

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

Notes on the quarterly report – 31 March 2021

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 cyclical 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.

The second interim single tier dividend of 2.0 sen per share amounting to RM5,584,448 in respect of financial year ended 30 June 2021 has been paid on 22 March 2021.

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A8. Segment information

Operating segments for the current financial period ended 31 March 2021:

	← 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	405,349	50,852	27,970	25,633	21,841	15,228	-	3,423	1,803	(16,940)	535,159
Inter-segment revenue	(7,171)	(748)	(1,217)	(1,886)	(670)	(802)	-	(2,921)	(1,525)	16,940	-
Revenue from external customers	398,178	50,104	26,753	23,747	21,171	14,426	-	502	278	-	535,159
Results											
Segment results	39,152	1,896	1,574	1,375	1,905	878	-	22	25,089	(41,058)	30,833
Finance costs	(2,113)	(17)	(22)	(22)	(18)	(114)	-	-	-	-	(2,306)
Share of loss of associates	(30)	-	-	-	-	-	-	-	(591)	-	(621)
Share of profit of joint ventures	-	-	-	-	-	-	-	-	1,077	-	1,076
Profit before tax	37,009	1,879	1,552	1,352	1,887	764	-	22	25,575	(41,058)	28,982
Tax expense											(8,923)
Profit for the period											20,059
Assets											
Segment assets	515,200	18,093	19,404	12,186	4,913	5,658	-	2,192	60,674	(131,444)	506,876
Investments in associates	418	-	-	-	-	-	-	-	-	-	418
Investments in joint ventures	-	-	-	-	-	-	-	-	5,763	-	5,763
Deferred tax assets	-	-	746	-	49	565	-	-	-	-	1,360
Current tax assets	59	-	-	-	-	-	-	-	178	-	237
Total assets											514,654

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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	281,242	9,062	6,711	10,493	2,008	4,955	-	1,401	24,444	(163,033)	177,283
Deferred tax liabilities	23,823	-	-	-	-	-	-	-	19	618	24,460
Current tax liabilities	4,925	564	(548)	(1,574)	403	191	-	45	-	-	4,006
Total liabilities											<u>205,749</u>
Other segment information											
Capital expenditure	9,875	15	11	38	6	42	-	-	11	-	9,998
Capital expenditure – ROU assets (HP)	6,530	-	-	-	-	-	-	-	-	-	6,530
Depreciation	13,711	120	656	188	206	19	-	6	58	-	14,964
Amortization of Intangible assets	-	-	-	-	-	-	-	-	401	-	401
Other non-cash income	(666)	-	(30)	-	(2)	(3)	-	-	-	-	(701)
Other non-cash expenses other than depreciation	2,405	157	6	43	128	49	-	-	675	-	3,463

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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	6,248
Guarantees given to financial institutions in respect of credit facilities granted	67,951
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	<u>74,199</u>

A13. Capital commitments

Contracted but not provided for :

	As at 31.03.21 RM'000
PM & Trailers	5,291
Trucks	459
Warehouse renovation	438
Office equipment	182
Warehouse equipment	149
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	<u>6,519</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 RM78.8 million or approximately 58% higher than 3QFY20. Details of changes in each service type are as follows:-

Service Type	3QFY21	3QFY20	Changes RM mil	% change
International freight	165.4	98.5	66.9	68%
Domestic Logistics	50.4	38.5	11.9	31%
TOTAL REVENUE	215.8	137.0	78.8	58%

Compared to 3QFY20, the increased revenue is mainly due to higher freight rates and improvement in business activities in the current quarter.

As compared to 3QFY20, the Group's Profit before Tax ("PBT") increased from RM3.3 million to RM11.1 million or 234% higher mainly due to the improved in performance in both its Malaysian and overseas operations.

B2. Variation of results against preceding quarter

Service Type	3QFY21	2QFY21	Changes RM mil	% change
International freight	165.4	126.9	38.5	30%
Domestic Logistics	50.4	43.8	6.6	15%
TOTAL REVENUE	215.8	170.7	45.1	26%

Revenue as compared to the preceding quarter increased by 26% or RM45.1 million mainly due to higher freight rates and improvement in business activities in the current quarter.

As compared to the preceding quarter 2QFY21, PBT for 3QFY21 increased from RM9.2mil to RM11.1mil or 21% mainly due to the improved in performance in both its Malaysian and overseas operations.

