

FREIGHT MANAGEMENT HOLDINGS BHD. (“FREIGHT” OR “THE COMPANY”)

ACQUISITION OF ALL OF THE ISSUED AND OUTSTANDING SHARES OF CAPITAL STOCK OF INTER-ORIENT SERVICES, INTER-ORIENT CORPORATION AND NOBLE SHIPPING CORPORATION BY FM GLOBAL LOGISTICS VENTURES SDN. BHD. (“FMGLV”), AN INDIRECT WHOLLY-OWNED SUBSIDIARY OF THE COMPANY

1. INTRODUCTION

Pursuant to Paragraph 10.05 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board of Directors of the Company (“**Board**”) wishes to announce that FMGLV, an indirect wholly-owned subsidiary of the Company has on 4 October 2021 entered into a Stock Purchase Agreement (“**SPA**”) with several independent third parties (collectively referred to as the “**Sellers**”) to acquire the entire issued and outstanding shares of capital stock (the “**Shares**”) of Inter-Orient Services (“**IOS**”), Inter-Orient Corporation (“**IOC**”) and Noble Shipping Corporation (“**NSC**”) (collectively referred to as the “**IOS Companies**”), for a total cash consideration of USD2,200,000 (equivalent to approximately RM9,196,000 based on the exchange rate of USD1:RM4.18 as at 4 October 2021) (the “**Purchase Consideration**”), subject to the terms and conditions as stipulated in the SPA (the “**Acquisition**”).

Upon the completion of the Acquisition, IOS, IOC and NSC will become wholly-owned subsidiary companies of FMGLV.

2. BACKGROUND INFORMATION ON IOS COMPANIES

The IOS Companies comprising IOS, IOC and NSC, all were incorporated in California, the United States of America (“USA”) under the laws of the State of California on 31 August 1982, 8 November 1983 and 8 December 1993, respectively. The issued and paid-up share capital of the IOS Companies are as follows:-

IOS Companies	Issued and Paid-Up Share Capital
IOS	10,000 shares of USD1 per share
IOC	6,000 shares of USD1 per share
NSC	1,000,000 shares of USD1 per share

The IOS Companies are engaged in freight forwarding services including export and import customs brokerage for both sea freight and air freight services.

The unaudited financial information of the amalgamated IOS Companies based on their most recent management accounts as at 30 June 2021 are set out below:-

IOS Companies	IOS GROUP	
	USD	RM*
Adjusted Profit after taxation (“PAT”) (6 months YTD to 30 June 2021)**	276,805	1,157,045
Adjusted Shareholders’ funds/ Net Assets as at 30 June 2021***	163,385	682,949

*Based on the exchange rate of USD1:RM4.18.

** Excluding the loan forgiveness Income

*** Excluding cash, other Investments and the office property

****The financial statements of IOS Companies are not required to be audited in accordance with the rules prevailing in that country.

3. BASIS AND JUSTIFICATION FOR THE PURCHASE CONSIDERATION

The Purchase Consideration was arrived at on a “willing-buyer willing-seller” basis following negotiations with the Sellers and after taking into consideration, amongst other factors, the Group’s initiative to expand into selective international markets as part of the Group’s future growth strategies and the historical track records of the financial performance of the IOS Companies.

The Board is of the view that the Purchase Consideration is justified in view of the potential synergistic benefits from the Acquisition as set out in Section 5 below.

4. SALIENT TERMS OF THE SPA

The salient terms of the SPA include, amongst others, the following:-

- (i) The Sellers shall sell, convey, transfer, and assign to FMGLV, and FMGLV shall accept and purchase from the Sellers, the Shares, free and clear of any liens, in exchange for the Purchase Consideration at the Closing (as defined herein).
- (ii) The closing of the sale and purchase of the Shares and the other transactions provided for by the SPA (“**Closing**”) shall take place on a date no later than the 3rd business day after the satisfaction or waiver of each of the condition precedents stated in the SPA, unless another time or date is agreed in writing by the Parties. The closing date will be the date on which the Closing is consummated (the “**Closing Date**”).
- (iii) FMGLV shall deposit an amount equal to USD2,200,000 (the “**Escrow Amount**”) with U.S. Bank National Association, a national banking association (the “**Escrow Agent**”) to be held in an escrow account in the United States in Los Angeles, California (the “**Escrow Account**”).
- (iv) At the Closing, USD1,950,000 of the Escrow Amount (the “**Closing Payment**”) shall be released from the Escrow Account to the Sellers. The remaining USD250,000 of the Escrow Amount (the “**Escrow Holdback Amount**”) shall be released to the Sellers, when the net income of the companies during the Earnout Performance Period, exceeds USD250,000. Earnout Performance Period means the period beginning on the Closing and ending on the last calendar day of the month that is twelve months after the Closing date.

5. RATIONALE, BENEFITS AND PROSPECTS OF THE ACQUISITION

The Acquisition is in line with the Group’s expansion initiatives into selective international markets as part of the Group’s future growth strategies. The US market fits into the Group’s strategies as it is the world’s largest importer and the second largest exporter of merchandise trade and is a major trading partner of countries where the Group has a presence. Currently, the Group has its presence in Malaysia, Indonesia, Thailand, Vietnam, India, Philippines, Australia, United Arab Emirates and USA.

With the Acquisition, the Group would be able to immediately leverage the existing customer base and resources of IOS Companies, which have an established freight forwarding business and valid customs brokerage licence in USA. The IOS Companies will also serve as a gateway to the vast US market via its base in Los Angeles. As the Group develops its presence in the US, the Group will also explore other logistics-related opportunities such as e-commerce fulfilment services.

6. RISK FACTORS OF THE ACQUISITION

There are inherent risks relating to the Acquisition, including changes to the general economic, business and political conditions, such as the regulation conditions in the US, which would include economic performance, demand and supply conditions in freight sector, inflation, interest rates, methods of taxation, and currency exchange rules and controls.

The Group seeks to limit these risks through, inter-alia, vigilant planning, prudent financial policy, close supervision and effective business management on IOS Companies.

Save for the above, the Group does not envisage any specific risks associated with the Acquisition.

7. SOURCE OF FUNDS

The Acquisition will be financed via internally generated funds and/or bank borrowings, the quantum of which has yet to be determined at this juncture.

8. FINANCIAL EFFECTS OF THE ACQUISITION

The Acquisition will not have any effect on the share capital and substantial shareholders' shareholdings of the Company. However, it is expected to contribute positively to the earnings per share and net assets per share of the Company for the financial year ending 30 June 2022. The Acquisition will result an increase in Freight's gearing should the Company decides that the Purchase Consideration be satisfied by bank borrowings.

9. APPROVAL REQUIRED FOR THE ACQUISITION

The Acquisition is not subject to the approval of the shareholders of the Company and/or any other relevant regulatory authorities.

10. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

None of the Directors and/or major shareholders of the Company and/or persons connected with them have any interest, direct or indirect, in the Acquisition.

11. DIRECTORS' STATEMENT

The Board, after having considered all aspects of the Acquisition including but not limited to the rationale, prospects and financial effects of the Acquisition, is of the opinion that the Acquisition is in the best interest of the Company.

12. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Acquisition is expected to be completed within 30 days from the date of the SPA.

This announcement is dated 4 October 2021.