

1. CORPORATE DIRECTORY**DIRECTORS**

Name	Address	Occupation	Nationality
Datuk Dr. Haji Noordin bin Haji Abd. Razak <i>Chairman/Independent Non-Executive Director</i>	18, Jalan Setiabakti 5, Bukit Damansara, 50490 Kuala Lumpur	Company Director	Malaysian
Chew Chong Keat <i>Managing Director</i>	1, Jalan Rambutan, 41100 Klang, Selangor	Company Director	Malaysian
Yang Heng Lam <i>Executive Director</i>	19, Jalan 31/79, Kota Kemuning, 40460 Shah Alam, Selangor	Company Director	Malaysian
Gan Siew Yong <i>Executive Director</i>	1, Jalan Rambutan, 41100 Klang, Selangor	Company Director	Malaysian
Aaron Sim Kwee Lein <i>Independent Non-Executive Director</i>	14, Jalan Ambar Satu 7/16A, 40000 Shah Alam, Selangor	Company Director	Malaysian

AUDIT COMMITTEE

Name	Designation	Directorship
Datuk Dr. Haji Noordin bin Haji Abd. Razak	Chairman of Audit Committee	Independent Non-Executive Director
Yang Heng Lam	Member of Audit Committee	Executive Director
Aaron Sim Kwee Lein	Member of Audit Committee	Independent Non-Executive Director

COMPANY SECRETARIES : Lim Hooi Mooi (f) (MAICSA 0799764)
28, Jalan 20/7
46300 Petaling Jaya
Selangor Darul Ehsan

Tan Enk Purn (MAICSA 7045521)
8B-1-1, Enau Court
Lorong Enau
55000 Kuala Lumpur

REGISTERED OFFICE : Suite 13A-2
Menara Uni.Asia
1008 Jalan Sultan Ismail
50250 Kuala Lumpur
Tel: +603 2697 7611
Fax: +603 2697 7311
Email: amskl@po.jaring.my

1. CORPORATE DIRECTORY (Cont'd)

- HEAD / MANAGEMENT OFFICE** : Wisma Freight Management
Lot 8, Lingkar Sultan Mohamad 2
Bandar Sultan Suleiman
42000 Port Klang
Selangor, Malaysia
Tel: +603 3176 1111
Fax: +603 3176 2188
Website : www.fmmalaysia.com.my
- PRINCIPAL BANKERS** : EON Bank Berhad
266 & 268 Jalan Batu Unjur 7
Bayu Perdana
41200 Klang
Tel: +603 3324 3303
Fax: +603 3324 3305
- HSBC Bank Malaysia Bhd
2 Jalan Tiara 2A,
Bandar Baru Klang
41150 Klang
Tel: +603 2050 7676
Fax: +603 3344 4249
- OCBC Bank (Malaysia) Bhd
19 Jalan Stesen
41000 Klang
Tel: +603 3371 1885
Fax: +603 3372 3337
- United Overseas Bank (Malaysia) Bhd
2108 Jalan Meru
P.O. Box 98, 41710 Klang
Tel: +603 3342 0712
Fax: +603 3342 1135
- AUDITORS / REPORTING ACCOUNTANTS** : BDO Binder
(Firm No.: AF 0206)
12th Floor Menara Uni.Asia
1008 Jalan Sultan Ismail
50250 Kuala Lumpur
Malaysia
Tel: +603 2616 2888
- SOLICITORS FOR THE LISTING EXERCISE** : Cheang & Ariff
39 Court
39, Jalan Yap Kwan Seng
50450 Kuala Lumpur
Malaysia
Tel: +603 2161 0803
- INDEPENDENT MARKET RESEARCH CONSULTANT** : Frost & Sullivan Sdn Bhd
Suite E-08-15
Block E, Plaza Mont' Kiara
2, Jalan Kiara, Mont' Kiara
50480 Kuala Lumpur
Tel: +603 6204 5800

1. CORPORATE DIRECTORY (Cont'd)

ISSUING HOUSE	:	MIDF Consultancy and Corporate Services Sdn Bhd Tingkat 12, Bangunan MIDF 195A, Jalan Tun Razak 50400 Kuala Lumpur Tel : +603 2161 3355
REGISTRAR	:	Symphony Share Registrars Sdn Bhd <i>(formerly known as Malaysian Share Registration Services Sdn Bhd)</i> Level 26, Menara Multi-Purpose Capital Square No 8, Jalan Munshi Abdullah 50100 Kuala Lumpur Tel : +603 2721 2222
FINANCIAL ADVISER / UNDERWRITER / PLACEMENT AGENT	:	RHB Sakura Merchant Bankers Berhad Level 10, Tower One RHB Centre, Jalan Tun Razak 50400 Kuala Lumpur Tel: +603 9287 3888
LISTING SOUGHT	:	Second Board of Bursa Securities

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2. INFORMATION SUMMARY

THE FOLLOWING SECTION OF THIS PROSPECTUS ONLY REPRESENTS A SUMMARY OF THE SALIENT INFORMATION ABOUT THE FM GROUP. PROSPECTIVE INVESTORS SHOULD THEREFORE READ AND UNDERSTAND THE FULL TEXT OF THIS PROSPECTUS BEFORE DECIDING WHETHER TO INVEST IN THE ISSUE SHARES.

2.1 HISTORY AND BUSINESS

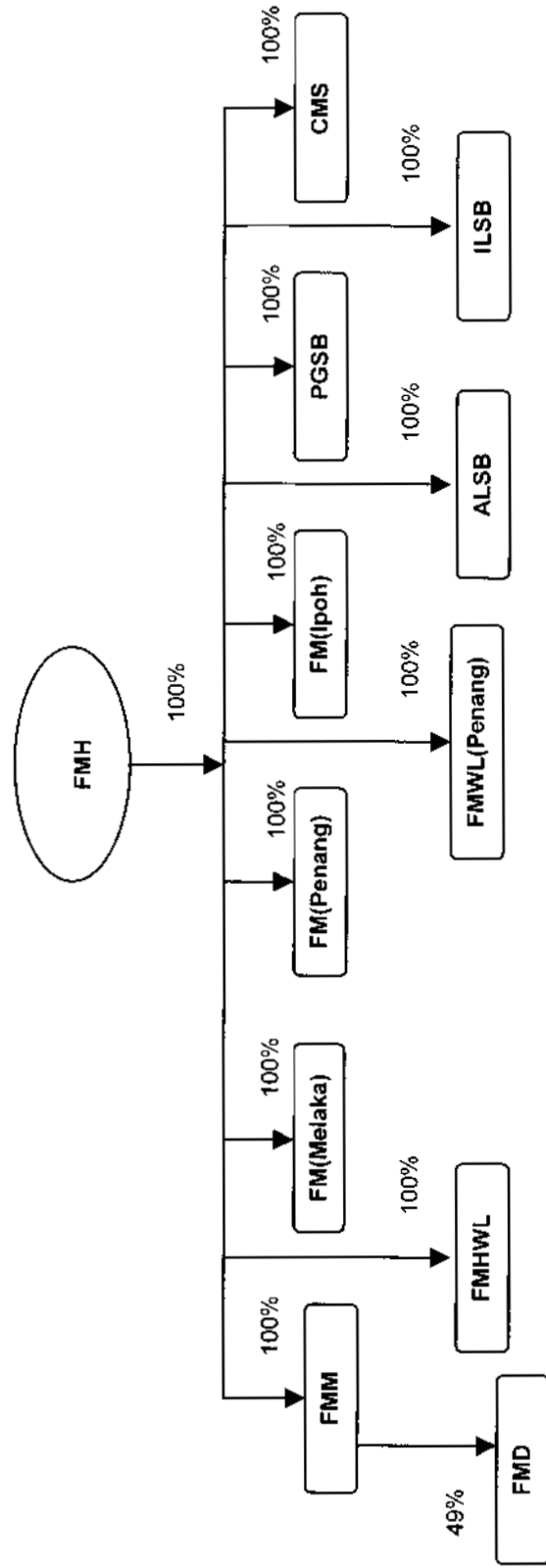
FMH was incorporated in Malaysia under the Act on 20 March 1996 as a private limited company under the name of Freight Management (Holdings) Sdn Bhd. On 8 April 2004, the Company changed its name to Freight Management Holdings Sdn Bhd and was subsequently converted into a public limited company and assumed its present name on 13 May 2004.

