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# Services Offered by The Group

## SEAFREIGHT



As a seafreight specialist, the Group offers both export and import freight services for both LCL and FCL shipments. Our service covers all major seaports of the world, including the East Malaysia ports.

Having a network of reliable agents globally enables us to provide quality and dependable services to our customers to meet their logistic needs. We are able to organize port to port, port to door, and door to door delivery.

## AIRFREIGHT

The Group handles both inbound and outbound shipments through Kuala Lumpur International Airport (KLIA) and Penang International Airport. The Group is also part of an established worldwide network of airfreight professionals with representation in every major airport in the world.

Backed by more than 15 years of experience, the Group is equipped to handle any time sensitive cargo.



## RAILFREIGHT



As a pioneer in operating this service between Malaysia and Thailand since 1999, the Group handles both LCL and FCL shipments between Bangkok in Thailand and Butterworth, Ipoh and Port Klang in Malaysia. Presently, we have four times weekly service for both northbound and southbound traffic. This service provides door to door, port to door and port to port delivery.

## Services Offered by The Group (cont'd)

### TUG & BARGE

This service specializes in the provision of barge, tugboat and other marine services for bulk raw materials along the Straits of Malacca to customers in Singapore, Malaysia and Thailand.



### DOMESTIC LOGISTIC



*(Artist's impression)*

#### WAREHOUSE

Our warehouses provide both bonded and general warehouse facilities for value adding, distribution and storage.

#### CUSTOMS BROKERAGE

As a support service to our customers, our team of trained personnel handles customs clearance at Port Klang, Penang, ICT Ipoh, and at KLIA and Penang Airport.

#### LAND TRANSPORTATION

Our current fleet of more than 20 dedicated bonded and general trucks provides committed trucking service to our customers to ensure prompt delivery throughout Peninsular Malaysia.



