

FREIGHT MANAGEMENT HOLDINGS BHD

(Company No: 380410-P)

Notes on the quarterly report – 30 September 2015

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 2015.

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 2015.

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 2015.

The Group has adopted the MFRSs, amendments and interpretations effective for annual periods beginning on or after 1 January 2014 and 1 July 2014 where applicable to the Group. The initial adoption of these applicable MFRS, amendments and interpretations do not have any material impact on the financial statements 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 2015 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.

A7. Dividend paid

The interim single tier dividend of 1.5 sen per share amounting to RM2,594,994 in respect of financial year ended 30 June 2015 has been paid on 28 July 2015.

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A8. Segment information

Operating segments for the current financial year to date:

	← Logistics →										
	Malaysia	Australia	Indonesia	Thailand	Vietnam	India	Sri Lanka	Marine Singapore	Others	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue											
Total revenue	75,031	7,559	6,182	2,855	4,697	2,178	1,586	3,820	2,134	(4,053)	101,989
Inter-segment revenue	(1,043)	(113)	(411)	(368)	(106)	(23)	(2)	-	(1,987)	4,053	-
Revenue from external customers	73,988	7,446	5,771	2,487	4,591	2,155	1,584	3,820	147	-	101,989
Results											
Segment results	6,638	388	924	348	970	(17)	29	(1,200)	(733)	-	7,347
Finance costs	(663)	(7)	(9)	(1)	-	-	-	(122)	-	4	(798)
Share of profit/(loss) of associates	(1)	-	-	-	-	-	-	-	-	-	(1)
Share of loss of joint ventures	-	-	-	-	-	-	-	-	473	-	473
Profit before tax	5,974	381	915	347	970	(17)	29	(1,322)	(260)	4	7,021
Tax expense											(1,186)
Profit for the period											5,835
Assets											
Segment assets	348,654	8,832	8,863	2,666	4,412	2,797	850	39,427	58,152	(82,011)	392,642
Investments in associates	418	-	-	-	-	-	-	-	2,896	-	3,314
Investments in joint ventures	-	-	-	-	-	-	-	-	2,860	-	2,860
Deferred tax assets	-	-	198	-	-	431	-	-	-	-	629
Current tax assets	85	-	-	597	-	-	-	-	-	-	682
Total assets											400,127

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	← Logistics				→							Total RM'000
	Malaysia RM'000	Australia RM'000	Indonesia RM'000	Thailand RM'000	Vietnam RM'000	India RM'000	Sri Lanka RM'000	Marine Singapore RM'000	Others RM'000	Elimination RM'000		
Liabilities												
Segment liabilities	206,855	4,025	4,706	3,834	3,083	2,577	767	12,748	17,297	(109,596)	146,296	
Deferred tax liabilities	17,459	-	-	-	-	-	-	53	-	-	17,512	
Current tax liabilities	1,256	140	70	-	112	-	-	-	42	-	1,620	
Total liabilities											<u>165,428</u>	
Other segment information												
Capital expenditure	53,754	-	15	6	18	-	-	244	-	-	54,037	
Depreciation	2,669	37	54	18	19	-	3	755	31	-	3,586	
Other non-cash income	(462)	(16)	-	(26)	(52)	-	-	-	(98)	-	(654)	
Other non-cash expenses other than depreciation	372	-	41	-	58	103	11	84	-	-	669	

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A9. Valuation of property, plant and equipment

The Group's property, plant and equipment other than land and buildings are stated at cost less accumulated depreciation and any accumulated impairment losses. Land and buildings are stated at valuation, which are the fair values at the date of revaluation.

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 6 July 2015, the Company announced that its wholly-owned subsidiary, FM Global Logistics Ventures Sdn. Bhd. ('FMGLV'), had entered into a Subscription and Shareholders' Agreement ('the Agreement') with the six (6) other parties for the subscription of 258,352 new ordinary shares of RM1.00 each in Hubwire Sdn. Bhd. (Company No. 1070185-P) ('HSB'), a company incorporated under the Companies Act, 1965 in Malaysia, for a total cash consideration of RM1,600,000.

