

FREIGHT MANAGEMENT HOLDINGS BHD

(Company No: 380410-P)

Notes on the quarterly report – 30 September 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 2,649,971 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 RM2,570,471.87.

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.

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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	80,071	6,473	5,720	2,243	1,711	3,895	1,566	101,679	
Inter-segment revenue	(264)	(4)	(101)	(284)	(45)	-	(1,566)	(2,264)	
Revenue from external customers	<u>79,807</u>	<u>6,469</u>	<u>5,619</u>	<u>1,959</u>	<u>1,666</u>	<u>3,895</u>	<u>-</u>	<u>99,415</u>	
Results									
Segment results	7,802	345	809	(192)	109	(237)	(1,216)	7,420	
Finance costs	(430)	(5)	(16)	(1)	-	(88)	-	(540)	
Share of profit/(loss) of associates	(1)	-	-	-	-	-	(4)	(5)	
Profit before tax	<u>7,371</u>	<u>340</u>	<u>793</u>	<u>(193)</u>	<u>109</u>	<u>(325)</u>	<u>(1,220)</u>	<u>6,875</u>	
Tax expense								<u>(1,419)</u>	
Profit for the period								<u>5,456</u>	
Assets									
Segment assets	192,819	5,784	5,338	1,582	1,222	31,446	24,625	262,816	
Investments in an associates	317	-	-	-	-	-	2,994	3,311	
Current tax assets	486	-	54	557	-	-	253	1,350	
Total assets								<u>267,477</u>	

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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	71,791	3,190	972	996	122	6,639	1,987	85,697
Deferred tax liabilities	8,880	-	-	-	-	-	-	9,041
Current tax liabilities	1,834	98	-	-	-	-	-	2,629
Total liabilities								<u>97,367</u>
Other segment information								
Capital expenditure	3,147	13	10	194	5	52	42	3,463
Depreciation	2,186	18	46	20	8	402	43	2,723
Other non-cash income	(313)	(63)	-	-	-	-	(2)	(378)
Other non-cash expenses other than depreciation	1,181	112	202	8	29	15	-	1,547

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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>2,251</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 30.09.13 RM'000
Building – warehouse & office & renovation	31,569
Office equipment	33
Warehouse equipment	12
	<u>31,614</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 RM14.8 million or approximately 17% higher than 1QFY13. Details of changes in each service type are as follows:-

Service Type	1QFY14	1QFY13	Increase/ Decrease RM mil	% change
Seafreight	53.4	48.6	4.8	10%
Railfreight	0.5	1.0	-0.5	-50%
Airfreight	7.6	7.9	-0.3	-4%
Tug & Barge	3.9	4.7	-0.8	-17%
3PL & Warehousing	12.7	7.5	5.2	69%
Customs Brokerage	8.7	8.2	0.5	6%
Haulage	5.6	3.3	2.3	70%
Landfreight	7.0	3.4	3.6	106%
TOTAL	99.4	84.6	14.8	17%

The Group's performance for 1QFY14 was encouraging and satisfactory with good growth registered in Seafreight, 3PL, Landfreight and Haulage services. Compared to 1QFY13, Seafreight's revenue increased by 10%, contributed by both LCL and FCL shipments. Landfreight, Haulage and 3PL too contributed significantly to the revenue growth of the Group, with an increase of RM3.6 million, RM2.3 million and RM5.2 million respectively. The increase was due to growth and support from existing and new customers. The other services, Customs Brokerage registered a small growth of RM0.5 million while Airfreight, Rail Freight and Tug & Barge posted slight decrease as compared to 1QFY13.

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In line with the higher revenue, the Group's profit before tax increased by 15% from RM5.9 million in 1QFY13 compared to RM6.9 million registered in 1QFY14, while the profit after tax and non-controlling interests increased by 10% from RM4.8 million to RM5.3 million.

B2. Variation of results against preceding quarter

Service Type	1QFY14	4QFY13	Increase/ Decrease RM mil	% change
Seafreight	53.4	51.2	2.2	4%
Railfreight	0.5	0.7	-0.2	-29%
Airfreight	7.6	6.8	0.8	12%
Tug & Barge	3.9	4.5	-0.6	-13%
3PL & Warehousing	12.7	13.0	-0.3	-2%
Customs Brokerage	8.7	9.6	-0.9	-9%
Haulage	5.6	4.2	1.4	33%
Landfreight	7.0	6.3	0.7	11%
TOTAL	99.4	96.3	3.1	3%

Compared to 4QFY13, the Group recorded smaller revenue growth of 3% or RM3.1 million. Revenue increase was registered in Seafreight (RM2.2 million), Airfreight (RM0.8 million), Haulage (RM1.4 million) and Landfreight (RM 0.7 million), while all other services recorded slight drop in revenue.

