

## **FREIGHT MANAGEMENT HOLDINGS BERHAD (“FMHB” OR “THE COMPANY”)**

- (I) PROPOSED ISSUE OF 40,571,429 ORDINARY SHARES OF RM0.50 EACH IN FMHB (“BONUS SHARES”) ON THE BASIS OF ONE (1) BONUS SHARE FOR EVERY THREE (3) EXISTING SHARES OF RM0.50 EACH HELD IN FMHB (“SHARES”) (“PROPOSED BONUS ISSUE”); AND**
- (II) PROPOSED ISSUE OF 24,342,857 FREE WARRANTS IN FMHB (“FREE WARRANTS”) 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 (“PROPOSED FREE WARRANTS ISSUE”).**

### **1. INTRODUCTION**

On behalf of the Board Directors of FMHB (“**Board**”), RHB Investment Bank Berhad (“**RHB Investment Bank**”) wishes to announce that the Company proposes to undertake the following:-

- (i) a bonus issue of 40,571,429 Bonus Shares on the basis of one (1) Bonus Share for every three (3) existing Shares held in FMHB; and
- (ii) a free warrants issue of 24,342,857 Free Warrants on the basis on one (1) Free Warrant for every five (5) existing Shares held at the same entitlement date for the Proposed Bonus Issue to be determined later (“**Entitlement Date**”).

The Proposed Bonus Issue and Proposed Free Warrants Issue shall be collectively referred to hereinafter as the “**Proposals**”.

Details of the Proposals are set out in the ensuing sections.

### **2. DETAILS OF THE PROPOSALS**

#### **2.1. Proposed Bonus Issue**

The Proposed Bonus Issue will entail an issuance of Bonus Shares to be credited as fully paid on the basis of one (1) Bonus Share for every three (3) existing Shares held by shareholders whose names appear in the Record of Depositors of the Company on the Entitlement Date.

##### **2.1.1. Number of Shares to be issued**

Based on the numbers of Shares in issue as at 23 August 2011 of 121,714,286 Shares, the Proposed Bonus Issue will involve the issuance of 40,571,429 Bonus Shares. In determining the shareholders’ entitlement to the Bonus Shares, fractional entitlements, if any, will be disregarded and shall be dealt with in such a manner as the Board shall in its absolute discretion, deems fit and expedient in order to minimise the incidence of odd lots and in the interest of the Company.

##### **2.1.2. Capitalisation of reserves**

The Proposed Bonus Issue will be affected by way of capitalisation of the Company’s retained earnings.

An illustration of the proposed capitalisation for the Proposed Bonus Issue based on the Company’s audited financial statements as at 30 June 2010, taking into consideration the subsequent interim dividends of RM31.672 million received from its subsidiaries between 19 November 2010 to 29 June 2011, is set out as follows:-

	<u>RM '000</u>
Audited retained earnings as at 30 June 2010	6,825
Dividend paid on 20 January 2011 pursuant to the final dividend of 2.5 sen net per Share to the shareholders of FMHB in respect of the financial year ended (“FYE”) 30 June 2010	(2,282)
Dividend paid on 15 July 2011 pursuant to the interim dividend of 2.5 sen net per Share to the shareholders of FMHB in respect of the FYE 30 June 2011	(2,282)
Net dividend declared to FMHB by its subsidiaries between 19 November 2010 to 29 June 2011 <sup>(a)</sup>	31,672
Amount to be capitalised for the Proposed Bonus Issue	(20,285)
Estimated expenses for the Proposals	(450)
<b>Adjusted retained earnings after the Proposed Bonus Issue</b>	<b><u><u>13,198</u></u></b>

Note:

<sup>(a)</sup> Being the net dividend received in respect of the FYE 30 June 2011 from the following subsidiaries of FMHB:

<b>Company</b>	<b>RM '000</b>
<i>Perspektif Gemilang Sdn Bhd</i>	1,370
<i>Freight Management (Penang) Sdn Bhd</i>	1,350
<i>Freight Management (Penang) Sdn Bhd</i>	2,150
<i>Freight Management (Ipoh) Sdn Bhd</i>	360
<i>Freight Management (Melaka) Sdn Bhd</i>	360
<i>Freight Management (M) Sdn Bhd</i>	4,687
<i>FM-Hellmann Worldwide Logistics Sdn Bhd</i>	2,000
<i>Citra Multimodal Services Sdn Bhd</i>	4,000
<i>Freight Management (Ipoh) Sdn Bhd</i>	500
<i>Freight Management (M) Sdn Bhd</i>	5,313
<i>Freight Management (Penang) Sdn Bhd</i>	3,000
<i>FM Worldwide Logistics (Penang) Sdn Bhd</i>	500
<i>Advanced International Freight Sdn Bhd</i>	2,000
<i>Freight Management MSC Sdn Bhd</i>	1,000
<i>Symphony Express Sdn Bhd</i>	224
<i>FM Marine Pte Ltd</i>	2,858
<b>Total</b>	<b><u><u>31,672</u></u></b>

An illustration of the proposed capitalisation based on the Company's latest unaudited results for the FYE 30 June 2011, is set out as follows:-

	<u>RM '000</u>
Unaudited retained earnings as at 30 June 2011	33,630
Amount to be capitalised for the Proposed Bonus Issue	(20,285)
Estimated expenses for the Proposals	(450)
<b>Adjusted unaudited retained earnings after the Proposed Bonus Issue</b>	<b><u>12,895</u></b>

According to Paragraph 6.30(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**Listing Requirements**"), a listed issuer intending to make a bonus issue of securities must ensure that the necessary reserves required for capitalisation of the bonus issue is unimpaired by losses on a consolidated basis, where applicable, based on the listed issuer's latest audited financial statements as well as its latest quarterly report.

Based on the Company's latest audited consolidated financial statements for FYE 30 June 2010 and the latest unaudited financial statements for the FYE 30 June 2011, the reserves available for capitalising the Bonus Shares are unimpaired by losses on a consolidated basis in compliance with Paragraph 6.03(1) of the Listing Requirements.

Furthermore, pursuant to Section 6.30(3) of the Listing Requirement, the reporting accountants of the Company namely BDO, confirmed that based on the audited financial statements of the Company for the FYE 30 June 2010 and the latest unaudited financial statements for the FYE 30 June 2011, the Company has sufficient reserves in its retained earnings account for capitalisation under the Proposed Bonus Issue.

The Proposed Bonus Issue will not be implemented in stages over a period of time.

### **2.1.3. Ranking of the Bonus Shares**

The Bonus Shares shall, upon allotment and issue, rank *pari passu* in all respects with each other and the then existing Shares in issue.

### **2.1.4. Listing of and quotation for the Bonus Shares**

An application will be made to Bursa Securities for the listing of and quotation for the Bonus Shares on the Main Market of Bursa Securities.

The Bonus Shares shall be listed and quoted on the Main Market of Bursa Securities on the next market date following the Entitlement Date, to be determined by the Board after the approvals from the relevant authorities and shareholders have been obtained. The notice of allotment of the Bonus Shares will be issued and dispatched to the entitled shareholders within four (4) market days after the listing of and quotation for the Bonus Shares on the Main Market of Bursa Securities, or such other periods as may be prescribed by Bursa Securities.

As the Bonus Shares are prescribed securities under Section 14(5) of the Securities Industry (Central Depositories) Act, 1991 and the Rule of Bursa Malaysia Depository Sdn Bhd. Accordingly, the Bonus Shares will be credited into the respective Central Depository System account of the entitled shareholders and no physical share certificate will be issued.

## 2.2. Proposed Free Warrants Issue

The Proposed Free Warrants Issue involves the issuance of 24,342,857 Free Warrants on the basis of one (1) Free Warrant for every five (5) existing Shares held by shareholders of FMHB whose names appear in the Record of Depositors of FMHB on the same Entitlement Date for the Proposed Bonus Issue, after the approvals from the relevant authorities and shareholders have been obtained.

Based on the issued and paid-up share capital of FMHB as at 23 August 2011 of 121,714,286 Shares, a total of 24,342,857 Free Warrants will be issued pursuant to the Proposed Free Warrants Issue.

