

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

Notes on the quarterly report – 31 March 2017

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 2016.

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 2016.

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 2016 except for the adoption of the following new/revised MFRSs and amendments to MFRSs effective for annual periods beginning on or after 1 January 2016:-

Annual Improvements to MFRSs 2012-2014 Cycle

Amendments to MFRS 10, MFRS 12 and MFRS 128 *Investment Entities: Applying the Consolidation Exception*

Amendments to MFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*

MFRS 14 *Regulatory Deferral Accounts*

Amendments to MFRS 101 *Disclosure Initiative*

Amendments to MFRS 116 *Property, Plant and Equipment: Clarification of Acceptable Methods of Depreciation and Amortisation*

Amendments to MFRS 127 *Equity Method in Separate Financial Statements*

Amendments to MFRS 138 *Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation*

Amendments to MFRS 116 and MFRS 141 *Agriculture: Bearer Plants*

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The adoption of the above MFRSs and amendments to MFRSs do not have any significant financial impact on the results and the financial position of the Group for the current quarter.

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 2016 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 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 8,530,407 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 RM8,274,495.

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A7. Dividend paid

The interim single tier dividend of 1.5 sen per share amounting to RM2,664,273 in respect of financial year ended 30 June 2016 has been paid on 28 July 2016.

The second interim single tier dividend of 3.5 sen per share amounting to RM6,324,627 in respect of financial year ended 30 June 2016 has been paid on 22 November 2016.

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	← Logistics →							Marine Singapore RM'000	Others RM'000	Elimination RM'000	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				
Liabilities											
Segment liabilities	215,955	5,601	8,064	3,240	2,347	2,605	921	10,362	15,057	(130,236)	133,916
Deferred tax liabilities	17,241	-	-	-	-	-	-	-	289	-	17,530
Current tax liabilities	4,591	-	79	-	51	-	-	-	27	-	4,748
Total liabilities											<u>156,194</u>
Other segment information											
Capital expenditure	4,385	182	118	-	298	122	7	799	-	-	5,911
Depreciation	8,084	104	217	32	124	-	15	2,280	81	-	10,937
Amortization of Intangible assets	-	-	-	-	-	-	-	-	185	-	185
Other non-cash income	(1,001)	(7)	(29)	(22)	(22)	-	-	(293)	(5)	-	(1,379)
Other non-cash expenses other than depreciation	2,538	-	-	2	118	35	2	50	-	-	2,745

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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 8 May 2017, Freight Management Holdings Bhd had incorporated a wholly-owned subsidiary, Parcel To Post Services Sdn Bhd ("PTPS") in Malaysia, comprising one (1) share for a cash consideration of RM1.00. The business activities of PTPS is to carry out last mile delivery services.

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>3,573</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.*

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A13. Capital commitments

Contracted but not provided for :

	As at 31.03.17 RM'000
Trucks	1,073
Prime Movers & Trailers	546
Computers	278
Renovation	<u>77</u>
	<u>1,974</u>

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

B1. Review of performance

The Group's revenue for the 3QFY17 grew approximately RM13.7mil or 13% compares with 3QFY16. The table below highlights the relative changes in each service type.

Service Type	3QFY17	3QFY16	Increase/ Decrease RM mil	% change
Seafreight	72.7	66.2	6.5	10%
Airfreight	12.8	8.7	4.1	47%
Tug & Barge	3.8	3.1	0.7	23%
3PL & Warehousing	12.4	10.5	1.9	18%
Landfreight	3.6	4.2	-0.6	-14%
Other Supporting	11.7	10.6	1.1	10%
TOTAL	117.0	103.3	13.7	13%

The increase in revenue is primarily comes from Seafreight and Airfreight, which grew 10% and 47% respectively. Seafreight is still the major contributor of the Group's revenue at 62%. This is follow by Airfreight and 3PL & Warehousing at approximately 11% respectively.

The Group's Profit Before Tax is lower at RM6.4mil compares to RM7.2mil in 3QFY16 mainly due to losses incurred by the Tug & Barge division.

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B2. Variation of results against preceding quarter

Compares with the preceding quarter, the Group's revenue maintains despite the shorter month of February and the festive holidays during the reporting quarter.

Service Type	3QFY17	2QFY17	Increase/- Decrease	
			RM mil	% change
Seafreight	72.7	73.8	-1.1	-1%
Airfreight	12.8	11.4	1.4	12%
Tug & Barge	3.8	4.1	-0.3	-7%
3PL & Warehousing	12.4	11.4	1.0	9%
Landfreight	3.6	4.2	-0.6	-14%
Other Supporting	11.7	10.5	1.2	11%
TOTAL	117.0	115.4	1.6	1%

Comparatively, Seafreight, Tug & Barge and Landfreight achieves a lower revenue but was supported by better performance from Airfreight, 3PL& Wrehousing and Other supporting services.

