

FREIGHT MANAGEMENT HOLDINGS BHD

(Company No: 380410-P)

Notes on the quarterly report – 30 September 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 2010.

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 2010, except for the new and revised FRSs, IC Interpretations and Amendments to FRSs and IC Interpretation which are applicable to its financial statements and effective from 1 July 2010.

FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 101	Presentation of Financial Statements (revised)
FRS 123	Borrowing Costs (revised)
FRS 139	Financial Instruments: Recognition and Measurement
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards
Amendments to FRS 2	Share-based Payment: Vesting Conditions and Cancellations
Amendments to FRS 7	Financial Instruments: Disclosures

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Amendments to FRS 101	Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
Amendments to FRS 117	Leases
Amendments to FRS 127	Consolidated and Separate Financial Statements: Costs of an Investment in a Subsidiary, Jointly Controlled Entity or Associate.
Amendments to FRS 132	Financial Instruments: Presentation <ul style="list-style-type: none">- Puttable Financial Instruments and Obligations Arising on Liquidation- Separation of Compound Instruments
Amendments to FRS 132	Financial Instruments: Presentation - Classification of Rights Issues
Amendments to FRS 139	Financial Instruments: Recognition and Measurement <ul style="list-style-type: none">- Reclassification of Financial Assets- Collective Assessment of Impairment for Banking Institutions
Improvements to FRSs (2009)	
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 – Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119 – The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the above FRSs , Amendments to FRSs and Interpretations do not have any material impact on the financial statements of the Group except for the following:

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(a) FRS 101 : Presentation of Financial Statements

The revised FRS 101 separates owner and non-owner changes in equity. Therefore, the consolidated statement of changes in equity only includes details of transactions with owners. All non-owner changes in equity are presented as a single line labeled as total comprehensive income. The comparative information has been re-presented in order to conform with the revised standard. This standard does not have any impact on the financial position and result of the Group.

(b) FRS 139 Financial Instruments - Recognition and Measurement

FRS 139 sets out the new requirements for the recognition and measurement of the Group's financial instruments. Financial instruments are recorded initially at fair value. Subsequent measurement of the financial instruments at the balance sheet date reflects the designation of the financial instruments.

Financial assets

Financial assets are classified as financial assets at fair value through profit and loss, loans and receivables, held to maturity investments, available-for-sale ("AFS") financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The group's financial assets include cash and short term deposits, loan and receivables and available-for-sale investments.

(i) Loan and receivables

Prior to 1 July 2010, loans and receivables were stated at gross receivables less provision for doubtful debts. Under FRS 139, loans and receivables are initially measured at fair value and subsequently at amortised costs using the effective interest rate ("EIR") method. Gain and losses arising from the derecognition of the loans and receivables, EIR amortisation and impairment losses are recognised in the income statement.

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(ii) Available for sale (AFS)

Prior to 1 July 2010, AFS financial assets such as investments were accounted for at cost less impairment losses or at the lower of cost and market value. Under FRS 139, AFS financial asset is measured at fair value initially and subsequently with unrealised gains or losses recognised as other comprehensive income in the AFS reserve until the investment is derecognised or impaired. Other AFS financial asset is measured at cost if the unquoted equity instrument is not carried at fair value because its fair value cannot be reliably measured.

Financial liabilities

Financial liabilities are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Group's financial liabilities include trade and other payables and loans and borrowings, which are carried at amortised cost.

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 2010 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 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.

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

The gross interim dividend of 2.5 sen per share less tax at 25% amounting to RM2,282,143 in respect of financial year ended 30 June 2010 has been paid on 15 July 2010.

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A8. Segment information

Operating segments for the current financial year to date:

	← Logistics →					Marine		Elimination RM'000	Total RM'000
	Malaysia RM'000	Australia RM'000	Indonesia RM'000	Thailand RM'000	Vietnam RM'000	Singapore RM'000	Others RM'000		
Revenue									
External sales	55,791	6,234	3,087	1,462	155	5,374	-	-	72,103
Inter-segment sales	595	3	109	58	-	-	863	(1,628)	-
Total revenue	<u>56,386</u>	<u>6,237</u>	<u>3,196</u>	<u>1,520</u>	<u>155</u>	<u>5,374</u>	<u>863</u>	<u>(1,628)</u>	<u>72,103</u>
Results									
Segment results	5,823	380	487	202	-	489	(1,094)	(30)	6,257
Finance costs									(492)
Share of profit in an associate									30
Profit before tax									<u>5,795</u>
Tax expense									(1,084)
Profit for the financial year									<u>4,711</u>
Assets									
Segment assets	121,945	3,331	3,237	935	391	30,505	20,078	-	180,422
Investment in an associate	-	-	-	-	-	-	210	-	210
Unallocated assets									660
Total assets									<u>181,292</u>

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	← Logistics →					Marine Singapore RM'000	Others RM'000	Elimination RM'000	Total RM'000
	Malaysia RM'000	Australia RM'000	Indonesia RM'000	Thailand RM'000	Vietnam RM'000				
Liabilities									
Segment liabilities	53,813	2,086	680	239	51	8,350	1,052	-	66,271
Unallocated liabilities									6,033
Total liabilities									<u>72,304</u>
Other segment information									
Capital expenditure	1,333	145	5	41	124	-	-	-	1,648
Depreciation	1,335	23	25	9	2	391	45	-	1,830
Other non-cash income	(871)	-	(25)	(102)	-	(81)	-	-	(1,079)
Other non-cash expenses other than depreciation	239	-	15	57	-	-	-	-	311

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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 15 November 2010, Freight Management Holdings Bhd had entered into a sale and purchase Agreement to subscribed for 2 shares of RM1.00 each for a total consideration of RM250,000, representing 100% of total issued and paid-up capital of Exterian Enterprise Sdn Bhd.

