

# **FREIGHT MANAGEMENT HOLDINGS BHD**

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

## **Notes on the quarterly report – 31 December 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 2017.

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 2017.

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 2017 except for the adoption of the following new/revised MFRSs and amendments to MFRSs effective for annual periods beginning on or after 1 January 2017:-

Amendments to MFRS 12 *Annual Improvements to MFRS Standards 2014 – 2016 Cycle*

Amendments to MFRS 107 *Disclosure Initiative*

Amendments to MFRS 112 *Recognition of Deferred Tax Assets for Unrealised Losses*

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 2017 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.

**A7. Dividend paid**

The interim single tier dividend of 1.5 sen per share amounting to RM2,792,229 in respect of financial year ended 30 June 2017 has been paid on 28 July 2017.

The second interim single tier dividend of 3.5 sen per share amounting to RM6,515,198 in respect of financial year ended 30 June 2017 has been paid on 14 November 2017.



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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				
<b>Liabilities</b>											
Segment liabilities	216,823	5,313	5,798	6,166	2,713	3,828	1,308	-	21,431	(129,184)	134,196
Deferred tax liabilities	16,901	-	-	-	-	-	-	-	465	-	17,366
Current tax liabilities	5,309	118	-	-	30	35	7	-	(4)	-	5,495
Total liabilities											<u>157,057</u>
<b>Other segment information</b>											
Capital expenditure	5,897	62	911	176	30	-	-	678	-	-	7,754
Depreciation	5,313	72	167	47	125	41	10	1,273	82	-	7,130
Amortization of Intangible assets	-	-	-	-	-	-	-	-	213	-	213
Other non-cash income	(842)	(65)	(99)	(43)	-	-	(2)	(148)	(413)	-	(1,612)
Other non-cash expenses other than depreciation	2,848	-	16	68	115	18	-	105	-	-	3,170



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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				
<b>Liabilities</b>											
Segment liabilities	210,178	5,702	9,277	3,021	2,695	2,554	1,361	10,182	14,925	(117,094)	142,801
Deferred tax liabilities	17,521	-	-	-	-	-	-	-	258	-	17,779
Current tax liabilities	5,558	-	(15)	-	83	-	-	-	-	-	5,625
Total liabilities											<u>166,205</u>
<b>Other segment information</b>											
Capital expenditure	3,163	123	93	-	170	52	5	690	-	-	4,296
Depreciation	5,403	66	145	21	76	-	10	1,462	55	-	7,238
Amortization of Intangible assets	-	-	-	-	-	-	-	-	116	-	116
Other non-cash income	(868)	(79)	-	(17)	-	-	-	(281)	(32)	-	(1,277)
Other non-cash expenses other than depreciation	3,324	-	62	1	112	61	16	50	-	-	3,626

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**Notes on the quarterly report – 31 December 2017**

**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 Sri Lanka.
- ii) Marine – charterers and operators of barges and tugboats, which is operated by a company in Singapore.
- iii) 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.

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**Notes on the quarterly report – 31 December 2017**

**A11. Changes in the composition of the Group**

On 19 December 2017, Freight Management Holdings Bhd 'FMHB' had disposed 53,000 ordinary shares representing 2% of the equity interest of TCH, a company incorporated in Singapore to Tay Nguang Yeow, Andrew who is the substantial shareholder and director of TCH, for a total cash consideration of SGD149,000 (equivalent to RM447,745). Consequent thereupon, the equity interest of the Company in TCH be reduced from 51% to 49% and TCH shall cease to be a subsidiary of FMHB but will be regarded as an associate company of FMHB.

**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>4,588</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.*

**A13. Capital commitments**

**Contracted but not provided for :**

	<b>As at 31.12.17 RM'000</b>
Prime movers	2,443
Trailers	319
Warehouse equipment	152
Renovation	77
	<u>2,991</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 RM16.6mil or approximately 14% higher than 2QFY17. Details of changes in each service type are as follows:-

<b>Service Type</b>	<b>2QFY18</b>	<b>2QFY17</b>	<b>Changes</b>	
			<b>RM mil</b>	<b>% change</b>
Seafreight	83.9	73.8	10.1	14%
Airfreight	12.2	11.4	0.8	7%
Tug & Barge	2.4	4.1	-1.7	-41%
3PL & Warehousing	15.4	11.4	4.0	35%
Landfreight	5.1	4.2	0.9	21%
Supporting services	13.0	10.5	2.5	24%
<b>TOTAL</b>	<b>132.0</b>	<b>115.4</b>	<b>16.6</b>	<b>14%</b>

Compared to 2QY17, all services reported growth other than the Tug & Barge service where Tug & Barge service reported 2 months for 2QFY18 compared to 3 months for 2QFY17. Seafreight contributed the highest revenue contributions while there are commendable growth registered in 3PL & Warehousing and Landfreight services. The higher revenue in this 2QFY18 are mainly due to increase of activities.

