

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

Notes on the quarterly report – 30 June 2018

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. Seasonal 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.

The interim single tier dividend of 1.5 sen per share amounting to RM2,792,229 in respect of financial year ended 30 June 2018 has been paid on 27 July 2018.

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A8. Segment information

Operating segments for the current financial period ended 30 June 2018:

	← Logistics →				→						
	Malaysia	Australia	Indonesia	Thailand	Vietnam	India	Sri Lanka	Marine Singapore	Others	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue											
Total revenue	389,033	44,800	33,296	14,451	13,164	10,731	7,182	6,512	11,886	(19,470)	511,585
Inter-segment revenue	(3,968)	(838)	(1,291)	(1,672)	(483)	(255)	(49)	-	(10,914)	(19,470)	-
Revenue from external customers	385,065	43,962	32,005	12,779	12,681	10,476	7,133	6,512	972	-	511,585
Results											
Segment results	29,782	1,540	2,204	(810)	(177)	43	59	(726)	4,207	(3,649)	32,473
Finance costs	(3,317)	(18)	(75)	(4)	-	(128)	-	(114)	-	79	(3,577)
Share of loss of associates	(2,594)	-	-	-	-	-	-	-	-	-	(2,594)
Share of profit of joint ventures	-	-	-	-	-	-	-	-	2,126	-	2,126
Profit before tax	23,871	1,522	2,129	(814)	(177)	(85)	59	(840)	6,333	(3,570)	28,428
Tax expense											(8,311)
Profit for the period											20,117
Assets											
Segment assets	432,229	11,366	14,068	1,832	3,093	2,642	614	-	73,443	(106,823)	432,464
Investments in associates	528	-	-	-	-	-	-	-	10,889	-	11,417
Investments in joint ventures	-	-	-	-	-	-	-	-	3,644	-	3,644
Deferred tax assets	-	-	274	-	48	586	-	-	-	-	908
Current tax assets	1,832	-	74	1,326	-	-	-	-	(153)	-	3,079
Total assets											451,512

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	← Logistics →							Marine			
	Malaysia	Australia	Indonesia	Thailand	Vietnam	India	Sri Lanka	Singapore	Others	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Liabilities											
Segment liabilities	210,965	5,089	5,257	6,440	1,742	2,608	513	-	28,673	(132,854)	128,433
Deferred tax liabilities	24,964	-	-	-	-	-	-	-	165	-	25,129
Current tax liabilities	4,140	52	-	-	25	-	7	-	4	-	4,228
Total liabilities											<u>157,790</u>
Other segment information											
Capital expenditure	10,289	209	1,310	187	42	-	4	678	-	-	12,719
Depreciation	10,398	154	321	92	228	62	17	1,273	160	-	12,705
Amortization of Intangible assets	25	-	-	-	-	-	-	-	423	-	448
Other non-cash income	(1,087)	(64)	(122)	(59)	-	(45)	-	(148)	(189)	-	(1,714)
Other non-cash expenses other than depreciation	1,890	58	18	67	121	111	1	105	-	-	2,371

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A8. Segment information

Operating segments for the current financial period ended 30 June 2017:

	← Logistics →				→						
	Malaysia	Australia	Indonesia	Thailand	Vietnam	India	Sri Lanka	Marine Singapore	Others	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue											
Total revenue	340,027	37,706	32,486	6,161	16,576	11,908	7,565	16,125	13,164	(20,423)	461,295
Inter-segment revenue	(2,611)	(1,033)	(2,196)	(1,151)	(566)	(289)	(48)	-	(12,529)	(20,423)	-
Revenue from external customers	337,416	36,673	30,290	5,010	16,010	11,619	7,517	16,125	635	-	461,295
Results											
Segment results	29,202	930	2,747	(1,252)	(258)	48	18	(1,076)	12,974	(9,799)	33,534
Finance costs	(3,601)	(27)	(20)	-	-	(79)	-	(321)	-	24	(4,024)
Share of loss of associates	22	-	-	-	-	-	-	-	(116)	-	(94)
Share of loss of joint ventures	-	-	-	-	-	-	-	-	(500)	-	(500)
Profit before tax	25,623	903	2,727	(1,252)	(258)	(31)	18	(1,397)	12,358	(9,775)	28,916
Tax expense											(7,867)
Profit for the period											21,049
Assets											
Segment assets	378,380	10,348	13,194	1,119	3,915	3,953	1,227	33,946	74,636	(105,742)	414,976
Investments in associates	456	-	-	-	-	-	-	-	4,251	-	4,707
Investments in joint ventures	-	-	-	-	-	-	-	-	2,232	-	2,232
Deferred tax assets	-	-	245	-	51	719	-	-	-	-	1,015
Current tax assets	2	-	363	850	-	-	-	1	189	-	1,405
Total assets											424,335

