

**FREIGHT MANAGEMENT HOLDINGS BHD (“FMHB” OR “THE COMPANY”)
ACQUISITION OF PROPERTY BY ITS WHOLLY-OWNED SUBSIDIARY**

1. INTRODUCTION

The Board of Directors of FMHB (“Board”) wishes to announce that FM Global Logistics (M) Sdn. Bhd. (“FMGLM” or “Purchaser”), a wholly-owned subsidiary of the Company has on 27 August 2015 entered into a Sale and Purchase Agreement (“SPA”) with Johnson Controls Automotive Holding (M) Sdn. Bhd. (Company No. 114130-M) (“Vendor”) to acquire all that piece of land held under HS (D) 261818, Lot No. PT 598, Pekan Hicom, Daerah Petaling, Negeri Selangor with an approximate area of 34,559 square meters (“Land”) together with the 2 double storey office buildings/canteen and 4 production/warehouses erected thereon and bearing the postal address of Lot 5, Persiaran Sabak Bernam, Section 26 (HICOM), 40000 Shah Alam, Selangor Darul Ehsan (“Building”) (collectively known as the “Property”) for a total purchase price of RM50,000,000.00 (excluding Goods and Services Tax) (“Proposed Acquisition”) free from encumbrances and in the state and condition as at the date of completion on an “as is where is” basis.

2. INFORMATION ON PURCHASER AND VENDOR

2.1 Information on Purchaser

FMGLM is a private limited company incorporated in Malaysia under the Companies Act, 1965 on 4 June 1982 with an authorised share capital of RM10,000,000.00 divided into 10,000,000 ordinary shares of RM1.00 each and the total issued and paid-up share capital is RM10,000,000.00 comprising ten million (10,000,000) ordinary shares of RM1.00 each. The principal activity of FMGLM is the provision of freight services.

2.2 Information on Vendor

The Vendor is a private limited company incorporated in Malaysia under the Companies Act, 1965 with an authorised share capital of RM11,000,000 divided into 11,000,000 ordinary shares of RM1.00 each and the total issued and paid-up share capital of the Vendor is RM11,000,000 divided into 11,000,000 ordinary shares of RM1.00 each. The principal activity of the Vendor is investment holding and property letting.

3. DESCRIPTION OF PROPERTY

The details of the Property are as follows:

Identification and description	All that piece of land held under HS (D) 261818, Lot No. PT 598, Pekan Hicom, Daerah Petaling, Negeri Selangor with an approximate area of 34,559 square meters (“Land”) together with the 2 double storey office buildings/canteen and 4 production/warehouses erected thereon and bearing the postal address of Lot 5, Persiaran Sabak Bernam, Section 26 (HICOM), 40000 Shah Alam, Selangor Darul Ehsan (“Building”).
Existing usage	Manufacturing of Automotive Seats

The site	The site is generally flat in terrain and has a land area of 34,559 square meters (Approximately 8.54 acres / 372,000 sq. ft.) Approximately total gross floor area for building is 139,265 square feet.
Proposed usage (inclusive of details of expected rental)	Rental of entire Property to Vendor at RM333,000.00 per month for three (3) years commencing on the date of vacant possession.
Approximate age of the Building	Approximately 25 to 27 years
Terms of the tenure, if leasehold and the expiry date of the lease (if any)	Not Applicable as is a Freehold Property
Details of valuation (if any) (i.e. whether valuation was carried out and if so, the name of the independent registered valuer, date and method of valuation and quantification of the market value	The Company is securing the services of an independent registered valuer. At the time of the signing of the SPA, the report is not ready.
Net book value based on the audited financial statement for the year ended 30 June 2014	The net book value and original cost of investment of the Land is not made known to the Company at the date of this announcement.
Encumbrances (if any)	The Property will be purchased free from all encumbrances.

4. BASIS OF ARRIVING AT AND JUSTIFICATION FOR THE CONSIDERATION

The Purchase Consideration of RM50,000,000 was arrived at after taking into consideration the following:-

- (i) Based on management's best estimate and enquiries on the market value of industrial lands located in the surrounding vicinity of the Properties; and
- (ii) The Property is strategically located between Klang Town and Kuala Lumpur City Centre. With easy accessibility to two major expressways namely Lebuhraya Shah Alam ("KESAS") a major inter-urban expressway connecting major industrial and residential areas within the Klang Valley to Westport and ("ELITE")/("NKVE") expressways which provides a bypass of the city congestion in Kuala Lumpur right to the Kuala Lumpur International Airport (KLIA), the Property is ideal for use as distribution centre warehouse.