FMH is principally an investment holding company and provides management services to its subsidiary and associated companies. The principal activities of FMH's subsidiary and associated companies are as follows:

Subsidiaries of FMH	Effective equity interest held (%)	Principal activities
FMM	100	Provision of freight services
FM(Ipoh)	100	Provision of freight services
FM(Melaka)	100	Provision of freight services
FM(Penang)	100	Provision of freight services
FMHWL	100	Provision of freight services
FMWL(Penang)	100	Provision of freight services
CMS	100	Provision of freight services
PGSB	100	Property investment holding
ILSB	100	Dormant
ALSB	100	Provision of freight services
Associate of FMM		
FMD	49	Provision of warehouse services

2. INFORMATION SUMMARY (Cont'd)

The corporate structure of the FM Group is illustrated diagrammatically below:



2. INFORMATION SUMMARY (Cont'd)

The FM Group essentially operates as a non carrier-operating international freight service provider, whereby the Group becomes the multimodal intermediary agent between exporters / importers and carriers. The Group's basic multimodal freight services include the following, which are complemented by customised and information based options to meet customers' specific needs:

- International port to port shipments;
- International door-to-door shipments of freight, including service to remote destinations, lesser developed countries and locations which are difficult to reach such as ports located in Maputo and Nacala in Mozambique; Tema in Ghana; Santos in Brazil; Kingston in Jamaica; and Lautoka in Fiji; and
- Supporting services including customs brokerage, full tracking of goods in transit, warehousing and distribution.

As a non carrier-operating services provider, the Group arranges for services with shipping lines, railway operator, airlines, haulage companies and others on a non-committal basis.

In its freight forwarding operations, the FM Group procures shipments from its customers, determines the routing, creates and delivers logistics solutions to meet customers specific requirements and consolidates shipments (if necessary) bound for a particular port. At the destination ports, the Company or its independent agents arrange for the consolidated lot to be broken down into its component shipments and for the transportation of the individual shipments to their final destinations or the respective recipients of cargos. This provision of multimodal international freight services makes the FM Group an essential link in international trade between Malaysian exporters and importers and their international counterparts.

The services offered by the Group are summarised below:

Services	Involvement	Cargo Type
Sea Freight Services	Worldwide Import Worldwide Export Trans-shipment	LCL/FCL LCL/FCL LCL
Rail Freight Services	Import (Thailand) Export (Thailand)	LCL/FCL LCL/FCL
Air Freight Services	Worldwide Import Worldwide Export	Palletise Cargo ¹ /ULD ² Palletise Cargo/ULD
Supporting Services	Warehouse and Distribution Customs Brokerage	Bonded/General Import/Export
	Project Management	

Notes:

- ¹ Palletise cargo means cargo in packages or pieces which are generally loaded on a platform with or without sides to facilitate handling by a lift truck to be subsequently uploaded on to the air carrier
- ² ULD is the generic term for air cargo containers

For further details on the history and business of the FM Group, please refer to Sections 6.5, 6.6 and 6.7 of this Prospectus.

2.2 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

The following information summary on the promoters, substantial shareholders, Directors and key management of the FM Group is extracted from and should be read in conjunction with the more detailed information set out in Section 7 of this Prospectus.

2. INFORMATION SUMMARY (Cont'd)

2.2.1 Promoters

The promoters of FMH and their respective shareholdings in FMH after the Public Issue are as follows:

Promoter	Nationality	<-----Direct----->		<-----Indirect----->	
		No. of Shares	%	No. of Shares	%
Chew Chong Keat	Malaysian	24,801,948*	29.11	-	-
Yang Heng Lam	Malaysian	16,195,852*	19.00	-	-
Gan Siew Yong	Malaysian	3,703,122*	4.35	-	-

Note:

* Assuming that they take up in full their respective pink form allocations pursuant to the Public Issue

2.2.2 Substantial shareholders

The substantial shareholders and their respective shareholdings in FMH after the Public Issue are as follows:

Substantial shareholder	Nationality	<-----Direct----->		<-----Indirect----->	
		No. of Shares	%	No. of Shares	%
Chew Chong Keat	Malaysian	24,801,948*	29.11	-	-
Yang Heng Lam	Malaysian	16,195,852*	19.00	-	-

Note:

* Assuming that they take up in full their respective pink form allocations pursuant to the Public Issue

2.2.3 Directors

The Directors of FMH and their respective shareholdings in FMH after the Public Issue are as follows:

Directors	Designation	<-----Direct----->		<-----Indirect----->	
		No. of Shares	%	No. of Shares	%
Chew Chong Keat	Managing Director	24,801,948*	29.11	-	-
Yang Heng Lam	Executive Director	16,195,852*	19.00	-	-
Gan Siew Yong	Executive Director	3,703,122*	4.35	-	-
Datuk Dr. Haji Noordin bin Haji Abd. Razak	Independent Non-Executive Director	3,408,000 [#]	4.00	-	-
Aaron Sim Kwee Lcin	Independent Non-Executive Director	-	-	-	-

Note:

* Assuming that they take up in full their respective pink form allocations pursuant to the Public Issue

[#] Assuming that he takes up in full his allocation under the Issue Shares reserved for eligible Bumiputera investors approved by MITI

2. INFORMATION SUMMARY (Cont'd)

2.2.4 Key management

The key management of the FM Group and their respective shareholdings in FMH after the Public Issue (assuming that they take up in full their respective pink form allocations pursuant to the Public Issue) are as follows:

Key management	Designation	←-----Direct-----→		←-----Indirect-----→	
		No. of Shares	%	No. of Shares	%
Gan Siew Geok	Group Financial Controller of FM Group	58,000	0.07	-	-
Seet Pei Ling	Accountant – Corporate of FMM	-	-	-	-
Ong Looi Chai	Executive Director of FM(Penang)	994,050	1.17	-	-
Wong Lee Choo	Executive Director of FM(Ipoh)	330,592	0.39	-	-
Goh Chong Weng	Executive Director of FMHWL	985,793	1.16	-	-
Teh Swee Sim	Executive Director of FMHWL	999,793	1.17	-	-
Cheong Tak Hua	Executive Director of ALSB	151,662	0.18	-	-
Azha Bin Halip	Senior Import Manager of FMM	4,214,800 [#]	4.95	-	-
Lim Cheng Kiat	Senior Sales Manager of FMM	48,000	0.06	-	-
Phang Chiun Joo	Senior Export Manager of FMM	48,000	0.06	-	-
Glen Edward Richards	Senior Manager of FMM	32,000	0.04	-	-
Abdul Jalil Bin Abdullah	Executive Director of FMD	4,174,800 [#]	4.90	-	-

Note:

Assuming that they take up in full their allocations under the Issue Shares reserved for eligible Bumiputera investors approved by MITI

2.3 LICENCES, PERMITS AND REGISTRATIONS

The FM Group currently holds various licences and permits under its operating subsidiaries. A summary of the licences and permits is as follows:

Company	Approving Authority	Type of licence / registration/ licence and serial number	Date of issuance / expiry
FMM	Jabatan Kastam DiRaja Selangor	Approval for the use of lorry/ locked van bearing registration nos. BDS 4418, BEW 4502, BFC 9206, BEF 6745, BDU 8286 and BDV 1225 to carry dutiable goods.	25 April 2004 / 25 April 2005

2. INFORMATION SUMMARY (Cont'd)

Company	Approving Authority	Type of licence / registration/ licence and serial number	Date of issuance / expiry
	Majlis Perbandaran Klang	Premise/Signboard Licence 2004 (Code 289) for Lot 8, Lingkaran Sultan Mohamed 2, Bandar Sultan Suleiman 42000 Pelabuhan Kelang. Type of Business: Warehouse	27 February 2004/31 December 2004*
	Majlis Perbandaran Klang	Premise/Signboard Licence 2004 (Code 289) for Lot 14, Lingkaran Sultan Mohamed 2, Kawasan Perusahaan Bandar Sultan Suleiman 42000 Pelabuhan Kelang. Type of Business: Warehouse	27 February 2004/31 December 2004*
	Majlis Perbandaran Klang	Premise/Signboard Licence 2004 (Code 009) for Lot 8, Lingkaran Sultan Mohamed 2, Bandar Sultan Suleiman 42000 Pelabuhan Klang.	25 October 2003/31 December 2004*
	Majlis Bandaraya Melaka Bersejarah	Business/Signboard Licence for No 47, Jalan Melaka Baru 22, Taman Melaka Baru, BT Berendam 75350 Melaka.	8 December 2003/31 December 2004*
FM(Penang)	Majlis Perbandaran Seberang Perai	Forwarding Agent (Office) for No 4453, Jalan Bagan Luar, 12000 Butterworth, Penang.	9 January 2004/31 December 2004*
FM(Ipoh)	Majlis Bandaraya Ipoh	Signboard Licence for No 32-B, Jalan Ng Weng Hup, Taman Pertama, 30100 Ipoh, Perak Darul Ridzuan.	1 January 2004/31 December 2004*
FMD	Kastam DiRaja Malaysia	Warehouse Licence for Lot 8, Lingkaran Sultan Mohamed 2, Bandar Sultan Suleiman 42000 Pelabuhan Kelang.	3 June 2004 /31 May 2005
	Kastam DiRaja Malaysia	Warehouse Licence for Lot 14, Lingkaran Sultan Mohamed 2, Kawasan Perusahaan Bandar Sultan Suleiman 42000 Pelabuhan Kelang.	29 July 2004/31 July 2005
	Jabatan Kastam DiRaja Selangor	Approval for the use of lorry/locked van bearing registration no. BED 5704 to carry dutiable goods.	15 May 2004/15 May 2005

Note:

* The licences will be renewed upon expiry.

