



FREIGHT MANAGEMENT HOLDINGS BHD
(380410-P)



ANNUAL
REPORT 2009



FINANCIAL Highlights

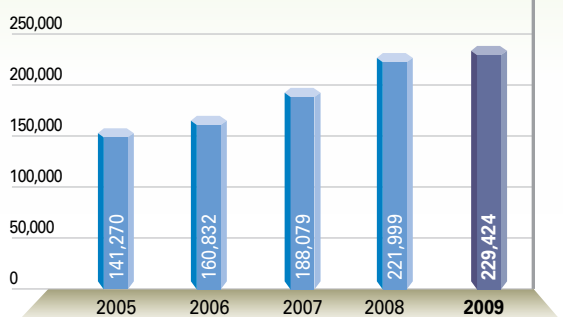
KEY PERFORMANCES & FINANCIAL INDICES OF FMH GROUP

Consolidated Financial Results as at 30 June

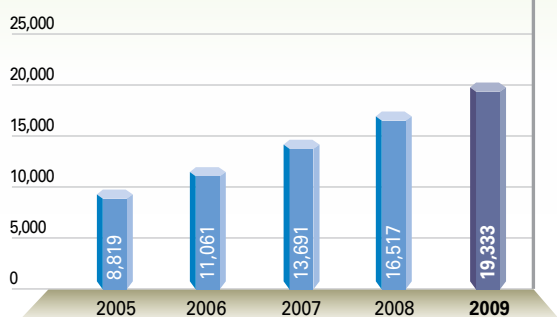
INCOME STATEMENT (RM'000)	2005	2006	2007	2008	2009
Revenue	141,270	160,832	188,079	221,999	229,424
Profit Before Taxation	8,819	11,061	13,691	16,517	19,333
Profit After Minority Interest	6,625	7,740	9,688	12,166	13,564
Net Earning Per Share (sen)	7.78	9.08	11.37	10.00	11.14
Gross Dividend Per Share (sen)	4.00	4.00	4.00	4.50	4.50

BALANCE SHEET (RM'000)	2005	2006	2007	2008	2009
No. of shares in issue ('000)	85,200	85,200	85,200	121,714	121,714
Paid-up Share Capital	42,600	42,600	42,600	60,857	60,857
Shareholders' Funds	53,458	58,776	65,700	74,454	83,958
Net Assets per Share (RM)	0.63	0.69	0.77	0.61	0.69

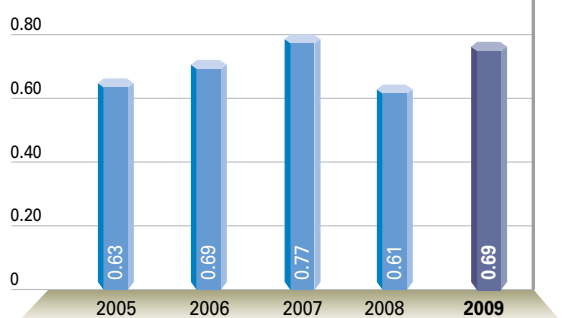
Revenue
(RM'000)



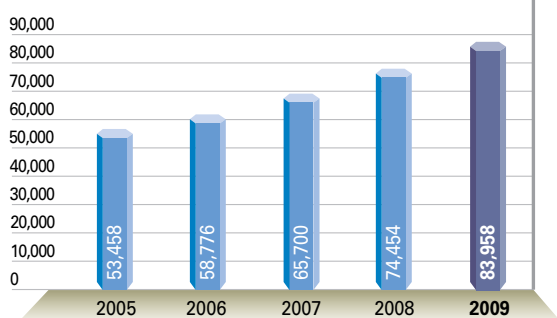
Profit Before Taxation
(RM'000)



Net Assets Per Share
(RM)



Shareholders' Funds
(RM'000)



REVENUE ANALYSIS (RM'MILLION)

CONTRIBUTION BY SERVICE TYPE	2005	2006	2007	2008	2009
Seafreight	88.6	98.3	112.6	133.9	128.9
Railfreight	18.0	17.1	15.4	11.3	6.5
Airfreight	18.3	20.8	19.5	21.2	19.2
Tug & barge	-	5.8	17.5	22.7	25.0
Warehouse & Distribution	6.6	6.2	5.6	8.5	10.5
Customs Brokerage	9.8	12.6	17.5	22.3	28.1
Haulage	-	-	-	2.1	7.0
Other Services	-	-	-	-	4.2
TOTAL	141.3	160.8	188.1	222.0	229.4

REVENUE BY CONTAINER MODE

FCL	58.5	66.1	71.7	87.7	78.8
LCL	48.1	49.3	56.3	57.5	58.0
	106.6	115.4	128.0	145.2	136.8

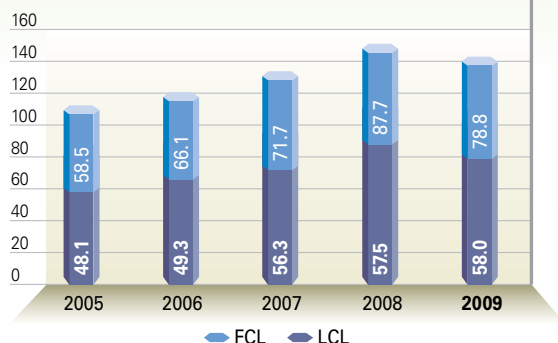
This mode covers Seafreight, Railfreight and Landfreight services

REVENUE ANALYSIS BY SERVICE TYPE

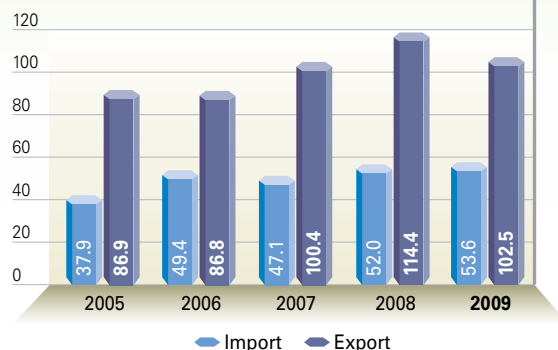
Import	37.9	49.4	47.1	52.0	53.6
Export	86.9	86.8	100.4	114.4	102.5
	124.8	136.2	147.5	166.4	156.1

The above information includes Seafreight, Airfreight, Railfreight and Landfreight Services

