

# **FREIGHT MANAGEMENT HOLDINGS BHD**

**(Company No: 380410-P)**

## **Notes on the quarterly report – 30 June 2011**

### **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"><li>- Puttable Financial Instruments and Obligations Arising on Liquidation</li><li>- Separation of Compound Instruments</li></ul>
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"><li>- Reclassification of Financial Assets</li><li>- Collective Assessment of Impairment for Banking Institutions</li></ul>
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 cyclicity 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**

- i) 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.
- ii) The final dividend of 2.5 sen per share less tax at 25% amounting to RM2,282,146 in respect of financial year ended 30 June 2010 has been paid on 20 January 2011.
- iii) The interim dividend of 2.5 sen per share less tax at 25% amounting to RM2,282,146, in respect of financial year ended 30 June 2011 has been paid on 15 July 2011.

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### A8. Segment information

Operating segments for the current financial year to date:

	← Logistics →					Marine	Others RM'000	Total RM'000
	Malaysia RM'000	Australia RM'000	Indonesia RM'000	Thailand RM'000	Vietnam RM'000	Singapore RM'000		
<b>Revenue</b>								
Total revenue	231,198	25,294	13,506	7,894	1,044	20,408	4,444	303,788
Inter-segment sales	(2,974)	(27)	(487)	(352)	(16)	-	(4,444)	(8,300)
External sales	<u>228,224</u>	<u>25,267</u>	<u>13,019</u>	<u>7,542</u>	<u>1,028</u>	<u>20,408</u>	<u>-</u>	<u>295,488</u>
<b>Results</b>								
Segment results	25,305	978	2,247	451	9	1,305	(4,384)	25,911
Finance costs								(1,919)
Share of profit in an associate								10
Profit before tax								<u>24,002</u>
Tax expense								(4,241)
Profit for the financial year								<u>19,761</u>
<b>Assets</b>								
Segment assets	147,363	5,026	2,979	1,770	229	29,864	12,191	199,422
Investment in an associate	-	-	-	-	-	-	190	190
Deferred tax assets	-	-	-	4	-	-	-	4
Current tax assets	227	-	16	148	-	-	955	<u>1,346</u>
Total assets								<u>200,962</u>

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	← Logistics →					Marine	Others RM'000	Total RM'000
	Malaysia RM'000	Australia RM'000	Indonesia RM'000	Thailand RM'000	Vietnam RM'000	Singapore RM'000		
<b>Liabilities</b>								
Segment liabilities	58,305	3,481	757	805	66	6,804	3,184	73,402
Deferred tax liability	5,628	-	-	-	-	-	-	5,628
Current tax liability	868	48	-	-	-	-	542	1,458
Total liabilities								<u>80,488</u>
<b>Other segment information</b>								
Capital expenditure	21,960	201	88	51	117	63	50	22,530
Depreciation	5,657	100	113	43	15	1,599	181	7,708
Other non-cash income	(1,305)	(10)	(36)	(190)	-	(1,332)	(175)	(3,048)
Other non-cash expenses other than depreciation	556	315	31	85	17	12	9	1,025

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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, except as disclosed in page 13, Note B8 of the Status of Corporate Proposals.

**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.

On 15 November 2010, Freight Management Holdings Bhd had 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.



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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>2,115</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 30.06.11 RM'000</b>
Land and Building - Penang	2,190
Trucks, Prime movers & Trailers	2,254
Warehouse Equipment	<u>626</u>
	<u><u>5,070</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 for the current quarter was higher by 9% or RM6.6 million from RM74.6 million in 4QFY10 to RM81.2 million in the 4QFY11. Details as table below:-

<b>Service Type</b>	<b>4QFY11 RM mil</b>	<b>4QFY10 RM mil</b>	<b>Increase/ Decrease RM mil</b>	<b>% change</b>
Seafreight	45.4	46.4	-1.0	-2%
Railfreight	0.7	0.6	0.1	17%
Airfreight	7.4	7.6	-0.2	-3%
Tug & Barge	4.8	5.5	-0.7	-13%
3PL & Warehousing	6.8	3.2	3.6	113%
Customs Brokerage	10.0	7.3	2.7	37%
Haulage	3.0	2.7	0.3	11%
Landfreight	3.1	1.3	1.8	138%
<b>TOTAL</b>	<b>81.2</b>	<b>74.6</b>	<b>6.6</b>	<b>9%</b>

Higher revenue was recorded by 3PL & Warehousing, Landfreight and Customs Brokerage services. The YOY increase of RM3.6 million in Q4FY11 against Q4FY10 in the 3PL & Warehousing services was mainly due to additional businesses secured from Shell Malaysia Trading Sdn Bhd and a few corporate clients. Customs Brokerage service also benefited from the growth in 3PL & Warehousing. The increase in Landfreight services was due to the launching of the full-truck-load ('FTL') activities between Penang and Bangkok in April 2011. Revenue from other services was generally flat.

