

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

Notes on the quarterly report – 30 June 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 2016.

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 2016.

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 2016 except for the adoption of the following new/revised MFRSs and amendments to MFRSs effective for annual periods beginning on or after 1 January 2016:-

Annual Improvements to MFRSs 2012-2014 Cycle

Amendments to MFRS 10, MFRS 12 and MFRS 128 *Investment Entities: Applying the Consolidation Exception*

Amendments to MFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*

MFRS 14 *Regulatory Deferral Accounts*

Amendments to MFRS 101 *Disclosure Initiative*

Amendments to MFRS 116 *Property, Plant and Equipment: Clarification of Acceptable Methods of Depreciation and Amortisation*

Amendments to MFRS 127 *Equity Method in Separate Financial Statements*

Amendments to MFRS 138 *Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation*

Amendments to MFRS 116 and MFRS 141 *Agriculture: Bearer Plants*

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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 2016 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.

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 except for the issuance of 8,530,407 new shares of RM0.50 each pursuant to the exercise of warrants at RM0.97 per warrant. The total cash proceeds arising from the exercise of warrants during the current financial year to date amounted to RM8,274,495.

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A7. Dividend paid

- i) The interim single tier dividend of 1.5 sen per share amounting to RM2,664,273 in respect of financial year ended 30 June 2016 has been paid on 28 July 2016.

- ii) The second interim single tier dividend of 3.5 sen per share amounting to RM6,324,627 in respect of financial year ended 30 June 2016 has been paid on 22 November 2016.

- iv) The interim single tier dividend of 1.5 sen per share amounting to RM2,792,229.32 in respect of financial year ended 30 June 2017 has been paid on 28 July 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				
Liabilities											
Segment liabilities	212,333	4,572	7,449	3,823	2,286	2,657	1,178	10,617	26,327	(132,271)	138,971
Deferred tax liabilities	17,156	-	-	-	-	-	-	-	464	-	17,620
Current tax liabilities	3,460	27	-	-	26	-	-	-	15	-	3,528
Total liabilities											<u>160,119</u>
Other segment information											
Capital expenditure	5,725	330	125	6	490	126	12	986	340	-	8,140
Depreciation	10,818	122	285	47	187	51	20	3,130	119	-	14,779
Amortization 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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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

On 8 May 2017, Freight Management Holdings Bhd had incorporated a wholly-owned subsidiary, Parcel To Post Services Sdn Bhd ("PTPS") in Malaysia. The current paid up capital of PTPS is RM1 mil. The business activity of PTPS is to carry out last mile delivery services.

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>4,133</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 30.06.17 RM'000
Prime Movers	1,400
Vans	671
Trucks	459
Computers	71
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	<u>2,601</u>

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

B1. Review of performance

The Group's revenue for the 4QFY17 grew approximately RM19.1mil or 18% compares with 4QFY16. The table below highlights the relative changes in each service type.

Service Type	4QFY17	4QFY16	Increase/ Decrease RM mil	% change
Seafreight	78.9	66.9	12.0	18%
Airfreight	11.7	9.6	2.1	22%
Tug & Barge	4.1	3.2	0.9	28%
3PL & Warehousing	12.6	9.9	2.7	27%
Landfreight	3.8	4.4	-0.6	-14%
Other Supporting	13.1	11.1	2.0	18%
TOTAL	124.2	105.1	19.1	18%

Revenue as compared to the 4QFY16, registered a growth of 18%. All divisions recorded a higher revenue in 4QFY17 other than the Landfreight.

The Group's Profit Before Tax improved to RM8.48mil from RM4.90mil as compared to 4QFY16 mainly due to better performance achieved for this quarter from all divisions other than Landfreight and higher losses incurred in our Tug & Barge division in 4QFY16.

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B2. Variation of results against preceding quarter

Service Type	4QFY17	3QFY17	Increase/- Decrease RM mil	% change
Seafreight	78.9	72.7	6.2	9%
Airfreight	11.7	12.8	-1.1	-9%
Tug & Barge	4.1	3.8	0.3	8%
3PL & Warehousing	12.6	12.4	0.2	2%
Landfreight	3.8	3.6	0.2	6%
Other Supporting	13.1	11.7	1.4	12%
TOTAL	124.2	117.0	7.2	6%

Revenue as compared to the preceding quarter, 3QFY17, registered a growth of 6%. As compared to the preceding quarter, the Group recorded higher revenue for all the services other than Airfreight.

Profit Before Tax for the current quarter increased to RM8.48mil from RM6.42mil as compared to the preceding quarter due to overall better performance achieved for this quarter especially from the Seafreight division.