5. SALIENT TERMS OF THE SPA AND TENANCY AGREEMENT

5.1 Transfer and Tenancy Agreement

5.1.1 Execution of the Transfer

In order to expedite the adjudication on the stamp duty payable and stamping of the Transfer, the Vendor and the Purchaser shall simultaneously with the execution of the SPA:

- (a) execute the Transfer and deliver the same in escrow to the Purchaser's Solicitors as stakeholders to be dealt with upon the terms stipulated in of the SPA and to take effect only upon Completion; and
- (b) both parties to furnish their respective income tax number and the address of the income tax office handling their income tax and such other information as are required for submission of the Transfer for adjudication as to the stamp duty payable thereon.

5.1.2 Purchaser's Solicitors' Mandate as to the Transfer

As stakeholders of the Transfer, the Purchaser's Solicitors shall submit the Transfer for adjudication on the stamp duty payable, within five (5) business days from the date of the SPA and thereafter to deal with the same as follows:

- (a) to present the duly adjudicated and stamped Transfer together with the Completion Documents for registration with the Appropriate Authorities within seven (7) days from the date of receipt by the Purchaser's Solicitors of the Completion Documents; or
- (b) to deliver to the Purchaser's Financier or its solicitors the duly adjudicated and stamped Transfer, upon fulfilment by the Purchaser of its obligations under the SPA; or
- (c) if the SPA is terminated for any reason whatsoever, to return the Transfer to the Vendor forthwith unless required for securing a refund for the stamp duty paid thereon, then after such refund of stamp duty has been obtained.

The Purchaser shall and hereby undertakes to pay the stamp duty payable on the Transfer within seven (7) days upon receipt of notification from the Purchaser's Solicitors of the stamp duty payable but in any event, within the time period stated in the notification issued by the Stamp Office.

5.1.3 Execution of Tenancy Agreement

The Purchaser hereby agrees that upon completion of the sale and purchase of the Property, the Purchaser shall forthwith grant to the Vendor a tenancy over the Property for a term and upon the conditions as laid out in the tenancy agreement to be entered into between the Purchaser and Vendor.

For the purpose of this clause, the Purchaser shall upon the execution of the SPA, execute and deliver to the Vendor's Solicitors the Tenancy Agreement to be held by the Vendor's Solicitors as stakeholders who shall deal with the same upon the terms below:

- (i) upon the date the sale and purchase of the Property is completed pursuant to the SPA, to insert the Possession Date into the tenancy agreement (which Possession Date will be the commencement date of the Tenancy Agreement) and to have the same stamped and thereafter deliver the stamped original of the Tenancy Agreement to the Vendor with a stamped duplicate thereof to the Purchaser; or
- (ii) if the SPA is terminated in accordance with the provisions of the SPA for any reason whatsoever, to mark on the Tenancy Agreement that the same is cancelled and deliver the Tenancy Agreement to the Vendor for record.
- (iii) The Parties agree that upon the expiry of the Term on the Expiry Date, the Tenant shall have the right and option to renew the Tenancy for two (2) further terms with total aggregate period of not more than Thirty-Six (36) months commencing from the date immediately after the Expiry Date subject to the following:-
 - a. the period of the first renewed term shall not be less than twelve (12) months but not more than 36 (Thirty-Six) months; and
 - b. the period of the second renewed term shall not be more than 36 (Thirty-Six) months less the period of the first renewed term.

