



FM GLOBAL LOGISTICS HOLDINGS BERHAD

Registration No. 199601008064 (380410-P)



HELPING YOU REALISE YOUR BUSINESS GOALS

ANNUAL REPORT 2022

- SEA FREIGHT • AIR FREIGHT • LAND FREIGHT • 3PL, WAREHOUSE & DISTRIBUTION • CUSTOMS BROKERAGE • HAULAGE
- E-COMMERCE FULFILLMENT • LAST MILE SERVICES •

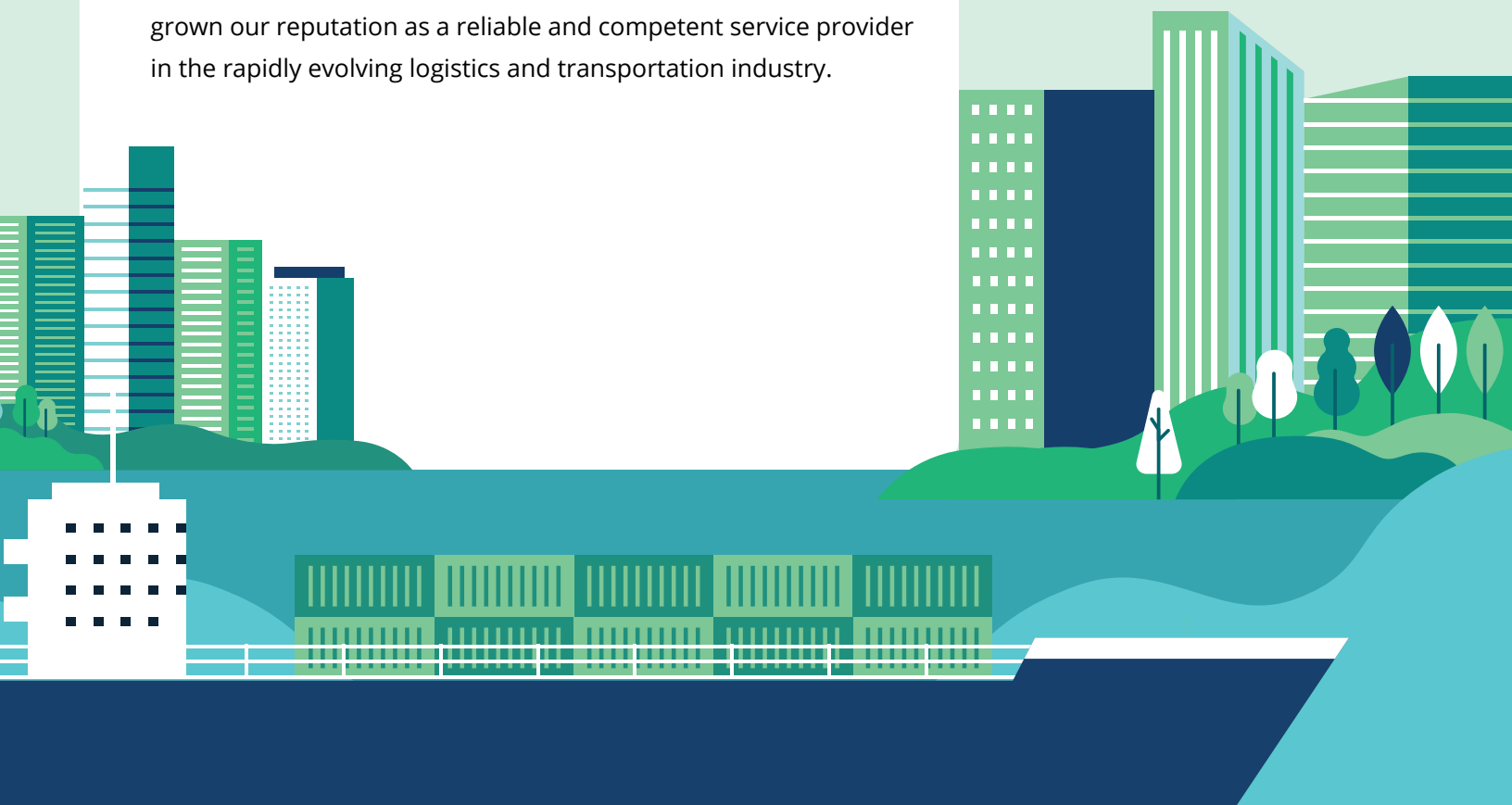


HELPING YOU REALISE YOUR BUSINESS GOALS

Post-pandemic, enterprises are incorporating lessons from this challenging period to ensure robustness and resilience to cope with the enduring volatility of the local and international business landscape.

Solid logistics support is an integral platform for business sustainability to ensure stability in the supply chain and continuity in providing goods and services. It is in this critical area that FM Global Logistics Holdings Berhad (“FMGL” or “the Group”) has played a significant role in **HELPING YOU REALISE YOUR BUSINESS GOALS.**

By consistently creating and finding solutions to logistics needs and requirements, FMGL has been a ready and reliable partner to many businesses in Malaysia and worldwide. We have steadily grown our reputation as a reliable and competent service provider in the rapidly evolving logistics and transportation industry.



YOUR CONNECTION TO THE WORLD

FMGL is simplifying logistics to connect businesses, customers and the communities through efficient, reliable and safer solutions.

Our Vision is to be a global, innovative, sustainable and integrated leading supply chain logistics partner to support and advance the 5Ps of People, Planet, Prosperity, Peace and Partnerships.

People:
Building a High Performance Culture



FUTURE FOCUSED

Customers:
Listening & Improving Service



Quality:
Meet Expectations & Continually Improve Satisfaction Levels



Growth:
Being Innovative to Achieve Success



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26th Annual General Meeting



Broadcast Venue:

Tricor Business Centre
Gemilang Room, Unit 29-01
Level 29, Tower A, Vertical Business Suite
Avenue 3, Bangsar South, No. 8, Jalan Kerinchi
59200 Kuala Lumpur, Malaysia.



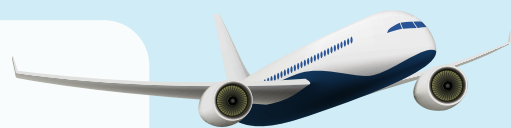
Date:

Monday,
28 November 2022



Time:

10:00 a.m.



ABOUT US

Established in 1988, FM Global Logistics Holdings Berhad ("FMGL" or "the Group") is a leading international Freight Services Provider based in Malaysia offering **International Freight Services** that cover Sea Freight Less Than Container Load ("LCL"), Full Container Load ("FCL"), Air Freight and Land Freight services which comprise cross-border trucking services. The **Domestics Logistics** segment constitutes Third Party Logistics ("3PL"), Warehousing & Distribution and Supporting Services, which include Customs Brokerage, Haulage, E-Commerce Fulfillment and Last Mile Delivery Services.

This enables the Group to offer dedicated and reliable freight services to its diverse range of customers with a workforce of over 1,000 personnel, who are stationed at all the important maritime and air gateways of Malaysia and also in the ASEAN Region, India, Australia, the United Arab Emirates ("UAE"), and the United States of America ("USA").

FMGL was first listed on the Bursa Malaysia Securities Berhad ("Bursa Securities") in February 2005 and transferred to the Main Board in December 2007, making it one of the first Malaysian owned freight services companies to be listed on the Main Board of Bursa Securities.



822,000 ft²
warehousing space
(bonded & non-bonded)



9 operating countries



612 trailers



109 trucks



154 prime movers



126,941 TEUs



1,748 employees



SERVICES OFFERED BY THE GROUP

YOUR CONNECTION TO THE WORLD

FMGL is a leading international freight forwarder in the Asean Region, operating as an intermediate agent between importers/exporters and carriers.



INTERNATIONAL AND DOMESTIC SEA FREIGHT SERVICES LCL/FCL

FMGL's extensive experience in export/import sea freight services ensures efficient handling of customers' cargo movement internationally and between Peninsular Malaysia and Sabah/Sarawak.



INTERNATIONAL AND DOMESTIC AIR FREIGHT SERVICES

FMGL handles inbound and outbound air freight services both internationally and between Peninsular Malaysia and Sabah/Sarawak. We are part of an established worldwide network of air freight forwarders, offering seamless air freight services to all destinations.



3PL, WAREHOUSING & DISTRIBUTION

FMGL operates a total of 822,000 square feet ("ft²") of bonded and non-bonded ambient and cool warehouses. We offer a one-stop centre for storage, value-added services and distribution, and E-Commerce Fulfillment services.



SERVICES OFFERED BY THE GROUP (CONTINUED)



HAULAGE & CUSTOMS CLEARANCE

FMGL operates a sizeable fleet of prime movers and trailers to offer door-to-door and port-to-port solutions for its FCL customers.

With a team of more than 100 personnel nationwide, FMGL is able to offer professional and efficient customs clearance for both sea and air freight forwarding services.



LAND TRANSPORTATION

FMGL's fleet of 109 trucks, 154 prime movers and 612 trailers offers door to door delivery and cross-border services throughout Peninsular Malaysia and between Malaysia, Singapore and Thailand. We accept Full Truck Load, Less Than Truck Load and Container Haulage.



PROJECT MANAGEMENT

FMGL's Project Management Department is equipped to handle the organisation and shipping of all oversized cargo.



LAST MILE DELIVERY

FMGL, through its wholly owned subsidiary Parcel To Post Services Sdn. Bhd., operates Business-to-Business ("B2B") and Business-to-Consumer ("B2C") last mile delivery services.



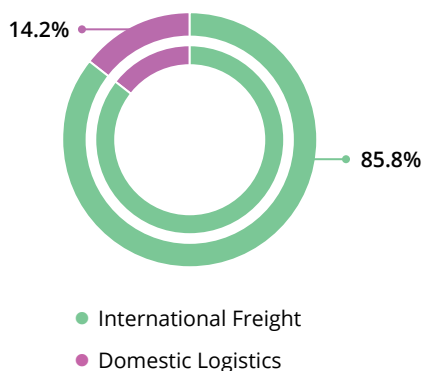
FINANCIAL HIGHLIGHTS

| STATEMENTS OF COMPREHENSIVE INCOME (RM'000) | 2018 | 2019 | 2020 | 2021 | 2022 |
|--|-------------------|-------------------|-------------------|---------|------------------|
| Revenue | 511,585 | 545,353 | 551,609 | 763,431 | 1,152,945 |
| Profit Before Taxation | 28,426 | 22,602 | 20,267 | 42,496 | 66,613 |
| Profit After Tax and Non-Controlling Interests | 19,695 | 13,600 | 12,045 | 27,035 | 45,585 |
| Net Earnings Per Share (sen) | 3.53 [^] | 2.44 [^] | 2.16 [^] | 4.84 | 8.16 |
| Gross Dividend Per Share (sen) | 5.00 | 3.50 | 2.00 | 4.00 | 4.00 |
| STATEMENTS OF FINANCIAL POSITION (RM'000) | 2018 | 2019 | 2020 | 2021 | 2022 |
| No. of Shares in Issue ('000) | 186,148 | 279,222 | 279,222 | 558,445 | 558,445 |
| Paid-up Share Capital | 104,290 | 104,290 | 104,290 | 104,290 | 104,290 |
| Reserves | 184,254 | 184,225 | 186,271 | 228,109 | 257,285 |
| Net Assets per Share (RM) | 0.52 [^] | 0.52 [^] | 0.52 [^] | 0.60 | 0.65 |

