

FM GLOBAL LOGISTICS HOLDINGS BERHAD
(Registration No. 199601008064 (380410-P))

Notes on the quarterly report – 31 December 2021

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 Malaysian Financial Reporting Standards (“MFRS”) 134: Interim Financial Reporting and paragraph 9.22 and Part A of Appendix 9B of the Main Market 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 financial year ended 30 June 2021.

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 position and performance of the Group since the financial year ended 30 June 2021.

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 financial year ended 30 June 2021 except for the adoption of new MFRS and amendments to MFRS and interpretations that are applicable to the Group for the financial period beginning on or after 1 July 2021:-

Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 Interest Rate Benchmark Reform – Phase 2

Amendment to MFRS 16 Leases Covid-19-Related Rent Concessions beyond 30 June 2021

The adoption of the above new standards, amendments and interpretations to published standards does not have any material impact on the financial statements of the Group.

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A2. Qualification of Annual Financial Statements

The audit report of the Group's latest audited financial statements for the financial year ended 30 June 2021 was not qualified.

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 were no unusual items affecting the Group's assets, liabilities, equity, net income or cash flows in the financial period under review.

A5. Changes in estimates

There were no changes in estimates of amounts reported in prior financial year that have had material effect in the current quarter.

A6. Changes in debts and equity securities

There were no issuances, cancellations, repurchases, resale or repayments of debt and equity securities during the financial period under review.

A7. Dividend paid

The third interim single tier dividend of 1.0 sen per share amounting to RM5,584,448.30 in respect of financial year ended 30 June 2021 has been paid on 18 October 2021.

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	←			Logistics	→					
	Malaysia	Australia	Indonesia	Thailand	Vietnam	India	USA	Others	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Liabilities										
Segment liabilities	336,755	13,489	6,682	9,136	1,725	4,607	13,844	45,406	(173,200)	258,444
Deferred tax liabilities	29,886	-	-	-	-	-	-	-	506	30,392
Current tax liabilities	2,793	402	128	293	499	174	96	-	-	4,385
Total liabilities										<u>293,221</u>
Other segment information										
Capital expenditure - PPE	978	39	45	96	5	15	6	37	-	1,221
Capital expenditure – ROU assets (HP)	6,728	-	-	-	-	-	-	-	-	6,728
Depreciation on PPE	3,712	44	160	35	41	51	4	43	217	4,307
Depreciation on right-of-use assets	6,248	34	294	92	88	-	-	-	-	6,756
Amortization of Intangible assets	-	-	-	-	-	-	-	153	-	153

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	←			Logistics	→					
	Malaysia	Australia	Indonesia	Thailand	Vietnam	India	USA	Others	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Liabilities										
Segment liabilities	258,018	8,466	6,661	14,870	2,957	3,536	1,087	29,944	(160,935)	164,604
Deferred tax liabilities	23,621	-	-	-	-	-	-	16	380	24,017
Current tax liabilities	5,814	439	(671)	(1,880)	237	111	40	-	-	4,090
Total liabilities										<u>192,711</u>
Other segment information										
Capital expenditure - PPE	8,161	1	8	25	2	11	-	11	-	8,219
Capital expenditure – ROU assets (HP)	5,032	-	-	-	-	-	-	-	-	5,032
Depreciation on PPE	3,574	34	193	29	55	(28)	4	39	-	3,900
Depreciation on right-of-use assets	5,405	44	253	96	86	-	-	-	-	5,884
Amortization of Intangible assets	-	-	-	-	-	-	-	270	-	270

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A8. Segmental Information (Cont'd)

The Group comprises the following major business segments:

- i) Logistics – provision of integrated freight and logistics services such as sea freight, air freight, land freight, warehouse and distribution and supporting services, which are operated by companies in Malaysia, Australia, Indonesia, Thailand, Vietnam, India and USA.
- ii) Others – investment holdings and provision of management services, provision of IT application solutions and support services.

There have been no differences in the basis of segmentation or in the basis of measurement of segment profit and loss as compared to the last annual financial statements.

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 04 Oct 2021, the Company's indirect subsidiary, FM Global Logistics Venture Sdn Bhd ("FMGLV"), a wholly-owned subsidiary of the Company entered into a Stock Purchase Agreement with several independent third parties to acquire the entire issued and outstanding shares of capital stock of Inter-Orient Services, Inter-Orient Corporation and Noble Shipping Corporation ("IOS Group"), for a total cash consideration of USD2,200,000 (equivalent to approximately RM9,196,000 based on the exchange rate of USD1:RM4.18), subject to the terms and conditions as stipulated in the SPA (the "Acquisition"). The Acquisition of IOS Group was completed on 1 December 2021.

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A12. Contingent liabilities

The Directors of FMHB are not aware of any material changes in the contingent liabilities since the last financial year save as disclosed below:-

	RM'000
Guarantees given to third parties in respect of trade performance of subsidiaries	7,367
Guarantees given to financial institutions in respect of credit facilities granted	101,414
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	108,781

A13. Capital commitments

Contracted but not provided for :

	As at 31.12.21 RM'000
Land (Bukit Raja and Port Klang)	59,764
PM and Trailers	9,060
Forklifts	1,353
Plant and Machinery	1,140
Trucks	527
Renovation	513
Office equipment	199
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	72,556

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

B1. Review of performance

The Group registered revenue growth of RM110.4 million or approximately 65% higher than 2QFY22. Details of changes in each service type are as follows:-

Service Type	2QFY22	2QFY21	Changes	
			RM mil	% change
International freight	232.9	126.9	106.0	84%
Domestic Logistics	48.1	43.7	4.4	10%
TOTAL	281.0	170.6	110.4	65%

Compared to 2QFY21, the increased revenue in 2QFY2022 was mainly due to increase of freight rate and business activities in the current quarter.