For further details on the licences, permits and registrations of the FM Group please refer to Section 10 of this Prospectus.

2. INFORMATION SUMMARY (Cont'd)

2.4 FINANCIAL HIGHLIGHTS

The following table sets out a summary of the proforma Group's financial performance for the past 5 FYE 30 June 2004 based on the assumption that the current Group structure has been in existence throughout the years under review. The proforma consolidated profit and dividend records are prepared for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report set out in Section 13 of this Prospectus.

	<----- FYE 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)
PBT and share of associate profits	3,813,799	5,635,774	4,286,038	7,250,570	8,150,651
Share of associate profits / (loss)	54,162	47,240	(97,327)	50,764	15,491
PBT	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)
PAT	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 EPS (RM)	0.08	0.12	0.09	0.15	0.17
Net EPS (RM)	0.05	0.09	0.04	0.11	0.12

Notes:

- (i) *The Group registered increases in revenues over the financial years under review except for the FYE 30 June 2002. The increases were contributed mainly by rail freight and sea freight services. The growth from the two main service lines also contributed directly to the growth of its supporting services.*

For the FYE 30 June 2002, the Group recorded a marginal decrease in revenue by approximately 2%. This was due to a marginal drop in the revenue contribution from sea freight and air freight services, whilst the revenue contribution from rail freight services recorded an increase of approximately 19%.

The Group's revenue increased for the FYE 30 June 2003 and FYE 30 June 2004 at about 5% and 13% respectively as compared to FYE 30 June 2002, which were attributed by the positive growth experienced by the shipping industries both local and internationally.

- (ii) *PBT and PAT increased respectively in the financial years 2000, 2001, 2003 and 2004 mainly due to the increase in revenue, gross profit margin and lower finance cost.*

The PBT decreased by approximately 26% for the FYE 30 June 2002 mainly due to the marginal decline in revenue, increase in interest expense and share of associate loss.

- (iii) *During the FYE 30 June 2000 and 30 June 2002, the effective tax rate was higher than the statutory tax rate mainly due to lease rental disallowed for taxation purposes.*

The effective tax rate for the FYE 30 June 2001, 30 June 2003 and 30 June 2004 approximated the statutory tax rate.

- (iv) *There were no extraordinary and exceptional items in the financial years under review*

- (v) *The gross and net EPS are computed on the PBT and PAT over the number of ordinary shares assumed in issue of 47,980,760 ordinary share of RM0.50 each of the Company after completion of Share Split, Acquisitions, Acquisition from Minority Shareholders, Transfers and Capitalisation of Advances but before Public Issue.*

- (vi) *There were no minority interests in the financial years under review.*

2. INFORMATION SUMMARY (Cont'd)

2.5 PROFORMA CONSOLIDATED BALANCE SHEETS OF FMH AS AT 30 JUNE 2004

The proforma consolidated balance sheets set out below are provided for illustrative purposes only to show the effects of the Flotation Scheme assuming that it had been effected on 30 June 2004. The proforma consolidated balance sheets below should be read in conjunction with the accompanying notes included in the Proforma Consolidated Balance Sheets set out in Section 12.3 of this Prospectus.

	Audited as at 30 June 2004 RM	After Share Split RM	After Acquisitions RM	After Acquisitions from Minority Shareholders RM	After Transfers RM	After Capitalisation of Advances RM	After Public Issue RM
ASSETS EMPLOYED							
PROPERTY, PLANT AND EQUIPMENT INVESTMENT	-	-	13,751,750	13,751,750	13,751,750	13,751,750	31,369,690
	-	-	137,387	137,387	137,387	137,387	137,387
CURRENT ASSETS							
Trade and other receivables	-	-	25,246,669	25,246,669	25,246,669	25,246,669	25,246,669
Amount owing from associated company	-	-	234,600	234,600	234,600	234,600	234,600
Tax recoverable	-	-	34,878	34,878	34,878	34,878	34,878
Short term deposits with licensed bank	-	-	3,496,106	3,496,106	3,496,106	3,496,106	3,496,106
Cash and bank balances	3	3	4,550,027	4,550,027	4,550,027	4,550,027	9,624,593
	3	3	33,562,280	33,562,280	33,562,280	33,562,280	38,656,846
CURRENT LIABILITIES							
Trade and other payables	17,183	17,183	14,376,625	14,376,625	14,376,625	14,376,625	14,376,625
Hire purchase creditors	-	-	291,275	291,275	291,275	291,275	291,275
Bank borrowings	-	-	3,289,135	3,289,135	3,289,135	3,289,135	3,289,135
Amounts owing to directors	-	-	4,434,555	4,434,555	4,434,555	4,434,555	4,434,555
Taxation	-	-	1,134,119	1,134,119	1,134,119	1,134,119	1,134,119
	17,183	17,183	23,525,709	23,525,709	23,525,709	23,525,709	23,525,709
NET CURRENT (LIABILITIES)/ ASSETS							
	(17,180)	(17,180)	10,036,571	10,036,571	10,036,571	14,471,126	19,545,692
	(17,180)	(17,180)	23,925,708	23,925,708	23,925,708	28,360,263	31,052,769
FINANCED BY							
SHARE CAPITAL	3 [^]	3	17,774,786	19,555,825	19,555,825	23,990,380	42,600,000
SHARE PREMIUM	-	-	-	-	-	-	4,082,886*
RESERVE ON CONSOLIDATION	-	-	2,297,649	2,594,328	2,594,328	2,594,328	2,594,328
ACCUMULATED LOSSES	(17,183)	(17,183)	(17,183)	(17,183)	(17,183)	(17,183)	(17,183)
SHAREHOLDERS' EQUITY	(17,180)	(17,180)	20,055,252	22,132,970	22,132,970	26,567,525	49,260,031
MINORITY INTERESTS	-	-	2,077,718	-	-	-	-
LONG TERM AND DEFERRED LIABILITIES							
Bank borrowings	-	-	82,326	82,326	82,326	82,326	82,326
Hire purchase creditors	-	-	357,712	357,712	357,712	357,712	357,712
Deferred tax liabilities	-	-	1,352,700	1,352,700	1,352,700	1,352,700	1,352,700
	(17,180)	(17,180)	23,925,708	23,925,708	23,925,708	28,360,263	31,052,769
Net tangible asset per ordinary share of RM0.50 each (RM)	-	-	0.56	0.57	0.57	0.55	0.58
Gearing (times)	-	-	0.20	0.18	0.18	0.15	0.08

Notes:

[^] Ordinary shares of RM1.00 each

* After deducting estimated listing expenses of RM1.5 million

2. INFORMATION SUMMARY (Cont'd)

2.6 AUDIT QUALIFICATIONS

There was no qualification reported in the audited accounts of any of the companies within the FM Group for the period under review. Detailed information on the financial performance of the FM Group is set out in Section 13 of this Prospectus.

2.7 PRINCIPAL STATISTICS RELATING TO THE PUBLIC ISSUE

The following information has been extracted from and should be read in conjunction with the accompanying notes included in the Proforma Consolidated Balance Sheets set out in Section 12.3 of this Prospectus.