The Group's Profit Before Tax decreased to RM6.4mil compared to RM6.8mil in 2QFY17 mainly due to losses in the Tug & Barge division.

B3. Current year prospects

The Group has performed positively year to-date despite the challenging and competitive global environment. Moving forward, the Group will continue to seek new business opportunities and improve on its operational and cost efficiencies.

Barring unforeseen circumstances, the Board of Directors is of the opinion that the performance of the Group is expected to remain positive for the financial year ending 30 June 2017.

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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

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year To	Preceding Year
	Quarter	Corresponding Quarter	Date	Corresponding Quarter
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	RM'000	RM'000	RM'000	RM'000
In respect of current period:				
Income tax	2,178	1,418	6,200	3,625
Deferred tax	(66)	(77)	(815)	340
	2,112	1,341	5,385	3,965
Under / (Over) provision in respect of prior years :				
Income tax	(17)	(351)	(17)	(351)
Deferred tax	(183)	974	(183)	974
	(200)	623	(200)	623
Total	1,912	1,964	5,185	4,588

The Group' effective tax rate for the cumulative 9 months ended 31 March 2017 was above the statutory rate for the current quarter under review is mainly due to non-deductible expenses.

B6. Status of corporate proposal announced

There were no corporate proposals during the date of this report.

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

	RM'000
Payable within 12 months (secured)	
Term loans	11,025
Hire purchase and lease liabilities	2,168
	<u>13,193</u>
Payable after 12 months (secured)	
Term loans	62,096
Hire purchase and lease liabilities	4,289
	<u>66,385</u>
Total borrowings	<u><u>79,578</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	79
Hire purchase and lease liabilities payable after 12 months	257
In Singapore Dollar	
Term loans payable within 12 months	2,033
Term loans payable after 12 months	2,995
In Indonesian Dollar	
Hire purchase and lease liabilities payable within 12 months	68
Hire purchase and lease liabilities payable after 12 months	23
	<u><u>5,455</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 2017. The dividend will be paid on 28 July 2017 to holders of ordinary shares whose names appear in the Record of Depositors at the close of business on 30 June 2017.

B10. Earnings per share

Basic

	Individual Quarter	Preceding	Cumulative Quarter	Preceding
	Current	Year	Current	Year
	Year	Corresponding	Year To	Corresponding
	Quarter	Quarter	Date	Quarter
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
Profit attributable to equity holders of the parent (RM'000)	4,880	4,663	15,203	14,352
Weighted average number of ordinary shares in issue ('000)	177,618	172,999	177,618	172,999
Effect of exercise of warrants ('000)	3,738	173	4,089	102
Weighted average number of ordinary shares in issue applicable to basic earnings per ordinary shares('000)	181,356	173,172	181,707	173,101
Basic Earnings Per Ordinary Share (sen)	2.69	2.69	8.37	8.29

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	Individual Quarter		Cumulative Quarter	
	Current	Preceding	Current	Preceding
	Year	Year	Year To	Year
	Quarter	Corresponding	Date	Corresponding
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
Profit attributable to equity holders of the parent (RM'000)	4,880	4,663	15,203	14,352
Weighted average number of ordinary shares in issue applicable to basic earnings per ordinary shares ('000)	181,356	173,172	181,707	173,101
Effect of dilution in potential exercise of warrants ('000)	-	3,919	-	3,919
Adjusted weighted average number of ordinary shares applicable to diluted earnings per ordinary share ('000)	181,356	177,091	181,707	177,020
Diluted Earnings Per Ordinary Share (sen)	2.69	2.63	8.37	8.11

*Note: Warrants had expired on 8 Jan 2017***B11. Realised and Unrealised Profits or Losses of the Group**

	As at	As at
	31.03.17	31.03.16
	RM'000	RM'000
Total retained earnings of the Group:		
Realised	160,301	148,980
Unrealised *	(18,546)	(17,980)
Total share of retained earnings from associates:		
Realised	60	184
Unrealised	-	-
Total share of accumulated losses from joint ventures:-		
Realised	(1,744)	(798)
Unrealised	-	-
Less: Consolidation adjustments	(30,833)	(33,643)
Total Group retained earnings as per financial statements	109,238	96,743

** 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 31.03.17 RM'000	Current Year To Date 31.03.17 RM'000
Profit for the period is arrived at after charging/ (crediting):		
Interest income	(218)	(570)
Gain on disposal of property, plant and equipment	(59)	(593)
Loss on foreign exchange	445	1,288
Depreciation of property, plant and equipment	3,699	10,937
Amortization of Intangible asset	69	185
Impairment loss and write off of trade receivables	(853)	701
Interest expense	960	3,015

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 2017.