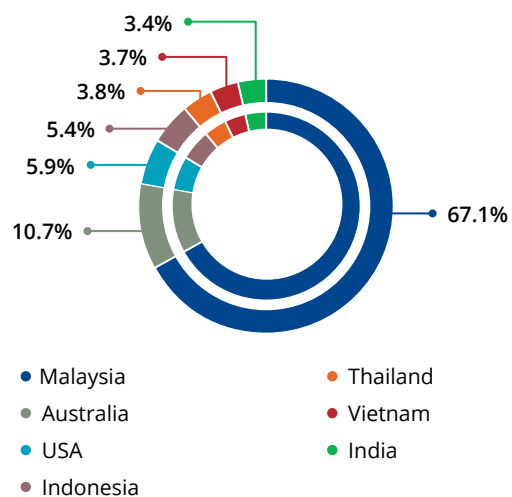
[^] The comparative figures have been adjusted, taking into account the issuance of bonus shares on the basis of 1:1 in the financial year ended 30 June 2021.

| REVENUE ANALYSIS (RM Million) | 2018 | 2019 | 2020 | 2021 | 2022 |
|-------------------------------------|--------------|--------------|--------------|--------------|----------------|
| Contribution by Service Type | | | | | |
| International Freight | 393.8 | 421.1 | 418.4 | 609.7 | 988.9 |
| Domestic Logistics | 117.8 | 124.3 | 133.2 | 153.7 | 164.0 |
| TOTAL | 511.6 | 545.4 | 551.6 | 763.4 | 1,152.9 |

CONTRIBUTION BY SERVICE TYPE 2022



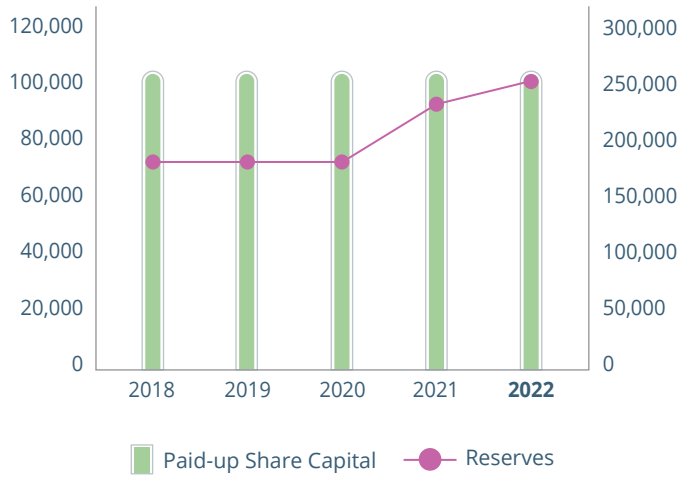
SEGMENTAL REVENUE BY COUNTRY 2022



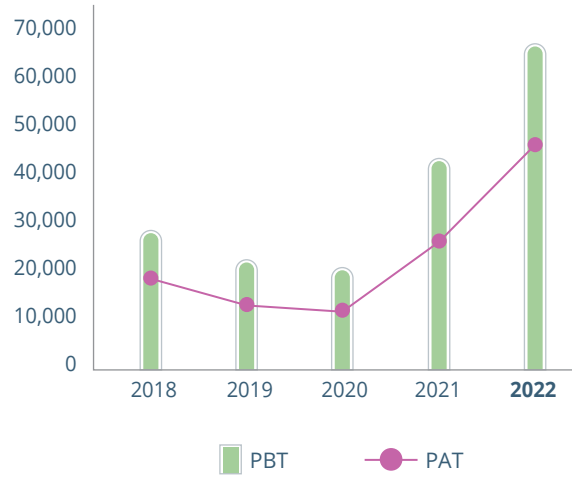
FINANCIAL HIGHLIGHTS

(CONTINUED)

SHAREHOLDERS' FUNDS (RM'000)



PROFIT BEFORE TAX ("PBT")/PROFIT AFTER TAX ("PAT") AND NON-CONTROLLING INTEREST (RM'000)



REVENUE ANALYSIS BY SERVICE TYPE (RM MILLION)



REVENUE ANALYSIS BY CONTAINER MODE (RM MILLION)



CORPORATE INFORMATION

BOARD OF DIRECTORS

**Tengku Nurul Azian
Binti Tengku Shahrman**
*Chairperson/Independent
Non-Executive Director*

Chew Chong Keat
Group Managing Director

Yang Heng Lam
Executive Director

Gan Siew Yong
Executive Director

Ong Looi Chai
Executive Director

Soh Chin Teck
Independent Non-Executive Director

Lau Swee Chin
Independent Non-Executive Director

Khua Kian Keong
*Non-Independent Non-Executive
Director*

AUDIT AND RISK MANAGEMENT COMMITTEE

Chairman
Soh Chin Teck
Independent Non-Executive Director

Members
Tengku Nurul Azian Binti Tengku Shahrman
Independent Non-Executive Director

Lau Swee Chin
Independent Non-Executive Director

NOMINATION COMMITTEE

Chairperson
Lau Swee Chin
Independent Non-Executive Director

Member
Soh Chin Teck
Independent Non-Executive Director

REMUNERATION COMMITTEE

Chairperson
Tengku Nurul Azian Binti Tengku Shahrman
Independent Non-Executive Director


Member
Lau Swee Chin
Independent Non-Executive Director


COMPANY SECRETARIES

- Fong Sok Yee (MAICSA 7066501)
(SSM PC No. 202008001180)
- Te Hock Wee (MAICSA 7054787)
(SSM PC No. 202008002124)

REGISTERED OFFICE


Unit 30-01, Level 30, Tower A,
Vertical Business Suite, Avenue 3,
Bangsar South, No. 8, Jalan Kerinchi,
59200 Kuala Lumpur, Malaysia.


 +603-2783 9191

 +603-2783 9111

HEAD/MANAGEMENT OFFICE

Lot 37, Lebuhr Sultan Mohamed 1,
Kawasan Perindustrian Bandar Sultan Suleiman,
42000 Port Klang,
Selangor Darul Ehsan, Malaysia.

 +603-3176 1111 / +603-3322 3111

 +603-3176 8634

 www.fmgloballogistics.com

PRINCIPAL BANKERS

- Bangkok Bank Berhad
- Hong Leong Bank Berhad
- HSBC Amanah Malaysia Berhad
- Maybank Islamic Berhad
- OCBC Al-Amin Bank Berhad
- RHB Islamic Bank Berhad

AUDITORS

Crowe Malaysia PLT
201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants

SOLICITORS


Wong Lu Peen & Tunku Alina
Advocates & Solicitors


REGISTRAR

Tricor Investor & Issuing House Services Sdn. Bhd.

(Registration No. 197101000970 (11324-H))

Unit 32-01, Level 32, Tower A,
Vertical Business Suite, Avenue 3,
Bangsar South, No. 8, Jalan Kerinchi,
59200 Kuala Lumpur, Malaysia.

 +603-2783 9299

 +603-2783 9222

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

Stock Code : FM

Stock No. : 7210

(Listed on Second Board on 3 February 2005)

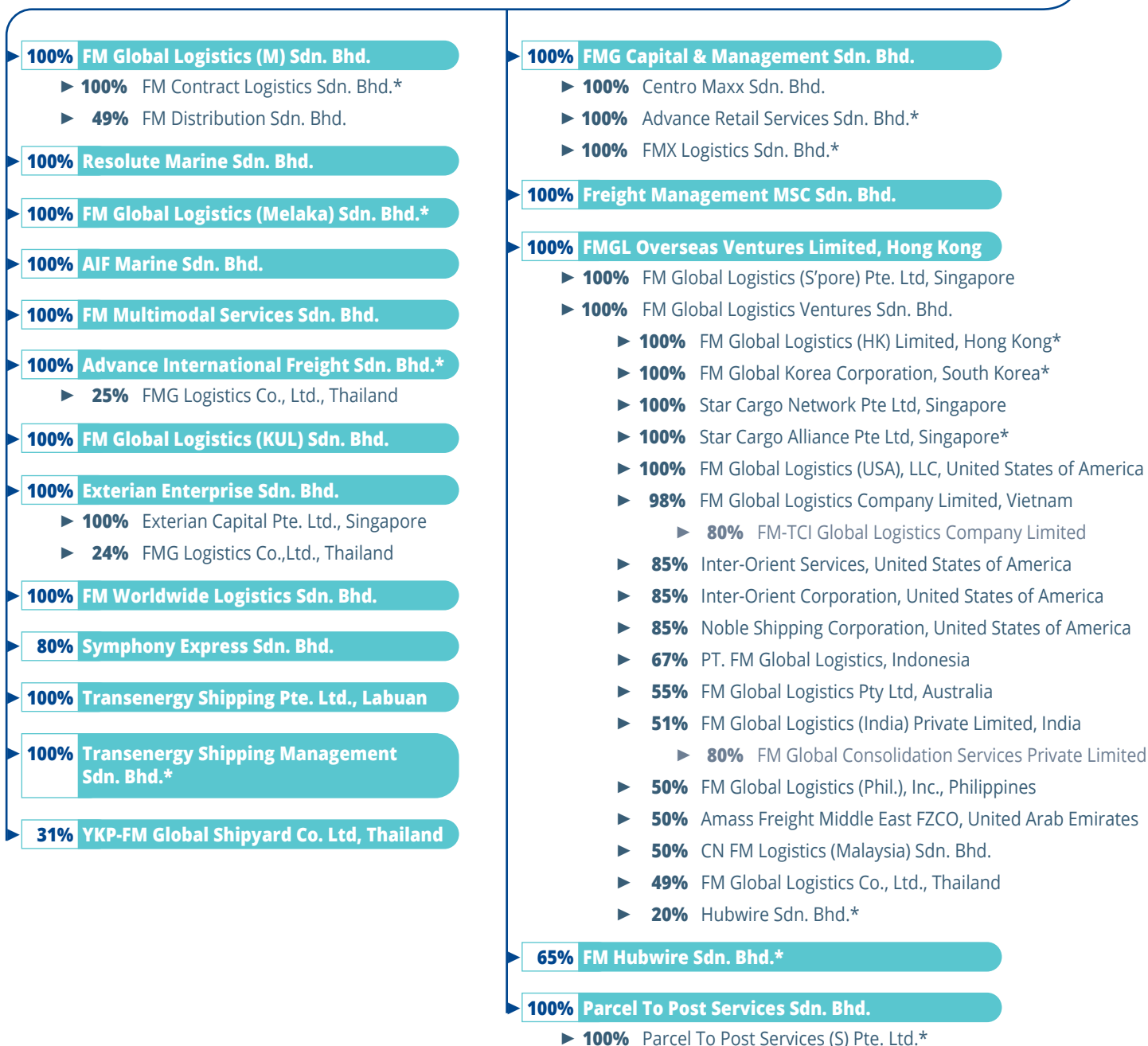
CORPORATE STRUCTURE

AS AT 30 SEPTEMBER 2022



FM GLOBAL LOGISTICS HOLDINGS BERHAD

Registration No. 199601008064 (380410-P)



* Dormant Companies

BOARD OF DIRECTORS' PROFILE

TENGGU NURUL AZIAN BINTI TENGGU SHAHRIMAN

Chairperson/Independent Non-Executive Director

Age/Gender : **59/Female**

Nationality : **Malaysian**

Tengku Nurul Azian Binti Tengku Shahrman was appointed to the Board on 21 August 2019. She is also the Chairperson of the Remuneration Committee and a member of the Audit and Risk Management Committee.

