

10. ACCOUNTANTS' REPORT

(Prepared for inclusion in the Prospectus)



17 March, 2001

The Board of Directors
Century Logistics Holdings Berhad
Lot 4, Solok Sultan Hishamuddin 8
Kawasan 20, Perusahaan SKU
P.O. Box 93, 42008 Port Klang
Selangor Darul Ehsan

Arthur Andersen & Co
Public Accountants

Level 23A Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur
P O Box 11040
50734 Kuala Lumpur

Tel 603 2577000
Fax 603 2555332 (Main)
603 2559076 (Div)
603 2559078

Dear Sirs

1. INTRODUCTION

This report has been prepared by Arthur Andersen & Co., an approved company auditor, for inclusion in the Prospectus of Century Logistics Holdings Berhad (hereinafter referred to as "CLH" or "the Company") to be dated 30 March, 2001, in connection with the Public Issue of 6,700,000 new ordinary shares of RM1.00 each and Special Issue of 8,000,000 new ordinary shares of RM1.00 each at an issue price of RM1.80 per share in CLH pursuant to the listing of the entire enlarged issued and paid-up share capital of CLH on the Second Board of the Kuala Lumpur Stock Exchange ("KLSE").

2. GENERAL INFORMATION

2.1 Background

CLH was incorporated on 24 March, 1997 under the Companies Act, 1965 as a private limited company in Malaysia and was converted to a public limited company on 20 March, 2000.

At the date of incorporation, CLH's authorised share capital was RM10,000 comprising 10,000 ordinary shares of RM1.00 each of which RM2 comprising 2 ordinary shares of RM1.00 each were issued and fully paid-up. The authorised share capital was subsequently increased to RM25,000,000 on 19 July, 1997 and further increased to RM50,000,000 on 29 December, 2000 divided into 25,000,000 and 50,000,000 ordinary shares of RM1.00 each respectively. The issued and paid-up share capital as at the date of this report is RM29,743,969 comprising 29,743,969 ordinary shares of RM1.00 each.

10. ACCOUNTANTS' REPORT (Cont'd)

The changes in the issued and paid-up share capital of CLH since its incorporation are as follows:

<u>Date of allotment</u>	<u>Number of Shares Allotted</u>	<u>Par value RM</u>	<u>Consideration</u>	<u>Resultant issued and paid-up share capital RM</u>
24 March, 1997	2	1.00	Subscribers' shares	2
19 July, 1997	13,881,776	1.00	Share exchange	13,881,778
16 December, 1997	1,313,245	1.00	Share exchange	15,195,023
3 December, 1998	180,000	1.00	Share exchange	15,375,023
25 August, 1999	1,025,002	1.00	Rights issue	16,400,025
27 August, 1999	500,000	1.00	Special issue	16,900,025
31 December, 2000	2,816,671	1.00	Bonus issue	19,716,696
31 December, 2000	3,727,273	1.00	Conversion of advances	23,443,969
31 December, 2000	6,300,000	1.00	Share exchange for the acquisition of Brilliant Pattern Sdn. Bhd.	<u>29,743,969</u>

CLH is principally an investment holding company and provides management services to its subsidiaries. CLH and its subsidiaries ("the Group" or "CLH Group") are principally engaged in the business of providing total logistics solutions, including container haulage, warehousing, open yard depots, international freight forwarding, lorry transport, property investor and providing value added services.

2.2 Flotation Scheme

As an integral part of the listing of and quotation for its entire issued and paid-up ordinary shares of CLH on the Second Board of the KLSE, CLH had implemented a flotation scheme which was approved by the Foreign Investment Committee ("FIC"), Ministry of International Trade and Industry ("MITI") and Securities Commission ("SC") on 6 June, 2000, 16 June, 2000 and 3 November, 2000 respectively.

10. ACCOUNTANTS' REPORT (*Cont'd*)

The flotation scheme involves the following:

- (a) Bonus issue of 2,816,671 new ordinary shares of RM1.00 each in CLH to the existing shareholders of CLH on the basis of approximately one new ordinary share for every six existing ordinary shares held;
- (b) Conversion of advances amounting to RM4,100,000 by Lim Seng Chee & Sons Sdn. Bhd. and Phua Sin Mo into 3,727,273 new ordinary shares of RM1.00 each at a conversion price of RM1.10 per share;
- (c) Issue of 6,300,000 new ordinary shares of RM1.00 each in CLH at an issue price of RM1.00 per share as consideration of RM6,300,000 for the acquisition of 100% equity interest in Brilliant Pattern Sdn. Bhd. ("BP") comprising 550,000 ordinary shares of RM1.00 each;
- (d) Special issue of 8,000,000 new ordinary shares of RM1.00 each in CLH at an issue price of RM1.80 per share to the Bumiputera parties nominated by MITI; and
- (e) Public issue of 6,700,000 new ordinary shares of RM1.00 each in CLH at an issue price of RM1.80 per share as follows:
 - (i) 4,700,000 new ordinary shares of RM1.00 each to the Malaysian public of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions; and
 - (ii) 2,000,000 new ordinary shares of RM1.00 each to be reserved for eligible employees and directors of the Group.

2.3 The Subsidiaries

The information on the subsidiaries, all of which are private limited companies and incorporated in Malaysia, are as follows:

(i) **Century Logistics Sdn. Bhd. ("CLS")**

CLS was incorporated in Malaysia as a private limited company on 29 April, 1977 under the name of Century Forwarding & Shipping Sdn. Bhd., which was subsequently changed to Century Logistic Sdn. Bhd. on 17 January, 1996. On 29 October, 1996, the company assumed its present name, Century Logistics Sdn. Bhd. The authorised share capital at the date of incorporation remains status quo at RM350,000 divided into 350,000 ordinary shares of RM1.00 each. The issued and fully paid-up capital as at the date of this report is RM300,012 comprising 300,012 ordinary shares of RM1.00 each.

10. ACCOUNTANTS' REPORT (Cont'd)

Detailed changes in the issued and paid-up share capital of CLS since its incorporation are as follows:

<u>Date of allotment</u>	<u>No. of ordinary shares of RM1.00 each allotted</u>	<u>Consideration</u>	<u>Resultant issued and paid-up share capital</u> RM
29.04.1977	2	Cash	2
15.06.1977	50,000	Acquisition of business partly satisfied by shares	50,002
02.03.1983	250,010	Bonus issue of 5 new shares for every existing share	<u>300,012</u>

CLS is principally engaged in the business of freight forwarding, warehousing and container haulage.

(ii) Century Distribution Sdn. Bhd. ("CD")

CD was incorporated in Malaysia as a private limited company on 3 February, 1997 under the name of Damaria Forwarding Sdn. Bhd. On 20 December, 1999, the company assumed its present name. The authorised share capital at the date of incorporation was RM100,000 divided into 100,000 ordinary shares of RM1.00 each. The authorised share capital was subsequently increased to RM500,000 on 23 April, 1997 divided into 500,000 ordinary shares of RM1.00 each. The issued and paid-up capital as at the date of this report is RM300,000 comprising 300,000 ordinary shares of RM1.00 each.

