

FREIGHT MANAGEMENT HOLDINGS BHD

(Company No : 380410-P)

Notes on the quarterly report – 30 June 2008

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 cyclicity 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

The Group changed the annual depreciation rate for certain property, plant and equipment from 20% per annum to 10% per annum so as to more accurately reflect the useful lives. The change in depreciation rate has decreased the Group depreciation charge for the year by RM259,000 and increased the current year profit by RM259,000.

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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 :

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.
- iii) The gross interim dividend of 2.0 sen per share less tax at 26% amounting to RM1,801,370, in respect of financial year ended 30 June 2008 has been paid on 28 July 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	188,892	22,723	10,384	-	221,999
Inter-segment sales	201	-	32	(233)	-
Total revenue	<u>189,093</u>	<u>22,723</u>	<u>10,416</u>	<u>(233)</u>	<u>221,999</u>
Results					
Segment results	12,640	4,252	(352)		16,540
Share of loss in an associate					<u>(22)</u>
Profit before tax					16,518
Tax expense					<u>(3,129)</u>
Profit for the financial year					<u>13,389</u>
Assets					
Segment assets	112,802	25,566	2,225		140,593
Investment in an associate					<u>115</u>
Total assets					<u>140,708</u>
Liabilities					
Segment liabilities	49,641	9,292	1,377		<u>60,310</u>
Total liabilities					<u>60,310</u>
Other segment information					
Capital expenditure	10,220	8,504	139		18,863
Depreciation of property, plant and equipment	2,581	1,078	81		3,740
Amortisation of prepaid lease payments for land	133	-	-		133

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

The application for Investment Tax Incentives for Integrated Logistics Services under the Promotion of Investment Act 1986 by wholly owned subsidiary, Freight Management (M) Sdn Bhd ('FMM'), has been approved by Malaysian Industrial Development Authority (MIDA) via their letter dated 10 July 2008. The tax incentives will result in tax savings for FMM for 5 years from the date on which the first qualifying capital expenditure is incurred.

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>1,703</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 30.06.08 RM'000
Office equipment	140
Motor vehicle	115
Forklift	66
Prime movers and trailers	4,109
Barge	3,591
Furniture and fittings	<u>28</u>
	<u><u>8,049</u></u>

Approved but not contracted for :

	As at 30.06.08 RM'000
Trucks	659
Prime movers	<u>412</u>
	<u><u>1,071</u></u>

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

B1. Review of performance

The Group revenue and profit after taxation for the current financial quarter ended 30 June 2008 increased to RM61.01 million and RM3.32 million respectively from RM51.08 million and RM3.00 million respectively recorded in the preceding year corresponding quarter ended 30 June 2007. Seafreight services increased by RM6.4 million, Airfreight services increased by RM0.6 million, Tug & Barge services increased by RM1.6 million, and Domestic Logistics services increased by RM2.9 million, while Railfreight services decreased by RM1.6 million.

On a cumulative twelve months basis, the Group's Profit before taxation for the current financial year ended 30 June 2008 increased to RM16.52 million from RM13.69 million recorded in the preceding financial year ended 30 June 2007. The Group's Profit after taxation increased to RM12.17 million from RM9.69 million, registering a growth of 25.6% as compared to the preceding financial year. The higher profit is mainly due to overall improvement in most services rendered by the Group.

- Seafreight revenue increased by RM21.3 million or 18.9%. This service continued to be the main contributor to the Group's operating profit, with higher growth recorded in 'FCL' (Full Container Load).
- Airfreight revenue increased by RM1.6 million or 8.4% as more marketing efforts are undertaken to market this service aggressively.
- Railfreight revenue decreased by RM4.0 million or 26.3%. This service is affected by the delay in transit time due to shortage of locomotives across the Malaysian border.
- Tug & Barge revenue increased by RM5.2 million or 30%. With the acquisition of two new 250ft barges during the year, the Group was able to offer more frequent trips resulting in higher revenue.

