

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

Notes on the quarterly report – 30 June 2013

PART A : EXPLANATORY NOTES AS PER MFRS 134

A1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 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 annual audited financial statements for the year ended 30 June 2012.

The Group has adopted the MFRS framework issued by the MASB effective for annual periods commencing on or after 1 January 2012. This MFRS framework was introduced by the MASB in order to converge Malaysia’s existing Financial Reporting Standards (“FRS”) framework with the International Financial Reporting Standard (“IFRS”) framework issued by the International Accounting Standard Board.

The accounting principles, method of computation and bases used for this quarterly financial report are consistent with those adopted in the most recent annual audited financial statements for the year ended 30 June 2012.

The Group has applied MFRS 1 *First-time Adoption of Malaysia Financial Reporting Standards* in preparing the first MFRS framework interim financial report. In preparing this interim financial report, the Group’s opening statement of financial position was prepared as at 1 July 2012 which is the Group’s date of transition to MFRSs. The transition from FRS to MFRS does not have any impact to the financial report of the Group.

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 2012 was not qualified.

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A3. Seasonality or cyclicity 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.

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 except for the issuance of 5,499,758 new shares of RM0.50 each pursuant to the exercise of warrants at RM0.97 per warrant. The total cash proceeds arising from the exercise of warrants during the current financial year to date amounted to RM5,334,765.

A7. Dividend paid

- i) The interim single tier dividend of 1.5 sen per share amounting to RM2,434,283 in respect of financial year ended 30 June 2012 has been paid on 16 July 2012.

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- ii) The final single tier dividend of 2.5 sen per share amounting to RM4,057,146 in respect of financial year ended 30 June 2012 has been paid on 18 December 2012.

- iii) The interim single tier dividend of 1.5 sen per share amounting to RM2,516,785 in respect of financial year ended 30 June 2013 has been paid on 17 July 2013.

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A8. Segment information

Operating segments for the current financial year to date:

	←—————		Logistics			—————→			
	Malaysia	Australia	Indonesia	Thailand	Vietnam	Singapore	Others	Total	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Revenue									
Total revenue	281,880	29,675	23,322	9,287	6,396	18,907	5,986	375,453	
Inter-segment revenue	(2,340)	(67)	(664)	(1,413)	(175)	-	(5,986)	(10,645)	
Revenue from external customers	279,540	29,608	22,658	7,874	6,221	18,907	-	364,808	
Results									
Segment results	28,659	2,229	2,407	(482)	532	3,800	(5,110)	32,035	
Finance costs	(1,720)	(15)	(40)	-	-	(124)	-	(1,899)	
Share of profit/(loss) of associates	117	-	-	-	-	-	(29)	88	
Profit before tax	27,056	2,214	2,367	(482)	532	3,676	(5,139)	30,224	
Tax expense								(5,451)	
Profit for the period								24,773	
Assets									
Segment assets	186,717	4,703	6,227	1,492	1,312	32,261	19,690	252,402	
Investments in an associates	317	-	-	-	-	-	2,999	3,316	
Current tax assets	514	-	32	512	12	-	253	1,323	
Total assets								257,041	

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	←		Logistics →			Marine	Others	Total
	Malaysia RM'000	Australia RM'000	Indonesia RM'000	Thailand RM'000	Vietnam RM'000	Singapore RM'000	RM'000	RM'000
Liabilities								
Segment liabilities	67,703	2,481	1,731	939	175	7,461	4,229	84,719
Deferred tax liabilities	8,880	-	-	-	-	-	-	8,880
Current tax liabilities	1,834	98	-	-	-	-	-	1,932
Total liabilities								<u>95,531</u>
Other segment information								
Capital expenditure	13,944	151	872	106	70	6,082	26	21,251
Depreciation	8,593	82	131	34	21	1,562	208	10,631
Other non-cash income	(618)	(123)	(1)	-	-	(1,227)	(10)	(1,979)
Other non-cash expenses other than depreciation	1,412	318	109	49	39	57	-	1,984

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A9. Valuation of property, plant and equipment

The Group's property, plant and equipment are stated at cost as the Group has not adopted a revaluation policy on its property, plant and equipment.

A10. Material events subsequent to the end of the interim period

There were no material events subsequent to the end of the current quarter.

A11. Changes in the composition of the Group

On 31 October 2012, Freight Management Holdings Bhd (FMHB) entered into an agreement with Mr Yusob Boachobi (Thai ID No 3801500081237) and YKP-FM Global Shipyard Co. Ltd. (YKPFM) to subscribe in cash for 250,000 ordinary shares of Baht100 each in YKPFM representing 25% of the issued and paid-up capital in YKPFM, a company incorporated under the laws of Thailand for a total consideration of Baht25,000,000, equivalent to RM2,500,000. With the completion of the subscription, YKPFM will be an associate company of FMHB.

