

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

Notes on the quarterly report – 30 September 2018

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 2018.

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 2018.

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 2018 except for the adoption of the following amendment to MFRSs and IC Interpretation effective for annual periods beginning on or after 1 July 2018:-

MFRS 9	<i>Financial Instruments (IFRS as issued by IASB in July 2014)</i>
MFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to MFRS 1	<i>Annual Improvements to MFRS Standards 2014 – 2016 Cycle</i>
Amendments to MFRS 2	<i>Classification and Measurement of Share-based Payment Transaction</i>
Amendments to MFRS 4	<i>Application MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>
Amendments to MFRS 128	<i>Annual Improvements to MFRS Standards 2014-2016 Cycle</i>
Amendments to MFRS 140	<i>Transfers of Investment Property</i>
IC Interpretation 22	<i>Foreign Currency Transactions and Advance Consideration</i>

The adoption of the above amendments to MFRSs and IC Interpretation do not have any significant financial impact on the results and the financial position of the Group for the current quarter other than MFRS 9.

FREIGHT MANAGEMENT HOLDINGS BHD

(Company No: 380410-P)

Notes on the quarterly report – 30 September 2018

MFRS 9, Financial Instruments

The Group adopted MFRS 9, Financial Instruments on 1 July 2018. MFRS 9 replaces the guidance in MFRS 139 Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, impairment of financial assets and on hedge accounting. MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

In respect of impairment of financial assets, MFRS 9 replaces the “incurred loss” model in MFRS 139 with an “expected credit loss” (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments measured at fair value through other comprehensive income, but not to investments in equity instruments.

As allowed by the transitional provision of MFRS 9, the Group has applied MFRS 9 retrospectively on the initial application date of 1 July 2018 and has elected not to restate comparatives. The cumulative effect of initially applying of this Standard will be an adjustment to the opening retained profits as at 1 July 2018. The impacts of adopting MFRS 9 to opening balances of the Group as at 1 July 2018 are as follows:-

Statements of financial position

	Impact of changes in account policies		
	As previously reported RM'000	Retrospective Adjustment MFRS 9 RM'000	Restated balance RM'000
Non-current assets			
Investments in joint ventures	3,644	(61)	3,583
Current assets			
Receivables	144,739	(3,643)	141,096
Equity			
Retained earnings	123,534	(3,570)	119,964
Non-controlling interests	5,178	(134)	5,044

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

Notes on the quarterly report – 30 September 2018

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 2018 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.

A7. Dividend paid

The interim single tier dividend of 1.5 sen per share amounting to RM2,792,229 in respect of financial year ended 30 June 2018 has been paid on 27 July 2018.

The second interim single tier dividend of 3.5 sen per share amounting to RM6,515,193 in respect of financial year ended 30 June 2018 has been paid on 14 November 2018.

FREIGHT MANAGEMENT HOLDINGS BHD

(Company No: 380410-P)

Notes on the quarterly report – 30 September 2018

	← 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	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

FREIGHT MANAGEMENT HOLDINGS BHD

(Company No: 380410-P)

Notes on the quarterly report – 30 September 2018

	← 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	211,650	5,155	6,005	5,027	2,317	4,014	1,004	10,960	23,502	(129,621)	140,013
Deferred tax liabilities	16,991	-	-	-	-	-	-	-	421	-	17,412
Current tax liabilities	4,401	129	379	-	34	10	8	-	5	-	4,966
Total liabilities											<u>162,391</u>
Other segment information											
Capital expenditure	2,418	10	857	129	17	-	-	517	-	-	3,948
Depreciation	2,571	36	81	16	64	28	5	775	41	-	3,617
Amortization of Intangible assets	-	-	-	-	-	-	-	-	107	-	107
Other non-cash income	(687)	(54)	(53)	(1)	-	-	-	-	(763)	-	(1,558)
Other non-cash expenses other than depreciation	2,302	-	5	27	115	24	2	10	-	-	2,485

FREIGHT MANAGEMENT HOLDINGS BHD

(Company No: 380410-P)

Notes on the quarterly report – 30 September 2018

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 and Sri Lanka.
- ii) Marine – charterers and operators of barges and tugboats, which is operated by a company in Singapore. This segment is not applicable for FY2019 as this company became as an associate company since Dec 2017.
- iii) 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.

