

FREIGHT MANAGEMENT HOLDINGS BHD
(Company No: 380410-P)

Notes on the quarterly report – 31 March 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 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 1,208,164 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 RM1,171,919.

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.
- ii) The final single tier dividend of 3.0 sen per share amounting to RM5,978,296 in respect of financial year ended 30 June 2014 has been paid on 22 December 2014.

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A8. Segment information

Operating segments for the current financial year to date:

	←————— 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	
Revenue										
Total revenue	235,052	25,178	15,960	7,853	9,193	6,565	1,132	14,962	5,615	321,510
Inter-segment revenue	(1,687)	(249)	(1,007)	(745)	(233)	(128)	(4)	-	(5,292)	(9,345)
Revenue from external customers	<u>233,365</u>	<u>24,929</u>	<u>14,953</u>	<u>7,108</u>	<u>8,960</u>	<u>6,437</u>	<u>1,128</u>	<u>14,962</u>	<u>323</u>	<u>312,165</u>
Results										
Segment results	18,420	1,801	2,172	(105)	919	(6)	(83)	875	(4,096)	19,897
Finance costs	(1,711)	(13)	(41)	(3)	-	-	-	(386)	-	(2,154)
Share of profit/(loss) of associates	17	-	-	-	-	-	-	-	(27)	(10)
Share of profit of joint ventures	-	-	-	-	-	-	-	-	429	429
Profit before tax	<u>16,726</u>	<u>1,788</u>	<u>2,131</u>	<u>(108)</u>	<u>919</u>	<u>(6)</u>	<u>(83)</u>	<u>489</u>	<u>(3,694)</u>	<u>18,162</u>
Tax expense										(3,198)
Profit for the period										<u>14,964</u>
Assets										
Segment assets	215,143	8,266	7,202	1,662	2,183	2,133	325	37,130	24,181	298,225
Investments in associates	420	-	-	-	-	-	-	-	2,869	3,289
Investments in joint ventures	-	-	-	-	-	-	-	-	3,018	3,018
Current tax assets	1,001	-	123	514	-	-	-	-	-	1,638
Total assets										<u>306,170</u>

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	← Logistics				→					
	Malaysia	Australia	Indonesia	Thailand	Vietnam	India	Sri Lanka	Marine Singapore	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Liabilities										
Segment liabilities	77,579	4,253	1,731	996	454	766	136	11,528	1,022	98,465
Deferred tax liabilities	9,849	-	-	-	-	(180)	-	-	-	9,669
Current tax liabilities	1,224	339	-	-	89	-	-	-	85	1,737
Total liabilities										<u>109,871</u>
Other segment information										
Capital expenditure	23,121	15	83	1	26	21	50	2,806	38	26,161
Depreciation	7,218	60	156	58	39	-	10	1,933	85	9,559
Other non-cash income	(590)	(24)	(22)	(8)	(3)	-	-	(9)	(2)	(658)
Other non-cash expenses other than depreciation	1,218	-	1	16	69	29	-	8	-	1,341

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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

- a) On 11 February 2015, a wholly-owned subsidiary, FM Global Logistics Ventures Sdn. Bhd. (Formerly known as Icon Line (Malaysia) Sdn. Bhd.) ("FMGLV") announced the incorporation of a wholly-owned subsidiary, FM Global Korea Corporation ("FMGKC") in Korea, whose principal activity was that of general trading, was incorporated with an initial issued and paid up share capital of KRW 200,000,000.00 (equivalent to approximately RM 656,800) comprising 20,000 shares of KRW 10,000 each; and
- b) On 26 November 2014, FMGLV entered into a joint venture agreement with Amass Freight International Co. Ltd., a company incorporated in the People Republic of China ("AFICL") to jointly set up a limited liability company within the Jebel Ali Free Trade Zone in United Arab Emirates on a 50:50 basis. The joint-venture company had received a trading licence by Jebel Ali Free Zone Authority under the name of Amass Middle East FZCO ("AME") in Dubai. The principal activity of AME is investment holding, trading and provision of logistics services. AME has an authorised and issued paid up share capital of AED 1,000,000.00 (equivalent to approximately RM 517,500) comprising 10 shares of AED100,000.00 each. On 23 March 2015, FMGLV had subscribed to 50% of the paid up capital of AME.

