

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

- SHAREHOLDERS’ AGREEMENT BETWEEN HUBWIRE SDN. BHD., THE COMPANY, YEO HOCK CHOON @ MARK YEO, TEOH BENG KEAT, LIEW WILLIP AND FM HUBWIRE SDN. BHD.

1. INTRODUCTION

The Board of Directors of Freight Management Holdings Bhd (“FMHB” or “the Company”) wishes to announce that the Company had on 31 March 2016 entered into a Shareholders’ Agreement (“the Agreement”) with the following persons:

- (i) Hubwire Sdn. Bhd. (Company No. 1070185-P) (“HSB”);
- (ii) Yeo Hock Choon @ Mark Yeo (NRIC No. : 790604-07-5011) (“MY”);
- (iii) Teoh Beng Keat (NRIC No. : 870122-38-5113) (“TBK”);
- (iv) Liew Willip (NRIC No. : 670827-10-6341) (“WILLIP”); and
- (v) FM Hubwire Sdn. Bhd. (Company No. 1170852-A) (“FMHSB”)

(collectively known as “The Parties”),

where the Company and Hubwire Sdn. Bhd. have agreed to combine their resources to perform the business of providing an e-commerce distribution platform for merchants to list their products for sale to end-consumers, bundled with marketing support, inventory management, customer service management, warehousing and logistics services, with or without the Hubwire Arc System (“Hub Business”) by way of participating as shareholders in FMHSB in accordance with the terms and conditions of the Agreement.

Hubwire Arc System means an omni-commerce retail management system application/software designed by HSB to enable retailers to streamline their offline and online sales channels and inventories by integrating them into a single intuitive system (“Hubwire Arc System”).

2. DETAILS OF THE PARTIES TO THE AGREEMENT

2.1 HSB

HSB was incorporated in Malaysia on 14 November 2013 and is the sole and absolute owner of the Hubwire Arc System and is in the business of providing the Hub Business.

The Authorised Capital of HSB is RM5,000,000 divided into 5,000,000 ordinary shares of RM1.00 each and the issued and paid-up capital is RM1,291,761 made up of 1,291,761 ordinary shares of RM1.00 each.

The directors and shareholders of HSB are as follows:

Directors

- 1. MY;
- 2. Puvanesan A/L Subenthiran;
- 3. Chew Chong Keat; and

4. Yang Heng Lam (Alternate Director to Chew Chong Keat).

Shareholders

Shareholders	No. of Ordinary Shares Held	Percentage of Shareholding (“%”)
Epoc Lab Sdn. Bhd.	641,198	49.64
FM Global Logistics Ventures Sdn. Bhd.	258,352	20.00
Privasia Technology Berhad	130,716	10.12
Chan Ka Fung	100,000	7.74
Intelligent Capital Sdn. Bhd.	79,288	6.14
Chan Ka Ho	25,050	1.94
MY	18,405	1.42
WILLIP	19,376	1.50
Ironbridge Capital Sdn. Bhd.	19,376	1.50
Total	1,291,761	100.00

2.2 MY

MY is a Malaysian citizen and is the chief executive officer and shareholder of HSB.

2.3 TBK

TBK is a Malaysian citizen and is the head of business operations.

2.4 WILLIP

WILLIP is a Malaysian citizen and is a shareholder of HSB.

2.5 FMHSB

FMHSB was incorporated in Malaysia on 31 December 2015 and is currently dormant. The intended principal activity is to carry out e-commerce business.

The Authorised Capital of FMHSB is RM400,000 divided into 400,000 ordinary shares of RM1.00 each and the issued and paid-up capital is RM2.00 made up of 2 ordinary shares of RM1.00 each. FMHSB is a wholly-owned subsidiary of the Company.

The Directors of FMHSB are as follows.

- 1) Chew Chong Keat;
- 2) Yang Heng Lam;
- 3) WILLIP;

- 4) MY; and
- 5) TBK.

