

FREIGHT MANAGEMENT HOLDINGS BHD

(Company No : 380410-P)

Notes on the quarterly report – 31 December 2007

PART A : EXPLANATORY NOTES AS PER FRS 134

A1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134 : Interim Financial Reporting and paragraph 9.22 and Part A of Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”). The interim financial statements should be read in conjunction with the Group’s financial statements for the year ended 30 June 2007.

The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of Freight Management Holdings Bhd (“FMH” or “Company”) and its subsidiary companies (“Group”).

The accounting principles, method of computation and bases used for this quarterly financial report are consistent with those previously adopted in the preparation of the annual financial statements for the year ended 30 June 2007 except for the adoption of the following Financial Reporting Standards (“FRS”) that came into effect for the financial period :

FRS 107	Cash Flow Statements
FRS 112	Income Taxes
FRS 118	Revenue
FRS 119	Employee Benefits
FRS 124	Related Party Disclosures
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets

The Adoption of the above FRSs do not have significant impact on the Group. FRS 117 “Leases” has been adopted since the last financial year.

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A2. Qualification of Annual Financial Statements

The audit report of the Group's most recent annual audited financial statements for the year ended 30 June 2007 was not qualified.

A3. Seasonality or cyclical factors

The Group's business operation results were not materially affected by any major seasonal or cyclical factors.

A4. Unusual nature and amounts of items affecting assets, liabilities, equity, net income or cash flows

There were no items of unusual nature and amounts affecting assets, liabilities, equity, net income or cash flows during the period under review.

A5. Changes in estimates

There were no changes in estimates of amounts reported in prior financial years that have material effect in the current quarter.

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A6. Issuance and repayment of debts and equity securities

There were no issuance, cancellations, repurchases, resale and repayments of debt and equity securities for the current financial year to date other than stated below :

During the quarter under review, the issued and paid-up share capital of FMH has increased by bonus issue of 36,514,286 new ordinary shares of RM0.50 each, credited as fully paid-up, on the basis of 3 Bonus Shares for every 7 existing Shares held.

A7. Dividend paid

- i) The gross interim dividend of 1.2 sen per share less tax at 27% amounting to RM746,352, and a tax exempt dividend of 0.8 sen per share amounting to RM681,600 in respect of financial year ended 30 June 2007, has been paid on 27 July 2007.

- ii) The final dividend of 2.0 sen per share less tax at 26% amounting to RM1,801,370 in respect of the financial year ended 30 June 2007 has been paid on 18 January 2008.

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By geographical location for the current financial year to date :

	Malaysia RM'000	Singapore RM'000	Australia RM'000	Elimination RM'000	Total RM'000
Revenue					
External sales	93,829	9,708	4,155	-	107,692
Inter-segment sales	57	-	23	(80)	-
Total revenue	<u>93,886</u>	<u>9,708</u>	<u>4,178</u>	<u>(80)</u>	<u>107,692</u>
Results					
Segment results	6,484	1,235	(177)		7,542
Share of profit in an associate					<u>37</u>
Profit before tax					7,579
Tax expense					<u>(1,706)</u>
Profit for the financial year					<u>5,873</u>
Assets					
Segment assets	102,558	22,610	1,638		126,806
Investment in an associate					<u>174</u>
Total assets					<u>126,980</u>
Liabilities					
Segment liabilities	45,196	4,772	829		<u>50,797</u>
Total liabilities					<u>50,797</u>
Other segment information					
Capital expenditure	3,835	6,213	12		10,060
Depreciation of property, plant and equipment	1,252	535	42		1,829
Amortisation of prepaid lease payments for land	66	-	-		66

A9. Valuation of property, plant and equipment

There has been no valuation on any of the Group's property, plant and equipment during the current financial year to date.

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A10. Material events subsequent to the end of the interim period

There were no material events subsequent to the end of the current quarter.

A11. Changes in the composition of the Group

FMH had on 13 December 2007 acquired 2 ordinary shares of RM1 each comprising the total paid-up capital in Freight Management MSC Sdn Bhd, a company incorporated under the laws of Malaysia for a total consideration of RM2.

