

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

**Notes on the quarterly report – 31 March 2010**

**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 2009.

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 2009 except for the early adoption of the following standards:

Amendments to FRSs ‘Improvements to FRSs (2009)’ – FRS 117: leases

Amendment to FRS 117 removes the requirements on the classification of leases of land and buildings, and instead, requires an assessment of the classification based on risks and rewards of the lease itself. The transitional provision of the paragraph 68A of the Amendment to FRS 117 requires the assessment of land elements of unexpired leases to be made retrospectively in accordance with FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors. Any difference between the fair value of the newly reclassified asset and liability of the finance lease shall be recognised in the retained earnings.

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The resulting effect of this Standard taking effect was the reclassification of prepaid lease payments for land back into property, plant and equipment, rather than being separately classified under prepaid lease payments on the consolidated Balance Sheet, as disclosed under Note A14.

**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 2009 was not qualified.

**A3. Seasonality or cyclical factors**

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

**A4. Unusual Items**

There are no unusual items affecting assets, liabilities, equity, net income or cash flows in the financial year to date.

**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.

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**A6. Changes in 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 25% amounting to RM1,825,716 in respect of financial year ended 30 June 2009 has been paid on 15 July 2009.
- ii) The final dividend of 2.5 sen per share less tax at 25% amounting to RM2,282,142 in respect of financial year ended 30 June 2009 has been paid on 20 January 2010.

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By geographical location for the current financial year to date:

|   | <b>Malaysia<br/>RM'000</b> | <b>Singapore<br/>RM'000</b> | <b>Australia<br/>RM'000</b> | <b>Indonesia<br/>RM'000</b> | <b>Thailand<br/>RM'000</b> | <b>Elimination<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|---|----------------------------|-----------------------------|-----------------------------|-----------------------------|----------------------------|-------------------------------|-------------------------|
| <b>Revenue</b>                                  |                            |                             |                             |                             |                            |                               |                         |
| External sales                                  | 148,032                    | 18,361                      | 12,352                      | 8,496                       | 3,629                      | -                             | 190,870                 |
| Inter-segment sales                             | 1,765                      | -                           | 111                         | 334                         | 274                        | (2,484)                       | -                       |
| <b>Total revenue</b>                            | <b>149,797</b>             | <b>18,361</b>               | <b>12,463</b>               | <b>8,830</b>                | <b>3,903</b>               | <b>(2,484)</b>                | <b>190,870</b>          |
| <b>Results</b>                                  |                            |                             |                             |                             |                            |                               |                         |
| Segment results                                 | 12,020                     | 2,306                       | 532                         | 1,566                       | (118)                      | -                             | 16,306                  |
| Impairment loss on Goodwill                     |                            |                             |                             |                             |                            |                               | (23)                    |
| Profit from operations                          |                            |                             |                             |                             |                            |                               | 16,283                  |
| Finance costs                                   |                            |                             |                             |                             |                            |                               | (1,085)                 |
| Share of profit in an associate                 | 57                         | -                           | -                           | -                           | -                          | -                             | 57                      |
| Profit before tax                               |                            |                             |                             |                             |                            |                               | 15,255                  |
| Tax expense                                     |                            |                             |                             |                             |                            |                               | (2,782)                 |
| <b>Profit for the financial year</b>            |                            |                             |                             |                             |                            |                               | <b>12,473</b>           |
| <b>Assets</b>                                   |                            |                             |                             |                             |                            |                               |                         |
| Segment assets                                  | 126,075                    | 29,732                      | 4,065                       | 2,730                       | 1,253                      | -                             | 163,855                 |
| Investment in an associate                      | 204                        | -                           | -                           | -                           | -                          | -                             | 204                     |
| Unallocated assets                              |                            |                             |                             |                             |                            |                               | 608                     |
| <b>Total assets</b>                             |                            |                             |                             |                             |                            |                               | <b>164,667</b>          |
| <b>Liabilities</b>                              |                            |                             |                             |                             |                            |                               |                         |
| Segment liabilities                             | 46,716                     | 7,281                       | 3,079                       | 342                         | 632                        | -                             | 58,050                  |
| Unallocated liabilities                         |                            |                             |                             |                             |                            |                               | 4,726                   |
| <b>Total liabilities</b>                        |                            |                             |                             |                             |                            |                               | <b>62,776</b>           |
| <b>Other segment information</b>                |                            |                             |                             |                             |                            |                               |                         |
| Capital expenditure                             | 8,377                      | 1,918                       | 3                           | 21                          | 9                          | -                             | 10,328                  |
| Depreciation                                    | 3,417                      | 1,045                       | 75                          | 70                          | 2                          | -                             | 4,609                   |
| Other non-cash income                           | (484)                      | (63)                        | -                           | (26)                        | (6)                        | -                             | (579)                   |
| Other non-cash expenses other than depreciation | 389                        | -                           | 24                          | 36                          | 201                        | -                             | 650                     |

