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

JOINT VENTURE AGREEMENT BETWEEN FM GLOBAL LOGISTICS VENTURES SDN. BHD. (“FMGLV”), AN INDIRECT WHOLLY-OWNED SUBSIDIARY OF FM AND CN INVESTMENT LIMITED (“CNL”)

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1. INTRODUCTION

Pursuant to Paragraph 9.04 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 18 May 2021 entered into a Joint Venture Agreement (“**JV Agreement**”) with CNL, to formalise and set out the basic terms of their relationship with each other via their respective investment participation in the joint venture through a joint venture company, namely, CN FM Logistics (Malaysia) Sdn. Bhd. (“**CNFML**” or “**JV Company**”) (collectively referred to as “**Joint Venture**”).

2. INFORMATION ON FMGLV AND CNL

(i) FMGLV

FMGLV is an indirect wholly-owned subsidiary of FM and was incorporated in Malaysia on 19 August 1994 as a private limited company. Its registered office is located at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan, Malaysia. The issued and paid-up share capital of FMGLV is RM1,000,000.00 comprising 1,000,000 ordinary shares. FMGLV is principally engaged in investment holding activities.

The Directors of FMGLV are Chew Chong Keat, Gan Siew Yong and Yang Heng Lam.

FMGLV is wholly-owned by FMGL Overseas Ventures Limited, a company incorporated in Hong Kong, which in turn is a wholly-owned subsidiary of FM.

(ii) CNL

CNL is a private limited company incorporated in Hong Kong on 9 December 2015. Its registered office is located at Unit B, 13/F, Park Sun Building, 97-107 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong. The issued and paid-up share capital of CNL is HKD1.00 comprising 1 ordinary share. CNL is principally engaged in investment holding activities.

The Directors of CNL are Lau Shek Yau John, Ngan Tim Wing and Tsang Chiu Ho.

CNL is a wholly-owned subsidiary of CN Logistics International Holdings Limited (“**CNLIH**”), a public listed company listed in the Main Board of Hong Kong Stock Exchange. CNLIH is an established international logistics solutions provider with the core business of providing air freight forwarding services and distribution and logistics services in relation to fashion products and fine wine. CNLIH primarily focuses on high-end products and its global business spans multiple cities in China, Europe and Asia through its business presence and freight forwarder business partners. CNLIH operates in 14 cities across 8 countries and territories, namely China, Hong Kong, Taiwan, Italy, Japan, South Korea, France and Switzerland and works with a network of over 100 freight forwarder business partners, covering over 100 countries around the world.

(collectively referred to as “**the Parties**”).

3. DETAILS OF THE JOINT VENTURE

3.1 Purpose of the Joint Venture

The Joint Venture is to enable the Parties to strengthen and expand their integrated logistics services and to expand their e-commerce logistics in B2C services with high-end fashion brand customers.

3.2 Structure of the JV Company

CNFML was incorporated on 3 May 2021 as a private limited company. Its registered office is located at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan, Malaysia. Its principal activity is the provision of freight and logistics services.

The existing issued and paid-up share capital of CNFML is RM2.00 comprising 2 ordinary shares, held by FMGLV and CNL equally. Pursuant to the JV Agreement, the Parties shall be equal shareholders of CNFML.

The Directors of CNFML are Yang Heng Lam and Ngan Tim Wing.

3.3 Salient Terms of the JV Agreement

(i) The Board of the JV Company shall consist of at least two (2) members, one (1) Director each appointed by FMGLV and CNL or such number of members in proportionate to their respective shareholdings.

(ii) The Parties shall contribute RM999,998 each to increase the share capital of CNFML to RM2,000,000 divided into 2,000,000 ordinary shares or such other sums as may be from time to time decided by the Board. The Parties shall subscribe for such number of shares in the JV Company as may be deemed necessary by the Board in accordance with the following proportion:

Shareholders	Percentage of shareholdings (%)
FMGLV	50
CNL	50

(iii) Unless all the Parties otherwise agree, the operational and capital requirements of the JV Company will be met by one or more of the following means (not necessarily in the following order of priority or sequence):-

(a) retained earnings of the JV Company;
(b) borrowings and credit facilities from third parties;
(c) loans to be provided by the shareholders; and
(d) subscription by the shareholders for additional shares having voting rights in the JV Company or securities or instruments convertible into or giving a right to subscribe for shares having voting rights in the JV Company.

(iv) The Board shall delegate to the General Manager of the JV Company, of whom shall be nominated jointly by FMGLV and CNL, such power, authority and discretion as may be necessary or expedient for the said General Manager to discharge his/her duties for the day-to-day management of the JV Company which includes financial management, operations management and human resource management and implementing annual business plan approved by the Board.

(v) The JV Agreement shall continue in full force and effect so long as the Parties hereto hold shares in the JV Company and subject to the provisions contained therein shall terminate upon the dissolution of the JV Company.

4. RATIONALE, BENEFITS AND PROSPECTS OF THE JOINT VENTURE

The Joint Venture enables the Company to expand its existing high end fashion retail customer base and provides opportunities for the Company to develop further its e-commerce logistics services for high end fashion retail customers.

The Joint Venture is expected to contribute positively to the future earnings of FM Group.

5. RISK FACTORS IN RELATION TO THE JOINT VENTURE

Other than the normal and market risks such as termination of the JV Agreement, the Board of Directors does not foresee any specific risk/ risk factors arising from the Joint Venture which could materially or adversely affect the financial and operating condition of the Company.

6. SOURCE OF FUNDS

FMGLV will fund its investment in the JV Company through internally generated funds.

7. FINANCIAL EFFECTS OF THE JOINT VENTURE

The Joint Venture will not have any effect on the share capital and substantial shareholders' shareholdings of the Company. It is also not expected to have a material effect on the earnings per share, net assets per share and gearing of the Company for the financial year ending 30 June 2021.

The Joint Venture is expected to contribute positively to the future earnings of FM Group.

8. APPROVAL REQUIRED FOR THE JOINT VENTURE

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

9. 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 Joint Venture.

10. DIRECTORS' STATEMENT

The Board, after having considered all aspects of the Joint Venture including but not limited to the terms and conditions of the JV Agreement as well as the rationale and financial effects of the Joint Venture, is of the opinion that the Joint Venture is in the best interest of the Company.

This announcement is dated 18 May 2021.