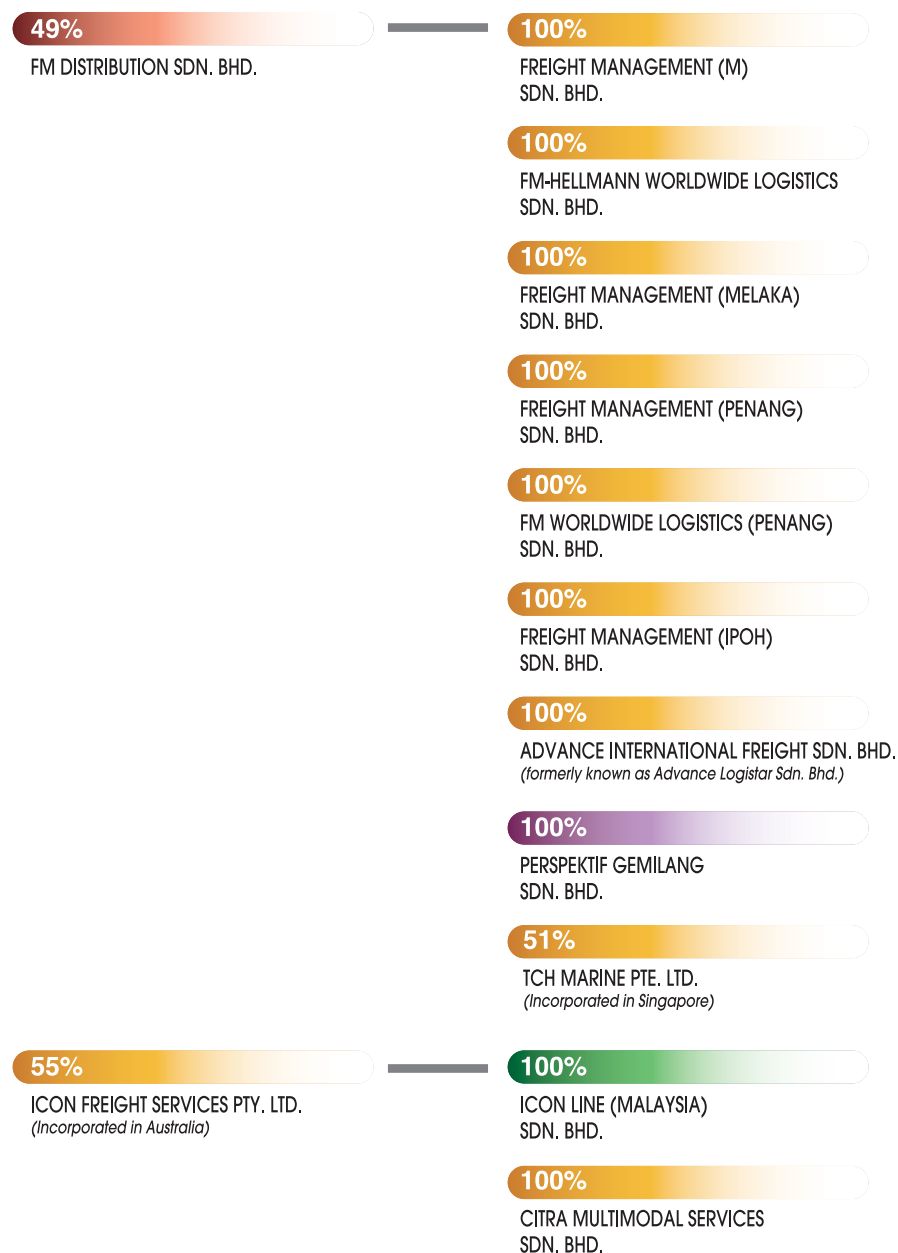
# Extensive Worldwide Coverage

Network of 58 independent agents covering 87 ports in 30 countries.

REGION	COUNTRY	PORT	REGION	COUNTRY	PORT
ASIA	BANGLADESH	CHITTAGONG DHAKA	EUROPE	BELGIUM	ANTWERP
	BRUNEI	MUARA		FRANCE	LE HAVRE MARSEILLES PARIS
	CHINA	DALIAN		GERMANY	BREMEN FRANKFRUT HAMBURG
		HUANGPU		ITALY	GENOA LA SPEZIA MILAN
		NINGBO		NETHERLANDS	AMSTERDAM ROTTERDAM
		QINGDAO		SWEDEN	GOTTENBURG
		SHANGHAI		UNITED KINGDOM	FELIXSTOWE LONDON SOUTHAMPTON
		SHEKOU			
		XIAMEN			
		XINGANG			
		YANTIAN			
	HONGKONG	HONGKONG	AMERICAS	CANADA	MONTREAL TORONTO VANCOUVER
	INDIA	CALCUTTA		UNITED STATES OF AMERICA	LOS ANGELES NEW YORK CHICAGO MIAMI SEATTLE
		CHENNAI			
		MUMBAI			
		NEW DELHI			
		NHAVA SHEVA			
	INDONESIA	BELAWAN JAKARTA SURABAYA			
	JAPAN	HAKATA			
		KOBE			
		MOJI			
		NAGOYA			
		OSAKA			
		SHIMIZU TOKYO			
	KOREA	BUSAN INCHON	SOUTH PACIFIC	AUSTRALIA	ADELAIDE BRISBANE FREMANTLE MELBOURNE SYDNEY
	PAKISTAN	KARACHI		NEW ZEALAND	AUCKLAND CHRISTCHURCH WELLINGTON
	PHILIPPINES	MANILA CEBU			
	SINGAPORE	SINGAPORE	MIDDLE EAST	BAHRAIN	BAHRAIN
	SRI LANKA	COLOMBO		UNITED ARAB EMIRATES	DUBAI
	TAIWAN	KAOSHIUNG	AFRICA	SOUTH AFRICA	DURBAN JOHANNESBURG
		KEELUNG		MAURITIUS	PORT LOUIS
		TAIPEI TAICHUNG	EAST MALAYSIA	SABAH	KOTA KINABALU SANDAKAN TAWAU
	THAILAND	BANGKOK		SARAWAK	BINTULU KUCHING MIRI SIBU
		LAT KRABANG			
		LAEM CHABANG			
	VIETNAM	HO CHI MINH			
		HANOI			



# Corporate Structure



- Provision of freight services
- Dormant
- Property investment holding
- Provision of warehouse services

