
13. ACCOUNTANTS' REPORT

(Prepared for inclusion in the Prospectus)



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27 DEC 2004

The Board of Directors
Freight Management Holdings Bhd
Suite 13A-2
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1008 Jalan Sultan Ismail
50250 Kuala Lumpur
Malaysia

Dear Sirs,

Freight Management Holdings Bhd
Accountants' Report

1. INTRODUCTION

This report has been prepared by an approved company auditors for the purpose of inclusion in the Prospectus of Freight Management Holdings Bhd ("the Company" or "FMH") to be dated 31 Dec 2004 in connection with:-

- (a) the Public Issue of 37,219,240 ordinary shares of RM0.50 each in FMH at an issue price of RM0.65 per ordinary share; and
- (b) the listing of and quotation for the entire issued and fully paid-up share capital of FMH comprising 85,200,000 ordinary shares of RM0.50 each on the Second Board of the Bursa Malaysia Securities Berhad ("Bursa Securities").

2. GENERAL INFORMATION

- 2.1 FMH was incorporated in Malaysia on 20 March 1996 as a private limited liability company under the name Freight Management (Holdings) Sdn Bhd. On 8 April 2004, the Company changed its name from Freight Management (Holdings) Sdn Bhd to Freight Management Holdings Sdn Bhd and on 13 May 2004, it was converted into a public limited liability company and assumed its present name.
- 2.2 The Company is principally an investment holding company and provides management services to its subsidiary and associated companies. The principal activities of the subsidiary companies are described in section 2.3. There have been no significant changes in the principal activities of FMH and its subsidiary companies during the current financial year.

13. ACCOUNTANTS' REPORT (Cont'd)



2. GENERAL INFORMATION (Continued)

2.3 The subsidiary companies of FMH and associate of Freight Management (M) Sdn Bhd as at the date of this report and their principal activities are as follows:-

Name of company	Effective equity interest	Date of incorporation	Principal activities
<u>Subsidiaries</u>			
Freight Management (M) Sdn Bhd ("FMM")	100%	4 Jun 1982	Provision of freight services
Advance Logistar Sdn Bhd ("ALSB")	100%	15 Apr 1995	Provision of freight services
FM-Hellmann Worldwide Logistics Sdn Bhd ("FMHWL")	100%	18 Jun 1990	Provision of freight services
Citra Multimodal Services Sdn Bhd ("CMS")	100%	20 Oct 1992	Provision of freight services
Freight Management (Penang) Sdn Bhd ("FM(Penang)")	100%	11 Dec 1989	Provision of freight services
FM Worldwide Logistics (Penang) Sdn Bhd ("FMWL(Penang)")	100%	17 Jan 1994	Provision of freight services
Freight Management (Ipoh) Sdn Bhd ("FM(Ipoh)")	100%	3 Sep 1993	Provision of freight services
Perspektif Gemilang Sdn Bhd ("PGSB")	100%	20 Feb 1990	Property investment holding
Freight Management (Melaka) Sdn Bhd ("FM(Melaka)")	100%	20 Jan 1997	Provision of freight services
Icon Line (Malaysia) Sdn Bhd ("ILSB")	100%	19 Aug 1994	Dormant
<u>Associate</u>			
FM Distribution Sdn Bhd ("FMD")	49%	5 July 1985	Provision of warehouse services

13. ACCOUNTANTS' REPORT (Cont'd)



3. SHARE CAPITAL

The Company was incorporated in Malaysia under the Companies Act, 1965 on 20 March 1996 as a private limited liability company with an authorised share capital of RM100,000 comprising 100,000 ordinary shares of RM1.00 each. On 26 November 2004, the Company existing authorised ordinary share of RM1 each had been sub-divided into two ordinary share of RM0.50 each and the authorised share capital of the Company was increased from RM100,000 divided into 200,000 ordinary share of RM0.50 each to RM100,000,000 divided into 200,000,000 of RM0.50 each by creation of an additional 199,800,000 ordinary share of RM0.50 each.

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

Date of allotment	No. of ordinary shares issued	Par value (RM)	Consideration	Cumulative total issued and fully paid-up share capital (RM)
20.03.1996	3	1.00	Subscribers' shares at the date of incorporation	3
26.11.2004	-	0.50	Sub-division of 3 ordinary shares of RM1.00 each to 6 ordinary shares of RM0.50 each	3
30.11.2004	35,549,566	0.50	Consideration for acquisitions of shares in subsidiary companies	17,774,786
1.12.2004	3,562,078	0.50	Consideration for acquisitions of the remaining shares in subsidiary companies	19,555,825
2.12.2004	8,869,110	0.50	Consideration for capitalisation of advances	23,990,380

4. DIVIDENDS

Except as disclosed below, FMH and its subsidiary companies ("FM Group") have not paid or declared any dividends for the financial years under review.

In respect of the financial year ended 30 June 2004:-FMM

The directors proposed a;

- (i) final tax exempt dividend on ordinary shares of RM0.0675 per share, amounting to RM135,000 in respect of the financial year ended 30 June 2004 subject to the approval of the members at the forthcoming Annual General Meeting.

13. ACCOUNTANTS' REPORT (Cont'd)



4. DIVIDENDS (continues)

- (ii) final gross dividend on ordinary share of RM0.6825 per share, less tax, amounting to RM982,800 in respect of the financial year ended 30 June 2004 subject to the approval of members at the forthcoming Annual General Meeting.

The recommendation of final dividend have been approved by the members subsequent to the balance sheet date and these dividends be paid on 22 November 2004.

FM(Penang)

The directors proposed a;

- (i) final tax exempt dividend on ordinary shares of RM0.168 per share, amounting to RM84,000 in respect of the financial year ended 30 June 2004 subject to the approval of the members at the forthcoming Annual General Meeting.
- (ii) final gross dividend on ordinary share of RM0.832 per share, less tax, amounting to RM299,520 in respect of the financial year ended 30 June 2004 subject to the approval of members at the forthcoming Annual General Meeting.

The recommendation of final dividend have been approved by the members subsequent to the balance sheet date and these dividends be paid on 22 November 2004.

In respect of the financial year ended 30 June 2003:-

	RM
<u>CMS</u>	
A final dividend of RM0.80 per share less tax, was paid on 27 December 2002	144,000

	RM
<u>FM(Ipoh)</u>	
A final dividend of RM1.67 per share less tax, was paid on 9 December 2002	360,000

In respect of the financial year ended 30 June 2001:-

	RM
<u>FMM</u>	
A first interim dividend of 44.50 sen per share, tax exempt was paid on 29 June 2001	890,000
A second interim dividend of 78.00 sen per share less tax, was paid on 29 June 2001	1,123,200
	2,013,200

13. ACCOUNTANTS' REPORT (Cont'd)

**5. PROPOSED LISTING AND QUOTATION**

In conjunction with the proposed listing of and quotation for the entire issued and fully paid-up share capital of the Company on the Second Board of the Bursa Securities, the Company had undertaken the followings:-

5.1 Share Split

Every existing one (1) ordinary share of RM1.00 each held in FMH had been sub-divided into two (2) new ordinary shares of RM0.50 each in FMH.

5.2 Acquisition**a) Acquisition of FMM**

FMH acquired the entire issued and paid up share capital of FMM comprising 2,000,000 ordinary shares of RM1.00 each for a purchase consideration of RM17,774,783 satisfied by the issuance of 35,549,566 new Shares at par.

b) Acquisition of Icon Line (Malaysia) Sdn Bhd

FMH acquired the entire issued and paid up share capital of ILSB comprising 40,000 ordinary share of RM1.00 each for a cash consideration of RM1.

5.3 Acquisition from Minority Shareholders

FMH acquired the remaining equity interest in the subsidiaries of FMM, namely ALSB, FM(Ipoh), FM(Penang), and FMHWL, not held by FMM from the minority shareholders for a total consideration of RM1,781,039 satisfied by the issuance of 3,562,078 new Shares at par.

5.4 Transfers**a) Transfer of FMWL(Penang)**

FM(Penang) transferred its entire equity interest in FMWL(Penang) to FMM comprising 75,000 ordinary share of RM1.00 each in FMWL(Penang), representing 30% of the issued and paid up share capital, for a total cash consideration of RM165,660.

b) Transfer of Equity Interest

Upon the completion of the transfer of FMWL(Penang), FMM transferred its entire equity interest in its subsidiaries, namely ALSB, CMS, FM(Ipoh), FM(Melaka), FM(Penang), FMHWL, FMWL(Penang) and PGSB to FMH for a total cash consideration of RM9,300,094.

13. ACCOUNTANTS' REPORT (Cont'd)



5. PROPOSED LISTING AND QUOTATION (Continued)

5.5 Capitalisation of Advances

FMH capitalized an aggregate of RM4,434,555 debts owing to directors in FMM by issuance of 8,869,110 new ordinary share of RM0.50 each of FMH at par.

5.6 Public Issue

The Public Issue of 37,219,240 ordinary shares of RM0.50 each at an issue price of RM0.65 per ordinary share.

5.7 Listing on the Second Board of the Bursa Securities

Upon completion of the Public Issue, the Company will seek a listing of and quotation for the entire enlarged issued and fully paid-up share capital of the Company comprising 85,200,000 ordinary shares of RM0.50 each on the Second Board of the Bursa Securities.

6. FINANCIAL STATEMENTS AND AUDITORS

The financial statements of FM Proforma Group for the financial years ended 30 June 2000 to 30 June 2004 were audited by BDO Binder and Yap Pow Kong & Co (only in respect of FMH for the financial year ended 30 June 2000 to 30 June 2003). These financial statements were not subject to any audit qualification.

