

FREIGHT MANAGEMENT HOLDINGS BHD

(Company No: 380410-P)

Notes on the quarterly report – 31 December 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 2013.

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 year ended 30 June 2013.

The accounting policies and method of computation adopted by the Group in the preparation of the consolidated interim financial statements are consistent with those adopted in the most recent annual audited financial statements for the year ended 30 June 2013 except for the adoption of the following MFRSs and Amendments to MFRSs:-

		<u>Effective dates</u>
MFRS 10	<i>Consolidated Financial Statements</i>	1 January 2013
MFRS 11	<i>Joint Arrangements</i>	1 January 2013
MFRS 12	<i>Disclosure of Interests in Other Entities</i>	1 January 2013
MFRS 13	<i>Fair Value Measurement</i>	1 January 2013
MFRS 119	<i>Employee Benefits</i>	1 January 2013
MFRS 127 (revised)	<i>Separate Financial Statements</i>	1 January 2013
MFRS 128 (revised)	<i>Investments in Associates and Joint Ventures</i>	1 January 2013
Amendment to MFRS 1	<i>Government Loans</i>	1 January 2013
Amendment to MFRS 7	<i>Disclosures – Offsetting Financial Assets And Financial Liabilities</i>	1 January 2013
Amendment to MFRS 10	<i>Consolidated Financial Statements: Transition Guidance</i>	1 January 2013

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Amendment to MFRS 11 <i>Joint Arrangements: Transition Guidance</i>	1 January 2013
Amendment to MFRS 12 <i>Disclosure of Interests in Other Entities: Transition Guidance</i>	1 January 2013

The adoption of the above MFRS and amendments to MFRSs does not have any material impact on the results and the financial position 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 2013 was not qualified.

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.

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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 except for the issuance of 2,827,113 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 RM2,742,300.

A7. Dividend paid

- i) 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.
- ii) The final single tier dividend of 3.0 sen per share amounting to RM5,118,343 in respect of financial year ended 30 June 2013 has been paid on 18 December 2013.

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A8. Segment information

Operating segments for the current financial year to date:

	←		Logistics				→		
	Malaysia	Australia	Indonesia	Thailand	Vietnam	India	Singapore	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue									
Total revenue	161,736	13,975	12,226	4,234	3,358	499	7,842	3,214	207,084
Inter-segment revenue	(263)	(6)	(211)	(490)	(95)	(34)	-	(3,214)	(4,313)
Revenue from external customers	<u>161,473</u>	<u>13,969</u>	<u>12,015</u>	<u>3,744</u>	<u>3,263</u>	<u>465</u>	<u>7,842</u>	<u>-</u>	<u>202,771</u>
Results									
Segment results	14,830	671	1,846	(604)	256	(242)	(72)	(1,672)	15,013
Finance costs	(842)	(10)	(30)	(3)	-	-	(186)	-	(1,071)
Share of profit/(loss) of associates	20	-	-	-	-	-	-	(10)	10
Profit before tax	<u>14,008</u>	<u>661</u>	<u>1,816</u>	<u>(607)</u>	<u>256</u>	<u>(242)</u>	<u>(258)</u>	<u>(1,682)</u>	<u>13,952</u>
Tax expense									<u>(2,779)</u>
Profit for the period									<u>11,173</u>
Assets									
Segment assets	199,931	6,374	6,482	1,725	1,408	761	32,618	19,616	268,915
Investments in an associates	317	-	-	-	-	-	-	3,010	3,327
Current tax assets	439	-	72	619	-	-	-	253	1,383
Total assets									<u>273,625</u>

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	←		Logistics	→			Marine	Others	Total
	Malaysia	Australia	Indonesia	Thailand	Vietnam	India	Singapore	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Liabilities									
Segment liabilities	72,934	3,761	1,759	1,478	175	122	8,187	1,598	90,014
Deferred tax liabilities	9,229	-	-	-	-	-	-	-	9,229
Current tax liabilities	3,067	136	-	-	-	-	-	52	3,255
Total liabilities									<u>102,498</u>
Other segment information									
Capital expenditure	8,251	33	18	209	71	88	2,770	55	11,495
Depreciation	4,353	36	87	44	17	-	794	82	5,413
Other non-cash income	(537)	(82)	-	-	-	-	-	(2)	(621)
Other non-cash expenses other than depreciation	1,193	430	290	24	37	-	8	-	<u>1,982</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

There were no changes in the composition of the Group during the current financial period.

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:-

	RM'000
Bank guarantees in favour of third parties*	<u>2,318</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.*

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A13. Capital commitments

Contracted but not provided for :

	As at 31.12.13 RM'000
Construction of a warehouse cum office building	22,134
Office equipment	24
Warehouse equipment	94
	<u>22,252</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 RM11.4 million or approximately 12% higher than 2QFY13. Details of changes in each service type are as follows:-

Service Type	2QFY14	2QFY13	Increase/ Decrease RM mil	% change
Seafreight	57.5	52.7	4.8	9%
Railfreight	0.3	0.7	-0.4	-57%
Airfreight	7.9	8.5	-0.6	-7%
Tug & Barge	3.9	5.2	-1.3	-25%
3PL & Warehousing	12.3	8.7	3.6	41%
Customs Brokerage	9.0	8.3	0.7	8%
Haulage	5.3	3.5	1.8	51%
Landfreight	7.2	4.4	2.8	64%
TOTAL	103.4	92.0	11.4	12%

Seafreight being the largest and most important service sector for the Group registered an increase of RM4.8 million or 9% year-on-year growth. Other core services such as 3PL & Warehousing, Landfreight & Haulage similarly performed well in the reporting quarter, contributing to the overall growth of the Group.

