

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

Notes on the quarterly report – 31 March 2009

PART A : EXPLANATORY NOTES AS PER FRS 134

A1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134 : Interim Financial Reporting and paragraph 9.22 and Part A of Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”). The interim financial statements should be read in conjunction with the Group’s financial statements for the year ended 30 June 2008.

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

The accounting principles, method of computation and bases used for this quarterly financial report are consistent with those previously adopted in the preparation of the annual financial statements for the year ended 30 June 2008.

A2. Qualification of Annual Financial Statements

The audit report of the Group’s most recent annual audited financial statements for the year ended 30 June 2008 was not qualified.

A3. Seasonality or cyclical factors

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

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

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

As at 30 June 2008, the Group's land and building at Lot 8, Lingkaran Sultan Mohamed 2, Bandar Sultan Suleiman were presented as non-current asset held for sale in accordance with FRS 5. In view of the soft property market conditions, the management has decided that the property be occupied for own use. However, the management will dispose the property when there is a suitable offer to purchase the property.

Following from the aforementioned, the non-current asset held for sale has now been reclassified as property, plant and equipment in the balance sheet and is stated at its carrying amount before the asset was classified as held for sale. Accordingly, depreciation amounted to RM30,000 was provided for current quarter and total of RM210,000 has been reflected in year to date results under review.

A5. Changes in estimates

There were no changes in estimates of amounts reported in prior interim period or financial year that have material effect in the current quarter.

A6. Issuance and repayment of debts and equity securities

There were no issuance, cancellations, repurchases, resale and repayments of debt and equity securities for the current financial year to date.

A7. Dividend paid

- i) The gross interim dividend of 2.0 sen per share less tax at 26% amounting to RM1,801,370, in respect of financial year ended 30 June 2008 has been paid on 28 July 2008.

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- ii) The final dividend of 2.5 sen per share less tax at 25% amounting to RM2,282,143 in respect of the financial year ended 30 June 2008 has been paid on 19 January 2009.

A8. Segment information

By geographical location for the current financial year to date :

| | Malaysia | Singapore | Australia | Indonesia | Elimination | Total |
|--|-----------------|------------------|------------------|------------------|--------------------|----------------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | | | | | | |
| External sales | 142,020 | 18,470 | 12,643 | 2,501 | - | 175,634 |
| Inter-segment sales | 1,110 | - | 8 | 149 | (1,267) | - |
| Total revenue | <u>143,130</u> | <u>18,470</u> | <u>12,651</u> | <u>2,650</u> | <u>(1,267)</u> | <u>175,634</u> |
| Results | | | | | | |
| Segment results | 11,283 | 2,767 | (73) | 886 | - | 14,863 |
| Finance costs | | | | | | (1,235) |
| Share of profit in an associate | 40 | - | - | - | - | 40 |
| Profit before tax | | | | | | 13,668 |
| Tax expense | | | | | | (3,065) |
| Profit for the financial year | | | | | | <u>10,603</u> |
| Assets | | | | | | |
| Segment assets | 108,532 | 29,199 | 2,199 | 2,384 | - | 142,314 |
| Investment in an associate | 155 | - | - | - | - | 155 |
| Unallocated assets | | | | | | 1,067 |
| Total assets | | | | | | <u>143,536</u> |
| Liabilities | | | | | | |
| Segment liabilities | 37,316 | 10,403 | 1,452 | 1,028 | - | 50,199 |
| Unallocated liabilities | | | | | | 4,155 |
| Total liabilities | | | | | | <u>54,354</u> |
| Other segment information | | | | | | |
| Capital expenditure | 5,364 | 4,284 | 53 | 306 | - | 10,007 |
| Depreciation | 2,871 | 934 | 62 | 22 | - | 3,889 |
| Amortisation | 100 | - | - | - | - | 100 |
| Other non-cash income | (392) | (20) | - | (18) | - | (430) |
| Other non-cash expenses other than depreciation and amortisation | 880 | 5 | 1 | - | - | 886 |

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A9. Valuation of property, plant and equipment

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

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

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

A11. Changes in the composition of the Group

FMH had on 27 August 2008 incorporated a wholly-owned company limited by shares known as Icon Freight International Inc. in British Virgin Islands. The current paid-up capital is USD100.00.

