



FREIGHT MANAGEMENT HOLDINGS BHD.  
(Registration No: 199601008064 (380410-P))



# STEERING THE WAY FORWARD

ANNUAL REPORT 2021



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





## STEERING THE WAY FORWARD

Drawing upon our inherent strengths and led by a formidable team, we are confident of navigating confidently through the international integrated freight and logistics industry in the markets where we serve. The collective strength of our experienced leadership, human capital, efficient operating structure and synergistic partnerships underpins a resilient, stable platform that allows us to effectively manoeuvre throughout all cycles.

Our vision is to be the best led, technically competent and trusted international freight services provider in the eyes of our loyal customers, shareholders, and all our valued stakeholders.

We are energetically focused on **Steering the Way Forward**, strategically expanding our businesses to ensure long-term business sustainability and profitability, ultimately to share our successes with all our stakeholders. We will achieve our business and sustainability objectives by being professionally competent to continuously meet all our stakeholders' expectations, and more importantly strive to exceed international standards and benchmarks.



## YOUR CONNECTION TO THE WORLD

Simplifying logistics to connect businesses, customers and the communities through efficient, reliable and safer solutions.

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.

## FUTURE FOCUSED



**People:**  
Building a High Performance Culture



**Customers:**  
Listening & Improving Service



**Quality:**  
Exceeding Expectations



**Growth:**  
Being Innovative to Achieve Success

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# 25<sup>th</sup>

## Annual General Meeting

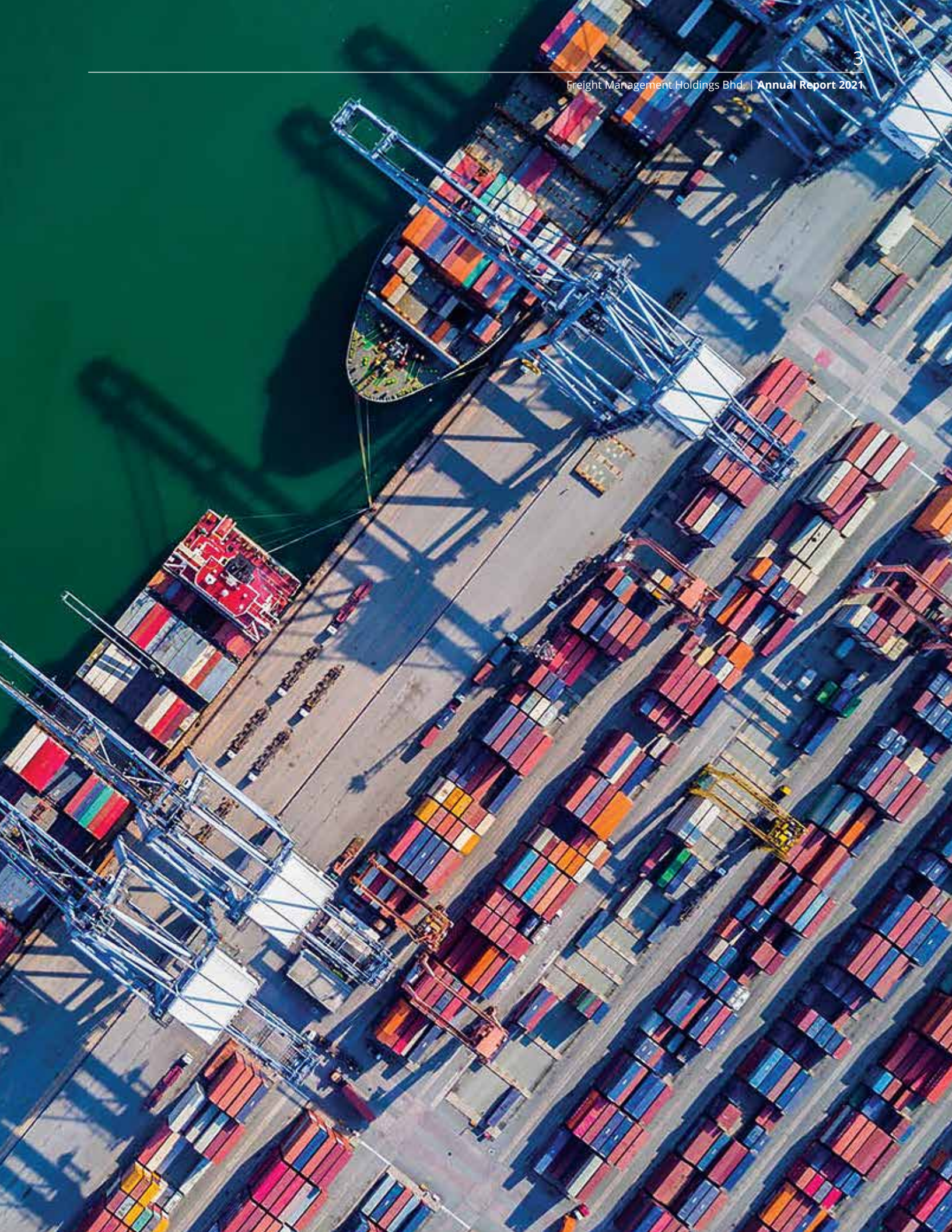
### Broadcast Venue:

Tricor Business Centre  
Manuka 2 & 3 Meeting Room  
Unit 29-01, Level 29  
Tower A, Vertical Business Suite  
Avenue 3, Bangsar South  
No. 8, Jalan Kerinchi  
59200 Kuala Lumpur, Malaysia.

Wednesday, 24 November 2021

10:00 a.m.





## ABOUT US

Established in 1988, Freight Management Holdings Bhd. (“FMHB” or “the Group”) is a leading international Freight Services Provider based in Malaysia offering International Freight Services that cover Sea Freight Less Than a Container Load (“LCL”)/Full Container Load (“FCL”), Air Freight and Land Freight services which comprise cross-border trucking services. The Domestic Logistics segment constitutes, 3PL, Warehousing & Distribution and Supporting Services, which include Customs Brokerage, Haulage, E-Commerce Fulfillment and Last Mile Delivery Services. It differentiates itself from competitors by offering its own-operated freight services, thereby minimising outsourcing.

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”).

FMHB was first listed on the Second Board of the Kuala Lumpur Stock Exchange (“Bursa Malaysia”) 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 Malaysia.





**822,000 sq. ft.**  
warehousing space (bonded & non-bonded)



**9** operating countries



**125** prime movers



**561** trailers



**122,336** TEUs



**93** trucks



**1,573** employees  
as at 30 June 2021





## SERVICES OFFERED BY THE GROUP

### Your Connection to the World

FMHB 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**

FMHB'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**

FMHB 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**

FMHB operates a total of 822,000 sq. ft. 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.





### HAULAGE & CUSTOMS CLEARANCE

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



### LAND TRANSPORTATION

FMHB's fleet of 93 trucks, 125 prime movers and 561 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 Truck Load and Container Haulage.



### PROJECT MANAGEMENT

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



### LAST MILE DELIVERY

FMHB, through its wholly owned subsidiary Parcel To Post Services Sdn. Bhd., operates B2B and B2C last mile delivery services.

