

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

Notes on the quarterly report – 31 March 2020

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 March 2020

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 March 2020

	←			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	229,654	7,985	5,231	12,400	1,846	3,165	515	1,673	27,801	(138,328)	151,942
Deferred tax liabilities	23,858	-	-	-	-	-	-	-	51	-	23,909
Current tax liabilities	2,281	-	(333)	20	25	-	(1)	35	(29)	-	1,998
Total liabilities											<u>177,849</u>
Other segment information											
Capital expenditure	17,010	326	182	580	20	20	85	-	-	-	18,223
Depreciation	15,566	122	311	95	95	170	6	6	58	-	16,429
Amortization of Intangible assets	-	-	-	-	-	-	-	1	393	-	394
Other non-cash income	(895)	(38)	-	-	(6)	-	-	-	(444)	-	(1,383)
Other non-cash expenses other than depreciation	4,046	454	24	332	150	122	13	-	-	-	5,141

FREIGHT MANAGEMENT HOLDINGS BHD

(Company No: 380410-P)

Notes on the quarterly report – 31 March 2020

	← 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	221,236	7,751	5,025	8,182	2,247	2,386	376	588	26,505	(139,444)	134,852
Deferred tax liabilities	24,508	-	-	-	-	-	-	-	102	-	24,610
Current tax liabilities	2,689	(23)	253	-	25	59	(1)	-	119	-	3,121
Total liabilities											<u>162,583</u>
Other segment information											
Capital expenditure	14,554	189	381	16	175	-	-	25	-	-	15,340
Depreciation	8,732	126	248	39	136	37	8	9	96	-	9,431
Amortization of Intangible assets	-	-	-	-	-	-	-	-	318	-	318
Other non-cash income	(1,771)	(149)	(76)	(23)	(18)	(99)	-	-	(270)	-	(2,406)
Other non-cash expenses other than depreciation	820	-	8	83	133	28	9	-	-	-	1,081

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

Notes on the quarterly report – 31 March 2020

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 March 2020

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	5,047
Guarantees given to financial institutions in respect of credit facilities granted	51,824
	<hr/>
	56,871

A13. Capital commitments

Contracted but not provided for :

	As at 31.03.20 RM'000
Warehouse land & building	600
Warehouse equipment	173
Computer	170
Truck	129
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	1,072

FREIGHT MANAGEMENT HOLDINGS BHD

(Company No: 380410-P)

Notes on the quarterly report – 31 March 2020

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

B1. Review of performance

The Group registered revenue growth of RM8.7 million or approximately 7% higher than 3QFY19. Details of changes in each service type are as follows:-

Service Type	3QFY20	3QFY19	Changes RM mil	% change
Seafreight	83.6	80.2	3.4	4%
Airfreight	14.9	12.5	2.4	19%
3PL & Warehousing & Distribution	18.3	16.7	1.6	10%
Landfreight	4.9	4.9	0.0	0%
Supporting services	15.3	14.0	1.3	9%
TOTAL	137.0	128.3	8.7	7%

Compared to 3QFY19, all services reported growth except for Landfreight services. The increase in revenue is mainly due to an increase in the activities of the Group especially in Airfreight services in the current quarter.

As compared to 3QFY19, the Group's Profit before Tax ("PBT") reduced from RM4.4 million to RM3.3 million or 24% lower due to on-going costs for the new distribution services and provision of trade receivables of which efforts are ongoing to recover the receivables.

FREIGHT MANAGEMENT HOLDINGS BHD

(Company No: 380410-P)

Notes on the quarterly report – 31 March 2020

B2. Variation of results against preceding quarter

Service Type	3QFY20	2QFY20	Changes RM mil	% change
Seafreight	83.6	91.5	-7.9	-9%
Airfreight	14.9	15.1	-0.2	-1%
3PL & Warehousing & Distribution	18.3	19.6	-1.3	-7%
Landfreight	4.9	5.3	-0.4	-8%
Supporting services	15.3	16.9	-1.6	-9%
TOTAL	137.0	148.4	-11.4	-8%

Revenue as compared to the preceding quarter, decreased by 8% or RM11.4 million mainly due to lower activities in all services due to disruption of the whole supply chain of businesses caused by the spread of Covid-19 pandemic.

As compared to the preceding quarter 2QFY20, PBT for 3QFY20 decreased by 49% or RM3.2 million, mainly due to lower activities and provision of trade receivables of which efforts are ongoing to recover the receivables.