Detailed changes in the issued and paid-up share capital of CD since its incorporation are as follows:

<u>Date of allotment</u>	<u>No. of ordinary shares of RM1.00 each allotted</u>	<u>Consideration</u>	<u>Resultant issued and paid-up share capital</u> RM
03.02.1997	100	Cash	100
23.04.1997	299,900	Cash	<u>300,000</u>

CD is principally engaged in the business of distribution services.

10. ACCOUNTANTS' REPORT (Cont'd)

(iii) Century Haulage & Movers Sdn. Bhd. ("CHM")

CHM was incorporated in Malaysia as a private limited company on 21 October, 1989 under the name of Prima Jati Sdn. Bhd. On 3 November, 1998, the company assumed its present name. The authorised share capital at the date of incorporation remains status quo at RM100,000 divided into 100,000 ordinary shares of RM1.00 each. The issued and paid-up capital as at the date of this report is RM50,000 comprising 50,000 ordinary shares of RM1.00 each.

Detailed changes in the issued and paid-up share capital of CHM since its incorporation are as follows:

<u>Date of allotment</u>	<u>No. of ordinary shares of RM1.00 each allotted</u>	<u>Consideration</u>	<u>Resultant issued and paid-up share capital</u> RM
21.10.1989	2	Cash	2
05.12.1990	49,998	Cash	<u>50,000</u>

CHM is principally engaged in the operations of transportation and open yard storage.

(iv) Storewell (M) Sdn. Bhd. ("SM")

SM was incorporated in Malaysia as a private limited company on 7 January, 1991. The authorised share capital at the date of incorporation remains status quo at RM1,000,000 divided into 1,000,000 ordinary shares of RM1.00 each. The issued and paid-up capital as at the date of this report is RM800,000 comprising 800,000 ordinary shares of RM1.00 each.

Detailed changes in the issued and paid-up share capital of SM since its incorporation are as follows:

<u>Date of allotment</u>	<u>No. of ordinary shares of RM1.00 each allotted</u>	<u>Consideration</u>	<u>Resultant issued and paid-up share capital</u> RM
07.01.1991	2	Cash	2
22.03.1991	9,998	Cash	10,000
26.07.1991	90,000	Cash	100,000
27.05.1992	100,000	Cash	200,000
31.01.1994	170,000	Cash	370,000
15.04.1996	430,000	Cash	<u>800,000</u>

SM is principally engaged in the operations of general warehousing, bonded warehousing and free commercial zone warehousing.

10. ACCOUNTANTS' REPORT (Cont'd)

(v) Storewell Realty Sdn. Bhd. ("SR")

SR was incorporated in Malaysia as a private limited company on 25 September, 1980 under the name of N.K.P. (M) Sdn. Bhd. On 22 August, 1997, the company assumed its present name. The authorised share capital at the date of incorporation remains status quo at RM1,000,000 divided into 1,000,000 ordinary shares of RM1.00 each. The issued and paid-up capital as at the date of this report is RM900,000 comprising 900,000 ordinary shares of RM1.00 each.

Detailed changes in the issued and paid-up share capital of SR since its incorporation are as follows:

<u>Date of allotment</u>	<u>No. of ordinary shares of RM1.00 each allotted</u>	<u>Consideration</u>	<u>Resultant issued and paid-up share capital</u> RM
25.09.1980	2	Cash	2
27.07.1982	29,998	Cash	30,000
01.10.1991	270,000	Cash	300,000
01.11.1995	600,000	Bonus issue of 4 new shares for every 2 existing shares	<u>900,000</u>

SR is principally a property holding company.

(vi) Century Freight Services Sdn. Bhd. ("CFS")

CFS was incorporated in Malaysia as a private limited company on 3 January, 1996 under the name of Multiple Quest Sdn. Bhd., which was subsequently changed to Damarina Logistic Sdn. Bhd. and Damarina Logistics Sdn. Bhd. on 9 April, 1996 and 11 October, 1996 respectively. On 23 May, 1997, the company assumed its present name. The authorised share capital at the date of incorporation was RM100,000 divided into 100,000 ordinary shares of RM1.00 each respectively. The authorised share capital was subsequently increased to RM500,000 on 7 June, 1996 and further increased to RM1,000,000 on 10 July, 1998 divided into 500,000 and 1,000,000 ordinary shares of RM1.00 each respectively. The issued and paid-up capital as at the date of this report is RM600,000 comprising 600,000 ordinary shares of RM1.00 each.

10. ACCOUNTANTS' REPORT (Cont'd)

Detailed changes in the issued and paid-up share capital of CFS since its incorporation are as follows:

<u>Date of allotment</u>	<u>No. of ordinary shares of RM1.00 each allotted</u>	<u>Consideration</u>	<u>Resultant issued and paid-up share capital</u> RM
03.01.1996	2	Cash	2
07.06.1996	99,998	Cash	100,000
10.07.1998	500,000	Cash	600,000

CFS is principally engaged in the business of international air and sea freight forwarding.

(vii) Century Logistics (Johore) Sdn. Bhd. ("CLJ")

CLJ was incorporated in Malaysia as a private limited company on 7 March, 1997 under the name of Nuspear Resources Sdn. Bhd. On 12 May, 1997, the company assumed its present name. The authorised share capital at the date of incorporation was RM100,000 divided into 100,000 ordinary shares of RM1.00 each. The authorised share capital was subsequently increased to RM500,000 on 29 December, 1998 divided into 500,000 ordinary shares of RM1.00 each. The issued and paid-up capital as at the date of this report is RM300,000 comprising 300,000 ordinary shares of RM1.00 each.

Detailed changes in the issued and paid-up share capital of CLJ since its incorporation are as follows:

<u>Date of allotment</u>	<u>No. of ordinary shares of RM1.00 each allotted</u>	<u>Consideration</u>	<u>Resultant issued and paid-up share capital</u> RM
07.03.1997	2	Cash	2
19.06.1997	99,998	Cash	100,000
29.12.1998	200,000	Cash	300,000

CLJ is principally engaged in the business of warehousing, freight forwarding and shipping agent.

(viii) Damaria Freight Sdn. Bhd. ("DFR")

DFR was incorporated in Malaysia as a private limited company on 23 August, 1984, under the name of Mastap Sdn. Bhd. It changed its name to Century Warehousing Sdn. Bhd. on 30 October, 1987 and subsequently to its present name on 11 November, 1988. The authorised share capital at the date of incorporation was RM100,000 divided into 100,000 ordinary shares of RM1.00 each. The authorised share capital was subsequently increased to RM5,000,000 on 23 January, 1998 divided into 5,000,000 ordinary shares of RM1.00 each. The issued and paid-up capital as at the date of this report is RM250,000 comprising 250,000 ordinary shares of RM1.00 each.