She graduated with a Law Degree from the School of Oriental & African Studies, University of London. After her graduation, she obtained her Barrister of Law from the Honourable Society of the Inner Temple and was subsequently admitted to and enrolled as an Advocate and Solicitor of the High Court in Malaya.

Tengku Nurul Azian started her career in 1988 as an Advocate and Solicitor with Messrs. Shook Lin & Bok before pursuing a career in investment banking in 1992. She has over 18 years of broad experience in investment banking and corporate finance. Her last position was Head of Corporate Finance in RHB Investment Bank Berhad, a member of the RHB Banking Group, an integrated financial services group in Malaysia.

In 2010, she was appointed as the Director of Education and Human Capital Development in the Performance Management and Delivery Unit ("PEMANDU") and held this position until 2017. She was the Executive Vice President and Partner of PEMANDU Associates Sdn. Bhd., a management consultancy firm until June 2020.

She is also a board member of PEMIMPIN GSL Malaysia (Member of the Global School Leaders Network), an organisation that provides school leadership programmes for 200 public schools and sits on the Board of Governors of her alma mater, Convent Bukit Nanas.

Other than her positions in the Company, she is also an Independent Non-Executive Director of Dutch Lady Milk Industries Berhad, PPB Group Berhad and Sunway REIT Management Sdn. Bhd. (the management company of Sunway REIT, which is listed on Bursa Securities).

CHEW CHONG KEAT

Group Managing Director

Age/Gender : **61/Male**

Nationality : **Malaysian**

Mr Chew Chong Keat joined the Board on 20 March 1996.

He graduated from the University of Manchester, United Kingdom in 1984 with a Bachelor's Degree in Economics. He also holds a Diploma from the Business Education Council National, United Kingdom and a Diploma of Competence in Freight Forwarding from the International Federation of Freight Forwarders ("FIATA").

As one of the Group's co-founders, he serves on the board of some of its subsidiaries and associated companies. He is principally responsible for managing the Group's business and corporate affairs. With over 35 years of experience in freight forwarding and logistics services, he plays a key role in setting the direction of the Group's business strategies.

BOARD OF DIRECTORS' PROFILE (CONTINUED)

YANG HENG LAM

Executive Director

Age/Gender : **59/Male**

Nationality : **Malaysian**

Mr Yang Heng Lam joined the Board on 20 March 1996. He also serves on the board of all subsidiaries and associated companies of the Group. He helms the business development and operations divisions, encompassing the development of global air and ocean agencies, and numerous divisions namely the ocean import, customs brokerage, air freight, parcel, warehouse and transport divisions. He played a key role in identifying suitable partners for the establishment of offices in Thailand, Indonesia, the Philippines, India, the UAE and the USA.

He founded Cargo World Network and Star Cargo Alliance, part of the global freight forwarding network of the Group, and serves as the President of both organisations.

Mr Yang has over 30 years of experience in the freight forwarding and logistics industry and has been instrumental in securing and maintaining major customers for the Group.

GAN SIEW YONG

Executive Director

Age/Gender : **60/Female**

Nationality : **Malaysian**

Madam Gan Siew Yong joined the Board on 20 March 1996. She also serves on the board of several subsidiary companies of the Group. As the Head of the Export Division, she is principally responsible for the export-related services of the Group and is actively involved in negotiating rates and securing container space with the shipping lines.

Backed by more than 30 years of experience, and supported by a strong team, she has been instrumental in establishing the Group's LCL consolidation business in all the major ports of the world.

ONG LOOI CHAI

Executive Director

Age/Gender : **54/Male**

Nationality : **Malaysian**

Mr Ong Looi Chai was appointed to the Board on 1 June 2006. He joined the Group in 1989, securing attachment with the Port Klang headquarters. In 1995, he assumed the position of Branch Manager in Penang and was instrumental in the growth and development of the Penang branch.

He is currently responsible for the overall business development in the northern region of West Malaysia and in East Malaysia. He also leads the business development of the Group's overseas offices in Thailand and Indonesia.

BOARD OF DIRECTORS' PROFILE (CONTINUED)

SOH CHIN TECK

Independent Non-Executive Director

Age/Gender : **64/Male**

Nationality : **Malaysian**

Mr Soh Chin Teck was appointed to the Board on 30 September 2019. He is the Chairman of the Audit and Risk Management Committee and a member of the Nomination Committee.

He holds a Bachelor of Economics Degree from Monash University, Australia, and a Master of Business Administration - International Management from RMIT University, Australia. He is a Fellow of the Chartered Accountants Australia and New Zealand and a member of the Malaysian Institute of Accountants.

He has more than 13 years of experience in member firms of Deloitte Singapore, Sydney and Kuala Lumpur. He was a former Executive Director and General Manager of CSR Building Materials (M) Sdn. Bhd. and was a Business Director and Board Member of Rockwool Malaysia Sdn. Bhd. Mr Soh also held the chairmanship of FMM Malaysian Insulation Manufacturers Group and the Deputy Managing Director position of Saint-Gobain Malaysia Sdn. Bhd.

Other than the Company, he is also an Independent Non-Executive Director of PPB Group Berhad.

LAU SWEE CHIN

Independent Non-Executive Director

Age/Gender : **59/Female**

Nationality : **Malaysian**

Madam Lau Swee Chin was appointed to the Board on 21 August 2018. She is the Chairperson of the Nomination Committee and a member of the Audit and Risk Management Committee, and the Remuneration Committee.

She started her career in the Audit Department of Hanafiah Raslan & Mohamad before embarking on her studies for The Institute of Chartered Secretaries and Administrators ("ICSA") examination.

She completed her ICSA studies in 1986 and subsequently obtained her Associate Membership at ICSA in 1993. She joined TAMS Secretarial Sdn. Bhd. in 1987 where she was later promoted as Head of the Company Secretarial Department.

In 2003, she joined Miomira Corporate Services Sdn. Bhd. as a Partner and Head of the Company Secretarial Department.

Her work covered the incorporation of companies and business enterprises, public listing, company secretarial services, deregistrations and liquidations, and included advisory services.

Following her retirement in 2014, she set up a new partnership, Eco Gifts Shoppe, with a primary focus on importing natural oils from selected countries for local distribution in Malaysia.

BOARD OF DIRECTORS' PROFILE (CONTINUED)

KHUA KIAN KEONG

Non-Independent Non-Executive Director

Age/Gender : **54/Male**

Nationality : **Singaporean**

Mr Khua Kian Keong was appointed to the Board on 30 April 2020.

He obtained his Bachelor of Science Degree in Electrical Engineering and graduated cum laude from the University of the Pacific, USA, in 1987.

He is the Chief Executive Officer of Vibrant Group Limited, Singapore, the holding company of Singapore Enterprises Private Limited which is a substantial shareholder of the Company.

Mr Khua is the chairman of the Nanyang Kuah Si Association, a committee member of the Singapore Ann Kway Association and a board member of the Tan Kah Kee Foundation. He also is a patron of the Telok Blangah Citizens' Consultative Committee.

He previously held positions which included being the President of the Singapore Metal and Machinery Association, Vice-Chairman of the Singapore-China Business Association, Council Member of the Singapore Chinese Chamber of Commerce and Industry, Board Member of the Singapore Thong Chai Medical Institute, Vice-President of the World Quanzhou Youth Friendship Association, Chairman of the Pei Tong Primary School advisory committee and member of the Catholic High School management committee.

In China, he is the board chairman of Fujian Anxi No. 8 Middle School, Vice-President of the Anxi Charity Federation and the Anxi Fenglai Guitou Charity Federation. In 2009, he received the "Outstanding Charitable Works Contribution" award from the Fujian Provincial Government, People's Republic of China.

Notes:

FAMILY RELATIONSHIPS : *Gan Siew Yong is the spouse of Chew Chong Keat. Save as disclosed, none of the Directors has any family relationship with any director and/or major shareholder of the Company.*

DIRECTORSHIP OF PUBLIC COMPANIES : *Save as disclosed above, none of the Directors holds any other directorships in public companies and listed issuers in Malaysia other than the Company.*

NUMBER OF BOARD MEETINGS ATTENDED : *All Directors attended all the five Board meetings held during the financial year 2022.*

CONVICTIONS : *None of the Directors has been convicted of any offence (other than traffic offences, if any) within the past five years, nor have had any public sanction or penalty imposed by the relevant regulatory bodies during the financial year 2022.*

CONFLICT OF INTEREST : *None of the Directors has any conflict of interest with the Company.*

KEY SENIOR MANAGEMENT : *The Executive Directors appointed to the Board also occupy the offices of the Key Senior Management of the Company.*



FMGL has outperformed its expectations in FY2022 despite the headwinds of the COVID-19 pandemic, geopolitical tensions and external global economic threats. We have proven our mettle, steadily expanding the scope and breadth of our integrated logistics services to be the service provider of choice in the markets we serve.

CHAIRMAN'S STATEMENT

Dear Valued Shareholders,

The Financial Year 2022 (“FY2022”) proved to be an exceptional one for FM Global Logistics Holdings Berhad (“FMGL” or “the Group”), whereby multiple new milestones were achieved in terms of record high Revenue, Profits and Volume. This outstanding feat demonstrates how protecting the strength and viability of our core business is crucial in delivering the Group’s strategic objectives as we continue navigating through new waves of COVID-19 infections, persistent labour market and supply-chain challenges, and rising inflationary pressures.



CHAIRMAN'S STATEMENT (CONTINUED)

Global trade strongly influences shipping and logistics development, and after recovering sharply to reach an all-time high in 2021 and the beginning of 2022, we have witnessed an easing off from March 2022 onwards. While economies worldwide gradually returned to a new form of normality, global trade volume is expected to continue to grow, albeit at a more moderate pace. Supply chain disruptions continue to drag, exacerbated by China's most extensive coronavirus lockdown in March 2022 and the ongoing war in Ukraine that began in February 2022. While the world's largest and busiest global container port hub in Shanghai continued operations through the wide-scale lockdowns and eased restrictions from 1 June 2022, the effects were profound as infections were still spiking.

Uncertainties about both events, coupled with the rapidly deteriorating ties between USA and China, remain high, and consequently, imbalances are expected to drag through the year.

While estimates by research agencies indicate that the logistics sector is on track to expand by a compound annual growth rate ("CAGR") of up to 5% from a global value of US\$4.92 trillion in 2021 to US\$6.55 trillion by 2027, we will not let our guard down although we are making significant strides in an increasingly competitive industry to sustain our run of positive results.

(Source: <https://www.businesswire.com/news/home/20220404005541/en/Global-Logistics-Market-2022-to-2027---Industry-Trends-Share-Size-Growth-Opportunity-and-Forecasts---ResearchAndMarkets.com>)



Nonetheless, current headwinds, such as the war in Ukraine, and broadening price pressures fuelling higher inflation in many countries, are potential downside risks that will continue to be monitored. We are mindful that the ripple effects of these external forces are impacting higher interest rates, which may elevate our customers' risk profile in terms of longer sales cycles, credit standing and requests for extending the payment window.

Albeit the many current geopolitical challenges and regional conflicts, we continue to navigate the supply chain risks by carefully monitoring, measuring and managing our exposure to offset further disruptions in our operations and advance our ability to drive our business. It is my privilege then to present on behalf of the Board of Directors ("the Board") the Annual Report and Audited Financial Statements of FMGL for the financial period ended 30 June 2022 ("FY2022").