13. ACCOUNTANTS' REPORT (Cont'd)

**7. SIGNIFICANT ACCOUNTING POLICIES****7.1 Basis of accounting**

The financial statements of the Proforma Group and of the Company have been prepared under the historical cost convention unless otherwise indicated in the significant accounting policies.

The preparation of financial statements in conformity with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

7.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiary companies made up to the end of the financial period using the acquisition method of accounting.

The difference between the purchase price and the fair value of the net assets of subsidiary companies at the date of acquisition is treated as goodwill or reserve on consolidation. Goodwill on consolidation is stated at cost less impairment losses, if any. The results of the subsidiary companies acquired or disposed of during the financial period are included in the consolidated financial statements from the date of their acquisition or up to the date of their disposal.

Inter-company transactions and balances are eliminated on consolidation and the consolidated financial statements reflect external transactions only.

Minority interest is measured at the minorities' share of the post-acquisition fair values of the identifiable assets and liabilities of the acquiree.

7.3 Investments**(i) Subsidiary companies**

A subsidiary company is a company in which a Proforma Group has power to exercise control over the financial and operating policies so as to obtain benefits from its activities.

Investments in subsidiary companies which are eliminated on consolidation are stated at cost less impairment losses, if any.

(ii) Associated companies

An associated company is a company in which the Proforma Group and the Company have a long term equity interest of between 20% to 50% and where the Proforma Group and the Company is in a position to exercise significant influence over the financial and operating policies of the investee company.

13. ACCOUNTANTS' REPORT (Cont'd)



7.3 Investments (continued)

(ii) Associated companies (continued)

The Company's investment in associated companies is stated at cost less impairment losses, if any.

Investment in associated companies are accounted for in the consolidated financial statements using the equity method of accounting. The Group's interests in associated companies are stated at cost plus adjustments to reflect changes in the Proforma Group's share of net assets in the associated companies.

Goodwill or negative goodwill arising on acquisition represents the difference between the cost of investment and the Proforma Group's share of the value of net assets of the associated companies at the date of acquisition.

Goodwill on acquisition is stated at cost less impairment losses, if any. Negative goodwill arising on acquisition is not recognized as income.

The Group's share of results and reserves less losses in the associated companies acquired or disposed of is included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal.

(iii) Other investments

Investment in shares, bonds and debentures held as long term investments are stated at cost unless in the opinion of the Directors there is a decline other than temporary in the value of such investments. Such decline is recognised as an expense in the period in which the decline is identified.

Short term investments are stated at the lower of cost and market value on a portfolio basis.

7.4 Property, plant and equipment and depreciation

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

Freehold land is not depreciated. Long leasehold land is amortised over the terms of the respective lease period of 98 years and 99 years. Depreciation on other property, plant and equipment is calculated to write off the costs of the assets on a straight line basis over their estimated useful lives. The principal annual depreciation rates are as follows:-

Buildings	2%
Machinery, furniture and fittings	10% - 20%
Office equipment	10% - 20%
Renovation	10% - 20%
Motor vehicles	20%
Forklifts	20%
Storage containers	10%

13. ACCOUNTANTS' REPORT (Cont'd)

**7.5 Impairment of assets**

The carrying amounts of the Proforma Group's and the Company's assets, other than financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss is recognised whenever the recoverable amount is less than the carrying amount of the asset.

The impairment loss is recognised in the income statement immediately except for the impairment on a revalued asset where the impairment loss is recognised directly against the revaluation reserve account to the extent of the surplus credited from the previous revaluation for the same asset with the excess of the impairment loss charged to the income statement.

All reversals of an impairment loss are recognised as income immediately in the income statement.

The impairment loss in respect of goodwill is not reversed unless the loss was 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 specific event. In respect of other assets, an impairment loss is reversed if there has been a change in estimates 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.

7.6 Receivables

Receivables are carried at anticipated realisable value. Known bad debts are written off and specific allowance is made for debts considered to be doubtful of collection.

7.7 Assets acquired under hire purchase and lease agreements

Assets acquired under hire purchase and lease arrangements which transfer substantially all the risks and rewards of ownership to the Proforma Group and the Company are capitalised as property, plant and equipment and the corresponding obligations are treated as liabilities. The property, plant and equipment capitalised are depreciated on the same basis as owned assets.

Finance charges are allocated to the income statement over the period of the agreements to give a constant periodic rate of charge on the remaining hire purchase and lease liabilities.

Rentals under operating leases are charged to the income statement on a straight line basis over the lease term.

13. ACCOUNTANTS' REPORT (Cont'd)

**7.8 Provisions**

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

7.9 Payables

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

7.10 Income tax

Income tax in the financial statements for the financial year comprises current tax expense and deferred tax.

7.10.1 Current tax expense

Current tax expense includes all domestic taxes which are based on taxable profits.

7.10.2 Deferred tax

Deferred tax, which includes deferred tax liabilities and assets, is provided for under the liability method at the current tax rate in respect of all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base including unused tax losses and capital allowances.

A deferred tax asset is recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. The carrying amount of a deferred tax asset is reviewed at each balance sheet date. If it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profit will be available, such reductions will be reversed to the extent of the taxable profit.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

13. ACCOUNTANTS' REPORT (Cont'd)



7.11 Foreign currency transactions and translations

(a) Transactions and balances in foreign currencies

Transactions in foreign currencies are converted into Ringgit Malaysia at the rates of exchange ruling on transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Ringgit Malaysia at the approximate rates of exchange at the balance sheet date.

All gains or losses from currency transactions and from translating foreign monetary assets and liabilities are taken up in the income statement.

(b) Principal closing rates

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

	2004
1 US Dollar (USD)	3.800
1 Euro (EUR)	4.625
1 Hong Kong Dollar (HKD)	0.487
1 Pound Sterling (GBP)	6.944
1 Australian Dollar (AUD)	2.661

7.12 Revenue recognition

Revenue represents the invoiced value of services rendered.

Revenue from rendering of services is recognised in the income statement based on completion of jobs.

Rental income is recognised on an accrual basis unless collectibility is in doubt.

Dividends are recognised when the shareholder's right to receive payment is established.

7.13 Cash and cash equivalents

Cash and cash equivalents include cash and bank balances, bank overdrafts, deposits and other short-term, highly liquid investments which are readily convertible to cash and which are subject to insignificant risk of changes in value.

13. ACCOUNTANTS' REPORT (Cont'd)

**7.14 Employee benefits****7.14.1 Short term employee benefits**

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are recognised as an expense in the financial period when employees have rendered their services to the Group.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when there is a reliable estimate can be made of the amount of the obligation.

7.14.2 Defined contribution plans

The Company and subsidiary companies incorporated in Malaysia make contributions to statutory provident fund and recognise the contribution payable after deducting contributions already paid as a liability and as an expense in the financial period in which the employees render their services.

7.15 Financial instruments**7.15.1 Financial instruments recognised on the balance sheets****(a) Ordinary shares**

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Cost incurred directly attributable to the issuance of shares are accounted for as a deduction from share premium. Otherwise they are charged to the income statement.

(b) Other borrowings

Other interest bearing borrowings are recorded at the amount of proceeds received, net of transaction cost.

(c) Other financial instruments

The accounting policies for other financial instruments recognised on the balance sheet are disclosed in the individual policy associated with each item.

7.15.2 Financial instruments not recognised on the balance sheets

There were no financial instruments not recognised on the balance sheets.

13. ACCOUNTANTS' REPORT (Cont'd)



7.16 Borrowing costs

Interest, dividends, losses and gains relating to a financial instrument, or a component part classified as a financial liability is reported as finance cost in the income statement.

8. SUMMARY OF RESULTS

8.1 Proforma Group

The summarised Proforma Group's results for the financial years ended from 30 June 2000 to 30 June 2004 are set out below. It is for illustration purposes only and has been prepared on the basis as stated in section 8.1.2 and 8.1.3.

	Financial years ended 30 June				
	2000 RM	2001 RM	2002 RM	2003 RM	2004 RM
Revenue	104,390,409	107,739,987	105,636,623	111,142,118	119,490,609
Profit before depreciation, interest and tax	5,788,604	7,757,311	6,334,872	9,047,358	9,914,907
Depreciation	(1,538,855)	(1,766,465)	(1,512,218)	(1,312,055)	(1,455,286)
Interest expense	(435,950)	(355,072)	(536,616)	(484,733)	(308,970)
Profit before share of associate results and tax	3,813,799	5,635,774	4,286,038	7,250,570	8,150,651
Share of associates profit / (loss)	54,162	47,240	(97,327)	50,764	15,491
Profit before tax	3,867,961	5,683,014	4,188,711	7,301,334	8,166,142
Tax expense	(1,505,702)	(1,529,897)	(2,118,246)	(2,171,750)	(2,346,772)
Profit after tax	2,362,259	4,153,117	2,070,465	5,129,584	5,819,370
Number of ordinary shares assumed in issue	47,980,760	47,980,760	47,980,760	47,980,760	47,980,760
Gross earnings per share (RM)	0.08	0.12	0.09	0.15	0.17
Net earnings per share (RM)	0.05	0.09	0.04	0.11	0.12

13. ACCOUNTANTS' REPORT (Cont'd)

**Notes to the summary of results**

- 8.1.1 The Proforma consolidated results for the financial year ended 30 June 2000 to 2004 have been prepared for illustration purposes after such adjustments considered necessary on the audited financial statements of FMH and the audited consolidated financial statements of FMM and its subsidiary companies and assuming that the FM Group has been in existence throughout the financial years under review.
- 8.1.2 FMH's equity interest in the subsidiary and associated companies for the Proforma consolidated results for the financial year 30 June 2000 to 2004 are assumed as follows:

Name of subsidiary companies	Effective Equity Interest
FMM	100%
ALSB	100%
FMHWL	100%
CMS	100%
FM(Penang)	100%
FMWL(Penang)	100%
FM(Ipoh)	100%
PGSB	100%
FM(Melaka)	100%
ILSB	100%
Name of associated company	
FMD	49%

- 8.1.3 As part of the Group rationalization, the following subsidiary companies had been disposed off and liquidated. However, the results of these subsidiary companies have not been excluded from the Proforma FM Group results as these subsidiary companies freight services were substantially absorbed by the Group subsequent to their disposal and liquidation.

