

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

Notes on the quarterly report – 31 March 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 2017.

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 2017.

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 2017 except for the adoption of the following new/revised MFRSs and amendments to MFRSs effective for annual periods beginning on or after 1 January 2017:-

Amendments to MFRS 12 *Annual Improvements to MFRS Standards 2014 – 2016 Cycle*
Amendments to MFRS 107 *Disclosure Initiative*
Amendments to MFRS 112 *Recognition of Deferred Tax Assets for Unrealised Losses*

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 2017 was not qualified.

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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 2017 has been paid on 28 July 2017.

The second interim single tier dividend of 3.5 sen per share amounting to RM6,515,198 in respect of financial year ended 30 June 2017 has been paid on 14 November 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	207,091	4,544	4,926	5,993	2,481	2,952	1,037	-	25,318	(130,558)	123,784
Deferred tax liabilities	16,821	-	-	-	-	-	-	-	179	-	17,000
Current tax liabilities	3,955	90	-	-	5	16	12	-	(1)	-	4,077
Total liabilities											<u>144,861</u>
Other segment information											
Capital expenditure	8,642	64	1,162	186	33	-	3	678	-	-	10,768
Depreciation	7,814	111	244	71	180	54	14	1,273	121	-	9,882
Amortization of Intangible assets	-	-	-	-	-	-	-	-	317	-	317
Other non-cash income	(933)	(60)	(116)	(52)	-	(25)	(3)	(154)	-	-	(1,343)
Other non-cash expenses other than depreciation	2,277	95	28	69	114	-	-	105	156	-	2,844

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A8. Segment information

Operating segments for the current financial period ended 31 March 2017:

	← Logistics →				→						
	Malaysia	Australia	Indonesia	Thailand	Vietnam	India	Sri Lanka	Marine Singapore	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	248,742	27,393	23,572	3,919	12,524	8,532	5,753	12,058	8,459	(13,819)	337,135
Inter-segment revenue	(1,963)	(784)	(1,618)	(808)	(442)	(205)	(21)	-	(7,978)	(13,819)	-
Revenue from external customers	246,779	26,609	21,954	3,111	12,082	8,327	5,732	12,058	481	-	337,135
Results											
Segment results	20,767	559	1,818	(701)	143	(32)	8	(970)	10,556	(8,816)	23,332
Finance costs	(2,740)	(17)	(15)	-	-	(49)	-	(209)	-	15	(3,015)
Share of profit/(loss) of associates	9	-	-	-	-	-	-	-	-	-	9
Share of profit of joint ventures	-	-	-	-	-	-	-	-	107	-	107
Profit before tax	18,036	542	1,803	(701)	143	(81)	8	(1,179)	10,663	(8,801)	20,433
Tax expense											(5,185)
Profit for the period											15,248
Assets											
Segment assets	377,037	10,413	13,961	1,152	4,420	2,684	961	34,194	65,984	(102,732)	408,074
Investments in associates	444	-	-	-	-	-	-	-	4,366	-	4,810
Investments in joint ventures	-	-	-	-	-	-	-	-	2,837	-	2,837
Deferred tax assets	-	-	227	-	-	597	-	-	-	-	824
Current tax assets	2	809	-	792	-	-	-	1	9	-	1,613
Total assets											418,158

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	← Logistics →										
	Malaysia	Australia	Indonesia	Thailand	Vietnam	India	Sri Lanka	Marine Singapore	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	215,955	5,601	8,064	3,240	2,347	2,605	921	10,362	15,057	(130,236)	133,916
Deferred tax liabilities	17,241	-	-	-	-	-	-	-	289	-	17,530
Current tax liabilities	4,591	-	79	-	51	-	-	-	27	-	4,748
Total liabilities											<u>156,194</u>
Other segment information											
Capital expenditure	4,385	182	118	-	298	122	7	799	-	-	5,911
Depreciation	8,084	104	217	32	124	-	15	2,280	81	-	10,937
Amortization of Intangible assets	-	-	-	-	-	-	-	-	185	-	185
Other non-cash income	(1,001)	(7)	(29)	(22)	(22)	-	-	(293)	(5)	-	(1,379)
Other non-cash expenses other than depreciation	2,538	-	-	2	118	35	2	50	-	-	2,745

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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 and Sri Lanka.
- ii) Marine – charterers and operators of barges and tugboats, which is operated by a company in Singapore.
- 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.

