

FREIGHT MANAGEMENT HOLDINGS BHD

(Company No: 380410-P)

Notes on the quarterly report – 31 December 2019

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 2019.

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 2019.

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 2019 except for the adoption of the of MFRS 16 Leases effective for the financial period beginning on 1 July 2019.

MFRS 16 introduces a single accounting model, requiring the lessee to recognize the right-of-use of the underlying lease asset and the future lease payments liabilities in the statements of financial position. For a lessor, MFRS 16 continues to allow the lessor to classify leases as either operating leases or finance leases and to account for these two types of leases differently. Accordingly, the Group prepares its financial statements with adoption of MFRS 16 in its financial statement for the financial year ending 30 June 2020.

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 2019 was not qualified.

FREIGHT MANAGEMENT HOLDINGS BHD

(Company No: 380410-P)

Notes on the quarterly report – 31 December 2019

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 1.0 sen per share amounting to RM2,792,224 in respect of financial year ended 30 June 2019 has been paid on 26 July 2019.

The second interim single tier dividend of 2.5 sen per share amounting to RM6,980,557 in respect of financial year ended 30 June 2019 has been paid on 15 November 2019.

FREIGHT MANAGEMENT HOLDINGS BHD

(Company No: 380410-P)

Notes on the quarterly report – 31 December 2019

	←			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	245,537	9,006	5,877	10,566	1,693	2,956	515	1,441	32,449	(151,207)	158,833
Deferred tax liabilities	24,034	-	-	-	-	-	-	-	60	-	24,094
Current tax liabilities	5,386	(98)	23	69	25	30	(1)	24	48	-	5,506
Total liabilities											<u>188,433</u>
Other segment information											
Capital expenditure	15,604	62	188	437	11	4	85	-	-	-	16,391
Depreciation	10,319	82	207	52	67	114	6	4	39	-	10,890
Amortization of Intangible assets	-	-	-	-	-	-	-	1	260	-	261
Other non-cash income	(754)	-	(3)	(54)	(6)	-	-	-	(81)	-	(898)
Other non-cash expenses other than depreciation	1,561	48	2	26	132	49	13	-	-	-	1,831

FREIGHT MANAGEMENT HOLDINGS BHD

(Company No: 380410-P)

Notes on the quarterly report – 31 December 2019

A8. Segment information

Operating segments for the current financial period ended 31 December 2018:

	← Logistics →							Elimination	Total	
	Malaysia RM'000	Australia RM'000	Indonesia RM'000	Thailand RM'000	Vietnam RM'000	India RM'000	Sri Lanka RM'000			Others RM'000
Revenue										
Total revenue	213,690	28,116	18,848	8,969	5,455	3,320	966	4,974	(10,300)	274,038
Inter-segment revenue	(2,319)	(1,307)	(665)	(1,099)	(268)	(150)	(7)	(4,485)	(10,300)	-
Revenue from external customers	<u>211,371</u>	<u>26,809</u>	<u>18,183</u>	<u>7,870</u>	<u>5,187</u>	<u>3,170</u>	<u>959</u>	<u>489</u>	-	<u>274,038</u>
Results										
Segment results	12,988	843	2,242	(149)	(162)	196	(86)	474	46	16,392
Finance costs	(1,689)	(9)	(8)	(2)	-	(54)	-	-	-	(1,762)
Share of loss of associates	(9)	-	-	-	-	-	-	(767)	-	(776)
Share of profit of joint ventures	-	-	-	-	-	-	-	595	-	595
Profit before tax	<u>11,290</u>	<u>834</u>	<u>2,234</u>	<u>(151)</u>	<u>(162)</u>	<u>142</u>	<u>(86)</u>	<u>302</u>	<u>46</u>	<u>14,449</u>
Tax expense										(3,942)
Profit for the period										<u>10,507</u>
Assets										
Segment assets	454,810	14,804	16,003	2,816	3,167	2,400	451	62,674	(112,708)	444,417
Investments in associates	519	-	-	-	-	-	-	11,417	-	11,936
Investments in joint ventures	-	-	-	-	-	-	-	4,177	-	4,177
Deferred tax assets	-	-	278	-	48	593	-	-	-	919
Current tax assets	3,026	-	-	1,593	-	-	-	-	-	<u>4,619</u>
Total assets										<u>466,068</u>