Name of subsidiary companies	Date of disposal or liquidation
FM Roadways Sdn Bhd	23 December 2003
Vanguard Logistics (M) Sdn Bhd	23 December 2003
Uniexco (Malaysia) Sdn Bhd	23 December 2003
Visual Software (M) Sdn Bhd	23 December 2003
FM Logistics Sdn Bhd (voluntary liquidation)	7 September 2001
Haba-Sped Logistics Sdn Bhd	31 December 2002
Cargo Distribution Centre Sdn Bhd (voluntary liquidation)	29 August 2001

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**Notes to the summary of results (continued)**

- 8.1.4 For the financial year ended 30 June 2000, the Proforma Group revenue increased by RM26.9 million or approximately 35 % compared to the previous financial year. This was mainly due to higher contribution from its sea freight services and the inauguration of its rail freight services between Port Klang and Lat Krabang, Bangkok. The growth from the two main service lines also contributed directly to the growth of its supporting services (such as custom brokerage).

For the financial year ended 30 June 2001, revenue grew by RM3.4 million or approximately 3% compared to the previous financial year. The increase was primarily attributable to the improvement in rail freight services which registered an increase of RM6.4 million representing a 84.5% increase compared to the financial year 2000.

The Proforma Group revenue for the financial year 2002 recorded a marginal decreased in revenue by approximately 2% compared to the previous year. This is due to a marginal decline in the sea and air freight services segment. However, the said decrease was partially mitigated by an increase in revenue contribution from rail freight services.

The Proforma Group revenue in 2003 increased at about 5% compared to financial year 2002 mainly due to the general improvement across all segments of the Group's operations (with the exception of its air freight services).

For the financial year 2004, the Proforma Group recorded an increase in revenue of RM8.3 million compared to the financial year 2003, mainly contributed by the increase in sea freight and air freight services. The growth in the two main services lines also contributed directly to the growth of its supporting services.

- 8.1.5 Profit before taxation for the financial year 30 June 2000 increased by RM1.9 million due to the improvement in revenue, decrease in interest expenses and higher contribution from its associated company.

For the financial year ended 30 June 2001, the Proforma Group profit before taxation improved by RM 1.8 million compared to the previous financial year mainly due to the improvement in revenue and higher contribution from Group's LCL consolidation business and customs brokerage services which had higher gross profit margin.

The Proforma Group profit before taxation for the financial year 2002 decreased by RM1.5 million mainly due to the marginal decline in revenue, increase in interest expenses and share of losses of associated company.

The Proforma Group profit before taxation for the financial year 2003 improved by RM3.1 million mainly due to the improvement in revenue and higher load factor in respect of its rail freight services which improved its gross profit margin.

For the financial year ended 2004, the Proforma Group profit before taxation improved slightly by RM0.8 million mainly due to the improvement in revenue and its continued efforts to maintain its operating and administration costs despite an increase in the volume of business activities.

13. ACCOUNTANTS' REPORT (Cont'd)



Notes to the summary of results (continued)

8.1.6 During the financial year 2000 and 2002, the effective tax rate was higher than the statutory tax rate mainly due to lease rental which was disallowed for taxation purposes.

The effective tax rate for the financial year 2001, 2003 and 2004 approximates the statutory tax rate.

8.1.7 There were no extraordinary items or exceptional items in the financial years under review.

8.1.8 The gross and net earning per share are computed on the profit before taxation and profit after taxation over the number of ordinary shares assumed in issue of 47,980,760 ordinary share of RM0.50each of the Company after completion of shares split, acquisitions of FMM and ILSB, acquisition from minority shareholders, transfer of FMWL(Penang), transfer of equity interest in subsidiary company to FMH and capitalization of advances but before the public issue.

8.1.9 There were no minority interests in the financial years under review.

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8.2 Freight Management Holdings Bhd

The summarised results of Freight Management Holdings Bhd based on the audited financial statements for the financial years ended from 30 June 2000 to 2004 are set out below :-

	Financial year ended 30 June				
	2000 RM	2001 RM	2002 RM	2003 RM	2004 RM
Revenue	-	-	-	-	-
Loss before depreciation, interest and tax	-	(1,868)	(1,631)	(1,675)	(3,076)
Depreciation	-	-	-	-	-
Interest expense	-	-	-	-	-
Loss before tax	-	(1,868)	(1,631)	(1,675)	(3,076)
Tax expense	-	-	-	-	-
Loss after tax	-	(1,868)	(1,631)	(1,675)	(3,076)
Number of ordinary shares in issue	3	3	3	3	3
Gross loss per share (RM)	-	(623)	(544)	(558)	(1,025)
Net earnings per share (RM)	-	(623)	(544)	(558)	(1,025)

Note:

- (i) *Gross and net earning per share are computed based on the number of shares in issue.*
- (ii) *There were no extraordinary items or exceptional items during the financial years under review.*

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8.3 Freight Management (M) Sdn Bhd

The summarised results of Freight Management (M) Sdn Bhd based on the audited financial statements for the financial years ended 30 June 2000 to 2004 are set out below :-

	Financial year ended 30 June				
	2000 RM	2001 RM	2002 RM	2003 RM	2004 RM
Revenue	52,715,542	54,035,438	55,084,847	61,074,933	64,421,085
Profit before depreciation, interest and tax	2,237,446	4,220,876	3,092,212	5,524,210	5,132,522
Depreciation	(798,576)	(974,118)	(899,442)	(708,491)	(783,653)
Interest expense	(280,833)	(210,682)	(325,281)	(312,588)	(165,870)
Profit before tax	1,158,037	3,036,076	1,867,489	4,503,131	4,182,999
Tax expense	(523,800)	(864,200)	(1,011,521)	(1,357,793)	(1,366,095)
Profit after tax	634,237	2,171,876	855,968	3,145,338	2,816,904
Number of ordinary shares in issue	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Gross earnings per share (RM)	0.58	1.52	0.93	2.25	2.09
Net earnings per share (RM)	0.32	1.09	0.43	1.57	1.41

Note:

- (i) Gross and net earning per share are computed based on the number of shares in issue.
- (ii) There were no extraordinary items or exceptional items during the financial years under review.
- (iii) Tax expense has been adjusted for any under or overprovision where relevant.

13. ACCOUNTANTS' REPORT (Cont'd)



8.4 Advance Logistar Sdn Bhd

The summarised results of Advance Logistar Sdn Bhd based on the audited financial statements for the financial years ended from 30 June 2000 to 2004 are set out below :-

	Financial year ended 30 June				
	2000 RM	2001 RM	2002 RM	2003 RM	2004 RM
Revenue	7,496,685	8,315,957	8,557,376	10,016,426	10,948,527
Profit before depreciation, interest and tax	220,133	197,033	232,236	412,929	392,447
Depreciation	(49,082)	(69,489)	(62,521)	(63,930)	(81,426)
Interest expense	(36,462)	(51,619)	(33,303)	(33,850)	(16,215)
Profit before tax	134,589	75,925	136,412	315,149	294,806
Tax expense	(38,300)	(20,000)	(35,446)	(111,429)	(67,000)
Profit after tax	96,289	55,925	100,966	203,720	227,806
Number of ordinary shares in issue	200,000	200,000	200,000	200,000	200,000
Gross earnings per share (RM)	0.67	0.38	0.68	1.58	1.47
Net earnings per share (RM)	0.48	0.28	0.50	1.02	1.14

Note:

- (i) *Gross and net earning per share are computed based on the number of shares in issue.*
- (ii) *There were no extraordinary items or exceptional items during the financial years under review.*
- (iii) *Tax expense has been adjusted for any under or overprovision where relevant.*

13. ACCOUNTANTS' REPORT (Cont'd)



8.5 FM-Hellmann Worldwide Logistics Sdn Bhd

The summarised results of FM-Hellmann Worldwide Logistics Sdn Bhd based on the audited financial statements for the financial years ended from 30 June 2000 to 2004 are set out below :-

	Financial year ended 30 June				
	2000 RM	2001 RM	2002 RM	2003 RM	2004 RM
Revenue	19,639,960	19,814,054	18,206,025	14,240,789	16,082,019
Profit before depreciation, interest and tax	1,191,876	731,659	579,606	1,024,709	897,416
Depreciation	(181,216)	(186,664)	(157,682)	(148,498)	(169,587)
Interest expense	(55,785)	(55,348)	(28,423)	(27,274)	(36,694)
Profit before tax	954,875	489,647	393,501	848,937	691,135
Tax expense	(260,928)	(192,036)	(177,353)	(268,000)	(159,842)
Profit after tax	693,947	297,611	216,148	580,937	531,293
Number of ordinary shares in issue	250,000	250,000	250,000	1,000,000	1,000,000
Adjusted number of ordinary shares in issue	250,000	250,000	1,000,000	1,000,000	1,000,000
Gross earnings per share (RM)	3.82	1.96	0.39	0.85	0.69
Net earnings per share (RM)	2.78	1.19	0.22	0.58	0.53

Note:

- (i) Gross and net earning per share are computed based on the adjusted number of shares in issue.
- (ii) There were no extraordinary items or exceptional items during the financial years under review.
- (iii) Tax expense has been adjusted for any under or overprovision where relevant.