2.7.1 Share capital

	RM
Authorised	
200,000,000 ordinary shares of RM0.50 each	100,000,000
Issued and fully paid-up share capital as at the date of this Prospectus	
47,980,760 Shares	23,990,380
To be issued pursuant to the Public Issue	
37,219,240 new Shares	18,609,620
Enlarged issued and fully paid-up share capital upon listing	42,600,000

There is only one class of shares in FMH, namely ordinary shares of RM0.50 each, all of which rank *pari passu* with each other. The Issue Shares will rank *pari passu* in all respects with the other existing issued and paid-up ordinary shares of the Company including voting rights and rights to all dividends and distributions that may be declared subsequent to the date of the allotment of the Issue Shares.

For further details on the share capital of FMH, please refer to Section 6.2 of this Prospectus.

2.7.2 Issue price for each Issue Share RM0.65

2.7.3 Proforma consolidated NTA of FMH as at 30 June 2004

Proforma consolidated NTA (after the Public Issue and deducting estimated listing expenses of RM1,500,000)	RM49,260,031
Proforma consolidated NTA per Share (based on the enlarged issued and paid up share capital of 85,200,000 Shares)	RM0.58

2. INFORMATION SUMMARY (Cont'd)

2.7.4 Consolidated profit forecast of FMH for the FYE 30 June 2005

Revenue (RM'000)	128,632
Consolidated PBT (RM'000)	8,479
Taxation (RM'000)	(2,326)
Consolidated PAT [#] (RM'000)	6,153
Less: pre-acquisition profits* (RM'000)	(2,675)
Consolidated PAT after pre-acquisition profits (RM'000)	3,478
Issued and paid-up share capital - weighted average number of Shares in issue ('000)	43,497
Based on the consolidated PAT after pre-acquisition profits over the weighted average number of ordinary shares in issue:	
- Gross EPS (sen)	19.49
- Net EPS (sen)	8.00
- Gross PE Multiple [^] (times)	3.33
- Net PE Multiple [^] (times)	8.13

Notes:

* *The pre-acquisition profits were computed based on the completion of the Share Split, Acquisitions, Acquisitions from Minority Shareholders, Transfers and Capitalisation of Advances on 2 December 2004.*

[^] *Computed based on the issue price of RM0.65 per Issue Share*

[#] *There is no minority interest*

2.7.5 Dividend forecast

The following table sets out a summary of the dividend forecast for the FYE 30 June 2005 and should be read in conjunction with the accompanying notes included in the dividend forecast set out in Section 12.2.5 of this Prospectus.

FYE 30 June	2005
Dividend per Share (sen)	
- Gross dividend per Share	1.00
- Net dividend per Share	0.72
Dividend yield (%)*	
- Gross dividend yield	1.54
- Net dividend yield	1.11
Net dividend cover (times)	5.67

Note:

* *Computed based on the issue price of RM0.65 per Issue Share*

2. INFORMATION SUMMARY (Cont'd)

2.8 RISK FACTORS

Applicants for the Issue Shares should carefully consider the following risk factors (which may not be exhaustive) summarised from Section 4 of this Prospectus in addition to the other information contained elsewhere in this Prospectus, before applying for the Issue Shares:

- Business risk;
- Economic, political and regulatory risks;
- Foreign currency fluctuation risk;
- Reliance on international network of independent agents
- Reliance on integration with other vendors;
- Disruption to multimodal international freight services operations;
- Competition;
- Dependence on key personnel;
- Liability insurance coverage;
- Fluctuation in selling rates of services;
- Control by substantial shareholders;
- System failures;
- No prior market for the Shares;
- Profit forecast;
- Failure / delay in the listing; and
- Capital market risk.

For details on these risk factors, please refer to Section 4 of this Prospectus.

2.9 UTILISATION OF PROCEEDS

The total gross proceeds arising from the Public Issue of RM24.19 million will accrue entirely to the Company and will be utilised in the following manner:

Details	RM
Acquisition of land	6,960,600
Construction of warehouse	7,200,000
Acquisition of computer software and hardware	1,635,000
Acquisition of additional containers	1,822,340
Listing expenses	1,500,000
Working capital	5,074,566
Total	<u>24,192,506</u>

Note:

* *If the actual listing expenses are higher than budgeted, the deficit will be funded out of the portion allocated for working capital. Conversely, if the actual listing expenses are lower than budgeted, the excess will be utilised for working capital purposes.*

For further details on the utilisation of proceeds arising from the Public Issue, please refer to Section 3.9 of this Prospectus.

2. INFORMATION SUMMARY (Cont'd)

2.10 MATERIAL LITIGATION, CAPITAL COMMITMENTS, BORROWINGS AND CONTINGENT LIABILITIES
(a) Material litigation

Save as disclosed below, neither FMH nor any of its subsidiaries is engaged in any litigation or arbitration, either as plaintiff or defendant, which has a material effect on the financial position of FMH or any of its subsidiaries and the Directors do not know of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect the position or business of FMH or any of its subsidiaries:

In respect of Kuala Lumpur High Court Suit No: MT5-22-878-2001 dated 27 November 2001 between Lee Chin Lai ("Lee"), FMM and Chew Chong Keat, Lee has filed a Writ of Summons against FMM and Chew Chong Keat for defamation pursuant to 2 internal memos sent by FMM and Chew Chong Keat to Lee and the employees of the FMM in respect of Lee. Lee is claiming for compensatory damages of RM2,000,000 against FMM and RM500,000 against Chew Chong Keat, exemplary/punitive damages, aggravated damages, an injunction against FMM and Chew Chong Keat, its servants or agents or otherwise from further publishing or causing to publish the false statements and/or any matters which are derogatory and interests and costs.

The matter has been fixed for trial from 14 to 16 February 2006.

The solicitors for FMM and Chew Chong Keat are of the opinion that the suit by Lee against FMM and Chew Chong Keat is frivolous.

(b) Capital commitments

As at 30 November 2004 (being the latest practicable date of which such amounts could be determined prior to the registration of this Prospectus), the FM Group has contracted but not provided for the following capital commitments:

Type of capital commitments	RM
Purchase of motor vehicles	656,854
Acquisition of land located at Lot 37, Jalan Lebu 1, Kawasan Perusahaan Bandar Sultan Sulaiman, 42000 Selangor Darul Ehsan	9,997,020
Purchase of office equipment and computers	99,723
Total	<u>10,753,597</u>

(c) Borrowings

As at 30 November 2004 (being the latest practicable date of which such amounts could be determined prior to the registration of this Prospectus), the total interest bearing bank borrowings outstanding from FMH and its subsidiary companies are as follows:

Type of borrowings	RM
Long-term borrowings	
• Term loans	72,312
• Hire purchase and leases	305,209
Short-term borrowings	
• Term loans	56,095
• Hire purchase and leases	290,111
• Bank overdrafts	4,790,916
Total	<u>5,514,643</u>

2. INFORMATION SUMMARY (Cont'd)

The Group has no foreign currency borrowings.

There were no defaults on payments of either interest and/or principal sums in respect of any borrowings as set out above throughout FYE 30 June 2004 and the subsequent financial period thereof immediately preceding the date of this Prospectus.

(d) **Contingent liabilities**

As at 30 November 2004 (being the latest practicable date of which such amounts could be determined prior to the registration of this Prospectus), the Directors of FMH are not aware of any contingent liabilities save as disclosed below:

	RM
Corporate guarantee by FMM in respect of banking facilities granted to its subsidiary companies	
- CMS	600,000
- FM(Penang)	380,000
- PGSB	5,900,000
- ALSB	600,000
Corporate guarantee by PGSB in respect of banking facilities granted to FMM	2,000,000
Total corporate guarantees	<u>9,480,000</u>
Bank guarantees in favour of third parties	1,959,508*
Total	<u><u>11,439,508</u></u>

Note:

* *These are bank guarantees made in the ordinary course of business mainly in favour of the vendors and Pengarah Kastam of Malaysia and the relevant states in Malaysia*

For further details on the Material Litigation, Capital Commitments, Borrowings and Contingent Liabilities of the FM Group, please refer to Section 12.1.3 of this Prospectus.

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3. PARTICULARS OF THE PUBLIC ISSUE

3.1 PRELIMINARY

This Prospectus is dated 31 December 2004.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, Bursa Securities has prescribed the ordinary shares of FMH as a prescribed security. In consequence thereof, the Issue Shares offered through this Prospectus will be deposited directly with the Depository and any dealings in these Shares will be carried out in accordance with the Securities Industry (Central Depositories) Act, 1991 and the Rules of the Depository.