10. ACCOUNTANTS' REPORT (Cont'd)

Detailed changes in the issued and paid-up share capital of DFR since its incorporation are as follows:

<u>Date of allotment</u>	<u>No. of ordinary shares of RM1.00 each allotted</u>	<u>Consideration</u>	<u>Resultant issued and paid-up share capital</u> RM
23.08.1984	2	Cash	2
07.11.1984	99,998	Cash	100,000
23.01.1998	150,000	Cash	<u>250,000</u>

DFR is principally engaged in the business of freight forwarding and shipping agent.

(ix) **Brilliant Pattern Sdn. Bhd. ("BP")**

BP was incorporated in Malaysia as a private limited company on 25 October, 1994. The authorised share capital at the date of incorporation remains status quo at RM1,000,000 divided into 1,000,000 ordinary shares of RM1.00 each. The issued and paid-up capital as at the date of this report is RM550,000 comprising 550,000 ordinary shares of RM1.00 each.

Detailed changes in the issued and paid-up share capital of BP since its incorporation are as follows:

<u>Date of allotment</u>	<u>No. of ordinary shares of RM1.00 each allotted</u>	<u>Consideration</u>	<u>Resultant issued and paid-up share capital</u> RM
25.10.1994	2	Cash	2
15.06.1995	99,998	Cash	100,000
18.06.1997	150,000	Cash	250,000
13.08.1998	300,000	Cash	<u>550,000</u>

BP is principally engaged in the business of providing value added services supporting the logistics operations, including international procurement, assembling, quality control repackaging and distribution services of electrical and electronic appliances, office automation equipment, telecommunications and its related products.

As at 30 September, 2000, BP was not a subsidiary of CLH but was subsequently acquired by CLH on 31 December, 2000.

10. ACCOUNTANTS' REPORT (Cont'd)

(x) **Best Heritage Sdn. Bhd. ("BH")**

BH was incorporated in Malaysia under the Companies Act, 1965 on 28 January, 2000 as a private limited company under its present name. The authorised share capital at the date of incorporation remains status quo at RM100,000 divided into 100,000 ordinary shares of RM1.00 each of which RM2 comprising 2 ordinary shares of RM1.00 each have been issued and fully paid-up.

There were no changes in the issued and paid-up share capital of BP since its incorporation.

BH is currently dormant. Upon the completion of the proposed acquisition of two pieces of leasehold land with buildings, BH will become a property investment company.

As at 30 September, 2000, BH was not a subsidiary of CLH but was subsequently acquired by CLH on 13 November, 2000.

2.5 Auditors and Audited Financial Statements

The financial statements of CLH, CLS, CD, CHM, SM, SR, CFS, CLJ, DFR and BP were audited by other firms of public accountants for the financial years/period ended 31 December, 1995 to 1999 and their reports were not subject to any qualification.

The financial statements of CLH, CLS, CD, CHM, SM, SR, CFS, CLJ, DFR and BP were audited by Arthur Andersen & Co. ("AA") for the nine (9) month period ended 30 September, 2000 and the reports were also not subject to any qualification.

No financial statements were prepared for BH as it was only incorporated on 28 January, 2000, and it has remained dormant since then.

2.6 Accounting Policies and Standards

This report is prepared on a basis consistent with accounting policies normally adopted by the Group and in accordance with Malaysian Accounting Standards Board ("MASB") standards.

10. ACCOUNTANTS' REPORT (Cont'd)

3. TRACK RECORD OF PROFIT PERFORMANCE AND BALANCE SHEETS OF THE PROFORMA GROUP

3.1 Track Record of Profit Performance

We set out below the proforma consolidated financial results of CLH and its existing and proposed subsidiaries ("the Proforma Group") for the financial years ended 31 December, 1995 to 1999 and nine (9) month period ended 30 September, 2000, prepared solely for illustrative purposes, as follows:

	← Year ended 31 December →					1.1.2000 to
	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>30.9.2000</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	14,306	22,064	38,145	51,346	68,634	76,003
Other operating income	475	559	2,097	2,039	77	127
Haulage charges	(1,968)	(1,762)	(5,687)	(6,144)	(6,185)	(4,461)
Container charges	(775)	(1,069)	(1,880)	(3,027)	(4,128)	(3,421)
Warehousing and storage charges	(702)	(1,557)	(2,679)	(3,110)	(789)	(3)
Freight charges	(839)	(1,263)	(3,319)	(4,400)	(1,210)	(6,851)
Transportation charges	(1,809)	(3,570)	(6,219)	(6,076)	(10,110)	(6,119)
Labour charges	(119)	(374)	(105)	(50)	(431)	(464)
Changes in stocks of finished goods	-	-	304	64	(368)	1,737
Raw materials and consumables used	-	-	(1,841)	(12,629)	(18,116)	(28,547)
Staff costs	(2,087)	(1,801)	(3,930)	(3,526)	(5,782)	(7,046)
Other operating expenses	(2,421)	(6,505)	(8,274)	(6,728)	(9,896)	(9,745)
Profit before interest, depreciation and taxation	4,061	4,722	6,612	7,759	11,696	11,210
Net finance costs	(747)	(1,109)	(1,796)	(2,649)	(2,059)	(1,738)
Depreciation	(541)	(825)	(1,292)	(1,604)	(2,031)	(2,372)
Profit before taxation	2,773	2,788	3,524	3,506	7,606	7,100
Taxation	(903)	(1,117)	(1,104)	(1,072)	(27)	(2,353)
Profit after taxation	1,870	1,671	2,420	2,434	7,579	4,747
Minority interests	1	1	(23)	(21)	(36)	26
Profit after taxation and minority interests	1,871	1,672	2,397	2,413	7,543	4,773
Transfer from capital reserves upon disposal of revalued fixed asset	-	97	-	-	-	-
Transfer from merger deficit	-	-	(6,213)	(2,413)	(1,949)	-
Retained profits brought forward	176	2,047	3,816	-	-	5,594
Retained profits carried forward	2,047	3,816	-	-	5,594	10,367

10. ACCOUNTANTS' REPORT (Cont'd)

3.2 Balance Sheets of CLH

The consolidated balance sheets of the Proforma Group as at 31 December, 1995 to 1999 and nine (9) month period ended 30 September, 2000, prepared solely for illustrative purposes, are as follows:

	← As at 31 December →					As at
	1995	1996	1997	1998	1999	30.9.2000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
CURRENT ASSETS						
Cash and bank balances	1,290	1,235	1,168	1,473	2,773	3,013
Deposit with licensed banks	229	370	777	1,482	2,173	3,967
Trade debtors	4,359	8,784	12,607	12,404	26,919	33,601
Other debtors and prepayments	1,148	2,377	3,384	3,868	5,610	3,179
Stocks	-	41	1,969	616	3,103	6,936
	<u>7,026</u>	<u>12,807</u>	<u>19,905</u>	<u>19,843</u>	<u>40,578</u>	<u>50,696</u>
CURRENT LIABILITIES						
Bank overdrafts	101	3,160	8,847	10,183	10,351	12,293
Short term borrowings	435	848	1,398	1,434	995	1,582
Trade creditors	1,441	4,206	3,118	3,566	11,970	17,830
Other creditors and accruals	1,935	2,886	4,566	1,369	8,408	10,473
Hire purchase creditors	130	570	966	882	1,232	1,344
Due to director	538	599	673	-	47	-
Taxation	899	1,840	2,092	2,467	970	1,748
	<u>5,479</u>	<u>14,109</u>	<u>21,660</u>	<u>19,901</u>	<u>33,973</u>	<u>45,270</u>
NET CURRENT ASSETS						
/(LIABILITIES)	1,547	(1,302)	(1,755)	(58)	6,605	5,426
FIXED ASSETS	11,326	24,696	29,726	30,014	30,227	40,198
GOODWILL ON						
CONSOLIDATION	2	302	393	393	393	393
DEFERRED EXPENDITURE	3	3	88	135	166	631
CONSTRUCTION WORK IN						
PROGRESS	104	(4,060)	-	-	-	-
TERM LOANS	(6,360)	(2,255)	(7,604)	(7,768)	(7,330)	(10,574)
HIRE PURCHASE CREDITORS	(274)	(1,172)	(1,490)	(998)	(703)	(1,544)
DEFERRED TAXATION	(170)	(299)	(311)	(224)	(250)	(681)
MINORITY INTERESTS	(74)	(73)	(141)	(175)	(196)	(164)
	<u>6,104</u>	<u>15,840</u>	<u>18,906</u>	<u>21,319</u>	<u>28,912</u>	<u>33,685</u>
SHAREHOLDERS' FUNDS						
Share capital	21,883	22,783	23,200	23,200	23,200	23,200
Share premium	-	-	-	-	50	50
Capital reserves	1,280	8,347	-	-	-	-
Retained profits	2,047	3,816	-	-	5,662	10,435
Merger deficit	(19,106)	(19,106)	(4,294)	(1,881)	-	-
	<u>6,104</u>	<u>15,840</u>	<u>18,906</u>	<u>21,319</u>	<u>28,912</u>	<u>33,685</u>

10. ACCOUNTANTS' REPORT (Cont'd)

Assumptions:

- (1) The Proforma Group has existed since 1 January, 1995.
- (2) The consolidation is prepared based on merger accounting method for all the subsidiaries except for CFS, CLJ, DFR and CD, which are consolidated using the acquisition accounting method.
- (3) Premium is paid for the acquisition of BP and other subsidiaries, which takes into consideration the future earnings potential of BP up to year ended 31 December, 2000 and synergistic benefits enduring from the other subsidiaries.
- (4) Minority interests remain constant at 30% for CLJ and DFR.
- (5) Merger deficit is to be set-off against capital reserves brought forward from 31 December, 1996 of RM8,347,000 and the remaining deficit against revenue reserves for the year ended 1997. The remaining merger deficit balance arises solely from the acquisition of BP only. The merger deficit will be set-off against available revenue reserves.
- (6) The number of ordinary shares are adjusted to reflect the number of shares fully paid up as at 30 September, 2000 for the Proforma Group except for 1995 and 1996 whereby certain subsidiaries have not been incorporated and the proposed shares to be issued for the acquisition of BP.
- (7) Shares issued for cash in the proforma years/period are assumed to be utilised for the repayments of trade and other creditors.

3.3 Performance Indices

The performance indices of the Proforma Group for the financial years ended 31 December, 1995 to 1999 and nine (9) month period ended 30 September, 2000, prepared solely for illustrative purposes, are as follows:

	← Year ended 31 December →					1.1.2000 to 30.9.2000
	1995	1996	1997	1998	1999	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Number of ordinary shares in issue ('000)	21,883	22,783	23,200	23,200	23,200	23,200
Shareholders' funds (RM'000)	6,104	15,840	18,838	21,251	28,844	33,617
NTA (RM'000)	6,099	15,535	18,357	20,723	28,285	32,593
NTA per share (RM)	0.28	0.68	0.79	0.89	1.22	1.40
Revenue (RM'000)	14,306	22,064	38,145	51,346	68,634	76,003
Profit before taxation (RM'000)	2,773	2,788	3,524	3,506	7,606	7,100
Profit after taxation (RM'000)	1,870	1,671	2,420	2,434	7,579	4,747
Profit after taxation and minority interests	1,871	1,672	2,397	2,413	7,543	4,773
Effective tax rate (%)	33	40	31	31	N/A	33
Weighted average number of ordinary shares ('000)	21,883	22,333 ⁽¹⁾	22,992 ⁽¹⁾	23,200	23,200	23,200
Gross EPS (RM) ⁽²⁾	0.13	0.12	0.15	0.15	0.33	0.41 ⁽⁴⁾
Net EPS (RM) ⁽³⁾	0.09	0.07	0.11	0.10	0.33	0.27 ⁽⁴⁾
Profit before taxation margin (%)	19	13	9	7	11	9

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Notes:

- (1) *Being the weighted average number of ordinary shares in issue after taking into account new allotment of shares during the year.*
- (2) *Based on the profit before taxation divided by the weighted average number of ordinary shares in issue.*
- (3) *Based on the profit after taxation divided by the weighted average number of ordinary shares in issue.*
- (4) *Annualised.*

Commentary:

- (1) *There are no extraordinary or exceptional items for all the financial years/period under review.*
- (2) *The increase in revenue of the Proforma Group for the financial year ended 31 December, 1996 was mainly due to the higher volume of forwarding services on steel cargo as the construction industry continued to grow during the year.*

The increase in revenue for the financial year ended 31 December, 1997 was mainly due to the expansion of the Proforma Group's lorry fleet and warehouse floor space, and the introduction of open yards to boost the Proforma Group's storage capacity.

The increase in revenue for the financial year ended 31 December, 1998 was mainly due to the expansion of the Proforma Group's value added services to other products such as photocopiers, audio visual equipment and handphones.

The increase in revenue for the financial year ended 31 December, 1999 was mainly due to the improvement in the Malaysian economy towards the second half of the year and the increase in new customers and volume for handphones and photocopiers as demand for these products have increased.

The increase in revenue for the financial period ended 30 September, 2000 was mainly due to the continuous improvement in the economy which enhanced the revenue attributed from warehousing services and the upward trend for the demand of handphones, photocopiers, fridge and washing machines.

- (3) *The effective tax rate for the financial years ended 31 December, 1995 to 1998 and nine month period ended 30 September, 2000 was higher than the statutory tax rate mainly due to certain expenses which were disallowed for taxation purposes. There is no tax charge for the financial year 1999 as the amount payable has been waived in accordance with the Income Tax (Amendment) Act, 1999.*

10. ACCOUNTANTS' REPORT (Cont'd)

4. SUMMARISED INCOME STATEMENTS

4.1 The audited consolidated results of the Group for the last three (3) financial years ended 31 December, 1997, 1998 and 1999 and nine (9) month period ended 30 September, 2000 are as set out below.

There were no group accounts prepared prior to 1997 as CLH was only incorporated on 24 March, 1997.