As compared to 2QFY21, the Group's Profit Before Tax ("PBT") increased from RM6.6 million to RM10.8 million or 63% higher mainly due to the increase of business activities from both Malaysian and overseas operations.

B2. Variation of results against preceding quarter

Service Type	2QFY22	1QFY22	Changes	
			RM mil	% change
International freight	232.9	169.7	63.2	37%
Domestic Logistics	48.1	43.8	4.3	10%
TOTAL	281.0	213.5	67.5	32%

The Group's revenue for the current quarter of RM281.0 million was RM67.5 million or 32% higher than 1QFY22 mainly due to higher freight rate and business activities.

The Group's PBT for 2QFY22 increased to RM16.4 million or 14% from RM14.4 million in 1QFY22 mainly due to increase of business activities.

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B3. Current year prospects

The Group is optimistic of its business activities despite the continuous challenges and potential risks of the uncertain global economic activities and the supply chain due to Covid-19 pandemic. The Group will continue to focus on expanding its customer base regionally and improve cost management via operational efficiencies.

B4. Variance of actual and forecast profit

The Group did not issue any profit forecast and therefore no variance information is available for the quarter under review.

B5. Tax expense

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding	Current	Preceding
	Quarter	Year	Year To	Year
	31.12.2021	Corresponding	Date	Corresponding
	31.12.2021	Quarter	31.12.2021	Quarter
	RM'000	31.12.2020	RM'000	31.12.2020
	RM'000	RM'000	RM'000	RM'000
In respect of current period:				
Income tax	4,433	2,252	8,218	4,762
Deferred tax	(208)	(60)	(455)	(238)
	4,225	2,192	7,763	4,524
In respect of prior years :				
Income tax	-	(2)	(149)	(2)
Deferred tax	-	-	-	-
	-	(2)	(149)	(2)
Total	4,225	2,190	7,614	4,522

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B6. Status of corporate proposal announced

There was no corporate proposal announced as at the date of the announcement.

B7. Group borrowings

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

	As at 31.12.2021 RM'000	As at 31.12.2020 RM'000
Payable within 12 months (secured)		
Term loans		
- Ringgit Malaysia	50,196	14,681
- India Dollar (INR4.6m / -)^	252	-
Lease liabilities (Hire-purchase)		
- Ringgit Malaysia	8,611	6,539
- Australian Dollar (AUD24k / AUD23k)^	72	69
- Indonesia Dollar (IDR78m / IDR422m)^	22	115
- Thailand Dollar (THB678k / THB688k)^	80	87
- India Dollar (INR326k / INR295k)^	18	16
Overdraft		
- Ringgit Malaysia	765	-
- India Dollar (INR12m / INR30m)^	661	1,612
	<u>60,677</u>	<u>23,119</u>
Payable after 12 months (secured)		
Term loans		
- Ringgit Malaysia	49,219	43,046
Lease liabilities (Hire-purchase)		
- Ringgit Malaysia	18,862	16,539
- Australian Dollar (AUD82k / AUD106k)^	242	322
- Indonesia Dollar (- / IDR78m)^	-	21
- Thailand Dollar (THB979k / THB1,658k)^	115	210
- India Dollar (INR522m / INR849m)^	28	45
	<u>68,466</u>	<u>60,183</u>
Total borrowings	<u><u>129,143</u></u>	<u><u>83,302</u></u>
^ Exchange rate		
- Australian Dollar	2.964	3.038
- Indonesian Rupiah	0.000278	0.000272
- Thai Baht	11.78	12.67
- Indian Rupee	0.0543	0.0533

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B8. Material Litigation

Neither FMHB nor any of its subsidiaries in the Group is engaged in any material 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 1.0 sen per ordinary share, in respect of the financial year ending 30 June 2022. The dividend will be paid on 19 May 2022 to holders of ordinary shares whose names appear in the Record of Depositors at the close of business on 6 May 2022.

B10. Trade Receivables

	As at 31.12.2021 RM'000	As at 30.06.2021 RM'000
Trade Receivables	<u>207,364</u>	<u>168,755</u>

The average credit terms of trade receivables were sixty (60) days. As at 31 December 2021, the trade receivables has increased by 23% or RM38.6 million as compared to audited financial year ended 30 June 2021.

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B11. Earnings per share

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Quarter
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Profit attributable to equity holders of the parent (RM'000)	10,823	6,648	21,108	12,401
Weighted average number of ordinary shares in issue ('000)	558,445	558,445	558,445	558,445
Basic Earnings Per Ordinary Share (sen)	1.94	1.19	3.78	2.22

B12. Additional Disclosures on Profit for the period

	Current Year Quarter	Preceding Year Quarter	Current Year To Date	Preceding Year To Date
	31.12.21	31.12.20	31.12.21	31.12.20
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after charging/(crediting) :				
Interest income	(47)	(84)	(95)	(170)
Gain on disposal of property, plant and equipment	(5)	(56)	(10)	31
Loss on foreign exchange	106	570	615	1,333
Depreciation of PPE	2,174	2,078	4,307	3,900
Depreciation of Right-of-use assets	3,345	3,022	6,756	5,884
Amortization of Intangible asset	67	135	153	270
Additional on Impairment/ write off of receivables	1,479	643	1,695	775
Impairment loss on advance in associate	-	510	-	721
Loss on disposal of investment in associate	-	152	-	152
Interest expense	1,249	658	2,276	1,307

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 financial period ended 31 December 2021.