

Audit Committee Report

MEMBERS OF THE AUDIT COMMITTEE

YBhg Tan Sri Dato (Dr) Arshad bin Ayub

Chairman/Independent, Non-Executive Director

YBhg Tan Sri Dato' Dr. Haji Abdullah Sanusi bin Ahmad

Member/Independent, Non-Executive Director

Encik Bazlan bin Osman

Member/Independent, Non-Executive Director

Dato' Sulaiman bin Sujak

Member/Independent, Non-Executive Director

All members of the Audit Committee have a working familiarity with basic finance and accounting practices, and one of the members, Encik Bazlan bin Osman, is a member of the Malaysian Institute of Accountants.

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

CONSTITUTION

The Board constitutes and establishes an Audit Committee with authority, responsibilities and specific duties as described below.

COMPOSITION

The Committee comprises of directors of the Company and that the majority of the members shall be independent of management and free from any relationship that in the opinion of the Board, would interfere with the exercise of independent judgment as a committee member.

The members of an Audit Committee shall elect a Chairman from among their members.

If a member resigns, dies or ceases to be a member with the result that the number is reduced below 3, the Board shall within 3 months appoint new members required to make up the minimum number. The maximum number shall be 5.

RESPONSIBILITIES AND DUTIES

The functions of an Audit Committee shall be to:

- Review with the external auditors
 - the audit plan
 - their evaluation of the system of internal accounting control
 - the audit report on the financial statement
- Review the assistance given by the Company's officers to the external auditors.
- Review the scope and results of the internal audit procedures.
- Review the financial statements submitted by the management and thereafter to submit them to the Board of Directors.
- Review any significant related party transactions that may arise within the Company or Group.
- Give recommendations to the Board concerning the appointment and remuneration of the external auditors.
- Consider any matter the external auditors' wish to bring to the attention of the directors or shareholders.
- Review arrangements established by management information for compliance with any regulatory or other external reporting requirements.
- Review the effectiveness of management information and other systems of control within the Company.
- Review the accounting policies adopted, any changes in accounting principles or practices and the level of prudence applied in areas requiring judgement.
- Review interim financial information and press releases relating to financial matters of importance.
- Review any significant transactions which are not a normal part of the Company's business.
- Confirm that management has placed no restrictions on the scope of the audit.
- Review the effectiveness of the internal audit function.
- Review the coordination of audit between the external and internal auditors.

MEETINGS

The Committee shall meet at least four (4) occasions each year, or more frequently as circumstances dictate.

Audit Committee Report

ATTENDANCE

Members of the Committee are to be present at all meetings. The quorum for the meeting shall be 2. The Chairman may request that members of management, the internal auditors and representatives of the external auditors to be present at meetings of the Committee.

Four meetings were held during the financial year. The records of attendance are as follows:

AUDIT COMMITTEE MEMBERS	NO	28 MAY 02	20 AUG 02	27 NOV 02	14 FEB 03
Tan Sri Dato' (Dr.) Arshad bin Ayub	4/4	Present	Present	Present	Present
Tan Sri Dato' Dr. Haji Abdullah Sanusi bin Ahmad	4/4	Present	Present	Present	Present
Bazlan bin Osman	4/4	Present	Present	Present	Present
Dato' Sulaiman bin Sujak*	-	-	-	-	-

*Dato' Sulaiman bin Sujak was appointed on 28 February, 2003

MINUTES

- The Company Secretary shall be the Secretary to the Committee.
- Minutes of each meeting shall be prepared and sent to committee members and the Company directors who are not members.

FINDINGS AND RECOMMENDATIONS

The Audit Committee shall report its findings and recommendations to the Board but the Committee itself shall have no executive powers with respect to those findings and recommendations.

INTERNAL AUDIT ACTIVITIES REPORT

The Internal Audit Department was established on 1 June 1999. At present, there are five personnel in the Department. Its principal functions are to conduct review of operations and procedures, and subsequently highlight findings and suggest recommendations to the Committee for further improvement.