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>2,429</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 30.09.15 RM'000
Construction of a warehouse cum office building	2,572
Trucks	333
Prime Movers	938
Warehouse equipment	566
	<hr/>
	4,409 <hr/>

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

B1. Review of performance

The Group registered a slight revenue drop of RM1.4million or approximately 1% lower than 1QFY15. Details of changes are as follows:-

Service Type	1QFY16	1QFY15	Increase/ Decrease RM mil	% change
Seafreight	63.3	62.3	1.0	2%
Railfreight	0.2	0.3	-0.1	-33%
Airfreight	8.3	8.8	-0.5	-6%
Tug & Barge	3.8	5.8	-2.0	-34%
3PL & Warehousing	11.8	9.5	2.3	24%
Customs Brokerage	5.6	7.4	-1.8	-24%
Haulage	4.9	5.1	-0.2	-4%
Landfreight	4.1	4.2	-0.1	-2%
TOTAL	102.0	103.4	-1.4	-1%

Revenue for the quarter was contributed mainly from Sea Freight division which increase approximately 2% while revenue from 3PL which increased of 24% compared to 1QFY15. Higher revenue from 3PL & Warehousing was mainly due to higher utilisation of our warehousing services with the completion of the renovation of one of our major warehouses. Other services have lower revenue as a result of the slower activities during this 1QFY16.

Despite a lower revenue, Profit Before Tax and its margin were higher as compared to 1QFY15 due to better contributions of 3PL activities as a result of better utilisation of our major warehouses and achieving better efficiency level from our services. Besides that, positive contributions from our overseas offices also contributed to a better Profit Before Tax.

FREIGHT MANAGEMENT HOLDINGS BHD**(Company No: 380410-P)****Notes on the quarterly report – 30 September 2015****B2. Variation of results against preceding quarter**

Service Type	1QFY16	4QFY15	Increase/- Decrease	
			RM mil	% change
Seafreight	63.3	68.2	-4.9	-7%
Railfreight	0.2	0.2	0.0	0%
Airfreight	8.3	8.5	-0.2	-2%
Tug & Barge	3.8	4.7	-0.9	-19%
3PL & Warehousing	11.8	11.0	0.8	7%
Customs Brokerage	5.6	6.0	-0.4	-7%
Haulage	4.9	5.3	-0.4	-8%
Landfreight	4.1	4.2	-0.1	-2%
TOTAL	102.0	108.1	-6.1	-6%

Revenue as compared to the preceding quarter, 4QFY15, the Group recorded a lower revenue for 1QFY16. Comparing to 4QFY15, the lower revenue for Seafreight is mainly due to lower freight costs while lower revenue for other service sectors is mainly due to slower activities in 1QFY16. 3PL & Warehousing achieved higher revenue as a result of higher utilisation of our warehousing services with the completion of the renovation of one of our major warehouses.

For 1QFY16, Profit before Tax and its margin was higher as compared to 4QFY15 due to better contributions of 3PL activities as a result of better utilisation of our major warehouses and achieving better yield from our Seafreight services. Positive contributions from our overseas offices also contributed to a better Profit Before Tax.

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B3. Current year prospects

The Board expects to operate in a challenging, uncertain and competitive business environment in this financial year. The Group expects its core Seafreight division to continue to contribute strongly while other logistics related services will remain profitable. We also expect our overseas offices and joint ventures to continue to contribute positively to the Group's earnings. Going forward, the Group will continue seeking new business opportunities and to continue to manage its' operational and cost efficiency.

Based on the current economic and industry outlook, barring unforeseen circumstances, the Board of Directors is of the opinion that the business and performance of the group are expected to remain positive for the financial year ending 30 June 2016.

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 September 2015****B5. Tax expense**

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year To	Preceding Year
	Quarter	Corresponding Quarter	Date	Corresponding Quarter
	30.09.2015	30.09.2014	30.09.2015	30.09.2014
	RM'000	RM'000	RM'000	RM'000
In respect of current period:				
Income tax	836	1,106	836	1,106
Deferred tax	350	141	350	141
	<u>1,186</u>	<u>1,247</u>	<u>1,186</u>	<u>1,247</u>
Under / (Over) provision in respect of prior years :				
Income tax	-	-	-	-
Deferred tax	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u><u>1,186</u></u>	<u><u>1,247</u></u>	<u><u>1,186</u></u>	<u><u>1,247</u></u>

The effective tax rate is lower than the statutory tax rate due to utilisation of investment tax allowance.

B6. Status of corporate proposal announced

The following proposals have been approved by the shareholders at the Annual General Meeting on 25 November 2015:-

- (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.