As compared to 2QFY17, the Group's Profit Before Tax ("PBT") increased from RM6.9 mil to RM7.9 mil or 15%, as a result of gain on dilution on investment in TCH.

## **FREIGHT MANAGEMENT HOLDINGS BHD**

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### **Notes on the quarterly report – 31 December 2017**

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

<b>Service Type</b>	<b>2QFY18</b>	<b>1QFY18</b>	<b>Changes</b>	
			<b>RM mil</b>	<b>% change</b>
Seafreight	83.9	79.1	4.8	6%
Airfreight	12.2	12.3	-0.1	-1%
Tug & Barge	2.4	4.1	-1.7	-41%
3PL & Warehousing	15.4	14.1	1.3	9%
Landfreight	5.1	4.5	0.6	13%
Supporting services	13.0	13.6	-0.6	-4%
<b>TOTAL</b>	<b>132.0</b>	<b>127.7</b>	<b>4.3</b>	<b>3%</b>

Revenue as compared to the preceding quarter, increased by 3% or RM4.3mil mainly due to higher activities in Seafreight, 3PL & Warehousing and Landfreight services.

As compared to the preceding quarter for 1QFY18, PBT for 2QFY18 decreased slightly of 5% due to higher freight cost and higher share of loss from associates.

#### **B3. Current year prospects**

The International Monetary Fund (“IMF”), in its January 2018 World Economic Outlook report, has raised 2017 projected growth to 3.7% (2016: 3.2%), whilst 2018 growth is projected at 3.9%. Meanwhile, the growth forecast for 2017 and 2018 for the emerging & developing Asia region is at 6.5% which is slightly above 2016’s growth rate of 6.4%. At the same time, Malaysia’s GDP for 4th Quarter 2017 grew 5.9% (4Q 2016 : 4.5%).

The positive improvement in the domestic and global economy as noted above are encouraging to the Group as its prospects are much related to the performance of the economy. The Group will also continue to strengthen further on its customer base and operational efficiencies. Barring unforeseen circumstances, the Group expects its performance to be positive for the financial year ending 30 June 2018.

**FREIGHT MANAGEMENT HOLDINGS BHD****(Company No: 380410-P)****Notes on the quarterly report – 31 December 2017****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</b>	<b>Current Year To</b>	<b>Preceding Year</b>
	<b>Quarter</b>	<b>Corresponding Quarter</b>	<b>Date</b>	<b>Corresponding Quarter</b>
	<b>31.12.2017</b>	<b>31.12.2016</b>	<b>31.12.2017</b>	<b>31.12.2016</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	2,084	2,294	4,610	4,022
Deferred tax	(46)	(619)	(254)	(749)
	<u>2,038</u>	<u>1,675</u>	<u>4,356</u>	<u>3,273</u>
<b>In respect of prior years :</b>				
Income tax	-	-	-	-
Deferred tax	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<u><u>2,038</u></u>	<u><u>1,675</u></u>	<u><u>4,356</u></u>	<u><u>3,273</u></u>

The Group's effective tax rate was above the statutory rate for the current quarter under review is mainly due to non-deductible expenses.

**B6. Status of corporate proposal announced**

During the Annual General Meeting on 29 November 2017, the shareholders have approved the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature and the Proposed Renewal of Share Buy-Back Authority.

**FREIGHT MANAGEMENT HOLDINGS BHD****(Company No: 380410-P)****Notes on the quarterly report – 31 December 2017****B7. Group borrowings**

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

	<b>As at 31.12.2017 RM'000</b>	<b>As at 31.12.2016 RM'000</b>
<b>Payable within 12 months (secured)</b>		
Term loans		
- Ringgit Malaysia	8,992	8,993
- Singapore Dollar (- / SGD1,422k)^	-	4,342
Hire purchase and lease liabilities		
- Ringgit Malaysia	2,040	1,937
- Australian Dollar (AUD35k / AUD24k)^	110	77
- Singapore Dollar (- / SGD25k)^	-	75
- Indonesia Dollar (IDR131m / IDR268.8m)^	37	85
- Thailand Dollar (THB233k / -)^	28	-
Overdraft		
- India Dollar (INR24m / -)^	1,454	-
	<u>12,661</u>	<u>15,509</u>
<b>Payable after 12 months (secured)</b>		
Term loans		
- Ringgit Malaysia	52,357	61,349
- Singapore Dollar (- / SGD352k)^	-	1,075
Hire purchase and lease liabilities		
- Ringgit Malaysia	6,849	3,890
- Australian Dollar (AUD50k / AUD84k)^	157	268
- Indonesia Dollar (- / IDR116.3m)^	-	37
- Thailand Dollar (THB842k / -)^	99	-
	<u>59,462</u>	<u>66,619</u>
<b>Total borrowings</b>	<u><u>72,123</u></u>	<u><u>82,128</u></u>

**^ Exchange rate**

- Australian Dollar	3.124	3.1930
- Singapore Dollar	-	3.054
- Indonesian Rupiah	0.000284	0.000316
- Thai Baht	11.73	-
- Indian Rupee	0.0615	-

The weighted average interest rate of Hire purchase and Term loans as at 31 December 2017 was 5.61% and 4.80% (31.12.2016: 5.69% and 4.81%).

