

FREIGHT MANAGEMENT HOLDINGS BHD

(Company No: 380410-P)

Notes on the quarterly report – 30 September 2019

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 2019.

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 2019.

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 2019 except for the adoption of the of MFRS 16 Leases effective for the financial period beginning on 1 July 2019.

MFRS 16 introduces a single accounting model, requiring the lessee to recognize the right-of-use of the underlying lease asset and the future lease payments liabilities in the statements of financial position. For a lessor, MFRS 16 continues to allow the lessor to classify leases as either operating leases or finance leases and to account for these two types of leases differently. Accordingly, the Group prepares its financial statements with adoption of MFRS 16 in its financial statement for the financial year ending 30 June 2020.

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 2019 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 1.0 sen per share amounting to RM2,792,224 in respect of financial year ended 30 June 2019 has been paid on 26 July 2019.

The second interim single tier dividend of 2.5 sen per share amounting to RM6,980,557 in respect of financial year ended 30 June 2019 has been paid on 15 November 2019.

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A8. Segment information

Operating segments for the current financial period ended 30 September 2019:

	←————— Logistics —————→										
	Malaysia	Australia	Indonesia	Thailand	Vietnam	India	Sri Lanka	USA	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	105,223	15,563	9,239	5,258	2,869	3,067	268	1,531	2,088	(5,956)	139,150
Inter-segment revenue	(1,092)	(386)	(322)	(516)	(207)	(243)	(14)	(1,281)	(1,895)	(5,956)	-
Revenue from external customers	104,131	15,177	8,917	4,742	2,662	2,824	254	250	193	-	139,150
Results											
Segment results	7,206	26	594	205	(53)	114	(9)	85	4,169	(4,139)	8,198
Finance costs	(808)	(4)	(9)	(1)	-	(31)	-	-	-	-	(853)
Share of loss of associates	(19)	-	-	-	-	-	-	-	(699)	-	(718)
Share of profit of joint ventures	-	-	-	-	-	-	-	-	488	-	488
Profit before tax	6,379	22	585	204	(53)	83	(9)	85	3,958	(4,139)	7,115
Tax expense											(2,080)
Profit for the period											5,035
Assets											
Segment assets	458,817	15,468	18,529	5,625	2,411	3,201	406	1,563	75,229	(122,819)	458,430
Investments in associates	481	-	-	-	-	-	-	-	6,299	-	6,780
Investments in joint ventures	-	-	-	-	-	-	-	-	4,848	-	4,848
Deferred tax assets	-	-	402	-	49	594	-	-	-	-	1,045
Current tax assets	3,110	119	1	1,591	-	-	-	-	24	-	4,845
Total assets											475,948

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	←			Logistics	→				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	USA RM'000			
Liabilities											
Segment liabilities	232,739	9,911	6,375	10,403	1,524	2,950	507	861	33,409	(152,454)	146,225
Deferred tax liabilities	24,038	-	-	-	-	-	-	-	77	-	24,115
Current tax liabilities	4,454	-	-	41	25	21	(1)	6	78	-	4,624
Total liabilities											<u>174,964</u>
Other segment information											
Capital expenditure	740	14	56	9	9	4	-	-	-	-	832
Depreciation	5,060	41	101	15	34	57	3	2	20	-	5,333
Amortization of Intangible assets	-	-	-	-	-	-	-	-	125	-	125
Other non-cash income	(537)	(46)	-	(46)	(3)	-	-	-	(201)	-	(833)
Other non-cash expenses other than depreciation	1,246	4	5	18	132	31	14	-	-	-	1,450