During the financial year, the following audits were conducted:

TYPE OF AUDIT	ENTITIES AUDITED
Compliance with operations and internal control procedures	18 Branches
Review of work processes	1 Branch
Investigations	1 Branch 1 Subsidiary

Key issues, including management's feedback and audit recommendations were highlighted to the Audit Committee.

Future Internal Audit Plans were reviewed and approved for execution by the Audit Committee to ensure best practices are followed by the Company.

The quarterly and year-end financial statements were reviewed by the Audit Committee before submitting to the Board. Attention was given on the compliance to MASBs, and other legal and regulatory requirements.

Chairman's Statement



To Our Shareholders

On behalf of the Board of Directors of Nationwide Express Courier Services Berhad Group ("the Group"), it gives me great pleasure to present the Annual Report and Audited Accounts of the Company for the financial year ended 31 March 2003.

FINANCIAL PERFORMANCE REVIEW

The year 2002 saw the Malaysian economy gradually recovering with a GDP growth of 4.2% as compared to 0.4% in the previous year. Although the economy was affected by the challenging external factors, the recovery was driven by strong domestic demand, reinforced by improved export performance.

Against this backdrop, the Group achieved an increased turnover of 5.59% from RM62.08 million to RM65.55 million. In line with the growth in turnover together with various cost management measures taken during the financial year, the Group recorded an increase in pre-tax profit by 9.90% from RM8.39 million to RM9.22 million.

The financial year ending 31 March 2003 was indeed a very challenging year for Nationwide Express given the country's economy had only begun to recover. Albeit fierce competition within the industry, coupled with the general upward trend in operating costs, the Group succeeded in recording another year of strong performance.

PROSPECTS

The gradual return of consumer confidence in the United States ("US"), low interest rates and USD350 billion of stimulus package, appears to be on the right track for the US to lead the global economy towards recovery. The containment of Severe Acute

Respiratory Syndrome ("SARS") in Asia is expected to lift the dampening effect that it has over the regional economy. With this development, Malaysia had seen the worst effects of the negative external factors on its economy. Domestic economic outlook for Malaysia is expected to improve in the second half of fiscal year 2003 and will result in a stronger economic recovery.

Aligned with this favourable economic outlook, Nationwide Express is all set to ride the wave of recovery in its quest to further increase market share and strengthen its brand image. In order to maintain its leadership position in a very competitive industry, the Group is committed to continue investing in its people, technology and infrastructure to set a higher industry standard in terms of operational efficiency and service quality. Cost management is central to Nationwide Express's agenda, as this will ensure that the Group remains competitive and attractive to customers as well as investors.

The Group's vision to become a premier total logistics business partner in Malaysia and selected market globally is being seriously pursued. Nationwide Express will continue to strengthen its strategic alliances with both leading local and international business partners to create an avenue to offer a broader range of value-added logistics solutions to the increasingly sophisticated requirements of our esteemed customers.

Chairman's Statement

SIGNIFICANT EVENT

During the financial year ended 31 March 2003, the Group had incorporated three (3) new companies, namely, Nationwide Express Metro Sdn Bhd ("NEM"), Nationwide Express Logistics Sdn Bhd ("NEL") and Nationwide Express Distribution ("NED") Sdn Bhd. These companies are wholly-owned subsidiaries of Nationwide Express.

The incorporation of NEM in August 2002 was to address the demand for premium services and shipments of high value items, which needed special handling and customised logistics solution. Through our established network and continuous improvement of operational excellence, this subsidiary strives to provide 'tailor-made' logistics solution to customers and business partners alike.

Notwithstanding the above, NEL and NED are currently dormant and their incorporation will cater for future complementary businesses and revenue streams, which we are aggressively pursuing.

DIRECTORATE

The Board has seen several changes over the past one year. Encik Wan Mohamed Den stepped down from the Board of Directors of Nationwide Express in March 2003 after an illustrious 8 years as Chief Executive Officer ("CEO") of the Company. On behalf of the Board and the Shareholders, I would like to record our appreciation for his service and contribution to the Group.