13. ACCOUNTANTS' REPORT (Cont'd)



8.6 Citra Multimodal Services Sdn Bhd

The summarised results of Citra Multimodal Services Sdn Bhd based on the audited financial statements for the financial years ended from 30 June 2000 to 2004, are set out below :-

	Financial year ended 30 June				
	2000 RM	2001 RM	2002 RM	2003 RM	2004 RM
Revenue	7,863,433	9,329,099	11,163,244	9,804,873	8,146,861
Profit before depreciation, interest and tax	249,441	120,690	224,197	(12,195)	(195,170)
Depreciation	(27,619)	(27,589)	(34,868)	(32,660)	(42,694)
Interest expense	(879)	(3,360)	(4,158)	(41,610)	(38,227)
Profit/(Loss) before tax	220,943	89,741	185,171	(86,465)	(276,091)
Tax expense	(9,704)	(25,611)	(53,160)	-	-
Profit/(Loss) after tax	211,239	64,130	132,011	(86,465)	(276,091)
Number of ordinary shares in issue	50,002	250,000	250,000	250,000	250,000
Weighted average number of ordinary shares in issue	50,002	216,667	250,000	250,000	250,000
Gross earnings/(loss) per share (RM)	4.42	0.41	0.74	(0.35)	(1.11)
Net earnings/(loss) per share (RM)	4.22	0.30	0.53	(0.35)	(1.11)

Note:

- (i) Gross and net earning per share are computed based on the weighted average number of shares in issue.
- (ii) There were no extraordinary items or exceptional items during the financial years under review.
- (iii) Tax expense has been adjusted for any under or overprovision where relevant.

13. ACCOUNTANTS' REPORT (Cont'd)



8.7 Freight Management (Penang) Sdn Bhd

The summarised results of Freight Management (Penang) Sdn Bhd based on the audited financial statements for the financial years ended 30 June 2000 to 2004 are set out below :-

	Financial year ended 30 June				
	2000 RM	2001 RM	2002 RM	2003 RM	2004 RM
Revenue	10,805,196	12,382,557	12,442,768	15,488,345	17,619,959
Profit before depreciation, interest and tax	349,492	776,304	748,855	1,541,248	1,929,356
Depreciation	(100,929)	(127,176)	(157,331)	(171,365)	(204,578)
Interest expense	(21,620)	(19,881)	(11,781)	(13,875)	(16,291)
Profit before tax	226,943	629,247	579,743	1,356,008	1,708,487
Tax expense	(74,300)	(170,404)	(178,265)	(383,563)	(471,636)
Profit after tax	152,643	458,843	401,478	972,445	1,236,851
Number of ordinary shares in issue	150,000	250,000	250,000	500,000	500,000
Adjusted number of ordinary shares in issue	250,000	250,000	500,000	500,000	500,000
Gross earnings per share (RM)	0.91	2.52	1.16	2.71	3.42
Net earnings per share (RM)	0.61	1.84	0.80	1.94	2.47

Note:

- (i) *Gross and net earning per share are computed based on the adjusted number of shares in issue.*
- (ii) *There were no extraordinary items or exceptional items during the financial years under review.*
- (iii) *Tax expense has been adjusted for any under or overprovision where relevant.*

13. ACCOUNTANTS' REPORT (Cont'd)



8.8 FM Worldwide Logistics (Penang) Sdn Bhd

The summarised results of FM Worldwide Logistics (Penang) Sdn Bhd based on the audited financial statements for the financial years ended from 30 June 2000 to 2004 are set out below :-

	← Financial year ended 30 June →				
	2000 RM	2001 RM	2002 RM	2003 RM	2004 RM
Revenue	1,432,811	1,093,637	1,346,071	1,448,972	2,634,326
Profit/(Loss) before depreciation, interest and tax	117,806	(46,777)	27,720	24,843	125,407
Depreciation	(1,564)	(4,027)	(5,355)	(10,248)	(13,173)
Interest expense	-	-	-	-	-
Profit/(Loss) before tax	116,242	(50,804)	22,365	14,595	112,234
Tax expense	(32,280)	2,110	(1,083)	183	(22,000)
Profit/(Loss) after tax	83,962	(48,694)	21,282	14,778	90,234
Number of ordinary shares in issue	250,000	250,000	250,000	250,000	250,000
Gross earnings/(loss) per share (RM)	0.46	(0.20)	0.09	0.06	0.45
Net earnings/(loss) per share (RM)	0.34	(0.20)	0.08	0.06	0.36

Note:

- (i) *Gross and net earning per share are computed based on the number of shares in issue.*
- (ii) *There were no extraordinary items or exceptional items during the financial years under review.*
- (iii) *Tax expense has been adjusted for any under or overprovision where relevant.*

13. ACCOUNTANTS' REPORT (Cont'd)



8.9 Freight Management (Ipoh) Sdn Bhd

The summarised results of Freight Management (Ipoh) Sdn Bhd based on the audited financial statements for the financial years ended from 30 June 2000 to 2004 are set out below :-

	← Financial year ended 30 June →				
	2000 RM	2001 RM	2002 RM	2003 RM	2004 RM
Revenue	5,300,814	6,636,563	5,018,050	6,582,705	8,245,524
Profit before depreciation, interest and tax	158,293	471,399	419,707	639,729	631,167
Depreciation	(33,131)	(32,334)	(26,103)	(24,912)	(31,886)
Interest expense	(5,861)	(7,390)	(8,854)	(5,601)	(8,436)
Profit before tax	119,301	431,675	384,750	609,216	590,845
Tax expense	(36,500)	(147,466)	(90,432)	(161,148)	(123,199)
Profit after tax	82,801	284,209	294,318	448,068	467,646
Number of ordinary shares in issue	300,000	300,000	300,000	300,000	300,000
Gross earnings per share (RM)	0.40	1.44	1.28	2.03	1.97
Net earnings per share (RM)	0.28	0.95	0.98	1.49	1.56

Note:

- (i) Gross and net earning per share are computed based on the number of shares in issue.
- (ii) There were no extraordinary items or exceptional items during the financial years under review.
- (iii) Tax expense has been adjusted for any under or overprovision where relevant.

13. ACCOUNTANTS' REPORT (Cont'd)



8.10 Perspektif Gemilang Sdn Bhd

The summarised results of Perspektif Gemilang Sdn Bhd based on the audited financial statements for the financial years ended from 30 June 2000 to 2004 are set out below :-

	← Financial year ended 30 June →				
	2000 RM	2001 RM	2002 RM	2003 RM	2004 RM
Revenue	1,020,000	720,000	720,000	720,000	720,000
Profit before depreciation, interest and tax	727,356	553,777	569,321	570,975	579,072
Depreciation	(153,373)	(153,760)	(154,146)	(141,170)	(120,897)
Interest expense	(61,774)	(8,035)	(140,902)	(61,748)	(31,337)
Profit before tax	512,209	391,982	274,273	368,057	426,838
Tax expense	(149,871)	(154,000)	(80,000)	(105,000)	(122,000)
Profit after tax	362,338	237,982	194,273	263,057	304,838
Number of ordinary shares in issue	250,000	250,000	250,000	250,000	250,000
Gross earnings per share (RM)	2.05	1.57	1.10	1.47	1.71
Net earnings per share (RM)	1.45	0.95	0.78	1.05	1.22

Note:

- (i) *Gross and net earning per share are computed based on the number of shares in issue.*
- (ii) *There were no extraordinary items or exceptional items during the financial years under review.*
- (iii) *Tax expense has been adjusted for any under or overprovision where relevant.*

13. ACCOUNTANTS' REPORT (Cont'd)



8.11 Freight Management (Melaka) Sdn Bhd

The summarised results of Freight Management (Melaka) Sdn Bhd based on the audited financial statements for the financial years ended from 30 June 2000 to 2004 are set out below :-

	Financial year ended 30 June				
	2000 RM	2001 RM	2002 RM	2003 RM	2004 RM
Revenue	1,436,172	2,138,161	2,572,285	1,937,024	2,920,764
Profit before depreciation, interest and tax	35,113	80,243	110,566	76,795	75,198
Depreciation	(7,142)	(8,031)	(7,348)	(4,885)	(6,358)
Interest expense	(1,323)	(1,498)	-	-	-
Profit before tax	26,648	70,714	103,218	71,910	68,840
Tax expense	(5,994)	(22,217)	(31,727)	(15,700)	(15,000)
Profit after tax	20,654	48,497	71,491	56,210	53,840
Number of ordinary shares in issue	10,000	100,000	100,000	100,000	100,000
Weighted average number of ordinary shares in issue	50,000	91,667	100,000	100,000	100,000
Gross earnings per share (RM)	0.53	0.77	1.03	0.72	0.69
Net earnings per share (RM)	0.41	0.53	0.72	0.56	0.54

Note:

- (i) Gross and net earning per share are computed based on the weighted average number of shares in issue.
- (ii) There were no extraordinary items or exceptional items during the financial years under review.
- (iii) Tax expense has been adjusted for any under or overprovision where relevant.