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	← Logistics →										
	Malaysia	Australia	Indonesia	Thailand	Vietnam	India	Sri Lanka	Marine Singapore	Others	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Liabilities											
Segment liabilities	212,332	4,572	7,449	3,823	2,286	3,824	1,178	10,617	26,328	(132,271)	140,138
Deferred tax liabilities	17,156	-	-	-	-	-	-	-	464	-	17,620
Current tax liabilities	3,460	27	-	-	26	-	-	-	15	-	3,528
Total liabilities											<u>161,286</u>
Other segment information											
Capital expenditure	5,726	330	125	6	490	126	12	986	1,665	-	9,466
Depreciation	10,818	122	285	48	187	51	20	3,130	118	-	14,779
Amortisation of Intangible assets	-	-	-	-	-	-	-	-	268	-	268
Other non-cash income	(1,129)	(8)	-	-	(28)	-	-	(313)	(342)	-	(1,820)
Other non-cash expenses other than depreciation	2,652	69	120	140	127	47	3	100	-	-	3,258

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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 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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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.

On 10 July 2018, FMG Capital & Management Sdn. Bhd, a wholly-owned subsidiary of the Company, acquired the entire issued and paid-up capital of Centro Maxx Sdn. Bhd. (“CM”) comprising one (1) ordinary share for a cash consideration of RM1.00 from Mr Yang Heng Lam (“Acquisition”). Following the Acquisition, CM will be an indirect wholly-owned subsidiary of the Company.

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>4,566</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 30.06.18 RM'000
Prime movers	2,443
Trailers	603
Trucks	496
Vans	812
Computer	195
Warehouse equipment	104
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	<u>4,653</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 RM5.7mil or approximately 5% higher than 4QFY17. Details of changes in each service type are as follows:-

Service Type	4QFY18	4QFY17	Changes RM mil	% change
Seafreight	84.1	78.9	5.2	7%
Airfreight	13.1	11.7	1.4	12%
3PL & Warehousing	15.1	12.6	2.5	20%
Landfreight	4.3	3.8	0.5	13%
Supporting services	13.3	13.1	0.2	2%
Tug & Barge	- *	4.1	-	-
TOTAL	129.9	124.2	5.7	5%

Compared to 4QY17, all services reported growth in terms of revenue mainly due to increase of activities.

The Group's Profit Before Tax decreased to RM6.4mil from RM8.5mil as compared to 4QFY17 mainly due to share of losses of associate in TCH and impairment of advances in a Joint JV.

* No meaningful comparison as Tug & Barge turnover has not been consolidated as it became an associate entity since 19 Dec 2017.

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B2. Variation of results against preceding quarter

Service Type	4QFY18	3QFY18	Changes	
			RM mil	% change
Seafreight	84.1	78.4	5.7	7%
Airfreight	13.1	12.2	0.9	7%
3PL & Warehousing	15.1	13.8	1.3	9%
Landfreight	4.3	4.5	-0.2	-4%
Supporting services	13.3	13.0	0.3	2%
Tug & Barge	- *	- *	-	-
TOTAL	129.9	121.9	8.0	7%

Compared to the preceding quarter, revenue recorded increased by 7% or RM8.0 mil mainly due to higher activities in Seafreight and 3PL & Warehousing.

As compared to the preceding quarter for 3QFY18, PBT for 4QFY18 increased by 12% due to higher net share of profits from JVs.

* No meaningful comparison as Tug & Barge turnover has not been consolidated as it became an associate entity since 19 Dec 2017.

B3. Prospects for Next Financial Year

Due to the uncertainty in the global economy caused by a combination of escalating trade tensions, rising oil prices and currency pressure which would have an impact on world trade. This may influence the performance of the Group.

In this coming financial year, the Group will focus on strengthening its customer base and to improve on cost management and operational efficiencies. Barring unforeseen circumstances, the Group expects its performance to be positive for the financial year ending 30 June 2019.