Profit after tax and non-controlling interests declined by RM2.7 million against the preceding quarter of RM5.3 million due to higher administrative and other operating expenses.

B3. Current year prospects

The Board is mindful of a more challenging and competitive business environment in FY14. The performance for 1QFY14 was very encouraging and the Group is hopeful of registering good growth in FY14.

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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	Current Year To	Preceding Year
	Quarter	Corresponding Quarter	Date	Corresponding Quarter
	30.09.2013	30.09.2012	30.09.2013	30.09.2012
	RM'000	RM'000	RM'000	RM'000
In respect of current period:				
Income tax	1,258	769	1,258	769
Deferred tax	161	160	161	160
	<u>1,419</u>	<u>929</u>	<u>1,419</u>	<u>929</u>
Under / (Over) provision in respect of prior years :				
Income tax	-	(172)	-	(172)
Deferred tax	-	-	-	-
	<u>-</u>	<u>(172)</u>	<u>-</u>	<u>(172)</u>
Total	<u><u>1,419</u></u>	<u><u>757</u></u>	<u><u>1,419</u></u>	<u><u>757</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

The following proposals have been approved by the shareholders at the Annual General Meeting on 27 November 2013:-

- (i) Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature; and
- (ii) Proposed Renewal of Share Buy-Back Authority.

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	7,470
Hire purchase and lease liabilities	1,792
Bank overdrafts	4,135
	<u>13,397</u>
Payable after 12 months (secured)	
Term loans	28,462
Hire purchase and lease liabilities	3,500
	<u>31,962</u>
Total borrowings	<u><u>45,359</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	211
In Singapore Dollar	
Term loans payable within 12 months	1,777
Term loans payable after 12 months	3,864

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Hire purchase and lease liabilities payable within 12 months	98
Hire purchase and lease liabilities payable after 12 months	261

In Indonesian Dollar

Hire purchase and lease liabilities payable within 12 months	126
Hire purchase and lease liabilities payable after 12 months	317

In Thailand Dollar

Hire purchase and lease liabilities payable within 12 months	25
Hire purchase and lease liabilities payable after 12 months	51

6,772

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 proposed final single tier dividend of 3.0 sen per share in respect of the financial year ended 30 June 2013 has been approved by the shareholders at the Annual General Meeting on 27 November 2013.

The final dividend will be payable on 18 December 2013 to shareholders whose names appear in the Record of Depositors at the close of business on 29 November 2013.

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	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Quarter
	30.09.2013	30.09.2012	30.09.2013	30.09.2012
Profit attributable to equity holders of the parent (RM'000)	5,343	4,869	5,343	4,869
Weighted average number of ordinary shares in issue ('000)	167,785	162,286	167,785	162,286
Effect of exercise of warrants ('000)	1,965	-	1,965	-
Weighted average number of ordinary shares in issue applicable to basic earnings per ordinary shares('000)	169,750	162,286	169,750	162,286
Basic Earnings Per Ordinary Share (sen)	3.15	3.00	3.15	3.00

Diluted

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Quarter
	30.09.2013	30.09.2012	30.09.2013	30.09.2012
Profit attributable to equity holders of the parent (RM'000)	5,343	4,869	5,343	4,869
Weighted average number of ordinary shares in issue applicable to basic earnings per ordinary shares ('000)	169,750	162,286	169,750	162,286
Effect of dilution in potential exercise of warrants ('000)	5,532	-	5,532	-
Adjusted weighted average number of ordinary shares applicable to diluted earnings per ordinary share ('000)	175,282	162,286	175,282	162,286
Diluted Earnings Per Ordinary Share (sen)	3.05	3.00	3.05	3.00

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B11. Realised and Unrealised Profits or Losses of the Group

	As at 30.09.13 RM'000	As at 30.09.12 RM'000
Total retained earnings of the Group:		
Realised	106,391	86,506
Unrealised *	(9,264)	(7,537)
Total share of retained earnings from associates:		
Realised	234	159
Unrealised	-	-
Less: Consolidation adjustments	<u>(30,606)</u>	<u>(28,839)</u>
Total Group retained earnings as per financial statements	<u><u>66,755</u></u>	<u><u>50,289</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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B12. Additional Disclosures on Profit for the period

	Current Year To Date 30.09.13 RM'000
Profit for the period is arrived at after charging/ (crediting):	
Interest income	(93)
Gain on disposal of property, plant and equipment	(167)
Gain on foreign exchange	(48)
Depreciation of property, plant and equipment	2,723
Impairment loss and write off of trade receivables	1,307
Interest expense	540

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 September 2013.