

FREIGHT MANAGEMENT HOLDINGS BHD

(Company No: 380410-P)

Notes on the quarterly report – 30 September 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 2014.

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 2014.

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 2014.

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 2014 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 40,997 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 RM39,767.

A7. Dividend paid

- i) 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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	← 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	
Liabilities										
Segment liabilities	76,295	3,768	1,408	1,511	784	637	46	12,821	2,165	99,435
Deferred tax liabilities	9,413	-	-	-	-	(161)	-	-	-	9,252
Current tax liabilities	1,918	228	-	-	-	-	-	-	112	2,258
Total liabilities										<u>110,945</u>
Other segment information										
Capital expenditure	11,232	3	18	1	9	4	29	2,414	-	13,710
Depreciation	2,246	20	51	21	12	-	-	607	28	2,985
Other non-cash income	(284)	-	(10)	-	(3)	-	-	(18)	(7)	(322)
Other non-cash expenses other than depreciation	852	3	84	20	73	16	-	8	-	1,056

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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>2,722</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 30.09.14 RM'000
Construction of a warehouse cum office building	4,045
Trucks	740
Furniture & fittings	72
Office equipment	56
	<hr/>
	4,913 <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 revenue growth of RM4.0million or approximately 4% higher than 1QFY14. Details of changes in each service type are as follows:-

Service Type	1QFY15	1QFY14	Increase/ Decrease RM mil	% change
Seafreight	62.3	53.4	8.9	17%
Railfreight	0.3	0.5	-0.2	-40%
Airfreight	8.8	7.6	1.2	16%
Tug & Barge	5.8	3.9	1.9	49%
3PL & Warehousing	9.5	12.7	-3.2	-25%
Customs Brokerage	7.4	8.7	-1.3	-15%
Haulage	5.1	5.6	-0.5	-9%
Landfreight	4.2	7.0	-2.8	-40%
TOTAL	103.4	99.4	4.0	4%

Revenue for the quarter was contributed mainly by the Sea Freight division, which recorded an increase of 17% or RM8.9 mil. This was followed by the Air Freight and Tug & Barge divisions with modest revenue growth. However, the divisions of Rail Freight, 3PL & Warehousing, Customs Brokerage, Haulage and Land Freight recorded decrease in revenue. This was mainly due to the cessation of a 3PL customer.

Overall, the Profit before Tax margin was lower as compared to 1QFY14 as a result of higher borrowing costs for the new warehouse and acquisition of a tugboat; the realignment and restructuring of the Air Freight division; and additional operating expenses arising from new operational overseas' start-ups and joint venture companies.

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B2. Variation of results against preceding quarter

Service Type	1QFY15	4QFY14	Increase/- Decrease	
			RM mil	% change
Seafreight	62.3	60.5	1.8	3%
Railfreight	0.3	0.3	0.0	0%
Airfreight	8.8	7.4	1.4	19%
Tug & Barge	5.8	5.0	0.8	16%
3PL & Warehousing	9.5	10.8	-1.3	-12%
Customs Brokerage	7.4	8.9	-1.5	-17%
Haulage	5.1	5.4	-0.3	-6%
Landfreight	4.2	5.6	-1.4	-25%
TOTAL	103.4	103.9	-0.5	0%

As compared to the preceding quarter, the Group recorded similar revenue in 1QFY15. Comparing to 4QFY14, revenue was higher for Sea Freight, Air Freight and Tug & Barge divisions while other divisions such as Rail Freight, 3PL & Warehousing, Customs Brokerage, Haulage and Land Freight recorded lower revenue mainly due to the impact from cessation of a 3PL customer.

For 1QFY15, the Profit before Tax margin was lower as compared to 4QFY14 mainly due to higher borrowing costs for the new warehouse and acquisition of a tugboat; the realignment and restructuring of the Air Freight division; and additional operating expenses arising from new operational overseas' start-ups and joint venture companies

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B3. Current year prospects

For the financial year ending 30 June 2015, the Group shall endeavor to make each unit and segment to contribute positively. The core Sea Freight division is expected to continue to contribute strongly to the overall growth. Long term strategic investments and joint ventures both locally and in the region, shall underpin the Group's future growth. The Group will continue its effort in seeking new business opportunities, improving its operational efficiency and managing its cost effectively.

Amidst the business developments and efforts, the Group is cautious of coming financial year as the uncertainties and volatilities of the domestic and overseas markets could continue to run through the rest of the financial year. Notwithstanding, the Group remains optimistic of our business and would continue to look for opportunity to grow.

