

FREIGHT MANAGEMENT HOLDINGS BHD

(Company No: 380410-P)

Notes on the quarterly report – 30 September 2016

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*

FREIGHT MANAGEMENT HOLDINGS BHD

(Company No: 380410-P)

Notes on the quarterly report – 30 September 2016

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 1,763,928 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 RM1,711,010.

FREIGHT MANAGEMENT HOLDINGS BHD

(Company No: 380410-P)

Notes on the quarterly report – 30 September 2016

A7. Dividend paid

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.

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.

FREIGHT MANAGEMENT HOLDINGS BHD

(Company No: 380410-P)

Notes on the quarterly report – 30 September 2016

	← 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	205,558	5,069	7,821	2,874	2,694	2,466	1,084	10,207	16,553	(117,091)	137,235
Deferred tax liabilities	18,168	-	-	-	-	-	-	-	230	-	18,398
Current tax liabilities	3,821	-	26	-	137	-	-	-	-	-	3,984
Total liabilities											<u>159,617</u>
Other segment information											
Capital expenditure	1,699	76	53	-	44	37	-	272	-	-	2,181
Depreciation	2,697	31	72	13	35	-	5	696	38	-	3,587
Amortization of Intangible assets	-	-	-	-	-	-	-	-	40	-	40
Other non-cash income	(618)	(10)	(71)	(16)	(6)	-	-	(262)	(54)	-	(1,037)
Other non-cash expenses other than depreciation	1,719	-	4	-	6	94	11	-	-	-	1,834

FREIGHT MANAGEMENT HOLDINGS BHD

(Company No: 380410-P)

Notes on the quarterly report – 30 September 2016

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.

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>3,573</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.*

FREIGHT MANAGEMENT HOLDINGS BHD

(Company No: 380410-P)

Notes on the quarterly report – 30 September 2016

A13. Capital commitments

Contracted but not provided for :

	As at 30.09.16 RM'000
Prime Movers	587
Trailers	427
Trucks	92
	<hr/>
	1,106 <hr/>

FREIGHT MANAGEMENT HOLDINGS BHD

(Company No: 380410-P)

Notes on the quarterly report – 30 September 2016

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

B1. Review of performance

The Group registered a revenue growth of RM2.8mil or approximately 3% higher than 1QFY16. Details of changes in each service type are as follows:-

Service Type	1QFY17	1QFY16	Increase/ Decrease RM mil	% change
Seafreight	65.4	63.3	2.1	3%
Airfreight	9.4	8.3	1.1	13%
Tug & Barge	4.2	3.8	0.4	11%
3PL & Warehousing	10.9	11.8	-0.9	-8%
Landfreight	4.4	4.1	0.3	7%
Supporting services	10.5	10.7	-0.2	-2%
TOTAL	104.8	102.0	2.8	3%

Revenue for the quarter was contributed mainly from Sea Freight division which increased approximately 3% while revenue from Airfreight and Tug & Barge which increased of 13% and 11%, respectively, compared to 1QFY16. Landfreight division also recorded an increase in revenue of 7% compared to 1QFY16. Other services have recorded lower revenue as a result of the slower activities during this 1QFY17.

Profit Before Tax (“PBT”) increase approximately 3% while its PBT margin remain consistent as compared to 1QFY16. The overall performance was affected due to share of losses in a Joint Venture in Tug & Barge business despite achieving better margin from other divisions such as Seafreight and Airfreight.

FREIGHT MANAGEMENT HOLDINGS BHD

(Company No: 380410-P)

Notes on the quarterly report – 30 September 2016

B2. Variation of results against preceding quarter

Service Type	1QFY17	4QFY16	Increase/ Decrease RM mil	% change
Seafreight	65.4	66.9	-1.5	-2%
Airfreight	9.4	9.6	-0.2	-2%
Tug & Barge	4.2	3.2	1.0	31%
3PL & Warehousing	10.9	9.9	1.0	10%
Landfreight	4.4	4.4	0.0	0%
Supporting services	10.5	11.1	-0.6	-5%
TOTAL	104.8	105.1	-0.3	0%

Revenue as compared to the preceding quarter, 4QFY16, the Group recorded a slightly lower revenue for 1QFY17. Comparing to 4QFY16, both 3PL & Warehousing and Tug & Barge divisions achieved higher revenue as a result of more services rendered. However, lower revenue for Seafreight is mainly due to lower freight costs while lower revenue for other supporting services sectors are mainly due to slower activities in 1QFY17.

For 1QFY17, PBT and its margin was higher as compared to 4QFY16 due to losses incurred in Tug & Barge division and share of losses and its impairment of assets in a Joint Venture in Tug & Barge business in 4QFY16.

FREIGHT MANAGEMENT HOLDINGS BHD

(Company No: 380410-P)

Notes on the quarterly report – 30 September 2016

B3. Current year prospects

The Board noted the challenging and competitive business environment experienced in FY16 which may continue into FY17 due to uncertainties in the global economy which may impact the overall performance of the Group. Nevertheless, for this FY17, the Group expects its freight divisions to continue to contribute positively. Going forward, the Group will continue to seek new business opportunities to contribute to the Group's future growth. The Group shall also continue with its efforts to manage its operational and cost efficiency.