Approval-in-principle has been obtained from Bursa Securities on 3 September 2004 for the admission of FMH to the Official List of the Second Board of Bursa Securities and for permission to deal in and for the quotation of the entire enlarged issued and paid-up share capital of the Company, including the Issue Shares which are the subject of this Prospectus. The entire enlarged issued and paid-up share capital of FMH will be admitted to the Official List of the Second Board of Bursa Securities and official quotation will commence after the receipt of confirmation from the Depository that all CDS Accounts of the successful applicants have been duly credited and an undertaking that notices of allotment will be issued and despatched to all the successful applicants.

Persons submitting applications by way of Application Forms or by way of Electronic Share Applications **MUST** have a CDS Account. Where an applicant does not presently have a CDS Account, he/she should open a CDS Account at an ADA prior to making an application for the Issue Shares.

In the case of an application by way of Application Forms, an applicant must state his CDS Account number in the space provided in the Application Form.

In the case of an application by way of Electronic Share Application, an applicant shall furnish his CDS Account number to the Participating Financial Institutions by way of keying in his CDS Account number if the instruction on ATM screen at which he enters his Electronic Share Application requires him to do so. A corporation or institution cannot apply for the Issue Shares by way of Electronic Share Application.

No person is authorised to give any information or to make any representation not contained herein in connection with the Public Issue and if given or made, such information or representation must not be relied upon as having been authorised by FMH. Neither the delivery of this Prospectus nor any Public Issue made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of FMH or the Group since the date of this Prospectus.

The distribution of this Prospectus and the sale of the Issue Shares in certain other jurisdictions may be restricted by law. Persons who may be in possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an invitation to subscribe for or an offer to sell any Issue Shares in any jurisdiction in which such invitation or offer is not authorised or lawful or to any persons to whom it is unlawful to make such an invitation or offer.

If you are in any doubt about this Prospectus, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other professional adviser.

3.2 OPENING AND CLOSING OF APPLICATION

Application for the Issue Shares will be accepted from 10.00 a.m. on 31 December 2004 and will be closed at 5.00 p.m. on 14 January 2005 or for such further period or periods as the Directors of the Company and the Underwriter in their absolute discretion may mutually decide. Late applications will not be accepted.

3. PARTICULARS OF THE PUBLIC ISSUE *(Cont'd)*

3.3 CRITICAL DATES

The indicative timing of events leading up to the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company of 85,200,000 Shares on the Second Board of Bursa Securities is set out below:

Event	Tentative Date
Opening of the application	31 December 2004
Closing of the application	14 January 2005*
Balloting of applications for Shares	19 January 2005
Allotment of Shares	25 January 2005
Listing of and quotation for the Company's entire enlarged issued and paid-up share capital on the Second Board of Bursa Securities	3 February 2005

Note:

* *Applications for the Public Issue will close at the time and date as stated above or such other date as the Directors of the Company and the Underwriter in their absolute discretion may mutually decide. Any extension of the abovementioned dates will be published in widely circulated English and Bahasa Malaysia newspapers within Malaysia.*

3.4 SHARE CAPITAL

	RM
Authorised	
200,000,000 ordinary shares of RM0.50 each	<u>100,000,000</u>
Issued and fully paid-up as at the date of this Prospectus	
47,980,760 Shares	23,990,380
To be issued pursuant to the Public Issue	
37,219,240 new Shares	18,609,620
Enlarged issued and fully paid-up share capital upon listing	<u>42,600,000</u>

There is only one class of shares in FMH, namely ordinary shares of RM0.50 each, all of which rank *pari passu* with each other. The Issue Shares will rank *pari passu* in all respects with the other existing issued and paid-up ordinary shares of the Company including voting rights and rights to all dividends and distributions that may be declared subsequent to the date of the allotment of the Issue Shares.

Subject to any special rights attaching to any Shares which may be issued by the Company in the future, the holders of Shares in the Company shall, in proportion to the amount paid-up on the Shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions and in respect of the whole of any surplus in the event of liquidation of the Company.

3. PARTICULARS OF THE PUBLIC ISSUE *(Cont'd)*

At any general meeting of the Company, each shareholder shall be entitled to vote in person or by proxy and on a show of hands, every person present who is a shareholder or representative or proxy of a shareholder, shall have one vote, and on a poll, every shareholder present in person or by proxy or other duly authorised representative shall have one vote for each Share held by them. A proxy may but need not be a member of the Company.

3.5 DETAILS OF THE PUBLIC ISSUE

The Public Issue, which is subject to the terms and conditions of this Prospectus, comprises the following:

(a) Eligible Directors and employees of FMH and its subsidiary companies

2,800,240 Issue Shares representing 3.3% of the enlarged issued and paid-up share capital have been reserved for application by the eligible Directors and employees of FMH and its subsidiary companies.

The Issue Shares in respect of (a) are allocated as follows:

- (i) The Directors of FMH have been allocated an aggregate of 282,240 Issue Shares.
- (ii) The 202 eligible employees of FMH and its subsidiary companies have been allocated an aggregate of 2,518,000 Issue Shares. The criteria of allocation of the Issue Shares reserved for eligible employees are based on respective staff grades and length of service.

(b) Eligible Bumiputera investors approved by MITI

25,560,000 Issue Shares representing 30.0% of the enlarged issued and paid-up share capital have been reserved for Bumiputera investors approved by MITI;

(c) Identified investors by way of private placement

2,859,000 Issue Shares representing 3.4% of the enlarged issued and paid-up share capital will be placed to identified investors (who are deemed public) by way of private placement; and

(d) Malaysian public

6,000,000 Issue Shares representing 7.0% of the enlarged issued and paid-up share capital will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions, of which at least 30% is to be set aside, to the extent possible, for Bumiputera applicants.

There is no minimum subscription amount to be raised from the Public Issue. Any of the Issue Shares in respect of paragraphs (a) and (c) not subscribed for by the eligible Directors and employees of FMH and its subsidiary companies and identified investors will be made available for application by the Malaysian public under paragraph (d). The Issue Shares under paragraphs (a), (c) and (d) have been underwritten. The Issue Shares in respect of paragraph (b) above need not be underwritten as irrevocable undertakings to subscribe for the Issue Shares have been given by the respective Bumiputera investors.

3. PARTICULARS OF THE PUBLIC ISSUE *(Cont'd)*

3.6 DETAILS ON PINK FORMS ALLOCATION

The details of the the eligible Directors of FMH and its subsidiary companies with their respective allocations under the pink form category are set out below:

Name of Directors	Pink form allocations
Chew Chong Keat	94,080
Yong Heng Lam	94,080
Gan Siew Yong	94,080
Goh Chong Weng	58,000
Teh Swee Sim	72,000
Wong Lee Choo	49,000
Ong Looi Chai	72,000
Cheong Tak Hua	49,000
Total	582,240

3.7 PURPOSES OF THE PUBLIC ISSUE

The main purposes of the Public Issue are as follows:

- (a) the listing of the Shares on the Second Board of Bursa Securities is expected to enhance the FM Group's corporate stature and profile;
- (b) to provide an opportunity for the Malaysian investors (including Bumiputera investors and all eligible Directors and employees of FMH and its subsidiary companies) and institutions to participate in the continuing growth of the Group by way of equity participation;
- (c) to enable the FM Group to gain access to the capital markets for funds to finance its future expansion and continued growth; and
- (d) to obtain a listing of and quotation for the entire enlarged issued and paid-up share capital of FMH on the Second Board of Bursa Securities.

3.8 BASIS OF ARRIVING AT THE ISSUE PRICE

The issue price of RM0.65 per Issue Share was determined and agreed upon by the Company, the Promoters and RHB Sakura as the Underwriter based on various factors after taking into account the following:

- (a) the forecast net PE Multiple of approximately 8.13 times *(Note 1)*;
- (b) the Group's future plans as outlined in Section 6 of this Prospectus;
- (c) the prospects of the industry as outlined in Section 5 of this Prospectus;
- (d) the proforma consolidated NTA per Share of FMH as at 30 June 2004 of RM0.58 as set out in Section 12 of this Prospectus; and
- (e) the prevailing equity market conditions.

Note:

- 1 Based on the forecast consolidated net EPS of FMH of approximately 8.00 sen for the FYE 30 June 2005 (which is calculated based on the forecast consolidated PAT of FMH of RM3.478 million and the weighted average number of Shares in issue of 43,497,000 Shares) and the issue price of RM0.65 per Issue Share.

3. PARTICULARS OF THE PUBLIC ISSUE *(Cont'd)*

However, investors should also take note that the market price of the Shares upon and subsequent to the listing of FMH on the Second Board of Bursa Securities is subject to the vagaries of market forces and other uncertainties, which may affect the price of the Shares being traded.