# Corporate Information

## BOARD OF 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)*

Aaron Sim Kwee Lein *(Independent Non-Executive Director)*

Ong Looi Chai *(Executive Director)*

## AUDIT COMMITTEE

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

**Yang Heng Lam**  
Member

**Aaron Sim Kwee Lein**  
Member

## REMUNERATION & NOMINATION COMMITTEE

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

**Aaron Sim Kwee Lein**  
Member

## ESOS COMMITTEE

**Chew Chong Keat**  
Chairman

**Yang Heng Lam**  
Member

**Gan Siew Yong**  
Member

**Gan Siew Geok**  
Member

## COMPANY SECRETARIES

Lim Hooi Mooi (MAICSA 0799764)

Tan Enk Purn (MAICSA 7045521)

## REGISTERED OFFICE

Suite 13A-2  
Menara Uni.Asia  
1008 Jalan Sultan Ismail  
50250 Kuala Lumpur

Tel: +603 2697 7611

Fax: +603 2697 7311

Email : amskl@po.jaring.my

## HEAD OFFICE

Wisma Freight Management  
Lot 8, Lingkaran Sultan Mohamad 2  
Bandar Sultan Suleiman  
42000 Port Klang  
Selangor, Malaysia

Tel: +603 3176 1111

Fax: +603 3176 2188

Email: gen@fmmalaysia.com.my

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  
Chartered Accountants

## SOLICITORS

Wong Lu Peen & Tunku Alina  
Advocate & Solicitors

## 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

Second Board  
Bursa Malaysia Securities Berhad  
Stock Code : FREIGHT  
Stock No. : 7210  
Listed on 3rd February 2005

## Board of Directors



Sitting from left to right

**Chew Chong Keat**

(Group Managing Director)

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

(Chairman/Independent Non-Executive Director)

**Gan Siew Yong**

(Executive Director)

Standing from left to right

**Ong Looi Chai**

(Executive Director)

**Yang Heng Lam**

(Executive Director)

**Aaron Sim Kwee Lein**

(Independent Non-Executive Director)

## Directors' Profile



**DATUK DR. HAJI NOORDIN BIN HAJI AB. RAZAK**

Aged 61, 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).

He is also a director of Coshare Holding Bhd.



## Directors' Profile (cont'd)



### CHEW CHONG KEAT

Aged 45, Malaysian

Group Managing Director / Executive Director

Appointed on 20 March 1996, he is one of the co-founders of the Group. He is 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 business strategies.

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

### GAN SIEW YONG

Aged 44, Malaysian

Executive Director

Appointed on 20 March 1996, she is one of the co-founders of the Group and has been with the Group since 1988.

She is principally responsible for the export related services of the Group and also negotiates rates and secure container space with the shipping lines. Equipped with more than 18 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 which has direct links to other independent agents located at various ports worldwide.





**YANG HENG LAM**

Aged 43, Malaysian  
Executive Director

Appointed on 20 March 1996, 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 more than 20 years experience in freight and logistics industry.

He 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.

**AARON SIM KWEE LEIN**

Aged 40, Malaysian  
Independent Non-Executive Director

Appointed on 3 December 2004, he is a Fellow Member of the Chartered Association of Certified Accountants (ACCA), a Chartered Accountant of the Malaysian Institute of Accountants and a Chartered Member of the Institute of Internal Auditors Malaysia. He is a member of the 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 of a glove manufacturing company. He is currently the Principal Consultant with Omni Biz Consulting, offering business and financial advisory services.



## Directors' Profile (cont'd)



### ONG LOOI CHAI

Aged 38, Malaysian  
Executive Director

Appointed on 1 June 2006, he is also an executive director of Freight Management (Penang) Sdn Bhd ('FMP'), a wholly 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.

