

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

Notes on the quarterly report – 31 March 2013

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 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 significant 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 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.

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 200 new shares of RM0.50 each pursuant to the exercise of warrants at RM0.97 per share. The total cash proceeds arising from the exercise of warrants during the current financial year to date amounted to RM194.

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.
- 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.

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A8. Segment information

Operating segments for the current financial year to date:

	← Logistics →					→ Marine →			
	Malaysia	Australia	Indonesia	Thailand	Vietnam	Singapore	Singapore	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue									
Total revenue	203,632	24,185	17,455	6,868	4,503	1,321	14,428	4,373	276,765
Inter-segment revenue	(2,131)	(59)	(489)	(1,058)	(138)	-	-	(4,373)	(8,248)
Revenue from external customers	<u>201,501</u>	<u>24,126</u>	<u>16,966</u>	<u>5,810</u>	<u>4,365</u>	<u>1,321</u>	<u>14,428</u>	<u>-</u>	<u>268,517</u>
Results									
Segment results	16,498	1,560	1,661	(191)	454	1,320	2,998	(3,715)	20,585
Finance costs	(1,301)	(12)	(22)	-	-	-	(63)	-	(1,398)
Share of profit in an associate	110	-	-	-	-	-	-	-	110
Profit before tax	<u>15,307</u>	<u>1,548</u>	<u>1,639</u>	<u>(191)</u>	<u>454</u>	<u>1,320</u>	<u>2,935</u>	<u>(3,715)</u>	<u>19,297</u>
Tax expense									(2,980)
Profit for the period									<u>16,317</u>
Assets									
Segment assets	176,846	6,229	5,855	1,767	1,461	1,521	28,094	11,174	232,947
Investment in an associate	3,338	-	-	-	-	-	-	-	3,338
Current tax assets	436	-	63	447	-	-	-	253	1,199
Total assets									<u>237,484</u>

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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 RM100,000 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 FMH are not aware of any contingent liability of the Group save as disclosed below:-

Bank guarantees in favour of third parties*	RM'000 <u>2,170</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 31.03.13 RM'000
Office renovation	129
Office equipment	214
Trucks	669
Tug & Barge	<u>5,348</u>
	<u>6,360</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 RM15.2 million or approximately 20% higher than 3QFY12. Details of changes in each service type are as follows:-

Service Type	3QFY13	3QFY12	Increase/ Decrease RM mil	% change
Seafreight	49.0	41.9	7.1	17%
Railfreight	0.8	0.8	0.0	0%
Airfreight	8.4	7.0	1.4	20%
Tug & Barge	4.5	4.6	-0.1	-2%
3PL & Warehousing	10.4	8.4	2.0	24%
Customs Brokerage	8.3	7.5	0.8	11%
Haulage	3.7	3.2	0.5	16%
Landfreight	6.7	3.2	3.5	109%
TOTAL	91.8	76.6	15.2	20%

Revenue growth in 3QFY13 was contributed mainly from Seafreight (RM7.1million or 17% increase), 3PL & Warehousing (RM2.0 million or 24%) and Landfreight (RM3.5 million or 109%). Landfreight registered the highest growth due to increased volume from cross-border trucking between Thailand and Malaysia.

Profit before tax increased by RM1.7 million while Net Profit after minority interest rose by 5.3% from RM4.4 million in 3QFY12 to RM4.6 million in the current quarter. Share of profit by minority interest also increased from RM0.127 million to RM0.968 million in the current quarter resulting in a lower Profit after tax after minority interest. Higher taxation was noted in the current quarter due to increase provision of deferred taxation.

Net Profit for the nine months ending 31 March 2013 also increased by 5.3% from RM13.7 million to RM14.4 million.

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B2. Variation of results against preceding quarter

Service Type	3QFY13	2QFY13	Increase/- Decrease	
			RM mil	% change
Seafreight	49.0	52.7	-3.7	-7%
Railfreight	0.8	1.0	-0.2	-20%
Airfreight	8.4	8.4	0.0	0%
Tug & Barge	4.5	5.1	-0.6	-12%
3PL & Warehousing	10.4	8.7	1.7	20%
Customs Brokerage	8.3	8.3	0.0	0%
Haulage	3.7	3.5	0.2	6%
Landfreight	6.7	4.3	2.4	56%
TOTAL	91.8	92.0	-0.2	0%

Revenue for the current reporting quarter dipped slightly by RM0.2 million as compared to the preceding quarter. This is due to the festive holidays and also shorter month in February. Higher growth was registered in Landfreight (56%) as demand for cargoes between Thailand and Malaysia stepped up. As part of the logistic chain, 3PL and Warehousing also benefited from the surged in Landfreight demands.

Net Profit for the quarter as compared to the preceding quarter declined from RM5.0 million to RM4.6 million due to the reasons explained above.