The stewardship of Nationwide Express is now passed on to Cik Rozilawati Basir who is also a director of the Company. Having been with Nationwide Express since 2000, she began with the establishment of the new Business Development Division aimed to create new revenue streams for the Group.

I would also like to extend a warm welcome to Dato' Sulaiman Sujak as a new member of our Board of Directors. His vast experience in the public and private sectors will be an asset to the Company.

DIVIDENDS

The Board of Nationwide Express has the pleasure in recommending a final dividend of 12% less taxation (2002: 10% less taxation) amounting to

RM3,709,541 (2002: RM3,091,284) to be paid to our shareholders. For your information, an interim dividend of 5% less taxation (2002: 2.3% tax exempt and 3% less taxation) amounting to RM1,545,642 (2002: RM1,914,879) was declared and paid during the financial year, making a total of 17% (inclusive of interim dividend of 5% less 28% taxation), which will result in a total dividend of RM5,255,183 for the financial year ended 31 March 2003.

In accordance to MASB 19 - Events After The Balance Sheet Date, the final dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the next financial year ending 31 March 2004.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to express and record our sincere appreciation and gratitude to the various relevant authorities for their on-going support to the Group. I would also like to thank our shareholders, valued clients, customers, business associates and financial institutions for their confidence and continued support to the Group.

To my fellow Directors, I also wish to thank them for their contribution and guidance in the management of the Group.

Last but not least, I would like to acknowledge and record our sincere appreciation to the management and staff of all levels for their quality services, perseverance and dedication to the Group. I thank you all for your confidence and support.

At Nationwide Express, we are Excellence Driven!



DATO' DR MOHD NOOR BIN ISMAIL
Non-Independent, Non-Executive
Chairman

Message From The Chief Executive Officer



Dear Shareholders,

It is indeed a great honour to lead such an esteemed organisation and I look forward to the opportunities and challenges ahead. Together with a highly experienced and committed management team we will soar like the eagles in the sky!

BUSINESS REVIEW

Strategy-focused Organisation

Our company has been in existence for almost two decades and in that time we have gone through our fair share of ups and downs; being dependent on the Malaysian economy and also the economic stability in the region.

The year 2002/03 presented many challenges - the tardy world economic recovery, further compounded by the after-effects of September 11th, brought about dramatic slowdown in business investments worldwide. Just as the Malaysian economy was gradually improving, the world was shocked by the outbreak of Severe Acute Respiratory Syndrome ("SARS") in Asia. Almost at the same time, the U.S. invasion of Iraq, in April 2003, created turmoil in the world equilibrium, both in terms of economic influence and on humanitarian grounds. Fortunately for us, we remained resilient to these external factors - thanks to our mixed customer portfolio and diverse product range.

In today's ever-changing business environment, our capacity to respond quickly as an organisation is the key factor in our short and longer-term success. We believe the clearer the ties between what we do and the results; the more energy, commitment, and excitement we will generate during the course of running the business. As we move towards becoming a strategy-focused organisation, we will do so through Organisational Development.

New Management on the Block

This financial year marked a new chapter for our company. On 1st April 2003, a new management team was established, and I was given the privilege to lead. This team of dynamic individuals are hands on and dedicated to ensure the profitability of our company is being further expanded and we aim to mould the Group towards becoming a strategy-focused organisation.

The new management is poised to embrace the challenges ahead, and just like any other businesses, we strive to be a financially strong institution. To this end, we have attained zero gearing since our days of IPO back in 1995 and we will continue to grow a healthy shareholders' fund.

Cost containment is an integral part of our business, and we are constantly conscious of maintaining low operational costs. A cost management committee headed by the Head of Finance aggressively analyses and manage various components of our costs to contain the costs and minimise wastage.