	Year ended 31 December			1.1.2000
	1997	1998	1999	to 30.9.2000
	RM'000	RM'000	RM'000	RM'000
Revenue	35,442	32,784	41,163	42,611
Other operating income	2,015	2,021	41	105
Haulage charges	(5,687)	(6,144)	(6,185)	(4,461)
Container charges	(1,880)	(3,027)	(4,128)	(3,421)
Warehousing and storage charges	(2,679)	(3,110)	(789)	(3)
Freight charges	(3,319)	(4,400)	(1,210)	(7,147)
Transportation charges	(5,982)	(3,469)	(7,200)	(5,668)
Labour charges	(105)	(50)	(431)	(464)
Staff costs	(3,453)	(2,733)	(4,639)	(5,424)
Other operating expenses	(7,836)	(5,544)	(7,515)	(8,078)
Profit before depreciation, interest expense and taxation	6,516	6,328	9,107	8,050
Net finance costs	(1,775)	(2,612)	(2,052)	(1,727)
Depreciation	(1,264)	(1,574)	(1,999)	(2,151)
Profit before taxation	3,477	2,142	5,056	4,172
Taxation	(1,104)	(712)	(27)	(1,411)
Profit after taxation	2,373	1,430	5,029	2,761
Minority interests	(23)	(21)	(36)	26
Profit after taxation and minority interests	2,350	1,409	4,993	2,787
Weighted average number of ordinary shares in issue ('000)	7,050 ⁽¹⁾	15,210 ⁽¹⁾	16,010 ⁽¹⁾	16,900
Gross earnings per share (RM) ⁽²⁾	0.49	0.14	0.32	0.33 ⁽⁴⁾
Net earnings per share (RM) ⁽³⁾	0.34	0.09	0.31	0.22 ⁽⁴⁾
Gross dividend rate (%)	-	-	-	-

10. ACCOUNTANTS' REPORT (Cont'd)

Notes:

- (1) *Being the weighted average number of ordinary shares in issue after taking into account new allotment of shares during the year.*
- (2) *Based on the profit before taxation divided by the weighted average number of ordinary shares in issue.*
- (3) *Based on the profit after taxation divided by the weighted average number of ordinary shares in issue.*
- (4) *Annualised.*

Commentary:

- (1) *There are no extraordinary or exceptional items for all the financial years/period under review.*
- (2) *The revenue for the Group for the period ended 30 September, 2000 is higher due to increased demand for services as the economy of the country improved, especially in the manufacturing industry. The past performance of the Group since the date of incorporation of CLH is reflected through the past performance of the Group's subsidiaries.*
- (3) *The gross earnings per share of the Group is calculated based on the profit before taxation and on the weighted average number of ordinary shares issued. The net earnings per share of the Group is calculated based on the profit after taxation and minority interest and on the weighted average number of ordinary shares issued.*

4.2 We provide below the audited results of each of the companies within the Group for the relevant periods/years.

All the subsidiary companies of CLH are wholly owned subsidiaries except for CLJ and DFR where CLH owns 70% of its paid-up capital.

10. ACCOUNTANTS' REPORT (Cont'd)

4.2.1 CLH

	24.3.1997 to 31.12.1997 RM'000	Year ended 31 December 1998 1999 RM'000 RM'000		1.1.2000 to 30.9.2000 RM'000
Revenue	-	50	872	900
Other operating income	-	-	5	-
Staff costs	-	-	(188)	(670)
Other operating expenses	(7)	(12)	(510)	(207)
(Loss)/profit from operations, representing (loss)/profit before taxation	(7)	38	179	23
Taxation	-	(11)	-	(25)
(Loss)/profit after taxation	(7)	27	179	(2)
Weighted average number of ordinary shares in issue ('000)	7,050 ⁽¹⁾	15,210 ⁽¹⁾	16,010 ⁽¹⁾	16,900
Gross (loss)/earnings per share (RM) ⁽²⁾	(0.001)	0.002	0.011	0.002 ⁽⁴⁾
Net (loss)/earnings per share (RM) ⁽³⁾	(0.001)	0.002	0.011	⁽⁵⁾
Gross dividend rate (%)	-	-	-	-

Notes:

- (1) Being the weighted average number of ordinary shares in issue after taking into account new allotment of shares during the period/years.
- (2) Based on the (loss)/profit before taxation divided by the weighted average number of ordinary shares in issue.
- (3) Based on the (loss)/profit after taxation divided by the weighted average number of ordinary shares in issue.
- (4) Annualised.
- (5) Ratio negligible.

Commentary:

- (1) There are no extraordinary or exceptional items in the financial periods/years under review.
- (2) CLH was incorporated on 24 March, 1997.
- (3) CLH started to charge management fees to its subsidiaries in 1998 and increased substantially in 1999 after the streamlining of the principal activities of the respective subsidiaries.
- (4) There is no tax charge for the financial year 1999 as the amount payable has been waived in accordance with the Income Tax (Amendment) Act, 1999.
- (5) The lower net profit before taxation for the 9 month period to 30 September, 2000 is due to CLH bearing the salaries of its directors which previously were borne by its subsidiaries.

10. ACCOUNTANTS' REPORT (Cont'd)

4.2.2 CLS

	← Year ended 31 December →					1.1.2000 to
	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	30.9.2000 RM'000
Revenue	10,227	14,595	22,768	17,981	26,299	22,938
Other operating income	428	260	29	12	18	65
Haulage charges	(1,082)	(933)	(2,734)	(3,174)	(4,733)	(4,160)
Container charges	(820)	(1,114)	(1,552)	(1,715)	(3,946)	(3,064)
Freight charges	(1,018)	(1,445)	(2,490)	(2,046)	(2,573)	(1,827)
Warehousing and storage charges	-	(685)	(1,476)	(1,491)	(953)	(1,410)
Transportation charges	(1,936)	(2,866)	(5,246)	(2,906)	(4,235)	(3,512)
Staff costs	(1,502)	(797)	(992)	(493)	(1,552)	(1,677)
Other operating expenses	(1,690)	(2,947)	(3,062)	(1,940)	(3,783)	(3,662)
Profit before interest, depreciation and taxation	2,607	4,068	5,245	4,228	4,542	3,691
Net finance costs	(475)	(499)	(916)	(1,515)	(994)	(814)
Depreciation	(332)	(459)	(857)	(998)	(1,068)	(1,061)
Profit before taxation	1,800	3,110	3,472	1,715	2,480	1,816
Taxation	(584)	(923)	(1,008)	(633)	(1)	(527)
Profit after taxation	1,216	2,187	2,464	1,082	2,479	1,289
Weighted average number of ordinary shares in issue ('000)	300	300	300	300	300	300
Gross earnings per share (RM) ⁽¹⁾	6.00	10.37	11.57	5.72	8.27	8.07 ⁽³⁾
Net earnings per share (RM) ⁽²⁾	4.05	7.29	8.21	3.61	8.27	5.73 ⁽³⁾
Gross dividend rate (%)	-	-	-	-	-	-

Notes:

(1) Based on the profit before taxation divided by the weighted average number of ordinary shares in issue.