FY2022 FINANCIAL RESULTS

The Group increased Revenue by 51.0% to RM1,152.9 million compared with RM763.4 million the year before.

Revenue growth was primarily driven by our International Freight segment, which expanded by 62.2% to RM988.9 million (FY2021: 609.7 million), driven by strong demand for our services of Sea Freight, which registered the highest growth at 72.6%, followed by Air Freight at 33.9% and Land Freight at 15.0%. The Domestic Logistics segment also increased its revenue contribution, albeit at a slower rate of 6.7% to RM164.0 million from RM153.7 million in FY2021. While revenue from the Supporting Services segment, comprising Customs Brokerage, Haulage, E-Commerce Fulfillment and Last Mile Delivery Services, grew by 16.0%, the 3PL, Warehousing & Distribution business declined marginally by 1.0%.

The performance of FMGL's overseas markets was impressive, with Overseas Operations' combined revenue almost doubling to RM379.0 million (FY2021: RM191.9 million) while the Malaysian Operations expanded by a healthy 35.5% to RM773.9 million (FY2021: RM571.2 million). We achieved a Profit Before Tax ("PBT") of RM66.6 million for the reporting year, representing a substantial increase of 56.7% over RM42.5 million in FY2021. Overseas Operations accounted for almost 28% of Group PBT, higher than the previous year. Profit After Tax and Minority Interests ("PATAMI") gained 68.9% to RM45.6 million against RM27.0 million in FY2021, resulting in an Earnings Per Share ("EPS") of 8.16 sen from 4.84 sen, up by 68.6%.

At the close of FY2022, Shareholders' Funds stood at RM361.6 million against RM332.4 million, up by 8.8%. Total Assets for the Group also grew to RM754.5 million, which was 31.4% higher than RM574.4 million previously and resulted in a Net Assets per Share of 65 sen (FY2021: 60 sen). A detailed review of our financial and operational performance is presented in the Management Discussion & Analysis section of this Annual Report.



VALUING OUR SHAREHOLDERS

I am pleased to report that the Board has declared the highest-ever dividend of 4.0 sen per share (FY2021: 2.5 sen per share) for the year in review. The final interim dividend of 2.0 sen per share following two previous single-tier interim dividends of 1.0 sen each was paid on 7 October 2022. Total FY2022 dividend payout of RM22.3 million (FY2021: RM14.0 million) amounted to 49% of PATAMI (FY2021: 52%).

CULTIVATING SUSTAINABILITY

While the COVID-19 pandemic disrupted supply chains worldwide, the Group's steady corporate performance in the past two years reinforces the ingenuity, resilience and flexibility in maintaining its essential integrated logistics operations. No doubt, we faced tremendous challenges and threats that tested our abilities and capabilities, but we rapidly responded to the immediate impacts of the pandemic to optimise results and outcomes aside from mitigating risks. This has led us to intensify and internalise our commitment to corporate sustainability and compliance with Environmental, Social and Governance ("ESG") priorities to build long-term resilience in the value chains for managing future challenges.

Five years on in our sustainability journey, we are quantifying our carbon footprint as an insightful platform to implement effective initiatives and other measures to minimise emissions across the Group. We are gradually expanding the scope of our sustainability reporting to cover the Group's greenhouse gas ("GHG") emissions, the primary cause of climate change that is already manifesting in the form of heatwaves, droughts, floods and other weather phenomena worldwide. In a bid to tackle the climate change issues, a key sustainability highlight for the year is our investment in rooftop solar panels at one of the larger warehouses located at Pelabuhan Klang, Selangor, that was installed in 2022.

As energy efficiency rises to the top of our sustainability agenda, the Group's new solar initiative aims to reduce its carbon emissions and significantly reduce energy bills. FMGL is at the initial stage of increasing knowledge to systematically consider and develop climate action plans over the short, medium and long terms across the businesses, as it requires sustained commitment and action at every level in the Group. We envisage tapping the advantages and benefits of using renewable energy resources as a pathway to further embrace and integrate green practices and technologies, carving out the next phase of the Group's business sustainability. Please refer to the Sustainability Roadmap in the Sustainability Statement of this Annual Report 2022.

Apart from environmental protection, the Group persevered in its steadfast dedication to making a positive difference, particularly with the communities and other stakeholders that we constantly interact with where we operate. Our export and import services directly support local businesses, giving rise to developing high-calibre suppliers and vendors contributing effectively to the national economy.

On the other hand, the Group's community social engagements encourage employee participation for meaningful outcomes and establishing better relationships. On this note, the physical effects of climate change continue to cause extreme hydro-meteorological events as witnessed in the devastating floods that wreaked havoc in Selangor and the Klang-Valley in December 2021. Some of our employees were not spared by the unexpected and severe turn of events. Hence, we immediately went to their aid to help them recover from the losses. A total of RM171,000 was disbursed to all affected employees to assist them in regaining some form of normalcy after experiencing the worst floods ever hitting our nation. A detailed review of our sustainability performance is presented in the Sustainability Statement of this Annual Report.

HARNESSING EMERGING TECHNOLOGIES

The logistics industry has been veering towards integration with 4IR (Fourth Industrial Revolution) technologies which include digital tools, analytics, artificial intelligence (AI), virtual and augmented reality (VR/AR) and automation. According to Gartner, half of the global products enterprises are set to invest in real-time transportation visibility platforms by 2023, while 50% of supply chain companies will invest in AI and advanced analytics capabilities by 2024.

(Source: <https://www.gartner.com/en/articles/gartner-predicts-the-future-of-supply-chain-technology>)

In FY2021, we expanded our digital capabilities with the launch of the FM Online Platform to have greater resiliency, pivoting from a defensive stance to focusing on growth. The platform has contributed to streamlining operations and automating manual processes, resulting in higher productivity to veer our focus on revenue-generating activities. Leveraging collaboration technology, we are witnessing increased efficiency in online bookings for the gamut of our sea, air, land transportation and logistics services between customers and staff. Although the reliance on technology is accelerating, we are cognisant of ensuring maximum security to counter the proliferation of cyber threats in the business environment.

We are determined to move with the times and maintain a competitive edge by deploying emerging technologies in our bid to expand our market presence and customer base while also improving services and enhancing performance. Automating and digitalising our processes also form part of green initiatives within FMGL in addressing the three pillars of ESG.

EXPANDING FOR SUSTAINABLE GROWTH

Clearly, the Group's success during the financial year in review reflects our financial discipline, ongoing development of our people and constant focus on innovative solutions for our customers in overcoming or circumventing supply issues of space and time amid rising cross-border trade on the reopening of economies worldwide.

FMGL's Overseas Operations saw strong growth in FY2022 contributing 97.5% and 70.6%, respectively, in income and net profit compared to results posted in FY2021. All overseas operating segments reported solid results on the back of volume growth in Australia, Indonesia, Thailand, Vietnam and India. The positive growth was also attributed to our strategic expansion into new markets via the acquisition of Inter-Orient Services, Inter-Orient Corporation and Noble Shipping Corporation (collectively known as "IOS Companies") in Los Angeles, the USA, which is highly synergistic with the Group's existing business.

Joint-venture company CN FM Logistics (Malaysia) Sdn. Bhd., which was added to the Group's portfolio of companies in May 2021, was also a contributing factor towards the outstanding achievements, tapping into the high-end fashion logistics and e-commerce growth trend that is steadily climbing. The global fashion e-commerce market size is expected to grow to US\$744.4 billion in 2022 from US\$668.1 billion in 2021, while revenue in the Malaysian e-commerce fashion segment is projected to reach US\$2.9 billion in 2022 against US\$2.54 billion in 2021.

(Source: <https://www.thebusinessresearchcompany.com/report/fashion-e-commerce-global-market-report>)

CHAIRMAN'S STATEMENT (CONTINUED)

In another development, FM Global Logistics (M) Sdn. Bhd. ("FMGLM") completed the acquisition of the two parcels of land as part of its strategic plans to expand the Domestic Logistics segment. Application for the development order has been submitted for a new transport hub containing a 100,000 ft² warehouse, transport yard and maintenance workshop, to be built over a 29,000 square metre area. The easily accessible location of this new facility via a network of highways is also ideally situated within close proximity of Northport and Southport in Port Klang.

However, FMGLM could not proceed with development plans for another two parcels of land, as the condition precedent set out in the Sales and Purchase Agreement ("SPA") had not been fulfilled within the stipulated timeline.

While global logistics operations were shaped by disruptive events in global supply chains, we are optimistic about the prospects of another positive year for the upcoming financial year ("FY2023"), with the demand for trade and logistics services on track to remain robust during the first half of FY2023 before moderating over the subsequent six months.

ACKNOWLEDGEMENTS

The measure of a company and its people lies in their response to challenges and adversity. The Board is immensely impressed with the calibre of the management team and all our employees for what we have achieved, collectively and individually, during the financial year in review.

My profound appreciation goes to my fellow Board members for their wise counsel, contributions and recommendations. Our partners, associates, alliances, vendors and various authorities have been instrumental in supporting the Group's growth, and I am grateful for all your involvement over the years.

I would like to express my deep gratitude to our valued shareholders for your faith and confidence during these unprecedented times. Finally, I want to thank all our faithful customers for your continued trust in us in a challenging landscape as we build upon our global footprint.

FMGL has demonstrated an impressive ability to navigate through geopolitical tensions and pandemic-related turbulences, responding proactively despite the economic pitfalls of disrupted supply chains alongside a drastic increase in consumer demand and the resulting bottlenecks. The theme of this year's Annual Report, **HELPING YOU REALISE YOUR BUSINESS GOALS** is a testament to FMGL's experience and expertise in managing complex end-to-end supply chain solutions within a global network and optimising efficiency between service partners and customers. While 2022 was another exceptional year, our strategic focus on organic growth, solidifying our customer base and through acquisitions too have augmented FMGL's excellent track record to become a leading logistics provider of choice, and we will continue to consolidate this position.

Thank you.

TENGGU NURUL AZIAN BINTI TENGGU SHAHRIMAN
Chairperson

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Disclaimer: The following Management Discussion and Analysis ("MD&A") is intended to convey the Management's perspective on the operating performance and financial review of FMGL for the financial year ended 30 June 2022 ("FY2022"). We recommend you read the MD&A in conjunction with the Financial Statements, notes thereto, and other information included in the Annual Report. The MD&A is presented according to the Main Market Listing Requirements ("MMLR") of Bursa Securities and the Malaysian Financial Reporting Standards ("MFRS"), and relates to the disclosure requirements per the Malaysian Code on Corporate Governance. Significant details on the Group's business operations, performance and strategy, as well as financial review and position, governance, risks and capital management, are covered in the MD&A. Your attention is also drawn to sections on our human capital management and sustainability efforts. This MD&A contains forward-looking statements that enable investors to gauge FMGL's business prospects and make informed investment decisions. However, they involve inherent risks and uncertainties and other factors that are, in many cases, beyond our control. The forward-looking statements include, but are not limited to, for instance, our 2023 business prospects and outlook, as well as our expectations regarding the macroeconomic and socio-geographic conditions and their anticipated impact on the Group's business operations. We have tried, wherever possible, to identify such statements by using words such as 'anticipate', 'expect', 'intend', 'plan', 'believe', and words of similar substance in connection with any discussion of future performance. Although FMGL believes that the expectations of its Management as reflected by such forward-looking statements are reasonable based on current information, no assurance can be given that such expectations will prove to have been correct. Should one or more of the risks and uncertainties materialise, actual results may vary materially from those anticipated or projected.

MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

A DEFINING YEAR FOR FMGL

The Financial Year ended 30 June 2022 (“FY2022”) was another strong year for FM Global Logistics Holdings Berhad (“FMGL” or “the Group”), as both revenue and profits for the year increased by more than 50%, year-on-year (“YoY”). Demand for our logistics services remained steady, with the freight volume handled by the Group increasing by 3.8% from the previous financial year.

As with the previous reporting period, our remarkable performance was grounded in FMGL’s ability to provide customers with innovative logistics solutions while negotiating and securing premium space from our extensive network of international carriers. Although trade flows on selected shipping trade lines have begun normalising, relatively high freight rates may persist as congestion issues and disruptions are still affecting ports.

While freight rates are unlikely to return to pre-pandemic levels, the fluctuation does not have a material impact on the Group’s profits as costs are passed on to customers. Our primary growth driver will continue to be volume expansion, complemented by improved efficiency and cost-pricing management, which are key to underpinning profit growth.

Building Momentum for Better Growth

FMGL has laid a solid foundation since its incorporation in 1988 and listing on Bursa Securities in February 2005, to presently attain the strongest financial performance in its history. Our strategic focus on expansion has catalysed the Group’s strong growth from a Malaysian home-grown logistics company to establish its presence in all Southeast Asian countries except Myanmar, Laos and Cambodia, as well as in Australia, India and Dubai.

In efforts to further strengthen and broaden our presence in the international market, we completed the acquisition of three companies in the USA, namely Inter-Orient Services, Inter-Orient Corporation and Noble Shipping Corporation (collectively known as “IOS Companies”) in December 2021. To reflect our increasingly global vision, we announced on 1 December 2021 the change of our company name to FM Global Logistics Holdings Berhad, thus reinforcing FMGL’s identity and presence not only in Malaysia but in the international business arena.

FMGL’s landmark performance is highly encouraging against the backdrop of continued supply chain disruptions and high industry sea freight rates. The high freight rates resulted from imbalances caused by shipping capacity crunch and container shortage, as the pent-up volume in global trade rose 25% in 2021 before moderating in 2022.

(Source: United Nations Conference on Trade and Development (“UNCTAD”), The Organization for Economic Co-operation and Development (OECD))

Since March 2020, overall global shipping costs have multiplied by up to seven times pre-pandemic levels, with supply chains overwhelmed by severe congestion in some markets, according to the Malaysian National Shippers’ Council (“MNSC”) and International Monetary Fund (“IMF”).

(Source: MNSC, IMF)

Volume for FMGL’s sea freight grew significantly in tandem with the rise in Malaysia’s total trade, which topped RM2.2 trillion in 2021 and increased further by 28% year-on-year (“YoY”) in the first half of 2022.

(Source: Department of Statistics Malaysia (“DOSM”))

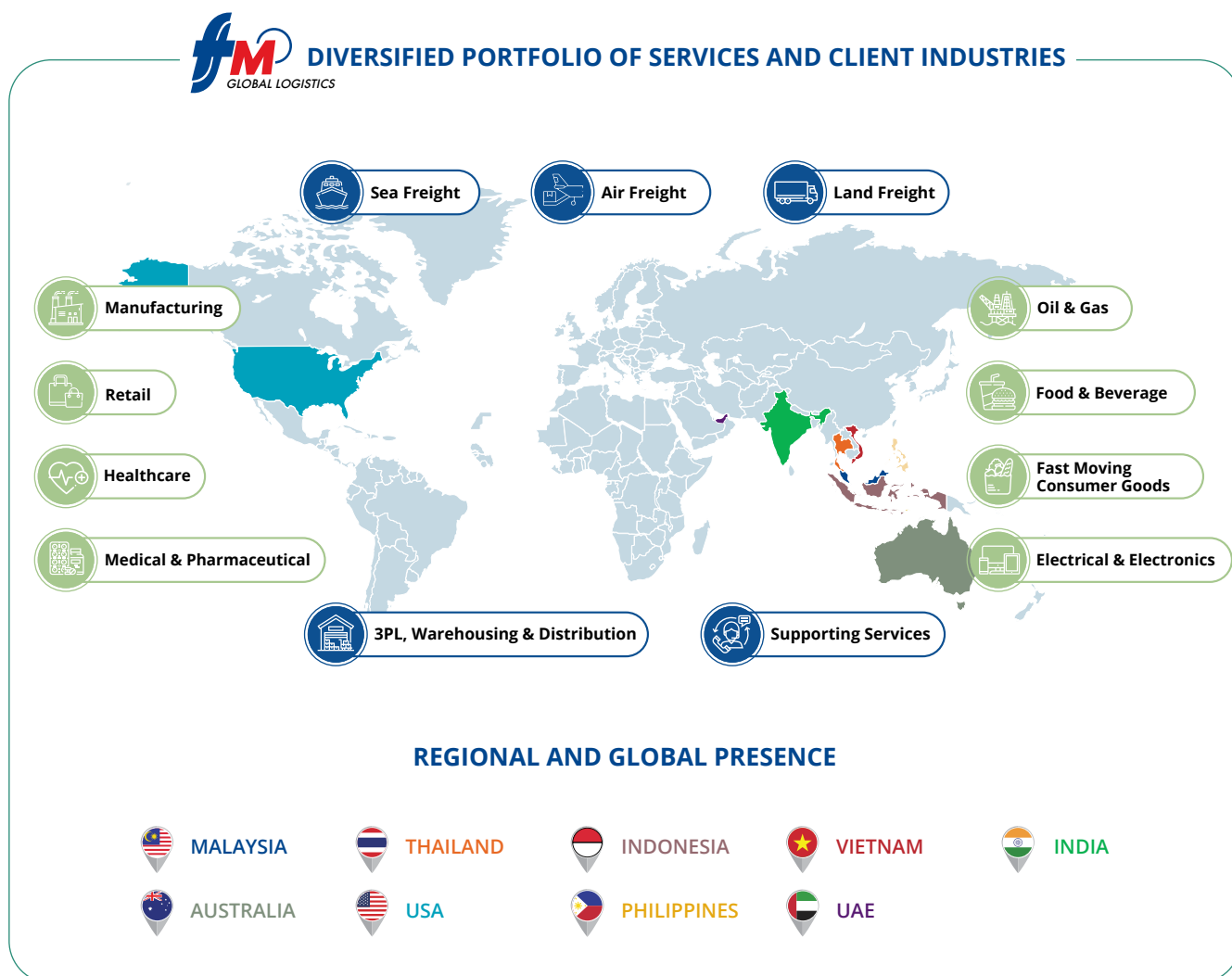
MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

By effectively establishing the brand architecture for the Group, the objective of this exercise was to better organise our service portfolio and achieve cohesiveness amongst all companies across the board. This will enable us to effectively operate and market our integrated logistics services seamlessly under one parent brand name to gain better clarity in the marketplace via a more consistent identity for FMGL. Moving forward, we will continue exploring growth opportunities, both domestically and in the international markets.

FMGL's multimodal integrated services consist of the International Freight segment comprising Sea Freight, Air Freight and Land Freight as well as the Domestic Logistics segment of 3PL, Warehousing & Distribution (incorporating e-Commerce Fulfillment and Last Mile Services) and Supporting Services (Customs Brokerage and Haulage).

The Group caters to a diverse range of client industries such as manufacturing, healthcare, medical & pharmaceutical, electrical & electronics, oil & gas, retail, food & beverage, fast-moving consumer goods and various others.



MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

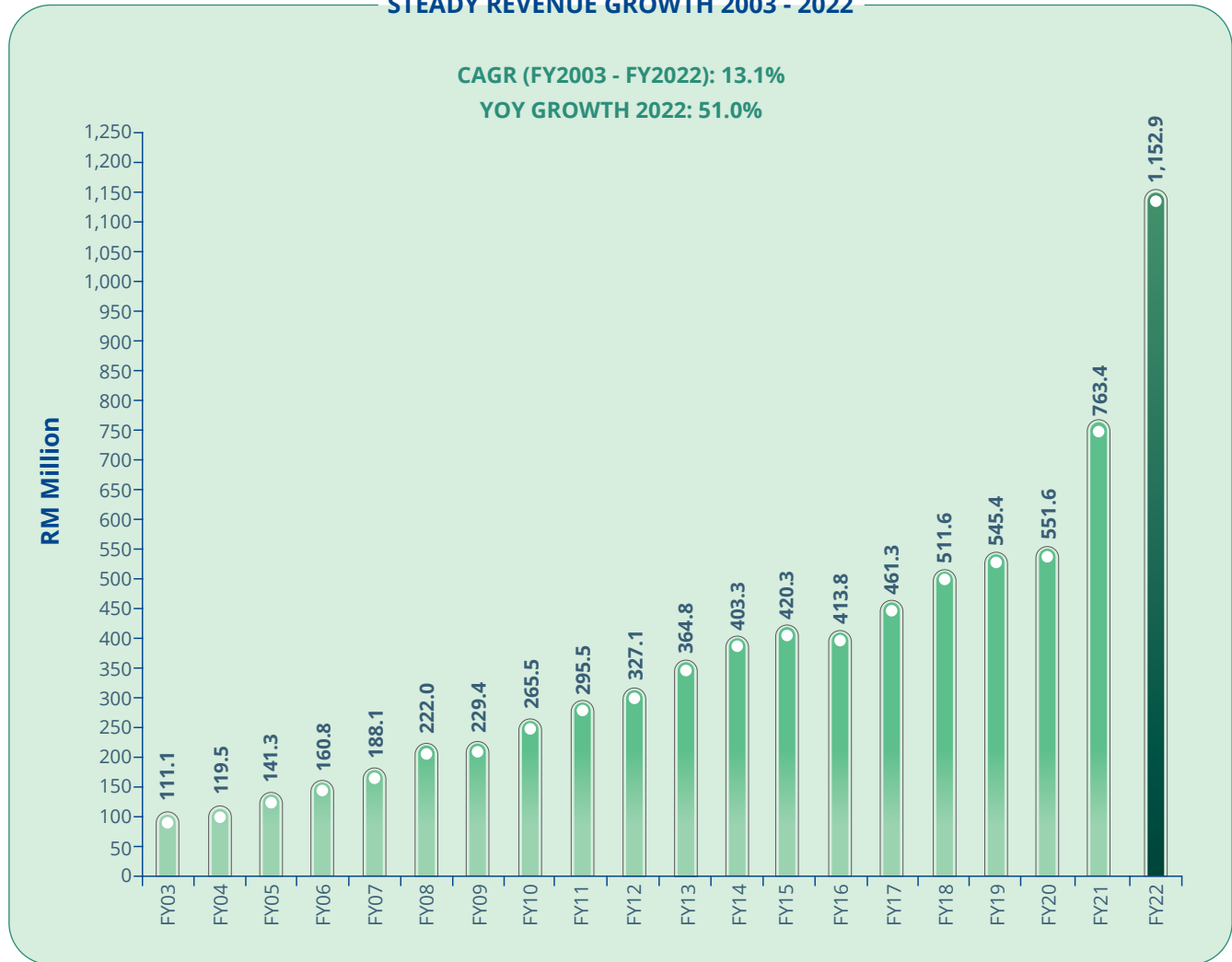
As a one-stop logistics solutions provider, we have established 43 offices in nine countries spanning across Malaysia, Thailand, Indonesia, Vietnam, India, Australia, the Philippines, the UAE and the USA.