3. DETAILS OF THE AGREEMENT

3.1 Information on the Agreement

3.1.1 HSB, FMHB, MY, TBK and WILLIP (“the Shareholders”) agreed that the role of each of the Shareholders shall be as follows:

- (a) on or about the date of the Agreement, HSB shall transfer its business assets as listed below (“Business Assets”) to FMHSB for a consideration of RM250,000.00:
 - (i) Hub Business;
 - (ii) Commercial agreement entered into by HSB or to be entered into by FMHSB (as the case may be) with the merchants listed in the Agreement in respect of the services provided by the Hub Business (except for the agreements between FMHSB and marketplace providers) (“Commercial Agreement”); and
 - (iii) Transferred employees (i.e. employees set out in the Agreement who will be employed by FMHSB within 15 calendar days from the date of the Agreement on equal or better terms than those offered by HSB) (“Transferred Employees”).
- (b) HSB shall use its best efforts to novate the Commercial Agreements to FMHSB or procure its merchants to re-execute a fresh Commercial Agreement with FMHSB and shall be responsible for the development of the Hubwire Arc System. In the event the benefit of such Commercial Agreements cannot be transferred to FMHSB, HSB shall (so far as it is lawfully able) do all acts and things reasonably requested by FMHSB to provide FMHSB with the benefit of such Commercial Agreements;
- (c) FMHB shall provide warehousing and logistics services to FMHSB to enable FMHSB to conduct the Hub Business;
- (d) FMHSB shall be fully responsible for the continued operations and management of the Business Assets; and
- (e) on the date of the Agreement, the Shareholders shall procure FMHSB to enter into an employment agreement with MY on mutually accepted terms and conditions.

3.1.2 HSB shall use its best efforts to novate the Commercial Agreements to FMHSB or procure its merchants to re-execute a fresh Commercial Agreement with FMHSB within 14 days from the date of the Agreement, subject to the fulfilment of the following terms and conditions:

- (a) the execution of the Licence Agreement to cover FMHSB’s Territory by any one of the relevant Parties (“Party”); and

- (b) the termination of the Transferred Employees and the execution of a written employment contract between such employees and FMHSB.

3.1.3 The Parties agree that the name “FM HUBWIRE SDN. BHD.” shall continue to be used for as long as both FMHB and HSB remain as Shareholders of FMHSB. FMHB and HSB shall respectively be entitled to withdraw its consent for the use of “FM” or “Hubwire” (as the case may be) in the name of FMHSB in the event FMHB or HSB (as the case may be) ceases to be a Shareholder of FMHSB and thereafter no Party shall have any rights to the name “FM HUBWIRE SDN. BHD.” Pursuant to the foregoing paragraph, in the event FMHB or HSB (as the case may be) withdraws its consent for the use of “FM” or “Hubwire” respectively in the name of FMHSB, all the Shareholders shall vote in favour of such change of name and FMHSB shall thereafter change the name of FMHSB to a name without the word “FM” or “Hubwire” (as the case may be), within one (1) month from the date FMHB or HSB (as the case may be) ceases to be a Shareholder.

3.2 Equity Structure of FMHSB

FMHSB shall have an initial authorised share capital of RM5,000,000 divided into 5,000,000 ordinary shares of RM1.00 each with an issued and paid-up share capital of RM1,000,000 divided into 1,000,000 ordinary shares of RM1.00 each (“Shares”).

The Parties agree that they shall subscribe for the Shares in FMHSB in the following manner:

Shareholders	Number of Ordinary Shares of RM1.00 each	Subscription amount to be paid to FMHSB on the date of the Agreement	Final Percentage held after subscription (%) (“Shareholding Ratio”)
HSB	250,000	Payment by way of capitalisation of debt of RM250,000.00 due for purchase of Business Assets as per the Agreement	25
FMHB	650,000	Cash injection of RM650,000.00	65
MY	30,000	Cash injection of RM30,000.00	3
TBK	20,000	Cash injection of RM20,000.00	2
WILLIP	50,000	Cash injection of RM50,000.00	5
Total	1,000,000	RM1,000,000.00	100

Upon receipt of the cash injection by the relevant Shareholders, FMHSB shall issue the Shares to HSB and the other Shareholders in the manner set out in the Agreement (“Subscription of Shares”).

