

FREIGHT MANAGEMENT HOLDINGS BHD

(Company No: 380410-P)

Notes on the quarterly report – 31 December 2020

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 2020.

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 2020.

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 2020 except for the adoption of those new Malaysian Financial Reporting Standards (“MFRS”) and amendment to MFRS and Interpretations that are applicable to the Group for the financial period beginning on or after 1 July 2020.

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

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 2020 was not qualified.

A3. Seasonality or cyclicity factors

The Group’s business operation results were not materially affected by any major seasonal or cyclical factors.

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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 first interim single tier dividend of 1.0 sen per share amounting to RM2,792,224 in respect of financial year ended 30 June 2020 has been paid on 27 July 2020.

The second interim single tier dividend of 1.0 sen per share amounting to RM2,792,224 in respect of financial year ended 30 June 2020 has been paid on 16 October 2020.

The first interim single tier dividend of 1.0 sen per share amounting to RM2,792,224 in respect of financial year ended 30 June 2021 has been paid on 23 December 2020.

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Operating segments for the current financial period ended 31 December 2020:

	←		Logistics		→						
	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	Others RM'000	Elimination RM'000	Total RM'000
Revenue											
Total revenue	242,437	31,112	16,244	14,619	12,560	8,784	-	1,906	1,467	(9,761)	319,368
Inter-segment revenue	(3,945)	(504)	(546)	(1,133)	(402)	(499)	-	(1,545)	(1,187)	(9,761)	-
Revenue from external customers	238,492	30,608	15,698	13,486	12,158	8,285	-	361	280	-	319,368
Results											
Segment results	23,467	1,476	692	915	1,075	514	-	(85)	15,227	(24,257)	19,024
Finance costs	(1,185)	(11)	(13)	(15)	(12)	(71)	-	-	-	-	(1,307)
Share of loss of associates	(20)	-	-	-	-	-	-	-	(591)	-	(611)
Share of profit of joint ventures	-	-	-	-	-	-	-	-	737	-	737
Profit before tax	22,262	1,465	679	900	1,063	443	-	(85)	15,373	(24,257)	17,843
Tax expense											(4,522)
Profit for the period											13,321
Assets											
Segment assets	493,092	16,924	18,637	10,823	4,970	3,905	-	1,749	70,298	(129,861)	490,537
Investments in associates	428	-	-	-	-	-	-	-	-	-	428
Investments in joint ventures	-	-	-	-	-	-	-	-	5,424	-	5,424
Deferred tax assets	-	-	692	-	48	549	-	-	-	-	1,289
Current tax assets	115	-	-	-	-	-	-	-	187	-	302
Total assets											497,980

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	←			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
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	8,161	1	8	25	2	11	-	-	11	-	8,219
Capital expenditure – ROU assets (HP)	5,032	-	-	-	-	-	-	-	-	-	5,032
Depreciation	8,979	78	446	125	141	(28)	-	4	39	-	9,784
Amortization of Intangible assets	-	-	-	-	-	-	-	-	270	-	270
Other non-cash income	(285)	-	(25)	(100)	-	(31)	-	-	-	-	(441)
Other non-cash expenses other than depreciation	2,460	19	18	-	151	41	-	-	638	-	3,327

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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. (note: Sri Lanka is not applicable for FY2021 as this company has been disposed in FY2020)
- 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

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	5,314
Guarantees given to financial institutions in respect of credit facilities granted	62,011
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	<u>67,325</u>

A13. Capital commitments

Contracted but not provided for :

	As at 31.12.20 RM'000
Trucks & Trailers	1,385
Warehouse	1,322
Forklift	444
Office equipment	278
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	<u>3,429</u>

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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 RM22.3 million or approximately 15% higher than 2QFY20. Details of changes in each service type are as follows:-

Service Type	2QFY21	2QFY20	Changes	
			RM mil	% change
International freight	126.9	106.6	20.3	19%
Domestic Logistics	43.8	41.8	2.0	5%
TOTAL REVENUE	170.7	148.4	22.3	15%

Compared to 2QFY20, the increased revenue is mainly due increase of business activities in the current quarter.

As compared to 2QFY20, the Group's Profit before Tax ("PBT") increased from RM6.6 million to RM9.2 million or 41% higher mainly due to the increase of business activities that resulted in better performance.

B2. Variation of results against preceding quarter

Service Type	2QFY21	1QFY21	Changes	
			RM mil	% change
International freight	126.9	108.5	18.4	17%
Domestic Logistics	43.8	40.2	3.6	9%
TOTAL REVENUE	170.7	148.7	22.0	15%

Revenue as compared to the preceding quarter increased by 15% or RM22.0 million mainly due to higher activities in all services.