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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**

On 5 May 2010, the Group received a deposit amounting to RM153,000 for the disposal of a property at Kawasan Perusahaan Bandar Sultan Suleiman, Port Klang for a consideration of RM5.1 million. The disposal is pending the execution of a formal sales and purchase agreement.

**A11. Changes in the composition of the Group**

On 2 July 2009, Icon Line (Malaysia) Sdn Bhd, a wholly owned subsidiary of the Company, acquired 24,500 shares of THB100 each in Icon Freight Service Co Ltd for a cash consideration of THB2,450,000, representing 49% of the issued and paid-up capital of Icon Freight Services Co Ltd.

On 8 December 2009, the Company acquired 1 shares of RM1 each in Symphony Express Sdn Bhd for a cash consideration of RM1, representing 50% of the issued and paid-up capital of Symphony Express Sdn Bhd.

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**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:-

|   |               |
|---|---------------|
|   | <b>RM'000</b> |
| Bank guarantees in favour of third parties* | <u>2,872</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.*

**A13. Capital commitments**

**Contracted but not provided for :**

|              |                                      |
|--------------|--------------------------------------|
|              | <b>As at<br/>31.03.10<br/>RM'000</b> |
| Barge        | 2,599                                |
| Prime movers | 3,949                                |
| Forklift     | <u>1,017</u>                         |
|              | <u><u>7,565</u></u>                  |

**A14. Comparatives**

|                               | <b>Previously<br/>stated<br/>RM'000</b> | <b>Effects on<br/>early<br/>adoption of<br/>FRS 117<br/>RM'000</b> | <b>Restated<br/>RM'000</b> |
|-------------------------------|---|--|----------------------------|
| <b>Balance Sheet:</b>         |   |  |                            |
| <b>Non-current assets</b>     |   |  |                            |
| Property, plant and equipment | 71,804                                  | 11,819   | 83,623                     |
| Prepaid lease payments        | 11,819                                  | (11,819)   | -                          |

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

##### B1. Review of performance

The Group's revenue grew by RM16.7 million from RM49.7 million in 3QFY09 to RM66.4 million in the 3QFY10 :-

| Service Type             | 3QFY10<br>RM mil | 3QFY09<br>RM mil | Increase/-<br>Decrease<br>RM mil | % change     |
|--------------------------|------------------|------------------|----------------------------------|--------------|
| Seafreight               | 39.7             | 24.5             | 15.2                             | 62.0%        |
| Railfreight              | 0.7              | 1.3              | (0.6)                            | -46.2%       |
| Airfreight               | 5.9              | 3.9              | 2.0                              | 51.3%        |
| Tug & Barge              | 5.1              | 7.0              | (1.9)                            | -27.1%       |
| Warehouse & Distribution | 2.8              | 2.3              | 0.5                              | 21.7%        |
| Customs Brokerage        | 8.7              | 5.9              | 2.8                              | 47.5%        |
| Haulage                  | 2.3              | 1.6              | 0.7                              | 43.8%        |
| Others Services          | 1.2              | 3.2              | (2.0)                            | -62.5%       |
| <b>TOTAL</b>             | <b>66.4</b>      | <b>49.7</b>      | <b>16.7</b>                      | <b>33.6%</b> |