## FINANCIAL HIGHLIGHTS

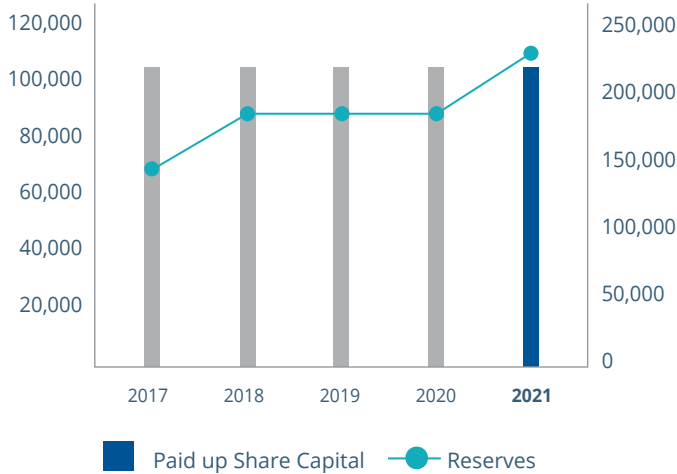
STATEMENTS OF COMPREHENSIVE INCOME (RM'000)	2017	2018	2019	2020	2021
Revenue	461,295	511,585	545,353	551,609	<b>763,431</b>
Profit Before Taxation	28,916	28,426	22,602	20,267	<b>42,496</b>
Profit After Tax and Non-Controlling Interests	21,026	19,695	13,600	12,045	<b>27,035</b>
Net Earnings Per Share (sen)	3.77 <sup>^</sup>	3.53 <sup>^</sup>	2.44 <sup>^</sup>	2.16 <sup>^</sup>	<b>4.84</b>
Gross Dividend Per Share (sen)	5.00	5.00	3.50	2.00	<b>4.00</b>
STATEMENTS OF FINANCIAL POSITION (RM'000)	2017	2018	2019	2020	2021
No. of Shares in Issue ('000)	186,148	186,148	279,222	279,222	<b>558,445</b>
Paid-up Share Capital	104,290	104,290	104,290	104,290	<b>104,290</b>
Reserves	142,729	184,254	184,225	186,271	<b>228,109</b>
Net Assets per Share (RM)	0.44 <sup>^</sup>	0.52 <sup>^</sup>	0.52 <sup>^</sup>	0.52 <sup>^</sup>	<b>0.60</b>

<sup>^</sup> 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.

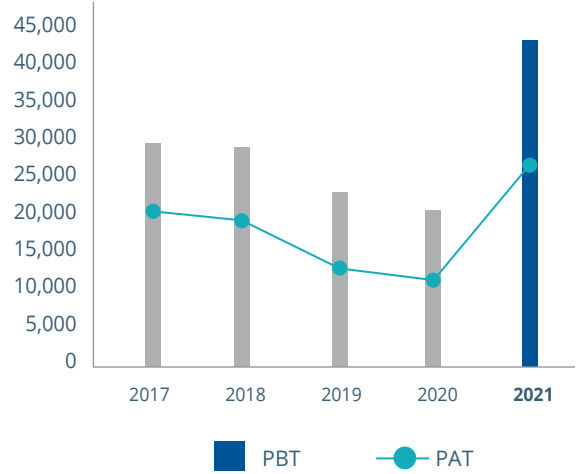
REVENUE ANALYSIS (RM Million)	2017	2018	2019	2020	2021
<b>Contribution by Service Type</b>					
International Freight	352.7	393.8	421.1	418.4	<b>609.7</b>
Domestic Logistics	108.6	117.8	124.3	133.2	<b>153.7</b>
<b>TOTAL</b>	<b>461.3</b>	<b>511.6</b>	<b>545.4</b>	<b>551.6</b>	<b>763.4</b>

## FINANCIAL HIGHLIGHTS (CONTINUED)

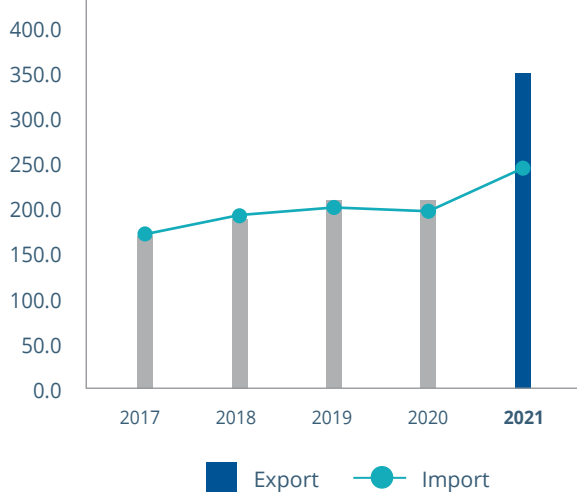
SHAREHOLDERS' FUNDS (RM'000)



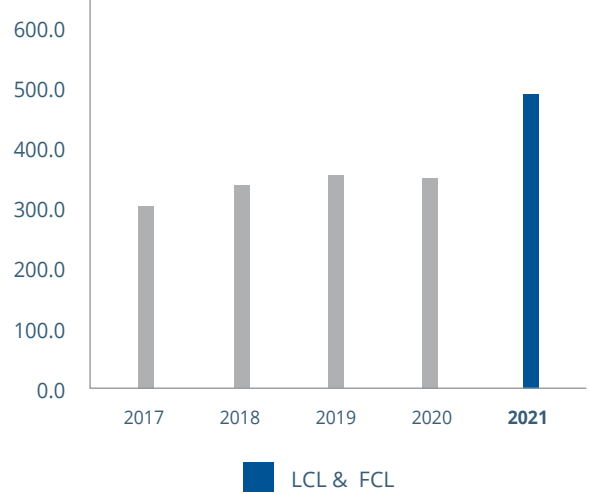
PROFIT BEFORE TAX ("PBT")/PROFIT AFTER TAX ("PAT") AND NON-CONTROLLING INTEREST (RM'000)



REVENUE ANALYSIS BY SERVICE TYPE (RM MILLION)



REVENUE ANALYSIS BY CONTAINER MODE (RM MILLION)



- International Freight 79.9%
- Domestic Logistics 20.1%



- Malaysia 74.8%
- Australia 8.9%
- Indonesia 5.1%
- Thailand 4.3%
- Vietnam 4.0%
- India 2.7%
- USA 0.1%
- Other operating segments 0.1%

# 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*

## CORPORATE INFORMATION (CONTINUED)

### COMPANY SECRETARIES


Fong Sok Yee (MAICSA 7066501)  
(SSM PC No. 202008001180)


Lim Hooi Mooi (MAICSA 0799764)  
(SSM PC No. 201908000134)

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

Wisma Freight Management  
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](http://www.fmgloballogistics.com)

### PRINCIPAL BANKERS

Bangkok Bank Berhad  
Hong Leong Bank Berhad  
HSBC Amanah Malaysia Bhd  
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 : FREIGHT  
Stock No. : 7210  
(Listed on Second Board on 3 February 2005)

# CORPORATE STRUCTURE

AS AT 30 SEPTEMBER 2021



**FREIGHT MANAGEMENT HOLDINGS BHD.**  
(Registration No: 199601008064 (380410-P))



\* Dormant Companies

## BOARD OF DIRECTORS' PROFILE

### TENGGU NURUL AZIAN BINTI TENGGU SHAHRIMAN

*Chairperson/Independent Non-Executive Director*

Age/Gender : **58/Female** Nationality : **Malaysian**

Tengku Nurul Azian 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.

Tengku Nurul Azian 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 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 RHB Banking Group, the fourth largest fully 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 in 140 public schools and sits on the Board of Governors of her alma mater, Convent Bukit Nanas.

Currently, she is an Independent Non-Executive Director of Dutch Lady Milk Industries Berhad and Sunway REIT Management Sdn. Bhd. (management company of Sunway REIT, which is listed on Bursa Malaysia).

### CHEW CHONG KEAT

*Group Managing Director*

Age/Gender : **60/Male** Nationality : **Malaysian**

Mr. Chew joined the Board on 20 March 1996.

In 1984, he graduated from the University of Manchester, the United Kingdom, 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").

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

### YANG HENG LAM

*Executive Director*

Age/Gender : **58/Male** Nationality : **Malaysian**

Mr. Yang 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 of the Group, which include liaising with air and ocean agencies. He was involved in setting up offices in Thailand, Indonesia, Philippines, India, the UAE and the USA, and also oversees the business units of the ocean import, customs brokerage, air freight, parcel, warehouse, and transport divisions in line with the Group's strategies.

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

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

## BOARD OF DIRECTORS' PROFILE (CONTINUED)

### GAN SIEW YONG

*Executive Director*

Age/Gender : **59/Female**    Nationality : **Malaysian**

Madam Gan 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.