(2) Based on the profit after taxation divided by the weighted average number of ordinary shares in issue.

(3) Annualised.

10. ACCOUNTANTS' REPORT (Cont'd)

Commentary:

- (1) *There are no extraordinary or exceptional items in the financial years/period under review.*
- (2) *Revenue for the financial year ended 31 December, 1995 amounted to RM10.227 million as a result of CLS's efforts in concentrating on the provision of forwarding services on steel cargo for the construction industry. The increase in revenue in 1996 of 43% to RM14.595 million was due to the higher volume of forwarding services on steel cargo as the construction industry continued to grow during the year. The higher volume of steel cargo transacted has also contributed to the improvement in transportation services. In 1997, the revenue increased a further 56% to RM22.768 million, as CLS undertook an expansion to its lorry fleet and warehouse floor space, and introduced open yards to boost its storage capacity. The expansion to the company's storage capacity was undertaken in line with the high demand for construction steel. During the year, the company also introduced container freight station services where this branch of services contributed RM619,000 towards total revenue.*

However, in 1998, the revenue decreased 21% to RM17.981 million as CLS was facing stiff competition in rates by other logistics and warehouse providers in response to the economic slowdown affecting the country. In November 1998, the Group streamlined its operations whereby lorry transportation operations are mainly undertaken by CHM. To minimise the slide in revenue for the year, the company has introduced distribution services where this division has contributed RM709,000 towards total revenue of the year. The improvement in the economy in the second half of the 1999 saw an increase in the revenue of 46% to RM26.299 million. However, net profit did not increase substantially as compared to 1998 due to stiff competition in rates from other logistics and warehouse providers during the year.

Revenue for the 9 month period to 30 September, 2000 amounted to RM22.938 million, an increase of 16% based on extrapolated amount. This is mainly attributed to the continued improvement of the economy flowing from 1999 into 2000 which enhanced the revenue generated from warehousing services by 42%. However, due to the stiff competition in rates from other logistics and warehouse providers, the profit before interest, depreciation and taxation ("PBIDTA") for CLS did not increase in line with the increase in revenue.

- (3) *The high net finance cost in 1998 was due to the significant increase in interest rates during the year.*
- (4) *The effective tax rate for financial years ended 31 December, 1995, 1997 and 1998 was higher than the statutory tax rate due to under provision of taxation in prior years and certain expenses were disallowed for taxation purposes. The effective tax rate in 1996 was the same as the statutory tax rate of 30% due to the transfer from deferred taxation of RM57,000. The taxation amount of RM1,000 in 1999 was due to under provision of taxation in prior years, as there was no tax charge in 1999 as the amount payable has been waived in accordance with the Income Tax (Amendment) Act, 1999.*

10. ACCOUNTANTS' REPORT (Cont'd)

4.2.3 CD

	3.2.1997 to 31.12.1997 RM'000	Year ended 31 December 1998 1999 RM'000 RM'000		1.1.2000 to 30.9.2000 RM'000
Revenue	3,444	4,578	4,420	9,423
Haulage charges	(1,672)	(1,600)	(1,425)	(508)
Container charges	(430)	(972)	(681)	(1,356)
Freight charges	(533)	(762)	(494)	(4,920)
Transportation charges	(145)	(237)	(262)	(1,216)
Staff costs	(224)	(250)	(172)	(373)
Other operating expenses	(308)	(598)	(1,157)	(650)
Profit before interest, depreciation and taxation	132	159	229	400
Net finance costs	-	(7)	(15)	(51)
Depreciation	(10)	(28)	(28)	(114)
Profit before taxation	122	124	186	235
Taxation	(32)	(47)	2	(81)
Profit after taxation	90	77	188	154
Weighted average number of ordinary shares in issue ('000)	225 ⁽¹⁾	300	300	300
Gross earnings per share (RM) ⁽²⁾	0.54	0.41	0.62	1.04 ⁽⁴⁾
Net earnings per share (RM) ⁽³⁾	0.40	0.26	0.63	0.68 ⁽⁴⁾
Gross dividend rate (%)	-	-	-	-

Notes:

- (1) Being the weighted average number of ordinary shares in issue after taking into account new allotment of shares during the period.
- (2) Based on the profit before taxation divided by the weighted average number of ordinary shares in issue.
- (3) Based on the profit after taxation divided by the weighted average number of ordinary shares in issue.
- (4) Annualised.

Commentary:

- (1) There are no extraordinary or exceptional items in the financial periods/years under review.
- (2) CD was incorporated on 3 February, 1997.

10. ACCOUNTANTS' REPORT (Cont'd)

- (3) In 1997, revenue for the period which amounted to RM3.444 million comprised mainly freight and forwarding services for export container cargo. In 1998, the revenue increased by 33% to RM4.578 million as a result of better marketing strategy by the company. However, in 1999, the revenue decreased by 3% due to the streamlining of principal activities of the subsidiaries within the Group. Prior to October 1999, the revenue of CD was derived from sea freight and forwarding services but from October 1999 onwards, its revenue was derived from the business of forwarding and transporting agents. By this streamlining in principal activities, the freight and forwarding services have been transferred to DFR.

Revenue for the 9 months to 30 September, 2000 amounted to RM9.423 million, an increase of 113% from 1999. This was attributed to the strong business relationship with one of the major customers which made CD the main distributor for its products. However, the PBIDTA remained low due to the competitive rates offered by the CD to this major customer.

- (4) The high amount in other operating expenses in 1999 was mainly due to the classification of expenses as its principal activities was streamlined during the year.
- (5) The effective tax rate for 1997 was lower than the statutory tax rate due to higher capital allowances utilised and no deferred tax was provided for during the period. The effective tax rate for 1998 was higher than statutory tax rate due to an adjustment for under provision of taxation in prior year. There was no tax charge for 1999 as the amount payable was waived in accordance with the Income Tax Act, 1999. In 1999, there was a reversal from taxation due to overprovision for taxation in prior years. In 2000, the effective tax rate for the period was higher than the statutory rate due to certain expenses being disallowed for taxation purposes.