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 2017.

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 2016****B5. Tax expense**

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year To	Preceding Year
	Quarter	Corresponding Quarter	Date	Corresponding Quarter
	30.09.2016	30.09.2015	30.09.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
In respect of current period:				
Income tax	1,728	836	1,728	836
Deferred tax	(130)	350	(130)	350
	<u>1,598</u>	<u>1,186</u>	<u>1,598</u>	<u>1,186</u>
Under / (Over) provision in respect of prior years :				
Income tax	-	-	-	-
Deferred tax	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u><u>1,598</u></u>	<u><u>1,186</u></u>	<u><u>1,598</u></u>	<u><u>1,186</u></u>

The effective tax rate is lower than the statutory tax rate due to tax exemption enjoyed by a subsidiary in Singapore.

B6. Status of corporate proposal announced

The following proposals have been approved by the shareholders at the Annual General Meeting on 29 November 2016:-

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

FREIGHT MANAGEMENT HOLDINGS BHD**(Company No: 380410-P)****Notes on the quarterly report – 30 September 2016****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	13,106
Hire purchase and lease liabilities	2,060
	<u>15,166</u>
Payable after 12 months (secured)	
Term loans	65,027
Hire purchase and lease liabilities	3,573
	<u>68,600</u>
Total borrowings	<u><u>83,766</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	71
Hire purchase and lease liabilities payable after 12 months	277
In Singapore Dollar	
Term loans payable within 12 months	4,170
Term loans payable after 12 months	1,374
Hire purchase and lease liabilities payable within 12 months	84
Hire purchase and lease liabilities payable after 12 months	-
In Indonesian Dollar	
Hire purchase and lease liabilities payable within 12 months	141
Hire purchase and lease liabilities payable after 12 months	56
	<u><u>6,173</u></u>

FREIGHT MANAGEMENT HOLDINGS BHD

(Company No: 380410-P)

Notes on the quarterly report – 30 September 2016

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.

FREIGHT MANAGEMENT HOLDINGS BHD**(Company No: 380410-P)****Notes on the quarterly report – 30 September 2016****B10. Earnings per share****Basic**

	Individual Quarter		Cumulative Quarter	
	Current	Preceding	Current	Preceding
	Year	Year	Year To	Year
	Quarter	Corresponding	Date	Corresponding
	30.09.2016	Quarter	30.09.2016	Quarter
		30.09.2015		30.09.2015
Profit attributable to equity holders of the parent (RM'000)	5,269	5,752	5,269	5,752
Weighted average number of ordinary shares in issue ('000)	177,618	172,999	177,618	172,999
Effect of exercise of warrants ('000)	675	-	675	-
Weighted average number of ordinary shares in issue applicable to basic earnings per ordinary shares('000)	178,293	172,999	178,293	172,999
Basic Earnings Per Ordinary Share (sen)	2.96	3.32	2.96	3.32

Diluted

	Individual Quarter		Cumulative Quarter	
	Current	Preceding	Current	Preceding
	Year	Year	Year To	Year
	Quarter	Corresponding	Date	Corresponding
	30.09.2016	Quarter	30.09.2016	Quarter
		30.09.2015		30.09.2015
Profit attributable to equity holders of the parent (RM'000)	5,269	5,752	5,269	5,752
Weighted average number of ordinary shares in issue applicable to basic earnings per ordinary shares ('000)	178,293	172,999	178,293	172,999
Effect of dilution in potential exercise of warrants ('000)	1,306	4,553	1,306	4,553
Adjusted weighted average number of ordinary shares applicable to diluted earnings per ordinary share ('000)	179,599	177,552	179,599	177,552
Diluted Earnings Per Ordinary Share (sen)	2.93	3.24	2.93	3.24

FREIGHT MANAGEMENT HOLDINGS BHD**(Company No: 380410-P)****Notes on the quarterly report – 30 September 2016****B11. Realised and Unrealised Profits or Losses of the Group**

	As at 30.09.16 RM'000	As at 30.09.15 RM'000
Total retained earnings of the Group:		
Realised	156,630	143,792
Unrealised *	(17,570)	(17,001)
Total share of retained earnings from associates:		
Realised	45	163
Unrealised	-	-
Total share of accumulated losses from joint ventures:-		
Realised	(1,931)	(309)
Unrealised	-	-
Less: Consolidation adjustments	<u>(31,732)</u>	<u>(32,443)</u>
Total Group retained earnings as per financial statements	<u>105,442</u>	<u>94,202</u>

* 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.

FREIGHT MANAGEMENT HOLDINGS BHD**(Company No: 380410-P)****Notes on the quarterly report – 30 September 2016****B12. Additional Disclosures on Profit for the period**

	Current Year	Preceding
	Quarter	Year
	30.09.16	30.09.15
	RM'000	RM'000
Profit for the period is arrived at after charging/ (crediting):		
Interest income	(94)	(75)
Gain on disposal of property, plant and equipment	(395)	(20)
Gain on foreign exchange	(91)	(1,237)
Depreciation of property, plant and equipment	3,587	3,586
Amortization of Intangible asset	40	-
Impairment loss and write off of trade receivables	631	368
Interest expense	1,033	798

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 2016.