With the incorporation of Nationwide Express Metro Sdn Bhd ("NEM"), in August 2002, new revenue streams were created. NEM mainly caters for premium services and shipments of high value items, which require special handling and customised logistics solution.

Overall, all our subsidiaries, including Nationwide Express Freight Forwarders Sdn Bhd ("NEFF") and Nationwide Express Courier Pte Ltd ("NECPL"),

Message From The Chief Executive Officer

contributed positively towards the total revenue and profitability of the Group.

Competitive Market

Competitive rivalries are prevalent and even a leading local courier and logistics company like us are not spared - we are not excluded from stiff competition within the industry but also competition from others. In essence, other equivalent services are not time-sensitive in nature, but as the lines of distinction get blurred, coupled with low barriers to entry, the opportunities are abound for others to enter the courier market segment. This is our biggest challenge yet - as such our Risk Management Committee is actively addressing this threat to ensure sustainability of our company.

Challenges means Opportunities

Where there are challenges, there are opportunities. In particular, areas of complementary services, either upstream or further downstream into areas of supply chain management.

Today, express carriers are increasingly being called upon by their customers to develop either total supply chain solutions, or an integrated component of the same. Being driven by an increasing recognition of the strategic importance where lines between the traditional modes are blurring, most likely future scenarios may include greater supply chain management focus and becoming a supplier to a four party logistics ("4PL") - where there will be opportunities for distinctive value and higher probability of commodity positioning.



In a competitive industry such as ours, market share of the industry is used as a gauge in recognising market dominance. It is estimated that the industry

annual turnover is approximately RM1.7 billion including the Post Office business. The Association of Malaysian Express Carriers ("AMEC") estimates that the market size for express carriers is around RM690 million, of which 9% is our share of the cake. (source: Association of Malaysian Express Carriers - 2002).

In view of the challenges to come, we will continue to increase profitability through better throughput and margins, be prudent in our cost, and to address potential risks when developing new business and product offering. Although the Company has no gearing, at the same time it is paramount that we manage our cash flow effectively.

*Exceed our customers' and business partners' expectations...
Give them what they want - and a bit more!*

Our company is a service-oriented company; and our customers and business partners make up close to 40,000 in total, most of which are institutional.

With positive development in government private sector initiatives, we are more inter-dependent on one another - be it in the private sector or even in the public sector. Gone are the days where one entity will do everything under the sun! Today, service is a highly sought after commodity as there is now a growing need for businesses to deliver the 'best' products and services and 'outsource' the non-core activities to other experts in their respective fields. Our aim as a courier and third party logistics provider is to 'WOW' our business partners by improving their profitability and relieve them of their logistics headache!

On a global scale, to ensure market penetration, we have established 'smart partnerships' and strategic alliances with distinguished international courier and logistics companies. Through these partnerships we are able to service not just nationwide, but also worldwide!

In our quest to delight our business partners, we are aggressively improving our services to a level that exceeds their expectations. We build long term relationships with them to ensure their needs are fully met. With a broad base of customers and business partners from various industries, we encourage them to give constructive comments in order to better ourselves. We make it our business to

Message From The Chief Executive Officer

understand their needs and appreciate observations from them. Our charming Customer Service representatives, comprising of 130 personnel nationwide are fully trained and empowered to answer all queries and complaints in order to expedite our response time to our customers and business partners. This is to ensure all our activities are customer-driven.

EVOLUTION OF OUR BUSINESS PROCESSES

Guided by our timeless principles and core values of *Trustworthiness* and *Excellence Driven*, we are distinguished from the rest of the pack.

Trustworthiness is fundamental as we do not only provide delivery solutions to our business partners and customers, but more importantly we provide them with a sense of comfort and confidence in ensuring their packages are handled with due care and diligence.

At Nationwide Express we are Excellence Driven, as we are a staunch believer of continuous improvement philosophy. Throughout the organisation, from the front liners to the backroom operation, and from the top management down to the ground staff, we seek to improve our business processes to shorten the cycle time and eliminate opportunity for errors. Standard Operating Procedures ("SOPs") are in place for all operational personnel to adhere to strictly.