3.9 UTILISATION OF PROCEEDS

The Public Issue is expected to raise proceeds of RM24.19 million. All proceeds to be raised from the Public Issue will accrue to the Company. The Company shall bear all expenses and fees incidental to the listing of and quotation for the entire enlarged issued and paid-up share capital of FMH on the Second Board of Bursa Securities, which include *inter-alia* brokerage fees, printing, advertising, underwriting and placement fees which is estimated to be RM1.5 million.

Total gross proceeds arising from the Public Issue of RM24.19 million will be utilised in the following manner:

	Notes	RM
Acquisition of land	(a)	6,960,600
Construction of warehouse	(b)	7,200,000
Acquisition of computer software and hardware	(c)	1,635,000
Acquisition of additional containers	(d)	1,822,340
Listing expenses*	(e)	1,500,000
Working capital	(f)	5,074,566
		24,192,506

Note:

* If the actual listing expenses are higher than budgeted, the deficit will be funded out of the portion allocated for working capital. Conversely, if the actual listing expenses are lower than budgeted, the excess will be utilised for working capital purposes.

(a) Acquisition of land

Of the total proceeds, RM6.96 million will be used for the acquisition of a piece of land for the construction of a centralised warehouse for the storage of both general and bonded goods belonging to the customers of the FM Group prior to the transportation of the said goods to their intended destinations.

On 11 August 2004, FMM had entered into a sale and purchase agreement with Mewah-Oils Sdn Bhd to acquire a plot of leasehold land measuring 653,400 square feet, located at Lot 37, Jalan Lebu 1, Kawasan Perusahaan Bandar Sultan Sulaiman, 42000 Selangor Darul Ehsan ("Land") for the construction of the said centralised warehouse for a purchase consideration of RM11.11 million.

The said acquisition is expected to complete within 6 months from the date of the agreement. The balance of the purchase consideration of RM4.15 million for the land was and shall be funded *via* its internally generated funds and bank borrowings.

(b) Construction of warehouse

Following the acquisition of the Land as set out above, RM7.20 million will be allocated for the construction of a warehouse measuring approximately 120,000 sq ft. With the construction of the said warehouse, the FM Group will be able to reduce its dependency on rented warehouse space of approximately 94,613 sq ft and cater for the expected increase in business volume. It is estimated that the construction of the warehouse will require a period between 6 and 9 months after obtaining the approval of the building plan from the relevant authorities.

3. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

(c) Acquisition of computer software and hardware

The FM Group intends to set aside RM1.63 million to acquire dedicated freight management software and upgrade its information technology hardware and infrastructure.

The Group has identified and is in the process of upgrading to a modular system provided by Eagle Datamation International Pte Ltd, an Australian company where it is expected to:

- fully integrate the entire Group's management information system linking with all operations; and
- electronically archive all documents.

The upgrading is expected to complete by third quarter of 2005.

(d) Acquisition of additional containers

RM1.82 million will be used by the FM Group to purchase 130 units of 40-foot containers for its rail freight services. As such, the FM Group will be able to discontinue the leasing of approximately 55 units of 20-foot containers and 55 units of 40-foot containers. The additional 40-foot containers will expand the carrying capacities of goods for its rail freight services.

The FM Group has obtained quotations and identified several containers suppliers. The Directors of FMH believe that the delivery of the containers from the date of order placement to the physical delivery would take approximately 60 days.

(e) Estimated listing expenses

FMH will bear all expenses incidental to the Listing estimated at RM1.5 million as follow:

	RM
Professional advisory fees	705,000
Fees to authorities and issuing house	164,000
Advertising and printing costs	300,000
Brokerage and underwriting fees	238,000
Other incidental charges	93,000
	<u>1,500,000</u>

(f) Working capital

The balance of the proceeds will be used as a general working capital for the FM Group including payment of creditors, salaries, purchase of cargo space and operating expenses.

The Company anticipates that the gross proceeds from the Public Issue shall be fully utilised for the above purpose within 2 years from the receipt of the proceeds.

The proforma impact of the utilisation of proceeds on the consolidated balance sheets of FMH as at 30 June 2004 is reflected in Section 12.3 of this Prospectus.

3. PARTICULARS OF THE PUBLIC ISSUE *(Cont'd)*

3.10 COMMISSION AND BROKERAGE

The Underwriter and Placement Agent has agreed to act as the Placement Agent for 2,859,000 Issue Shares and underwrite 11,659,240 Issue Shares (comprising 6,000,000 Issue Shares to Malaysian Public, 2,859,000 Issue Shares to identified investors by way of placement and 2,800,240 Issue Shares to eligible Directors and employees of FMH and its subsidiary companies). The total commission payable by the Company is RM151,570.12 amounting to 2% of the total value of Issue Shares underwritten.

Brokerage relating to the Issue Shares is payable by the Company at the rate of 1% of the issue price of RM0.65 per Issue Share in respect of successful applications which bear the stamps of RHB Sakura, participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIDFCCS.

3.11 SALIENT TERMS OF THE UNDERWRITING CUM PLACEMENT AGREEMENT

The underwriting cum placement agreement was entered into between the Company and RHB Sakura, being the Underwriter. The salient terms are summarised below:

- (a) In consideration of the commission and in reliance upon each of the representations and warranties and the terms and conditions of the underwriting cum placement agreement and subject to clause 3.1 of the underwriting cum placement agreement, the Underwriter/Placement Agent agrees to:
- underwrite the 11,659,240 Issue Shares (“Underwritten Shares”) at the issue price of RM0.65 per Share in accordance with the underwriting commitment; and
 - to act as Placement Agent for the 2,859,000 Issue Shares (“Placement Shares”) in connection with the placement to identified investors.
- (b) The obligations of the Underwriter/Placement Agent under the underwriting cum placement agreement are conditional upon:
- the Company obtaining the SC’s final approval of the draft Prospectus;
 - the delivery to the SC of the Prospectus for registration in accordance with the requirements under Section 42 of the Securities Commission Act 1993 together with copies of all documents required pursuant to the provisions of the Securities Commission Act 1993;
 - the lodgement of the Prospectus with the ROC;
 - the Company obtaining Bursa Securities’ approval in principle for the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company, including the Issue Shares on the Second Board of Bursa Securities; and
 - the Company meeting the public spread requirement under the Listing Requirements of Bursa Securities.
- (c) If any of the conditions above is not satisfied on or before the Closing Date (means the last date on which the Issue Shares will be available for subscription by the Malaysian Public, falling not later than 3 months from the agreement date, to be fixed by the Company together with the Underwriter/Placement Agent), the Underwriter/Placement Agent is entitled by notice in writing to the Company to:
- terminate the underwriting cum placement agreement to the extent of its obligations contained in it; and

3. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

- cease performance of its obligations under the underwriting cum placement agreement.
- (d) In the event that the underwriting cum placement agreement is terminated, the parties to the underwriting cum placement agreement will be released and discharged from their obligations under the underwriting cum placement agreement save and except for the liability of the Company for payment of costs and expenses incurred prior to or in connection with such termination.
- (e) The Underwriter/Placement Agent may, at its discretion, waive compliance with any of the provisions of clause (b) above.
- (f) In the event that any of the Underwritten Shares has not been validly subscribed for by the eligible directors and employees of the Company and its subsidiary companies, identified investors by way of private placement and the Malaysian Public by the Closing Date the Underwriter must subscribe or procure persons to subscribe for all the Unsubscribed Shares (means such number of the Underwritten Shares that have not been validly subscribed for by the eligible directors and employees of the Company and its subsidiaries, identified investors by way of private placement and the Malaysian Public by the Closing Date).
- (g) The persons whom the Underwriter may procure to subscribe for the Unsubscribed Shares may be individuals or corporations, but such persons cannot include the Company.
- (h) Notwithstanding anything contained in the underwriting cum placement agreement, the Underwriter/Placement Agent may at any time before the Closing Date terminate, cancel or withdraw its obligations or commitments under the underwriting cum placement agreement by giving notice in writing to the Company, if there is:
- any change in national or international monetary, financial, political or economic conditions (including but not limited to conditions of the stock markets in Malaysia and overseas, foreign exchange markets or money markets or that with regard to inter-bank offer or interest rates in Malaysia and overseas) which will, in the reasonable opinion of the Underwriter/Placement Agent, materially and adversely affect the Company and the successful issuance of the Issue Shares, the business or prospects of the Company or any of its subsidiary companies or which is likely to have the effect of making any material part of the underwriting cum placement agreement incapable of performance in accordance with its terms;
 - any change in exchange controls or currency exchange rates which will, in the reasonable opinion of the Underwriter/Placement Agent, materially and adversely affect the success of the issuance of the Underwritten Shares and their distribution or sale (whether in the primary market or in respect of dealings in the secondary market);
 - any development, occurrence or any change or prospective change in or any introduction or prospective introduction of any legislation, regulation, policy, directive, guideline, ruling or any request or interpretation by the SC, any other regulatory authorities or any governmental bodies, whether or not having the force of law, or occurrence of any other nature, which will materially and adversely affect the Company and the successful issuance of the Issue Shares, the business or prospects of the Company or any of its subsidiary companies or which is likely to have the effect of making any material part of the underwriting cum placement agreement incapable of performance in accordance with its terms;
 - any Government requisition or occurrence of any other nature which materially and adversely affects or will materially and adversely affect the business and/or financial position of the Company or any of its subsidiary companies;

3. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

- any breach of the representations, warranties and undertakings which will materially and adversely affect the successful issuance of the Issue Shares or which is likely to have the effect of making any material part of the underwriting cum placement agreement incapable of performance in accordance with its terms;
 - any event or series of events beyond the reasonable control of the Underwriter/Placement Agent (including but not limited to acts of government, strikes, lockouts, fire, explosion, flooding, civil commotion, acts of war, sabotage, acts of God or accidents) which has the effect of making any material part of the underwriting cum placement agreement incapable of performance in accordance with its terms or which prevents the processing of applications, crediting of accounts and/or payments pursuant to the Public Issue or pursuant to its underwriting;
 - the imposition of any moratorium, suspension or material restriction on trading in securities generally in Bursa Securities due to exceptional financial circumstances or otherwise; or
 - any material and adverse change to the business and/or financial position of the Company or any of its subsidiary companies.
- (i) On delivery of such notice by the Underwriter/Placement Agent:
- the underwriting cum placement agreement will be terminated as between the Company and the Underwriter/Placement Agent;
 - the obligations of the Company and the Underwriter/Placement Agent under the underwriting cum placement agreement (except for the liability of the Company for the payment of costs and expenses referred to in the underwriting cum placement agreement incurred prior to or in connection with such termination) will cease; and
 - the Company and the Underwriter/Placement Agent will not have any claim against each other in respect of any thing or matter arising out of or in connection with the underwriting cum placement agreement.
- (j) The Company and the Underwriter/Placement Agent may however confer with a view to deferring the proposed Public Issue or amending its terms or the terms of the underwriting cum placement agreement and enter into a new underwriting agreement accordingly, but neither the Company nor the Underwriter/Placement Agent will be under any obligation to enter into a new agreement.
- (k) In the event that the Closing Date shall fall after 3 months from the date of the underwriting cum placement agreement, the underwriting cum placement agreement will lapse and the Underwriter/Placement Agent will be released and discharged from all of its obligations under the underwriting cum placement agreement and the Company may enter into a fresh underwriting agreement with the same and/or different underwriters/placement agents. To avoid any doubt, the Company will not be released from its liability to pay all costs, charges and expenses which are incurred prior to or in connection to the negotiation, preparation, execution and stamping of the underwriting cum placement agreement.

4. RISK FACTORS

PROSPECTIVE INVESTORS SHOULD RELY ON THEIR OWN EVALUATION AND ARE ADVISED TO CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS (WHICH MAY NOT BE EXHAUSTIVE) WHICH MAY HAVE A SIGNIFICANT IMPACT ON THE FUTURE PERFORMANCE OF THE FM GROUP IN ADDITION TO OTHER INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS BEFORE APPLYING FOR THE ISSUE SHARES.

4.1 BUSINESS RISK

The FM Group is subject to certain risks inherent in its business. These risks include changes in demand for the Group's services, entry of new players, changes in government policies, taxes and incentives affecting the industry, increase in transportation rates and rental costs, changes in business and credit conditions and fluctuations in foreign exchange rates.

Although the Group seeks to limit these business risks through, *inter-alia*, prudent management policies and maintaining good business relationships with its independent agents and customers, no assurance can be given that any change in any of these factors will not have a material adverse effect on the Group's business.

4.2 ECONOMIC, POLITICAL AND REGULATORY RISKS

Any adverse development in the political situations and economic uncertainties in Malaysia and/or other countries which the FM Group has business links, directly or indirectly, could materially and adversely affect the financial performance of the Group. Amongst the political, economic and regulatory uncertainties are global economic slowdown, war, changes in political leadership, expropriation, nationalisation, changes in government policy such as introduction of new regulations, changes in interest rates and method of taxation and currency rules. There can be no assurance that such economic, political and regulatory uncertainties will not materially affect the Group.

4.3 FOREIGN CURRENCY FLUCTUATION RISK

Presently, as the FM Group's revenues and expenses (therefore its receipts and payments) are predominantly denominated in USD, there is a natural hedge against any unfavourable foreign exchange movement of USD. Further, foreign currency fluctuation risk is minimal since the RM is currently pegged to the USD at the rate of RM3.80 to USD1.00, thereby mitigating the foreign exchange fluctuation risk of the Group. However, in the event the RM to USD peg is removed or re-pegged, the financial performance of the Group may be adversely affected if the RM appreciates against the USD.

4.4 RELIANCE ON INTERNATIONAL NETWORK OF INDEPENDENT AGENTS

As at 15 December 2004, the FM Group has an extensive worldwide network of 54 independent agents covering 69 ports over 30 countries to facilitate the movement of cargos to overseas destinations. The viability and growth of the FM Group's multimodal international freight service business is partially dependent on its ability to maintain existing relationships/or and continue forging relationships with new independent agents throughout the world. Failure to maintain and/or forge new independent agents may affect the performance of the FM Group.

As at 15 December 2004, approximately 59% of its existing independent agents have been dealing with the FM Group for more than 5 years.

As such, the Group endeavours to minimise its dependency on any particular independent agent by fostering long-term and strong relationships with its independent agents and establishing new markets. However, there can be no assurance that the FM Group can successfully maintain its business relationships with every independent agent or forge new network of agency co-operation in the future.

4. RISK FACTORS (Cont'd)

4.5 RELIANCE ON INTEGRATION WITH OTHER VENDORS

In view that the Group is a comprehensive multimodal international freight service provider, it is dependent on other vendors such as providers of container haulage, conventional trucks, warehouse operators, shipping and airline companies, port operators and railway operator. Proper coordination and integration of services offered by other vendors are crucial for the smooth operations of the FM Group's multimodal international freight services.

The Group seeks to mitigate such risk by focusing on expanding its vendor base and hence reducing reliance on certain vendors. In this respect, the Group has, through its many years of operation, established a wide vendor base which covers the above said services and has built long business relationship of more than 10 years with certain key vendors. However, the Group is unable to expand its railway operator base as KTMB is the sole rail operator in Malaysia. However, the Group has on 7 December 2004 entered into a railway services agreement to formalise the business arrangement with KTMB. In addition, the Group has built a long business relationship with KTMB since 1999 with the commencement of containerised rail freight services providing dedicated containerised transit between Port Klang and Lat Krabang, Bangkok. This is evident with the increase in the frequency of rail freight services from a single run per week in 1999 to 4 runs per week currently.

There can be no assurance that the FM Group will be able to sufficiently expand its vendor base in the future and that KTMB will continue with this present arrangement/service with the FM Group or that the present terms will persist or any subsequent variation to the terms will be acceptable by either parties.

For more details on the major vendors and the length of business relationship, please refer to Sections 6.5.1.1, 6.5.1.2, 6.5.1.3 and 6.5.5 of this Prospectus.

4.6 DISRUPTION TO MULTIMODAL INTERNATIONAL FREIGHT SERVICES OPERATIONS

The Group may face major disruption to its multimodal international freight services operations due to uncontrollable external factors such as fire, explosion, energy crisis, flooding, sabotage, civil commotion, war, computer viruses, hacking, acts of God and other calamities. In the event that the Group is affected by such uncontrollable external factors, the financial performance and operations of the Group may be adversely affected. While the operations of the Group have not experienced such events in the past, there can be no assurance that this will not happen in the future.

4.7 COMPETITION

The FM Group may face competition from potential new entrants into the freight forwarding industry. However, in order to be a comprehensive multimodal international freight service provider such as the FM Group, potential entrants are faced with high barriers to entry such as the need for high capital outlay as well as to create and establish a network of international agents. *(Source: Frost & Sullivan)*

The FM Group also faces competition from existing freight service providers. Generally competition among freight service providers is based on a number of factors, including quality, competitive rates, reliability, delivery, established network of international agents and value-added services.

