

# **FREIGHT MANAGEMENT HOLDINGS BHD**

**(Company No: 380410-P)**

## **Notes on the quarterly report – 30 June 2014**

### **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>Title</u>		<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	<i>Separate Financial Statements</i>	1 January 2013
MFRS 128	<i>Investments in Associates and Joint Ventures</i>	1 January 2013
Amendments to MFRS 7	<i>Disclosures – Offsetting Financial Assets And Financial Liabilities</i>	1 January 2013
Amendments to MFRSs	<i>Annual Improvements 2009-2011 cycle</i>	1 January 2013

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Amendments to MFRS 10 <i>Consolidated Financial Statements:</i>	1 January 2013
<i>Transition Guidance</i>	
Amendments to MFRS 11 <i>Joint Arrangements: Transition Guidance</i>	1 January 2013
Amendments to MFRS 12 <i>Disclosure of Interests in Other Entities:</i>	1 January 2013
<i>Transition Guidance</i>	
IC Interpretation 20 <i>Stripping costs in the production phase of a surface mine</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 2,975,784 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 RM2,886,510.

**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.
- iii) The interim single tier dividend of 1.5 sen per share amounting to RM2,561,332 in respect of financial year ended 30 June 2014 has been paid on 14 July 2014.

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### A8. Segment information

Operating segments for the current financial year to date:

	←		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
<b>Revenue</b>									
Total revenue	317,414	29,612	22,830	8,348	7,784	3,607	17,182	7,538	414,315
Inter-segment revenue	(1,363)	(217)	(589)	(1,014)	(213)	(130)	-	(7,488)	(11,014)
Revenue from external customers	<u>316,051</u>	<u>29,395</u>	<u>22,241</u>	<u>7,334</u>	<u>7,571</u>	<u>3,477</u>	<u>17,182</u>	<u>50</u>	<u>403,301</u>
<b>Results</b>									
Segment results	32,549	1,623	3,842	(1,327)	629	(868)	1,975	(5,321)	33,102
Finance costs	(1,640)	(22)	(61)	(5)	-	-	(394)	-	(2,122)
Share of profit/(loss) of associates	12	-	-	-	-	-	-	(103)	(91)
Share of loss of joint ventures	-	-	-	-	-	-	-	(62)	(62)
Profit before tax	<u>30,921</u>	<u>1,601</u>	<u>3,781</u>	<u>(1,332)</u>	<u>629</u>	<u>(868)</u>	<u>1,581</u>	<u>(5,486)</u>	<u>30,827</u>
Tax expense									<u>(5,263)</u>
Profit for the period									<u>25,564</u>
<b>Assets</b>									
Segment assets	194,060	5,833	6,690	1,721	2,002	1,374	36,681	30,612	278,973
Investments in associates	329	-	-	-	-	-	-	2,896	3,225
Investments in joint ventures								2,589	2,589
Current tax assets	195	298	41	393	-	-	-	-	927
Total assets									<u>285,714</u>

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	← Logistics		→			Marine	Others	Total	
	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
<b>Liabilities</b>									
Segment liabilities	67,475	3,389	1,706	1,414	666	456	11,598	4,507	91,211
Deferred tax liabilities	9,273	-	-	-	-	(162)	-	-	9,111
Current tax liabilities	2,003	-	-	-	-	-	-	87	2,090
Total liabilities									<u>102,412</u>
<b>Other segment information</b>									
Capital expenditure	21,060	67	322	213	75	107	7,935	156	29,935
Depreciation	8,741	78	181	86	41	-	1,899	150	11,176
Other non-cash income	(871)	(21)	-	-	-	-	(1,774)	-	(2,666)
Other non-cash expenses other than depreciation	804	351	212	13	54	2	-	7	1,443

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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 26 February 2014, a wholly-owned subsidiary, Icon Line (Malaysia) Sdn Bhd (ILM) subscribed for 3,618,820 shares of LKR1.00 each in FM Global Logistics Lanka (Private) Limited (FMGLL) for cash consideration of LKR3,618,820, equivalent to RM93,700.