For the quarter under review, the Group registered a pretax profit of RM7.1 million, (2QFY13: RM6.5 mil), and a net profit of RM5.5 mil (2QFY13: RM5.0 mil).

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B2. Variation of results against preceding quarter

Service Type	2QFY14	1QFY14	Increase/- Decrease	
			RM mil	% change
Seafreight	57.5	53.5	4.0	7%
Railfreight	0.3	0.5	-0.2	-40%
Airfreight	7.9	7.6	0.3	4%
Tug & Barge	3.9	3.9	0.0	0%
3PL & Warehousing	12.3	12.7	-0.4	-3%
Customs Brokerage	9.0	8.7	0.3	3%
Haulage	5.3	5.6	-0.3	-5%
Landfreight	7.2	6.9	0.3	4%
TOTAL	103.4	99.4	4.0	4%

Compared to the preceding quarter, there was a slight increase in revenue of RM4.0mil contributed mainly from the Seafreight service. Consequently, there was also marginal increase in pretax profit and net profit after tax of 3% each against the previous reporting quarter.

B3. Current year prospects

The Board is cautiously optimistic of an overall improvement in the Group's performance for 1HFY14 and expects to sustain its growth momentum in 2HFY14. With increasing pressure from competition and higher costs, together with anticipated slowdown in economic activities in certain emerging economies. The Group hopes to capitalise on its diversified suite of logistics services to expand in the region, while maintaining overall costs and operational efficiencies.

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 – 31 December 2013****B5. Tax expense**

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year To Date	Preceding Year
	Quarter	Corresponding Quarter	31.12.2013	Corresponding Quarter
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
In respect of current period:				
Income tax	1,172	669	2,430	1,438
Deferred tax	188	339	349	499
	<u>1,360</u>	<u>1,008</u>	<u>2,779</u>	<u>1,937</u>
Under / (Over) provision in respect of prior years :				
Income tax	-	-	-	(172)
Deferred tax	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(172)</u>
Total	<u><u>1,360</u></u>	<u><u>1,008</u></u>	<u><u>2,779</u></u>	<u><u>1,765</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.

B6. Status of corporate proposal announced

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

FREIGHT MANAGEMENT HOLDINGS BHD**(Company No: 380410-P)****Notes on the quarterly report – 31 December 2013****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	7,959
Hire purchase and lease liabilities	1,371
Bank overdrafts	3,773
	<u>13,103</u>
Payable after 12 months (secured)	
Term loans	28,485
Hire purchase and lease liabilities	3,384
	<u>31,869</u>
Total borrowings	<u><u>44,972</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	42
Hire purchase and lease liabilities payable after 12 months	193
In Singapore Dollar	
Term loans payable within 12 months	2,235
Term loans payable after 12 months	5,329
Hire purchase and lease liabilities payable within 12 months	99
Hire purchase and lease liabilities payable after 12 months	236
In Indonesian Dollar	
Hire purchase and lease liabilities payable within 12 months	122
Hire purchase and lease liabilities payable after 12 months	266
In Thailand Dollar	
Hire purchase and lease liabilities payable within 12 months	27
Hire purchase and lease liabilities payable after 12 months	46
	<u><u>8,595</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 does not recommend any dividend for the current quarter under review.

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

	Individual Quarter		Cumulative Quarter	
	Current	Preceding	Current	Preceding
	Year	Year	Year To	Year
	Quarter	Corresponding	Date	Corresponding
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Profit attributable to equity holders of the parent (RM'000)	5,480	4,950	10,823	9,819
Weighted average number of ordinary shares in issue ('000)	167,785	162,286	167,785	162,286
Effect of exercise of warrants ('000)	98	-	2,357	-
Weighted average number of ordinary shares in issue applicable to basic earnings per ordinary shares('000)	167,883	162,286	170,142	162,286
Basic Earnings Per Ordinary Share (sen)	3.26	3.05	6.36	6.05

Diluted

	Individual Quarter		Cumulative Quarter	
	Current	Preceding	Current	Preceding
	Year	Year	Year To	Year
	Quarter	Corresponding	Date	Corresponding
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Profit attributable to equity holders of the parent (RM'000)	5,480	4,950	10,823	9,819
Weighted average number of ordinary shares in issue applicable to basic earnings per ordinary shares ('000)	167,883	162,286	170,142	162,286
Effect of dilution in potential exercise of warrants ('000)	308	-	5,840	-
Adjusted weighted average number of ordinary shares applicable to diluted earnings per ordinary share ('000)	168,191	162,286	175,982	162,286
Diluted Earnings Per Ordinary Share (sen)	3.26	3.05	6.15	6.05

FREIGHT MANAGEMENT HOLDINGS BHD**(Company No: 380410-P)****Notes on the quarterly report – 31 December 2013****B11. Realised and Unrealised Profits or Losses of the Group**

	As at 30.12.13 RM'000	As at 30.12.12 RM'000
Total retained earnings of the Group:		
Realised	107,173	88,045
Unrealised *	(9,492)	(7,856)
Total share of retained earnings from associates:		
Realised	250	205
Unrealised	-	-
Less: Consolidation adjustments	<u>(30,814)</u>	<u>(29,212)</u>
Total Group retained earnings as per financial statements	<u><u>67,117</u></u>	<u><u>51,182</u></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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	Current Year Quarter 31.12.13 RM'000	Current Year To Date 31.12.13 RM'000
Profit for the period is arrived at after charging/ (crediting):		
Interest income	(83)	(176)
Gain on disposal of property, plant and equipment	2	(165)
Gain on foreign exchange	(262)	(310)
Depreciation of property, plant and equipment	2,690	5,413
Impairment loss and write off of trade receivables	287	1,594
Interest expense	531	1,071
	<u>531</u>	<u>1,071</u>

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 December 2013.