13. ACCOUNTANTS' REPORT (Cont'd)



8.12 Icon Line (Malaysia) Sdn Bhd

The summarised results of Icon Line (Malaysia) Sdn Bhd based on the audited financial statements for the financial years ended from 30 June 2000 to 2004 are set out below :-

	Financial year ended 30 June				
	2000 RM	2001 RM	2002 RM	2003 RM	2004 RM
Revenue	234,868	-	-	-	-
Profit/(Loss) before depreciation, interest and tax	136,044	(3,442)	(5,771)	(2,084)	(2,400)
Depreciation	(3,595)	(3,906)	(2,578)	(1,106)	(1,034)
Interest expense	-	-	-	-	-
Profit/(Loss) before tax	132,449	(7,348)	(8,349)	(3,190)	(3,434)
Tax expense	-	-	-	-	-
Profit after tax	132,449	(7,348)	(8,349)	(3,190)	(3,434)
Number of ordinary shares in issue	40,000	40,000	40,000	40,000	40,000
Gross earnings/(loss) per share (RM)	3.31	(0.18)	(0.20)	(0.08)	(0.09)
Net earnings/(loss) per share (RM)	3.31	(0.18)	(0.20)	(0.08)	(0.09)

Note:

- (i) Gross and net earning per share are computed based on the number of shares in issue.
- (ii) There were no extraordinary items or exceptional items during the financial years under review.

13. ACCOUNTANTS' REPORT (Cont'd)



9. SUMMARISED STATEMENT OF ASSETS AND LIABILITIES

9.1 Proforma Group

It is impracticable to present the proforma balance sheet of FM Group for the financial year under review as the purchase consideration for the acquisition of FMM Group were arrived at based on the net tangible assets of the respective companies as at 31 December 2003. Accordingly, the proforma consolidated balance sheet of FM Group has only been presented by way of a proforma statement of assets and liabilities as of 30 June 2004 based on the latest audited financial statements of FMH, FMM and its subsidiary companies, and has been prepared on the basis of after completion of share split, acquisition of FMM and ILSB, acquisition from minority shareholders and capitalisation of advances but before the public issue.

9.2 Freight Management Holdings Bhd

The summarised statement of assets and liabilities of Freight Management Holdings Bhd based on the audited financial statements as at the end of the financial years under review are set out below :-

	2000 RM	2001 RM	2002 RM	2003 RM	2004 RM
ASSETS EMPLOYED :-					
CURRENT ASSETS	253	128	128	128	3
LESS : CURRENT LIABILITIES	(9,183)	(10,926)	(12,557)	(14,232)	(17,183)
NET CURRENT LIABILITIES	(8,930)	(10,798)	(12,429)	(14,104)	(17,180)
DEFERRED EXPENDITURE	8,933	-	-	-	-
	3	(10,798)	(12,429)	(14,104)	(17,180)
FINANCED BY :-					
SHARE CAPITAL	3	3	3	3	3
ACCUMULATED LOSSES	-	(10,801)	(12,432)	(14,107)	(17,183)
SHAREHOLDERS' EQUITY	3	(10,798)	(12,429)	(14,104)	(17,180)
NET TANGIBLE ASSETS/(LIABILITIES) PER ORDINARY SHARE OF RM1.00 EACH	1	(3,599)	(4,143)	(4,701)	(5,727)

13. ACCOUNTANTS' REPORT (Cont'd)



9.3 Freight Management (M) Sdn Bhd

The summarised statement of assets and liabilities of Freight Management (M) Sdn Bhd based on the audited financial statements as at the end of the financial years under review are set out below :-

	2000 RM	2001 RM	2002 RM	2003 RM	2004 RM
ASSETS EMPLOYED :-					
PROPERTY, PLANT AND EQUIPMENT	5,079,371	5,798,456	5,459,731	5,590,869	6,103,252
INVESTMENT IN SUBSIDIARY COMPANIES	2,980,802	3,270,805	3,105,282	3,111,582	2,934,519
INVESTMENT IN ASSOCIATED COMPANY	49,000	49,000	49,000	49,000	49,000
OTHER INVESTMENT	122,578	92,196	69,216	62,405	2,776
CURRENT ASSETS	15,525,711	12,713,406	14,897,910	14,182,627	17,408,295
LESS : CURRENT LIABILITIES	(16,028,108)	(14,782,777)	(15,958,975)	(12,784,492)	(13,338,176)
NET CURRENT (LIABILITIES)/ ASSETS	(502,397)	(2,069,371)	(1,061,065)	1,398,135	4,070,119
	7,729,354	7,141,086	7,622,164	10,211,991	13,159,666
FINANCED BY :-					
SHARE CAPITAL	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
RESERVES	3,606,234	3,764,910	4,620,878	7,766,216	10,583,120
SHAREHOLDERS' EQUITY	5,606,234	5,764,910	6,620,878	9,766,216	12,583,120
LONG TERM LIABILITIES AND DEFERRED LIABILITIES	2,123,120	1,376,176	1,001,286	445,775	576,546
	7,729,354	7,141,086	7,622,164	10,211,991	13,159,666
NET TANGIBLE ASSETS PER ORDINARY SHARE OF RM1.00 EACH	2.80	2.88	3.31	4.88	6.29

13. ACCOUNTANTS' REPORT (Cont'd)



9.4 Advance Logistar Sdn Bhd

The summarised statement of assets and liabilities of Advance Logistar Sdn Bhd based on the audited financial statements as at the end of the financial years under review are set out below :-

	2000 RM	2001 RM	2002 RM	2003 RM	2004 RM
ASSETS					
EMPLOYED :-					
PROPERTY, PLANT AND EQUIPMENT	203,156	208,023	171,897	142,459	217,769
CURRENT ASSETS	1,563,395	1,699,629	1,677,466	2,375,391	3,122,734
LESS : CURRENT LIABILITIES	(1,632,583)	(1,722,108)	(1,581,079)	(2,025,811)	(2,591,059)
NET CURRENT (LIABILITIES) / ASSETS	(69,188)	(22,479)	96,387	349,580	531,675
	133,968	185,544	268,284	492,039	749,444
FINANCED BY :-					
SHARE CAPITAL (ACCUMULATED LOSSES) / RETAINED PROFITS	200,000	200,000	200,000	200,000	200,000
	(93,072)	(37,147)	63,819	267,539	495,345
SHAREHOLDERS' EQUITY	106,928	162,853	263,819	467,539	695,345
LONG TERM AND DEFERRED LIABILITIES	27,040	22,691	4,465	24,500	54,099
	133,968	185,544	268,284	492,039	749,444
NET TANGIBLE ASSETS PER ORDINARY SHARE OF RM1.00 EACH	0.53	0.81	1.32	2.34	3.48

13. ACCOUNTANTS' REPORT (Cont'd)



9.5 FM-Hellmann Worldwide Logistics Sdn Bhd

The summarised statement of assets and liabilities of FM-Hellmann Worldwide Logistics Sdn Bhd. based on the audited financial statements as at the end of the financial years under review are set out below :-

	2000 RM	2001 RM	2002 RM	2003 RM	2004 RM
ASSETS EMPLOYED :-					
PROPERTY, PLANT AND EQUIPMENT	443,253	374,776	301,824	271,746	249,626
CURRENT ASSETS LESS : CURRENT LIABILITIES	4,356,488 (2,957,813)	4,303,612 (2,614,769)	5,171,198 (3,181,836)	5,276,299 (2,721,078)	5,593,747 (2,478,408)
NET CURRENT ASSETS	1,398,675	1,688,843	1,989,362	2,555,221	3,115,339
	1,841,928	2,063,619	2,291,186	2,826,967	3,364,965
FINANCED BY :-					
SHARE CAPITAL RETAINED PROFITS	250,000 1,400,013	250,000 1,697,624	250,000 1,913,772	1,000,000 1,744,709	1,000,000 2,276,002
SHAREHOLDERS' EQUITY LONG TERM AND DEFERRED LIABILITIES	1,650,013 191,915	1,947,624 115,995	2,163,772 127,414	2,744,709 82,258	3,276,002 88,963
	1,841,928	2,063,619	2,291,186	2,826,967	3,364,965
NET TANGIBLE ASSETS PER ORDINARY SHARE OF RM1.00 EACH	6.60	7.79	8.66	2.74	3.28

13. ACCOUNTANTS' REPORT (Cont'd)



9.6 Citra Multimodal Services Sdn Bhd

The summarised statement of assets and liabilities of Citra Multimodal Services Sdn. Bhd. based on the audited financial statements as at the end of the financial years under review are set out below :-

	2000 RM	2001 RM	2002 RM	2003 RM	2004 RM
ASSETS					
EMPLOYED :-					
PROPERTY, PLANT AND EQUIPMENT	99,061	146,113	196,833	238,603	237,493
CURRENT ASSETS LESS : CURRENT LIABILITIES	2,389,703 (2,340,493)	2,267,763 (1,971,707)	3,185,242 (2,833,173)	2,905,915 (2,786,719)	2,712,915 (2,891,466)
NET CURRENT ASSETS/ (LIABILITIES)	49,210	296,056	352,069	119,196	(178,551)
	148,271	442,169	548,902	357,799	58,942
FINANCED BY :-					
SHARE CAPITAL RETAINED PROFITS/ (ACCUMULATED LOSSES)	50,002 98,269	250,000 162,399	250,000 294,410	250,000 63,945	250,000 (212,146)
SHAREHOLDERS' EQUITY	148,271	412,399	544,410	313,945	37,854
LONG TERM AND DEFERRED LIABILITIES	-	29,770	4,492	43,854	21,088
	148,271	442,169	548,902	357,799	58,942
NET TANGIBLE ASSETS PER ORDINARY SHARE OF RM1.00 EACH	2.97	1.65	2.18	1.26	0.15