### ADDITIONAL INFORMATION

#### FAMILY RELATIONSHIPS

Gan Siew Yong is the spouse of Chew Chong Keat

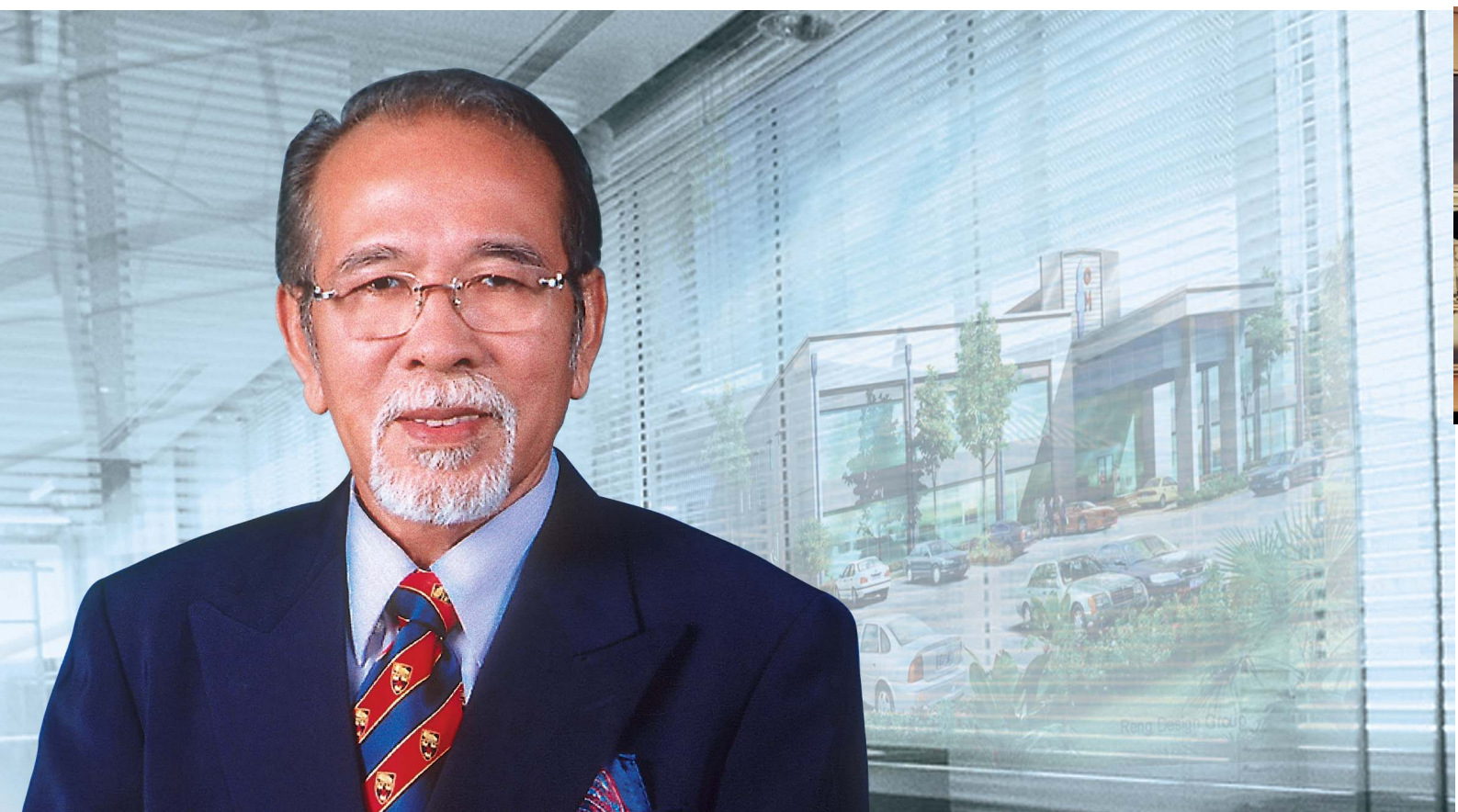
#### DIRECTORSHIP OF PUBLIC COMPANIES

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.

## Chairman's Statement



## Dear Shareholders

On behalf of the Board of Directors, it is my pleasure to present the Annual Report of Freight Management Holdings Bhd for the financial year ended 30 June 2006.

