,644</u>

**13 ACCOUNTANTS' REPORT (CONTINUED)**

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The non-current portion of the Islamic debt facility is repayable as follows:

	<b>The Proforma Group RM</b>
Between 1 - 2 years	241,848
Between 2 - 5 years	801,921
After 5 years	<u>420,875</u>
	<u>1,464,644</u>

As of 31 October 2004, the Proforma Group has bank overdrafts and other credit facilities totalling RM545,000 obtained from a local licensed bank. The bank overdrafts and other credit facility bear interest at rates ranging from 7.50% to 7.90% per annum.

The Al Bai Bithaman Ajil Islamic debt facility is obtained from a local licensed bank and bears a profit rate of 4.25% per annum.

Of the total bank overdrafts and other credit facilities, RM345,000 is secured by fixed deposits belonging to the Proforma Group. The remaining balance of the bank overdraft and other credit facility together with the Islamic debt facility are secured by the following:

- (a) Long leasehold land of the Proforma Group as disclosed in Note J.3; and
- (b) Joint and several guarantee by all the directors of the subsidiary company.

**11. SHARE CAPITAL**

	<b>The Proforma Group and The Company RM</b>
<b>Authorised:</b>	
Ordinary shares of RM1.00 each	<u>50,000,000</u>
<b>Issued and fully paid:</b>	
Ordinary shares of RM1.00 each	<u>17,074,883</u>

**13 ACCOUNTANTS' REPORT (CONTINUED)**

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**12. RESERVES**

	<b>The Proforma Group RM</b>	<b>The Company RM</b>
Accumulated loss	(77,754)	(77,754)
<b>Non-distributable:</b>		
Reserve on consolidation	<u>2,234,568</u>	<u>-</u>
	<u>2,156,814</u>	<u>(77,754)</u>

**13. FINANCIAL INSTRUMENTS****Financial Risk Management Objectives and Policies**

The operations of the Proforma Group are subject to a variety of financial risks, including foreign currency risk, interest rate risk, credit risk, liquidity risk and cash flow risk. The Proforma Group has taken measures to minimise its exposure to risks and/or costs associated with the financing, investing and operating activities.

**(i) Foreign currency risk**

The Proforma Group is exposed to currency risk as a result of the foreign currency transactions arising from normal trading activities.

**(ii) Interest rate risk**

The Proforma Group is exposed to interest rate risk through the impact of rate changes on fixed deposits, hire purchase payables, finance lease payables and interest bearing borrowings. Interest rates of finance lease payables and hire-purchase payables are fixed at the inception of the finance lease and hire-purchase arrangements. The interest/profit rates of the Proforma Group's fixed deposits, hire-purchase payables, finance lease payables, and borrowings are disclosed in Notes J.8, J.9, J.10 and J.14.

**(iii) Credit risk**

The Proforma Group is exposed to credit risk mainly from trade receivables. The Proforma Group extends credit to its customers based upon careful evaluation of the customers' financial condition and credit history. The Proforma Group also ensures a large number of customers so as to limit high credit concentration in a customer or customers from a particular market.

**(iv) Liquidity risk**

The Proforma Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient credit facilities for contingent funding requirement of working capital.



**13 ACCOUNTANTS' REPORT (CONTINUED)**

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**(v) Cash flow risk**

The Proforma Group reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.

**Financial Assets**

The Proforma Group's principal financial assets are cash and bank balances, deposits with licensed banks, trade and other receivables.

The accounting policies applicable to the major financial assets are as disclosed in Note J.2.

**Financial Liabilities and Equity Instruments**

Debts and equity instruments are classified as either liabilities or equity in accordance with the substance of the contractual arrangement.

Significant financial liabilities include trade and other payables, hire-purchase payables and Islamic debt facility, which are stated at their nominal values.

Islamic debt facility is recorded at the proceeds received. Finance charges are accounted for on an accrual basis.

Equity instruments are recorded at the proceeds received net of direct issue costs.

**Fair Values**

The carrying amounts and the estimated fair values of the financial instruments of the Proforma Group as of 31 October 2004 are as follows:

	<b>The Proforma Group</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>
	<b>RM</b>	<b>RM</b>
<b><i>Financial Liability</i></b>		
Hire-purchase payables (Note J.9)	1,344,624	1,436,653
Islamic debt facility (Note J.10)	<u>1,685,433</u>	<u>1,685,433</u>

***Cash and cash equivalents, trade and other receivables, trade and other payables***

The carrying amounts approximate fair values because of the short maturity period for these instruments.

***Hire-purchase payables and Islamic debt facility***

The fair values of hire-purchase payables and Islamic debt facility are estimated using discounted cash flow analysis based on current borrowing rates for similar type of borrowing arrangements.

**13 ACCOUNTANTS' REPORT (CONTINUED)**

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**14. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	<b>The Proforma Group RM</b>
Deposits with licensed banks	1,588,670
Cash and bank balances	<u>914,937</u>
	2,503,607
Less: Non cash and cash equivalents	
Fixed deposits pledged with a licensed bank (Note J.10)	<u>(345,000)</u>
	<u>2,158,607</u>

Deposits with licensed banks earned interest at rates ranging from 3.0% to 4.0% per annum.

**15. PROFORMA NET TANGIBLE ASSETS PER ORDINARY SHARE**

Based on the proforma statement of assets and liabilities of the Proforma Group as of 31 October 2004, the proforma net tangible assets per ordinary share of RM0.10 each after incorporating the effects of the public issue and estimated share issue and listing expenses is as follows:

	<b>The Proforma Group RM</b>
Net tangible assets of the Proforma Group	19,075,299
Add: Proceeds from public issue of 35,000,000 ordinary shares of RM0.10 each at an issue price of RM0.30 per share	10,500,000
Less: Estimated share issue and listing expenses to be incurred	<u>(2,000,000)</u>
Adjusted net tangible assets	<u>27,575,299</u>
Number of ordinary shares of RM0.10 each assumed in issue as of 31 October 2004	170,748,830
Public issue of 35,000,000 ordinary shares of RM0.10 each	<u>35,000,000</u>
Adjusted number of ordinary shares of RM0.10 each assumed in issue	<u>205,748,830</u>
Proforma net tangible assets per ordinary share of RM0.10 each (sen)	<u>13.40</u>

**13 ACCOUNTANTS' REPORT (CONTINUED)**

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**16. CONTINGENT LIABILITY - UNSECURED**

The Proforma Group is involved in a litigation filed by a former business partner for alleged failure by a subsidiary company to erect a signboard. The business partner is also claiming for loss of business due to the subsidiary company's alleged encroachment in the area of service exclusively given by the subsidiary company to the business partner and the refund of the franchise fee paid to the subsidiary company. The total amount claimed by the business partner is RM1,089,000.

The Directors of the subsidiary company, after consultation with the lawyers, are of the view that the potential liability is not probable of realisation and, accordingly, the amount has not been provided for in the financial statements.

**17. AUDITED FINANCIAL STATEMENTS**

No audited financial statements of the Company and of its subsidiary companies have been prepared in respect of any period subsequent to 31 October 2004.

Yours very truly,



**DELOITTE KASSIMCHAN**  
**AF 0080**  
**Chartered Accountants**



**LAI CAN YIEW**  
**2179/09/05 (J)**  
**Partner**