B3. Current year prospects

The Group expects the remaining quarter for the current financial year to be challenging as global economic activities and its supply chain were impacted due to Covid-19 pandemic. A geographically broad-based slowdown in global trade and supply chain is expected. Notwithstanding the challenges, the Group remains focus in its business and would 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 March 2020****B5. Tax expense**

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year To Date	Preceding Year
	Quarter	Corresponding Quarter	Corresponding Quarter	Corresponding Quarter
	31.03.2020	31.03.2019	31.03.2020	31.03.2019
	RM'000	RM'000	RM'000	RM'000
In respect of current period:				
Income tax	1,611	1,495	6,108	6,012
Deferred tax	(608)	(325)	(912)	(900)
	<u>1,003</u>	<u>1,170</u>	<u>5,196</u>	<u>5,112</u>
In respect of prior years :				
Income tax	40	(186)	40	(186)
Deferred tax	238	382	238	382
	<u>278</u>	<u>196</u>	<u>278</u>	<u>196</u>
Total	<u><u>1,281</u></u>	<u><u>1,366</u></u>	<u><u>5,474</u></u>	<u><u>5,308</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

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

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

Notes on the quarterly report – 31 March 2020

B7. Group borrowings

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

	As at 31.03.2020 RM'000	As at 31.03.2019 RM'000
Payable within 12 months (secured)		
Term loans		
- Ringgit Malaysia	12,570	18,792
Hire purchase and lease liabilities		
- Ringgit Malaysia	5,714	4,250
- Australian Dollar (AUD22k / AUD26k)^	58	73
- Indonesia Dollar (IDR626m / IDR465m)^	156	126
- Thailand Dollar (THB656k / THB233k)^	82	28
- India Dollar (INR274k / -)^	15	-
Overdraft		
- India Dollar (INR25m / INR19m)^	1,425	1,084
	<u>20,020</u>	<u>24,353</u>
Payable after 12 months (secured)		
Term loans		
- Ringgit Malaysia	44,856	41,117
Hire purchase and lease liabilities		
- Ringgit Malaysia	13,847	11,820
- Australian Dollar (AUD123k / AUD96k)^	322	274
- Indonesia Dollar (IDR339m / IDR710m)^	84	193
- Thailand Dollar (THB2.2m / THB579k)^	275	70
- India Dollar (INR1.0m / -)^	60	-
	<u>59,444</u>	<u>53,474</u>
Total borrowings	<u><u>79,464</u></u>	<u><u>77,827</u></u>

^ Exchange rate

- Australian Dollar	2.615	2.846
- Indonesian Rupiah	0.000249	0.000272
- Thai Baht	12.53	12.11
- Indian Rupee	0.0559	0.0571

The weighted average interest rate of Hire purchase and Term loans as at 31 March 2020 was 5.15% and 4.73% to 5.33% (31.03.2019: 5.48% and 4.73% to 4.80%).

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

Notes on the quarterly report – 31 March 2020

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 1.0 sen per ordinary share, in respect of the financial year ending 30 June 2020. The dividend will be paid on 28 July 2020 to holders of ordinary shares whose names appear in the Record of Depositors at the close of business on 10 July 2020.

B10. Trade Receivables

	As at 31.03.2020 RM'000	As at 30.06.2019 RM'000
Trade Receivables	<u>123,563</u>	<u>119,827</u>

The average credit terms of trade receivables were Sixty (60) days. As at 31 March 2020, the trade receivables had increased by 3.12% or RM3.7 million as compared to audited trade receivables for the financial year ended 30 June 2019.

FREIGHT MANAGEMENT HOLDINGS BHD

(Company No: 380410-P)

Notes on the quarterly report – 31 March 2020

B11. Earnings per share

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year To	Preceding Year
	Quarter	Corresponding Quarter	Date	Corresponding Quarter
	31.03.2020	31.03.2019	31.03.2020	31.03.2019
Profit attributable to equity holders of the parent (RM'000)	2,026	2,822	10,933	12,529
Weighted average number of ordinary shares in issue ('000)	279,222	279,222	279,222	279,222
Basic Earnings Per Ordinary Share (sen)	0.73	1.01	3.92	4.49

B12. Additional Disclosures on Profit for the period

B12	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter	Quarter	To Date	To Date
	31.03.20	31.03.19	31.03.20	31.03.19
	RM'000	RM'000	RM'000	RM'000

Profit for the period is arrived at after charging/(crediting) :

Interest income	(83)	(76)	(300)	(280)
Gain on disposal of property, plant and equipment	(101)	(84)	(540)	(497)
(Gain)/Loss on foreign exchange	815	(48)	1,315	116
Depreciation of property, plant and equipment	3,339	3,237	9,830	9,431
Depreciation of Right-of-use assets	2,200	-	6,599	-
Amortization of Intangible asset	133	104	394	318
(Reversal)/Loss Impairment of trade receivables	2,367	(174)	2,810	(1,511)
Interest expense	1,009	947	2,710	2,709

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 2020.