More importantly, critical activities within the organisation are measured and deviations are thoroughly investigated and rectified.

Unsurpassed Service Levels

Being aware of our business partners' sophistication and pursuit of excellent service, we endeavour to provide unsurpassed delivery and logistics services and will strive to maintain our current 99.8% service level. Through continuous improvement in our business processes, we are enhancing our service levels to meet this challenge.

Technology Driven

We recognize the importance of ICT as the key enabler for business processes improvement. Hence, we have plans to invest and embrace new logistics related technology in order to constantly improve our operational efficiency, as well as providing more value added services to our esteemed customers.

Thus far, we have upgraded our courier back-office system at the Regional Offices and branches to complement the present web-based Track and Trace system launched in August 2002. These initiatives are expected to further improve the present response time to customers, and at the same time provide up-to-date information on their delivery status.

Recognizing the Internet as the imminent platform for future business-to-business ("B2B") collaboration, plans are underway to build the "integration module" with external systems.



Message From The Chief Executive Officer

Solid Infrastructure

As the leading local courier & logistics company in Malaysia, with an extensive network of 115 (an increase of 8 from last year) branches, service centres and agents throughout Malaysia, Singapore & Brunei; we are constantly reviewing and upgrading the quality of our agents and network to ensure optimum operational efficiencies as well as convenient access to our customers. International alliance with Fortune 500 companies allows us to provide logistics solutions to all our customers not just nationwide but worldwide!

To support the strong infrastructure of network nationwide, we use two modes of transportation, ground and airline haul. By operating a fleet of 200 vehicles, with tonnage capacity ranging from 1-tonne to 16-tonnes, complemented by 500 motorcycle couriers, we have the capability to deliver a wide variety of shipments anywhere in the country. With ongoing upgrades of our operational and transshipment hub in Shah Alam, we have the capacity to handle up to 70,000 shipments a day. Our 'hub and spoke' business model and streamlined business processes ensure reliability and dependability for on-time services anytime!

Organisational Development

In striving to become a strategy-focused organisation, we advocate motivating our people, training them, caring about them, and making winners out of them. Only then will our company excel and improve to a higher platform. With a total workforce of 1,400 people, throughout Malaysia and Singapore - human capital is our most valuable asset.

To produce a truly motivated and competent workforce; we will ensure that these knowledge personnel are in a continuous learning mode. We will build core competencies through focused training; particularly in identifiable areas of risk.

Through structured training programs coupled with self-improvement attitude inculcated in all our employees, an enhanced corporate culture will emerge to define the 'Nationwide Way'.

Be good to Thy Neighbours...

As a corporate citizen, we do our share to the society by employing physically challenged to assist in our day-to-day operations. These personnel are given tasks, which are befitting their capabilities. As friends of the environment, we actively promote recycling of all used and unwanted paper and boxes - to save some trees and reduce global warming. Our 'Going Green' project is an ongoing project with TREESs (Treat Every Environment Special), an NGO, which assists us with in-house recycling programmes.

Strategy-focused high performance Organisation

As the world becomes more interconnected and business becomes more complex and dynamic, workforce must become more knowledgeable and 'learningful'. Therefore, investment in our personnel in the shape of training and learning opportunities will be an invaluable investment to ensure continued succession within the Group. This will further give rise to organisational development through people improvement.

Through Organisational Development we aim to be a strategy-focused high performance organisation, which will be reflected in the high productivity, high quality products and services, enhanced employee's quality of life, innovative yet competitive and of course highly profitable!

We are committed and confident that through our mission and vision, we will create a distinct culture in our company - 'The Nationwide Way', as this will reflect what the company stands for; and what the company stands for is just as important, or sometimes more important than what it sells...

At the end of the day, rest assured
- NATIONWIDE DELIVERS!



Rozilawati Basir
Executive Director/Chief Executive Officer