**DATUK DR. HAJI NOORDIN BIN HAJI ABD. RAZAK**  
(Chairman/Independent Non-Executive Director)

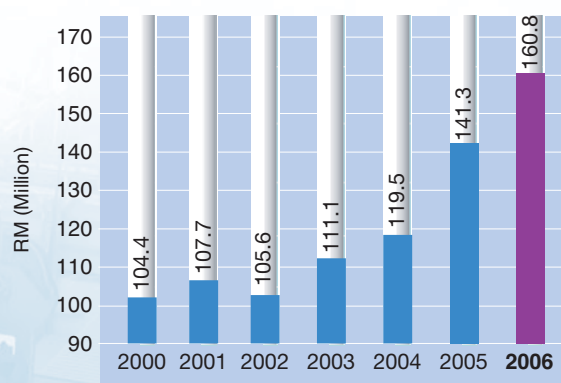




### FINANCIAL REVIEW

Financial year ended 30 June 2006 was another excellent year for FMH as the Group registered a revenue growth of 13.8%. The Group's revenue improved to RM160.8 million compared to RM141.3 million in the previous financial year (based on proforma results of financial year 2005 as the Group only came into existence on 2 December 2004). Contributing to the increase were revenue generated from our newly acquired subsidiaries; TCH Marine Pte Ltd ('TCH'), a Singapore registered company providing in tug and barge services; and Icon Freight Services Pty. Ltd, an Australian joint venture company providing freight services.

Steady Revenue Growth



Financial Year Ending 30 June





The revenue growth was well supported by a commendable net profit of RM7.74 million against RM6.63 million in the previous financial year, an increase of RM1.11 million or 16.8% growth. The main contributors to the positive results have been an increase in seafreight, particularly to the Asian ports. Seafreight volume increased to about 60,000 teus compared to about 57,000 teus in the previous financial year. During the year there was a substantial increase in profitability from export consolidation services due to improved efficiency in stuffing containers; thereby achieving higher overall gross profit margin of 19.9% against 18.3% in financial year 2005.

In tandem with the improved performance, basic earnings per ordinary share for the financial year increased to 9.08 sen from 7.78 sen in financial year 2005. Net assets per share accordingly rose from 63 sen in financial year 2005 to 73 sen in the financial year under review.

### DIVIDENDS

Subject to shareholders' approval during the forthcoming AGM, the Board is pleased to recommend a final dividend of 2.0 sen per share less tax at 28% in respect of the financial year ended 30 June 2006.

In addition, on 30 June 2006, the Board had already declared an interim gross dividend of 2.0 sen per share. This brings the full-year gross dividend to 4.0 sen per share.

### OUTLOOK AND PROSPECTS

With the Malaysian economy expected to record positive growth in 2006, we expect the growth in the freight and logistics sector to gain momentum in the coming year. Under the 9MP, special focus has been given to the development of the transport and logistics sub-sector. We are confident that this will enhance the Group's performance in the coming year.

In order to maintain our leading position as a multimodal freight services provider, we are committed to improve our quality of service for which we were accredited MS ISO 9001-2001 since 1996. Towards this aim, the Group has also completed its exercise to implement a fully integrated IT system for its freight services. A warehouse management system will also be implemented by the end of year 2006.





## Chairman's Statement (cont'd)

### Seafreight Services

The Group will continue to pursue aggressive marketing efforts both locally and internationally to secure a larger customer base. Our LCL consolidation service is now expanded to include some new destinations such as Fremantle in Australia, Nhava Sheva in India, Dalian, Qingdao and Ningbo in China, as well as increased frequency to existing ports. The Group is also constantly looking into participating in tenders from multinational companies that are outsourcing their logistics needs. We are continuously introducing innovative sales campaign to offer competitively priced services to our customers, thus keeping us ahead of competitions. The Group will continue to market our FCL service aggressively, both locally and internationally. With our substantial FCL volume, we are confident that we are able to leverage for a competitive rate with the shipping lines, thus according us an edge in our marketing efforts.

### Airfreight Services

In spite of the many challenges in the airfreight industry, particularly the increasing fuel cost, the Group is confident that the impact will be minimal as evident in the financial year under review. The Group has stepped up aggressive marketing efforts in promoting direct airfreight consolidation services, kicking off with Bangkok as the first destination. The response has been very encouraging and the Group will continue to secure more base load for such services. With the objective to increase our market share in the airfreight industry, the Group will also broaden its coverage to new destinations in the coming months.