FREIGHT MANAGEMENT HOLDINGS BHD

(Company No: 380410-P)

Notes on the quarterly report – 30 September 2018

A11. Changes in the composition of the Group

On 21 November 2018, FM Global Logistics Venture Sdn Bhd (“FMGLV”), a wholly-owned subsidiary of the Company has injected capital of USD140,000 (equivalent to RM588,280) which represents 70% of the voting interest in FM Global Logistics (USA), LLC (Federal ID Number: 83-0586403) (“FMGL(USA)LLC”). Following the aforesaid capital injection, FMGL(USA)LLC will become an indirect 70%-owned subsidiary of the Company. The principal activities of FMGL(USA)LLC is integrated freight and logistics 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
Guarantees given to third parties in respect of trade performance of subsidiaries	4,671
Guarantees given to financial institutions in respect of credit facilities granted	56,686
	<hr/>
	61,357

A13. Capital commitments

Contracted but not provided for :

	As at 30.09.18 RM'000
Prime movers & Trailers	4,545
Tracks	1,581
Motor vehicles	406
Office equipment	195
Forklift	79
	<hr/>
	6,806

FREIGHT MANAGEMENT HOLDINGS BHD

(Company No: 380410-P)

Notes on the quarterly report – 30 September 2018

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

B1. Review of performance

The Group registered revenue growth of RM8.5 million or approximately 7% higher than 1QFY18. Details of changes in each service type are as follows:-

Service Type	1QFY19	1QFY18	Changes RM mil	% change
Seafreight	85.5	79.1	6.4	8%
Airfreight	15.4	12.3	3.1	25%
3PL & Warehousing	16.6	14.1	2.5	18%
Landfreight	5.0	4.5	0.5	11%
Supporting services	13.7	13.6	0.1	1%
Tug & Barge	- *	4.1	-	-
TOTAL	136.2	127.7	8.5	7%

Compared to 1QY18, all services reported growth. The increase in revenue is mainly due to an increase in the activities of the Group in the current quarter.

As compared to 1QFY18, the Group's Profit before Tax ("PBT") increased from RM8.3 million to RM8.6 million or 3% higher, as a result of the better performance from Airfreight, 3PL & Warehousing and Landfreight services and reversal of impairment of trade receivables.

* No meaningful comparison as Tug & Barge turnover was not consolidated as it became an associate entity since 19 December 2017.

FREIGHT MANAGEMENT HOLDINGS BHD

(Company No: 380410-P)

Notes on the quarterly report – 30 September 2018

B2. Variation of results against preceding quarter

Service Type	1QFY19	4QFY18	Changes RM mil	% change
Seafreight	85.5	84.1	1.4	2%
Airfreight	15.4	13.1	2.3	18%
3PL & Warehousing	16.6	15.1	1.5	10%
Landfreight	5.0	4.3	0.7	16%
Supporting services	13.7	13.3	0.4	3%
TOTAL	136.2	129.9	6.3	5%

Revenue as compared to the preceding quarter increased by 5% or RM6.3 million mainly due to higher activities in all services. As compared to the preceding quarter 4QFY18, PBT for 1QFY19 increased by 34% due to the reversal of impairment of trade receivables during this quarter. 4QFY18 was also impacted by the impairment of advances in a Joint JV.

B3. Current year prospects

The International Monetary Fund (“IMF”), in its October 2018 World Economic Outlook report, has projected global growth at 3.7% for 2018-2019 which is 0.2 percentage point lower for both years compared to its earlier forecast in April 2018. Similarly, IMF also projected a slower 0.2 growth forecast for emerging & developing Asia region for 2019 compared with 2018. In the domestic front, Malaysia recorded GDP growth rate of 4.4% for 3Q 2018 which was lower than the 6.2% in the same quarter in 2017 & 4.5% in 2Q 2018. Bank Negara expects 2018 & 2019 GDP growth at 4.8% & 4.9% respectively.

Looking at the outlook above, the impending trade war between USA and China and currency pressure, there is negativity and uncertainties surrounding world trade. This may have a negative impact on the Group’s performance. Notwithstanding, the Group will endeavor to focus in expanding its customer base and to improve on cost management via operational efficiencies. Barring unforeseen circumstances, the Group is cautiously optimistic on a positive performance for the financial year ending 30 June 2019.