13. ACCOUNTANTS' REPORT (Cont'd)



9.7 Freight Management (Penang) Sdn Bhd

The summarised statement of assets and liabilities of Freight Management (Penang) Sdn Bhd based on the audited financial statements as at the end of the financial years under review are set out below :-

	2000 RM	2001 RM	2002 RM	2003 RM	2004 RM
ASSETS EMPLOYED :-					
PROPERTY, PLANT AND EQUIPMENT	396,522	348,189	382,360	939,914	1,039,662
INVESTMENT IN ASSOCIATED COMPANIES	84,000	84,000	84,000	75,000	75,000
OTHER INVESTMENTS	4,800	4,800	4,800	4,800	-
CURRENT ASSETS LESS : CURRENT LIABILITIES	2,510,119 (2,243,495)	2,746,576 (1,971,632)	3,072,360 (1,943,011)	3,344,234 (1,711,859)	4,945,573 (2,145,478)
NET CURRENT ASSETS	266,624	774,944	1,129,349	1,632,375	2,800,095
	751,946	1,211,933	1,600,509	2,652,089	3,914,757
FINANCED BY :-					
SHARE CAPITAL	150,000	250,000	250,000	500,000	500,000
RETAINED PROFITS	508,420	867,263	1,268,741	1,991,186	3,228,037
SHAREHOLDERS' EQUITY	658,420	1,117,263	1,518,741	2,491,186	3,728,037
LONG TERM LIABILITIES	93,526	94,670	81,768	160,903	186,720
	751,946	1,211,933	1,600,509	2,652,089	3,914,757
NET TANGIBLE ASSETS PER ORDINARY SHARE OF RM1.00 EACH	4.39	4.47	6.07	4.98	7.46

13. ACCOUNTANTS' REPORT (Cont'd)



9.8 FM Worldwide Logistics (Penang) Sdn Bhd

The summarised statement of assets and liabilities of FM Worldwide Logistics (Penang) Sdn Bhd based on the audited financial statements as at the end of the financial years under review are set out below :-

	2000 RM	2001 RM	2002 RM	2003 RM	2004 RM
ASSETS EMPLOYED :-					
PROPERTY, PLANT AND EQUIPMENT	7,032	19,982	42,416	30,448	41,775
CURRENT ASSETS LESS : CURRENT LIABILITIES	647,124 (114,410)	553,093 (83,623)	637,412 (169,094)	771,536 (276,472)	874,249 (300,278)
NET CURRENT ASSETS	532,714	469,470	468,318	495,064	573,971
	539,746	489,452	510,734	525,512	615,746
FINANCED BY :-					
SHARE CAPITAL	250,000	250,000	250,000	250,000	250,000
RETAINED PROFITS	288,146	239,452	260,734	275,512	365,746
SHAREHOLDERS' EQUITY	538,146	489,452	510,734	525,512	615,746
DEFERRED TAXATION	1,600	-	-	-	-
	539,746	489,452	510,734	525,512	615,746
NET TANGIBLE ASSETS PER ORDINARY SHARE OF RM1.00 EACH	2.15	1.96	2.04	2.10	2.46

13. ACCOUNTANTS' REPORT (Cont'd)



9.9 Freight Management (Ipoh) Sdn Bhd

The summarised statement of assets and liabilities of Freight Management (Ipoh) Sdn Bhd based on the audited financial statements as at the end of the financial years under review are set out below :-

	2000 RM	2001 RM	2002 RM	2003 RM	2004 RM
ASSETS					
EMPLOYED :-					
PROPERTY, PLANT AND EQUIPMENT	97,948	68,933	45,950	129,618	119,609
CURRENT ASSETS LESS : CURRENT LIABILITIES	1,544,986 (1,074,281)	1,766,011 (1,004,415)	1,715,272 (641,120)	2,308,607 (1,185,256)	2,612,991 (1,028,162)
NET CURRENT ASSETS LIABILITIES	470,705	761,596	1,074,152	1,123,351	1,584,829
	568,653	830,529	1,120,102	1,252,969	1,704,438
FINANCED BY :-					
SHARE CAPITAL RETAINED PROFITS	300,000 238,875	300,000 523,084	300,000 817,402	300,000 905,470	300,000 1,373,116
SHAREHOLDERS' EQUITY	538,875	823,084	1,117,402	1,205,470	1,673,116
LONG TERM LIABILITIES	29,778	7,445	2,700	47,499	31,322
	568,653	830,529	1,120,102	1,252,969	1,704,438
NET TANGIBLE ASSETS PER ORDINARY SHARE OF RM1.00 EACH	1.80	2.74	3.72	4.02	5.58

13. ACCOUNTANTS' REPORT (Cont'd)



9.10 Perspektif Gemilang Sdn Bhd

The summarised statement of assets and liabilities of Perspektif Gemilang Sdn Bhd based on the audited financial statements as at the end of the financial years under review are set out below :-

	2000 RM	2001 RM	2002 RM	2003 RM	2004 RM
ASSETS EMPLOYED :-					
PROPERTY, PLANT AND EQUIPMENT	6,255,562	6,140,482	5,986,336	5,845,166	5,724,269
CURRENT ASSETS LESS : CURRENT LIABILITIES	18,262 (4,840,223)	8,702 (4,368,472)	8,702 (3,940,053)	8,702 (3,430,826)	63,092 (2,937,481)
NET CURRENT LIABILITIES	(4,821,961)	(4,359,770)	(3,931,351)	(3,422,124)	(2,874,389)
	1,433,601	1,780,712	2,054,985	2,423,042	2,849,880
FINANCED BY :-					
SHARE CAPITAL RETAINED PROFITS	250,000 765,730	250,000 1,003,712	250,000 1,197,985	250,000 1,461,042	250,000 1,765,880
SHAREHOLDERS' EQUITY	1,015,730	1,253,712	1,447,985	1,711,042	2,015,880
LONG TERM LIABILITIES	417,871	527,000	607,000	712,000	834,000
	1,433,601	1,780,712	2,054,985	2,423,042	2,849,880
NET TANGIBLE ASSETS PER ORDINARY SHARE OF RM1.00 EACH	4.06	5.01	5.79	6.84	8.06

13. ACCOUNTANTS' REPORT (Cont'd)



9.11 Freight Management (Melaka) Sdn Bhd

The summarised statement of assets and liabilities of Freight Management (Melaka) Sdn Bhd based on the audited financial statements as at the end of the financial years under review are set out below :-

	2000 RM	2001 RM	2002 RM	2003 RM	2004 RM
ASSETS EMPLOYED :-					
PROPERTY, PLANT AND EQUIPMENT	16,715	18,539	12,721	10,506	18,295
CURRENT ASSETS LESS : CURRENT LIABILITIES	234,521 (171,397)	792,442 (632,645)	449,759 (212,653)	464,786 (169,255)	771,221 (429,639)
NET CURRENT ASSETS	63,124	159,797	237,106	295,531	341,582
	79,839	178,336	249,827	306,037	359,877
FINANCED BY :-					
SHARE CAPITAL	10,000	100,000	100,000	100,000	100,000
RETAINED PROFITS	69,839	78,336	149,827	206,037	259,877
	79,839	178,336	249,827	306,037	359,877
NET TANGIBLE ASSETS PER ORDINARY SHARE OF RM1.00 EACH	7.98	1.78	2.49	3.06	3.60

13. ACCOUNTANTS' REPORT (Cont'd)



9.12 Icon Line (Malaysia) Sdn Bhd

The summarised statement of assets and liabilities of Icon Line (Malaysia) Sdn Bhd based on the audited financial statements as at the end of the financial years under review are set out below :-

	2000 RM	2001 RM	2002 RM	2003 RM	2004 RM
ASSETS EMPLOYED :-					
PROPERTY, PLANT AND EQUIPMENT	8,624	4,718	2,140	1,034	-
CURRENT ASSETS LESS : CURRENT LIABILITIES	15,259 (13,043)	11,686 (12,912)	82,765 (89,762)	80,296 (89,377)	79,134 (90,615)
NET CURRENT ASSETS/ (LIABILITIES)	2,216	(1,226)	(6,997)	(9,081)	(11,481)
	10,840	3,492	(4,857)	(8,047)	(11,481)
FINANCED BY :-					
SHARE CAPITAL ACCUMULATED LOSSES	40,000 (29,160)	40,000 (36,508)	40,000 (44,857)	40,000 (48,047)	40,000 (51,481)
	10,840	3,492	(4,857)	(8,047)	(11,481)
NET TANGIBLE ASSETS/ (LIABILITIES) PER ORDINARY SHARE OF RM1.00 EACH	0.27	0.09	(0.12)	(0.20)	(0.29)

13. ACCOUNTANTS' REPORT (Cont'd)



10. STATEMENT OF ASSETS AND LIABILITIES

As mentioned in section 9.1, the proforma statement of assets and liabilities of FM Group as of 30 June 2004 is as follow:

	NOTE	RM
ASSETS EMPLOYED		
PROPERTY, PLANT AND EQUIPMENT	10.1	13,751,750
INVESTMENT IN ASSOCIATED COMPANY	10.2	134,611
OTHER INVESTMENTS	10.3	2,776
CURRENT ASSETS		
Trade receivables	10.4	22,132,157
Tax recoverable		34,878
Other receivables, deposits and prepayments		3,114,512
Amount owing by associated company	10.5	234,600
Short term deposits with licensed banks	10.6	3,496,106
Cash and bank balances		4,550,027
		<u>33,562,280</u>
CURRENT LIABILITIES		
Trade payables	10.7	10,389,721
Other payables and accruals		3,986,904
Hire purchase and lease creditors	10.8	291,275
Term loans	10.9	224,849
Bank overdrafts – secured	10.10	3,064,286
Tax liabilities		1,134,119
		<u>19,091,154</u>
NET CURRENT ASSETS		<u>14,471,126</u>
		<u>28,360,263</u>