A11. Changes in the composition of the Group

On 1 July 2010, a wholly-owned subsidiary, Icon Line (Malaysia) Sdn Bhd had subscribed VND255,000,000 in Icon Freight Services Co., Ltd, representing 51% of total issued and paid-up capital of Icon Freight Services., Ltd.

On 1 July 2010, Freight Management Holdings Bhd had subscribed for 7,999 shares of RM1 each at par for a total consideration of RM7,999, representing 80% of total issued and paid-up share 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:-

	RM'000
Bank guarantees in favour of third parties*	<u>2,547</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 :

	As at 30.09.10 RM'000
Trucks	<u>911</u>
	<u>911</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 grew by RM13.3 million from RM58.8 million in 1QFY10 to RM72.1 million in the 1QFY11:-

Service Type	1QFY11 RM mil	1QFY10 RM mil	Increase/- Decrease RM mil	% change
Seafreight	44.9	32.7	12.2	37%
Railfreight	0.7	1.2	-0.5	-42%
Airfreight	5.4	4.8	0.6	13%
Tug & Barge	5.4	6.9	-1.5	-22%
Warehouse & Distribution	4.0	2.5	1.5	60%
Customs Brokerage	7.6	7.7	-0.1	-1%
Haulage	2.7	2.2	0.5	23%
Landfreight & Other Services	1.4	0.8	0.6	75%
TOTAL	72.1	58.8	13.3	23%

The increase in revenue of RM13.3 million was mainly from Seafreight which contributed about 90% of the total increase. The rest of the Group's support services, namely Airfreight, Warehousing, Haulage and Landfreight reported some increase while Railfreight, Tug and Barge and Customs Brokerage services registered negative growth. The reporting quarter also noted an increase in revenue contribution from overseas subsidiaries from RM12.9 million in 1QFY10 to RM16.3 million in 1QFY11.

The Group registered a profit before tax of RM5.8 million as compared to RM5.4 million in 1QFY10, representing an growth of 7.7%, while the profit after tax after minority interest was RM4.5 million against RM3.8 million in 1QFY10, an increase of RM0.7 million or 16.1%.

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B2. Variation of results against preceding quarter

Compared to the preceding quarter, the Group recorded a decrease in revenue of RM2.5 million or 3%. The Group's profit before tax also registered a decline of RM0.8 million or 11% from RM6.6 million in 1QFY10 to RM5.8 million in the current reporting quarter.

B3. Current year prospects

The outlook financial year 2011 seems challenging and the Group has position itself to grow its core businesses organically as well as to embark on regional growth within the intra Asean regions. Barring any unforeseen circumstances, the Group is cautiously optimistic of achieving its seventh year of consecutive growth for the financial year ending 30 June 2011.

B4. Variance of actual and forecast profit

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

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	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter	Corresponding	To Date	Corresponding
	30.09.2010	Quarter	30.09.2010	Quarter
	30.09.2009		30.09.2009	
	RM'000	RM'000	RM'000	RM'000
In respect of current period:				
Income tax	947	997	947	997
Deferred tax	137	105	137	105
	<u>1,084</u>	<u>1,102</u>	<u>1,084</u>	<u>1,102</u>
Under / (Over) provision in respect of prior year :				
Income tax	-	-	-	-
Deferred tax	-	(4)	-	(4)
	<u>-</u>	<u>(4)</u>	<u>-</u>	<u>(4)</u>
Total	<u><u>1,084</u></u>	<u><u>1,098</u></u>	<u><u>1,084</u></u>	<u><u>1,098</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

Save as disclosed in B8 below, there was no sale of unquoted investments and / or properties during the current quarter under review.

B7. Quoted and marketable investments

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

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B8. Status of corporate proposal announced

All the terms and conditions of the Sale and Purchase Agreement for the disposal of property for a cash consideration of RM5.1 million has been completed on 28 October 2010.

The Company is seeking shareholders' approval for the following proposals at the forthcoming Annual General Meeting on 25 November 2010:

- i) Proposed Renewal of and Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature; and
- ii) Proposed Renewal of Share Buy-Back Authority.

Further details pertaining to the proposals were set out in the circular to shareholders

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	6,546
Hire purchase and leases	3,466
Bank overdrafts	2,520
	<hr/>
	12,532
Payable after 12 months (secured)	
Term loans	20,905
Hire purchase and leases	5,935
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	26,840
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Total borrowings	<hr/> <hr/> 39,372

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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	73
Hire purchase and lease payable after 12 months	205
In Singapore Dollar	
Term loans payable within 12 months	2,915
Term loans payable after 12 months	3,313
Hire purchase and lease payable within 12 months	28
Hire purchase and lease payable after 12 months	63
In Indonesian Dollar	
Hire purchase and lease payable within 12 months	57
Hire purchase and lease payable after 12 months	-
In Vietnam Dollar	
Hire purchase and lease payable within 12 months	2
Hire purchase and lease payable after 12 months	6
	<hr/> <hr/> 6,662

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.

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B12. Dividend

The proposed final dividend of 2.5 sen per share less Malaysian Income Tax at 25% in respect of the financial year ended 30 June 2010 has been approved by the shareholders at the Annual General Meeting on 25 November 2010.

The final dividend will be payable on 20 January 2011 to shareholders whose names appear in the Record of Depositors at the close of business on 31 December 2010.

B13. Earnings per share

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter	Corresponding Quarter	To Date	Corresponding Quarter
	30.09.2010	30.09.2009	30.09.2010	30.09.2009
Profit attributable to ordinary equity holders of the parent (RM'000)	<u>4,467</u>	<u>3,848</u>	<u>4,467</u>	<u>3,848</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)	3.67	3.16	3.67	3.16