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A8. Segment information

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

	←────────────────── Logistics ───────────────────→									
	Malaysia	Australia	Indonesia	Thailand	Vietnam	India	Sri Lanka	Others	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue										
Total revenue	107,964	11,454	9,810	4,107	2,623	1,875	582	2,492	(4,701)	136,206
Inter-segment revenue	(1,076)	(466)	(264)	(530)	(93)	(56)	(4)	(2,212)	(4,701)	-
Revenue from external customers	<u>106,888</u>	<u>10,988</u>	<u>9,546</u>	<u>3,577</u>	<u>2,530</u>	<u>1,819</u>	<u>578</u>	<u>280</u>	<u>-</u>	<u>136,206</u>
Results										
Segment results	8,322	386	1,365	(104)	(111)	192	(7)	(366)	46	9,723
Finance costs	(829)	-	(4)	(1)	-	(29)	-	-	-	(863)
Share of loss of associates	(1)	-	-	-	-	-	-	(568)	-	(569)
Share of profit of joint ventures	-	-	-	-	-	-	-	332	-	332
Profit before tax	<u>7,492</u>	<u>386</u>	<u>1,361</u>	<u>(105)</u>	<u>(111)</u>	<u>163</u>	<u>(7)</u>	<u>(602)</u>	<u>46</u>	<u>8,623</u>
Tax expense										<u>(2,346)</u>
Profit for the period										<u>6,277</u>
Assets										
Segment assets	446,583	12,677	14,611	2,051	3,176	2,614	426	66,904	(108,061)	440,981
Investments in associates	526	-	-	-	-	-	-	10,322	-	10,848
Investments in joint ventures	-	-	-	-	-	-	-	3,915	-	3,915
Deferred tax assets	-	-	271	-	48	571	-	-	-	890
Current tax assets	2,196	-	-	1,487	-	-	-	-	-	<u>3,683</u>
Total assets										<u>460,317</u>

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	← Logistics →									
	Malaysia	Australia	Indonesia	Thailand	Vietnam	India	Sri Lanka	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	221,409	6,223	4,868	7,078	1,964	2,502	384	23,373	(134,139)	133,662
Deferred tax liabilities	24,586	-	-	-	-	-	-	147	-	24,733
Current tax liabilities	5,075	47	182	-	25	46	(1)	145	-	5,519
Total liabilities										<u>163,914</u>
Other segment information										
Capital expenditure	7,678	23	94	-	165	-	-	-	-	7,960
Depreciation	2,774	37	78	14	49	12	3	33	-	3,000
Amortization of Intangible assets	-	-	-	-	-	-	-	107	-	107
Other non-cash income	(1,103)	(160)	(94)	(30)	(11)	(110)	-	(278)	-	(1,786)
Other non-cash expenses other than depreciation	1,017	-	-	-	138	13	7	-	-	1,175

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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, Sri Lanka 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

There were no changes in the composition of the Group during the current financial period.

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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:-

	RM'000
Guarantees given to third parties in respect of trade performance of subsidiaries	4,608
Guarantees given to financial institutions in respect of credit facilities granted	49,674
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	54,282

A13. Capital commitments

Contracted but not provided for :

	As at 30.09.19 RM'000
Warehouse	9,000
Prime movers & Trailers	3,534
Office equipment	111
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	12,645

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

B1. Review of performance

The Group registered revenue growth of RM3.0 million or approximately 2% higher than 1QFY19. Details of changes in each service type are as follows:-

Service Type	1QFY20	1QFY19	Changes RM mil	% change
Seafreight	85.7	85.5	0.2	0%
Airfreight	14.5	15.4	-0.9	-6%
3PL & Warehousing & Distribution	17.8	16.6	1.2	7%
Landfreight	5.7	5.0	0.7	14%
Supporting services	15.5	13.7	1.8	13%
TOTAL	139.2	136.2	3.0	2%

Compared to 1QY19, the increased in revenue is mainly due to an increase in the activities of the Group especially in 3PL & Warehousing & Distribution services in the current quarter.

As compared to 1QFY19, the Group's Profit before Tax ("PBT") decreased from RM8.6 million to RM7.1 million or 17% lower. It should be highlighted that 1QFY19 PBT was boosted by the reversal of impairment of trade receivables of approximately RM1.3 million. 1QFY20 PBT was also affected by higher on-going costs for the new distribution services and continued share of losses from tug & barge associate.

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B2. Variation of results against preceding quarter

Service Type	1QFY20	4QFY19	Changes RM mil	% change
Seafreight	85.7	84.9	0.8	1%
Airfreight	14.5	18.6	-4.1	-22%
3PL & Warehousing & Distribution	17.8	17.4	0.4	2%
Landfreight	5.7	5.5	0.2	4%
Supporting services	15.5	16.5	-1.0	-6%
TOTAL	139.2	142.9	-3.7	-3%

Revenue as compared to the preceding quarter decreased by 3% or RM3.7 million mainly due to lower activities in Airfreight services. As compared to the preceding quarter 4QFY19, PBT for 1QFY20 increased by 89% mainly as 4QFY19 was impacted by higher share of losses from an associate in tug and barge services and impairment of its assets in 4QFY19.