In determining the shareholders' entitlement to the Free Warrants, fractional entitlements, if any, will be disregarded and shall be dealt with in such manner as the Board shall in its absolute discretion deems fit and expedient in order to minimise the incidence of odd lots and in the interest of the Company.

### 2.2.1. Indicative salient terms of the Free Warrants

Issuer	:	FMHB
Issue size	:	24,342,857 Free Warrants.
Issue price	:	The Free Warrants are free and shall be issued without any consideration to the entitled shareholders of FMHB on the Entitlement Date.
Form	:	The Free Warrants will be issued in registered form and constituted by a deed poll to be executed (" <b>Deed Poll</b> ").
Board Lot	:	The Free Warrants shall be tradable upon listing on Bursa Securities in board lots of 100 Free Warrants or such other denominations as permitted by Bursa Securities from time to time.
Exercise Price	:	The exercise price of the Free Warrants will be determined at a later date, after taking into consideration the theoretical ex-price of the Shares at a price-fixing date to be determined by the Board. In any case, the exercise price will not be lower than the par value of the Shares. The price-fixing date shall be any date that falls between the date of the relevant approval and the Entitlement Date of the Proposed Free Warrants Issue.
Exercise Period	:	Five (5) years commencing from and inclusive of the date of issue of the Free Warrants.  Any Free Warrants not exercised during the Exercise Period will thereafter lapse and cease to be valid.
Exercise Rights	:	Each Free Warrant shall entitle the holder to subscribe for one (1) new Share at the Exercise Price (as defined above) at any time during the Exercise Period (as defined above).
Mode of Exercise	:	Each Free Warrant is exercisable into one (1) new Share upon payment of the Exercise Price in cash.
Adjustments to the Exercise Price and/or the number of the Free Warrants	:	The Exercise Price and/or the number of the Free Warrants shall be subject to adjustments under certain circumstances in accordance with the provisions of the Deed Poll.

Rights of the Free Warrants	:	The holders of the Free Warrants shall not be entitled to any voting rights or to participate in any distribution and/or offer of further securities in the Company until and unless such holders of the Free Warrants exercise their Free Warrants for new Shares.
Ranking of the new Shares to be issued pursuant to the exercise of the Free Warrants	:	The new Shares to be issued arising from the exercise of the Free Warrants shall, upon allotment and issue, rank <i>pari passu</i> in all respects with the then existing Shares, save and except that the new Shares will not be entitled to any dividends, rights, allotment and/or other distributions, the entitlement date of which is prior to the date of allotment of the new Shares.
Listing of the Free Warrants	:	An application will be made to Bursa Securities for the admission of the Free Warrants to the Official List of Bursa Securities, and the listing of and quotation for the Free Warrants and new Shares to be issued arising from the exercise of the Free Warrants on the Main Market of Bursa Securities.
Rights in the event of winding up, liquidation, compromise and/or arrangement	:	Where a resolution has been passed for a members' voluntary winding up of the Company, or where there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of the Company or the amalgamation of the Company with one or more companies, then every holder of the Free Warrants shall be entitled, subject to the provisions of the Deed Poll at any time within six (6) weeks after the passing of such resolution for a members' voluntary winding up of the Company or six (6) weeks after the granting of the court order approving the winding-up, compromise or arrangement, as the case may be, by the irrevocable surrender of his Free Warrants to the Company, elect to be treated as if he had immediately prior to the commencement of such winding-up, compromise or arrangement, exercised the subscription rights represented by the Free Warrants to the extent specified in the subscription forms and be entitled to receive out of the assets of the Company which would be available in liquidation if he had on such date been the holder of the Shares to which he would have become entitled pursuant to such exercise and the liquidator of the Company will give effect to such election accordingly.
Governing Law	:	The Free Warrants and the Deed Poll shall be governed by the laws of Malaysia.

### **2.2.2. Basis of determining the issue price and exercise price of the Free Warrants**

The Free Warrants are free and are issued at no cost to the shareholders on a rights basis.

The exercise price of the Free Warrants (which is to be determined by the Board at a price fixing date to be determined later), will be at a premium of between 10% and 15% to the theoretical ex-price of the Shares after the Proposed Bonus Issue, and shall not be lower than the par value of the Shares.