13. ACCOUNTANTS' REPORT (Cont'd)



10. STATEMENT OF ASSETS AND LIABILITIES (continued)

	NOTE	RM
FINANCED BY		
SHARE CAPITAL	10.11	23,990,380
ACCUMULATED LOSSES		(17,183)
RESERVES ON CONSOLIDATION	10.12	<u>2,594,328</u>
SHAREHOLDERS' EQUITY		26,567,525
LONG TERM AND DEFERRED LIABILITIES		
Term loans	10.9	<u>82,326</u>
Deferred tax liabilities	10.13	<u>1,352,700</u>
Hire purchase and lease creditors	10.8	<u>357,712</u>
		<u>1,792,738</u>
		<u>28,360,263</u>
Net tangible assets per ordinary share of RM0.50 each		<u>0.55</u>

NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES

10.1 PROPERTY, PLANT AND EQUIPMENT

Group	Balance as at 1.7.2003 RM	Additions RM	Subsidiary companies disposed of RM	Disposals RM	Written off RM	Balance as at 30.6.2004 RM
2004						
At cost						
Freehold land	236,467	-	-	-	-	236,467
Long leasehold land	3,161,918	-	-	-	-	3,161,918
Buildings	6,943,182	4,000	-	-	-	6,947,182
Machinery, furniture and fittings	811,285	145,387	(1,858)	-	-	954,814
Office equipment	3,041,402	397,012	(54,299)	(16,367)	(7,590)	3,360,158
Renovation	102,346	60,975	-	-	-	163,321
Motor vehicles	4,127,716	1,119,527	-	(1,021,151)	-	4,226,092
Forklifts	783,225	-	-	-	-	783,225
Storage containers	1,781,555	502,344	-	(112,755)	-	2,171,144
	<u>20,989,096</u>	<u>2,229,245</u>	<u>(56,157)</u>	<u>(1,150,273)</u>	<u>(7,590)</u>	<u>22,004,321</u>

13. ACCOUNTANTS' REPORT (Cont'd)



10.1 PROPERTY, PLANT AND EQUIPMENT (continued)

	Balance as at 1.7.2003 RM	Charge for the financial Year RM	Subsidiary companies disposed of RM	Disposals RM	Written off RM	Balance as at 30.6.2004 RM
Accumulated depreciation						
Freehold land	-	-	-	-	-	-
Long leasehold land	176,481	32,428	-	-	-	208,909
Buildings	626,383	138,162	-	-	-	764,545
Machinery, furniture and fittings	606,354	81,844	(1,858)	-	-	686,340
Office equipment	2,106,153	390,073	(48,495)	(13,108)	(7,582)	2,427,041
Renovation	82,300	22,296	-	-	-	104,596
Motor vehicles	3,192,184	552,905	-	(902,541)	-	2,842,548
Forklifts	674,161	35,163	-	-	-	709,324
Storage containers	318,913	202,415	-	(12,060)	-	509,268
	7,782,929	1,455,286	(50,353)	(927,709)	(7,582)	8,252,571

30.6.2004
RM

Net book value

Freehold land	236,467
Long leasehold land	2,953,009
Buildings	6,182,637
Machinery, furniture and fittings	268,474
Office equipment	933,117
Renovation	58,725
Motor vehicles	1,383,544
Forklifts	73,901
Storage containers	1,661,876
	13,751,750

13. ACCOUNTANTS' REPORT (Cont'd)



10.1 PROPERTY, PLANT AND EQUIPMENT (continued)

The net book value of property, plant and equipment acquired by way of hire-purchase and finance lease arrangements are as follows:-

	30.6.2004
	RM
Motor vehicles	<u>1,115,473</u>

Freehold and leasehold land and buildings of the Proforma Group at net book value of RM6,225,654 have been charged to licensed banks for credit facilities granted to the Group.

The title deed for a long leasehold land of the Proforma Group has yet to be issued by the relevant authorities.

10.2 INVESTMENT IN ASSOCIATED COMPANY

	RM
Unquoted shares, at cost	49,000
Group's share of post acquisition results	<u>85,611</u>
	<u><u>134,611</u></u>

The Proforma Group's investment in the associated company is represented by:-

	RM
Group's share of net assets	66,256
Premium on acquisition	<u>68,355</u>
	<u><u>134,611</u></u>

The details of the associated company, which was incorporated in Malaysia, are as follows:-

Company Name	Interest in equity held by Group 2004	Principal Activity
FM Distribution Sdn. Bhd.	49%	Provision of freight services

13. ACCOUNTANTS' REPORT (Cont'd)**10.3 OTHER INVESTMENTS**

	RM
Unquoted shares in Malaysia - at cost	<u>2,776</u>

10.4 TRADE RECEIVABLES

	RM
Trade receivables	22,933,143
Less: Allowance for doubtful debts	<u>(800,986)</u>
	<u><u>22,132,157</u></u>

The allowance for doubtful debts is net of bad debts written off as follows:-

	RM
Bad debts written off	<u>425,494</u>

The credit period of trade receivable range from 7 to 60 days from date of invoice.

The currency exposure of trade receivables of the Proforma Group are as follows:-

	RM
US Dollar	4,473,425
Ringgit Malaysia	<u>17,658,732</u>
	<u><u>22,132,157</u></u>

10.5 AMOUNT OWING BY ASSOCIATED COMPANY

The amount owing by associated company arose mainly from trade transactions and is unsecured, interest-free and has no fixed terms of repayment.

13. ACCOUNTANTS' REPORT (Cont'd)**10.6 SHORT TERM DEPOSITS WITH LICENSED BANKS**

The short term deposits which have been pledged as securities for banking facilities granted to the Proforma Group are as follows:-

	RM
Short term deposits with licensed banks	<u>2,847,337</u>

10.7 TRADE PAYABLES

The credit terms of trade payables range from 7 to 60 days from the date of invoice.

The currencies exposure of trade payables of the Proforma Group are as follows:-

	RM
Ringgit Malaysia	7,421,405
US Dollar	2,656,106
Euro	87,190
Others	<u>225,020</u>
	<u><u>10,389,721</u></u>

10.8 HIRE PURCHASE AND LEASE CREDITORS

	RM
Minimum hire-purchase and lease payments:-	
- not later than one year	327,864
- later than one year and not later than five years	<u>379,087</u>
	706,951
Less: Future interest charges	<u>(57,964)</u>
Present value of hire-purchase liabilities	<u><u>648,987</u></u>

13. ACCOUNTANTS' REPORT (Cont'd)



10.8 HIRE PURCHASE AND LEASE CREDITORS (continued)

	RM
Current:-	
- not later than one year	291,275
Long term liabilities:-	
- later than one year and not later than five years	<u>357,712</u>
	<u>648,987</u>

10.9 TERM LOANS

	RM
Secured	<u>307,175</u>
Term loan I at interest ranging from 8.4% to 8.8% per annum repayable by 59 equal monthly instalments of RM34,794 each commencing January 2000	205,598
Term loan II at interest of 7.5% per annum repayable by 72 equal monthly instalments of RM2,273 each commencing May 2003	<u>101,577</u>
	<u>307,175</u>
Repayable as follows:	
Within the next 12 months (included under current liabilities)	224,849
After the next 12 months (included under long term liabilities)	<u>82,326</u>
	<u>307,175</u>

13. ACCOUNTANTS' REPORT (Cont'd)**10.9 TERM LOANS (continued)**

Term loan I is secured by a fixed charge over a long leasehold land and building of a subsidiary company.

Term loan II is secured by office equipment of a subsidiary company.

All the term loans are guaranteed by certain directors of the Proforma Group and of the Company.

10.10 BANK OVERDRAFTS - Secured

The bank overdrafts and term loans of the Proforma Group bear interest ranging from 5.6% to 8.5% per annum.

Certain bank overdrafts of the Proforma Group are secured by the following:-

- (a) short term deposits; and
- (b) freehold land and buildings and long leasehold land and building of the Proforma Group.

In addition, certain bank overdrafts of the Proforma Group are guaranteed by certain directors of the FMH.

10.11 SHARE CAPITAL

	Number of shares	RM
Authorised:-		
Ordinary shares of RM0.50 each	<u>200,000,000</u>	<u>100,000,000</u>
Issued and fully paid:-		
Ordinary shares of RM0.50 each	<u>47,980,760</u>	<u>23,990,380</u>

10.12 RESERVE ON CONSOLIDATION

Reserve on consolidation represents the excess of the net assets of subsidiary companies as at the date of acquisition over the purchases consideration.

13. ACCOUNTANTS' REPORT (Cont'd)



10.13 DEFERRED TAX

(a) The deferred tax is made up of the following:-

	RM
Balance as at 1 July	1,038,200
Recognised in the income statement	<u>314,500</u>
Balance as at 30 June	<u><u>1,352,700</u></u>
Presented after appropriate offsetting	
Deferred tax assets	(89,000)
Deferred tax liabilities	<u>1,441,700</u>
	<u><u>1,352,700</u></u>

(b) The movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:-

	RM
Deferred tax assets	
Balance as at 1 July	78,000
Recognised in the income statement	
Unabsorbed capital allowances	<u>11,000</u>
Balance as at 30 June	<u><u>89,000</u></u>
Deferred tax liabilities	
Balance as at 1 July	1,116,200
Recognised in the income statement	
Excess of capital allowances over corresponding depreciation	<u>325,500</u>
Balance as at 30 June	<u><u>1,441,700</u></u>

13. ACCOUNTANTS' REPORT (Cont'd)



10.13 DEFERRED TAX (continued)

- (c) The tax effect on temporary differences for which no deferred tax assets have been recognised in the balance sheets are as follows:-

	RM
Unabsorbed tax losses	346,783
Unabsorbed capital allowances	<u>23,751</u>
Balance as at 30 June	<u><u>370,534</u></u>

Deferred tax assets have not been recognised in respect of these items as it is not probable that taxable profit of certain subsidiary companies will be available against which the deductible temporary differences can be utilised.