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 2014****B5. Tax expense**

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year To Date	Preceding Year
	Quarter	Corresponding Quarter	30.09.2014	Corresponding Quarter
	30.09.2014	30.09.2013	30.09.2014	30.09.2013
	RM'000	RM'000	RM'000	RM'000
In respect of current period:				
Income tax	1,106	1,258	1,106	1,258
Deferred tax	141	161	141	161
	<u>1,247</u>	<u>1,419</u>	<u>1,247</u>	<u>1,419</u>
Under / (Over) provision in respect of prior years :				
Income tax	-	-	-	-
Deferred tax	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u><u>1,247</u></u>	<u><u>1,419</u></u>	<u><u>1,247</u></u>	<u><u>1,419</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

The following proposals have been approved by the shareholders at the Annual General Meeting on 25 November 2014:-

- (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 2014****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	10,221
Hire purchase and lease liabilities	1,435
Bank overdrafts	1,297
	<u>12,953</u>
Payable after 12 months (secured)	
Term loans	40,762
Hire purchase and lease liabilities	3,337
	<u>44,099</u>
Total borrowings	<u><u>57,052</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	98
Hire purchase and lease liabilities payable after 12 months	101
In Singapore Dollar	
Term loans payable within 12 months	3,354
Term loans payable after 12 months	7,623
Hire purchase and lease liabilities payable within 12 months	101
Hire purchase and lease liabilities payable after 12 months	158
In Indonesian Dollar	
Hire purchase and lease liabilities payable within 12 months	186
Hire purchase and lease liabilities payable after 12 months	270
In Thailand Dollar	
Hire purchase and lease liabilities payable within 12 months	28
Hire purchase and lease liabilities payable after 12 months	25
	<u><u>11,944</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 2014 has been approved by the shareholders at the Annual General Meeting on 25 November 2014.

The final dividend will be payable on 22 December 2014 to shareholders whose names appear in the Record of Depositors at the close of business on 27 November 2014.

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

	Individual Quarter		Cumulative Quarter	
	Current	Preceding	Current	Preceding
	Year	Year	Year To	Year
	Quarter	Corresponding	Date	Corresponding
	30.09.2014	30.09.2013	30.09.2014	30.09.2013
Profit attributable to equity holders of the parent (RM'000)	4,675	5,343	4,675	5,343
Weighted average number of ordinary shares in issue ('000)	170,761	167,785	170,761	167,785
Effect of exercise of warrants ('000)	20	1,965	20	1,965
Weighted average number of ordinary shares in issue applicable to basic earnings per ordinary shares('000)	170,781	169,750	170,781	169,750
Basic Earnings Per Ordinary Share (sen)	2.74	3.15	2.74	3.15

Diluted

	Individual Quarter		Cumulative Quarter	
	Current	Preceding	Current	Preceding
	Year	Year	Year To	Year
	Quarter	Corresponding	Date	Corresponding
	30.09.2014	30.09.2013	30.09.2014	30.09.2013
Profit attributable to equity holders of the parent (RM'000)	4,675	5,343	4,675	5,343
Weighted average number of ordinary shares in issue applicable to basic earnings per ordinary shares ('000)	170,781	169,750	170,781	169,750
Effect of dilution in potential exercise of warrants ('000)	6,952	5,532	6,952	5,532
Adjusted weighted average number of ordinary shares applicable to diluted earnings per ordinary share ('000)	177,733	175,282	177,733	175,282
Diluted Earnings Per Ordinary Share (sen)	2.63	3.05	2.63	3.05

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

	As at 30.09.14 RM'000	As at 30.09.13 RM'000
Total retained earnings of the Group:		
Realised	124,156	106,391
Unrealised *	(9,533)	(9,264)
Total share of retained earnings from associates:		
Realised	136	234
Unrealised	-	-
Total share of accumulated losses from joint ventures:-		
Realised	(142)	-
Unrealised	-	-
Less: Consolidation adjustments	<u>(32,204)</u>	<u>(30,606)</u>
Total Group retained earnings as per financial statements	<u><u>82,413</u></u>	<u><u>66,755</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 Quarter 30.09.14 RM'000
Profit for the period is arrived at after charging/ (crediting):	
Interest income	(114)
Gain on disposal of property, plant and equipment	(6)
Gain on foreign exchange	110
Depreciation of property, plant and equipment	2,985
Impairment loss and write off of trade receivables	393
Interest expense	<u>669</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 2014.