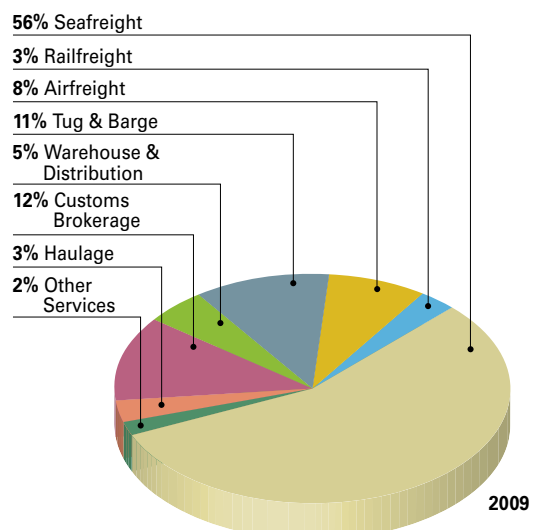
Revenue By Container Mode
(RM Million)



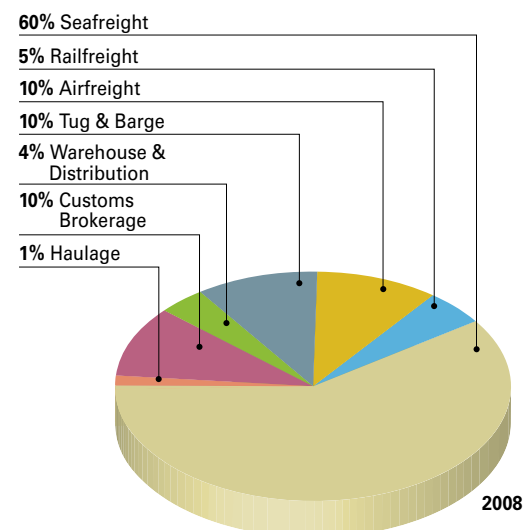
Revenue Analysis by Service Type
(RM Million)



Revenue Breakdown



Revenue Breakdown



SERVICES OFFERED by the Group

FMHB IS ONE OF THE LEADING INTERNATIONAL FREIGHT FORWARDERS IN MALAYSIA, OPERATING AS AN INTERMEDIATE AGENT BETWEEN IMPORTERS/EXPORTERS AND CARRIERS.



INTERNATIONAL AND DOMESTIC SEA FREIGHT SERVICES LCL/FCL

FM Group's extensive experience in export/import sea freight services ensures efficient handling of customers' cargo movement internationally and between Peninsular Malaysia and Sabah/Sarawak.



INTERNATIONAL AND DOMESTICS AIR FREIGHT SERVICES

The FM Group handles both inbound and outbound air freight services both internationally and between Peninsular Malaysia and Sabah/Sarawak. We are part of an established worldwide network of air freight forwarders.



RAIL FREIGHT SERVICES

FM Group is one of the pioneers in the containerized rail freight services; providing dedicated containerized LCL and FCL transport between Port Klang, Penang and Bangkok in Thailand.



LAND TRANSPORTATION

FM's fleet of trucks and prime movers offer door to door delivery and pick-up services throughout the Peninsular and between Malaysia and Thailand. We accept Full Truck Load, LTL Load and Container Haulage.

Your **Connection** to the world



CUSTOMS CLEARANCE

FM Group, with a team of 80 personnel nationwide, is able to offer professional and efficient customs clearance for both sea and air services.



WAREHOUSE AND DISTRIBUTION

FM Group operates a total of 400,000 sq. ft. of bonded and non-bonded warehouse at all the maritime and air gateways of Malaysia. We offer a one-stop centre for storage value-adding and distribution.



PROJECT MANAGEMENT

FM's Project Management Department is equipped to handle the organization and shipping of all oversized cargo.



BULK SERVICES

Freight Management through its subsidiary TCH Marine Pte Ltd, is a leading tug and barge operator; servicing the Straits of Malacca.

CORPORATE Structure



FREIGHT MANAGEMENT HOLDINGS BHD
(380410-P)

INVESTMENT HOLDING

100%
PERSPEKTIF
GEMILANG SDN
BHD

100%
ICON FREIGHT
INTERNATIONAL
INC
*Incorporated in
the British Virgin
Islands*

PROVISION OF FREIGHT SERVICES

100%
FREIGHT MANAGEMENT (M) SDN BHD
└─ **49%**
FM DISTRIBUTION SDN BHD

100%
FREIGHT MANAGEMENT
(IPOH) SDN BHD

100%
FM - HELLMANN
WORLWIDE LOGISTICS SDN BHD

100%
FM WORLWIDE LOGISTICS
(PENANG) SDN BHD

100%
FREIGHT MANAGEMENT
(MELAKA) SDN BHD

100%
FREIGHT MANAGEMENT
(PENANG) SDN BHD

100%
CITRA MULTIMODAL
SERVICES SDN BHD

100%
ADVANCE INTERNATIONAL
FREIGHT SDN BHD

100%
ICON LINE (MALAYSIA) SDN BHD

└─ **55%**
ICON FREIGHT SERVICES PTY LTD
Incorporated in Australia

└─ **49%**
PT ICON FREIGHT INDONESIA
Incorporated in Indonesia

└─ **49%**
ICON FREIGHT SERVICES CO LTD
Incorporated in Thailand

PROVISION OF TUG & BARGE SERVICES

51%
TCH MARINE PTE LTD
*Incorporated In
Singapore*

100%
FM MARINE PTE LTD
*Incorporated In
Singapore*

OTHER SERVICES

100%
FREIGHT
MANAGEMENT
MSC SDN BHD



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CORPORATE Information

DIRECTORS

Datuk Dr. Haji Noordin bin Haji Ab. Razak
Chairman/Independent Non-Executive Director

Chew Chong Keat
Group Managing Director

Yang Heng Lam
Executive Director

Gan Siew Yong
Executive Director

Ong Looi Chai
Executive Director

Aaron Sim Kwee Lein
Independent Non-Executive Director

Chua Tiong Hock
Non-Independent Non-Executive Director

Khua Kian Keong
(Alternate director to Chua Tiong Hock)

AUDIT COMMITTEE

Chairman
Datuk Dr. Haji Noordin bin Haji Ab. Razak
Independent Non-Executive Director

Member
Chua Tiong Hock
Non-Independent Non-Executive Director

Aaron Sim Kwee Lein
Independent Non-Executive Director

REMUNERATION & NOMINATION COMMITTEE

Chairman
Datuk Dr. Haji Noordin bin Haji Ab. Razak
Independent Non-Executive Director

Member
Aaron Sim Kwee Lein
Independent Non-Executive Director

COMPANY SECRETARIES

Lim Hooi Mooi (f) (MAICSA 0799764)
Tan Enk Purn (MAICSA 7045521)

REGISTERED OFFICE

Level 18, The Gardens North Tower, Mid Valley City,
Lingkar Syed Putra, 59200 Kuala Lumpur.
Tel : +603 2264 8888
Fax : +603 2282 2733