10.14 NUMBER OF EMPLOYEES AND STAFF COSTS

Number of employees including executive directors at the end of the financial year	<u><u>305</u></u>
--	-------------------

The total expenses recognised in the income statements are as follows:

	RM
Wages and salaries	8,186,408
Defined contribution retirement plan	679,392
Other employee benefits	<u>323,023</u>
	<u><u>9,188,823</u></u>

13. ACCOUNTANTS' REPORT (Cont'd)



10.15 CONTINGENT LIABILITIES - Unsecured

	RM
Corporate guarantee in respect of banking facilities granted to associated company	500,000
Bankers' guarantee in favour of third party	<u>275,000</u>

10.16 FINANCIAL INSTRUMENTS

(a) Interest rate risk

The effective interest rates of the financial assets and liabilities of the Proforma Group are as follows:

	%
Short term deposits with licensed banks	3.84
Bank overdrafts	6.40
Term loans	7.61
Hire purchase and lease creditors	<u>5.75</u>

(b) Fair values

The carrying amounts of the financial instruments of the Proforma Group as at balance sheet date approximate their fair values except as set out below:

	Carrying amount RM	Fair value RM
As at 30 June 2004		
Unquoted investments	137,387	#
Amounts owing by associated company	<u>234,600</u>	<u>*</u>

It is not practical to estimate the fair value of the long term unquoted investments because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs. The Directors believe that the carrying amount represents the recoverable value.



10.16 FINANCIAL INSTRUMENTS (continued)

(b) Fair values (continued)

- * It is also not practical to estimate the fair value of amounts owing by associated company. This is principally due to the lack of fixed repayment terms and the inability to estimate fair value without incurring excessive costs. However, the Proforma Group does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the value that would eventually be received or settled.

The following methods and assumptions are used to determine the fair value of financial instruments:

- (i) The carrying amounts of financial assets and liabilities maturing within 12 months approximate their fair values due to the relatively short term maturity of these financial instruments.
- (ii) The fair values of quoted investments are their quoted market prices at the balance sheet date.

(c) Credit risk

The Proforma Group's historical experience in collection of trade receivables falls within the recorded allowances. Due to these factors, the Directors believe that no additional credit risk beyond amounts provided for doubtful debts is inherent in the Proforma Group's trade receivables.

The Proforma Group has no major concentration of credit risk as at 30 June 2004 except for amount of RM2,013,034 included in trade receivables which has been outstanding for more than 60 days.

In respect of the deposits, cash and bank balances placed with major financial institutions in Malaysia, the Directors believe that the possibility of non-performance by these financial institutions is remote on the basis of their financial strength.

13. ACCOUNTANTS' REPORT (Cont'd)



10.17 PROFORMA NET TANGIBLE ASSETS

Based on the statement of assets and liabilities of the Proforma Group as at 30 June 2004, the proforma consolidated net tangible assets per ordinary share of RM0.50 each is as follows:

	RM'000
i) Proforma net tangible assets	
Proforma net tangible assets after the Acquisition	26,568
Add: Public issue	24,193
Less: Estimated listing expenses	<u>(1,500)</u>
Proforma net tangible assets after Public issue	<u>49,261</u>
ii) Enlarged issued and fully paid-up share capital	No of ordinary share of RM0.50each '000
As at 30 June 2004	*
Issued pursuant to the Share split, Acquisition and Capitalisation of advances	<u>47,981</u>
To be issued pursuant to the Public Issue	<u>37,219</u>
	<u>85,200</u>
iii) Proforma net tangible assets per share (RM)	<u>0.58</u>

* Denotes 3 ordinary share of RM1,00 each

10.18 SEGMENTAL INFORMATION

No segmental reporting has been prepared as the Proforma Group's activities are predominantly in the freight services in Malaysia.

10.19 EVENT SUBSEQUENT TO BALANCE SHEET DATE

On 11 August 2004, FMM entered into a sale and purchase agreement with Mewah-Oils Sdn Bhd to acquire of land and building for a cash consideration of RM11,107,800. Save as disclosed in the foregoing and in section 3,4,5, there were no other significant events arisen from the balance sheet date of FM Group as at 30 June 2004 to the date of this report.

13. ACCOUNTANTS' REPORT (Cont'd)



11. CASH FLOW STATEMENTS

The following proforma cash flow statements of FM Group for the financial year ended 30 June 2004 has been prepared for illustrative purposes only based on the audited financial statements of FMH, FMM and its subsidiary companies, and has been prepared on the basis stated in section 8.1.2 and 8.1.3

	2004 RM
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before tax	8,166,142
Adjustments for:-	
Allowance for doubtful debts	926,921
Allowance for doubtful debts written back	(66,582)
Property, plant and equipment written off	8
Bad debts written back	(7,011)
Bad debts recovered	(3,230)
Bad debts written off	53,915
Depreciation of property, plant and equipment	1,455,286
Dividends income	(1,860)
Gain on disposal of property, plant and equipment	(373,536)
Interest expense	308,970
Interest income	(123,698)
Loss on partial disposal of shares in subsidiary companies	49,719
Gain on disposal of subsidiary companies	(68,455)
Gain on disposal of other investment	(4,121)
Share of profit in associated company	(15,491)
Surplus arising from liquidation of unconsolidated subsidiary companies	(55,225)
Unrealised foreign exchange gain	(90,134)
Operating profit before working capital changes	10,151,618
Increase in amounts owing to Directors	1,361,449
Increase in trade receivables	(5,141,028)
Increase in other receivables, deposits and prepayments	(1,066,730)
Increase in trade payables	1,733,564
Increase in other payables and accruals	666,003
Decrease in amount owing by associated company	19,324
Cash generated from operations	7,724,200
Tax paid	(2,266,100)
Net cash from operating activities	5,458,100

13. ACCOUNTANTS' REPORT (Cont'd)



11.1 CASH AND CASH EQUIVALENTS

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

	2004 RM	2003 RM
Cash and bank balances	4,550,027	3,630,519
Short term deposits with licensed banks	3,496,106	3,621,558
Bank overdrafts	<u>(3,064,286)</u>	<u>(6,038,578)</u>
	4,981,847	1,213,499
Less: Short term deposits pledged to licensed banks	<u>(2,847,337)</u>	<u>(2,705,929)</u>
	2,134,510	(1,492,430)
Effect of exchange rate difference	<u>(100,423)</u>	<u>(226,287)</u>
	<u>2,034,087</u>	<u>(1,718,717)</u>

The currencies exposures of cash and bank balances of the Proforma Group are as follows:

	2004 RM	2003 RM
US Dollar	1,085,766	461,794
Ringgit Malaysia	<u>3,464,261</u>	<u>3,168,722</u>
	<u>4,550,027</u>	<u>3,630,516</u>

13. ACCOUNTANTS' REPORT (Cont'd)



11.2. DISPOSAL OF SUBSIDIARY COMPANIES

During the current financial year, the Group disposed of its entire equity interest of 99.99%, 99.99%, 100% and 100% respectively in subsidiary companies, FM Roadways Sdn. Bhd. Vanguard Logistics (M) Sdn. Bhd., Uniexco (Malaysia) Sdn. Bhd. and Visual Software (M) Sdn. Bhd.. The effect of the disposal on consolidated results, financial position and cash flow of the Proforma Group are as follows:-

(i) Effect on financial position

	As at date of disposal RM
Property, plant and equipment	5,804
Other receivables, deposits and prepayments	4,170
Cash and bank balances	7,277
Other payables and accruals	(25,901)
Amount owing to ultimate holding company	(70,098)
Amount owing to Directors	<u>(20,997)</u>
Net tangible liabilities	(99,745)
Goodwill on consolidation realised on disposal of companies	<u>31,282</u>
Share of net liabilities disposed	(68,463)
Proceeds from disposal of subsidiary companies	<u>8</u>
Gain on disposal of subsidiary companies	<u><u>(68,455)</u></u>

(ii) Effect on Group's cash flow statement

	As at date of disposal RM
Total proceeds from disposal of subsidiary companies	8
Positive cash and cash equivalents of subsidiary companies disposed off	<u>(7,285)</u>
Net decrease in cash and cash equivalents arising from disposal of subsidiary companies	<u><u>(7,277)</u></u>

(iii) Effect on consolidated results

The effect on consolidated results is not shown as the subsidiary companies disposed are primarily dormant.

13. ACCOUNTANTS' REPORT (Cont'd)



11.3 PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

During the financial year, the Proforma Group made the following cash payments to purchase property, plant and equipment:

	2004 RM
Purchase of property, plant and equipment	2,229,245
Financed by hire purchase arrangements	<u>(578,297)</u>
Cash payments on purchase of property, plant and equipment	<u>1,650,948</u>

12. AUDITED FINANCIAL STATEMENTS

No audited financial statements have been prepared in respect of any period subsequent to 30 June 2004

Yours faithfully

BDO Binder
AF : 0206
Chartered Accountants

Tan Kim Leong, JP
235/06/05 (J/PH)
Partner

Kuala Lumpur