3.3 Salient Terms of the Agreement

3.3.1 Directors of FMHSB

- (a) The board of directors of FMHSB (“FMHSB’s Board”) shall consist of 5 directors and FMHB shall have the right to appoint 2 directors, HSB and WILLIP shall have the right to appoint one director each and MY and TBK (“Executives”) shall have the joint right to appoint one director (“Person”).
- (b) The right of appointment conferred on a Shareholder under Section 3.3.1(a) of this announcement shall include the right of such Shareholder at any time to remove from office or to substitute such Person appointed by it as a director and the right of such Shareholder at any time and from time to time to determine the period during which such Person shall hold the office of director. Any Shareholder may appoint or remove the director appointed by it by depositing written notice to that effect at the registered office of FMHSB. Any appointment or removal shall, unless the contrary intention appears, take effect from the date it is notified to FMHSB. Any Shareholder removing a director in accordance with this section and the relevant provisions of the articles of association of FMHSB (“FMHSB’s Articles”) shall be responsible for and shall hold harmless the other Shareholders and FMHSB from and against any claim for damages, loss of office, wrongful dismissal or otherwise arising out of such removal and any reasonable costs and expenses incurred in defending such proceedings.
- (c) At each meeting of FMHSB’s Board and in respect of each resolution proposed to FMHSB’s Board, each director shall have one (1) vote. Save as otherwise provided in the Agreement or as otherwise required by applicable law, and subject to the reserved matters as stated in the Agreement, all resolutions of FMHSB’s Board shall be passed by a majority of the directors of FMHSB.
- (d) The chairman of FMHSB’s Board shall be a director appointed by FMHB. The chairman of FMHSB’s Board shall not have a second or casting vote at any meeting of FMHSB’s Board or at any general meeting of FMHSB. If the chairman is removed pursuant to the Agreement, any replacement chairman shall be appointed by FMHB.
- (e) No meeting of FMHSB’s Board may proceed to business nor transact any business unless a quorum is present at the start of such meeting. A quorum of FMHSB’s Board shall be any 3 directors, which shall include at least one director appointed by FMHB and one director appointed by HSB or the Executives, if such office is occupied,

present in person or represented by an alternate. In the event that a quorum of the directors is not so present at the start of a duly convened FMHSB's Board meeting, that meeting shall be adjourned to the same time and place on the same day in the next week. In the event that FMHSB's Board is unable to convene a meeting which meets the quorum requirement as set out in the preceding provisions of this section for more than 2 times, then the quorum requirement as set out in the preceding provisions of this section shall be waived and the quorum for any meetings of FMHSB's Board thereafter shall be any 2 directors who are entitled to attend such meeting, which shall:

- (i) include at least one director appointed by FMHB, in the case of the last postponement being caused by the non-attendance of a director appointed by HSB or the Executives; or
- (ii) include at least one director appointed by HSB or the Executives, in the case of the last postponement being caused by the non-attendance of a director appointed by FMHB.

3.3.2 Funding

- (a) The Parties agree that all funds required for the Hub Business conducted by FMHSB may be financed through external borrowings and credit facilities or in accordance with Sections 3.3.2(b) and (c) below.
- (b) The funds required to meet the financial requirements of FMHSB may be provided by one or more of the following means in proportion with the Shareholding Ratio of the respective Shareholders:
 - (i) loans to be provided by the Shareholders;
 - (ii) subscription by the Shareholders for preference shares, convertible loan stock and any such debt instrument subject to such terms and conditions as may be determined by the Shareholders ("Debt Instrument"); and/or
 - (iii) subscription by the Shareholders for new Shares in FMHSB.
- (c) In the event FMHSB requires further funding and upon receipt of a written notice from FMHSB requesting for such funding, FMHB shall, subject to the reserved matters as stated in the Agreement, subscribe for redeemable convertible preference shares at an issue price and par value of RM1.00 each ("RCPS") based on the amounts required by FMHSB as set out in such written notice provided always:
 - (i) the aggregate of such funding shall not exceed RM1,600,000;
 - (ii) the terms and conditions of the RCPS are as set out in the Agreement; and

- (iii) the subscription price per RCPS and conversion price per RCPS shall be the same provided always that on conversion, FMHB shall offer its converted Shares to the other Shareholders at the subscription price so as to maintain the Shareholding Ratio and if such Shareholder does not accept the offer by FMHB, FMHB shall be entitled to retain the converted Shares.

3.3.3 Salient Terms and Conditions of RCPS

(a) Rights to Dividends

- (i) The RCPS shall carry a cumulative preferential dividend at a rate of 1% per annum above the MBB Base Rate on the Subscription Price. The 'MBB Base Rate' shall refer to the Malayan Banking Berhad's Base Rate prevailing on the 2nd January in respect of each year calculated from date of issuance of the RCPS up to and including the year all the RCPS are redeemed or converted into ordinary shares.
- (ii) The dividends payable to the RCPS Holders shall be paid out of distributable profits as decided by FMHSB's Board in priority to any payment to the holders of any other class of shares, but the RCPS shall not entitle the RCPS Holders to any further or other participation in the profits or assets of FMHSB.