Based on the five (5)-day volume-weighted average market price (“**VWAP**”) of the Shares up to and including 23 August 2011, being the last trading date prior to the date of this announcement of RM0.997, the theoretical ex-price after the Proposed Bonus Issue is RM0.748.

For illustrative purposes, assuming that the exercise price of the Free Warrants is at 10% premium to the theoretical ex-price after the Proposed Bonus Issue, calculated based on the five (5)-day VWAP of Shares up to and including 23 April 2011, the exercise price of the Free Warrants shall be RM0.823 per Share.

### 2.2.3. Utilisation of proceeds

The Proposed Free Warrants Issue will not raise any immediate funds upon its issuance as the Free Warrants will be issued at no cost to the shareholders of FMHB. The exact quantum of proceeds that may be raised by FMHB from the exercise of the Free Warrants would depend upon the actual number of the Free Warrants exercised and the exercise price of the Free Warrants. The proceeds arising from the exercise of the Free Warrants shall be utilised for the working capital requirements of FMHB and its subsidiaries (“**FMHB Group**”).

## 3. RATIONALE FOR THE PROPOSALS

### 3.1. Proposed Bonus Issue

The Proposed Bonus Issue will enable FMHB to reward shareholders of FMHB for their continuing support and allow the existing shareholders of FMHB a greater participation in the Company’s equity in terms of the number of Shares held.

It will also enable the shareholders of the Company to have a larger number of shares in the Company while maintaining their percentage of equity interest in the Company.

Accordingly, the increase in the number of Shares in issue pursuant to the Proposed Bonus Issue may improve the liquidity and marketability of Shares on Bursa Securities.

### 3.2. Proposed Free Warrants Issue

The Proposed Free Warrants Issue provides the existing shareholders of the Company with an opportunity to increase their participation in the equity of the Company at a predetermined exercise price during the tenure of the Free Warrants.

The Proposed Free Warrants Issue will allow the existing shareholders of FMHB to further participate in the future growth of the Company when the Free Warrants are exercised.

In addition, the proceeds from the exercise of the Free Warrants will further strengthen the capital base of the Company and will enable the FMHB Group to raise funds without incurring interest cost, as compared to bank borrowings and to improve the gearing of the FMHB Group.

## 4. EFFECTS OF THE PROPOSALS

The pro-forma effects of the Proposals on the share capital, net assets (“**NA**”) and gearing, earnings and earnings per Share (“**EPS**”), as well as substantial shareholders’ shareholdings of FMHB are set out below:-

### 4.1. Issued and paid-up share capital

	No. of Shares	Par value RM	Total RM
Issued and paid-up share capital as at 23 August 2011	121,714,286	0.50	60,857,143
To be issued pursuant to the Proposed Bonus Issue	40,571,429	0.50	20,285,715
To be issued assuming full exercise of the Free Warrants under the Proposed Free Warrants Issue	24,342,857	0.50	12,171,429
<b>Enlarged issued and paid-up share capital after the Proposed Bonus Issue and full exercise of the Free Warrants</b>	<b>186,628,572</b>	<b>0.50</b>	<b>93,314,287</b>

#### 4.2. NA and gearing

For illustrative purposes only, based on the audited consolidated financial statements of FMHB for the FYE 30 June 2010 and on the assumption that the Proposals had been effected on 30 June 2010, the proforma effects of the Proposals on the NA per Share and gearing of the FMHB Group are as follows:-

			(I)	(II)	(III)
	Audited as at 30 June 2010 RM'000	After payment of dividends by certain subsidiaries of FMHB RM'000	After the Proposed Bonus Issue RM'000	After (I) and the Proposed Free Warrants Issue RM'000	After (II) and upon full exercise of the Free Warrants RM'000
Share capital	60,857	60,857	81,143	81,143	93,314
Exchange translation reserves	64	64	64	64	64
Retained earnings	34,402	66,074	45,789	45,339 <sup>(3)</sup>	45,339
Shareholders' equity / NA	95,323	126,995	126,996	126,546	138,717
Minority interest	8,890	8,890	8,890	8,890	8,890
Total equity	104,213	135,885	135,886	135,436	147,607
Number of Shares in issue ( '000)	121,714	121,714	162,285	162,285	186,628
NA per Share (RM) <sup>(1)</sup>	0.78	1.04	0.78	0.78	0.74
Borrowings (RM'000)	20,886	20,886	20,886	20,886	20,886
Gearing (times) <sup>(2)</sup>	0.22	0.16	0.16	0.17	0.15

Notes:-

<sup>(1)</sup> Calculated based on NA attributable to the shareholders of FMHB divided by the number of Shares in issue.

