

FREIGHT MANAGEMENT HOLDINGS BHD

(Company No: 380410-P)

Notes on the quarterly report – 31 March 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">- 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

- 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.

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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	165,626	17,364	9,580	5,354	750	15,559	-	-	214,233
Inter-segment sales	1,933	6	337	211	9	-	2,588	(5,084)	-
Total revenue	<u>167,559</u>	<u>17,370</u>	<u>9,917</u>	<u>5,565</u>	<u>759</u>	<u>15,559</u>	<u>2,588</u>	<u>(5,084)</u>	<u>214,233</u>
Results									
Segment results	16,557	409	1,542	439	8	225	(2,039)	(29)	17,112
Finance costs									(1,450)
Share of profit in an associate									21
Profit before tax									<u>15,683</u>
Tax expense									(1,828)
Profit for the financial year									<u>13,855</u>
Assets									
Segment assets	124,659	4,665	3,742	1,301	365	28,689	18,470	-	181,891
Investment in an associate	-	-	-	-	-	-	201	-	201
Unallocated assets									<u>1,332</u>
Total assets									<u>183,424</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	48,820	3,595	891	734	29	6,803	622	-	61,494
Unallocated liabilities									5,546
Total liabilities									<u>67,040</u>
Other segment information									
Capital expenditure	4,572	154	79	47	109	12	50	-	5,023
Depreciation	4,119	64	83	32	11	1,185	134	-	5,628
Other non-cash income	(1,108)	-	(34)	(184)	-	(78)	-	-	(1,404)
Other non-cash expenses other than depreciation	1,037	416	27	65	15	-	-	-	<u>1,560</u>

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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 12 March 2011, TCH Marine Ptd Ltd, a 51% owned subsidiary entered into a Sale and Purchase Agreement with Thahin Numchai Co., Ltd to dispose one unit of Flat top deck cargo barge (Namthong 18) for RM2,009,000 (SGD840,000). This was completed on 25 April 2011.

On 11 April 2011, a wholly-owned subsidiary, Freight Management (M) Sdn Bhd entered into a Sale and Purchase agreement with Poly Glass Fibre (M) Sdn Bhd to acquire a piece of property (land & building) held under HS (D) 37855 for PT 478 in Daerah Seberang Perai Tengah Negeri Pulau Pinang, approximately measured at 2.12177 acres for a cash consideration of RM4,100,000.

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:-

	RM'000
Bank guarantees in favour of third parties*	<u>2,605</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 31.03.11 RM'000
Land and Building – Selangor	13,050
Land and Building - Penang	3,690
Prime movers & Trailers	2,594
Warehouse Equipment	626
Forklift	<u>518</u>
	<u>20,478</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 RM2.2 million from RM66.4 million in 3QFY10 to RM68.6 million in the 3QFY11:-

Service Type	3QFY11 RM mil	3QFY10 RM mil	Increase/- Decrease	
			RM mil	% change
Seafreight	39.6	39.7	-0.1	0%
Railfreight	0.5	0.7	-0.2	-29%
Airfreight	6.7	5.9	0.8	14%
Tug & Barge	4.9	5.1	-0.2	-4%
Warehouse & Distribution	5.6	2.8	2.8	100%
Customs Brokerage	7.2	8.7	-1.5	-17%
Haulage	2.7	2.3	0.4	17%
Landfreight & Other Services	1.4	1.2	0.2	17%
TOTAL	68.6	66.4	2.2	3%

This was mainly due to the contribution from Airfreight, Warehouse & Distribution, Haulage and Landfreight services. However performance for Railfreight, Tug & Barge and Customs Brokerage services register negative growth. The total revenue contribution from overseas subsidiaries improved marginally from RM15.2 million reported in 3QFY10 to RM15.4 million reported in 3QFY 11.

The Group recorded a profit before tax of RM4.3 million in 3QFY11 as compared to RM4.4 million in 3QFY10, a marginal decrease of 2%. However the Group reported a Profit after tax and Minority interest of RM4.2 million in 3QFY11 against RM3.7 million in 3QFY10, an increase of RM0.5 million or 13%. The increase was mainly due to adjustment for over provision for YA 2010 corporate taxation amounting to RM0.6 million in 3QFY11.

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B2. Variation of results against preceding quarter

The Group reported a decline in Profit before tax of RM1.3 million or 23% for the current reporting quarter. Consequently, profit after tax and Minority interest declined by RM1.0 million or 19% respectively. The historically slower quarter was due to festive period and shorter working month in February.

B3. Current year prospects

Quarter 3 was historically a slow quarter for the Group but we expect the performance to pick up in Quarter 4 of financial year 2011. However 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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B5. Tax expense

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Quarter
	31.03.2011	31.03.2010	31.03.2011	31.03.2010
	RM'000	RM'000	RM'000	RM'000
In respect of current period:				
Income tax	675	573	2,572	2,339
Deferred tax	321	301	703	587
	<u>996</u>	<u>874</u>	<u>3,275</u>	<u>2,926</u>
Under / (Over) provision in respect of prior year :				
Income tax	(606)	-	(593)	(103)
Deferred tax	-	-	(854)	(41)
	<u>(606)</u>	<u>-</u>	<u>(1,447)</u>	<u>(144)</u>
Total	<u>390</u>	<u>874</u>	<u>1,828</u>	<u>2,782</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 was no sale of unquoted investments and / or properties during the current quarter and financial year to date except for the disposal of a leasehold land held under title H.S.(D) 116340 PT152 Bandar Sultan Sulaiman, Daerah Klang Negeri Selangor which was completed on 18 October 2010.

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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

There were no corporate proposals during the date of this report.

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	6,399
Hire purchase and leases	3,277
Bank overdrafts	3,375
	<u>13,051</u>
Payable after 12 months (secured)	
Term loans	17,748
Hire purchase and leases	4,435
	<u>22,183</u>
Total borrowings	<u><u>35,234</u></u>

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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	70
Hire purchase and lease payable after 12 months	197
In Singapore Dollar	
Term loans payable within 12 months	2,697
Term loans payable after 12 months	2,044
In Indonesian Dollar	
Hire purchase and lease payable within 12 months	32
Hire purchase and lease payable after 12 months	28
In Vietnam Dollar	
Hire purchase and lease payable within 12 months	2
Hire purchase and lease payable after 12 months	5
	<hr/> <hr/> 5,075

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 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 2011. The dividend will be paid on 15 July 2011 to holders of ordinary shares whose name appear in the Record of Depositors at the close of business on 30 June 2011.

B13. Earnings per share

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year	Current Year To Date	Preceding Year
		Corresponding Quarter		Corresponding Quarter
	31.03.2011	31.03.2010	31.03.2011	31.03.2010
Profit attributable to ordinary equity holders of the parent (RM'000)	4,186	3,696	13,842	11,763
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)	3.44	3.04	11.37	9.66

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B14. Realised and Unrealised Profits or Losses of the Group

	As at 31.03.11 RM'000	As at 31.03.10 RM'000
Total retained profits of the Group:		
Realised	46,839	32,509
Unrealised *	(877)	(500)
Total share of retained profits from associated companies:		
Realised	-	-
Unrealised	-	-
Total share of retained profits from jointly controlled entities:		
Realised	-	-
Unrealised	-	-
Total Group retained profits as per consolidated accounts	<u>45,962</u>	<u>32,009</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.