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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 is optimistic of our 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.

B5. Tax expense

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding	Current	Preceding
	Quarter	Year	Year To	Year
	31.03.2021	Corresponding	Date	Corresponding
	RM'000	Quarter	31.03.2021	Quarter
		31.03.2020	RM'000	31.03.2020
		RM'000		RM'000
In respect of current period:				
Income tax	4,320	1,611	9,082	6,108
Deferred tax	149	(608)	(89)	(912)
	4,469	1,003	8,993	5,196
In respect of prior years :				
Income tax	(68)	40	(70)	40
Deferred tax	-	238	-	238
	(68)	278	(70)	278
Total	4,401	1,281	8,923	5,474

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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B6. Status of corporate proposal

Saved as below, there was no new proposal made for the current quarter under review.

On 19 April 2021, the Company proposes to undertake the Proposed Bonus issue of 279,222,415 new ordinary shares on the basis of 1 Bonus share for every 1 existing shares (“Proposal”). On 23 April 2021, Bursa Securities had approved the Proposal and now is subject to the shareholders’ approval at the Extraordinary General Meeting to be convened on 1 June 2021.

B7. Group borrowings

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

	As at 31.03.2021 RM'000	As at 31.03.2020 RM'000
Payable within 12 months (secured)		
Term loans		
- Ringgit Malaysia	24,685	12,570
- India Dollar (INR4.63m / -)^	254	-
Hire purchase and lease liabilities		
- Ringgit Malaysia	6,922	5,714
- Australian Dollar (AUD23k / AUD22k)^	72	58
- Indonesia Dollar (IDR351m / IDR626m)^	95	156
- Thailand Dollar (THB701k / THB656k)^	87	82
- India Dollar (INR303k / INR274k)^	17	15
Overdraft		
- India Dollar (INR26.7m / INR25m)^	1,462	1,425
	<u>33,594</u>	<u>20,020</u>
Payable after 12 months (secured)		
Term loans		
- Ringgit Malaysia	41,248	44,856
Hire purchase and lease liabilities		
- Ringgit Malaysia	15,730	13,847
- Australian Dollar (AUD100k / AUD123k)^	310	322
- Indonesia Dollar (IDR11m / IDR339m)^	3	84
- Thailand Dollar (THB1,478k / THB2.2m)^	184	275
- India Dollar (INR770m / INR1.0m)^	42	60
	<u>57,517</u>	<u>59,444</u>
Total borrowings	<u><u>91,111</u></u>	<u><u>79,464</u></u>

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^ Exchange rate		
- Australian Dollar	3.098	2.615
- Indonesian Rupiah	0.000272	0.000249
- Thai Baht	12.48	12.53
- Indian Rupee	0.0548	0.0559

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

B10. Trade Receivables

	As at 31.03.2021 RM'000	As at 30.06.2020 RM'000
Trade Receivables	<u>149,578</u>	<u>115,090</u>

The average credit terms of trade receivables were Sixty (60) days. As at 31 March 2021, the trade receivables has increased by 30% or RM34.5 million as compare to audited financial year ended 30 June 2020.

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B11. Earnings per share

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year To	Preceding Year
	Quarter	Corresponding Quarter	Date	Corresponding Quarter
	31.03.2021	31.03.2020	31.03.2021	31.03.2020
Profit attributable to equity holders of the parent (RM'000)	6,050	2,026	18,451	10,933
Weighted average number of ordinary shares in issue ('000)	279,222	279,222	279,222	279,222
Basic Earnings Per Ordinary Share (sen)	2.17	0.73	6.61	3.92

B12. Additional Disclosures on Profit for the period

	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter	Quarter	To Date	To Date
	31.03.21	31.03.20	31.03.21	31.03.20
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after charging/(crediting) :				
Interest income	(48)	(83)	(218)	(300)
(Gain)/Loss on disposal of property, plant and equipment	27	(101)	58	(540)
(Gain)/Loss on foreign exchange	434	815	1,767	1,315
Depreciation of property, plant and equipment	5,180	5,539	14,964	16,429
Amortization of Intangible asset	131	133	401	394
Impairment and write off of receivables	4,055	2,367	4,830	2,810
Impairment loss on advance in associate	510	-	1,231	-
Loss on disposal of investment in associate	-	-	152	-
Interest expenses	999	1,009	2,306	2,710

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 2021.