On 6 November 2008, Icon Line (Malaysia) Sdn Bhd, a wholly owned subsidiary has subscribed 22,050 shares of Rp100,000 each for a total cash consideration of Rp2,205,000,000 in PT. Icon Freight Indonesia, representing 49% of the issued and paid-up capital of PT. Icon Freight Indonesia.

A12. Contingent liabilities

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

| | RM'000 |
|---|---------------|
| Bank guarantees in favour of third parties* | <u>2,002</u> |

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

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A13. Capital commitments

Contracted but not provided for :

| | RM'000 |
|--------------|---------------------|
| Prime movers | 2,286 |
| Trucks | <u>407</u> |
| | <u><u>2,693</u></u> |

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

B1. Review of performance

The Group's revenue contracted by RM3.6 million (from RM53.3 million to RM49.7 million) and profit after tax decreased by RM0.4 million (from RM3.2 million to RM2.8 million) for the current financial quarter ended 31 March 2009 as compared to the financial quarter ended 31 March 2008.

The revenue was contributed by the following services:-

| Service Type | 3QFY09 RM mil | 3QFY08 RM mil | Increase/- Decrease RM mil | % change |
|--------------------------|------------------|------------------|----------------------------------|--------------|
| Seafreight | 24.5 | 31.9 | -7.4 | -23.2% |
| Railfreight | 1.3 | 2.9 | -1.6 | -55.2% |
| Airfreight | 3.9 | 4.6 | -0.7 | -15.2% |
| Tug & Barge | 7.0 | 6.0 | 1.0 | 16.7% |
| Warehouse & Distribution | 2.3 | 2.4 | -0.1 | -4.2% |
| Customs Brokerage | 5.9 | 5.5 | 0.4 | 7.3% |
| Haulage | 1.6 | 0 | 1.6 | |
| Others Services | 3.2 | 0 | 3.2 | |
| TOTAL | 49.7 | 53.3 | -3.6 | -6.8% |

With the exception of Tug & Barge and Customs Brokerage services, all other services experienced a decline in revenue for the reporting quarter ended 31 March 2009. The decline in demand for freight services was especially apparent in the month of January and February 2009. On a positive note, the introduction of Haulage and other services, namely Land Freight and Project Cargo services collectively reported an aggregate revenue of RM4.8 million in this reporting quarter.

Profit before tax for the reporting quarter reduced by RM0.6 million to RM4.3 million from RM4.9 million in 3QFY08 (which included an exceptional gain of RM1.1 million for the disposal of barge in 3QFY08).

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B2. Variation of results against preceding quarter

Compared to the immediate preceding quarter, the Group recorded a drop in performance. Revenue decreased by RM10.6 million or 17.6% from RM60.3 million. Details of revenue analysis are as follows:-

| Service Type | 3QFY09 RM Mil | 2QFY09 RM Mil | Increase/- Decrease RM Mil | % change |
|--------------------------|------------------|------------------|----------------------------------|---------------|
| Seafreight | 24.5 | 36.2 | -11.7 | -32.3% |
| Railfreight | 1.3 | 1.7 | -0.4 | -23.5% |
| Airfreight | 3.9 | 4.8 | -0.9 | -18.8% |
| Tug & Barge | 7.0 | 5.8 | 1.2 | 20.7% |
| Warehouse & Distribution | 2.3 | 2.9 | -0.6 | -20.7% |
| Customs Brokerage | 5.9 | 6.9 | -1 | -14.5% |
| Haulage | 1.6 | 1.7 | -0.1 | -5.9% |
| Others Services | 3.2 | 0.3 | 2.9 | 966.7% |
| TOTAL | 49.7 | 60.3 | -10.6 | -17.6% |

The current global economic slowdown had negatively impacted the performance of the Group for the reporting quarter. Performance for freight services declined by 32.3% as compared to the previous reporting quarter due to the cautious approach by most exporters and importers in view of the uncertainty and weak domestic and overseas demands. Tug & Barge service however had positive growth due to higher number of laden round-trips and higher yielding cargo load. Overall, the Group's profit after tax declined by RM0.5 million or 16.3%.

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B3. Current year prospects

While there are signs that the global recession may have bottomed out, the economic outlook remains uncertain and unpredictable. Notwithstanding this, the Group is working toward a positive growth in the last quarter of the financial year 2009 with intensive marketing programs to meet customers' demands and continue to provide value added services to them.