The Group's profit before tax increased by 27% from RM6.6 million in 4QFY10 compared to RM8.3 million registered in 4QFY11.

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

<b>Service Type</b>	<b>4QFY11 RM mil</b>	<b>3QFY11 RM mil</b>	<b>Increase/- Decrease RM mil</b>	<b>% change</b>
Seafreight	45.4	39.6	5.8	15%
Railfreight	0.7	0.5	0.2	40%
Airfreight	7.4	6.7	0.7	10%
Tug & Barge	4.8	4.9	-0.1	-2%
3PL & Warehousing	6.8	5.6	1.2	21%
Customs Brokerage	10.0	7.2	2.8	39%
Haulage	3.0	2.7	0.3	11%
Landfreight	3.1	1.4	1.7	121%
<b>TOTAL</b>	<b>81.2</b>	<b>68.6</b>	<b>12.6</b>	<b>18%</b>

The Group also performed better in Q4FY11 compared to Q3FY11 for the similar reason as disclosed above.

The Group's profit before tax reported an increase of RM4.0 million or 94% for 4QFY11, while profit after tax after minority interest of RM1.7 million or 40%.

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

While the global economic situation looks challenging, the Group is cautiously optimistic of a satisfactory performance in the new financial year ending 30 June 2012. The Group will maintain its proven strategy of organic growth as well as to embark on synergistic expansion in the region both locally and internationally, while cautiously maintaining the costs and efficiencies of its operations.

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**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**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Current Year Quarter</b>	<b>Preceding Year Corresponding Quarter</b>	<b>Current Year To Date</b>	<b>Preceding Year Corresponding Quarter</b>
	<b>30.06.2011</b>	<b>30.06.2010</b>	<b>30.06.2011</b>	<b>30.06.2010</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>In respect of current period:</b>				
Income tax	1,589	988	4,161	3,328
Deferred tax	832	942	1,535	1,529
	2,421	1,930	5,696	4,857
<b>Under / (Over) provision in respect of prior year :</b>				
Income tax	8	12	(585)	(92)
Deferred tax	(16)	-	(870)	(41)
	(8)	12	(1,455)	(133)
<b>Total</b>	2,413	1,942	4,241	4,724

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 was no sale 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**

On 24 August 2011, Freight Management Holdings Bhd (FMHB) announced the following proposals:-

- (i) Proposed Issue of 40,571,429 Ordinary Shares of RM0.50 each in FMHB on the Basis of One (1) Bonus Share for every three (3) existing Shares of RM0.50 each held in FMHB; and
- (ii) Proposed Issue of 24,342,857 free Warrants in FMHB on the basis of one (1) free Warrant for every five (5) existing Shares held on the same entitlement date for the proposed Bonus Issue to be determined later.

#### **B9. Group borrowings**

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	6,658
Hire purchase and leases	3,260
Revolving Credit	2,500
Bank overdrafts	3,001
	<hr/>
	15,419
<b>Payable after 12 months (secured)</b>	
Term loans	18,399
Hire purchase and leases	3,907
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	22,306
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Total borrowings	<hr/> <hr/> 37,725

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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	73
Hire purchase and lease payable after 12 months	195
<b>In Singapore Dollar</b>	
Term loans payable within 12 months	2,471
Term loans payable after 12 months	1,689
<b>In Indonesian Dollar</b>	
Hire purchase and lease payable within 12 months	23
Hire purchase and lease payable after 12 months	24
<b>In Vietnam Dollar</b>	
Hire purchase and lease payable within 12 months	3
Hire purchase and lease payable after 12 months	4
	<hr/> <hr/> <b>4,482</b>

#### **B10. 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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### B11. Dividend

The Board of Directors recommending for the approval of shareholders a final dividend of 2.5 sen per share less tax at 25%, in respect of financial year ended 30 June 2011.

The book of closure and Payment Date in respect of the aforesaid dividend will be determined by the Directors at a later date.

The proposed final dividend is subject to shareholders' approval at the forthcoming Annual General Meeting to be held on a date to be announced later.

### B12. Earnings per share

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter	Corresponding Quarter	To Date	Corresponding Quarter
	30.06.2011	30.06.2010	30.06.2011	30.06.2010
Profit attributable to equity holders of the parent (RM'000)	5,870	4,675	19,712	16,438
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)	4.82	3.84	16.20	13.51

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**B13. Realised and Unrealised Profits or Losses of the Group**

	<b>As at 30.06.11 RM'000</b>	<b>As at 30.06.10 RM'000</b>
Total retained profits of the Group:		
Realised	55,074	39,227
Unrealised *	(5,665)	(4,956)
Total share of retained profits from associated companies:		
Realised	141	131
Unrealised	-	-
Total share of retained profits from jointly controlled entities:		
Realised	-	-
Unrealised	-	-
Total Group retained profits as per consolidated accounts	<u>49,550</u>	<u>34,402</u>

\* Unrealised comprise of deferred tax liability and unrealised foreign exchange losses.

The disclosure of realised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.