FREIGHT MANAGEMENT HOLDINGS BHD

(Company No: 380410-P)

Notes on the quarterly report – 30 September 2018

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
	30.09.2018	30.09.2017	30.09.2018	30.06.2017
	RM'000	RM'000	RM'000	RM'000
In respect of current period:				
Income tax	2,742	2,526	2,742	2,526
Deferred tax	(396)	(208)	(396)	(208)
	<u>2,346</u>	<u>2,318</u>	<u>2,346</u>	<u>2,318</u>
In respect of prior years :				
Income tax	-	-	-	-
Deferred tax	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u><u>2,346</u></u>	<u><u>2,318</u></u>	<u><u>2,346</u></u>	<u><u>2,318</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 28 November 2018:-

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
- (iii) Proposed Adoption of New Constitution of the Company

FREIGHT MANAGEMENT HOLDINGS BHD

(Company No: 380410-P)

Notes on the quarterly report – 30 September 2018

At Extraordinary General Meeting

Proposed Bonus issue of 93,074,223 new ordinary shares on the basis of 1 Bonus share for every 2 existing shares.

B7. Group borrowings

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

	As at 30.09.2018 RM'000	As at 30.09.2017 RM'000
Payable within 12 months (secured)		
Term loans		
- Ringgit Malaysia	8,992	8,992
- Singapore Dollar (- / SGD688k)^	-	2,109
Hire purchase and lease liabilities		
- Ringgit Malaysia	2,925	1,790
- Australian Dollar (AUD22k / AUD37k)^	65	122
- Indonesia Dollar (IDR289m / IDR187m)^	76	56
- Thailand Dollar (THB233k / THB233k)^	28	20
Overdraft		
- Singapore Dollar (- / SGD218k)^	-	670
- India Dollar (INR19m / INR19m)^	1,043	1,190
	<u>13,129</u>	<u>14,949</u>
Payable after 12 months (secured)		
Term loans		
- Ringgit Malaysia	45,613	54,605
- Singapore Dollar (- / SGD599k)^	-	1,838
Hire purchase and lease liabilities		
- Ringgit Malaysia	8,172	5,656
- Australian Dollar (AUD71k / AUD54k)^	209	177
- Indonesia Dollar (IDR513m / -)^	135	-
- Thailand Dollar (THB686k / THB892k)^	83	77
	<u>54,212</u>	<u>62,353</u>
Total borrowings	<u>67,341</u>	<u>77,302</u>
^ Exchange rate		
- Australian Dollar	2.942	3.27
- Singapore Dollar	-	3.068
- Indonesian Rupiah	0.000264	0.000297
- Thai Baht	12.07	11.65
- Indian Rupee	0.0554	0.0626

The weighted average interest rate of Hire purchase and Term loans as at 30 September 2018 was 5.48% and 4.80% (30.9.2017: 5.62% and 4.80%).

FREIGHT MANAGEMENT HOLDINGS BHD

(Company No: 380410-P)

Notes on the quarterly report – 30 September 2018

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 30.09.2018 RM'000	As at 30.06.2018 RM'000
Trade Receivables	<u>116,368</u>	<u>116,001</u>

The average credit terms of trade receivables were Sixty (60) days. As at 30 September 2018, the trade receivables has increased by 0.3% to RM0.4 million as compare to audited financial year ended 30 June 2018.

FREIGHT MANAGEMENT HOLDINGS BHD**(Company No: 380410-P)****Notes on the quarterly report – 30 September 2018****B11. Earnings per share**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Quarter
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
Profit attributable to equity holders of the parent (RM'000)	5,764	5,957	5,764	5,957
Weighted average number of ordinary shares in issue ('000)	186,148	186,148	186,148	186,148
Basic Earnings Per Ordinary Share (sen)	3.10	3.20	3.10	3.20

B12. Additional Disclosures on Profit for the period

	Current Year Quarter	Preceding Year Quarter
	30.09.18	30.09.17
	RM'000	RM'000
Profit for the period is arrived at after charging/ (crediting):		
Interest income	(116)	(206)
Gain on disposal of property, plant and equipment	(176)	(49)
(Gain)/Loss on foreign exchange	(24)	474
Depreciation of property, plant and equipment	3,000	3,617
Amortization of Intangible asset	107	107
(Reversal)/Loss Impairment of trade receivables	(1,276)	378
Interest expense	863	948

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 2018.