On 11 January 2008, Freight Management MSC Sdn Bhd (wholly owned subsidiary) increased its paid-up capital from RM2 to RM100,000 comprising of 100,000 ordinary shares of RM1 each by the issuance of a total of 99,998 new ordinary shares of RM1 each which was fully subscribed by FMH at a cash consideration of RM99,998.

A12. Contingent liabilities

As at the date of this announcement, the Directors of FMH are not aware of any contingent liability of the Group save as disclosed below :

	RM'000
Bank guarantees in favour of third parties*	<u>1,813</u>

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

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A13. Capital commitments

Contracted but not provided for :

	As at 31.12.07 RM'000
Building	162
Computer	147
Prime mover (4 PM)	558
Tug and barge (1 barge & 1 tug)	4,058
Warehouse equipment	<u>233</u>
	<u><u>5,158</u></u>

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PART B : ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES

B1. Review of performance

The Group recorded revenue of RM53.7 million compared to RM46.5 million in the preceding year corresponding quarter, registering a growth of 15.6%. Services which registered notable increase are:-

- seafreight increased by RM3.8 million or 13.1%, as demand for both LCL and FCL shipments increased by 9.2% and 8.5% respectively.
- airfreight increased by RM0.3 million or 6.9%,
- warehouse and distribution services improved by RM0.7 million as demand for warehouse space and value added facilities increased.
- custom brokerage services which compliments the sea, air and rail services also increased by RM1.8 million,
- tug and barge services registered an increase of RM1.5 million with the expansion of two barges in the fleet.

Revenue from railfreight decreased by RM0.9 million or 24.4% due to slow demand for railfreight following the delay in transit time due to shortage of locomotives across the Malaysian border.

The Group's profit attributable to equity holders of the parent increased by RM0.6 million or an improvement of 27.8% as compared with the preceding year's corresponding quarter. The increase is primarily attributable to the higher revenue generated for the quarter.

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B2. Variation of results against preceding quarter

Compared to the immediate preceding quarter, the Group's revenue recorded a marginal decrease of 0.4% or RM0.2 million. Collectively, the freight services and custom brokerage dropped by 2.2%. Warehouse and distribution increased by RM0.3 million or 14.4% with higher space utilization and value adding services. Tug and barge services registered an increase of RM0.6 million or 12.5% due to increase in number of trips during this quarter.

Profit before tax decreased marginally by 1.4%, and profit attributable to equity holders of the parent also reduced by RM0.17 million or 5.7%.

B3. Current year prospects

For the coming months, the Group expects to meet the target growth of 12% to 15% which was announced in the previous reports. Freight services which is FMH's core business activity is expected to continue to grow and its performance and profitability enhanced through better efficiencies.

B4. Variance of actual and forecast profit

The Group has not provided any quarterly profit forecast and therefore no variance information is available for the quarter under review.

FREIGHT MANAGEMENT HOLDINGS BHD**(Company No : 380410-P)****Notes on the quarterly report – 31 December 2007****B5. Tax expense**

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter	Corresponding	To Date	Corresponding
	31.12.2007	Quarter	31.12.2007	Quarter
	RM'000	31.12.2006	RM'000	31.12.2006
		RM'000		RM'000
In respect of current period:				
Income tax	722	868	1,551	1,734
Deferred tax	259	11	242	22
	<u>981</u>	<u>879</u>	<u>1,793</u>	<u>1,756</u>
Under / (Over) provision in respect of prior year :				
Income tax	134	26	134	30
Deferred tax	(221)	12	(221)	12
	<u>(87)</u>	<u>38</u>	<u>(87)</u>	<u>42</u>
Total	<u>894</u>	<u>917</u>	<u>1,706</u>	<u>1,798</u>

The effective tax rate is lower than the statutory tax rate due to the tax exemption enjoyed by the subsidiaries in Singapore and the reduced income tax rate of 20% enjoyed by the local subsidiaries.

B6. Unquoted investments and / or properties

There were no sales of unquoted investments and / or properties during the current quarter and financial year to date.

B7. Quoted and marketable investments

There were no investments made in quoted and marketable securities as at the date of this report.