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A11. Changes in the composition of the Group

On 19 December 2017, Freight Management Holdings Bhd 'FMHB' had disposed 53,000 ordinary shares representing 2% of the equity interest of TCH, a company incorporated in Singapore to Tay Nguang Yeow, Andrew who is the substantial shareholder and director of TCH, for a total cash consideration of SGD149,000 (equivalent to RM447,745). Consequent thereupon, the equity interest of the Company in TCH be reduced from 51% to 49% and TCH shall cease to be a subsidiary of FMHB but will be regarded as an associate company of FMHB.

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>4,593</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.*

A13. Capital commitments

Contracted but not provided for :

	As at 31.03.18 RM'000
Prime movers	1,713
Trailers	122
Trucks	295
Warehouse equipment	45
Computer	40
Renovation	19
	<u>2,234</u>

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

B1. Review of performance

The Group registered a revenue growth of RM4.9mil or approximately 4% higher than 3QFY17. Details of changes in each service type are as follows:-

Service Type	3QFY18	3QFY17	Changes	
			RM mil	% change
Seafreight	78.4	72.7	5.7	8%
Airfreight	12.2	12.8	-0.6	-5%
3PL & Warehousing	13.8	12.4	1.4	11%
Landfreight	4.5	3.6	0.9	25%
Supporting services	13.0	11.7	1.3	11%
Tug & Barge	- *	3.8	-	-
TOTAL	121.9	117.0	4.9	4%

Compared to 3QY17, all services reported growth other than the Airfreight. Seafreight contributed the highest revenue while there are commendable growth registered in 3PL & Warehousing and Landfreight services. The higher revenue in this 3QFY18 are mainly due to increase of activities.

As compared to 3QFY17, the Group's Profit Before Tax ("PBT") decreased from RM6.4 mil to RM5.7 mil or 11%, mainly due to share of loss in associate.

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

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B2. Variation of results against preceding quarter

Service Type	3QFY18	2QFY18	Changes	
			RM mil	% change
Seafreight	78.4	83.9	-5.5	-7%
Airfreight	12.2	12.2	0.0	0%
3PL & Warehousing	13.8	15.4	-1.6	-10%
Landfreight	4.5	5.1	-0.6	-12%
Supporting services	13.0	13.0	0.0	0%
Tug & Barge	- *	2.4	-	-
TOTAL	121.9	132.0	-10.1	-8%

Revenue as compared to the preceding quarter, decreased by 8% or RM10.1mil mainly due to lower activities in Seafreight, 3PL & Warehousing and Landfreight services due to the shorter month of February and the festive holidays during the reporting quarter.

As compared to the preceding quarter for 2QFY18, PBT for 3QFY18 decreased by 28% due to higher direct costs such as freight cost and higher share of loss from its associate.

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

B3. Current year prospects

The Group has performed positively year to-date but was affected by the weak performance in its associate in the tug and barge business.

The Group will also continue to further strengthen its customer base and operational efficiencies. Barring unforeseen circumstances, the Group expects its performance to be positive for the financial year ending 30 June 2018.

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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
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	RM'000	RM'000	RM'000	RM'000
In respect of current period:				
Income tax	2,209	2,178	6,819	6,200
Deferred tax	(148)	(66)	(402)	(815)
	2,061	2,112	6,417	5,385
In respect of prior years :				
Income tax	(96)	(17)	(96)	(17)
Deferred tax	(218)	(183)	(218)	(183)
	(314)	(200)	(314)	(200)
Total	1,747	1,912	6,103	5,185

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

There were no corporate proposals during the date of this report.