On 17 December 2012, a wholly-owned subsidiary, Citra Multimodal Services Sdn. Bhd. (Citra) subscribed for additional 127,400 ordinary shares of RM1.00 each in Dependable Global Express Malaysia Sdn. Bhd. (DGEM) for a cash consideration of RM127,400. With the completion of the subscription, DGEM is a 51% owned subsidiary of Citra.

On 17 April 2013, a wholly-owned subsidiary, FM Global Logistics (M) Sdn. Bhd. (FMGLM) had incorporated a wholly-owned subsidiary, Advance Cargo Logistics Sdn. Bhd. (ACL) in Malaysia, with an authorised share capital 100,000 ordinary share of RM1.00 each and an issued and paid up capital of RM2.00.

On 7 May 2013, a wholly-owned subsidiary, Icon Line (Malaysia) Sdn. Bhd. (ILM) had incorporated a wholly-owned subsidiary, FM Global Logistics (HK) Limited in Hong Kong, with an initial paid-up capital of 1 ordinary share of HKD1.00 each.

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A12. Contingent liabilities

As at the date of this announcement, the Directors of FMHB are not aware of any contingent liability of the Group save as disclosed below:-

Bank guarantees in favour of third parties*	RM'000 <u>2,260</u>
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**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 30.06.13 RM'000
Office renovation	90
Motor vehicles	599
Trucks	926
Warehouse equipment	<u>73</u>
	<u>1,688</u>

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PART B: ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES

B1. Review of performance

The Group registered a revenue growth of RM7.6 million or approximately 9% higher than 4QFY12. Details of changes in each service type are as follows:-

Service Type	4QFY13	4QFY12	Increase/ Decrease RM mil	% change
Seafreight	51.2	50.5	0.7	1%
Railfreight	0.8	1.1	-0.3	-27%
Airfreight	6.8	8.0	-1.2	-15%
Tug & Barge	4.5	5.4	-0.9	-17%
3PL & Warehousing	12.9	7.6	5.3	70%
Customs Brokerage	9.6	8.7	0.9	10%
Haulage	4.2	3.5	0.7	20%
Landfreight	6.3	3.9	2.4	62%
TOTAL	96.3	88.7	7.6	9%

For the fourth quarter (“4Q”) of FYE2013, FMHB achieved revenue growth of 9% year-on-year to RM96.3 million. 3PL & Warehousing service registered a growth of RM5.3 million or 70% increase and Landfreight service also grew by 62% or RM2.4 million in 4Q due to increase in demand for 3PL and cross-border trucking services between Thailand and Malaysia. The intensive marketing efforts to promote complete logistics services had attracted a number of multinational companies (“MNC”) and the Group is confident of taking on more MNCs.

Profit before tax increased by RM0.6 million while net profit after non-controlling interests rose by 13.6% from RM7.2 million in 4QFY12 to RM8.1 million in the current quarter.

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For the full year FYE2013, FMHB reported group revenue of RM364.8 million, a growth of 11.5% from the previous financial year. On the back of the higher revenue, FYE2013 profit before tax rose 7.8% year-on-year to RM30.2 million. Meanwhile, net profit was up 8.1% year-on-year to RM22.6 million, which translates to a basic earnings per share of 13.90 sen. Reflecting the growth in profits and stronger financials, net assets per share increased to RM0.89 as at 30 June 2013, from RM0.79 as at 30 June 2012.

B2. Variation of results against preceding quarter

Service Type	4QFY13	3QFY13	Increase/ Decrease RM mil	% change
Seafreight	51.2	49.0	2.2	4%
Railfreight	0.8	0.8	0.0	0%
Airfreight	6.8	8.4	-1.6	-19%
Tug & Barge	4.5	4.5	0.0	0%
3PL & Warehousing	12.9	10.4	2.5	24%
Customs Brokerage	9.6	8.3	1.3	16%
Haulage	4.2	3.7	0.5	14%
Landfreight	6.3	6.7	-0.4	-6%
TOTAL	96.3	91.8	4.5	5%

The group revenue for the current reporting quarter also performed better in Q4FY13 compared to Q3FY12 by RM4.5 million or 5%. Except for Airfreight and Landfreight services which suffered a slight drop in revenue, all other services registered growth.

The group's profit before tax for the quarter as compared to the preceding quarter reported an increase of RM4.1 million or 60% for 4QFY13, while profit after tax after non-controlling interests of RM3.5 million or 75%.

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B3. Current year prospects

Overall the Board had reported a commendable FY13 result despite a difficult operating environment. For the coming financial year ending 30 June 2014, operating environment is expected to remain challenging, as the global economy continues to be sluggish whilst economic headwinds are rising in the Asian region. Nonetheless, we are encouraged by the pick-up in the volume of our business in the past few quarters and are hopeful of sustaining this momentum throughout FYE2014. FMHB has developed and continues to develop strong fundamentals, which place us in a strong position to ride out the challenges and continue harnessing organic and synergistic growth from our core businesses. Longer-term, strategic investments and joint-ventures in new businesses and markets will also boost our future growth potential.