HEAD / MANAGEMENT OFFICE

Wisma Freight Management,
Lot 37, Lebuhr Sultan Mohamad 1,
Kawasan Perindustrian 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
HSBC Bank Malaysia Bhd
OCBC Bank (Malaysia) Bhd
United Overseas Bank (Malaysia) Bhd

AUDITORS

BDO Binder
(Firm No.: AF 0206)
Chartered Accountants

SOLICITORS

Wong Lu Peen & Tunku Alina
Advocate & Solicitor

REGISTRAR

Symphony Share Registrars Sdn Bhd.
Level 26, Menara Multi-Purpose, Capital Square,
No 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur.
Tel : +603 2721 2222
Fax : +603 2721 2530

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
BURSA MALAYSIA SECURITIES BERHAD
Stock Code : FREIGHT
Stock No. : 7210
Listed on 2nd Board on 3 February 2005
Transferred to Main Board on 19 December 2007

**Datuk Dr. Haji Noordin bin Haji Ab. Razak**

Aged 64, Malaysian • Independent Non-Executive Chairman

Appointed on 22 July 2004, he is also the Chairman of the Audit Committee, Remuneration Committee and Nomination Committee.

He obtained his degree in Bachelor of Arts in Sociology and Master of Arts in Sociology from the University of Malaya in 1971 and 1989 respectively. He later obtained his Doctor of Philosophy ("PhD") from the Pacific Western University of USA in 1991. He is a fellow member of the British Institute of Management and a member of the Institute Management Consultant Malaysia. He is also a fellow member of the Institute Sultan Iskandar of Urban Habitat and Highrise.

He commenced his career as an Education Officer with the Ministry of Education in 1965. In 1972, he left the Ministry of Education to join the City Hall of Kuala Lumpur as Assistant Secretary. He was promoted to the position of Director General of City Hall of Kuala Lumpur in 1989 and assumed the post until his retirement in 2000. Besides contributing to more than 27 years in the socio-economic development, strategic planning and development of Kuala Lumpur, he also served on the Board of Directors of Urban Development Agency, PGK Sdn Bhd, Stadium Negara and Badan Seni Lukis Negara between 1988 and 2000.

He is presently involved primarily in non-governmental organisations, where he is the Chairman of various organisations such as University Malaya Alumni Association, Institut Pemikiran Kreatif Malaysia (INSPEK) and Malaysian Red Crescent of Kuala Lumpur. He sits as chairman of National Association for the Prevention of Drug Abuse (Yayasan PEMADAM) and is a member of the Institute of Islamic Understanding Malaysia (IKIM).

**Chew Chong Keat**

Aged 48, Malaysian • Group Managing Director

Mr Chew joined the Board on 20 March 1996 and is the Managing Director of the Group. He is one of the co-founders of the Group and serves on the board of all subsidiary and associated companies of the Group. He is principally responsible for managing the Group's business and corporate affairs. With more than 20 years of experience in the provision of freight and logistics services, he is also the key person in setting directions for the Group's business strategies.

In 1984, he graduated from the University of Manchester, United Kingdom with a Bachelor degree in Economics. He also holds a Diploma from the Business Education Council National, United Kingdom and a Diploma of Competence in Freight Forwarding from the International Federation of Freight Forwarders (FIATA).

**Yang Heng Lam**

Aged 46, Malaysian • Executive Director

Mr Yang joined the Board on 20 March 1996 and is also serves on the board of all subsidiary and associated companies of the Group. He is principally responsible for business development and operations of the Group, which includes exploring overseas market and overseeing the development of marketing and promotional strategies.

He has about 20 years experience in freight and logistics industry and has been instrumental in securing and maintaining major customers for the Group. His other responsibilities include nurturing and expanding the supporting services, such as customs brokerage, warehousing and distribution of the Group.

DIRECTORS' PROFILE

(Cont'd)



Gan Siew Yong

Aged 47, Malaysian • Executive Director

Ms Gan joined the Board on 20 March 1996 as Executive Director. She also serves on the board of several subsidiary companies of the Group. In 1988, she joined Freight Management (M) Sdn Bhd as the Customer Service Manager. She is principally responsible for the export related services of the Group and is actively involved in rates negotiation and securing container space with the shipping lines. Equipped with more than 20 years experience, and together with the strong support from her team, she has been instrumental in the establishment of the Group's LCL consolidation business to all the major ports of the world.



Ong Looi Chai

Aged 41, Malaysian • Executive Director

Mr Ong was appointed on 1 June 2006. He is also an executive director of Freight Management (Penang) Sdn Bhd ('FMP'), a fully owned subsidiary of the Group. He is responsible for the overall business and development of the northern region of West Malaysia.

Having joined Freight Management in 1989, he was attached to the Port Klang headquarter. In 1995, he took up the position of Branch Manager of FMP and has been instrumental in the growth and development of the Penang subsidiary since.



Aaron Sim Kwee Lein

Aged 43, Malaysian • Independent, Non-Executive Director

Mr Sim was appointed to the Board on 3 December 2004. He is a Fellow member of the Chartered Association of Certified Accountants (UK), a Chartered Accountant of the Malaysian Institute of Accountant, a member of CPA Australia and a Chartered Member of the Institute of Internal Auditors Malaysia. He is a member of FMH's Audit Committee, Remuneration Committee and Nomination Committee.

He commenced his career with an international accounting firm and gained professional exposure in stock-broking, trading, manufacturing and construction concerns. Thereafter, he joined a listed company on the Main Board of Bursa Securities, as an Internal Auditor where he was engaged in audit work of stock-broking, manufacturing, retail and distribution concerns. In addition, he was also involved in due diligence, operational rationalisation and strategic planning work of corporate acquisitions. Subsequently, he was the Finance & Administrative Manager in food retail franchise chain companies before becoming the Deputy General Manager of Corporate Strategies and Affairs of a glove manufacturing company. He is currently the Principal Consultant with Omni Biz Consulting, offering business and financial advisory services. Mr Sim also serve on the board of Excel Force MSC Berhad and Frontken Corporation Berhad.



Khua Kian Keong

Aged 41, Singaporean • Non-Independent, Non-Executive Director
(Alternate Director to Chua Tiong Hock)

Mr Khua was appointed as Alternate Director to Mr Chua Tiong Hock on 30 July 2007.

He is the Chief Executive Officer of Freight Links Express Holdings Limited, Singapore, a substantial shareholder of Freight Management Holdings Bhd.

He obtained his Bachelor of Science in Electrical Engineering and graduated cum laude from University of the Pacific, USA in 1987.

He is the vice-president of Singapore Metal and Machinery Association (新加坡五金机械公会副会长), Nanyang Kuah Si Association (新加坡南洋柯氏公会副会长), Anxi Charity Federation (安溪縣慈善總會副会长), and Anxi Fenglai Guitou Charity Federation (安溪縣蓬萊魁頭慈善會副会长).