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

	As at 31.03.2018 RM'000	As at 31.03.2017 RM'000
Payable within 12 months (secured)		
Term loans		
- Ringgit Malaysia	8,992	8,992
- Singapore Dollar (- / SGD654k)^	-	2,033
Hire purchase and lease liabilities		
- Ringgit Malaysia	2,580	2,021
- Australian Dollar (AUD33k / AUD24k)^	97	79
- Indonesia Rupiah (IDR216m / IDR216m)^	58	68
- Thailand Baht (THB233k / -)^	27	-
Overdraft		
- India Rupee (INR24m / -)^	1,357	-
	<u>13,111</u>	<u>13,193</u>
Payable after 12 months (secured)		
Term loans		
- Ringgit Malaysia	50,109	59,101
- Singapore Dollar (- / SGD964k)^	-	2,995
Hire purchase and lease liabilities		
- Ringgit Malaysia	6,999	4,009
- Australian Dollar (AUD46k / AUD77k)^	136	257
- Indonesia Rupiah (IDR264m / IDR74m)^	71	23
- Thailand Baht (THB791k / -)^	92	-
	<u>57,407</u>	<u>66,385</u>
Total borrowings	<u><u>70,518</u></u>	<u><u>79,578</u></u>

^ Exchange rate

- Australian Dollar	2.933	3.3220
- Singapore Dollar	-	3.108
- Indonesian Rupiah	0.000267	0.000314
- Thai Baht	11.68	-
- Indian Rupee	0.0576	-

The weighted average interest rate of Hire purchase and Term loans as at 31 March 2018 was 5.60% and 4.80% (31.03.2017: 5.68% and 4.81%).

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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 first interim single tier dividend of 1.5 sen per share, in respect of financial year ending 30 June 2018. The dividend will be paid on 27 July 2018 to holders of ordinary shares whose names appear in the Record of Depositors at the close of business on 29 June 2018.

B10. Trade Receivables

	As at 31.03.2018 RM'000	As at 30.06.2017 RM'000
Trade Receivables	<u>111,567</u>	<u>107,458</u>

The average credit terms of trade receivables were Sixty (60) days. As at 31 March 2018, the trade receivables has increased by 4% to RM4.1 million as compare to audited financial year ended 30 June 2017.

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	Individual Quarter		Cumulative Quarter	
	Current	Preceding	Current	Preceding
	Year	Year	Year To	Year
	Quarter	Corresponding	Date	Corresponding
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
Profit attributable to equity holders of the parent (RM'000)	3,703	4,880	15,531	15,203
Weighted average number of ordinary shares in issue ('000)	186,148	177,618	186,148	177,618
Effect of exercise of warrants ('000)	-	3,738	-	4,089
Weighted average number of ordinary shares in issue applicable to basic earnings per ordinary shares('000)	186,148	181,356	186,148	181,707
Basic Earnings Per Ordinary Share (sen)	1.99	2.69	8.34	8.37

Diluted

	Individual Quarter		Cumulative Quarter	
	Current	Preceding	Current	Preceding
	Year	Year	Year To	Year
	Quarter	Corresponding	Date	Corresponding
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
Profit attributable to equity holders of the parent (RM'000)	3,703	4,880	15,531	15,203
Weighted average number of ordinary shares in issue applicable to basic earnings per ordinary shares ('000)	186,148	181,356	186,148	181,707
Effect of dilution in potential exercise of warrants ('000)	-	-	-	-
Adjusted weighted average number of ordinary shares applicable to diluted earnings per ordinary share ('000)	186,148	181,356	186,148	181,707
Diluted Earnings Per Ordinary Share (sen)	1.99	2.69	8.34	8.37

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	Current Year Quarter 31.03.18 RM'000	Preceding Year Quarter 31.03.17 RM'000	Current Year To Date 31.03.18 RM'000	Preceding Year To Date 31.03.17 RM'000
Profit for the period is arrived at after charging/(crediting) :				
Interest income	(116)	(218)	(500)	(570)
Gain on disposal of property, plant and equipment	(49)	(59)	(490)	(593)
Gain on disposal of a subsidiary	-	-	(1,525)	-
(Gain)/Loss on foreign exchange	(49)	445	159	1,288
Depreciation of property, plant and equipment	2,752	3,699	9,882	10,937
Amortization of Intangible asset	104	69	317	185
Impairment loss and write off of trade receivables	107	(853)	2,285	701
Interest expense	828	960	2,684	3,015

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 2018.