4.2.4 CHM

	← Year ended 31 December →					1.1.2000 to
	1995	1996	1997	1998	1999	30.9.2000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	94	5	2	1,216	10,867	10,148
Other operating income	-	-	-	-	-	40
Transportation charges	(29)	-	-	(913)	(5,857)	(5,375)
Warehousing and storage charges	-	-	-	-	(373)	(371)
Staff costs	-	-	-	(56)	(1,327)	(1,431)
Other operating expenses	(4)	(5)	(4)	(182)	(995)	(751)
Profit/(loss) before interest, depreciation and taxation	61	-	(2)	65	2,315	2,260
Net finance costs	-	-	-	(1)	(279)	(294)
Depreciation	(55)	-	-	(1)	(339)	(461)
Profit/(loss) before taxation	6	-	(2)	63	1,697	1,505
Taxation	(4)	-	-	(13)	(26)	(489)
Profit/(loss) after taxation	2	-	(2)	50	1,671	1,016

10. ACCOUNTANTS' REPORT (Cont'd)

	Year ended 31 December					1.1.2000 to
	1995	1996	1997	1998	1999	30.9.2000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Weighted average number of ordinary shares in issue ('000)	50	50	50	50	50	50
Gross earnings/(loss) per share (RM) ⁽¹⁾	0.12	-	(0.04)	1.26	33.94	40.13 ⁽³⁾
Net earnings/(loss) per share (RM) ⁽²⁾	0.04	-	(0.04)	1.00	33.42	27.09 ⁽³⁾
Gross dividend rate (%)	-	-	-	-	-	-

Notes:

- (1) Based on the profit/(loss) before taxation divided by the weighted average number of ordinary shares in issue.
- (2) Based on the profit/(loss) after taxation divided by the weighted average number of ordinary shares in issue.
- (3) Annualised.

Commentary:

- (1) There are no extraordinary or exceptional items in all the financial years/period under review.
- (2) Revenue for 1995 of RM94,000 was derived from the operations of lorry transportation and also rental received from a director related company. In 1996, revenue decreased by 95% to RM5,000, as a result of temporary cessation of lorry transportation operations. The revenue for 1996 and 1997 were derived from rental received for its lorries to a director related company. During 1998, CHM was consolidated into the Group and the revenue increased to RM1.216 million as the Group's lorry transportation operations were mainly undertaken by CHM. In 1999, revenue increased by 794% to RM10.867 million as revenue generated from lorry transportation operations was for the whole financial year as compared with revenue generated from two (2) months of similar operations for the previous financial year. In view of the fact that the Group's lorry transportation operations have been mainly undertaken by CHM since November 1998, therefore CHM was able to operate under 'economics of scale' environment which significantly increased the PBIDTA of CHM in 1999. The operations of the Company continued to improve as noted in the increased revenue in the 9 months to 30 September, 2000.
- (3) The effective tax rate for 1995 was higher than the statutory tax rate as certain expenses were disallowed for taxation purposes. In 1998, the effective tax rate was lower than the statutory tax rate due to utilisation of business losses brought forward from previous years. There was no tax charge for 1999 as the amount payable has been waived in accordance with the Income Tax (Amendment) Act, 1999. However, CHM has made a deferred tax provision of RM26,000 in 1999. In 2000, the effective tax rate for the period was higher than the statutory rate due to certain expenses being disallowed for taxation purposes.

10. ACCOUNTANTS' REPORT (Cont'd)

4.2.5 SM

	← Year ended 31 December →					1.1.2000 to
	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>30.9.2000</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	3,811	6,110	4,792	3,384	3,860	3,299
Other operating income	-	209	1,984	2,001	31	-
Labour charges	(119)	(375)	(105)	(50)	(431)	(463)
Haulage charges	(914)	(857)	(1,111)	(667)	-	-
Transportation charges	-	(867)	(690)	(138)	(190)	(185)
Staff costs	(414)	(777)	(918)	(878)	(525)	(588)
Other operating expenses	(1,424)	(2,562)	(3,118)	(2,420)	(2,102)	(1,385)
Profit before interest, depreciation and taxation	940	881	834	1,232	643	678
Net finance costs	2	(430)	(677)	(949)	(263)	(206)
Depreciation	(66)	(167)	(245)	(248)	(210)	(200)
Profit/(loss) before taxation	876	284	(88)	35	170	272
Taxation	(271)	(158)	(42)	(49)	-	(75)
Profit/(loss) after taxation	605	126	(130)	(14)	170	197
Weighted average number of ordinary shares in issue ('000)	370 ⁽¹⁾	693 ⁽¹⁾	800	800	800	800
Gross earnings/(loss) per share (RM) ⁽²⁾	2.37	0.41	(0.11)	0.04	0.21	0.45 ⁽⁴⁾
Net earnings/(loss) per share (RM) ⁽³⁾	1.64	0.18	(0.61)	(0.02)	0.21	0.33 ⁽⁴⁾
Gross dividend rate (%)	-	-	-	-	-	-

Notes:

- (1) Being the weighted average number of ordinary shares in issue after taking into account new allotment of shares during the year.
- (2) Based on the profit/(loss) before taxation divided by the weighted average number of ordinary shares in issue.
- (3) Based on the profit/(loss) after taxation divided by the weighted average number of ordinary shares in issue.
- (4) Annualised.

10. ACCOUNTANTS' REPORT (Cont'd)

Commentary:

- (1) *There are no extraordinary or exceptional items in all the financial years/period under review.*
- (2) *Revenue for 1995 of RM3.811 million which was derived from warehousing services mainly comprise storage, handling and stuffing/unstuffing fees. The management has operated these warehouses with minimal staff and this has contributed a high net profit margin of 25%. In 1996, revenue increased by 60% to RM6.110 million as a result of more customers being serviced during the year. However, net profit margin dropped due to the significant increase in direct labour and staff costs of 116% and direct transportation costs of 100%. Revenue for 1997 decreased by 21% to RM4.792 million as a result of more competition faced by the company. During the year, one of SM's warehouses was damaged by fire and this has affected the total available floor space to let. Revenue in 1998 further decreased by 29% to RM3.384 million as a result of stiff competition in rates faced by the company and the economic downturn which has affected Malaysia. However, the net profit improved due to costs saving scheme implemented by SM to weather out the economic slowdown. In 1999, the revenue increased by 14% to RM3.860 million mainly due to the improvement of the economy in the second half of the year. Revenue for the 9 month period to 30 September, 2000 amounted to RM3.299 million, an increase of 14% based on extrapolated amount. This is mainly attributed to the continued improvement of the economy which increased the demand for bonded warehousing services.*
- (3) *Other income for 1996 is interest income derived from a loan to its subsidiary, SR. Other income for 1997 was contributed by consequential loss insurance claim of RM2.5 million which SM has recognised over 1997 and 1998 in equal proportions. The other major items within other income in 1997 were fire loss insurance claim of RM209,000 and interest income of RM502,000 derived from the loan to its subsidiary. Apart from the contribution of the consequential loss insurance claim of RM1.25 million in 1998, the other major item within other income was interest income of RM750,000 derived from the loan to its subsidiary.*
- (4) *Due to the streamlining of principal activities of the Group, SM ceased incurring haulage charges from 1999 onwards.*
- (5) *Labour charges consists of contract labour and casual wages. In 1999 and 2000, labour charges increased due to value added services provided (i.e. stuffing/unstuffing charges) to the customers of SM, and also due to more contract labour used as compared to salaried staff in 1999 and 2000.*
- (6) *The effective tax rate for 1996 was higher than the statutory tax rate as certain expenses were disallowed for taxation purposes. In 1997, SM has a taxable profit due to certain expenses being disallowed for taxation purposes. The effective tax rate for 1998 was substantially higher than the statutory tax rate as SM was subjected to interest restriction amounting to RM913,000 for the year. There was no tax charge for 1999 as the amount payable has been waived in accordance with the Income Tax (Amendment) Act, 1999.*