5.2 Payment of the Total Purchase Price

The Purchase Price shall be payable to the Vendor in the following manner:

- (i) upon the execution of the SPA, the Purchaser shall pay the Balance Deposit (which Balance Deposit together with the Earnest Monies shall form the Deposit and part payment of the Balance Purchase Price for the Property) as follows:
 - (a) a sum equivalent to the Real Property Gains Tax Sum ("RPGT") to the Vendor's Solicitors who shall pay the same to the Director General of Inland Revenue, Malaysia within the period stipulated in the RPGT Act and forward a copy of the receipt of payment to the Purchaser or the Purchaser's Solicitors; and
 - (b) a sum equivalent to the Balance Deposit less the RPGT Sum to the Vendor.
- (ii) the Purchaser shall within the Completion Period, pay the Balance Purchase Price in the manner hereinafter described:
 - (a) if no loan is obtained by the Purchaser to part finance its purchase of the Property, the Balance Purchase Price shall be paid to the Vendor; or

- (b) if the Purchaser has obtained the Loan from a financial institution (“Financier”) to part finance its purchase of the Property, the Balance Purchase Price shall be paid by the Purchaser as follow:
 - i. to pay the Differential Sum, to the Vendor; and
 - ii. to cause to be delivered the Purchaser’s Financier Undertaking to the Vendor wherein the Purchaser’s Financier undertakes to pay or release within the Completion Period the Purchaser’s Loan to the Vendor to be dealt with in accordance with the provisions of the SPA.

5.3 Vendor’s Solicitors’ Mandate as to Balance Purchase Price

As stakeholders of the Balance Purchase Price or as the case may be, the Differential Sum and the Purchaser’s Loan, the Vendor’ Solicitors shall pay the same to the Vendor upon the expiry of seven (7) days from whichever shall be the earlier of the following dates:

- (a) the date of presentation of the Transfer for registration pursuant to Clause 5.3 of the SPA; or
- (b) the Completion Documents were delivered to the Purchaser or the Purchaser’s Solicitors or the Purchaser’s Financier or its solicitors pursuant to Clause 5.1.1 or 5.1.2 of the SPA respectively.

5.4 Termination of Agreement

5.4.1 Acts upon termination

Upon the termination of the SPA, the following provisions shall apply notwithstanding any provision to the contrary, express and implied:

- (a) within fourteen (14) days from the date of the termination of the SPA and the Purchaser’s compliance with the SPA, the Vendor shall refund, pay or cause to be refunded to the Purchaser all sums (less the amount if any forfeited pursuant to of the SPA) then paid by the Purchaser pursuant to the SPA; and
- (b) the Purchaser shall re-deliver to the Vendor of the following documents whereupon the SPA shall cease to have any further force and effect and neither Party shall have any further rights hereunder against the other Party but without prejudice to any rights, which either Party may be entitled to against the other Party in respect of any antecedent breach of the SPA:
 - (i) all documents delivered hereunder by the Vendor to the Purchaser or the Purchaser’s Solicitors or the Financier or its solicitors; and
 - (ii) vacant possession of the Property if the same shall have been delivered to the Purchaser.

5.4.2 Time for performance

The Party upon whom an obligation is imposed by the SPA shall be entitled to specific performance by the other Party of such other Party's corresponding obligation if the Party first mentioned in the Clause of the SPA is able, willing and ready to perform the obligation imposed on such Party but shall not have performed such obligation by reason of the non-performance by and/or the inability or unwillingness of the other Party to perform his corresponding obligation.

6. FINANCIAL INFORMATION OF THE PROPERTY

The Net Book Value of the Property is not available as the Group is not privy to the information in the books of the Vendor.

7. EFFECTS OF THE PROPOSED ACQUISITION

7.1 **Share Capital and Substantial Shareholders' Shareholdings**

The Proposed Acquisition will not have any effect on the issued and paid-up share capital and substantial shareholders' shareholdings in the Company as it will be fully satisfied by bank borrowing and internally generated funds.

7.2 **Earnings**

The Proposed Acquisition is expected to contribute positive effect on FMHB Group's earnings and earnings per share for the financial year ending 30 June 2016.