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.

FREIGHT MANAGEMENT HOLDINGS BHD**(Company No: 380410-P)****Notes on the quarterly report – 30 June 2013****B5. Tax expense**

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year To	Preceding Year
	Quarter	Corresponding Quarter	Date	Corresponding Quarter
	30.06.2013	30.06.2012	30.06.2013	30.06.2012
	RM'000	RM'000	RM'000	RM'000
In respect of current period:				
Income tax	1,705	1,172	3,947	4,088
Deferred tax	766	1,571	1,752	1,558
	<u>2,471</u>	<u>2,743</u>	<u>5,699</u>	<u>5,646</u>
Under / (Over) provision in respect of prior years :				
Income tax	-	201	(227)	464
Deferred tax	-	(1)	(21)	(34)
	<u>-</u>	<u>200</u>	<u>(248)</u>	<u>430</u>
Total	<u>2,471</u>	<u>2,943</u>	<u>5,451</u>	<u>6,076</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. Status of corporate proposal announced

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

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The Group's borrowings as at the end of the reporting quarter are as follows:

	RM'000
Payable within 12 months (secured)	
Term loans	7,541
Hire purchase and lease liabilities	1,264
Bank overdrafts	3,343
	<u>12,148</u>
Payable after 12 months (secured)	
Term loans	30,128
Hire purchase and lease liabilities	1,068
	<u>31,196</u>
Total borrowings	<u><u>43,344</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 liabilities payable within 12 months	40
Hire purchase and lease liabilities payable after 12 months	218
In Singapore Dollar	
Term loans payable within 12 months	1,876
Term loans payable after 12 months	4,061
Hire purchase and lease liabilities payable within 12 months	94
Hire purchase and lease liabilities payable after 12 months	277
In Indonesian Dollar	
Hire purchase and lease liabilities payable within 12 months	143
Hire purchase and lease liabilities payable after 12 months	399
	<u><u>7,108</u></u>

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B8. Change in material litigation

Neither FMHB 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 FMHB 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.

B9. Dividend

The Board of Directors recommending for the approval of shareholders a final single tier dividend of 3.0 sen per share, in respect of financial year ended 30 June 2013.

The book of closure and Payment Date in respect of the aforesaid dividend will be determined by the Directors at 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	Preceding	Current	Preceding
	Year	Year	Year To	Year
	Quarter	Corresponding	Date	Corresponding
	30.06.2013	30.06.2012	30.06.2013	30.06.2012
Profit attributable to equity holders of the parent (RM'000)	8,119	7,150	22,566	20,872
Weighted average number of ordinary shares in issue ('000)	162,286	162,286	162,286	162,286
Effect of exercise of warrants ('000)	336	-	84	-
Weighted average number of ordinary shares in issue applicable to basic earnings per ordinary shares('000)	162,622	162,286	162,370	162,286
Basic Earnings Per Ordinary Share (sen)	4.99	4.41	13.90	12.86

Diluted

	Individual Quarter		Cumulative Quarter	
	Current	Preceding	Current	Preceding
	Year	Year	Year To	Year
	Quarter	Corresponding	Date	Corresponding
	30.06.2013	30.06.2012	30.06.2013	30.06.2012
Profit attributable to equity holders of the parent (RM'000)	8,119	7,150	22,566	20,872
Weighted average number of ordinary shares in issue applicable to basic earnings per ordinary shares ('000)	162,622	162,286	162,370	162,286
Effect of dilution in exercise of warrants ('000)	1,725	-	1,919	-
Adjusted weighted average number of ordinary shares applicable to diluted earnings per ordinary share ('000)	164,347	162,286	164,289	162,286
Diluted Earnings Per Ordinary Share (sen)	4.94	4.41	13.74	12.86

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B11. Realised and Unrealised Profits or Losses of the Group

	As at 30.06.13 RM'000	As at 30.06.12 RM'000
Total retained earnings of the Group:		
Realised	100,543	80,778
Unrealised *	(8,963)	(7,124)
Total share of retained earnings from associates:		
Realised	239	151
Unrealised	-	-
Less: Consolidation adjustments	<u>(30,407)</u>	<u>(28,385)</u>
Total Group retained earnings as per financial statements	<u>61,412</u>	<u>45,420</u>

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

The disclosure of the 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.

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B12. Additional Disclosures on Profit for the period

	Current Year Quarter 30.06.13 RM'000	Current Year To Date 30.06.13 RM'000
Profit for the period is arrived at after charging/ (crediting):		
Interest income	(76)	(312)
Gain on disposal of property, plant and equipment	(49)	(1,507)
Gain on foreign exchange	(435)	(307)
Depreciation of property, plant and equipment	2,868	10,631
Impairment loss and write off of trade receivables	(615)	1,809
Interest expense	501	1,899

Other than the above, there were no gain or loss on disposal of quoted or unquoted investments, gain or loss on derivatives and exceptional items for the current quarter and financial period ended 30 June 2013.