Our staff strength increased to 1,748 employees as of 30 June 2022 (FY2021: 1,573 employees), of which 1,252 personnel were stationed in Malaysia while 496 were based overseas. Worldwide, we have appointed over 100 independent agents strategically located at major ports, establishing FMGL as a service provider of choice amongst our diverse clientele.

Central to FMGL's supply chain and logistics operations are the warehousing services and distribution hubs, offering 822,000 ft² of bonded and non-bonded ambient and cool warehouse space to meet customers' various requirements. Our core capabilities extend to specialised value-added services, including cold-chain logistics that are efficiently managed by our team, armed with extensive experience in warehouse operations. Apart from being ISO 45001 compliant and GDPMD ("Good Distribution Practice for Medical Devices") certified, FMGL was endorsed by the Department of Islamic Development Malaysia ("JAKIM") for halal-certified storage and transportation. Please refer to the Group Directory in this Annual Report for further information.



STEADY REVENUE GROWTH 2003 - 2022



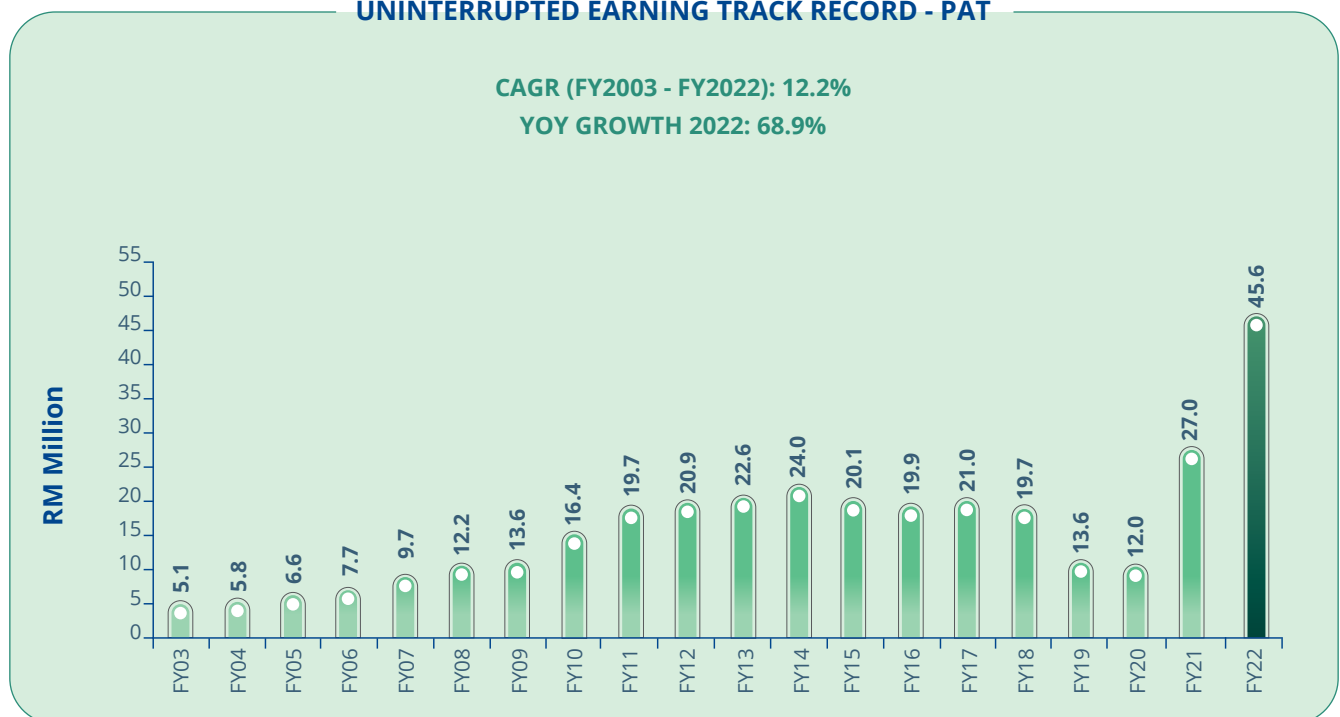
Building Our Resilience

The Group’s steady performance in FY2022 charted a 51.0% increase in Revenue. Since FY2003, our Revenue has grown by a compounded annual growth rate (“CAGR”) of 13.1%. As with Revenue, we also sustained the positive trend for Profit Before Tax (“PBT”) and Profit After Tax and Minority Interests (“PATAMI”). PBT grew by 56.7% YoY, while PATAMI rose by an even higher 68.9% over the same period. The Group’s Return on Equity (“ROE”) and Return on Assets (“ROA”) posted in FY2022 were higher than the previous year at 13.1% and 6.0%, respectively.

LONG-TERM PROFIT UPTREND - PBT



UNINTERRUPTED EARNING TRACK RECORD - PAT



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Economic and Market Conditions

As COVID-19 restrictions eased and global demand rose, economic growth markedly improved in 2021 on the back of the progressive resumption of economic activities in concert with rising vaccination rates across markets worldwide. However, the IMF's global growth baseline forecast for 2022 is expected to slow from 6.0% recorded for 2021 to 3.2%, while the World Bank predicts a deceleration from 5.7% in 2021 to 2.9% in 2022, significantly lower than the 4.1% that was anticipated in January 2022.

This recovery fuelled cross-border trade, especially during the second half of 2021, hitting a record high of US\$28.5 trillion for an increase of 25% over 2020 and, more importantly, 13% over pre-pandemic 2019. While all major trading economies saw imports and exports rise well above pre-pandemic levels in 2019, where more significant trade growth was recorded in developing countries than in developed nations, the United Nations Conference on Trade and Development ("UNCTAD") projects that the world economic growth will slow to 2.5% in 2022 and drop 2.2% in 2023.

Although the buoyant sentiment continued into 2022, events since the first half of the year are threatening to derail the economic recovery. These include Russia's war with Ukraine, continued geopolitical tensions between the USA and China, China's economic slowdown and the increasing fallout from climate change.

Such combustible events are prolonging the disruption to the global supply chain, impacting food security and fuelling inflation to the extent that the IMF, World Bank and UNCTAD have revised global growth projections downwards for 2022. Global trade patterns during 2022 are expected to be affected by ongoing logistic disruptions and rising energy prices, pushing businesses to shorten supply chains and diversify suppliers. The trend of skewing toward regionalisation due to various trade agreements and regional initiatives, as well as sourcing and increasing reliance on either local suppliers or geographically closer suppliers, is also gaining momentum. This is already reflected by slowing growth in global merchandise trade in the first six months of 2022.

While Malaysia's GDP grew by 3.1% in 2021, the World Bank has raised its 2022 GDP growth forecast for Malaysia to 6.4% from 5.5% previously, driven mainly by a strong rebound in consumption.

(Source: World Bank Economic Monitor, September 2022).

Nevertheless, we will tread cautiously as Malaysia's economic recovery is uneven, and on the external front, unpredictable global and regional environments will instigate significant downside risks, causing global and regional growth to decelerate.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL PERFORMANCE

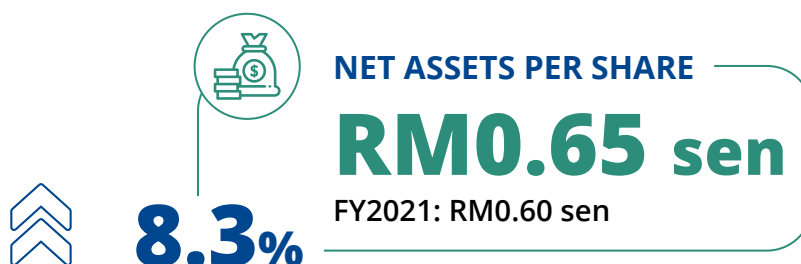
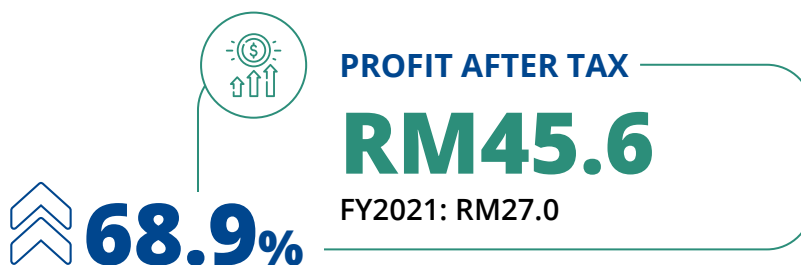
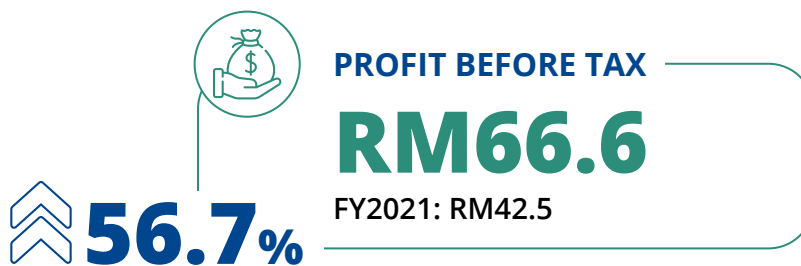
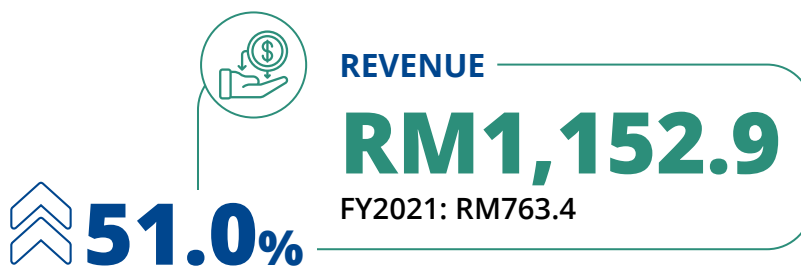
FMGL posted a 51.0% jump in Revenue for FY2022, growing to RM1,152.9 million from RM763.4 million previously, on the back of increased business activities in both its International Freight and Domestic Logistics segments.

The Group's significant hike in Revenue led to a Gross Profit of RM228.5 million, which was 17.8% higher than RM194.0 million previously, while PBT climbed by 56.7% to RM66.6 million against RM42.5 million previously. While both the International Freight and Domestic Logistics delivered strong results on the back of significant volume growth and improved profitability, Overseas Operations registered a higher contribution of almost 30% to pre-tax profit for FY2022 against approximately 20% the year before.

Meanwhile, PATAMI recorded a remarkable YoY difference, increasing 68.9% to RM45.6 million (FY2021: RM27.0 million) during the reporting period. Earnings Per Share ("EPS") rose by the same margin of 68.6% to 8.16 sen from 4.84 sen.

At the end of the financial year, the Shareholders' Funds were 8.8% higher at RM361.6 million against RM332.4 million. Total Assets for the Group also grew to RM754.5 million, which was 31.4% higher than RM574.4 million previously and resulted in a Net Assets per Share of 65 sen (FY2021: 60 sen).