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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 does not recommend any dividend for the current quarter under review.

#### **B10. Trade Receivables**

	<b>As at 31.12.2017 RM'000</b>	<b>As at 30.06.2017 RM'000</b>
Trade Receivables	<u>113,203</u>	<u>107,458</u>

The average credit terms of trade receivables were Sixty (60) days. As at 31 December 2017, the trade receivables has increased by 5% to RM113.2 million as compare to audited financial year ended 30 June 2017.

**FREIGHT MANAGEMENT HOLDINGS BHD****(Company No: 380410-P)****Notes on the quarterly report – 31 December 2017****B11. 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>31.12.2017</b>	<b>Quarter</b>	<b>31.12.2017</b>	<b>Quarter</b>
	<b>31.12.2016</b>	<b>31.12.2016</b>	<b>31.12.2016</b>	<b>31.12.2016</b>
Profit attributable to equity holders of the parent (RM'000)	5,871	5,054	11,828	10,323
Weighted average number of ordinary shares in issue ('000)	186,148	177,618	186,148	177,618
Effect of exercise of warrants ('000)	-	2,185	-	1,092
Weighted average number of ordinary shares in issue applicable to basic earnings per ordinary shares('000)	186,148	179,803	186,148	178,710
Basic Earnings Per Ordinary Share (sen)	3.15	2.81	6.35	5.78

**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>31.12.2017</b>	<b>Quarter</b>	<b>31.12.2017</b>	<b>Quarter</b>
	<b>31.12.2016</b>	<b>31.12.2016</b>	<b>31.12.2016</b>	<b>31.12.2016</b>
Profit attributable to equity holders of the parent (RM'000)	5,871	5,054	11,828	10,323
Weighted average number of ordinary shares in issue applicable to basic earnings per ordinary shares ('000)	186,148	179,803	186,148	178,710
Effect of dilution in potential exercise of warrants ('000)	-	392	-	392
Adjusted weighted average number of ordinary shares applicable to diluted earnings per ordinary share ('000)	186,148	180,195	186,148	179,102
Diluted Earnings Per Ordinary Share (sen)	3.15	2.80	6.35	5.76

**FREIGHT MANAGEMENT HOLDINGS BHD****(Company No: 380410-P)****Notes on the quarterly report – 31 December 2017****B12. Realised and Unrealised Profits or Losses of the Group**

	<b>As at 31.12.17 RM'000</b>	<b>As at 31.12.16 RM'000</b>
Total retained earnings of the Group:		
Realised	165,385	156,359
Unrealised *	(16,874)	(18,769)
Total share of retained earnings from associates:		
Realised	(306)	40
Unrealised	-	-
Total share of accumulated losses from joint ventures:-		
Realised	(516)	(1,708)
Unrealised	-	-
Less: Consolidation adjustments	<u>(29,729)</u>	<u>(31,658)</u>
Total Group retained earnings as per financial statements	<u>117,960</u>	<u>104,264</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.

**FREIGHT MANAGEMENT HOLDINGS BHD****(Company No: 380410-P)****Notes on the quarterly report – 31 December 2017****B13. Additional Disclosures on Profit for the period**

	<b>Current Year Quarter 31.12.17 RM'000</b>	<b>Preceding Year Quarter 31.12.16 RM'000</b>	<b>Current Year To Date 31.12.17 RM'000</b>	<b>Preceding Year To Date 31.12.16 RM'000</b>
<b>Profit for the period is arrived at after charging/(crediting) :</b>				
Interest income	(178)	(258)	(384)	(352)
Gain on disposal of property, plant and equipment	(392)	(70)	(441)	(534)
Gain on disposal of a subsidiary	(1,525)	-	(1,525)	-
(Gain)/Loss on foreign exchange	(266)	934	208	843
Depreciation of property, plant and equipment	3,513	3,651	7,130	7,238
Amortization of Intangible asset	106	76	213	116
Impairment loss and write off of trade receivables	1,800	923	2,178	1,554
Interest expense	908	1,022	1,856	2,055

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 December 2017.