#### **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:-

	<b>RM'000</b>
Bank guarantees in favour of third parties*	<u>2,623</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 :**

	<b>As at 30.06.14 RM'000</b>
Construction of a warehouse cum office building	13,171
Tugboat	2,285
Warehouse equipment	838
Furniture & fittings	96
Trailer	89
Office equipment	<u>33</u>
	<u>16,512</u>

## **FREIGHT MANAGEMENT HOLDINGS BHD**

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### **Notes on the quarterly report – 30 June 2014**

#### **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 8% higher than 4QFY13. Details of changes in each service type are as follows:-

<b>Service Type</b>	<b>4QFY14</b>	<b>4QFY13</b>	<b>Increase/ Decrease RM mil</b>	<b>% change</b>
Seafreight	60.5	51.2	9.3	18%
Railfreight	0.3	0.8	-0.5	-63%
Airfreight	7.4	6.8	0.6	9%
Tug & Barge	5.0	4.5	0.5	11%
3PL & Warehousing	10.8	12.9	-2.1	-16%
Customs Brokerage	8.9	9.6	-0.7	-7%
Haulage	5.4	4.2	1.2	29%
Landfreight	5.6	6.3	-0.7	-11%
<b>TOTAL</b>	<b>103.9</b>	<b>96.3</b>	<b>7.6</b>	<b>8%</b>

Revenue for the quarter was contributed mainly from Sea Freight division which maintaining a steady growth of 18% or RM9.3 mil. Other services reported moderate growth with the exception of Railfreight, 3PL & Warehousing, Customs Brokerage and Haulage which reported a slip dip in revenue.

Overall, the Gross Profit and Profit before Tax margin was lower as compared to 4QFY13 due to softer trading environment.



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**B2. Variation of results against preceding quarter**

<b>Service Type</b>	<b>4QFY14</b>	<b>3QFY14</b>	<b>Increase/- Decrease</b>	
			<b>RM mil</b>	<b>% change</b>
Seafreight	60.5	53.2	7.3	14%
Railfreight	0.3	0.3	0.0	0%
Airfreight	7.4	5.8	1.6	28%
Tug & Barge	5.0	4.4	0.6	14%
3PL & Warehousing	10.8	12.7	-1.9	-15%
Customs Brokerage	8.9	8.3	0.6	7%
Haulage	5.4	5.2	0.2	4%
Landfreight	5.6	6.7	-1.1	-16%
<b>TOTAL</b>	<b>103.9</b>	<b>96.6</b>	<b>7.3</b>	<b>8%</b>

Revenue as compared to the preceding quarter, 3QFY14, registered a moderate growth of 8%. Once again, the core Seafreight division reported a growth of RM7.3 million or 14%, followed by Airfreight which registered an increase of RM1.6 million or 28%. Revenue for 3PL & Warehousing and Landfreight services were lower due to decline in demand from some customers.

**B3. Current year prospects**

Performance for the financial year ending 30 June 2014 was satisfactory and the Board of Directors is please to report that despite the challenges faced by some service segments, the Group was able to post moderate growth for the financial year.

For the new financial year ending 30 June 2015, the Group expects its core Seafreight division to continue to contribute strongly, whilst other services are expected to improve and continue to be profitable. Long term strategic investments and joint ventures both locally and in the region, will also underpin its future growth.

**FREIGHT MANAGEMENT HOLDINGS BHD****(Company No: 380410-P)****Notes on the quarterly report – 30 June 2014****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.

**B5. Tax expense**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Current Year</b>	<b>Preceding Year Corresponding Quarter</b>	<b>Current Year To Date</b>	<b>Preceding Year Corresponding Quarter</b>
	<b>30.06.2014</b>	<b>30.06.2013</b>	<b>30.06.2014</b>	<b>30.06.2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>In respect of current period:</b>				
Income tax	1,421	1,705	4,788	3,947
Deferred tax	(35)	766	226	1,753
	<u>1,386</u>	<u>2,471</u>	<u>5,014</u>	<u>5,700</u>
<b>Under / (Over) provision in respect of prior years :</b>				
Income tax	254	-	244	(228)
Deferred tax	-	-	5	(21)
	<u>254</u>	<u>-</u>	<u>249</u>	<u>(249)</u>
<b>Total</b>	<u><u>1,640</u></u>	<u><u>2,471</u></u>	<u><u>5,263</u></u>	<u><u>5,451</u></u>

The effective tax rate is lower than the statutory tax rate due to the tax exemption enjoyed by a subsidiary 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 – 30 June 2014****B7. Group borrowings**

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

	<b>RM'000</b>
<b>Payable within 12 months (secured)</b>	
Term loans	9,528
Hire purchase and lease liabilities	1,233
Bank overdrafts	1,123
	<u>11,884</u>
<b>Payable after 12 months (secured)</b>	
Term loans	32,671
Hire purchase and lease liabilities	3,239
	<u>35,910</u>
Total borrowings	<u><u>47,794</u></u>