B3. Current year prospects

The Group has been able to sustained decent growth up to 3QFY13 and is hopeful that this growth will continue in 4QFY13. However global uncertainties persist and may impact the Group's short term prospect. Nevertheless, the Group will leverage on its integrated network of agents and its own overseas offices to grow international freight services. There will be ongoing efforts to improve yields and to preserve margins through operational efficiency and cost control.

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The Group has not provided any quarterly profit forecast and therefore no variance information is available for the quarter under review.

B5. Tax expense

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Quarter
	31.03.2013	31.03.2012	31.03.2013	31.03.2012
	RM'000	RM'000	RM'000	RM'000
In respect of current period:				
Income tax	804	1,070	2,242	2,916
Deferred tax	487	(597)	986	(13)
	<u>1,291</u>	<u>473</u>	<u>3,228</u>	<u>2,903</u>
Under / (Over) provision in respect of prior year :				
Income tax	(55)	100	(227)	263
Deferred tax	(21)	7	(21)	(33)
	<u>(76)</u>	<u>107</u>	<u>(248)</u>	<u>230</u>
Total	<u><u>1,215</u></u>	<u><u>580</u></u>	<u><u>2,980</u></u>	<u><u>3,133</u></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.

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B6. Status of corporate proposal announced

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

B7. 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	6,336
Hire purchase and leases	1,670
Bank overdrafts	4,824
	<u>12,830</u>
Payable after 12 months (secured)	
Term loans	27,602
Hire purchase and leases	1,100
	<u>28,702</u>
Total borrowings	<u><u>41,532</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	63
Hire purchase and lease payable after 12 months	101
In Singapore Dollar	
Term loans payable within 12 months	692
Term loans payable after 12 months	115
Hire purchase and lease payable within 12 months	92
Hire purchase and lease payable after 12 months	298
In Indonesian Dollar	
Hire purchase and lease payable within 12 months	130
Hire purchase and lease payable after 12 months	402
	<u><u>1,893</u></u>

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B8. 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.

B9. Dividend

The board of Directors has declared interim single tier dividend of 1.5 sen per share, in respect of financial year ending 30 June 2013. The dividend will be paid on 15 July 2013 to holders of ordinary shares whose name appear in the Record of Depositors at the close of business on 28 June 2013.

FREIGHT MANAGEMENT HOLDINGS BHD**(Company No: 380410-P)****Notes on the quarterly report – 31 March 2013****B10. Earnings per share****Basic**

	Individual Quarter		Cumulative Quarter	
	Preceding Year		Preceding Year	
	Current Year Quarter	Corresponding Quarter	Current Year To Date	Corresponding Quarter
	31.03.2013	31.03.2012	31.03.2013	31.03.2012
Profit attributable to equity holders of the parent (RM'000)	4,628	4,395	14,447	13,722
Number of ordinary shares at beginning of the year ('000)	162,286	162,286	162,286	162,286
Effect of shares issued – Exercise of Warrants ('000)	-	-	-	-
Weighted average number of ordinary shares in issue ('000)	162,286	162,286	162,286	162,286
Basic Earnings Per Share (sen)	2.85	2.71	8.90	8.46

Diluted

	Individual Quarter		Cumulative Quarter	
	Preceding Year		Preceding Year	
	Current Year Quarter	Corresponding Quarter	Current Year To Date	Corresponding Quarter
	31.03.2013	31.03.2012	31.03.2013	31.03.2012
Profit attributable to equity holders of the parent (RM'000)	4,628	4,395	14,447	13,722
Weighted average number of ordinary shares in issue ('000)	162,286	162,286	162,286	162,286
Effect of potential exercise of Warrants ('000)	5,603	-	5,603	-
Adjusted weighted average number of ordinary shares for calculating diluted earnings per share ('000)	167,889	162,286	167,889	162,286
Diluted Earnings Per Share (sen)	2.76	2.71	8.61	8.46

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B11. Realised and Unrealised Profits or Losses of the Group

	As at 31.03.13 RM'000	As at 31.03.12 RM'000
Total retained profits of the Group:		
Realised	93,903	74,766
Unrealised *	(8,219)	(5,615)
Total share of retained profits from associated companies:		
Realised	261	151
Unrealised	-	-
Total share of retained profits from jointly controlled entities:		
Realised	-	-
Unrealised	-	-
Less: Consolidation adjustments	<u>(30,135)</u>	<u>(28,598)</u>
Total Group retained profits as per consolidated accounts	<u><u>55,810</u></u>	<u><u>40,704</u></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.

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	Current Year Quarter 31.03.13 RM'000	Current Year To Date 31.03.13 RM'000
Profit for the period is arrived at after charging/ (crediting):		
Interest income	(56)	(236)
(Gain)/loss on disposal of property, plant and equipment	(1,414)	(1,458)
(Gain)/loss on foreign exchange	(145)	128
Depreciation of property, plant and equipment	3,024	7,763
Impairment loss and write off of trade receivables	471	2,424
Interest expense	473	1,398
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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 31 March 2013.