### Railfreight Services

For the coming year, the Group will focus on cost rationalization and yield management to increase profitability in the railfreight services. The Group is currently running 4 times weekly return service to Bangkok and this frequency is expected to be maintained for the year.

### Tug & Barge Services

With the acquisition of 55% interest in TCH by the Group, tug and barge services is the new addition to our portfolio of services offered by the Group. TCH now owns 5 tugboats and 5 barges. A new tugboat has been commissioned and is expected to be ready by end 2006. We are optimistic that the additional vessel will be able to contribution to the revenue in the financial year under review.

Looking forward, the Board is optimistic that the performance of the Group will continue to remain favourable for the current financial year ending 30 June 2007.





(Artist's impression)



### Support Services

Amongst our latest development is the construction of our new warehouse facility which is expected to be operational in the 3<sup>rd</sup> quarter of financial year 2007, with special emphasis as a third-party logistics ('3PL') provider. The modern, state of the art warehouse has a total floor space of about 200,000 sq ft and is set to attract customers which are outsourcing their total logistics needs. The new warehouse is expected to contribute substantially to the Group's revenue in the coming years.

The customs brokerage service as a support service to the Group is also expected to benefit from the growth in the seafreight and airfreight customers base.

### ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to convey my sincere appreciation to our shareholders, customers, business associates, bankers and various government agencies for their support over the years. I also wish to thank all our management and staff, for their continuous contribution, commitment and unwavering loyalty towards the Group.

DATUK DR HAJI NOORDIN BIN HAJI ABD RAZAK  
Chairman

16 October 2006



# Audit Committee Report

## MEMBERS

The Audit Committee was established on 3 December 2004. The present member and their respective designation are as follows:

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

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

Yang Heng Lam  
(Executive Director)

## TERMS OF REFERENCE

### 1. Composition of Audit Committee

The Audit Committee shall be appointed by the Directors from among their members (pursuant to a resolution of the Board of Director) and shall comprise no fewer than three (3) members of whom the majority shall be independent directors.

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 three (3) years working experience and;
  - a) he must have passed the examinations specified in Part 1 of the First Schedule of the Accountant's Act 1967; or
  - b) he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountant's Act 1967.

The members of the Audit Committee shall elect a chairman from among their members who shall be an independent director.

### 2. Functions of the Audit Committee

The Audit Committee shall discharge the following functions:-

- Review the following and report the same to the Board of Directors;
  - (a) with the external auditors, the audit plan;
  - (b) with the external auditors, his evaluation of the system of internal controls;
  - (c) with the external auditors, his audit report;
  - (d) the assistance provided by employees to the external auditors;
  - (e) the adequacy of the scope, functions and resources of the internal audit functions and the necessary authority the internal auditor has to carry out the work;

## Audit Committee Report (cont'd)

- Review the following and report the same to the Board of Directors; (cont'd)
  - (f) the internal audit program, processes, the results of the internal audit program, processes or investigations undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
  - (g) quarterly results and year-end financial statements, prior to the approval by the Board focusing particularly on:-
    - i) changes in the implementation of major accounting policy changes;
    - ii) significant and unusual events;
    - iii) the going-concern assumptions;
    - iv) compliance with accounting standards and other legal requirements;
  - (h) any related party transactions and the conflict of interest situation including any transaction, procedure or course of conduct that raises questions of management integrity;
  - (i) any letters of resignation from the external auditors;
  - (j) Whether there is any reason and supported by grounds, to believe that the external auditors is not suitable for re-appointment;
- Recommend the nomination of a person or persons as external auditors;
- 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 in the scheme by the ESOS Committee ; and
- 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 Bursa Malaysia Securities Berhad Listing Requirements.