Equipped with more than 30 years of experience, and together with the strong support from her team, she has been instrumental in establishing the Group's Less Than Container Load ("LCL") consolidation business to all the major ports of the world.

### ONG LOOI CHAI

*Executive Director*

Age/Gender : **53/Male**    Nationality : **Malaysian**

Mr. Ong was appointed to the Board on 1 June 2006. Mr. Ong joined the Group in 1989 where he was attached to 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 of West Malaysia's northern region and East Malaysia. He is also assigned to lead the business development of the Group's overseas offices in Thailand and Indonesia.

### SOH CHIN TECK

*Independent Non-Executive Director*

Age/Gender : **63/Male**    Nationality : **Malaysian**

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

He graduated with 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 Member of the institute of Chartered Accountants of 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. He was a former Chairman of FMM Malaysian Insulation Manufacturers Group and former Deputy Managing Director of Saint-Gobain Malaysia Sdn. Bhd.

He is an Independent Non-Executive Director on the board of PPB Group Berhad.



## BOARD OF DIRECTORS' PROFILE (CONTINUED)

### LAU SWEE CHIN

*Independent Non-Executive Director*

Age/Gender : **58/Female**    Nationality : **Malaysian**

Madam Lau joined 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.

Madam Lau 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 of 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, where the company's primary focus is on importing natural oils from selected countries for local distribution in Malaysia.

### KHUA KIAN KEONG

*Non-Independent Non-Executive Director*

Age/Gender : **53/Male**    Nationality : **Singaporean**

Mr. Khua was appointed to the Board on 30 April 2020. He is the Chief Executive Officer of Vibrant Group Limited, Singapore, the holding company of Singapore Enterprises Private Limited, a substantial shareholder of FMHB.

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

Mr. Khua is a council member of the Singapore Chinese Chamber of Commerce and Industry, a committee member of Singapore Ann Kway Association and a board member of Tan Kah Kee Foundation. He is the Chairman of Nanyang Kuah Si Association and a member of the school management committee of Catholic High School. He also serves as a patron at Telok Blangah Citizens' Consultative Committee.

Mr. Khua held previous positions, including President of the Singapore Metal and Machinery Association, Vice-Chairman of the Singapore-China Business Association, board member of Singapore Thong Chai Medical Institute, Chairman of Pei Tong Primary School advisory committee and Vice-President of World Quanzhou Youth Friendship Association.

In China, Mr. Khua is the board Chairman of Fujian Anxi No. 8 Middle School, Vice-President of Anxi Charity Federation and the Anxi Fenglai Guitou Charity Federation. In 2009, he was awarded "Outstanding Charitable Works Contribution" by 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 relationships 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.

**CONVICTIONS** : None of the Directors has been convicted of any offences (other than traffic offences, if any) within the past 5 years, nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year 2021.

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

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

**FINANCIAL PERFORMANCE  
(IN RM MILLION)****REVENUE****RM763.4**

FY2020: RM551.6

**PROFIT BEFORE TAX****RM42.5**

FY2020: RM20.3

**PROFIT AFTER TAX****RM27.0**

FY2020: RM12.0

**NET ASSETS PER SHARE****RM0.60**

FY2020: RM0.52

## CHAIRMAN'S STATEMENT

Dear Valued Shareholders,

On behalf of the Board of Directors ("the Board"), it is a privilege and pleasure to present to you FMHB's Annual Report for the financial year ended 30 June 2021 ("FY2021").

### PREVAILING IN GLOBAL ECONOMIC CHALLENGES

One of the most pressing issues arising from the COVID-19 pandemic was the resilience of businesses, industries and the economy to recurrent and prolonged disruptions due to record-high infection rates and threats from new coronavirus variants despite lockdowns worldwide. In Malaysia, government support saw the speeding up of vaccine rollout in the first quarter of 2021, with 90% adult population vaccination rate attained in October 2021. This has led to the easing of restrictions on public health and social measures and interstate travel. However, we are aware that the pandemic is far from over, and the Group continuously assesses the risks of exposure to COVID-19 to ensure all necessary precautions are taken throughout our operations.

As FMHB's core logistics services were classified as an essential service, the Group continued operations throughout widespread global lockdowns within the parameters set by the authorities in the jurisdictions where we serve. During the reporting year, Malaysia's COVID-19 response involved a series of national quarantine measures with the imposition of the Movement Control Order ("MCO"), Conditional Movement Control Order ("CMCO") and Recovery Movement Control Order ("RMCO") at various states that started on 11 January 2021. On 15 June 2021, the Government of Malaysia announced the National Recovery Plan ("NRP"), a four-phase exit strategy whereby movement control measures will be gradually eased as Malaysia moves from one phase to the next.



### People: Building a High Performance Culture

Operating in uncertain economic conditions have urged us to scrutinise and employ strategic plans to mitigate all internal and external risks that we face.

Suffice to say, it is the resilience of our people and their ability to confront difficulties by prioritising the needs of all our stakeholders.

## CHAIRMAN'S STATEMENT (CONTINUED)

Notwithstanding the disruptions to our operations, FMHB was able to turn in a commendable performance and achieved record revenue and profits for the reporting period. This accomplishment, in part, is due to our solid and established customer base encompassing businesses in various economic sectors.

To reflect the Group as an emerging global logistics player, we have consolidated our integrated logistics services into two segments, International Freight and Domestic Logistics. The International Freight segment covers Sea Freight Services (LCL/FCL), Air Freight Services and Land Freight Services which comprise cross-border trucking services. The Domestic Logistics segment constitute 3PL, Warehousing & Distribution and Supporting Services, which include Customs Brokerage, Haulage, E-Commerce Fulfillment and Last Mile Delivery Services.

### REGISTERING GROWTH DESPITE DISRUPTIONS

Despite the pandemic, the Group recorded Revenue of RM763.4 million in FY2021, a historic high representing an increase of 38.4% over the RM551.6 million achieved in the previous financial year.



### Customers: Listening & Improving Service

The key to our success lies in our dedication and tireless efforts. Client-centric and committed, we are focused on fulfilling the requirements of our customers.

The outstanding growth in Revenue was driven by strong demand for integrated logistics services from our International Freight and Domestic Logistics segments. Freight services via sea, land and air also contributed in increased business for our other segments of 3PL, Warehousing & Distribution and Supporting Services.

Both Profit Before Tax ("PBT") and Profit After Tax and Minority Interests ("PATMI") also broke new ground. PBT grew by 109.7% to reach RM42.5 million while PATMI was 124.4% higher at RM27.0 million on the back of increased Revenue, better pricing, improved cost management and absence of substantial impairment of assets in associates, which had impacted our bottom line in the previous period.

With the better profits, Earnings Per Share ("EPS") was 4.84 sen compared with 2.16 sen in FY2020. At the close of the financial year, our Shareholders' Funds stood at RM332.4 million (FY2020: RM290.6 million), and Total Assets amounted to RM574.4 million from RM482.1 million previously. Net Assets per Share was 60 sen against 52 sen previously.

*The Management Discussion & Analysis section on pages 24 to 43 of this Annual Report presents a detailed review of our financial and operational performance.*

### REWARDING OUR SHAREHOLDERS

I am pleased to report that the Board has declared a total dividend of 2.5 sen per share comprising three single-tier dividends of 0.5 sen, 1.0 sen and 1.0 sen during FY2021. This positive outcome is another milestone as the total dividend is the highest-ever issued after considering the adjustment to reflect a one-for-one bonus share issue during the financial year. The total dividend payout was RM14.0 million (FY2020: RM5.6 million), representing 52% of PATMI.

## CHAIRMAN'S STATEMENT (CONTINUED)

### OUTLOOK & PROSPECTS

While sentiment on domestic and economic conditions remains positive, there are genuine concerns over the Delta variant and the pandemic's effects on the world's economies. Supply-chain disruptions, inflation and, cybersecurity concerns are key risks that pose threats to growth.