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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:-

Bank guarantees in favour of third parties*	RM'000 <u>2,894</u>
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**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.*

A13. Capital commitments

Contracted but not provided for :

	As at 31.03.15 RM'000
Construction of a warehouse cum office building	2,725
Warehouse equipment	287
Trucks	106
	<u>3,118</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 RM5.1 million or approximately 5% higher than 3QFY14. Details of changes in each service type are as follows:-

Service Type	3QFY15	3QFY14	Increase/ Decrease RM mil	% change
Seafreight	62.4	53.2	9.2	17%
Railfreight	0.3	0.3	0.0	0%
Airfreight	8.0	5.8	2.2	38%
Tug & Barge	4.5	4.4	0.1	2%
3PL & Warehousing	10.1	12.7	-2.6	-20%
Customs Brokerage	7.4	8.3	-0.9	-11%
Haulage	4.9	5.2	-0.3	-6%
Landfreight	4.1	6.7	-2.6	-39%
TOTAL	101.7	96.6	5.1	5%

Revenue growth for the quarter was contributed mainly by the Sea Freight and Air Freight divisions, which recorded an increase of 17% or RM9.2 mil and 38% or RM2.2 mil, respectively. However, the divisions of 3PL & Warehousing, Customs Brokerage, Haulage and Land Freight recorded decrease in revenue. This was mainly due to the cessation of a 3PL customer and also the temporary closure of a warehouse for renovation.

The Group's Profit before Tax was lower from RM7.0 mil to RM5.6 mil as compared to 3QFY14, and the profit after tax and non-controlling interests declined by 14% from RM5.0 mil to RM4.3 mil mainly due to higher borrowing costs for the new warehouse and acquisition of a tugboat and higher operating expenses such as depreciation charges. Besides that, the profit in 3QFY14 was also higher due to a gain from disposal of tugboats and a barge in that period.

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B2. Variation of results against preceding quarter

Service Type	3QFY15	2QFY15	Increase/- Decrease	
			RM mil	% change
Seafreight	62.4	67.1	-4.7	-7%
Railfreight	0.3	0.3	0.0	0%
Airfreight	8.0	8.6	-0.6	-7%
Tug & Barge	4.5	4.7	-0.2	-4%
3PL & Warehousing	10.1	9.0	1.1	12%
Customs Brokerage	7.4	7.5	-0.1	-1%
Haulage	4.9	5.5	-0.6	-11%
Landfreight	4.1	4.4	-0.3	-7%
TOTAL	101.7	107.1	-5.4	-5%

As compared to the preceding quarter, the Group recorded a lower revenue of RM5.4 mil compared to 2QFY15 mainly due to the festive holidays and also shorter month in February 2015.

Profit Before Tax for the current quarter declined from RM6.2 mil to RM5.6 mil as compared to the preceding quarter mainly due to the lower revenue as mentioned above and higher depreciation charges and operating expenses.

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B3. Current year prospects

For the remaining quarter of financial year ending 30 June 2015, the Group shall endeavor to improve its performance compared to current quarter as historically Q3 is a slow quarter. It is expected that Sea Freight division will continue to drive the Group's growth. The Group will continue its effort in seeking new business opportunities, improving its operational efficiency and managing its cost effectively.

Notwithstanding, the Group remains optimistic of our business and would continue to look for opportunity to grow where long term strategic investments and joint ventures both locally and in the region, shall underpin the Group's future growth.

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 March 2015****B5. Tax expense**

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding	Current	Preceding
	Quarter	Year	Year To	Year
	31.03.2015	Corresponding	Date	Corresponding
	31.03.2015	Quarter	31.03.2015	Quarter
	RM'000	RM'000	RM'000	RM'000
In respect of current period:				
Income tax	719	937	2,677	3,367
Deferred tax	103	(88)	431	261
	<u>822</u>	<u>849</u>	<u>3,108</u>	<u>3,628</u>
Under / (Over) provision in respect of prior years :				
Income tax	(107)	(10)	(55)	(10)
Deferred tax	145	5	145	5
	<u>38</u>	<u>(5)</u>	<u>90</u>	<u>(5)</u>
Total	<u><u>860</u></u>	<u><u>844</u></u>	<u><u>3,198</u></u>	<u><u>3,623</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.