### 3. Rights of the Audit Committee

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

- have authority to investigate any matter within its terms of reference;
- have the resources which are required to perform its duties;
- have direct communication channels with the external auditors and the persons carrying out the internal audit function;
- be able to obtain independent professional or other advice at a cost to be approved by the Board of Directors;
- be able to convene meetings with the external auditors, excluding the attendance of the executive members of the Audit Committee, whenever deemed necessary;

### 4. Procedure of the Audit Committee

The Audit Committee shall regulate its own procedures as follows:

- the Audit Committee shall hold at least 4 meetings each financial year;
- a member of the Audit Committee may at any time summon a meeting of the Audit Committee;
- 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;
- 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;
- 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;
- minutes of each Audit Committee meeting shall be kept by the Secretary of the Audit Committee;

## Audit Committee Report (cont'd)

### 4. Procedure of the Audit Committee (cont'd)

The Audit Committee shall regulate its own procedures as follows (cont'd):

- 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.

### SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

The Audit Committee met five (5) times during the financial year ended 30 June 2006. The details of attendance of the Audit Committee members are as follows:

Name of Audit Committee Member	Total meetings attended	Percentage of attendance (%)
Datuk Dr Haji Noordin Bin Haji Ab Razak	5/5	100
Aaron Sim Kwee Lein	5/5	100
Yang Heng Lam	5/5	100

In line with the terms of reference of the Audit Committee, the following activities were carried out by the Audit Committee during the financial year ended 30 June 2006:-

- (a) Reviewed the quarterly financial results and announcements for the Group to ensure compliance with the Listing Requirements of Bursa Securities, applicable approved accounting standards and other legal and regulatory requirements, before recommending them for the Board of Directors' consideration and approval;
- (b) Reviewed and discussed significant audit findings in respect of the Group's operations with the Group's outsourced internal audit function.
- (c) Discussed significant audit findings in respect of the financial statements of the Group with the external auditors;
- (d) Reviewed the annual audited financial statements before recommending them for the Board of Directors' approval;
- (e) Reviewed the external auditors' fees, scope of work and audit plans for the financial year prior to commencement of audit; and
- (f) Reviewed the related party transactions entered into by the Group for compliance with the Listing Requirements of Bursa Securities.

### INTERNAL AUDIT FUNCTION

The Audit Committee is aware that an independent adequately resourced internal audit function is essential to ensure the implementation of a sound internal control system. The principal role of the internal audit is to undertake such systematic reviews of the internal control systems within the Group so as to provide reasonable assurance that such systems are adequate and functioning as intended. Its responsibilities include provision of independent and objective reports on the state of internal control of the various operating units within the Group to the Audit Committee so that remedial actions can be taken in relation to weaknesses noted in the systems and controls of the respective operating units. Accordingly, the Company had appointed an external professional consultancy firm to provide internal audit function.



# 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 the state of compliance of the Group in relation to the principles and best practices as set out 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 six (6) Directors as listed below:-

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

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 in this Annual Report on pages 8 to 11 of this Annual Report.

### Board Meeting

The Board meets at least four 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:-

	Number of Meetings	Number of Meetings Attended
Datuk Dr Haji Noordin Bin Haji Ab Razak	5	5
Chew Chong Keat	5	5
Yang Heng Lam	5	5
Gan Siew Yong	5	5
Aaron Sim Kwee Lein	5	5
Ong Looi Chai (appointed on 1/6/2006)	NA	NA



## Statement on Corporate Governance (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 to The Board

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.

### Directors' Training

All members of the Board have attended the Mandatory Accreditation Programme to comply with the Bursa Malaysia Listing Requirements. The Directors will undergo relevant training programmes as a continuing effort to train and equip themselves to effectively discharge their duties. The Directors were updated by the external auditors on the development and adoption of the new Financial Reporting Standards in Malaysia and its impact to the Group's and Company's future financial statements.

## 2. BOARD COMMITTEES

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

### Audit Committees

The composition, terms of reference and summary of activities of the Audit Committee are disclosed in the Audit Committee Report on pages 17 to 19 of this Annual Report.

### Nomination Committee

The Nomination Committee ("NC") was established on 24 February 2005 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.

## Statement on Corporate Governance (cont'd)

### Nomination Committee (cont'd)

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 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 Haji Noordin bin Haji 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 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.

Details of the remuneration packages for the Directors of the Group for the financial year ended 30 June 2006 are as follows:-

	Executive Directors RM	Non-Executive Directors RM
Fees*	147,000	84,000
Salaries & other emoluments	16,000	10,000

\* Subject to the approval of shareholders.