The International Monetary Fund ("IMF") has estimated that the world economy will grow by 6.0% in 2021 and 4.9% in 2022 as of July 2021. Prospects for emerging markets and developing economies have been marked down for 2021, especially for Emerging Asia countries including: China, India, Indonesia, Korea, Malaysia, Pakistan, the Philippines, Taiwan and Thailand. By contrast, the forecast for advanced economies is revised up. These revisions reflect pandemic developments and changes in policy support. The 0.5 percentage-point upgrade for 2022 derives mainly from the forecast upgrade for advanced economies, particularly the USA, reflecting the anticipated legislation of additional fiscal support in the second half of 2021 and improved health metrics more broadly across these G7 economies. *(Source: IMF)*

The Asian Development Outlook ("ADO") Update growth forecasts for developing Asia was revised slightly in April 2021, down to 7.1% in 2021 from 7.3%, and up to 5.4% in 2022 from 5.3%. Bank Negara Malaysia ("BNM") projects a revised growth range for the year, taking into account the latest global economic developments and the implementation of the NRP to address the pandemic and economic woes by expediting the vaccination targeted to cover 100% of the adult population or 80% of the total population by end October 2021. *(Sources: JKJAV Committee, Health Ministry of Malaysia)*. While the NRP is set to place the nation firmly on the path to recovery based on science and data, in tandem with the expansionary Budget 2022, both are expected to form the building blocks for Malaysia's longer-term recovery and reform efforts through the 12<sup>th</sup> Malaysia Plan. *(Source: Ministry of Finance Malaysia)*. Against this backdrop, BNM expects an economic expansion of 3.0% to 4.0% in 2021.

### OVERVIEW OF THE GLOBAL LOGISTICS SECTOR

After a decade-long growth, the global contract logistics market shrunk 3.3% in 2020 and was forecast to grow 6.5% in 2021 as the industry continues to experience increased momentum. Upcoming trends include rapid technological advances and demand for more sophisticated and responsive services that are expected to drive growth alongside manufacturing and consumer confidence recoveries.

As shifting demands and the need for greater value-added services are likely to drive renewed M&A activity in the market in the years ahead, the global contract logistics market is expected to reach 24% growth levels by 2025.

While such forecasts augur well for FMHB, we are taking the necessary steps to strengthen the Group's core businesses and expand our capabilities and position as a leading one-stop logistics solution provider in the Asia Pacific.

While inflationary pressure in the global economy stems from a surge in demand accompanying the reopening of economies, which is pushing up the prices of essential commodities, including fuel, metals and food, it is expected to moderate. Supply chain tensions are still amplifying cost pressures while shipping costs, in particular, have risen sharply, reflecting strains in vessel and container capacity.

While reopening economic and social sectors in Malaysia and worldwide is a welcomed move, we remain cautious about the dependence on vaccinations as a single line of defense. We are considered part of an essential business as the supply chain needs to continue functioning. Although we are not adversely affected by the ongoing COVID-19 pandemic, countries with high vaccination coverage rates, including Malaysia, have faced a resurgence of Delta-variant-driven cases. Hence, we will continue to mitigate and prevent the spread of COVID-19 at all our worksites. On this note, I am pleased to state that 97% of FMHB's workforce in Malaysia and 78% of our employees Groupwide have been fully vaccinated as of 30 September 2021.

## CHAIRMAN'S STATEMENT (CONTINUED)



### Quality: Exceeding Expectations

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We are proud of everyone in FMHB, as we have pulled together to ensure we can mitigate the negative impacts and move forward with confidence.

While the dust has yet to settle in the global industry environment, we are in position of better strength to stabilise ourselves and plug the gaps as we progress with our expansion plans.

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## CHAIRMAN'S STATEMENT (CONTINUED)

### STEERING THE WAY FORWARD

As part of FMHB's roadmap to gain competitive advantage, the Group's recent developments are set to chart FMHB's ability to gain a stronger foothold in the markets it serves in nine countries including Malaysia. Several strategic plans are in place to expand our geographical reach and, we are accelerating our marketing efforts beyond the Asia Pacific region and the USA to penetrate untapped markets.

### FM GLOBAL LOGISTICS VENTURES SDN. BHD. ("FMGLV") INKS PARTNERSHIP WITH CN INVESTMENT LIMITED ("CNL")

On 18 May 2021, FM Global Logistics Ventures Sdn. Bhd. ("FMGLV") inked a partnership with long time agent CN Investment Limited ("CNL"), a public listed company listed on the Main Board of the Hong Kong Stock Exchange. We are positive that this newly formed JV company will strengthen and expand our integrated logistics services and increase E-Commerce logistics for high-end fashion brand customers.

### IN THE PIPELINE: LARGE SCALE INTEGRATED LOGISTICS HUB

FM Global Logistics (M) Sdn. Bhd. ("FMGLM") entered into three Sale and Purchase Agreements to acquire land parcels in efforts to expand the Group's 3PL, Warehousing & Distribution Services. We are scaling up our operations to facilitate the said expansion with our recent purchase of two parcels of leasehold land and two parcels of freehold land, which are strategically located in an area with good connectivity and amenities.

In another development, on 1 June 2021, FMGLM received the Letter of Approval from the Malaysian Investment Development Authority ("MIDA") that encompassed revision of conditions from the initial Letter of Approval received in 2017 qualifying FMHB for the Tax Incentive for E-Commerce Fulfillment Hub to further expand its integrated logistics services.

The expansion project entails a minimum of RM245 million in investment capital expenditure (CAPEX) to be deployed over a five-year period. Upon commencement of this expansion project, the commensurable tax savings are expected to contribute positively to earnings.

### EXPANDING OUR USA FOOTPRINT

On 4 October 2021, FM Global Logistics Ventures Sdn. Bhd. ("FMGLV") entered into a stock purchase agreement with several independent third parties to acquire three freight forwarding services companies in the USA for a total of RM9.2 million (US\$2.2 million).

Inter-Orient Services, Inter-Orient Corporation and Noble Shipping Corporation, collectively known as IOS companies, have established forwarding businesses and valid customs brokerage licences in the USA. As the IOS companies are based in Los Angeles, it gives us the opportunity to tap into the vast USA market.

### INTEGRATING TECHNOLOGICAL ADVANCEMENT FOR OPERATIONAL EXCELLENCE

The year in review saw the Group speeding up the adoption of digital technologies to effect positive changes for the long haul. This timely move during the pandemic saw a discernible shift to more digital customer interactions and the Group's acceleration towards digitalisation via the pilot programme to transform and drive core internal operations onto an online platform.

The newly established FM Online Platform aims to improve back end productivity and service quality by providing customers with an online booking platform for seamless sea, air, land transportation and logistics services. This initiative is part of the Group's efforts to simplify integrated logistics services for our customers worldwide.

*Please refer to the MD&A section on pages 24 to 43 in this Annual Report for more information.*

## CHAIRMAN'S STATEMENT (CONTINUED)

### A NOTE OF APPRECIATION

At this juncture, to our FMHB teams around the world, all our employees and the management team, thank you for your individual and collective efforts in response to the challenges and adversity throughout FY2021.

On behalf of the Board, I would like to express our deep appreciation to all frontliners, in Malaysia and abroad who have bravely fought the COVID-19 war. As a responsible corporate citizen, we serve alongside the medical and health professionals, government officials and authorities by stepping up efforts to ensure protocols and measures are strictly adhered to at all times throughout the Group and where we operate.

My sincere thanks to my committed and dedicated colleagues on the Board for their wise counsel and astute insights, which have helped guide the Group to face the strong headwinds the past year, placing FMHB on firmer ground.

My deepest gratitude also goes out to our business partners, associates, vendors, bankers, the Government and regulatory authorities, who have supported us and have been instrumental to our success in prevailing uncertain economic conditions. We are also grateful to the Group's growing legion of faithful customers for your trust and confidence in our services.