The performance for the current reporting quarter was encouraging as most of services registered growth with the exception of Railfreight and Tug & Barge services. Highest increase was recorded in Seafreight and Airfreight services which grew by 62% or RM15.2 million and 51.3% or RM2.0 million as compared to 3QFY09. The growth during the quarter was underpinned by strong demand for domestic and international freight services due to the improvement in the global economy. The support services, namely Haulage, Customs Brokerage and Warehouse & Distribution services enjoyed similar growth ranging from 21.7% to 47.5%. However, Tug & barges services declined by 27.8% or RM1.9 million due to keener competition with the increased in supply of barges returning from the Middle East, particularly from Dubai. The declining performance for Railfreight services was further affected by the disruption in service due to inconsistent supply of locomotive.

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The Group achieved a profit before tax of RM4.4 million in 3QFY10, an increase of RM0.1 million or 2.3% from RM4.3 million in 3QFY09. With the strengthening of the Malaysian Ringgit, the gain on foreign exchange which was captured as 'Other Operating Income' declined by about RM1.0 million as compared to 3QFY09. The Group reported a Profit after Tax after Minority Interest of RM3.7 million against RM2.8 million in 3QFY09, an increase of RM0.9 million or 32.1%. Minority Interest shared loss of RM0.1 million as compared to shared profit of RM0.7 million in 3QFY09.

#### **B2. Variation of results against preceding quarter**

The Group reported a decline of 18.5% in Profit before tax for the current reporting quarter compared to the immediate preceding quarter as this is historically our slower quarter due to the festive period and a shorter working month in February. Profit after tax after minority too declined by 12.4%.

#### **B3. Current year prospects**

The Group remains focused on its core business in the provision of freight services. In addition, the Group continues to seek opportunities to grow its businesses through potential acquisition within the industry both in domestic and regional markets. With signs of global economic recovery, the Group is cautiously optimistic of an improved performance for financial year ended 30 June 2010 and has set a double digit internal growth target of for the financial year ended 30 June 2010.

#### **B4. Variance of actual and forecast profit**

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



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**B5. Tax expense**

|  | Individual Quarter      |  | Cumulative Quarter      |  |
|--|-------------------------|--|-------------------------|--|
|  | Current Year<br>Quarter | Preceding Year<br>Corresponding<br>Quarter | Current Year<br>To Date | Preceding Year<br>Corresponding<br>Quarter |
|  | 31.03.2010              | 31.03.2009                                 | 31.03.2010              | 31.03.2009                                 |
|  | RM'000                  | RM'000                                     | RM'000                  | RM'000                                     |
| <b>In respect of current period:</b>                       |                         |  |                         |  |
| Income tax   | 573                     | 914  | 2,339                   | 2,802                                      |
| Deferred tax   | 301                     | 139  | 587                     | 387  |
|  | <u>874</u>              | <u>1,053</u>                               | <u>2,926</u>            | <u>3,189</u>                               |
| <b>Under / (Over) provision in respect of prior year :</b> |                         |  |                         |  |
| Income tax   | -                       | (200)                                      | (103)                   | (124)                                      |
| Deferred tax   | -                       | -  | (41)                    | -  |
|  | <u>-</u>                | <u>(200)</u>                               | <u>(144)</u>            | <u>(124)</u>                               |
| Total  | <u><u>874</u></u>       | <u><u>853</u></u>                          | <u><u>2,782</u></u>     | <u><u>3,065</u></u>                        |

The effective tax rate is lower than the statutory tax rate due to the tax exemption enjoyed by subsidiaries in Singapore and utilisation of investment tax allowance.