He is an executive committee member of Singapore Ann Kway Association (新加坡安溪會館) and in-charge of its youth group; a committee member of SCCCI-Young Entrepreneur Network (新加坡中華總商會青年企業家聯系網). He also serves as vice-president of Pei Tong Primary School advisory committee (新加坡培同小學) and as an advisor to Hong Lai Si Temple (新加坡蓬萊寺).



Chua Tiong Hock

Aged 56, Singaporean • Non-Independent, Non-Executive Director

Mr Chua was appointed to the Board as a Director on 30 July 2007.

Mr Chua is also an Executive Director of Freight Links Express Holdings Limited, Singapore, a substantial shareholder of Freight Management Holdings Bhd.

He has wide-ranging experience in logistics, operations management and corporate development with various MNCs and local companies.

Mr Chua obtained his Bachelor of Arts degree from the former University of Singapore. He also holds a Graduate Diploma in Business Administration from the National University of Singapore and a Graduate Diploma in Personnel Management from the Singapore Institute of Personnel Management.

ADDITIONAL INFORMATION

FAMILY RELATIONSHIPS

Gan Siew Yong is the spouse of Chew Chong Keat

DIRECTORSHIP OF PUBLIC COMPANIES

Save as disclosed above, none of the Directors has any directorship in other public listed companies

CONVICTIONS

None of the Directors has been convicted of offence within the past 10 years, traffic offences not included.



committed to achieve



commit



CHAIRMAN'S Statement



Dear Shareholders,

ON BEHALF OF THE BOARD OF DIRECTORS OF FREIGHT MANAGEMENT HOLDINGS BHD ("FMH" OR "THE COMPANY"), I HAVE THE PLEASURE OF PRESENTING TO YOU THE ANNUAL REPORT AND THE AUDITED FINANCIAL STATEMENTS OF FMH AND ITS SUBSIDIARIES ("THE GROUP") FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009.

Datuk Dr. Haji Noordin bin Haji Ab. Razak
(Chairman/Independent Non-Executive Director)

FINANCIAL PERFORMANCE

Year 2008 was a challenging year for the country as negative global sentiments made its way into the country's economy. Despite a challenging economic environment and the ongoing volatility locally and internationally, the Group registered another year of steady performance for the financial year ended 30 June 2009 ('FY09').

The Group posted a net profit after tax after minority interest of RM13.6 million against RM12.2 million recorded in financial year ended 30 June 2008 ("FY08").

Revenue increased by RM7.4 million or 3.3% as compared to FY08 mainly due to growth in domestic and land transportation services (namely warehouse & distribution, customs brokerage and haulage). Despite the decline in seafreight, airfreight and railfreight services due to slower demand as a result of the Global Financial Crisis ("GFC") in mid FY09, the Group was able to register profit before tax ("PBT") growth from RM16.5 million to RM19.3 million, an increase of 17.0%. This was achieved mainly through the Group's diverse range of services offered and emphasis on efficiency and excellent Customers' Service. The management's efficiency efforts successfully lowered the operating costs which resulted in improved gross margin, from 22.1% in FY08 to 24.1% in FY09.

FINANCIAL PERFORMANCE (Cont'd)

The haulage service which commenced in January 2008 had been profitable and had contributed significantly to the Group's profit in FY09 with the total fleet of 30 prime movers and 150 trailers fully commissioned as at August 2009. The introduction of haulage service to the Group's existing customers minimised profit leakage to third parties. In this respect, the Group outsourcing of this service to third party contractors had also reduced significantly.

During the financial year, the Group started its cross-border land transportation to Thailand which provided door-to-door and depot-to-depot services. The initial contribution from this service was relatively small but more importantly it was profitable. The Group believed that this service holds potential and intended to gradually grow this service from twice weekly run to daily run.



The GFC had affected the tug and barge services, particularly in the third quarter of FY09 due to cancellation of bookings by some major customers in the building material industries. The demand however picked up in the last quarter of FY09, thereby reporting a marginal revenue growth of 9.9% for the financial year 2009. The Group currently operates a fleet of 9 tugboats (8 units fully owned and 1 unit chartered) and 8 barges (7 units fully owned and 1 unit chartered).



FY09 also witnessed the acquisition of 49% stake in PT Icon Freight Indonesia on 6th November 2008 through Icon Line (Malaysia) Sdn Bhd, a wholly owned subsidiary for FMH. Though the first year's contribution to the Group was marginal, the Group is optimistic that this Indonesia venture which currently has five branches, namely Jakarta, Belawan, Surabaya, Cikarang and Bandung can contribute some profit in FY10.

During FY09, the management had also taken active measures to tighten credit control, thereby reducing the receivable days and bad debts provision resulting in improved cash flow.



CHAIRMAN'S STATEMENT (Cont'd)



CORPORATE DEVELOPMENT

On 31 December 2008, Icon Line (Malaysia) Sdn Bhd, a wholly owned subsidiary entered into a Joint Venture arrangement with Lim Kok Wee & Wimolphon Bunpala ("Lim Group") and Kittiwat Kitsiritaveewong to set up a joint venture company in Thailand known as Icon Freight Services Company Ltd ("JVCo"). The intended activity of the JVCo is to provide integrated logistics services to and from Thailand.

On 2 July 2009, Icon Line (Malaysia) Sdn Bhd subscribed for 24,500 shares of Thai Baht One Hundred (THB100) each at par for a total cash consideration of THB2,450,000 in Icon Freight Services Company Ltd, representing 49% of the issued and paid-up capital of Icon Freight Services Company Ltd.

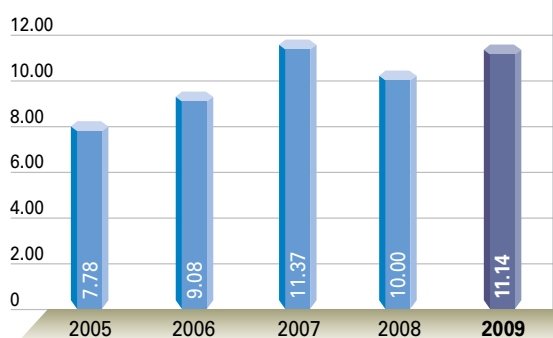
DIVIDEND

Given the satisfactory performance and our favourable cash flow position, the Board of Directors is pleased to recommend a final gross dividend of 2.5 sen per ordinary share subject to shareholders' approval during the forthcoming Annual General Meeting on 30th November 2009.

On 15 July 2009 FMH declared and paid an interim dividend of 2.0 sen per ordinary share less tax at 25%. This would aggregate the full year's gross dividend to 4.5 sen per ordinary shares.