I sincerely appreciate all our valued shareholders for your unwavering confidence, trust and loyalty to FMHB during these challenging times. Barring unforeseen circumstances, we shall prevail and move forward with cautious optimism, underpinned by recovery, growth, and sustainability, to continuously identifying improvement areas for shoring up our performance.

Thank you.

**TENGGU NURUL AZIAN BINTI TENGGU SHAHRIMAN**  
Chairperson



### Growth: Being Innovative to Achieve Success

Innovation consists of creative and practical thinking. It's all about balance. A practice which we have mastered, appreciated by our clients.

With the unwavering level of commitment of our people, we move ahead confidently, creating a positive impact in all we do.



**CHAIRMAN'S STATEMENT (CONTINUED)**



# MANAGEMENT DISCUSSION AND ANALYSIS



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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The following Management Discussion and Analysis ("MD&A") is intended to convey the Management's perspective on the operating performance and financial review of Freight Management Holdings Bhd ("FMHB" or "the Group") for the year ended 30 June 2021. We recommend that you read the MD&A in conjunction with the Financial Statements, notes thereto and other information included elsewhere in the Annual Report.

The MD&A is presented in accordance with the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and the Malaysian Financial Reporting Standards ("MFRSs"), and in relation to the disclosure requirements as 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 are provided to enable investors to gauge FMHB'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 2021 business prospects and outlook, as well as our expectations with regards to 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 FMHB 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)



**It is imperative to improve our overall business performance and efficiency to capitalise on any opportunities for geographical and portfolio expansion.**

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In a full pandemic year when many industries faced sporadic yet extended periods of disruption, FMHB continued to reinforce its position as one of Malaysia's leading integrated logistics companies operating in the Asia Pacific Region. While ours is a competitive industry, we have weathered the COVID-19 pandemic and played a vital role in mitigating the fallout and supporting the economies where we operate via our essential services to facilitate trade.

### BUSINESS OVERVIEW AND OBJECTIVES

Since our establishment in 1988, the Group's business segments have continued to grow strongly, reflecting the strength of our portfolio of International Freight and Domestic Logistics services. Our integrated logistics solutions cover Sea Freight Services (LCL/FCL); Air Freight Services; Land Freight Services encompassing cross-border trucking; 3PL, Warehousing & Distribution including E-Commerce Fulfillment and Last Mile Services; and Supporting Services such as Customs Brokerage and Haulage. In FY2021, we consolidated Sea Freight, Air Freight and Land Freight under the International Freight segment while 3PL, Warehousing & Distribution and Supporting Services come under the Domestic Logistics segment to better reflect our multimodal integrated logistics services. The Group's integrated logistics services for the local and global market cater to a broad base of sectors and industries, including manufacturing, healthcare, medical & pharmaceutical, electrical & electronics, oil & gas, retail, fast-moving consumer goods and various others.

### FMHB'S DIVERSIFIED PORTFOLIO OF SERVICES AND CLIENT INDUSTRIES



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### FINANCIAL PERFORMANCE (IN RM MILLION)

#### REVENUE

**RM763.4**

FY2020: RM551.6



#### PROFIT BEFORE TAX

**RM42.5**

FY2020: RM20.3



#### PROFIT AFTER TAX

**RM27.0**

FY2020: RM12.0



#### NET ASSETS PER SHARE

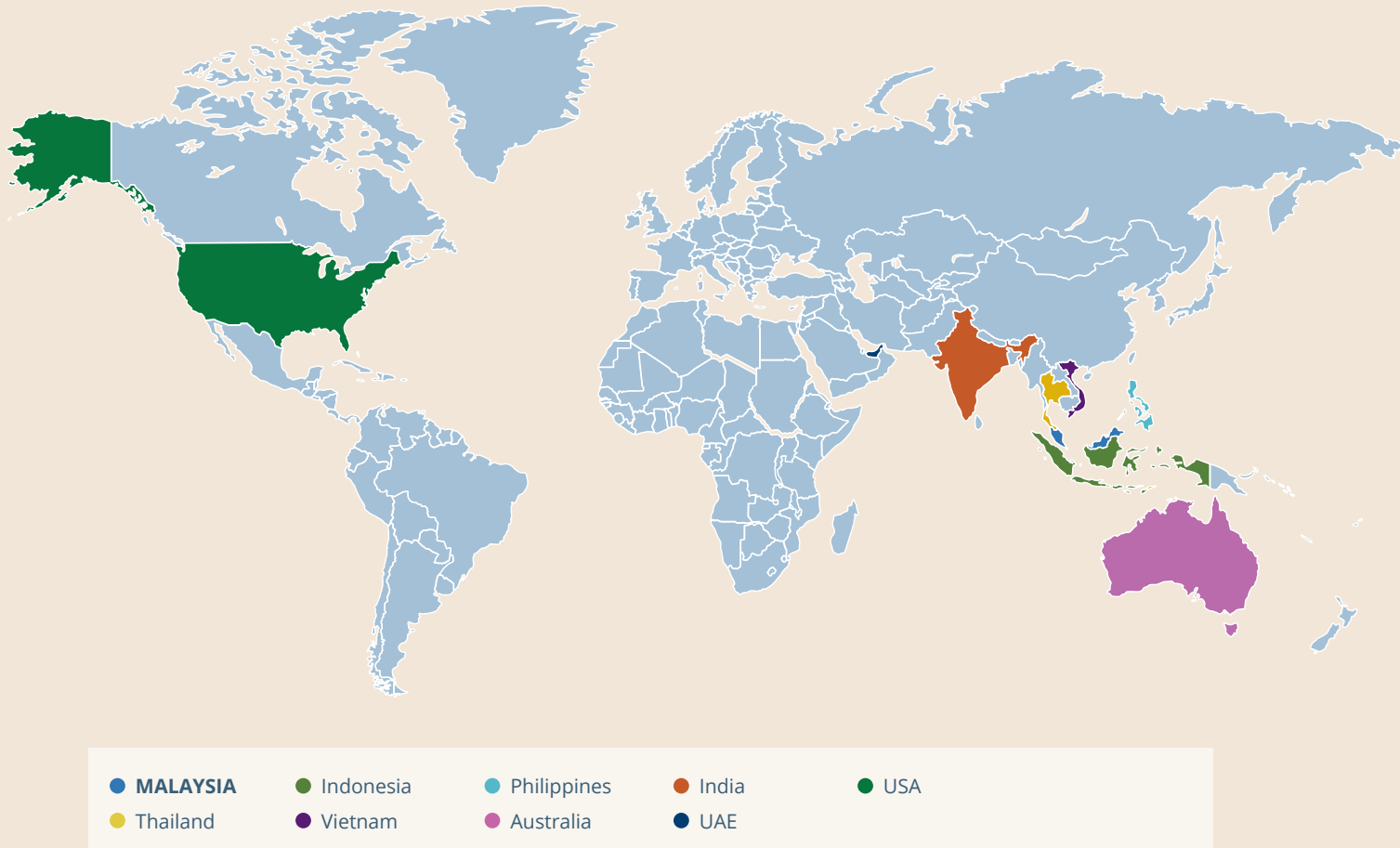
**RM0.60**

FY2020: RM0.52



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### FMHB'S REGIONAL AND GLOBAL PRESENCE



FMHB has 37 offices spread across Malaysia, Vietnam, Thailand, India, Indonesia, Australia, the Philippines, the UAE, and the USA. FMHB employs 1,573 staff of which 1,182 are based in Malaysia. Our extensive network of independent agents covers 145 ports in more than 53 countries. Apart from providing over 822,000 sq. ft. of bonded and non-bonded distribution hubs, we offer specialised value-added services including the cold chain logistics capability. Our comprehensive network of ambient and temperature control warehouses cater to our various customers' specific requirements.

FMHB achieved an all-time high in its key financial and operational indicators in tandem with Malaysia's record trade surpassing RM1 trillion in the first half of 2021 amid a run of 10 consecutive months with year-on-year ("y-o-y") growth (September 2020 – June 2021) (*Source: MATRADE*). The Group was well-placed to take advantage of the robust demand in logistics services as the world continued its recovery phase. We ramped up customer acquisitions and cost management initiatives and successfully adapted to stringent health and safety measures and an alternate work-from-home ("WFH") arrangement in response to the COVID-19 challenges.