B3. Current year prospects

The Group is cautious of the prospects for the current financial year as the global economy continues to face serious headwinds, with a geographically broad-based slowdown in manufacturing and global trade, and rising trade barriers. Notwithstanding the challenges, the Group is cautiously optimistic of its business and would continue to focus on expanding its customer base regionally and improving its cost management via operational efficiencies.

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 – 30 September 2019****B5. Tax expense**

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year To	Preceding Year
	Quarter	Corresponding Quarter	Date	Corresponding Quarter
	30.09.2019	30.09.2018	30.09.2019	30.06.2018
	RM'000	RM'000	RM'000	RM'000
In respect of current period:				
Income tax	2,363	2,742	2,363	2,742
Deferred tax	(283)	(396)	(283)	(396)
	<u>2,080</u>	<u>2,346</u>	<u>2,080</u>	<u>2,346</u>
In respect of prior years :				
Income tax	-	-	-	-
Deferred tax	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u><u>2,080</u></u>	<u><u>2,346</u></u>	<u><u>2,080</u></u>	<u><u>2,346</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

The following proposals have been approved by the shareholders Meeting on 25 November 2019:-

At Annual General Meeting

- (i) Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature;
- (ii) Proposed Renewal of Share Buy-Back Authority; and

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B7. Group borrowings

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

	As at 30.09.2019 RM'000	As at 30.09.2018 RM'000
Payable within 12 months (secured)		
Term loans		
- Ringgit Malaysia	6,700	8,992
Hire purchase and lease liabilities		
- Ringgit Malaysia	4,800	2,925
- Australian Dollar (AUD17k / AUD22k)^	49	65
- Indonesia Dollar (IDR599m / IDR289m)^	168	76
- Thailand Dollar (THB225k / THB233k)^	29	28
- India Dollar (INR260k / -)^	15	-
Overdraft		
- India Dollar (INR20m / INR19m)^	1,154	1,043
	<u>12,915</u>	<u>13,129</u>
Payable after 12 months (secured)		
Term loans		
- Ringgit Malaysia	40,974	45,613
Hire purchase and lease liabilities		
- Ringgit Malaysia	12,053	8,172
- Australian Dollar (AUD91k / AUD71k)^	253	209
- Indonesia Dollar (IDR659m / IDR513m)^	185	135
- Thailand Dollar (THB479k / THB686k)^	62	83
- India Dollar (INR1.2m / -)^	70	-
	<u>53,597</u>	<u>54,212</u>
Total borrowings	<u><u>66,512</u></u>	<u><u>67,341</u></u>
^ Exchange rate		
- Australian Dollar	2.791	2.942
- Indonesian Rupiah	0.000281	0.000264
- Thai Baht	12.92	12.07
- Indian Rupee	0.0576	0.0554

The weighted average interest rate of Hire purchase and Term loans as at 30 September 2019 was 5.15% and 4.73% to 5.33% (30.9.2018: 5.15% and 4.73% to 5.33%).

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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

	As at 30.09.2019 RM'000	As at 30.06.2019 RM'000
Trade Receivables	<u>116,920</u>	<u>119,827</u>

The average credit terms of trade receivables were Sixty (60) days. As at 30 September 2019, the trade receivables has decreased by 0.2% to RM2.9 million as compare to audited financial year ended 30 June 2019.

FREIGHT MANAGEMENT HOLDINGS BHD**(Company No: 380410-P)****Notes on the quarterly report – 30 September 2019****B11. Earnings per share**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Quarter
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
Profit attributable to equity holders of the parent (RM'000)	4,785	5,764	4,785	5,764
Weighted average number of ordinary shares in issue ('000)	279,222	279,222	279,222	279,222
Basic Earnings Per Ordinary Share (sen)	1.71	2.06	1.71	2.06

B12. Additional Disclosures on Profit for the period

	Current Year Quarter	Preceding Year Quarter
	30.09.19	30.09.18
	RM'000	RM'000
Profit for the period is arrived at after charging/ (crediting):		
Interest income	(103)	(116)
Gain on disposal of property, plant and equipment	(297)	(176)
(Gain)/Loss on foreign exchange	210	(24)
Depreciation of property, plant and equipment	3,185	3,000
Depreciation of Right-of-use assets	2,148	-
Amortization of Intangible asset	125	107
Reversal on Impairment of trade receivables	(135)	(1,276)
Interest expense	853	863

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 September 2019.