(b) Rights of Redemption

- (i) Subject to the provision of the Companies Act 1965 and restrictions on voting as prescribed under any shareholders agreement or FMHSB's Articles, FMHSB shall be entitled at anytime to redeem all or part of the RCPS provided that no such redemption shall be allowed unless such redemption or part thereof shall apply to all RCPS equally and FMHSB may but shall not be obliged to, redeem of all or such part of the RCPS as they shall at such time decide by notice in writing to the RCPS Holders (such notice to be referred to as the "Redemption Notice" and the date of such notice to be referred to as the "Redemption Date") PROVIDED ALWAYS THAT all of the RCPS shall be redeemed by the fifth (5th) anniversary of the issue of the RCPS.
- (ii) The redemption price for each RCPS shall be the Subscription Price per RCPS plus the unpaid cumulative dividends payable on the RCPS from the issue date up to and including the date of actual receipt by the RCPS Holders of the redemption price (the "Redemption Amount").

- (iii) Upon the RCPS Holders' receipt of a Redemption Notice, the Redemption Amount shall be repaid in full by FMHSB to such RCPS Holders in any event within 30 Business Days (i.e. a day on which banks are generally open for banking business in Kuala Lumpur but excluding Saturdays, Sundays and public holidays) from the Redemption Date. Such redemption amount shall be paid on a pro-rata basis between the RCPS Holders.
- (c) Payment
- FMHSB shall pay interest at a rate of one percent above Malayan Banking Berhad's Base Rate per annum to the RCPS Holder in the event of any failure to pay any dividends to RCPS Holders out of distributable profits as decided by FMHSB's Board in priority to any payment to the holders of any other class of shares, but the RCPS shall not entitle the RCPS Holders to any further or other participation in the profits or assets of the Company or failure to redeem the shares in the manner set out in section 3.3.3(b)(iii) of this announcement, such dividend to accrue from day to day from the date on which the unpaid dividend or Redemption Amount or part thereof was due until the date of full payment of such unpaid dividend or Redemption Amount or part thereof.

3.3.4 Duration and Termination

- (a) The Agreement shall take effect on and from the date when all the Shares have been issued in accordance with the Shareholding Ratio ("Commencement Date") and shall continue in full force and effect without limit in point of time, and shall terminate only on the occurrence of any of the following events:
 - (i) by the written agreement of all Parties;
 - (ii) if only one of the Parties continues to hold shares in FMHSB; or
 - (iii) on the winding up of FMHSB and closing of the distribution of proceeds, if any, from such winding up.
- (b) Subject as otherwise expressly provided to the contrary, upon termination of the Agreement for any reason whatsoever, the obligations of either Shareholder shall cease provided always that such termination shall not release either Shareholder from any liability which at the time of such termination has already accrued to the other Shareholder or which may accrue thereafter in respect of any act omission or breach prior to such termination.
- (c) In the event FMHB shall cease to be a Shareholder, FMHB agrees that FMHB shall, at the written request of FMHSB, continue to provide the warehousing and logistics services to FMHSB at the terms and conditions no less favourable than the existing terms and conditions at the time of exit of FMHB for a period of at least one year from the date FMHB ceases to be a Shareholder.

4. RATIONALE AND BENEFITS OF THE AGREEMENT

The subscription of shares (“Subscription of Shares”) will allow FMHB to be involved in e-commerce logistics services

5. PROSPECTS OF THE AGREEMENT

This Agreement provides the opportunity for the Company and its group of companies to perform the business of providing an e-commerce distribution platform for merchants to list their products for sale to end-consumers, bundled with marketing support, inventory management, customer service management, warehousing and logistics services.

6. RISKS OF THE AGREEMENT

The financial risks associated with the Subscription of Shares are expected to be limited to the Company’s investment in FMHSB via the subscription of shares.

7. SOURCE OF FUNDS

The subscription to FMHSB shares will be funded by internally generated funds.

8. FINANCIAL EFFECTS

The Agreement is not expected to have any material impact on the earnings per share, net assets per share and gearing for the financial years ending 30 June 2016 and 30 June 2017. The Agreement does not have any effect on FMHB’s issued and paid-up capital and substantial shareholders’ shareholdings.

9. APPROVALS REQUIRED

The Agreement is not subject to the approval of the shareholders of the Company or the approval of any relevant authorities in Malaysia.

10. ESTIMATED TIMEFRAME FOR COMPLETION OF THE SUBSCRIPTION OF SHARES

The Subscription of Shares is expected to be completed within one month from the date of the Agreement.

11. DIRECTORS’ AND MAJOR SHAREHOLDERS’ INTERESTS

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 Agreement.

12. STATEMENT BY THE BOARD OF DIRECTORS

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

This announcement is dated 31 March 2016.