

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

Notes on the quarterly report – 30 June 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 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.
- 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 2010 has been paid on 15 July 2010.

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A8. Segment information

By geographical location for the current financial year to date:

| | Malaysia RM'000 | Singapore RM'000 | Australia RM'000 | Indonesia RM'000 | Thailand RM'000 | Elimination RM'000 | Total RM'000 |
|---|--------------------|---------------------|---------------------|---------------------|--------------------|-----------------------|-----------------|
| Revenue | | | | | | | |
| External sales | 205,188 | 23,892 | 17,752 | 12,707 | 5,962 | - | 265,501 |
| Inter-segment sales | 2,802 | - | 134 | 436 | 347 | (3,719) | - |
| Total revenue | <u>207,990</u> | <u>23,892</u> | <u>17,886</u> | <u>13,143</u> | <u>6,309</u> | <u>(3,719)</u> | <u>265,501</u> |
| Results | | | | | | | |
| Segment results | 18,102 | 2,254 | 517 | 2,255 | 74 | 56 | 23,258 |
| Impairment loss on Goodwill | | | | | | | (23) |
| Profit from operations | | | | | | | 23,235 |
| Finance costs | | | | | | | (1,464) |
| Share of profit in an associate | 34 | - | - | - | - | - | 34 |
| Profit before tax | | | | | | | 21,805 |
| Tax expense | | | | | | | (4,724) |
| Profit for the financial year | | | | | | | <u>17,081</u> |
| Assets | | | | | | | |
| Segment assets | 133,639 | 31,311 | 2,619 | 3,227 | 1,151 | - | 171,947 |
| Investment in an associate | 180 | - | - | - | - | - | 180 |
| Unallocated assets | | | | | | | 690 |
| Total assets | | | | | | | <u>172,817</u> |
| Liabilities | | | | | | | |
| Segment liabilities | 50,361 | 9,440 | 1,822 | 847 | 491 | - | 62,961 |
| Unallocated liabilities | | | | | | | 5,643 |
| Total liabilities | | | | | | | <u>68,604</u> |
| Other segment information | | | | | | | |
| Capital expenditure | 14,802 | 5,013 | - | 29 | 52 | - | 19,896 |
| Depreciation | 4,718 | 1,441 | 86 | 95 | 28 | - | 6,368 |
| Other non-cash income | (611) | (12) | - | - | - | - | (623) |
| Other non-cash expenses other than depreciation | 697 | 54 | 215 | 47 | 207 | - | 1,221 |

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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 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 Co., 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.

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:-

| | |
|---|---------------|
| | RM'000 |
| Bank guarantees in favour of third parties* | <u>2,597</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 30.06.10 RM'000 |
| Trucks | 583 |
| Motor Vehicles | <u>502</u> |
| | <u>1,085</u> |

A14. Comparatives

| | Previously stated RM'000 | Effects on early adoption of FRS 117 RM'000 | Restated RM'000 |
|-------------------------------|---|--|----------------------------|
| Balance Sheet: | | | |
| Non-current assets | | | |
| 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 registered a strong revenue growth of 38.7% or RM20.8 million to RM74.6 million in the fourth quarter of financial year 2010 (4QFY09: RM53.8 million), contributed by strong demand for seafreight and airfreight services. Details as tabled below:-

| Service Type | 4QFY10 RM mil | 4QFY09 RM mil | Increase/- Decrease RM mil | % change |
|------------------------------|------------------|------------------|----------------------------------|--------------|
| Seafreight | 46.4 | 29.6 | 16.8 | 56.8% |
| Railfreight | 0.6 | 1.4 | (0.8) | -57.1% |
| Airfreight | 7.6 | 4.3 | 3.3 | 76.7% |
| Tug & Barge | 5.5 | 6.5 | (1.0) | -15.4% |
| Warehouse & Distribution | 3.2 | 2.6 | 0.6 | 23.1% |
| Customs Brokerage | 7.3 | 6.7 | 0.6 | 9.0% |
| Haulage | 2.7 | 2.0 | 0.7 | 35.0% |
| Landfreight & Other Services | 1.3 | 0.7 | 0.6 | 85.7% |
| TOTAL | 74.6 | 53.8 | 20.8 | 38.7% |

Leading the increase was Seafreight services (increased by 56.8% or RM16.8 million) which was the Groups' core business activity. Airfreight similarly enjoyed a healthy growth of 76.7% or RM3.3 million, while support services namely Warehouse & distribution, Haulage and Landfreight grew by 23.1%, 35% and 85.7% respectively. The Land Transport service which was launched in FY09 to transport loose and full truck cargoes between Malaysia and Thailand had gained popularity and support from the customers. The expansion in demand for international freight services provided further impetus to growth in the domestic logistics services, namely, warehouse & distribution, custom brokerage & haulage services.