FY2022 FINANCIAL PERFORMANCE (IN RM MILLION)



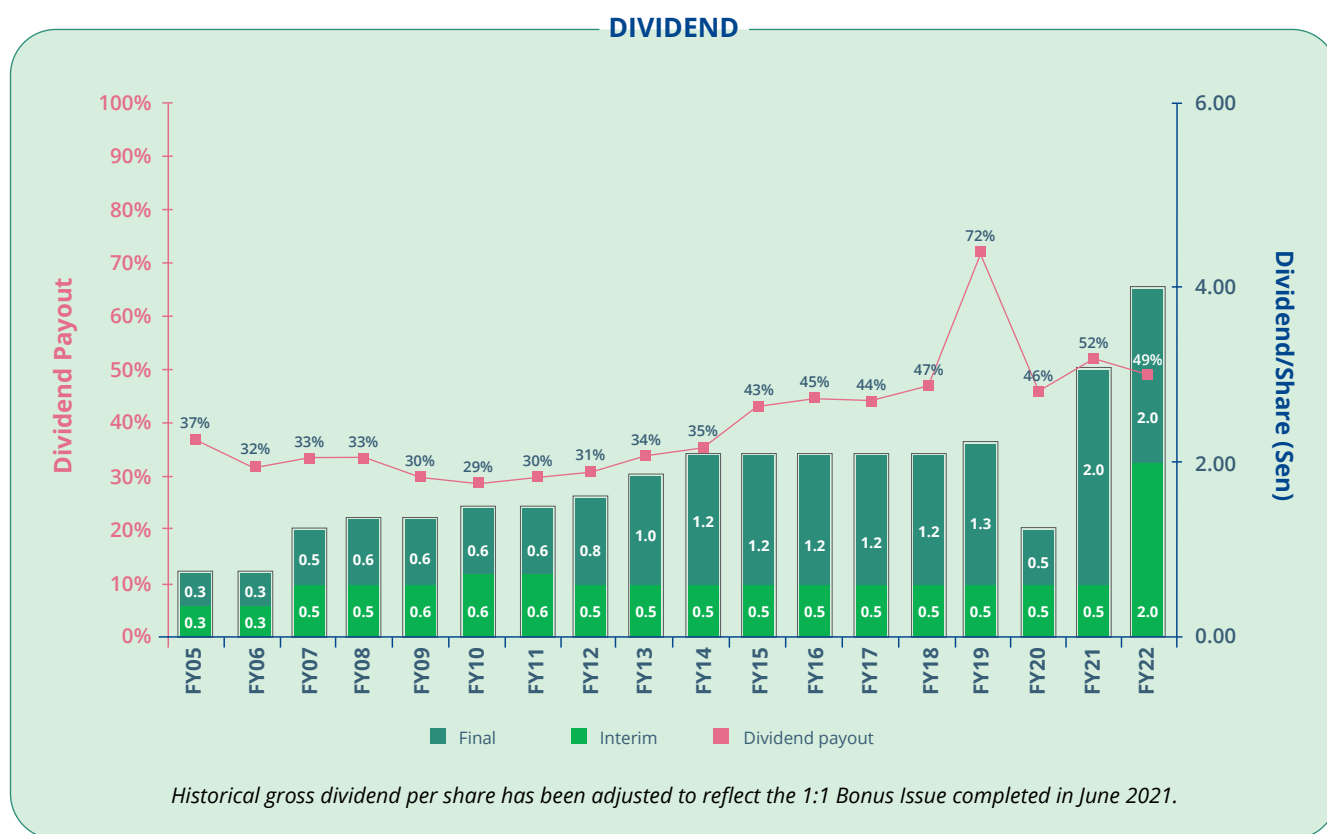
MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

We closed the financial year with RM106.0 million in cash and bank balances against RM54.8 million in FY2021. The Group's net gearing was 0.27x (FY2021: 0.14x), notwithstanding the higher total borrowings of RM203.5 million (FY2021: RM100.8 million), partly due to financing of the acquisition of three USA-based companies aside from the working capital requirements for the increasing business activities and capital expenditure ("CAPEX") for the Group's business expansion plans.

Dividend

FMGL has always maintained a good track record of providing equitable shareholders' returns. In respect of FY2022, the Board declared the highest-ever total dividend of 4.0 sen per share (FY2021: 2.5 sen per share). The Board had previously declared the first and second single-tier interim dividends of 1.0 sen respectively before announcing the third interim single-tier dividend of 2.0 sen per ordinary share on 22 August 2022, which was paid on 7 October 2022.



Total dividend declared for FY2022 amounts to RM22.3 million (FY2021: RM14.0 million), representing 49% of PATAMI compared to RM14.0 million, representing 52% of PATAMI in the previous year.

While we acknowledge the invaluable commitment from our valued shareholders through consistently paying dividends, the Board recommends financial prudence to retain sufficient capital resources to drive and sustain our current core businesses and support the Group's growth plans.

MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

CORPORATE EXERCISES

The Group's wholly-owned subsidiary FM Global Logistics Ventures Sdn Bhd ("FMGLV") acquired three USA-based freight forwarding and custom brokerage services providers for a combined USD1.87 million (RM8.17 million at the prevailing currency exchange rate) on 1 December 2021. The acquisition of the IOS Companies forms part of our expansion into selective international markets, as the USA is a major trading partner of economies where we have a presence. Through this exercise, we are on track to tap the existing customers and resources of the IOS Companies. In addition, the IOS Companies represent a gateway into the vast USA market and enable us to explore other logistics-related opportunities such as e-commerce fulfillment services. The acquisition had an immediate impact by contributing to a much stronger performance of the Group's USA operations.

OPERATIONS REVIEW

The Malaysian Operations gained 35.5% in FY2022 to record Revenue of RM773.9 million (FY2021: RM571.2 million), with PBT increasing from RM27.5 million in FY2021 to RM44.8 million or 62.9%. The combined revenue from Overseas Operations grew substantially across the board, rising 97.5% to RM379.0 million compared with RM191.9 million in FY2021. PBT for Overseas Operations increased 72.2% at RM18.6 million against RM10.8 million in FY2021, an outcome partly attributable to higher returns from joint ventures with companies in the UAE and Philippines.

Malaysia remains the leading market with a 67.1% share of revenue against 32.9% from Overseas Operations.

While all overseas operations performed beyond par, the USA operations turned in a robust RM67.7 million against RM0.74 million in FY2021, mainly due to the contribution posted by the newly acquired IOS Companies that already have an established presence in the USA market. India and Australia also posted favourable financial results, while the rest of the countries maintained steady income streams owing to global trade recovery in 2021 from the steep decline seen the previous year. Freight rates in the USA were particularly volatile and, on occasion, rose tremendously from pre-pandemic prices.



MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

International Freight

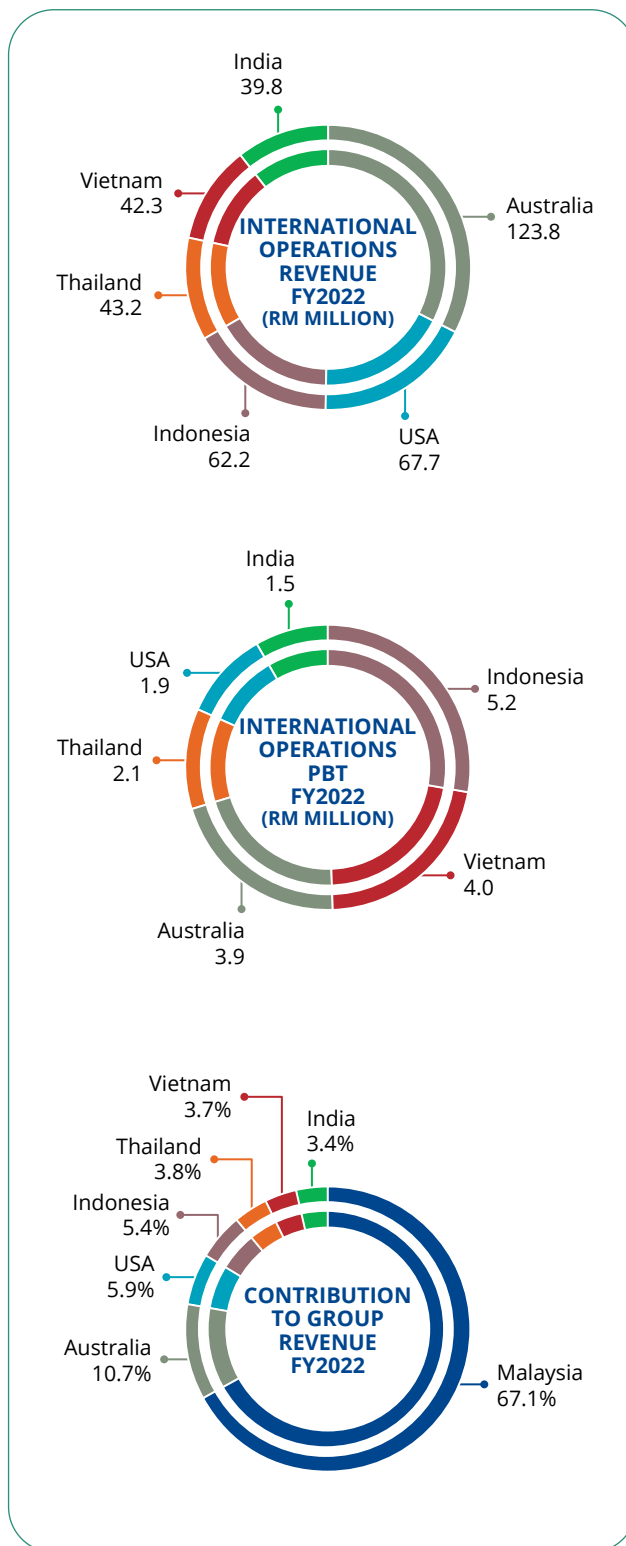
As expected, the Group's International Freight segment of Sea Freight, Air Freight and Land Freight turned in a stellar RM988.9 million (FY2021: RM609.7 million) to Group Revenue, increasing 62.2% from 45.7% posted in FY2021. The segment emerged as the largest contributor, accounting for 85.8% of Group Revenue (FY2021: 79.9%).

The exceptional performance of this segment in FY2022 contributed to a 3.8% increase in freight forwarding and logistics volume to 126,941 TEUs (FY2021: 122,336 TEUs). We crossed this inflection point by capitalising on our strong ties with carrier networks and leveraging greater market penetration via our joint ventures and latest acquisitions. The segment's sustained growth was also attributed to our ability to secure space from international shipping lines despite the tight market conditions.

Despite the volume increase in twenty-foot equivalent units ("TEUs") for the year, the performance of this business segment faced continuing supply issues, with the lack of third party transport. To remedy this situation, we are intensifying the realignment of our customer base and paving the way for the use of our vehicles equipment as part of efforts to improve services and profitability.

The Group's joint-venture company, CN FM Logistics (Malaysia) Sdn. Bhd. performed commendably, turning in positive results for FY2022 since joining the FMGL portfolio of companies in May 2021. We anticipate growing this business segment focused on high-end logistics (distribution to the retailer) and e-commerce.

Demand for our International Freight services remained buoyant throughout the reporting period, which was a key factor in our improved results. However, we are still facing considerable challenges of unprecedented demand and constricted logistics capacity and constraints, mainly due to the ripple effect of the pandemic and persistent erratic business environments.



MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

Domestic Logistics

In comparison, the Domestic Logistics segment Revenue rose moderately by 6.7% (2021: 15.4%) from RM153.7 million posted in FY2021 to RM164.0 million for the reporting period. All components of Domestic Logistics: 3PL, Warehousing & Distribution and Supporting Services performed commendably, although contribution to Group Revenue recorded a lower 14.2% compared with 20.1% in FY2021.