<sup>(2)</sup> Calculated based on interest bearing borrowings divided by NA attributable to the shareholders of FMHB.

<sup>(3)</sup> After deducting the estimated expenses in relation to the Proposals of RM450,000.

#### 4.3. Earnings and EPS

The Proposals are not expected to have any material effect on the earnings of the FMHB Group for the FYE 30 June 2012. However, there will be a corresponding dilution in the EPS of the FMHB Group as a result of the increase in the number of new Shares arising from the Proposals.

In the immediate term, the Proposed Bonus Issue shall increase the number of Shares outstanding which would, all things being equal, reduce the Company's EPS.

There may be a further dilutive effect on the EPS of the FMHB Group resulting from the future increase in the number of new Shares in issue as and when the Free Warrants are exercised into the new Shares pursuant to the Proposed Free Warrants Issue.

Nevertheless, the effect of any exercise of the Free Warrants on the EPS of the FMHB Group would be dependent on the return on equity generated by the Company from the utilisation of proceeds arising from the exercise of the Free Warrants.

#### 4.4. Substantial shareholders' shareholdings

The Proposed Bonus Issue will not have any effect on the percentage of shareholdings of the substantial shareholders of FMHB. However, the number of Shares held by each substantial shareholder will increase proportionately as the result of the issuance of the Bonus Shares to all entitled shareholders.

The Proposed Free Warrants Issue will not have any effect on the percentage shareholdings of the substantial shareholders of the Company, assuming all entitled shareholders exercise their respective Free Warrants during the exercise period of the Free Warrants.

**4.5. Convertible securities**

FMHB does not have any existing convertible securities as at the date of this announcement.

**5. CONDITIONS OF THE PROPOSALS**

The Proposals are conditional upon the Company obtaining approvals from the following:-

- (i) Controller of Foreign Exchange, Bank Negara Malaysia for the issuance of Free Warrants to non-resident entitled shareholders pursuant to the Proposed Free Warrants Issue, and any additional Free Warrants to be issued in consequence of the adjustments which may be made from time to time pursuant to the provisions of the Deed Poll;
- (ii) Bursa Securities, for the following:-
  - (a) the admission of the Free Warrants to the Official List of Bursa Securities; and
  - (b) the listing of and quotation for the Bonus Issue and Free Warrants as well as the new Shares to be issued arising from the exercise of the Free Warrants on the Main Market of Bursa Securities;
- (iii) shareholders of FMHB at an extraordinary general meeting to be convened; and
- (iv) any other relevant authority, if required.

The Proposed Bonus Issue is not conditional upon the Proposed Free Warrants Issue and vice-versa.

**6. DIRECTORS AND MAJOR SHAREHOLDERS' INTEREST**

None of the Directors and/or major shareholders of the Company and/or persons connected to them have any interest, direct or indirect, in the Proposals apart from their respective entitlements under the Proposals, which are also available to all other shareholders of the Company.

**7. DIRECTORS' STATEMENT**

The Board, having considered all aspects of the Proposals, is of the opinion that the Proposals are in the best interest of the Company.

**8. ADVISER**

RHB Investment Bank has been appointed as the Adviser to the Company for the Proposals.

**9. ESTIMATED TIMEFRAME FOR COMPLETION**

Barring any unforeseen circumstances and subject to all the requisite approvals being obtained, the Proposals are expected to be completed in the first (1<sup>st</sup>) quarter of 2012.



**10. APPLICATIONS TO THE RELEVANT AUTHORITIES**

Barring any unforeseen circumstances, the applications to the relevant authorities in relation to the Proposals are expected to be made within two (2) months from the date of this announcement.

This announcement is dated 24 August 2011.