FREIGHT MANAGEMENT HOLDINGS BHD

(Company No: 380410-P)

Notes on the quarterly report – 31 December 2019

	← Logistics →									
	Malaysia	Australia	Indonesia	Thailand	Vietnam	India	Sri Lanka	Others	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Liabilities										
Segment liabilities	226,242	8,079	5,329	7,985	2,005	2,306	486	26,774	(138,786)	140,420
Deferred tax liabilities	24,429	-	-	-	-	-	-	125	-	24,554
Current tax liabilities	5,936	158	267	-	25	40	(1)	176	-	6,601
Total liabilities										<u>171,575</u>
Other segment information										
Capital expenditure	11,193	183	124	7	171	-	-	-	-	11,678
Depreciation	5,737	79	161	26	95	25	6	65	-	6,194
Amortization of Intangible assets	-	-	-	-	-	-	-	214	-	214
Other non-cash income	(1,459)	(159)	(75)	(17)	(10)	(106)	-	(339)	-	(2,165)
Other non-cash expenses other than depreciation	1,023	-	2	73	131	32	17	-	-	1,278

FREIGHT MANAGEMENT HOLDINGS BHD

(Company No: 380410-P)

Notes on the quarterly report – 31 December 2019

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.
- 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 material changes in the composition of the Group during the current financial period.

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

Notes on the quarterly report – 31 December 2019

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	4,971
Guarantees given to financial institutions in respect of credit facilities granted	47,999
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	52,970
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A13. Capital commitments

Contracted but not provided for :

	As at 31.12.19 RM'000
Prime movers	1,239
Motor vehicle	837
Warehouse equipment	316
Forklift	223
Office equipment	111
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	2,726
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FREIGHT MANAGEMENT HOLDINGS BHD

(Company No: 380410-P)

Notes on the quarterly report – 31 December 2019

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

B1. Review of performance

The Group registered revenue growth of RM10.6million or approximately 8% higher than 2QFY19. Details of changes in each service type are as follows:-

Service Type	2QFY20	2QFY19	Changes RM mil	% change
Seafreight	91.5	86.9	4.6	5%
Airfreight	15.1	16.5	-1.4	-8%
3PL & Warehousing & Distribution	19.6	15.2	4.4	29%
Landfreight	5.3	4.9	0.4	8%
Supporting services	16.9	14.3	2.6	18%
TOTAL	148.4	137.8	10.6	8%

Compared to 2QY19, all services reported growth except for Airfreight services. The increase in revenue is mainly due to an increase in the activities of the Group especially in 3PL & Warehousing & Distribution services in the current quarter.

As compared to 2QFY19, the Group's Profit before Tax ("PBT") increased from RM5.8 million to RM6.6 million or 12% higher due to increase business activities despite the continued share of losses from tug & barge associate.

FREIGHT MANAGEMENT HOLDINGS BHD

(Company No: 380410-P)

Notes on the quarterly report – 31 December 2019

B2. Variation of results against preceding quarter

Service Type	2QFY20	1QFY20	Changes RM mil	% change
Seafreight	91.5	85.7	5.8	7%
Airfreight	15.1	14.5	0.6	4%
3PL & Warehousing & Distribution	19.6	17.8	1.8	10%
Landfreight	5.3	5.7	-0.4	-7%
Supporting services	16.9	15.5	1.4	9%
TOTAL	148.4	139.2	9.2	7%

Revenue as compared to the preceding quarter, increased by 7% or RM9.2 million mainly due to higher activities in all services other than Landfreight services.

As compared to the preceding quarter 1QFY20, PBT for 2QFY20 decreased by 8% mainly due to on-going costs for the new distribution services and continued share of losses from tug & barge associate.

B3. Current year prospects

The Group is cautious of the prospects for the current financial year as the global economy continues to face serious headwinds especially with the coronavirus outbreak. A geographically broad-based slowdown in global trade and supply chain can be expected. The overall impact on the economy will, however, depend on the duration and spread of the outbreak. Notwithstanding the challenges, the Group remains focus in our business and will continue to expand its customer base regionally and improve 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.