Although demand for this service is high, our strategy is focused on optimising the utilisation of existing resources and scaling up our operations by increasing our assets. During the financial year under review, we added another 19 units of prime movers to our haulage fleet (total: 146) and 16 trucks to the transportation fleet (total: 102).

In addition, we are reviewing the customer base to focus on customers that best fit our capacity in terms of delivery preferences and requirements and the risks and opportunities within our fulfillment network. Supporting Services maintained its steady contribution to the Group with growth underpinned by higher overall volume and activity level.

Overall, the nation gradually recovered with the complete withdrawal of movement restrictions and the reopening of economic sectors in stages, giving rise to the surge in demand for goods and services. The importance of building our resilience, especially in warehousing and distribution, is mainly driven by the exponential growth of e-commerce, driving demand for more effective and efficient logistics services.

Malaysia's economy is almost 60% dependent on private consumption, contributing to two-thirds of the country's growth. The threat of an impending recession is evident in higher input costs, supply constraints and shortage of workers, which are the main pressure points. As such, we have stepped up efforts to streamline operations further and develop our competencies to stabilise the Domestic Logistics segment, in addition to tapping on government initiatives to further support and strengthen this business segment.

MANAGING AND MITIGATING RISKS

Undoubtedly, businesses are still being pressure tested as high inflation has emerged as a significant threat to global economies. We anticipate continued downside risks in the international and regional freight forwarding and logistics industry as the volume of world merchandise trade has plateaued. Although the international price of global freight shipping is dropping, global freight rates continue to be highly elevated compared to pre-pandemic levels, partly because of higher fuel costs.

(Source: <https://www.echemi.com/cms/914108.html>)

As ambiguity dominates the global economy aside from rising global inflation, we have further reinforced the need for a prudent and rational approach to assessments of opportunities and risks, bracing ourselves for the level of severity of economic downturn extending to the medium and longer terms, geopolitical tensions and impact of climate change.

In stabilising our position and accelerating our performance momentum, FMGL remains vigilant in sustaining financial returns and profits to protect the interests of our shareholders while also addressing stakeholders' concerns. We rigorously monitor risks associated with the domestic and global market environment and the ability and capacity of both our Malaysian and International Operations.

MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

Guided by the Group's Enterprise Risk Management ("ERM") framework, we have drawn up various pre-emptive actions, including developing a risk matrix of possibility and impact. We have also considered prospective risks, which include reputational, regulatory, operational, customer retention, health and safety, environmental, human capital, currency exchange and other areas that may affect the Group's performance, financial condition and liquidity. We have intensified efforts to identify potential risks, improved processes to assess probable threats and prepared solutions, contingencies, and remedial measures as we continue operating while exploring opportunities in unpredictable conditions. Further details are presented in the Statement of Risk Management and Internal Control on pages 106 to 110 in this Annual Report 2022.

- **Business Continuity Risk**

Operating in the increasingly competitive freight forwarding and logistics industry, we are focused on building long-term relationships, ensuring high customer satisfaction rates, and increasing retention of customers, which is paramount to maintaining our competitive edge.

As with the heightened customer demands for better supply-chain flexibility and improved services, the speed of changes in market dynamics is always a challenge, presenting a high degree of complexity and high costs. While prudent in managing finances, we are eager to drive improvements throughout business processes with proper assessments before any implementation. While care is given to protect and secure our current customers, we are conscientiously identifying and targeting potential new customers in various industries to deflect over-reliance on our existing sales portfolio on the back of solid support from our partners, suppliers and vendors.

In optimising receivables and minimising the risk of customer-induced debts, the credit control team closely monitors all customers' accounts to reduce any errors or delays to protect the Group's profitability, cash flow and investment capacity.

While the Malaysian Government has eased public health measures and restrictions, we still emphasise mitigating and curbing the spread of the coronavirus at all our operational sites to address manpower shortages due to infections. All employees, vendors, suppliers and visitors are still required to observe and strictly comply with all standard operating procedures ("SOPs") and guidelines according to the Group's Health, Safety, Security and Environment ("HSSE") Policy and the authorities.

- **Operational Risk**

Operational risk is undoubtedly on the rise, and we exercise due diligence and take reasonable measures as outlined in the standard trading terms to mitigate potential losses of customers' cargoes and assets. We conduct regular training and internal audits to reduce common risk exposure encountered in the logistics industry, including external environmental threats, fire, cargo loss, theft, and delays or disruptions in services and within the supply chain. We regularly analyse operational risks, whether existing or anticipated and implement effective processes to counter these said risks. Stringent SOPs, regular safety inspections and tight security are uppermost in our operations.

MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

- **Financial Risk**

Sound credit and risk management steps have helped FMGL weather potentially difficult periods in mitigating increasing cost and working capital management, fluctuations in freight rates, movements in interest and exchange rates, and credit risk. Suffice to say, the Group's stringent credit policy ensures each business unit has optimum levels of liquidity at all times, which are sufficient for our operating, investing and financing activities.

Given the nature of our business, sufficient credit lines are available to meet our liquidity requirements and ensure effective working capital management measures within the Group. Interest rate fluctuations can affect credit extended to customers, which may impact cash flow either through delayed payments or unexpected bad debts. The Group has tightened controls to encourage timely payments, lower the debt load of existing customers and is also diversifying the customer base.

- **Cybersecurity Risk**

Supply chain cyberattacks have multiplied in the precarious business landscape, exposing vulnerabilities in companies' IT systems. FMGL has taken the necessary steps to secure and optimise the Group's IT performance to safeguard customer and business data. We continuously assess the IT system's security by conducting periodic security preventive actions and maintenance. Cybersecurity awareness programmes, including training, are regularly organised to keep our employees abreast of the latest developments, deepen their understanding of the nature of cybersecurity threats and the importance of organisation security.

We are also addressing security compliance concerns in our supply chain to ensure the confidentiality, availability and integrity of our digital assets, network and system. The Group adheres to the Personal Data Protection Standard 2015 and has established a disaster recovery plan to minimise the risk of data loss, minimise downtime, ensure business continuity and elevate customer retention. During the reporting period, there was no record of any breaches or violations.

- **Foreign Exchange Risk**

While FMGL's main functional currency and major borrowings are based on the Malaysian Ringgit, the Group engages in financial transactions involving USD. Fluctuations in the exchange rate could adversely affect conversion resulting in a lower than expected amount, affecting revenue, cost competitiveness and profitability. We will continue to monitor and ensure all foreign exchange exposures are prudently managed and mitigated to minimise any negative effect of adverse exchange rate fluctuations.

MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

OUTLOOK

Economic Landscape

Global economic recovery is expected to moderate in an inflationary environment in the near term as the world becomes increasingly shrouded by regional conflict, geopolitical tensions, inflationary pressures, persistent supply chain disruptions and emerging consequences of the climate crisis. Although confined to Eastern Europe, the Russian-Ukraine war is multiplying costs for food and especially energy, which could precipitate inflation across that region and other parts of the world. At the same time, tensions remain between the USA and China, potentially escalating further over a range of territorial and economic issues. Meanwhile, disruptions to the global supply chain originating from the pandemic have yet to be fully normalised, while rising global temperatures due to climate change are causing droughts in some areas and floods in others, threatening the global food supply.

Amidst such uncertainty, the IMF and World Bank expect global growth to slow: from 6.0% in 2021 to 3.2% in 2022 and 2.9% in 2023 (IMF); and from 5.7% in 2021 to 2.9% in both 2022 and 2023 (World Bank). While GDP growth forecast for Malaysia was revised upwards to 6.4% in 2022 against the 5.5% projected earlier, Bank Negara has revised the country's growth estimate downward for 2023 to 4.2% from 4.5% earlier.

In tandem, global trade is also projected to slow over the next two years, according to the World Economic Forum ("WEF"), which however predicts that world trade's centre of gravity will shift towards Southeast Asia, South Asia and Africa.

(Source: <https://www.weforum.org/agenda/2022/09/global-trade-growth-2022>)

Drawing on IMF forecasts, the WEF suggests that trade across these three regions will escalate in the next five years, with emerging economies accounting for 45% of trade growth by 2026.

The UNCTAD has a similar perspective on global trade, citing rising interest rates and the winding down of pandemic-related economic stimulus packages to have a negative impact on volume in 2022.

(Source: https://unctad.org/system/files/official-document/ditcinf2022d2_en.pdf)

Meanwhile, the World Trade Organisation has projected global merchandise trade volume to grow by a slower 3.5% in 2022 than an earlier forecast of 4.7%, and is expected to slow to 1.0% in 2023. The organisation, however, warned that its estimates could be subject to developing events.

GROUP PROSPECTS

While the Group remains confident of extending its growth trend in the next financial year ("FY2023"), we are taking a cautious approach despite sustained demand for logistics services amidst the continuing expansion of trade activities, particularly in the case of Malaysian exports. Moving forward, we will focus efforts to capitalise on our expanding customer base and resources in both the International Freight and Domestic Logistics segments, including the recent joint ventures and newly-acquired companies to drive volume in domestic and overseas markets.

Building Capacity

On 28 February 2022, FMGL completed the acquisition of two parcels of contiguous leasehold land measuring approximately 7.18 acres for a total cash consideration of RM22.2 million. Upon approval of the application for the development order, which has been submitted, we will proceed with the plans to develop a new transport hub containing a 100,000 ft² warehouse, transport yard and maintenance workshop. The total built up and land area is over 29,000 square metres. With easy access to the New Klang Valley Expressway ("NKVE"), Federal Highway, New North Klang Straits Bypass ("NNKSB"), this distribution hub is strategically located within close proximity of Northport and Westport in Port Klang to support the Group's long-term growth prospects.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

On 30 June 2022, the Group announced the termination of the two Sale and Purchase Agreements (“SPA”) to purchase two parcels of freehold land measuring approximately 9.32 acres, at a total cost of RM56.84 million located in Kapar, Klang. FMGL will not be pursuing the Proposed Acquisition as the condition precedent set out in the SPA was not fulfilled within the stipulated timeline. The deposit and first balance were refunded to FMGL on 30 June 2022, while the private caveat lodged over the properties had been withdrawn effective 29 June 2022.



Leveraging Digitalisation, Improving Efficiency

We are aware of the profound changes driven by technological disruption and the emergence of new technologies in the global supply chain. As such, the Group’s pilot programme towards automation and digitalisation, established in FY2021, has effectively leveraged digital tools to enhance our service offerings and customer access platforms. The Group’s track record of sustained growth and profitability has always been anchored on our agility to adapt seamlessly to market forces and to keep abreast of trends. FMGL’s incremental shift towards embracing digital technologies, artificial intelligence and automation has evidently strengthened our integrated logistics operations to enable improved customer and supply-chain communications and connectivity. This strategic and timely move to harness innovation bodes well for the Group’s integrated logistics operations, given the increasing demand for e-commerce and e-fulfillment services. Further inroads are in the pipeline to tap into technological advancements to achieve far greater levels of collaboration, which is required to blend technological advancement and human resources seamlessly and effectively.

Establishing Our ESG Value proposition

Another critical area in building resilience is proactively researching potential initiatives and giving thoughtful attention to systematically forming a solid ESG proposition for the Group. With robust strategies to strengthen overseas operations by improving operational efficiencies, we are optimistic about the Group’s ability to deliver optimal service and strong operational and financial performance that meets the high expectations of our customers and ensures sustainable value creation for our shareholders and all other stakeholders.