Besides our core Malaysian operations, our international businesses also contributed strongly, with key markets such as Vietnam, Thailand, Australia, and Indonesia delivering significantly higher profits.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Strategically Positioned

FMHB's Group of Companies performed well in FY2021, delivering strong margins despite the challenging environment. Demand for our logistics business picked up since the easing of the MCO restrictions in the second half of 2020. Categorised as an essential service provider, we soldiered on through the pandemic and fulfilled the backlog of orders, especially from our manufacturing customers.

It should be noted that Malaysia's manufacturing sector registered healthy growth across all four quarters (July 2020 to June 2021) after the Q2 2020 slump coinciding with the near-total lockdown between March and May 2020. *(Source: Department of Statistics Malaysia).*

During this time, we enhanced our reputation as a preferred service provider because of our ability to find solutions for existing and prospective customers.

Beyond Malaysia, there was a corresponding hike in industrial and manufacturing output throughout the region, and this also led to higher contributions from our overseas operations in Vietnam, Thailand, Australia, India, Indonesia, and the Philippines.

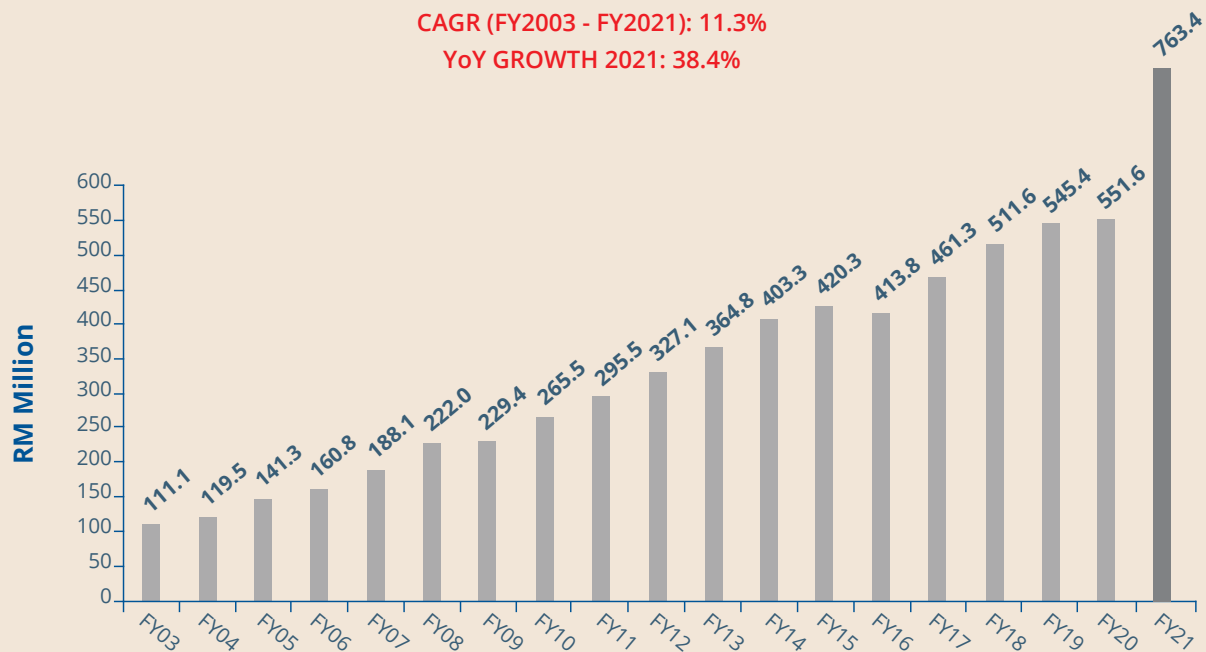
FMHB's performance in FY2021 extended our highly impressive track record of revenue growth. During the financial period 2003 to 2021, the Group recorded a compounded annual growth rate ("CAGR") of 11.3%, topped off by a strong 38.4% y-o-y expansion in FY2021.

Similarly, both our Profit Before Tax ("PBT") and Profit After Tax and Minority Interests ("PATMI") also sustained their run of positive results. PBT for the period 2003 to 2021 achieved a CAGR of 10.3% and an impressive 109.7% y-o-y growth in 2021. As for PATMI, FMHB recorded a CAGR of 9.7% (FY2003 to FY2021), with growth of 124.4% y-o-y in FY2021.

### STEADY REVENUE GROWTH 2003 - 2021

CAGR (FY2003 - FY2021): 11.3%

YoY GROWTH 2021: 38.4%



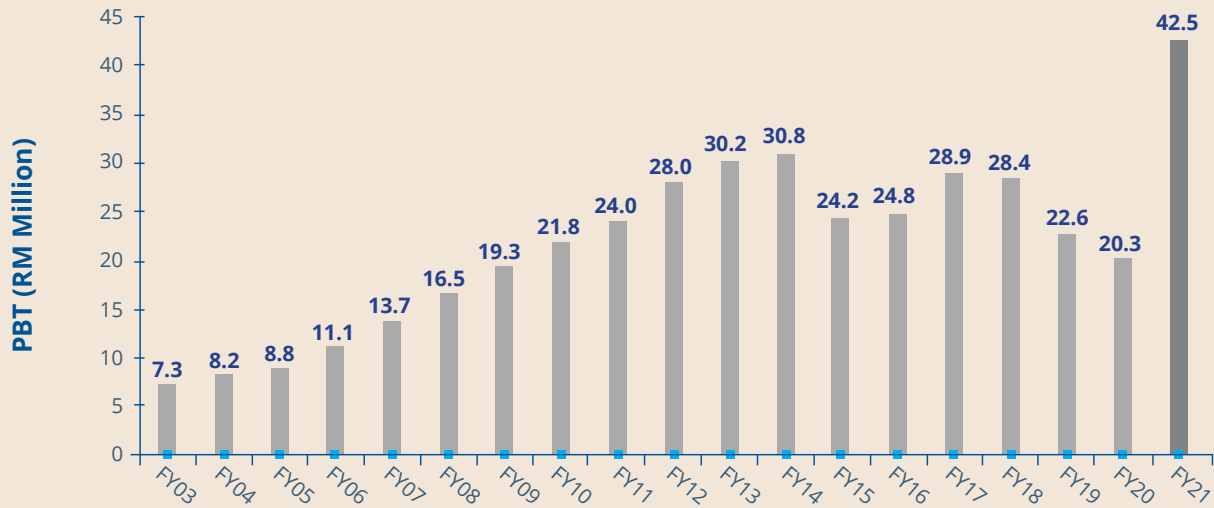


## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### LONG-TERM PROFIT UPTREND - PBT