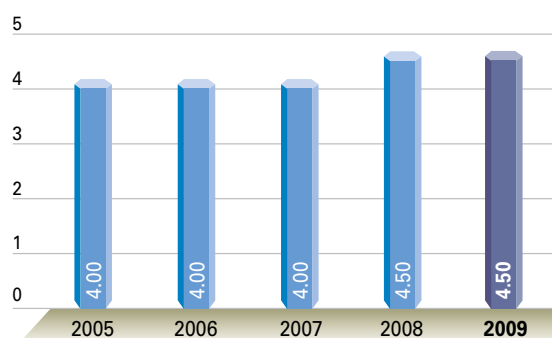
Net Earning Per Share

(sen)



Gross Dividend Per Share

(sen)





OUTLOOK & PROSPECT

The Group is encouraged by initial signs of a turnaround in the global economy but the management remains cautiously optimistic in view of the prevailing uncertainties. We had maintained our core objectives in creating value for our employees, customers, business associates. The steady financial performance amid trying economic environment was a result of hard work and commitment shown by our employees, and strong support and advice of the Board which led to successful execution of our strategies. The Group's fundamentals remain strong and we have the right team in place to ensure that we operate efficiently and prudently.

The Board is aware of the challenging economic environment ahead and the impact this may have on the freight industry as a whole. However, the Board believes that the Group with its diverse suite of services is poised to deliver another year of continued growth for financial year ending 30 June 2010.

On behalf of the Board of Directors, I would like to thank FMH's investors, customers, business associates and regulatory authorities for their continued support and to all our employees for their hard work, loyalty and dedication to the Group.



CORPORATE Social Responsibility

While we strive hard to realise our financial performance, the Group is also committed towards good corporate social responsibility practices in the community, workplace and marketplace.

FOR THE COMMUNITY

As part of our ongoing efforts to support the under-privilege and the needy children, the Group made a monetary contribution of RM 10,000 to the orphanage home, Shepherd's Centre Foundation.

The management and staff also paid a visit to Persatuan Kanak-Kanak Cacat in Klang to show our care and support. The team presented a cash contribution of RM6,300 and also donated some basic necessities such as food, groceries, books, and medication.

FOR OUR EMPLOYEES

Employees welfare has always been the Group's concern. During the year, through the Sports Club team building programs were organized to foster good working relationship and strong team spirit among the employees and the management. Family Day was organised to allow integration between staff and their families. There were birthday meals, annual dinner and festive celebrations organised to strengthen unity and racial harmony among staff.

FOR THE ENVIRONMENT

The Group continues to promote environmental awareness in its workplace. Pollution within the workplace is minimised by using gas powered forklifts and industrial sweepers to minimize dusts in the warehouse.



Employees were requested to use recycled papers. As part of the Group's effort to reduce wastage on use of utilities, employees were encouraged to switch off power during breaks.

FOR THE MARKET PLACE

The Group is committed to quality service and strived to deliver values to our customers. Some of the operating units of the Group are ISO certified and with continuous monitoring and evaluation, customer's complaints are attended to immediately.

In appreciation of customers' loyalty and support, periodic campaigns were organized. Customers were invited to special screening of movies such as Harry Porter which also created brand awareness in the community.

AUDIT COMMITTEE Report

FORMATION

The Audit Committee was formed by the Board of Directors on 3 December 2004.

MEMBERS

The Audit Committee consists of the following members during the financial year: -

Chairman: Datuk Dr Hj Noordin Bin Hj Ab Razak
(Independent Non-Executive Director)

Members: Aaron Sim Kwee Lein
(Independent Non-Executive Director)

Chua Tiong Hock
(Non-Independent Non-Executive Director)

MEETINGS AND ATTENDANCE

The Audit Committee held five meetings during the financial year. The attendance of the Committee members is as follows: -

Name of Audit Committee Member	Total meetings attended	Percentage of attendance (%)
Datuk Dr Hj Noordin Bin Hj Ab Razak	5/5	100
Aaron Sim Kwee Lein	5/5	100
Chua Tiong Hock	4/5	80

The Audit Committee meetings were attended by the Committee members and Senior Management. The Managing Director and Executive Directors were also present at certain meetings as invitees. The Company Secretary acted as Secretary at the meetings to record and maintains minutes for the proceedings of the meetings.

TERMS OF REFERENCE

1.0 Composition of the Audit Committee

- 1.1 The Audit Committee shall comprise at least 3 directors.
- 1.2 Alternate director shall not be appointed as members of the Audit Committee.
- 1.3 Majority of the Audit Committee shall be independent directors.
- 1.4 All members of the audit committee must be non-executive directors.

AUDIT COMMITTEE REPORT

(Cont'd)

TERMS OF REFERENCE (Cont'd)

1.0 Composition of the Audit Committee (Cont'd)

- 1.5 All members of the Audit Committee should be financially literate and at least one member of the audit committee:-
- i) must be a member of the Malaysian Institute of Accountants; or
 - ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:-
 - (a) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - (b) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967; or
 - iii) fulfils such other requirements as prescribed or approved by the Exchange.
- 1.6 Members of the Audit Committee shall elect a Chairman from among their members who shall be an independent director.

2.0 Duties of the Audit Committee

The duties of the Audit Committee shall include the following:-

To review the following and report the same to the Board of Directors;

- 2.1 To consider the appointment of the external auditor, the audit fee and any question of resignation or dismissal;
- 2.2 To discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- 2.3 To review the quarterly and year-end financial statements of the board focusing particularly on:-
 - any change in accounting policies and practices;
 - significant adjustments arising from the audit;
 - the going concern assumption; and
 - Compliance with accounting standards and other legal requirements.
- 2.4 To discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of management where necessary);
- 2.5 To review the external auditor's management letter and management's responses;
- 2.6 To do the following, in relation to the internal audit function:-
 - Review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
 - Review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
 - Review any appraisal or assessment of the performance of members of the internal audit function;
 - Approve any appointment or termination of senior staff members of the internal audit function;
 - Take cognizance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.

TERMS OF REFERENCE (Cont'd)

2.0 Duties of the Audit Committee (Cont'd)

- 2.7 To consider any related-party transactions that may arise within the company or group;
- 2.8 To consider the major findings of internal investigations and management's response;
- 2.9 To consider other topics as defined by the Board;
- 2.10 Review and verify the allocation of options under the Company's share scheme for employees ("ESOS") to ensure consistent compliance with the criteria as set out in the scheme by the ESOS Committee; and
- 2.11 Report promptly to Bursa Malaysia Securities Berhad on any matter the Audit Committee had reported to the Board of Directors, which was not satisfactorily resolved and/or resulted in a breach of the Listing Requirement of Bursa Malaysia Securities Berhad.