FREIGHT MANAGEMENT HOLDINGS BHD**(Company No: 380410-P)****Notes on the quarterly report – 30 September 2015****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	9,510
Hire purchase and lease liabilities	1,828
Bank overdrafts	871
Revolving credit	3,000
	<u>15,209</u>
Payable after 12 months (secured)	
Term loans	81,655
Hire purchase and lease liabilities	3,433
	<u>85,088</u>
Total borrowings	<u><u>100,297</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	66
Hire purchase and lease liabilities payable after 12 months	338
In Singapore Dollar	
Term loans payable within 12 months	4,113
Term loans payable after 12 months	5,018
Hire purchase and lease liabilities payable within 12 months	125
Hire purchase and lease liabilities payable after 12 months	64
In Indonesian Dollar	
Hire purchase and lease liabilities payable within 12 months	301
Hire purchase and lease liabilities payable after 12 months	-
In Thailand Dollar	
Hire purchase and lease liabilities payable within 12 months	20
Hire purchase and lease liabilities payable after 12 months	-
	<u><u>10,045</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 proposed final single tier dividend of 3.5 sen per share in respect of the financial year ended 30 June 2015 has been approved by the shareholders at the Annual General Meeting on 25 November 2015.

The final dividend will be payable on 22 December 2015 to shareholders whose names appear in the Record of Depositors at the close of business on 27 November 2015.

FREIGHT MANAGEMENT HOLDINGS BHD**(Company No: 380410-P)****Notes on the quarterly report – 30 September 2015****B10. Earnings per share****Basic**

	Individual Quarter		Cumulative Quarter	
	Current	Preceding	Current	Preceding
	Year	Year	Year To	Year
	Quarter	Corresponding	Date	Corresponding
	30.09.2015	30.09.2014	30.09.2015	30.09.2014
Profit attributable to equity holders of the parent (RM'000)	5,752	4,675	5,752	4,675
Weighted average number of ordinary shares in issue ('000)	172,999	170,761	172,999	170,761
Effect of exercise of warrants ('000)	-	20	-	20
Weighted average number of ordinary shares in issue applicable to basic earnings per ordinary shares('000)	172,999	170,781	172,999	170,781
Basic Earnings Per Ordinary Share (sen)	3.32	2.74	3.32	2.74

Diluted

	Individual Quarter		Cumulative Quarter	
	Current	Preceding	Current	Preceding
	Year	Year	Year To	Year
	Quarter	Corresponding	Date	Corresponding
	30.09.2015	30.09.2014	30.09.2015	30.09.2014
Profit attributable to equity holders of the parent (RM'000)	5,752	4,675	5,752	4,675
Weighted average number of ordinary shares in issue applicable to basic earnings per ordinary shares ('000)	172,999	170,781	172,999	170,781
Effect of dilution in potential exercise of warrants ('000)	4,553	6,952	4,553	6,952
Adjusted weighted average number of ordinary shares applicable to diluted earnings per ordinary share ('000)	177,552	177,733	177,552	177,733
Diluted Earnings Per Ordinary Share (sen)	3.24	2.63	3.24	2.63

FREIGHT MANAGEMENT HOLDINGS BHD**(Company No: 380410-P)****Notes on the quarterly report – 30 September 2015****B11. Realised and Unrealised Profits or Losses of the Group**

	As at 30.09.15 RM'000	As at 30.09.14 RM'000
Total retained earnings of the Group:		
Realised	143,792	124,156
Unrealised *	(17,001)	(9,533)
Total share of retained earnings from associates:		
Realised	163	136
Unrealised		-
Total share of accumulated losses from joint ventures:-		
Realised	(309)	(142)
Unrealised		-
Less: Consolidation adjustments	<u>(32,443)</u>	<u>(32,204)</u>
Total Group retained earnings as per financial statements	<u>94,202</u>	<u>82,413</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.

FREIGHT MANAGEMENT HOLDINGS BHD**(Company No: 380410-P)****Notes on the quarterly report – 30 September 2015****B12. Additional Disclosures on Profit for the period**

	Current Year	Preceding
	Quarter	Year
	30.09.15	30.09.14
	RM'000	RM'000
Profit for the period is arrived at after charging/ (crediting):		
Interest income	(75)	(114)
Gain on disposal of property, plant and equipment	(20)	(6)
(Gain)/loss on foreign exchange	(1,237)	110
Depreciation of property, plant and equipment	3,586	2,985
Impairment loss and write off of trade receivables	368	393
Interest expense	798	669
	<u> </u>	<u> </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 30 September 2015.