CAGR (FY2003 - FY2021): 10.3%

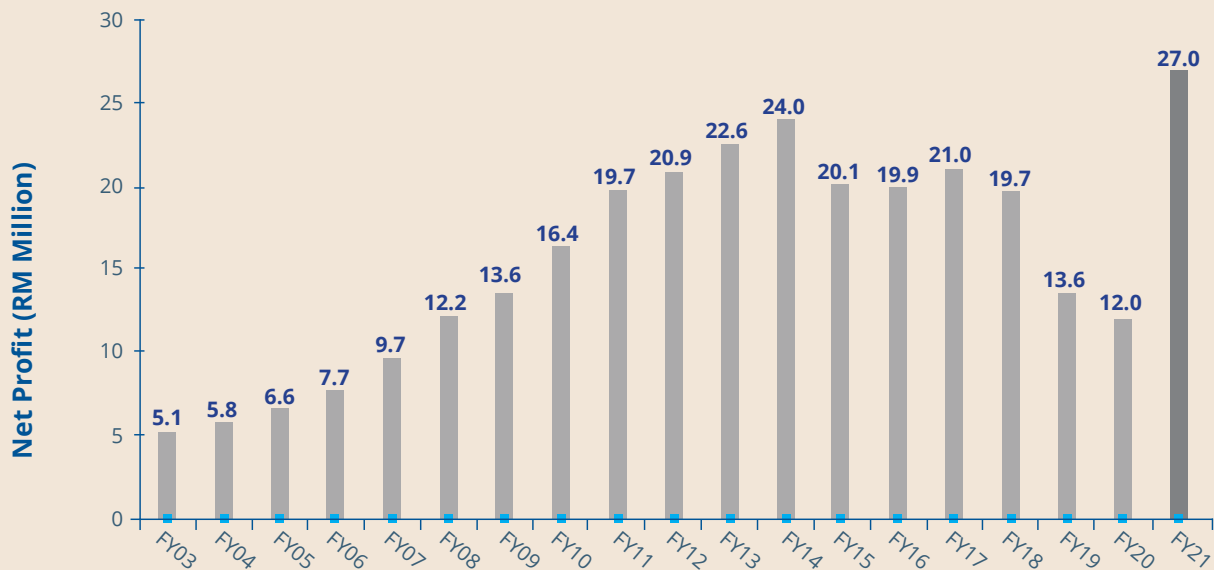
YoY GROWTH 2021: 109.7%



### UNINTERRUPTED EARNINGS TRACK RECORD - PAT

CAGR (FY2003 - FY2021): 9.7%

YoY GROWTH 2021: 124.4%



After such a ground-breaking financial year, we must continue to be vigilant to address internal and external risks relating to our operations, business, finance, cybersecurity and the health, safety and environment that may materially affect the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Economic Conditions

The International Monetary Fund (“IMF”) had in October projected a 5.9% growth in the global economy in 2021, followed by growth of 4.9% in 2022. Meanwhile, the Asian Development Bank (“ADB”) is forecasting developing Asia to grow by 7.1% in 2021, and 5.4% in 2022. As for Malaysia, our economy contracted by 5.6% in 2020, but is expected to rebound by between 3.0% and 4.0% in 2021, according to the latest projection by Bank Negara Malaysia (“BNM”). The economic environment is slowly but surely turning in our favour, with both the domestic and international economic and social sectors gradually reopening in line with the rising vaccination rate. As of 30 September 2021, 97% of FMHB’s Malaysian employees have been fully vaccinated, charting a Groupwide vaccination rate of 78%. At the same time, Malaysia has registered an 86.3% vaccination rate for its adult population.

After more than a year of hunkering down during the pandemic, reopening plans have been drawn up in parts of our trade destinations that will be determined by the level of vaccination. However, even as pandemic safety measures are easing up, the World Health Organisation (“WHO”) has warned about the spread of the highly transmissible Delta variant capable of infecting fully vaccinated people. The near-term outlook remains uncertain and invariably tied to national vaccination programmes that can keep the highly infectious COVID-19 Delta and future variants at bay.

The Group resolves to focus on internal upgrades and improvements covering every level of our operations from business development and operational processes to risk management, digital adoption and customer engagement. Through this approach, we intend to shape a posture that can capitalise on post-pandemic prospects and opportunities.

### RESILIENT FINANCIAL PERFORMANCE

The Group returned its best-ever results in the financial year ended 30 June 2021, achieving record revenue and profits on the back of solid performances by all our business segments and especially freight services. This was reflected by the Group’s resilient operational performance with Revenue growing by 38.4% to RM763.4 million (FY2020: RM551.6 million).

Gross Profit for the Group grew by 24.4% to RM194.0 million against RM156.0 million the year before due to the increased volume and activities from both the International Freight and Domestic Logistics segments.

PBT and PATMI were the standout metrics for FY2021. PBT grew more than two-fold (109.4%) to RM42.5 million (FY2020: RM20.3 million) on account of the increased volume of business and better cost-efficiency. It should be noted that PBT for FY2020 was lower due to losses from the Tug & Barge associate and impairment of assets from the shipyard associate.

Meanwhile, PATMI grew by an impressive 124.4% to RM27.0 million against RM12.0 million previously. Consequently, Earnings Per Share (“EPS”) rose by the same quantum to 4.84 sen (FY2020: 2.16 sen).

At the end of the financial year, FMHB’s Shareholders’ Funds stood at RM332.4 million (FY2020: RM290.6 million) while Total Assets amounted to RM574.4 million from RM482.1 million previously. Net Assets per Share was a higher 60 sen compared against 52 sen in the previous financial year.

The Group also closed the financial year with healthy cash and bank balances amounting to RM54.8 million and a low net gearing of 0.14x (FY2020: 0.10x). As part of the Group’s expansion plans, there was an increase in total borrowings to RM100.8 million from RM88.5 million the period before. This is due to the increase in short term borrowings for working capital purposes.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Revenue from the International Freight business which consists of Sea Freight, Air Freight and Land Freight surged to RM609.7 million in the reporting period, a growth of 45.7% over RM418.4 million previously. International Freight maintained its status as the most significant business segment, contributing 79.9% to Group Revenue (FY2020: 75.8%).

Domestic Logistics comprising 3PL, Warehousing & Distribution and Supporting Services achieved commendable double-digit growth rates during the financial year in review. Revenue grew by 15.4% to RM153.7 million (FY2020: RM133.2 million).

### Rewarding Our Shareholders

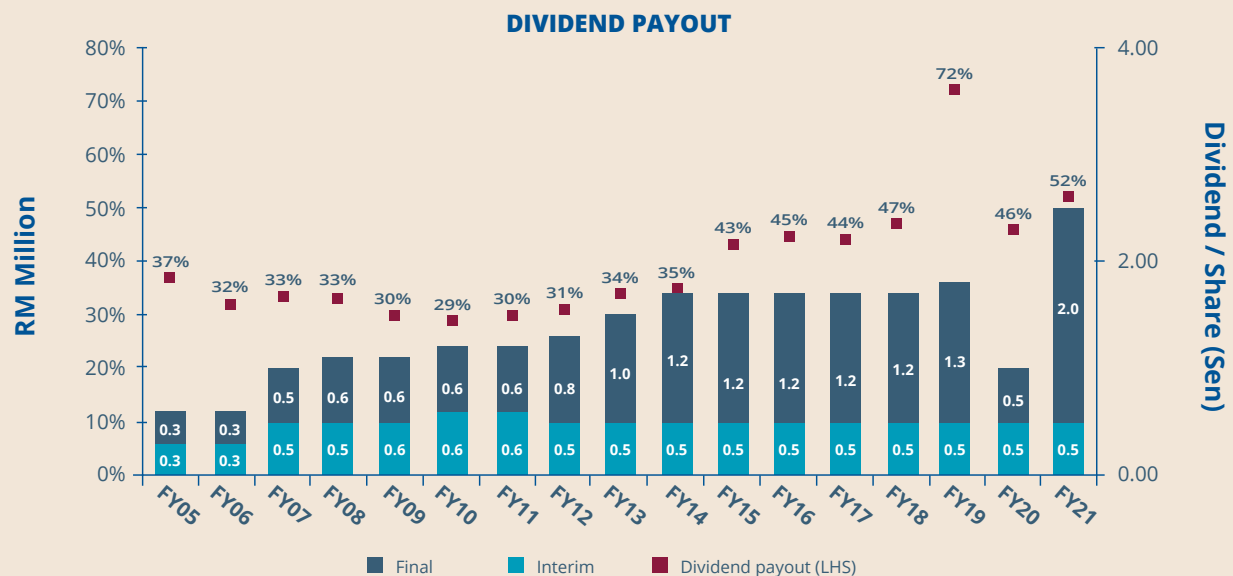
FMHB has declared total dividend of 2.5 sen per share (FY2020: 1.0 sen per share) in view of the strong results of FY2021. The Board of Directors (“the Board”) have declared three single-tier dividends of 0.5 sen, 1.0 sen and 1.0 sen during the financial year in review, with the third interim dividend paid on 18 October 2021. These figures have been adjusted to reflect the 1-for-1 bonus share issue in June 2021.