3.0 Rights of the Audit Committee

For the performance of its duties, the Audit Committee shall:-

- (a) have authority to investigate any matter within its terms of reference;
- (b) have the resources which are required to perform its duties and full access to information;
- (c) have direct communication channels with the external auditors and the persons carrying out the internal audit function;
- (d) be able to obtain external/independent professional or other advice at a cost to be approved by the Board of Directors and to invite outsiders with relevant experience to attend, if necessary;
- (e) be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the listed issuer whenever deemed necessary.

4.0 Procedure of the Audit Committee

The Audit Committee shall regulate its own procedures as follows:-

- 4.1 the Audit Committee shall hold at least 4 meetings each financial year with due notice of issues to be discussed, and should record its conclusions in discharging its duties and responsibilities;
- 4.2 the finance director, the head of internal audit and a representative of the external auditors should normally attend meetings. Other board members may attend meetings upon the invitation of the audit committee. However, the committee should meet with the external auditors without executive board members present at least twice a year.
- 4.3 a member of the Audit Committee may at any time summon a meeting of the Audit Committee;
- 4.4 Notice calling for a meeting of the Audit Committee shall be given to all its members at least 7 Days before the meeting or at shorter notice as the Audit Committee shall determine;
- 4.5 The Chairman of the Audit Committee should engage on a continuous basis with senior management, such as the chairman, the chief executive officer, the finance director, the head of internal audit and the external auditors in order to be kept informed of matters affecting the Company.
- 4.6 The quorum necessary for the transaction of business at an Audit Committee meeting shall be two, the majority of members present must be independent directors;

AUDIT COMMITTEE REPORT (Cont'd)

TERMS OF REFERENCE (Cont'd)

4.0 Procedure of the Audit Committee (Cont'd)

- 4.7 Questions arising at any Audit Committee meeting shall be decided by the majority votes of its members present. In case of an equality of votes, the chairman of the meeting shall have a second or casting vote;
- 4.8 Minutes of each Audit Committee meeting shall be kept by the Secretary of the Audit Committee;
- 4.9 The Company Secretary shall be the Secretary of the Audit Committee and the Secretary's duties amongst others shall include:
 - (a) the custody, production and availability of inspection of such minutes;
 - (b) the maintenance of particulars required for the preparation of the Audit Committee Report.

5.0 Internal Audit

- The internal audit function which is established should be independent of the activities it audits.
- Must reports directly to the audit committee.

SUMMARY OF ACTIVITIES

During the financial year, the activities of the Audit Committee include the following: -

- reviewed the audited financial statements for the financial year ended 30 June 2009 before recommending them for the Board of Directors' approval;
- adopted the proposed schedule of Audit Committee meetings during the financial year ended 30 June 2009;
- reviewed the quarterly unaudited financial results before recommending them for the Board's approval;
- reviewed all recurrent related party transactions entered into by the Group and to ascertain that the transactions are conducted at arm's length and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and not to the detriment of the minority shareholders;
- reviewed the audit reports prepared by the Internal Auditors, considered their material findings and assess the Management's responses and actions thereto;
- reviewed and discussed with the External Auditors the nature and scope of their audit plan for the financial year ended 30 June 2009 before the commencement of audit, and
- review the Company's compliance in the particular year's financial statement with the listing requirements of Bursa Securities, FRS and other relevant legal regulatory requirements.

INTERNAL AUDIT FUNCTION AND SUMMARY OF ACTIVITIES

The internal audit function for the Group has been outsourced to an external consultant who has performed an independent review of the Group's various departments during the financial year.

The Internal Auditors (IA) of the Group reports directly to the Audit Committee and assists the Board in monitoring and managing risks and internal control system. The Audit Committee approves the internal audit plan and the scope of Internal Audit covering the relevant departments within the Group from time to time.

The Board is of the view that there is no significant breakdown or weaknesses in the systems of internal controls of the Group that may result in material losses incurred by the Group for the financial year ended 30 June 2009.

Costs incurred for the internal audit function of the Group in respect of the financial year ended 30 June 2009 amounted to approximately RM48,000.

STATEMENT ON Corporate Governance

The Board of Directors (“the Board”) of Freight Management Holdings Bhd (“FMH”) is committed to ensure that the highest standards of corporate governance are practised throughout the Group as a fundamental part of discharging its responsibilities to enhance shareholders’ value and the financial performance of the Group.

The Board is pleased to report on how the Group has applied the principles and best practices for corporate governance mentioned in the Malaysian Code of Corporate Governance (“the Code”).

1. THE BOARD OF DIRECTORS

Board Responsibilities

The Group acknowledges the important role played by the Board in the stewardship of its direction and operations, and ultimately enhancement of long-term shareholder value. To fulfil this role, the Board is responsible for the overall corporate governance of the Group, including its strategic direction and overall well-being. The Board is normally involved in matters concerning the Group strategy and direction, acquisition and divestment policy, approval of capital expenditure, consideration of significant financial matters and the review of financial and operating performance of the Group.

Board Composition and Balance

The Board currently consists of seven (7) Directors as listed below:-

- One (1) Chairman /Independent Non-Executive Director
- One (1) Independent Non-Executive Director
- Four (4) Executive Directors
- One (1) Non-Independent Non-Executive Director

The Board is of the opinion that the current composition of the Board fairly reflects the investment of minority shareholders. The independent directors are individuals of calibre, credibility and have the necessary skills and experiences to provide independent and unbiased view and advice on the strategy, performance, resources and standards of conduct of the Group. In addition, due to active participation of all the Directors, no individual or small group of individuals dominate the Board’s decision making process. The profiles of the members of the Board are set out on pages 7 to 9 in this Annual Report.

Board Meeting

The Board meets at least five times a year and has a formal schedule of matters reserved for it. Additional meetings are held as and when necessary. The Board deliberated upon and considered various issues including the Group’s financial results, performance of the Group’s business, business plan and policies and strategic issues affecting the Group’s business.

Details of attendance of the Directors at Board Meetings held during the financial year are as follows:-

Name of Directors	Attendance
Datuk Dr Hj Noordin Bin Hj Ab Razak	5/5
Chew Chong Keat	5/5
Yang Heng Lam	5/5
Gan Siew Yong	4/5
Aaron Sim Kwee Lein	5/5
Ong Looi Chai	5/5
Chua Tiong Hock	4/5
Khua Kian Keong (Alternate Director to Chua Tiong Hock)	N/A

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

1. THE BOARD OF DIRECTORS (Cont'd)

Supply of Information

Board papers are provided to the Board members in sufficient time prior to a Board meeting to enable the Directors to review and consider the agenda items to be discussed at the Board meeting. The Board reports, among others, include the following:-

- Minutes of meetings of all Committees of the Board
- Quarterly performance report of the Group
- Business plans and budgets
- Updates on statutory regulations and requirements affecting the Group
- Relevant market information for decision making

In addition, there is a schedule of matters reserved specifically for the Board's decision including the approval of the annual company plans, major acquisitions or disposal of a business or assets and changes to management and control structure of the Group, namely, key policies and authority limits.