As compared to the preceding quarter 1QFY21, PBT for 2QFY21 increased from RM8.63mil to RM9.21mil or 7% mainly due to increase of business activities that resulted in better performance.

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B3. Current year prospects

The Group's current year business remains resilient despite the challenges and potential downside risks of the uncertain global economic activities and its supply chain due to Covid-19 pandemic. Notwithstanding the challenges, the Group remains optimistic and confident of our business and would continue to focus on expanding our customer base regionally and improving 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.

B5. Tax expense

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current	Preceding
	Quarter	Year	Year To	Year
	31.12.2020	Corresponding	Date	Corresponding
	31.12.2019	Quarter	31.12.2020	Quarter
	RM'000	RM'000	RM'000	RM'000
In respect of current period:				
Income tax	2,252	2,134	4,762	4,497
Deferred tax	(60)	(21)	(238)	(304)
	<u>2,192</u>	<u>2,113</u>	<u>4,524</u>	<u>4,193</u>
In respect of prior years :				
Income tax	(2)	-	(2)	-
Deferred tax	-	-	-	-
	<u>(2)</u>	<u>-</u>	<u>(2)</u>	<u>-</u>
Total	<u><u>2,190</u></u>	<u><u>2,113</u></u>	<u><u>4,522</u></u>	<u><u>4,193</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.

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

B7. Group borrowings

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

	As at 31.12.2020 RM'000	As at 31.12.2019 RM'000
Payable within 12 months (secured)		
Term loans		
- Ringgit Malaysia	14,681	7,074
Hire purchase and lease liabilities		
- Ringgit Malaysia	6,539	5,430
- Australian Dollar (AUD23k / AUD34k)^	69	97
- Indonesia Dollar (IDR422m / IDR612m)^	115	171
- Thailand Dollar (THB688k / THB644k)^	87	83
- India Dollar (INR295k / INR267k -)^	16	15
Overdraft		
- India Dollar (INR30m / INR25m)^	1,612	1,397
	<u>23,119</u>	<u>14,267</u>
Payable after 12 months (secured)		
Term loans		
- Ringgit Malaysia	43,046	46,575
Hire purchase and lease liabilities		
- Ringgit Malaysia	16,539	13,541
- Australian Dollar (AUD106k / AUD67k)^	322	189
- Indonesia Dollar (IDR78m / IDR501m)^	21	140
- Thailand Dollar (THB1,658k / THB2.4m)^	210	305
- India Dollar (INR849m / INR1.1m)^	45	64
	<u>60,183</u>	<u>60,814</u>
Total borrowings	<u>83,302</u>	<u>75,081</u>
^ Exchange rate		
- Australian Dollar	3.038	2.829
- Indonesian Rupiah	0.000272	0.000280
- Thai Baht	12.67	12.92
- Indian Rupee	0.0533	0.0558

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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 second interim single tier dividend of 2.0 sen per ordinary share, in respect of the financial year ended 30 June 2021. The dividend will be paid on 22 March 2021 to holders of ordinary shares whose names appear in the Record of Depositors at the close of business on 8 March 2021.

B10. Trade Receivables

	As at 31.12.2020 RM'000	As at 30.06.2020 RM'000
Trade Receivables	<u>128,016</u>	<u>115,090</u>

The average credit terms of trade receivables were Sixty (60) days. As at 31 December 2020, the trade receivables has increased by 11% or RM12.9 million as compare to audited financial year ended 30 June 2020.

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B11. Earnings per share

	Individual Quarter		Cumulative Quarter	
	Current	Preceding	Current	Preceding
	Year	Year	Year To	Year
	Quarter	Corresponding	Date	Corresponding
	31.12.2020	Quarter	31.12.2020	Quarter
		31.12.2019		31.12.2019
Profit attributable to equity holders of the parent (RM'000)	6,648	4,122	12,401	8,907
Weighted average number of ordinary shares in issue ('000)	279,222	279,222	279,222	279,222
Basic Earnings Per Ordinary Share (sen)	2.38	1.48	4.44	3.19

B12. Additional Disclosures on Profit for the period

	Current	Preceding	Current	Preceding
	Year	Year	Year	Year
	Quarter	Quarter	To Date	To Date
	31.12.20	31.12.19	31.12.20	31.12.19
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after charging/(crediting) :				
Interest income	(84)	(114)	(170)	(217)
(Gain)/Loss on disposal of property, plant and equipment	(56)	(142)	31	(439)
(Gain)/Loss on foreign exchange	570	290	1,333	500
Depreciation of property, plant and equipment	5,100	5,557	9,784	10,890
Amortization of Intangible asset	135	136	270	261
Additional on Impairment of Trade receivables	643	578	775	443
Impairment loss on advance in associate	510	-	721	-
Loss on disposal of investment in associate	152	-	152	-
Interest expenses	658	848	1,307	1,701

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 2020.