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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
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
	RM'000	RM'000	RM'000	RM'000
In respect of current period:				
Income tax	2,501	2,857	9,320	9,057
Deferred tax	(293)	(117)	(695)	(932)
	2,208	2,740	8,625	8,125
In respect of prior years :				
Income tax	-	(61)	(96)	(78)
Deferred tax	-	3	(218)	(180)
	-	(58)	(314)	(258)
Total	2,208	2,682	8,311	7,867

The Group's effective tax rate for cumulative 12 months ended 30 June 2018 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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B7. Group borrowings

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

	As at 30.06.2018 RM'000	As at 30.06.2017 RM'000
Payable within 12 months (secured)		
Term loans		
- Ringgit Malaysia	8,992	8,992
- Singapore Dollar (- / SGD489k)^	-	1,502
Hire purchase and lease liabilities		
- Ringgit Malaysia	2,583	2,187
- Australian Dollar (AUD22k / AUD38k)^	64	125
- Indonesia Rupiah (IDR280m / IDR151m)^	75	46
- Thailand Baht (THB233k / -)^	25	-
Overdraft		
- Singapore Dollar (- / SGD216k)^	-	663
- India Rupee (INR20m / INR18m)^	1,159	1,167
	<u>12,898</u>	<u>14,682</u>
Payable after 12 months (secured)		
Term loans		
- Ringgit Malaysia	47,861	56,852
- Singapore Dollar (- / SGD964k)^	-	2,960
Hire purchase and lease liabilities		
- Ringgit Malaysia	7,014	4,250
- Australian Dollar (AUD75k / AUD57k)^	222	187
- Indonesia Rupiah (IDR458m / IDR75m)^	122	23
- Thailand Baht (THB739k / -)^	87	-
	<u>55,306</u>	<u>64,272</u>
Total borrowings	<u><u>68,204</u></u>	<u><u>78,954</u></u>
^ Exchange rate		
- Australian Dollar	2.944	3.2580
- Singapore Dollar	-	3.071
- Indonesian Rupiah	0.000267	0.000306
- Thai Baht	11.53	-
- Indian Rupee	0.0569	0.0644

The weighted average interest rate of Hire purchase and Term loans as at 30 June 2018 was 5.57% and 4.80% (30.06.2017: 5.65% and 4.80%).

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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 second interim single tier dividend of 3.5 sen per share, in respect of financial year ended 30 June 2018. The dividend will be paid on 14 November 2018 to holders of ordinary shares whose names appear in the Record of Depositors at the close of business on 31 October 2018.

B10. Trade Receivables

	As at 30.06.2018 RM'000	As at 30.06.2017 RM'000
Trade Receivables	<u>115,865</u>	<u>107,458</u>

The average credit terms of trade receivables were Sixty (60) days. As at 30 June 2018, the trade receivables has increased by 8% to RM8.4 million as compare to audited financial year ended 30 June 2017.

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	Individual Quarter		Cumulative Quarter	
	Current	Preceding	Current	Preceding
	Year	Year	Year To	Year
	Quarter	Corresponding	Date	Corresponding
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
Profit attributable to equity holders of the parent (RM'000)	4,165	5,823	19,696	21,026
Weighted average number of ordinary shares in issue ('000)	186,148	177,618	186,148	177,618
Effect of exercise of warrants ('000)	-	3,738	-	5,196
Weighted average number of ordinary shares in issue applicable to basic earnings per ordinary shares('000)	186,148	181,356	186,148	182,814
Basic Earnings Per Ordinary Share (sen)	2.24	3.21	10.58	11.50

Diluted

	Individual Quarter		Cumulative Quarter	
	Current	Preceding	Current	Preceding
	Year	Year	Year To	Year
	Quarter	Corresponding	Date	Corresponding
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
Profit attributable to equity holders of the parent (RM'000)	4,165	5,823	19,696	21,026
Weighted average number of ordinary shares in issue applicable to basic earnings per ordinary shares ('000)	186,148	181,356	186,148	182,814
Effect of dilution in potential exercise of warrants ('000)	-	-	-	-
Adjusted weighted average number of ordinary shares applicable to diluted earnings per ordinary share ('000)	186,148	181,356	186,148	182,814
Diluted Earnings Per Ordinary Share (sen)	2.24	3.21	10.58	11.50

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	Current Year Quarter 30.06.18 RM'000	Preceding Year Quarter 30.06.17 RM'000	Current Year To Date 30.06.18 RM'000	Preceding Year To Date 30.06.17 RM'000
Profit for the period is arrived at after charging/(crediting) :				
Interest income	207	(445)	(293)	(1,015)
Fair value gain on other investment	(355)	-	(355)	-
Gain on disposal of property, plant and equipment	(165)	(100)	(655)	(693)
Gain on disposal of a subsidiary	-	-	(1,525)	-
(Gain)/Loss on foreign exchange	(183)	824	(24)	2,112
Depreciation of property, plant and equipment	2,823	3,842	12,705	14,779
Amortisation of intangible asset	131	83	448	268
Impairment loss and write off of trade receivables	(884)	897	1,401	1,598
Impairment loss on property, plant and equipment	2	-	2	-
Impairment loss on investment in associate	1,280	-	1,280	-
Impairment loss on advances to JV	1,758	-	1,758	-
Interest expense	893	1,009	3,577	4,024

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 June 2018.