

FREIGHT MANAGEMENT HOLDINGS BHD
(Company No : 380410-P)

Notes on the quarterly report – 31 March 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 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 :

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	138,702	15,739	6,545	-	160,986
Inter-segment sales	162	-	32	(194)	-
Total revenue	<u>138,864</u>	<u>15,739</u>	<u>6,577</u>	<u>(194)</u>	<u>160,986</u>
Results					
Segment results	9,549	2,988	(108)		12,429
Share of profit in an associate					24
Profit before tax					<u>12,453</u>
Tax expense					<u>(2,634)</u>
Profit for the financial year					<u>9,819</u>
Assets					
Segment assets	105,519	25,704	1,687		132,910
Investment in an associate					161
Total assets					<u>133,071</u>
Liabilities					
Segment liabilities	44,844	9,370	833		55,047
Total liabilities					<u>55,047</u>
Other segment information					
Capital expenditure	5,884	8,076	12		13,972
Depreciation of property, plant and equipment	2,012	799	61		2,872
Amortisation of prepaid lease payments for land	99	-	-		99

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>1,753</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 31.03.08 RM'000
Computer	55
Prime movers and trailers	2,325
Barge	4,332
Fittings	89
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	6,801

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

B1. Review of performance

The Group recorded a revenue of RM53.3 million compared to RM44.3 million in the preceding year corresponding quarter, registering a growth of 20.3%. Strong performance was recorded for seafreight, barge, custom brokerage, and warehouse and distribution services. Seafreight remains the largest contributor, contributing 60% of the Group's revenue.

- **SEAFREIGHT**

Sales revenue increased from RM25.9 million to RM31.9 million or 23.3% against Q3FY07, due to strong demand for FCL services, which grew from RM13.6 million to RM19.2 million. The Group's effort to continue promoting its LCL services both locally and overseas had also resulted in consistent growth of about 4% in this sector.

- **TUG & BARGE**

With the operation of a new barge in August 07, the Group was able to achieve a monthly average of about 24 trips in the current quarter compared to an average of about 20 trips in Q3FY07. Sales revenue generated from this service increased from RM4.4 million to RM6.0 million, an increase of 39.2%

- **CUSTOM BROKERAGE**

In tandem with the growth in seafreight services, the custom brokerage service which is a supporting service to the core freight business also registered a growth of RM1.0 million or 24.5% compared to Q3FY07.

- **WAREHOUSE & DISTRIBUTION**

The Group continued to market its warehouse services provided at its new warehouse and had registered a higher revenue of RM2.4 million in the current quarter compared to RM1.2 million recorded in Q3FY07.

Other services offered by the Group, namely Railfreight and Airfreight reported a negative growth 17.7% and 7.4% respectively. Railfreight is still affected by the

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delay in transit time due to shortage of locomotives across the Malaysian border.

The Group's profit before tax improved from RM2.9 million in the preceding year's corresponding quarter to RM4.9 million in the current quarter.. The increase is due to higher revenue generated during this quarter and also a gain of RM1.1 million arising from the disposal of a used barge in the subsidiary company, TCH Marine Pte Ltd. Correspondingly, the Group's profit attributable to equity holders of the parent increased from RM2.2 million to RM3.2 million.

B2. Variation of results against preceding quarter

Compared to the immediate preceding quarter, the Group's revenue recorded a slight decrease of 0.8% or RM0.4 million. Traditionally third quarter has the lowest revenue and volume as compared with the other quarters due to the festive season and a shorter working month in February.

However, profit before tax increased by 29.5% and profit attributable to equity holders of the parent also increased by RM0.47 million or 17.2%. The increase is mainly due to the gain on disposal of a used barge by TCH Marine Pte Ltd.

B3. Current year prospects

The Board of Directors expects a favorable growth performance for the year ending 30 June 2008 and barring any unforeseen circumstances, the Group target to achieve a growth of between 12% to 15% as announced in the previous reports.

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
	31.03.2008	Quarter	31.03.2008	Quarter
	RM'000	31.03.2007	RM'000	31.03.2007
		RM'000		RM'000
In respect of current period:				
Income tax	852	(30)	2,403	1,704
Deferred tax	76	606	318	628
	<u>928</u>	<u>576</u>	<u>2,721</u>	<u>2,332</u>
Under / (Over) provision in respect of prior year :				
Income tax	-	(55)	134	(25)
Deferred tax	-	-	(221)	12
	<u>-</u>	<u>(55)</u>	<u>(87)</u>	<u>(13)</u>
Total	<u>928</u>	<u>521</u>	<u>2,634</u>	<u>2,319</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.

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	2,631
Hire purchase and leases	1,009
Bank overdrafts	5,055
Other borrowings	4,496
	<u>13,191</u>
Payable after 12 months (secured)	
Term loans	17,310
Hire purchase and leases	3,241
	<u>20,551</u>
Total borrowings	<u><u>33,742</u></u>

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	28
Hire purchase and lease payable after 12 months	114
In Singapore Dollar	
Term loans payable within 12 months	2,124
Term loans payable after 12 months	5,344
	<u><u>7,610</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.

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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 of Directors has declared a gross interim dividend of 2 sen per share less tax, in respect of financial year ending 30 June 2008. The dividend will be paid on 28 July 2008 to holders of ordinary shares whose names appear in the Record of Depositors at the close of business on 30 June 2008.

B13. Earnings per share

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter	Corresponding Quarter	To Date	Corresponding Quarter
	31.03.2008	31.03.2007	31.03.2008	31.03.2007
Profit attributable to ordinary equity holders of the parent (RM'000)	3,207	2,190	8,847	6,686
Weighted average number of ordinary shares of RM0.50 each in issue ('000)	121,714	85,200	121,714	85,200
Basic Earnings Per Share (sen)	2.63	2.57	7.27	7.85