7.3 **Net assets per share and gearing**

The proforma effects of the Proposed Acquisition on the Net Assets ("NA") and the gearing position of FMHB based on its latest unaudited consolidated financial statements as at 30 June 2015, assuming that the Proposed Acquisition were completed on 30 September 2015 are set out below:

	Un-Audited as at 30 June 2015	After the Proposed Acquisition
	RM '000	RM '000
Share capital	86,500	86,500
Reserves	120,927	120,927
NA attributable to owners of the Company	207,427	207,427
Non-controlling interests	16,369	16,369
Total equity	<u>223,796</u>	<u>223,796</u>
No. of shares in issue	173,000	173,000
NA per share (RM) ¹	1.20	1.20
Total Borrowings	59,021	99,021
Gearing (times) ³	0.28	0.48

Notes:

- (1) *The NA per share was derived by dividing the NA attributable to owners of the Company with the number of shares in FMHB.*
- (2) *The Purchase Consideration is expected to be funded by bank borrowing and internally generated fund where the quantum has not been ascertained at this juncture. For illustration purpose, the Company is assuming the RM40,000,000 of the Purchase Consideration is financed by bank borrowing and the remaining through internally generated funds.*
- (3) *The gearing ratio was derived by dividing the total borrowings with the NA attributable to owners of the Company.*

8. SOURCE OF FUNDING

FMHB Group intends to fund the Proposed Acquisition through internally generated fund and bank borrowings. The exact mix of internally generated funds and/or bank borrowings will be decided by Management at a later date.

9. LIABILITIES TO BE ASSUMED

The Group will be purchasing the Property free from all encumbrances. Hence, there would be no liabilities, including contingent liabilities and guarantees, to be assumed by FMHB arising from the Proposed Acquisition.

10. RATIONALE AND BENEFIT FOR THE PROPOSED ACQUISITION

The Proposed Acquisition is to facilitate FMHB's future expansion of its 3PL warehousing business and services in the Klang Valley. The Purchase Price is reasonable and reflects the current market value of similar properties near the subject property. The Property is strategically located close to the Shah Alam Expressway ("Kesas"), North-South Expressway Central Link ("ELITE"), New Klang Valley Expressway ("NKVE"), Damansara-Puchong Expressway ("LDP") and Port Klang for ease of logistics, and is situated in an established industrial area with good infrastructure and facilities.

11. PROSPECT OF THE PROPERTY

FMHB intends to occupy the Property for its own use at a later stage after the completion of the Tenancy Agreement with Vendor. The proposed acquisition is expected to accrue the following benefits to FMHB:

- (i) Provide potential capital gain for FMHB arising from the expected appreciation in value of the Property as the Property is a freehold tenure and located in a strategic area;
- (ii) Secure sufficient warehouse space to cater for the expansion of FMHB's 3PL and warehousing businesses.

12. **RISK FACTORS**

The Board has taken into consideration the following risk factors:

(a) **Non-completion of the Proposed Acquisitions**

The completion of the SPAs is subject to the registration of the Document of Title in the name of the Vendors as registered owners. At the time of the execution of the SPAs, the Document of Title is registered in the name of the Registered Owner. In the event the Document of Title is not capable of being registered in the name of the Vendors as registered owners, as per the terms of the SPAs, then FMHB shall have the option to either withdraw from the SPAs or continue with the SPAs, pending the eventual registration of the Document of Title in the name of the Vendors as registered owners.

(b) **Financing risks**

FMHB intends to part finance the Proposed Acquisitions through bank borrowing. As such, FMHB may incur interest expense on additional bank borrowings.

In view that the interest charged on bank borrowings is dependent on prevailing interest rates, future fluctuation of interest rates could have an effect on the Group's cashflows and profitability. The management of FMHB believes that its prudent cash flow management will be able to address the financial risk.

13. **APPROVALS REQUIRED**

The Proposed Acquisition is not subject to the approval of the shareholders of FMHB.

14. **ESTIMATED TIMEFRAME FOR COMPLETION**

Barring any unforeseen circumstances, the Proposed Acquisition is expected to be completed by end of September 2015.

15. **HIGHEST PERCENTAGE RATIO**

Based on FMHB's limited review's audited consolidated financial statements for the financial year ended 30 June 2015 and pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Securities, the highest percentage ratio applicable to the Proposed Acquisition is 24.1%.

16. **DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST**

None of the Directors, Major Shareholders of the Company and/or persons connected with the Directors and/or Major Shareholders has any interest, direct or indirect, in the Proposed Acquisition.

17. STATEMENT BY DIRECTORS

The Board of Directors of the Company is of the opinion that the Proposed Acquisition is in the best interest of the Company.

18. DOCUMENTS FOR INSPECTION

The SPA and the Certificate of Valuation are available for inspection at the Company's Registered Office at Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, during normal office hours from Monday to Friday (except public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 27th August 2015.