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- Domestic logistics services, namely warehouse, distribution, haulage and custom broker services registered growth of RM9.8 million or 42%. The haulage service introduced in January 2008 had expanded its fleet to 15 prime movers and 140 trailers securing a revenue of more than RM2.0 million as at 30 June 2008. The new warehouse facilities too recorded revenue increase of RM2.9 million with higher cargo turnaround. Revenue from custom brokerage service which is a support service to the freight services increased by RM4.8 million.

B2. Variation of results against preceding quarter

For the current quarter ended 30 June 2008, the Group recorded a revenue growth of 14.5% or RM7.7 million while the profit before taxation decreased by 16.6% compared to the preceding quarter. Profit after taxation however increased by 3.5% against the preceding quarter.

B3. Next year prospects

The Group, after considering the current year's performance and the current market conditions, is expected to achieve satisfactory growth in the financial year ending 30 June 2009.

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.

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	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter	Corresponding	To Date	Corresponding
	30.06.2008	30.06.2007	30.06.2008	30.06.2007
	RM'000	RM'000	RM'000	RM'000
In respect of current period:				
Income tax	443	548	2,846	2,252
Deferred tax	35	108	353	736
	<u>478</u>	<u>656</u>	<u>3,199</u>	<u>2,988</u>
Under / (Over) provision in respect of prior year :				
Income tax	-	-	134	(25)
Deferred tax	17	4	(204)	16
	<u>17</u>	<u>4</u>	<u>(70)</u>	<u>(9)</u>
Total	<u>495</u>	<u>660</u>	<u>3,129</u>	<u>2,979</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 other than the disposal of a barge by TCH Marine Pte Ltd. The gain arose from the disposal was RM1.1 million.

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

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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Securities Commission has approved the application for an extension of time up to and including 12 October 2008 to implement the Placement.

On 19 June 2008, Icon Line (Malaysia) Sdn Bhd, a wholly owned subsidiary entered into a Joint Venture arrangement with Ms Juliana Eddy, Mr Herman, and Mr Eddy Chuwardi from Indonesia to provide integrated freight and logistic services under the proposed entity, PT. Icon Freight Indonesia. Icon Line (Malaysia) Sdn Bhd is awaiting approval from Badan Koordinasi Penanaman Modal (“BKPM”) of Indonesia to grant foreign investment status (PT PMA) to the proposed joint venture entity prior to subscribing for the equity interest in PT Icon Freight Indonesia.

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	3,138
Hire purchase and leases	1,422
Bank overdrafts	2,511
Other borrowings	3,737
	<hr/> 10,808 <hr/>
Payable after 12 months (secured)	
Term loans	16,407
Hire purchase and leases	4,561
	<hr/> 20,968 <hr/>
Total borrowings	<hr/> <hr/> 31,776 <hr/> <hr/>

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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	45
Hire purchase and lease payable after 12 months	204
Bank overdraft	9
In Singapore Dollar	
Term loans payable within 12 months	2,413
Term loans payable after 12 months	4,811
	<u>7,482</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.

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B12. Dividend

The Board of Directors is recommending for the approval of shareholders a final dividend of 2.5 sen per share less tax, in respect of the financial year ended 30 June 2008.

The Book Closure and Payment Date in respect of the aforesaid dividend will be determined by the Directors at a later date.

The proposed final dividend is subject to shareholders' approval at the forthcoming Annual General Meeting to be held on a date to be announced later.

B13. Earnings per share

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding	Current Year	Preceding
	Quarter	Year	To Date	Year
	30.06.2008	Corresponding	30.06.2008	Corresponding
		Quarter		Quarter
		30.06.2007		30.06.2007
Profit attributable to ordinary equity holders of the parent (RM'000)	3,320	3,002	12,167	9,688
Weighted average number of ordinary shares of RM0.50 each in issue ('000)	121,714	121,714	121,714	121,714
Basic Earnings Per Share (sen)	2.73	2.46	10.00	7.96