## Statement on Corporate Governance (cont'd)

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	1
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 Bursa Securities website at [www.bursamalaysia.com](http://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 24 to 25 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 19 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 on-going Board and management meeting discuss, deliberate and address risks which are associated with strategic, 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 function and 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 Audit Review Memorandum.



## Statement on Internal Control (cont'd)

The Group had on 24 June 2005, outsourced its internal audit function to an independent professional service provider firm to assist the Audit Committee as well as the Board of Directors in discharging their responsibilities by providing an independent, objective assurance and advisory services that add value and improve the operations in the following areas:

- ensuring existence of processes to monitor the effectiveness and efficiency of operations and the achievement of business objectives;
- ensuring adequacy and effectiveness of internal control systems for safeguarding of assets, providing consistent, accurate financial and operational data;
- promoting risk awareness and the value and nature of an effective internal control system;
- ensuring compliance with laws, regulations, corporate policies and procedures; and
- assisting management in accomplishing its objectives by adopting a systematic and disciplined audit approach to evaluating and improving the effectiveness of risk management, control and governance processes within the companies' operations.

### 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 subsidiary companies 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 twice a year by assessors of the ISO certification body to ensure that the system is adequately implemented;
- Documented guidelines on operating procedures have been put in place for relevant departments;
- Regular information are 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 Board who monitors compliance with procedures and assesses the integrity of financial information provided; and
- Audit Committee holds regular meetings with management on the actions taken on internal control issues identified through reports prepared by the internal auditors, external auditors and/or 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.

Statement made in accordance with the resolution of the Board of Directors dated 16 October 2006.



# Additional Compliance Information

## 1. UTILISATION OF PROCEEDS

As at date of this report, the total gross proceeds of RM24,192,506 raised from the public issue of 37,219,240 new ordinary shares of RM0.50 each at an issue price of RM0.65 per ordinary share pursuant to the Company's listing on the Second Board of Bursa Securities on 3 February 2005 has been fully utilized. Details of utilization of the proceeds are as follows:-

	Gross Proceeds RM '000	Amount Utilised RM '000	Balance RM '000
Acquisition of land	6,961	6,961	-
Construction of warehouse	7,200	7,200	-
Acquisition of computer software and hardware	1,635	1,635	-
Acquisition of additional containers	1,822	1,822	-
Listing expenses	1,500	1,500	-
Working capital	5,074	5,074	-
	24,192	24,192	-

## 2. SHARE BUYBACK

The Company did not enter into any share buyback transactions during the financial year ended 30 June 2006.

## 3. OPTIONS, WARRANT OR CONVERTIBLE SECURITIES

Save as disclosed below, there were no options, warrants or convertible securities issued by the Company during the financial year:-

On 28 January 2005, the Company granted options for 4,678,000 shares pursuant to its Employees' Share Option Scheme at an exercise price of RM0.65 per share to the eligible employees. None of the options were exercised during the financial year ended 30 June 2006.

## 4. AMERICAN DEPOSITORY RECEIPT ("ADR") OR GLOBAL DEPOSITORY RECEIPT ("GDR") PROGRAMME

The Company did not sponsor any ADR or GDR programme during the financial year

## 5. RECURRENT RELATED PARTY TRANSACTIONS

All recurrent related party transactions entered into by the Group during the financial year are disclosed in Note 33 of the financial statement in pages 30 to 77 of this Annual Report.

## 6. IMPOSITION OF SANCTIONS / 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.

## Additional Compliance Information (cont'd)

### 7. NON-AUDIT FEES

The amount of non-audit fees paid and payable to the external auditors during the financial year ended 30 June 2006 was RM39,600 for professional fees in relation to performing due diligence for the acquisition of 51% equity interest in TCH Marine Pte. Ltd.

### 8. PROFIT GUARANTEE

There were no profit guarantees given by the Company during the financial year ended 30 June 2006.

### 9. MATERIAL CONTRACTS

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 2006.

### 10. REVALUATION POLICY

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' Responsibilities

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 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 16 October 2006.