All Directors have access to the advice and services of the Company Secretary.

Appointment and Re-election of Directors

The Nomination Committee shall nominate or consider candidates nominated for appointment to the Board and Board Committees. The Board shall review and deliberate on the candidates proposed prior to approving the appointment of board member.

Article 109 of the Articles of Association provides that one-third of the Directors shall retire from office at each Annual General Meeting and all Directors shall retire from office at least once every three years but may offer themselves for re-election. This will provide an opportunity for shareholders to renew their mandates. To assist shareholders in their decision, sufficient information such as the personal profile and the meetings attendance of each Director are furnished in the Annual Report.

Directors Training

All Directors of the Company have attended the Mandatory Accreditation Programme (MAP) to comply with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Directors have also undergone other relevant training programmes externally or internally as appropriate, to further enhance their skills and knowledge for discharging their responsibilities effectively. Details of training and development programmes attended by Directors are as follows:-

Name of Director	Training Programmes
Gan Siew Yong	2009 Budget & Tax Planning on 3 September 2008
Aaron Sim Kwee Lein	Analysing Financial Data with Microsoft Excel on 15 December 2008 Negotiating Equity Joint Ventures for Overseas Business on 22 April 2009 Listing Requirements on Bursa Malaysia Securities Berhad on 29 May 2009
Chua Tiong Hock	Conference & Partnering for Real Estate Development Investment on 29-31 October 2008

The other four directors, namely Datuk Dr. Haji Noordin bin Haji Ab Razak, Mr. Chew Chong Keat, Mr. Yang Heng Lam and Mr. Ong Looi Chai were unable to attend any training during the financial year due to their tight business & travelling schedules.

2. BOARD COMMITTEES

The Board has established and delegated certain responsibilities to the Board Committees, namely Audit Committee, Nomination Committee and Remuneration Committee, which operates within defined terms of reference and operating procedures, details of which are set out in this Statement.

Audit Committee

The composition, terms of reference and summary of activities of the Audit Committee are disclosed in the Audit Committee Report on pages 17 to 20 of this Annual Report.

Nomination Committee

The Nomination Committee ("NC") was established on 24 February 2005 and comprises the following members who are exclusively non-executive independent directors:-

- Datuk Dr Hj Noordin bin Hj Ab. Razak (Chairman of the Committee)
- Aaron Sim Kwee Lein (Member of the Committee)

The NC is empowered by the Board to bring to the Board recommendations on the appointment of new Directors and to review the Board structure, size and composition as well as those of Board Committees.

The duties and functions of the Nomination Committee encompass the following:-

- Recommend to the Board, candidates nominated by shareholders or the Board for directorships to be filled;
- Recommend to the Board, directors to fill seats on board committees;
- Review annually the required skills and experience and other qualities and core competencies non-executive directors should bring to the Board; and
- Assess annually the effectiveness of the Board as a whole and the contribution of each individual director.

The decision on new appointment of directors rests with the Board after considering the recommendation of the Nomination Committee.

During the financial year, the Committee met once to conduct the annual review on the Directors' core competencies, contribution and effectiveness.

Remuneration Committee

The Remuneration Committee was established on 24 February 2005 to assist the Board in determining and developing a remuneration policy for Directors. The members of the Remuneration Committee are:-

- Datuk Dr Hj Noordin bin Hj Ab. Razak (Chairman of the Committee)
- Aaron Sim Kwee Lein (Member of the Committee)

The role of the Remuneration Committee, in accordance with its Term of Reference, include:-

- The annual review of the various types of components of remuneration such as fees, allowances, basic salary, bonus and other benefits in kind for directors;
- Ensuring that a transparent and formal procedure is established in the assessment of the level of compensation that would be sufficient to attract and keep good calibre directors;
- Ensuring that the remuneration package is linked to performance, responsibility level and is comparable with market norm.

The Remuneration Committee is authorized by the Board to draw from outside advice as and when necessary in forming its recommendations to the Board on the remuneration of the Executive Directors. The remuneration of the non-executive Directors are determined by the Board as a whole with individual Directors abstaining from deliberation on his remuneration.

The Remuneration Committee met once during the financial year under review.

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

2. BOARD COMMITTEES (Cont'd)

Remuneration Committee (Cont'd)

Details of the remuneration packages for the Directors of the Group for the financial year ended 30 June 2009 are as follows:-

	Executive Directors RM	Non-Executive Directors RM
* Fees	180,000	120,000
Salaries & other emoluments	19,000	14,000

* Subject to the approval of shareholders.

The number of Directors of the Company whose income falls within the following bands is set out as follows:-

	Number of Directors	
	Executive	Non-Executive
RM50,000 and below	1	2
RM50,001 to RM100,000	3	1

3. SHAREHOLDERS

The Group communicates with its shareholders and investors primarily through timely release of financial results on a quarterly basis, press release and announcements which gives the shareholders an overview of the Group's performance and operation. The Annual General Meeting (AGM) is the principal forum for dialogue with shareholders who are encouraged to enquire about the Group's activities and prospects.

The Group maintains frequent dialogues with financial analysts and fund managers as a means of maintaining and improving investors' relation. A press conference is normally held after the AGM.

Shareholders and members of the public can obtain information on the Company through the Company's website at www.fmmalaysia.com.my or through the Bursa Securities website at www.bursamalaysia.com

4. ACCOUNTABILITY AND AUDIT

Financial Reporting

In presenting the annual financial statements and the quarterly announcements to shareholders, the Board has taken reasonable steps to ensure the financial statements are true and fair reflection of the Group's position and prospects. This also applies to circulars to shareholders and other documents that are submitted to the authorities and regulators. The Directors' responsibility statement is set out on page 28 of this Annual Report.

Internal Control

Information on the Group's system of internal control is presented in the Statement on Internal Control set out on pages 25 to 26 of this Annual Report.

Relation with Auditors

The role of the Audit Committee in relation to the external auditors is disclosed in the Audit Committee Report set out on pages 17 to 20 of this annual report. The Company maintains a close and transparent relationship with its auditors in seeking professional advice and ensuring compliance with the approved accounting standards in Malaysia.

STATEMENT ON Internal Control

The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets. The Listing Requirements of Bursa Malaysia Securities Berhad requires Directors of the Board to make a statement about the state of internal control of the listed entity as a Group.

The Board of Directors' Statement on Internal Control set out below has been prepared with reference to Bursa Malaysia Securities Berhad – Statement on Internal Control : Guidance for Directors of Public Listed Companies.

RESPONSIBILITY

The Board acknowledges its overall responsibility for the Group's system of internal control and for reviewing its effectiveness whilst the role of management is to implement the Board's policies on risk and control. It should be noted that due to the inherent limitations in any system of internal control, the system of internal control is designed to manage rather than eliminate all risks that may impede the achievement of the Group's business objectives. Accordingly, in pursuing these objectives, internal controls can only provide reasonable and not absolute assurance against material misstatement or loss.