B3. Prospects for Next Financial Year

The Group has performed positively for FY17 despite the challenging and competitive global environment. Moving forward, the Group seeks to further improve its performance in its core businesses and at the same time explore new business opportunities and developing new products. The Group also will continue to strengthen its customer base and improve on its operational and cost efficiencies.

Barring any unforeseen circumstances, the Board of Directors is of the opinion that the business and performance of the Group is expected to remain positive for the financial year ending 30 June 2018.

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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 Year To	Preceding Year
	Quarter	Corresponding Quarter	Date	Corresponding Quarter
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	RM'000	RM'000	RM'000	RM'000
In respect of current period:				
Income tax	2,796	1,638	8,996	5,263
Deferred tax	(117)	(85)	(932)	255
	2,679	1,553	8,064	5,518
Under / (Over) provision in respect of prior years :				
Income tax	-	-	(17)	(351)
Deferred tax	4	(12)	(179)	962
	4	(12)	(196)	611
Total	2,683	1,541	7,868	6,129

The Group' effective tax rate for the cumulative 12 months ended 30 June 2017 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:

	RM'000
Payable within 12 months (secured)	
Term loans	10,494
Hire purchase and lease liabilities	2,358
Bank overdrafts	663
	<u>13,515</u>
Payable after 12 months (secured)	
Term loans	59,812
Hire purchase and lease liabilities	4,460
	<u>64,272</u>
	<u>77,787</u>
Total borrowings	<u><u>77,787</u></u>

All the above borrowings are denominated in Ringgit Malaysia except for the following, which is denominated in foreign currency:-

	RM'000
In Australian Dollar	
Hire purchase and lease liabilities payable within 12 months	125
Hire purchase and lease liabilities payable after 12 months	186
In Singapore Dollar	
Overdraft payable within 12 months	663
Term loans payable within 12 months	1,503
Term loans payable after 12 months	2,960
In Indonesian Rupiah	
Hire purchase and lease liabilities payable within 12 months	46
Hire purchase and lease liabilities payable after 12 months	23
	<u>5,506</u>

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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 2017. The dividend will be paid on 14 November 2017 to holders of ordinary shares whose names appear in the Record of Depositors at the close of business on 31 October 2017.

B10. Earnings per share

Basic

	Individual Quarter		Cumulative Quarter	
	Current	Preceding	Current	Preceding
	Year	Year	Year To	Year
	Quarter	Corresponding	Date	Corresponding
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
Profit attributable to equity holders of the parent (RM'000)	5,823	5,522	21,026	19,874
Weighted average number of ordinary shares in issue ('000)	177,618	172,999	177,618	172,999
Effect of exercise of warrants ('000)	3,738	932	5,196	493
Weighted average number of ordinary shares in issue applicable to basic earnings per ordinary shares('000)	181,356	173,931	182,814	173,492
Basic Earnings Per Ordinary Share (sen)	3.21	3.17	11.50	11.45

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	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Quarter
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
Profit attributable to equity holders of the parent (RM'000)	5,823	5,522	21,026	19,874
Weighted average number of ordinary shares in issue applicable to basic earnings per ordinary shares ('000)	181,356	173,931	182,814	173,492
Effect of dilution in potential exercise of warrants ('000)	-	2,576	-	2,576
Adjusted weighted average number of ordinary shares applicable to diluted earnings per ordinary share ('000)	181,356	176,507	182,814	176,068
Diluted Earnings Per Ordinary Share (sen)	3.21	3.13	11.50	11.29

*Note: Warrants had expired on 8 Jan 2017***B11. Realised and Unrealised Profits or Losses of the Group**

	As at 30.06.17 RM'000	As at 30.06.16 RM'000
Total retained earnings of the Group:		
Realised	165,086	151,446
Unrealised *	(17,836)	(18,524)
Total share of retained earnings from associates:		
Realised	(44)	50
Unrealised	-	-
Total share of accumulated losses from joint ventures:-		
Realised	(2,350)	(1,604)
Unrealised	-	-
Less: Consolidation adjustments	(32,395)	(31,288)
Total Group retained earnings as per financial statements	112,461	100,080

** 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.

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B12. Additional Disclosures on Profit for the period

	Current Year Quarter 30.06.17 RM'000	Current Year To Date 30.06.17 RM'000
Profit for the period is arrived at after charging/ (crediting):		
Interest income	(445)	(1,015)
Gain on disposal of property, plant and equipment	(100)	(693)
Loss on foreign exchange	824	2,112
Depreciation of property, plant and equipment	3,842	14,779
Amortization of Intangible asset	83	268
Impairment loss and write off of trade receivables	845	1,546
Interest expense	<u>1,009</u>	<u>4,024</u>

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 2017.