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For the fourth and final quarter of financial year 2010, the Group's profit before tax expanded by RM0.9 million or 15.6% to RM6.6 million (4QFY09: RM5.7 million), while the Group's profit after tax after minority interest increased by RM0.7 million to RM4.7 million (4QFY09: RM4.0 million).

For the year ending 30 June 2010, the Group achieved profit before tax of RM21.8 million against RM19.3 million, a growth of 12.9% year on year. The Group achieved a double-digit growth of 21.2% in profit after tax after minority interest, an increase of RM2.8 million to RM16.4 million (FY09: RM13.6 million).

B2. Variation of results against preceding quarter

Compared to the preceding quarter, 3QFY10, the Group registered an increase of 47.8% or RM2.1 million in profit before tax for 4QFY10, while profit after tax after minority interest expanded by RM1.0 million or 26%.

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. Based on the steady performance of FY10 and the improvement in both global and domestic business sentiments, the Board of Directors is cautiously optimistic of achieving a steady performance for the new 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 |
| | 30.06.2010 | 30.06.2009 | 30.06.2010 | 30.06.2009 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| In respect of current period: | | | | |
| Income tax | 988 | 888 | 3,328 | 3,690 |
| Deferred tax | 942 | 134 | 1,529 | 521 |
| | <u>1,930</u> | <u>1,022</u> | <u>4,857</u> | <u>4,211</u> |
| Under / (Over) provision in respect of prior year : | | | | |
| Income tax | 12 | 188 | (92) | 64 |
| Deferred tax | - | 10 | (41) | 10 |
| | <u>12</u> | <u>198</u> | <u>(133)</u> | <u>74</u> |
| Total | <u><u>1,942</u></u> | <u><u>1,220</u></u> | <u><u>4,724</u></u> | <u><u>4,285</u></u> |

The effective tax rate is lower than the statutory tax rate due to the tax exemption enjoyed by subsidiaries in Singapore and utilization 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.

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

Save for the conditional sales and Purchase Agreement for the disposal of property for a cash consideration of RM5.1 million on 5 May 2010, there was no corporate proposal announced as at end 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 | 5,194 |
| Hire purchase and leases | 3,353 |
| Bankers' acceptances | - |
| Bank overdrafts | 2,979 |
| | <u>11,526</u> |
| Payable after 12 months (secured) | |
| Term loans | 15,692 |
| Hire purchase and leases | 6,214 |
| | <u>21,906</u> |
| Total borrowings | <u><u>33,432</u></u> |

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 | 58 |
| Hire purchase and lease payable after 12 months | 90 |
| In Singapore Dollar | |
| Term loans payable within 12 months | 3,060 |
| Term loans payable after 12 months | 3,947 |
| Hire purchase and lease payable within 12 months | 28 |
| Hire purchase and lease payable after 12 months | 69 |

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In Indonesian Dollar

| | |
|--|-------|
| Hire purchase and lease payable within 12 months | 78 |
| Hire purchase and lease payable after 12 months | 7 |
| | <hr/> |
| | 7,337 |
| | <hr/> |

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 is recommending for the approval of shareholders a final dividend of 2.5 sen per share less tax at 25%, in respect of the financial year ended 30 June 2010.

The Book 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.

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| | Individual Quarter | | Cumulative Quarter | |
|---|---------------------------|----------------------|---------------------------|----------------------|
| | Current Year | Preceding | Current Year | Preceding |
| | Quarter | Year | To Date | Year |
| | 30.06.2010 | Corresponding | 30.06.2010 | Corresponding |
| | | Quarter | | Quarter |
| | | 30.06.2009 | | 30.06.2009 |
| Profit attributable to ordinary equity holders of the parent (RM'000) | 4,675 | 4,041 | 16,438 | 13,564 |
| 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) | 3.84 | 3.32 | 13.51 | 11.14 |