Unlike most of its competitors, the FM Group has through vertical and horizontal integration developed itself as a 'one-stop' centre providing multimodal international freight services comprising freight coordination and arrangements, customs brokerage, warehousing and distributions and project management. The Group believes that its principal competitive strengths are its integrated operations, experienced management team, established network of international independent agents, reliability in meeting customers' requirements, quality services and offering of competitive rates.

4. RISK FACTORS (Cont'd)

Furthermore, each Promoter has more than 15 years experience in the international freight services industry and has built up a long-term relationship with the Group's network of international independent agents and customers. The FM Group is continuously looking at ways to improve and widen the scope of its services in order to strengthen its position as a 'one-stop' multimodal international freight service provider. The FM Group's commitment to quality is attested with the certification of ISO 9001:2000 on quality management system by SIRIM and SGS United Kingdom Ltd.

Despite the aforesaid competitive advantage, there can be no assurance that the Group will not be affected by the competitive strategy adopted by other multimodal international freight service providers within the same industry, both locally and overseas.

4.8 DEPENDENCE ON KEY PERSONNEL

The FM Group believes that its continued success will depend, to a significant extent, upon the abilities, continued efforts and teamwork of its existing directors and senior management. The future success of the FM Group will also depend to a significant extent upon the ability of the FM Group to attract and retain skilled personnel. The loss of any significant number of the FM Group's directors or key members of the senior management, could adversely affect the FM Group's performance.

The Directors of FMH recognise the importance of the FM Group's ability to attract and retain skilled personnel and have in place human resource strategies which include encouraging participative management, providing competitive and performance based remuneration, adopting succession planning for key positions and providing employees with a variety of on-going training programmes to upgrade their knowledge and capabilities. However, there can be no assurance that the above measures will be successful in attracting and retaining key personnel or ensuring a smooth transition should changes occur.

4.9 LIABILITY INSURANCE COVERAGE

The FM Group is aware of the adverse consequences arising from inadequate insurance coverage that could disrupt its business operations. In ensuring that such risks are minimised, the Group reviews and ensures adequate coverage for its assets and business operations on a continuous basis.

The major assets of the FM Group are its landed properties which include, amongst others, land, buildings and warehouses, both owned and leased. The FM Group has taken insurance policies on all the Group's major assets including plant and equipment. As at 30 June 2004, the net book value of building and plant and equipment excluding the land of the FM Group is approximately RM10.6 million which have insurance coverage amounting to approximately RM15.2 million.

In addition, as a multimodal international freight service provider, the Group handles large volume of cargos and may be responsible for the loss or damage to the cargos, or non-delivery or mis-delivery of cargos, when such loss, damage, non-delivery or mis-delivery occurs while the cargos in question are in the FM Group's possession, custody or control.

In view of the above, the FM Group has undertaken several insurance coverage such as fidelity guarantees, public liability, warehouseman's liability, carrier liability, integrated transit liability and special perils for own and special leased containers. The Group has a maximum insurance coverage amounting to approximately USD500,000 per consignment. Third party cargos are insured by the respective exporters / importers against damage, fire or theft generally.

Although the Group endeavours to ensure that its assets and potential cargos liability claims are adequately covered by insurance, there can be no assurance that the insurance coverage would be adequate to compensate for the replacement cost of the assets or adequate in amount and scope to protect the Group in the event of any liability claim.

4. RISK FACTORS (Cont'd)

4.10 FLUCTUATION IN SELLING RATES OF SERVICES

Fluctuation in the selling rates of services is a normal occurrence in industries where supply and demand are the main determinants of rates. The FM Group provides a wide range of multimodal international freight services to its customers who operate across a wide spectrum of industries. Consequently, the Group's risk is relatively mitigated should any particular market segment suffer from a decline in demand or supply. Moreover the FM Group, as a service provider, normally pass-on the selling rate fluctuations as higher selling rates to customers. Although the FM Group seeks to limit this risk through its marketing and business strategies, there can be no assurance that any change to these factors will not have a material adverse impact on the FM Group's business.

4.11 CONTROL BY SUBSTANTIAL SHAREHOLDERS

Upon the completion of the Public Issue, Chew Chong Keat, Yang Heng Lam and Gan Siew Yong will collectively hold 52.46% equity interest in FMH (assuming they take up in full their respective pink form allocations pursuant to the Public Issue). As a result, Chew Chong Keat, Yang Heng Lam and Gan Siew Yong, if they act together, would be able to influence the outcome of certain matters requiring the vote of FMH's shareholders, including the election and removal of Directors and the approval of any business transaction, unless they are required to abstain from voting by law and/or the relevant authorities.

The formation of Audit Committee, which includes 2 independent non-executive directors, will help to promote transparency in all material transactions and the FM Group's accountability, thereby representing the interest of the minority and general public at large.

4.12 SYSTEM FAILURES

The FM Group's business is dependent on the efficient functioning of the information technology systems to conduct its business applications and communication networks. These systems and operations are vulnerable to damage or interruption from fire, explosion, energy crisis, flooding, sabotage, civil commotion, war, computer viruses, hacking, acts of God and other events.

The risk of a management information systems breakdown/failure is mitigated by the presence of a data recovery back-up system using the 'Veritas Backup Exec' system, whereby the Group backs-up all master data twice daily and keeps such back-up at a separate site. Further, the FM Group has an uninterrupted power supply system (UPS), a power generator and a reserve server to guard against disruption in power supply and hardware failure. The Group also houses its email server externally in the 'Myloca' data centre in Cyberjaya. Notwithstanding this, there can be no assurance that such back-up copies and power supply system will function as anticipated.

4.13 NO PRIOR MARKET FOR THE SHARES

Prior to this Public Issue, there has been no public market for the Shares. There can be no assurance that an active market for the Shares will develop upon its listing on the Second Board of Bursa Securities or, if developed, that such market will sustain. The issue price for the Issue Shares has been determined after taking into consideration a number of factors, including but not limited to, the Group's financial and operating history and conditions, the prospects of the industry in which the Group operates, the management of the Group and the prevailing market conditions.

There can be no assurance that the issue price will correspond to the price at which the Shares will trade on the Second Board of Bursa Securities upon or subsequent to its listing or that active market for the Shares will develop and continue upon or subsequent to its Listing. The price at which the Shares will be traded may be higher or lower than the issue price.

4. RISK FACTORS (Cont'd)

4.14 PROFIT FORECAST

This Prospectus contains profit forecast made by the FM Group for the FYE 30 June 2005, based on assumptions which are deemed by the Directors of FMH to be reasonable at the point when such profit forecast were prepared. However, there can be no assurance that the profit forecast contained herein will be realised. As the actual results may be materially different from the forecast, investors are advised to read and understand the assumptions and uncertainties underlying the profit forecast.

In addition, certain statements in this Prospectus are based on historical data which may not be reflective of future results. Other statements which are forward looking in nature are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward looking statements. The inclusion of a forward looking statement in this Prospectus should not be regarded as a representation or warranty by the Company or its advisers that the plans and objectives of the FM Group will be achieved.

4.15 FAILURE / DELAY IN THE LISTING

The listing exercise is exposed to the risk that it may fail or be delayed should the following events occur:

- (a) The Bumiputera placees under the private placement fail to subscribe to the portion of the Issue Shares allocated to them notwithstanding that they have given irrevocable undertaking letters to subscribe for such Issue Shares resulting in the Company being unable to comply with the National Development Policy requirements;
- (b) The Underwriter fails to honour its obligations under the underwriting agreement; and
- (c) The Company is unable to meet the public spread requirement i.e. at least 25% of the issued and paid-up share capital of the Company must be held by a minimum number of 1,000 public shareholders holding not less than 100 Shares at the point of Listing.

4.16 CAPITAL MARKET RISK

As an investor of FMH, it is to be noted that FMH will be listed on the Second Board of Bursa Securities. The performance of Bursa Securities is, to a certain extent, dependent on external factors such as the performance of the regional and world bourses and the inflow or outflow of foreign funds. Market sentiments are also largely driven by internal factors such as the economic and political conditions of Malaysia as well as the potential growth of the various sectors of the economy. These factors will invariably contribute to the volatility of trading volumes on Bursa Securities, thus adding risk to the market price of the shares of FMH. Nevertheless, the profitability of FMH is not dependent on the performance of Bursa Securities.