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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	8,696
Hire purchase and lease liabilities	1,655
Bank overdrafts	2,787
	<u>13,138</u>
Payable after 12 months (secured)	
Term loans	44,469
Hire purchase and lease liabilities	2,963
	<u>47,432</u>
Total borrowings	<u><u>60,570</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	86
Hire purchase and lease liabilities payable after 12 months	91
In Singapore Dollar	
Term loans payable within 12 months	3,559
Term loans payable after 12 months	6,206
Hire purchase and lease liabilities payable within 12 months	108
Hire purchase and lease liabilities payable after 12 months	111
In Indonesian Dollar	
Hire purchase and lease liabilities payable within 12 months	206
Hire purchase and lease liabilities payable after 12 months	177
In Thailand Dollar	
Hire purchase and lease liabilities payable within 12 months	26
Hire purchase and lease liabilities payable after 12 months	9
	<u><u>10,579</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 has declared a first interim single tier dividend of 1.5 sen per share, in respect of financial year ending 30 June 2015. The dividend will be paid on 28 July 2015 to holders of ordinary shares whose names appear in the Record of Depositors at the close of business on 30 June 2015.

FREIGHT MANAGEMENT HOLDINGS BHD**(Company No: 380410-P)****Notes on the quarterly report – 31 March 2015****B10. Earnings per share****Basic**

	Individual Quarter		Cumulative Quarter	
	Current	Preceding	Current	Preceding
	Year	Year	Year To	Year
	Quarter	Corresponding	Date	Corresponding
	31.03.2015	31.03.2014	31.03.2015	31.03.2014
Profit attributable to equity holders of the parent (RM'000)	4,324	5,013	13,657	15,836
Weighted average number of ordinary shares in issue ('000)	170,761	167,785	170,761	167,785
Effect of exercise of warrants ('000)	122	24	70	2,510
Weighted average number of ordinary shares in issue applicable to basic earnings per ordinary shares('000)	170,883	167,809	170,831	170,295
Basic Earnings Per Ordinary Share (sen)	2.53	2.99	7.99	9.30

Diluted

	Individual Quarter		Cumulative Quarter	
	Current	Preceding	Current	Preceding
	Year	Year	Year To	Year
	Quarter	Corresponding	Date	Corresponding
	31.03.2015	31.03.2014	31.03.2015	31.03.2014
Profit attributable to equity holders of the parent (RM'000)	4,324	5,013	13,657	15,836
Weighted average number of ordinary shares in issue applicable to basic earnings per ordinary shares ('000)	170,883	167,809	170,831	170,295
Effect of dilution in potential exercise of warrants ('000)	(739)	494	6,150	6,333
Adjusted weighted average number of ordinary shares applicable to diluted earnings per ordinary share ('000)	170,144	168,303	176,981	176,628
Diluted Earnings Per Ordinary Share (sen)	2.54	2.98	7.72	8.97

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B11. Realised and Unrealised Profits or Losses of the Group

	As at 31.03.15 RM'000	As at 31.03.14 RM'000
Total retained earnings of the Group:		
Realised	127,199	113,008
Unrealised *	(9,757)	(9,433)
Total share of retained earnings from associates:		
Realised	138	186
Unrealised	-	-
Total share of accumulated losses from joint ventures:-		
Realised	367	(12)
Unrealised	-	-
Less: Consolidation adjustments	<u>(32,530)</u>	<u>(31,619)</u>
Total Group retained earnings as per financial statements	<u><u>85,417</u></u>	<u><u>72,130</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 31.03.15 RM'000	Current Year To Date 31.03.15 RM'000
Profit for the period is arrived at after charging/ (crediting):		
Interest income	(55)	(287)
Gain on disposal of property, plant and equipment	(35)	(77)
Gain on foreign exchange	(416)	(628)
Depreciation of property, plant and equipment	3,388	9,559
Impairment loss and write off of trade receivables	175	1,135
Interest expense	736	2,154
	<u>736</u>	<u>2,154</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 March 2015.