FREIGHT MANAGEMENT HOLDINGS BHD**(Company No: 380410-P)****Notes on the quarterly report – 31 December 2019****B5. Tax expense**

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year To	Preceding Year
	Quarter	Corresponding Quarter	Date	Corresponding Quarter
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
In respect of current period:				
Income tax	2,134	1,775	4,497	4,517
Deferred tax	(21)	(179)	(304)	(575)
	<u>2,113</u>	<u>1,596</u>	<u>4,193</u>	<u>3,942</u>
In respect of prior years :				
Income tax	-	-	-	-
Deferred tax	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u><u>2,113</u></u>	<u><u>1,596</u></u>	<u><u>4,193</u></u>	<u><u>3,942</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 25 November 2019:-

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

FREIGHT MANAGEMENT HOLDINGS BHD**(Company No: 380410-P)****Notes on the quarterly report – 31 December 2019****B7. Group borrowings**

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

	As at 30.09.2019 RM'000	As at 30.09.2018 RM'000
Payable within 12 months (secured)		
Term loans		
- Ringgit Malaysia	7,074	12,792
Hire purchase and lease liabilities		
- Ringgit Malaysia	5,430	4,021
- Australian Dollar (AUD34k / AUD28k)^	97	80
- Indonesia Dollar (IDR612m / IDR300m)^	171	81
- Thailand Dollar (THB644k / THB233k)^	83	28
- India Dollar (INR267k / -)^	15	-
Overdraft		
- India Dollar (INR25m / INR17m)^	1,397	967
	<u>14,267</u>	<u>17,969</u>
Payable after 12 months (secured)		
Term loans		
- Ringgit Malaysia	46,575	43,365
Hire purchase and lease liabilities		
- Ringgit Malaysia	13,541	11,973
- Australian Dollar (AUD67k / AUD100k)^	189	289
- Indonesia Dollar (IDR501m / IDR428m)^	140	116
- Thailand Dollar (THB2.4m / THB633k)^	305	76
- India Dollar (INR1.1m / -)^	64	-
	<u>60,814</u>	<u>55,819</u>
Total borrowings	<u><u>75,081</u></u>	<u><u>73,788</u></u>
^ Exchange rate		
- Australian Dollar	2.829	2.877
- Indonesian Rupiah	0.000280	0.000271
- Thai Baht	12.92	12.04
- Indian Rupee	0.0558	0.0575

The weighted average interest rate of Hire purchase and Term loans as at 31 December 2019 was 5.15% and 4.73% to 5.33% (31.12.2018: 5.15% and 4.73% to 5.33%).

FREIGHT MANAGEMENT HOLDINGS BHD

(Company No: 380410-P)

Notes on the quarterly report – 31 December 2019

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 31.12.2019 RM'000	As at 30.06.2019 RM'000
Trade Receivables	<u>122,524</u>	<u>119,827</u>

The average credit terms of trade receivables were Sixty (60) days. As at 31 December 2019, the trade receivables has increased by 2.25% or RM2.7 million as compare to audited financial year ended 30 June 2019.

B11. Earnings per share

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Quarter
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Profit attributable to equity holders of the parent (RM'000)	<u>4,122</u>	<u>3,943</u>	<u>8,907</u>	<u>9,707</u>
Weighted average number of ordinary shares in issue ('000)	<u>279,222</u>	<u>279,222</u>	<u>279,222</u>	<u>279,222</u>
Basic Earnings Per Ordinary Share (sen)	1.48	1.41	3.19	3.48

FREIGHT MANAGEMENT HOLDINGS BHD**(Company No: 380410-P)****Notes on the quarterly report – 31 December 2019****B12. Additional Disclosures on Profit for the period**

	Current Year Quarter 31.12.19 RM'000	Preceding Year Quarter 31.12.18 RM'000	Current Year To Date 31.12.19 RM'000	Preceding Year To Date 31.12.18 RM'000
Profit for the period is arrived at after charging/(crediting) :				
Interest income	(114)	(88)	(217)	(204)
Gain on disposal of property, plant and equipment	(142)	(237)	(439)	(413)
(Gain)/Loss on foreign exchange	290	188	500	164
Depreciation of property, plant and equipment	3,306	3,194	6,491	6,194
Depreciation of Right-of-use assets	2,251	-	4,399	-
Amortization of Intangible asset	136	107	261	214
(Reversal)/Loss Impairment of trade receivables	578	(61)	443	(1,337)
Interest expense	848	899	1,701	1,762

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 2019.