10. ACCOUNTANTS' REPORT (Cont'd)

4.2.6 SR

	← Year ended 31 December →					1.1.2000 to
	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	30.9.2000 RM'000
Revenue	516	523	470	998	755	479
Other operating expenses	(56)	(262)	(566)	(804)	(531)	(337)
Profit/(loss) before interest, depreciation and taxation	460	261	(96)	194	224	142
Net finance costs	(275)	(174)	4	-	5	-
Depreciation	(81)	(137)	-(¹)	(184)	(191)	(164)
Profit/(loss) before taxation	104	(50)	(92)	10	38	(22)
Taxation	(43)	(36)	(8)	48	-	(40)
Profit/(loss) after taxation	61	(86)	(100)	58	38	(62)
Weighted average number of ordinary shares in issue ('000)	400 ⁽²⁾	900	900	900	900	900
Gross earnings/(loss) per share (RM) ⁽³⁾	0.26	(0.06)	(0.10)	0.01	0.04	(0.03) ⁽⁵⁾
Net earnings/(loss) per share (RM) ⁽⁴⁾	0.15	(0.10)	(0.11)	0.06	0.04	(0.09) ⁽⁵⁾
Gross dividend rate (%)	-	-	-	-	-	-

Notes:

- (1) SR has revalued its land and building on 31 December, 1997 and reversed its depreciation charges for the year.
- (2) Being the weighted average number of ordinary shares in issue after taking into account new allotment of shares during the year.
- (3) Based on the profit/(loss) before taxation divided by the weighted average number of ordinary shares in issue.
- (4) Based on the profit/(loss) after taxation divided by the weighted average number of ordinary shares in issue.
- (5) Annualised.

10. ACCOUNTANTS' REPORT (Cont'd)*Commentary:*

- (1) There are no extraordinary or exceptional items in the financial years/period under review.
- (2) Revenue for 1995 to 2000 were mainly in relation to the rental of its land and warehouse to the customers of its holding company, fellow subsidiaries and a director related company. Revenue recorded in 1997 decreased by 10% to RM470,000 as one of its warehouses was damaged by fire. In 1998, revenue increased by 112% as the damaged warehouse was repaired. However, revenue for 1999 decreased by 24% from the previous year to RM755,000. This has been attributed to stiff rental competition faced by warehouse providers within the vicinity of SR's warehouse. The lower revenue generated in 2000 was also due to this stiff competition.
- (3) In 1996 to the 9 month period ended 30 September, 2000, operating expenses were mainly incurred for the servicing of interest on the loan from its holding company.
- (4) The net finance costs for 1995 and 1996 were mainly for the servicing of interests on the term loan which was repaid on 10 August, 1996.
- (5) The effective tax rate for 1995 was higher than the statutory tax rate due to certain expenses which were disallowed for taxation purposes. The tax expense for 1996 was due to a deferred tax provision made. Despite the loss in 1997, SR was in a taxable position due to certain expenses disallowed for taxation purposes. There was no tax charge for 1999 as the amount payable has been waived in accordance with the Income Tax (Amendment) Act, 1999.

4.2.7 CFS

	3.1.1996 to <u>31.12.1996</u> RM'000	Year ended 31 December			1.1.2000 to <u>30.9.2000</u> RM'000
		<u>1997</u> RM'000	<u>1998</u> RM'000	<u>1999</u> RM'000	
Revenue	1,216	5,260	3,751	2,951	8,299
Other operating income	-	-	8	3	-
Freight charges	-	(1,079)	(1,707)	(1,432)	(5,388)
Warehousing charges	-	(440)	(353)	-	-
Transportation charges	-	(852)	(160)	(62)	(131)
Staff costs	-	(974)	(619)	(379)	(327)
Other operating expenses	(1,584)	(1,597)	(574)	(759)	(1,963)
(Loss)/profit before interest, depreciation and taxation	(368)	318	346	322	490
Net finance costs	(5)	(173)	(109)	(26)	(26)
Depreciation	(26)	(102)	(91)	(62)	(71)
(Loss)/profit before taxation	(399)	43	146	234	393
Taxation	-	-	-	-	(140)
(Loss)/profit after taxation	(399)	43	146	234	253

10. ACCOUNTANTS' REPORT (Cont'd)

	3.1.1996	Year ended 31 December			1.1.2000
	to 31.12.1996	1997	1998	1999	to 30.9.2000
	RM'000	RM'000	RM'000	RM'000	RM'000
Weighted average number of ordinary shares in issue ('000)	58 ⁽¹⁾	100	350 ⁽¹⁾	600	600
Gross (loss)/earnings per share (RM) ⁽²⁾	(6.87)	0.43	0.42	0.39	0.87 ⁽⁴⁾
Net (loss)/earnings per share (RM) ⁽³⁾	(6.87)	0.43	0.42	0.39	0.56 ⁽⁴⁾
Gross dividend rate (%)	-	-	-	-	-

Notes:

- (1) Being the weighted average number of ordinary shares in issue after taking into account new allotment of shares during the period/year.
- (2) Based on the (loss)/profit before taxation divided by the weighted average number of ordinary shares in issue.
- (3) Based on the (loss)/profit after taxation divided by the weighted average number of ordinary shares in issue.
- (4) Annualised.

Commentary:

- (1) There are no extraordinary or exceptional items in the financial periods/years under review.
- (2) CFS was incorporated on 3 January, 1996.
- (3) Revenue for 1996 of RM1.216 million was mainly derived from warehousing services and air and sea freight services. For most of the period, CFS efforts were concentrated on the warehousing services. Towards the third quarter of the period, CFS moved into freight services which contributed better profit margin than the warehousing services which were subjected to high rental for the occupied warehouse. In 1997, revenue increased by 333% to RM5.260 million as a result of the concentration on freight services. The warehousing services were transferred to CLS as a result of the streamlining of principal activities of the subsidiaries within the Group. However, in 1998, revenue decreased by 29% to RM3.751 million as a result of the economic downturn which attributed to the substantially lower volume of freight services. In 1999, revenue further decreased by 21% to RM2.951 million as the air and sea freight services provided by the CLS faced stiff competition from other providers. Revenue for the 9 months to 30 September, 2000 amounted to RM8.299 million, a significant increase from 1999. This was attributed to strong business relationship with one of the major customers of CFS which made CFS the main distributor for its products. The revenue from seafreight services increased more than 600% due to management's strategy in concentrating in this area. However, the PBIDTA remained low due to the competitive rates offered by CFS to this major customer.
- (4) There was no tax charge for 1996 as the CFS was in a tax loss position. There was no tax charge for 1997 and 1998 due to tax savings from utilisation of unabsorbed business loss and unutilised capital allowances. There was no tax charge for 1999 as the amount payable has been waived in accordance with the Income Tax (Amendment) Act, 1999. The effective tax rate was higher in 2000 than the statutory tax rate due to certain expenses disallowed for taxation purposes.