B4. Variance of actual and forecast profit

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

B5. Tax expense

| | Individual Quarter | | Cumulative Quarter | |
|--|--------------------|----------------|--------------------|----------------|
| | Current Year | Preceding Year | Current Year | Preceding Year |
| | Quarter | Corresponding | To Date | Corresponding |
| | 31.3.2009 | Quarter | 31.3.2009 | Quarter |
| | RM'000 | 31.3.2008 | RM'000 | 31.3.2008 |
| | | RM'000 | | RM'000 |
| In respect of current period: | | | | |
| Income tax | 914 | 852 | 2,802 | 2,403 |
| Deferred tax | 139 | 76 | 387 | 318 |
| | <u>1,053</u> | <u>928</u> | <u>3,189</u> | <u>2,721</u> |
| Under / (Over) provision in respect of prior year : | | | | |
| Income tax | (200) | - | (124) | 134 |
| Deferred tax | - | - | - | (221) |
| | <u>(200)</u> | <u>-</u> | <u>(124)</u> | <u>(87)</u> |
| Total | <u>853</u> | <u>928</u> | <u>3,065</u> | <u>2,634</u> |

The effective tax rate is lower than the statutory tax rate due to the tax exemption enjoyed by subsidiaries in Singapore.

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B6. Unquoted investments and / or properties

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

B7. Quoted and marketable investments

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

B8. Status of corporate proposal announced

- i) 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. Icon Line (Malaysia) Sdn Bhd has yet to subscribe the 49% of shareholding in the JVCo.
- ii) Securities Commission has, vide its letter dated 17 April 2009, rejected the Company’s application for an extension of time of up to 12 October 2009 to implement the private placement of up to 12,171,428 new ordinary shares.

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B9. Group borrowings

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

| | RM'000 |
|---|--------------------|
| Payable within 12 months (secured) | |
| Term loans | 4,281 |
| Hire purchase and leases | 2,534 |
| Bank overdrafts | 891 |
| | <hr/> |
| | 7,706 |
| Payable after 12 months (secured) | |
| Term loans | 14,710 |
| Hire purchase and leases | 7,193 |
| | <hr/> |
| | 21,903 |
| | <hr/> |
| Total borrowings | <hr/> <hr/> 29,609 |

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

| | RM'000 |
|--|---------------|
| In Australian Dollar | |
| Hire purchase and lease payable within 12 months | 35 |
| Hire purchase and lease payable after 12 months | 135 |
| Bank overdraft | 17 |
| In Singapore Dollar | |
| Term loans payable within 12 months | 3,360 |
| Term loans payable after 12 months | 5,361 |
| In Indonesian Rupiah | |
| Hire purchase and lease payable within 12 months | 28 |
| Hire purchase and lease payable after 12 months | 46 |
| | <hr/> |
| | 8,982 |
| | <hr/> <hr/> |

B10. Off balance sheet financial instruments

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

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B11. Change in material litigation

Neither FMH nor any of its subsidiaries in the Group is engaged in any litigation or arbitration, either as plaintiff or defendant, which has a material effect on the financial position of the Company or any of its subsidiaries in the Group and the Board of Directors of FMH is not aware of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect the position or business of the Company or any of its subsidiaries in the Group.

B12. Dividend

The Board of Directors has declared a gross interim dividend of 2 sen per share less tax at 25%, in respect of financial year ending 30 June 2009. The dividend will be paid on 15 July 2009 to holders of ordinary shares whose names appear in the Record of Depositors at the close of business on 30 June 2009.

B13. Earnings per share

| | Individual Quarter | | Cumulative Quarter | |
|---|---------------------------|------------------------------|---------------------------|------------------------------|
| | Current Year | Preceding Year | Current Year | Preceding Year |
| | Quarter | Corresponding Quarter | To Date | Corresponding Quarter |
| | 31.3.2009 | 31.3.2008 | 31.3.2009 | 31.3.2008 |
| Profit attributable to ordinary equity holders of the parent (RM'000) | <u>2,791</u> | <u>3,207</u> | <u>9,523</u> | <u>8,847</u> |
| Weighted average number of ordinary shares of RM0.50 each in issue ('000) | <u>121,714</u> | <u>121,714</u> | <u>121,714</u> | <u>121,714</u> |
| Basic Earnings Per Share (sen) | 2.29 | 2.63 | 7.82 | 7.27 |