All the above borrowings are denominated in Ringgit Malaysia except for the following, which is denominated in foreign currency:-

	<b>RM'000</b>
<b>In Australian Dollar</b>	
Hire purchase and lease liabilities payable within 12 months	46
Hire purchase and lease liabilities payable after 12 months	177
<b>In Singapore Dollar</b>	
Term loans payable within 12 months	2,726
Term loans payable after 12 months	6,543
Hire purchase and lease liabilities payable within 12 months	100
Hire purchase and lease liabilities payable after 12 months	184
<b>In Indonesian Dollar</b>	
Hire purchase and lease liabilities payable within 12 months	181
Hire purchase and lease liabilities payable after 12 months	315
<b>In Thailand Dollar</b>	
Hire purchase and lease liabilities payable within 12 months	28
Hire purchase and lease liabilities payable after 12 months	33
	<u><u>10,333</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 recommend for the approval of shareholders a final single tier dividend of 3.5 sen per share, in respect of financial year ended 30 June 2014.

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.

**FREIGHT MANAGEMENT HOLDINGS BHD****(Company No: 380410-P)****Notes on the quarterly report – 30 June 2014****B10. Earnings per share****Basic**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Current</b>	<b>Preceding</b>	<b>Current</b>	<b>Preceding</b>
	<b>Year</b>	<b>Year</b>	<b>Year To</b>	<b>Year</b>
	<b>Quarter</b>	<b>Corresponding</b>	<b>Date</b>	<b>Corresponding</b>
	<b>30.06.2014</b>	<b>30.06.2013</b>	<b>30.06.2014</b>	<b>30.06.2013</b>
Profit attributable to equity holders of the parent (RM'000)	8,170	8,119	24,006	22,566
Weighted average number of ordinary shares in issue ('000)	167,786	162,286	167,786	162,286
Effect of exercise of warrants ('000)	32	336	2,624	84
Weighted average number of ordinary shares in issue applicable to basic earnings per ordinary shares('000)	167,818	162,622	170,410	162,370
Basic Earnings Per Ordinary Share (sen)	4.87	4.99	14.09	13.90

**Diluted**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Current</b>	<b>Preceding</b>	<b>Current</b>	<b>Preceding</b>
	<b>Year</b>	<b>Year</b>	<b>Year To</b>	<b>Year</b>
	<b>Quarter</b>	<b>Corresponding</b>	<b>Date</b>	<b>Corresponding</b>
	<b>30.06.2014</b>	<b>30.06.2013</b>	<b>30.06.2014</b>	<b>30.06.2013</b>
Profit attributable to equity holders of the parent (RM'000)	8,170	8,119	24,006	22,566
Weighted average number of ordinary shares in issue applicable to basic earnings per ordinary shares ('000)	167,818	162,622	170,410	162,370
Effect of dilution in potential exercise of warrants ('000)	196	1,725	6,530	1,919
Adjusted weighted average number of ordinary shares applicable to diluted earnings per ordinary share ('000)	168,014	164,347	176,940	164,289
Diluted Earnings Per Ordinary Share (sen)	4.86	4.94	13.57	13.74

**FREIGHT MANAGEMENT HOLDINGS BHD****(Company No: 380410-P)****Notes on the quarterly report – 30 June 2014****B11. Realised and Unrealised Profits or Losses of the Group**

	<b>As at 30.06.14 RM'000</b>	<b>As at 30.06.13 RM'000</b>
Total retained earnings of the Group:		
Realised	118,647	100,544
Unrealised *	(9,492)	(8,964)
Total share of retained earnings from associates:		
Realised	148	239
Unrealised	-	-
Total share of accumulated losses from joint ventures:-		
Realised	(62)	-
Unrealised	-	-
Less: Consolidation adjustments	<u>(31,503)</u>	<u>(30,407)</u>
Total Group retained earnings as per financial statements	<u><u>77,738</u></u>	<u><u>61,412</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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	<b>Current Year Quarter 30.06.14 RM'000</b>	<b>Current Year To Date 30.06.14 RM'000</b>
<b>Profit for the period is arrived at after charging/ (crediting):</b>		
Interest income	(97)	(339)
Gain on disposal of property, plant and equipment	(48)	(1,971)
Gain on foreign exchange	(171)	(415)
Depreciation of property, plant and equipment	3,105	11,176
Impairment loss and write off of trade receivables	(525)	882
Interest expense	544	2,121
	<u>544</u>	<u>2,121</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 June 2014.