**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.

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**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 25 March 2010, Icon Line (Malaysia) Sdn Bhd, a wholly owned subsidiary entered into a Memorandum of Understanding (“the MOU”) with Mr Dang Anh Binh (“Dang”) to form a joint venture company for the purpose of starting a freight forwarding business in Vietnam.
- ii) On 6 April 2010, Icon Line (Malaysia) Sdn Bhd, a wholly owned subsidiary entered into a Joint Venture agreement with Mr. Dang Anh Binh to incorporated a joint venture company in Ho Chi Minh City, Vietnam known as Icon Freight Services Company Limited (“JVCo”). The business activity of the JVCo is services of goods transport agency, clearance service and other services which include examine bills of lading, brokerage cargo services and preshipment inspection. Icon Line (Malaysia) Sdn Bhd has yet to subscribe the 51% of shareholding in the JVCo.

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

|   | <b>RM'000</b>        |
|---|----------------------|
| <b>Payable within 12 months (secured)</b> |                      |
| Term loans                                | 4,204                |
| Hire purchase and leases                  | 3,358                |
| Bankers' acceptances                      | 1,001                |
| Bank overdrafts                           | 4,446                |
|   | <u>13,009</u>        |
| <b>Payable after 12 months (secured)</b>  |                      |
| Term loans                                | 12,313               |
| Hire purchase and leases                  | 7,082                |
|   | <u>19,395</u>        |
| Total borrowings                          | <u><u>32,404</u></u> |

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

|  | <b>RM'000</b>       |
|--|---------------------|
| <b>In Australian Dollar</b>                      |                     |
| Hire purchase and lease payable within 12 months | 57                  |
| Hire purchase and lease payable after 12 months  | 105                 |
| <b>In Singapore Dollar</b>                       |                     |
| Term loans payable within 12 months              | 2,663               |
| Term loans payable after 12 months               | 2,565               |
| Hire purchase and lease payable within 12 months | 27                  |
| Hire purchase and lease payable after 12 months  | 77                  |
| <b>In Indonesian Dollar</b>                      |                     |
| Hire purchase and lease payable within 12 months | 89                  |
| Hire purchase and lease payable after 12 months  | 17                  |
|  | <u><u>5,600</u></u> |

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**B10. Off balance sheet financial instruments**

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

**B11. Change in material litigation**

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

**B12. Dividend**

The Board of Directors has declared a gross interim dividend of 2.5 sen per share less tax at 25%, in respect of financial year ending 30 June 2010. The dividend will be paid on 15 July 2010 to holders of ordinary shares whose names appear in the Record of Depositors at the close of business on 30 June 2010.

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|   | <b>Individual Quarter</b> |                      | <b>Cumulative Quarter</b> |                      |
|---|---------------------------|----------------------|---------------------------|----------------------|
|   | <b>Current Year</b>       | <b>Preceding</b>     | <b>Current Year</b>       | <b>Preceding</b>     |
|   |                           | <b>Year</b>          |                           | <b>Year</b>          |
|   | <b>Quarter</b>            | <b>Corresponding</b> | <b>To Date</b>            | <b>Corresponding</b> |
|   | <b>31.03.2010</b>         | <b>Quarter</b>       | <b>31.03.2010</b>         | <b>Quarter</b>       |
|   |                           | <b>31.03.2009</b>    |                           | <b>31.03.2009</b>    |
| Profit attributable to ordinary equity holders of the parent (RM'000)     | 3,696                     | 2,791                | 11,763                    | 9,523                |
| Weighted average number of ordinary shares of RM0.50 each in issue ('000) | 121,714                   | 121,714              | 121,714                   | 121,714              |
| Basic Earnings Per Share (sen)  | 3.04                      | 2.29                 | 9.66                      | 7.82                 |