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B8. Status of corporate proposal announced

- (I) On 11 September 2007, RHB Investment Bank, on behalf of the Board, announced that FMH proposed to implement the following :
- (i) Proposed bonus issue of 36,514,286 Bonus shares on the basis of 3 Bonus Shares for every 7 existing FMH Shares held by the Entitled Shareholders;
 - (ii) Proposed transfer of the listing of and quotation for the entire enlarged issued and paid-up share capital of FMH from Second Board to Main Board of Bursa Securities upon completion of the Proposed Bonus Issue; and
 - (iii) Proposed private placement of 12,171,428 new FMH Shares, representing 10% of the enlarged issued and paid-up share capital of the Company after the Proposed Bonus Issue.

Further to the above announcement, the proposed bonus issue of 36,514,286 Bonus shares has been approved by the shareholders at the Extraordinary General Meeting held on 5 October 2007.

FMH had on 17 October 2007 announced that the approval from the Securities Commission for the Proposed Transfer Listing and the Proposed Placement were received vide its approval letter dated 12 October 2007.

On 5 November 2007 FMH announced that Bursa Malaysia Securities Berhad had vide its letter dated 2 November 2007 approved the listing and quotation of 36,514,286 Bonus Shares pursuant to the Proposed Bonus Issue. Subsequently, on 20 November 2007, FMH announced the approval from Bursa Malaysia Securities Berhad for the transfer of the listing and quotation of FMH's enlarged issued and paid-up share capital from the Second Board to the Main Board of Bursa Securities subsequent to the completion of the Proposed Bonus Issues.

Effective 19 December 2007, FMH entire issued and paid-up share capital of RM60,857,143 comprising 121,714,286 ordinary shares of RM0.50 each has been transferred from Second Board to the Main Board of Bursa Securities.

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The Proposed Placement is still subject to the approval of Bursa Securities for the listing of and quotation for the Placement Shares.

(II) The following proposals have been approved by the shareholders at the Annual General Meeting on 29 November 2007:

- i) Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature;
- ii) Proposed Renewal of Authority to Purchase Own Shares; and
- iii) Proposed Amendments to the Articles of Association.

B9. Group borrowings

The Group's borrowings as at the end of the reporting quarter are as follows:

	RM'000
Payable within 12 months (secured)	
Term loans	1,675
Hire purchase and leases	811
Banker acceptance	1,783
Bank overdrafts	3,885
	<u>8,154</u>
Payable after 12 months (secured)	
Term loans	14,248
Hire purchase and leases	2,512
	<u>16,760</u>
Total borrowings	<u><u>24,914</u></u>

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All the above borrowings are denominated in Ringgit Malaysia except for the following which is denominated in foreign currency :-

	RM'000
In Australian Dollar	
Hire purchase and lease payable within 12 months	31
Hire purchase and lease payable after 12 months	118
In Singapore Dollar	
Term loans payable within 12 months	1,169
Term loans payable after 12 months	<u>2,157</u>
	<u><u>3,475</u></u>

B10. Off balance sheet financial instruments

There were no financial instruments with off balance sheet risk as at the date of this report.

B11. Change in material litigation

Neither FMH nor any of its subsidiaries in the Group is engaged in any litigation or arbitration, either as plaintiff or defendant, which has a material effect on the financial position of the Company or any of its subsidiaries in the Group and the Board of Directors of FMH is not aware 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 the Company or any of its subsidiaries in the Group.

B12. Dividend

The board does not recommend any dividend for the current quarter under review.

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	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding	Current Year	Preceding
	Quarter	Year	To Date	Year
	31.12.2007	Corresponding	31.12.2007	Corresponding
		Quarter		Quarter
		31.12.2006		31.12.2006
Profit attributable to ordinary equity holders of the parent (RM'000)	<u>2,737</u>	<u>2,142</u>	<u>5,640</u>	<u>4,496</u>
Weighted average number of ordinary shares of RM0.50 each in issue ('000)	<u>121,714</u>	<u>85,200</u>	<u>121,714</u>	<u>85,200</u>
Basic Earnings Per Share (sen)	2.25	2.51	4.63	5.28