RISK MANAGEMENT FRAMEWORK

The Board maintains an on-going commitment to strengthen the Group's internal control environment and processes as well as its risk management framework. The Board has engaged a professional service of Internal Auditor to assist the Group in the development of the Group's key risk profile and a risk management framework that is responsive to changes in the business and operating environment. Apart from the above mentioned exercise, the Board and management meet periodically to discuss, deliberate and address risks which are associated with financial and operational issues as part of the decision making processes. This is the manner adopted by the Group for identifying and managing risks prior to the implementation of a structured risk management framework as mentioned above.

INTERNAL CONTROL MECHANISM

The responsibility to review the adequacy and integrity of the internal control system has been delegated by the Board to the Audit Committee. The Audit Committee, in turn, assess the adequacy and integrity of the internal control system through independent reviews conducted on reports it receives from external auditors, the outsourced internal audit and the management. As part of the process, the external auditors provide assurance in the form of their annual statutory audit of the financial statements of the Group. Any areas of improvement identified during the course of the statutory audit by the external auditors are being brought to the attention of the Audit Committee through presentation slides on Audit Completion.

STATEMENT ON INTERNAL CONTROL (Cont'd)

INTERNAL AUDIT FUNCTIONS AND EFFECTIVENESS OF INTERNAL CONTROLS

The outsourced Internal Auditors had reviewed the Group's system of internal controls and had reported the internal audit activities carried within the year to the Audit Committee on a quarterly basis.

Internal Auditors had adopted a risk-based approach in undertaking the internal audits for the Group which involved the establishment of a comprehensive audit plan formulated through a risk assessment process. In doing so, the internal auditor had planned the engagement through conducting necessary consultation sessions with the senior management and staff in order to identify the relevant risks faced by the Group. With the necessary understanding of these risks, it had facilitated the internal auditor to develop comprehensive audit programs in order to identify any weaknesses in the system of internal controls.

At the same time, the Board had ensured that relevant control measures were implemented so as to address the control weaknesses identified during the course of internal audits and enhance the integrity of the Group's system of internal controls ultimately. This was carried out via necessary consultation with the internal auditor and senior management.

Indeed, the Board recognises that the development of good system of internal controls for the Group is a continuous process. Hence, the Board encourages interactive discussions of audit findings through the Audit Committee, taking into consideration possible establishment of additional control measures in managing its risks within the Group from time to time.

KEY ELEMENTS OF INTERNAL CONTROL SYSTEM

The key elements of the Group's internal control system are described below:-

- Organisation structure with clearly defined delegation of responsibilities to the Board;
- Regular meetings are held at operational and management levels to identify and resolve business, financial, operational and management issues;
- Three subsidiaries were accredited ISO 9001:2000 certification on quality management system. Documented internal procedures and standard operating procedures have been put in place and surveillance audits are conducted by assessors of the ISO certification bodies on a yearly and biannual basis to ensure that the system is adequately implemented;
- Documented guidelines on operating procedures have been put in place for relevant departments;
- Regular information is provided by the management to the Board on financial performance and key business indicators;
- Monthly monitoring of results by the management through financial reports;
- Regular internal audit visits and other specific assignments, if the need arises, assigned by the Audit Committee and/or the Board who monitors compliance with procedures and assesses the integrity of financial information provided; and
- Audit Committee holds regular meetings with the management on the actions taken on internal control issues, identified through reports prepared by the internal auditors, external auditors and/or the management.

SUMMARY

During the year under review, the Board is not aware of any issues which would result in any material losses, contingencies or uncertainties that would require separate disclosure in this Annual Report. Notwithstanding this, the Board will continue to take adequate measures to strengthen the control environment in which the Group operates. This Statement is made in accordance with the resolution of the Board of Directors dated 8 October 2009.

ADDITIONAL Compliance Information

1. Utilisation of Proceeds Raised from Corporate Proposals

The Company did not raise any funds from any corporate proposals during the financial year.

2. Share Buyback

The Company did not enter into any share buyback transactions during the financial year ended 30 June 2009.

3. Options or Convertible Securities

The Company has not issued any options or convertible securities during the financial year.

4. Depository Receipt Programme ("DRP")

The Company did not sponsor any DRP programme during the financial year.

5. Sanctions and / or Penalties

There were no sanctions and / or penalties imposed on the Company and its subsidiaries, Directors or management by the regulatory bodies during the financial year.

6. Non-Audit Fees

The amount of non - audit fees paid and payable to the external auditors by the Group for the financial year ended 30 June 2009 amounted to RM3,000.

7. Variation in Results

The Group's audited results for the financial year ended 30 June 2009 did not vary by 10% or more from the unaudited results which were announced to Bursa Malaysia Securities Berhad on 28 August 2009.

8. Profit Guarantee

There were no profit guarantees given by the Group during the financial year ended 30 June 2009.

9. Material Contracts

Save as disclosed below, there were no material contracts entered into by the Company and its subsidiaries which involve Directors' or Substantial Shareholders' interests either still subsisting at the end of the financial year ended 30 June 2009.

- On 31 December 2008, Icon Line (Malaysia) Sdn Bhd, a wholly owned subsidiary entered into a Joint Venture arrangement with Lim Kok Wee & Wimolphan Bunpala ("Lim Group") and Kittiwat Kitsiritaveewong to set up a joint venture company in Thailand known as Icon Freight Services Company Ltd ("JVCo"). The intended activity of the JVCo is to provide integrated logistics services to and from Thailand.

10. Recurrent Related party transactions of a Revenue Nature

All recurrent related party transactions entered into by the Group during the financial year are disclosed in Note 35 of the financial statement in pages 85 to 86 of this annual report.

11. Revaluation Policy on Landed Properties

The Group and the Company do not adopt a policy of regular revaluation on its landed properties as such exercises would only be carried out when deemed appropriate by the directors.

STATEMENT ON *Directors' Responsibility*

The Directors are responsible for ensuring that the financial statements of the Company and Group are drawn up in accordance with the requirements of the applicable approved accounting standards in Malaysia, the provisions of the Companies Act, 1965 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

In preparing the financial statements, the Directors have:-

- Adopted appropriate accounting policies and applied them consistently;
- Ensured that applicable approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 have been followed; and
- Considered the going concern basis used as being appropriate.

The Directors are also responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy the financial position of the Company and of the Group to enable them to ensure that the financial statements comply with the Companies Act, 1965.

The Directors have general responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the Company and of the Group and to prevent and detect fraud and other irregularities.

This statement is made in accordance with a resolution by the Board of Directors dated 8 October 2009.