Total dividend payment amounted to RM14.0 million for the year in review or more than double the RM5.6 million in FY2020, representing 52% of PATMI. For the record, total dividend payment in FY2021 is the highest in FMHB’s history, continuing our tradition of rewarding our loyal shareholders for their support.

Our robust financial position is reflected by our strong balance sheet and as at 30 June 2021, we have manageable borrowings and cash reserves of RM54.8 million (FY2020: RM58.0 million). Nevertheless, we remain committed to managing our assets and balance sheet in a prudent manner.

### Enhancing FMHB’s Value

During the financial year in review, bonus shares totalling 279.2 million shares were issued by FMHB on the basis of one bonus share for every existing share held. This corporate exercise was undertaken to reward our shareholders as well as improve the marketability and trading liquidity of our shares. This was completed on 17 June 2021.



Note: Historical figures have been adjusted to reflect the 1-for-1 bonus share issue in June 2021.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)



### Review of Operations

Both the International Freight and Domestic Logistics segments performed exceptionally well during the financial year in review, underpinned by the recovery in demand for logistics services globally.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

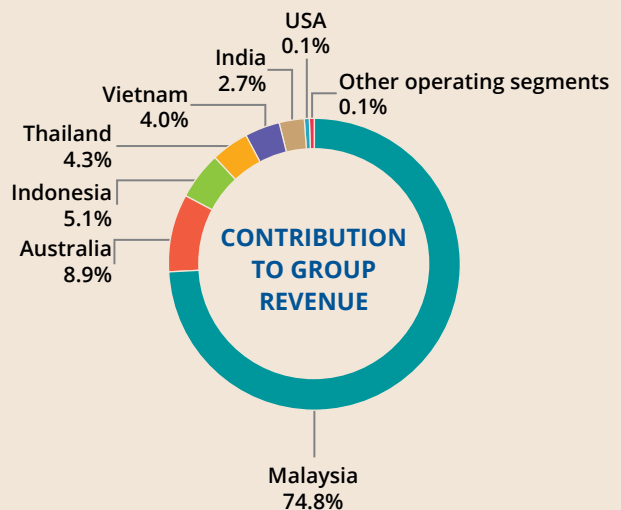
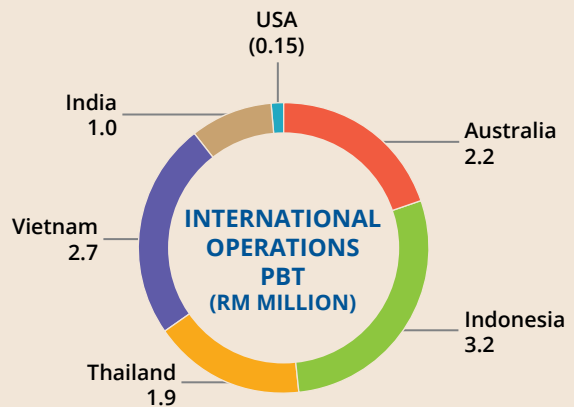
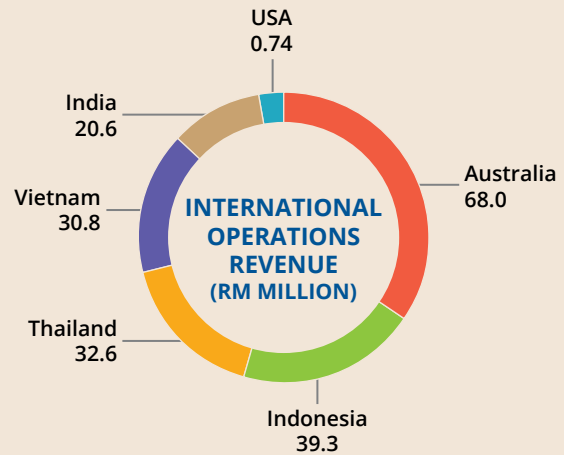
Our Malaysian Operations recorded a 38.7% increase in Revenue to RM571.2 million for FY2021 from RM411.9 million posted in FY2020. PBT increased 83.7% or RM41.6 million as compared with RM22.6 million the previous year. Our Overseas Operations saw a 38.3% increase in Revenue to RM191.9 million from RM138.8 million in FY2020. PBT rose to RM10.8 million from RM2.6 million in FY2020, marking a 315.4% increase. The positive results were attributable to heightened trade activity in our overseas businesses as all our offices were able to operate throughout the period.

Our Joint Venture (“JV”) company in the Philippines performed commendably with a modest increase in revenue in FY2021 while our JV company in the UAE recorded flat revenue growth.

### International Freight

With over 30 years of logistics experience, FMHB’s expertise and global network coupled with consistent and reliable customer service has ensured the stability of our largest business segment. The growth in revenue was mainly due to increased volume handled by FMHB and higher overall industry freight costs resulting from the global demand-supply imbalances caused by the pandemic. In FY2021, our total volume grew by 13.1% to 122,336 TEUs as compared with 108,167 TEUs in the previous financial year.

In addition, the increase in volume was a result of heightened activity in the Thailand-Malaysia route as customers pivoted to land freight transportation as an alternative to higher sea freight rates.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Domestic Logistics

This business segment performed creditably to record a 15.4% increase in revenue to RM153.7 million due to higher utilisation rate and better cost management from the consolidation of capacities of our warehouses and increase in our distribution services. At the time of reporting, we have warehousing capacity of 822,000 sq. ft. spread across facilities in Port Klang, Shah Alam and Subang in Selangor, and Prai in Penang. During the reporting period, we consolidated certain warehouse operations to streamline our services and simplify processes in a move to achieve improved efficiency, better utilisation rates and overall management.

Demand for courier services picked up in FY2021 with the COVID-19 crisis accelerating the adoption of E-Commerce from the third quarter of 2020.

Our Last Mile Services, under subsidiary Parcel to Post, performed commendably in FY2021 to register a growth of 56.7% with a turnover of RM14.1 million (FY2020: RM9.0 million). During the financial period, improvements to systems and processes were intensified, offering customers better services with ease and comfort. Our primary focus is on last mile delivery, which forms a crucial link for our integrated logistics solutions. Parcel to Post Services was in an advantageous position during the lockdown periods, which resulted in a hike to its B2B and B2C businesses as enterprises, customers and merchants switched to online trading to ensure business continuity.

*(Source: World Economic Forum)*

We were swift to adapt to the requirements of the new environment with a focus on simplifying and securing all transactions via the cashless payment gateway.

### MITIGATING RISKS

Since the emergence of COVID-19, FMHB has intensified efforts to identify potential risks, improved processes to assess probable threats and prepared solutions, contingencies, and remedial measures. These steps include the development of a risk matrix of possibility and impact.

The Group's expansion into new business areas and operating in different countries will inevitably expose us to new and different risk considerations. The Enterprise Risk Management ("ERM") Framework, which is periodically reviewed and updated, guides the Group in effectively identifying and addressing known and certain anticipated risks that may impact our operations, performance, financial stature and liquidity.

*Further details are presented in the Statement of Risk Management and Internal Control on pages 114 to 118 in this Annual Report 2021.*

This covers a range of prospective risks such as reputational, regulatory, operational, customer retention, health and safety, environmental, human capital, liquidity, currency exchange and many more.

In addition, we continue to monitor risks associated with the domestic and global market environment and the ability and capacity of our operations at home and abroad. In the meantime, we will continue to practise financial prudence and efficient cost management.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)



### Business Continuity Risk

Loss of major customers or key accounts can affect the Group considerably. As such, ascertaining robust relationships with our customers is imperative, and we endeavour to sustain competitive services and rates to ensure our customer base is secure and attract potential customers. Our marketing team provides regular updates, and customer satisfaction surveys are conducted annually.

FMHB has always taken a conservative approach in managing its finances, and this prudent method has proved our resilience over time. We also enjoy the support from our host of partners, suppliers and vendors that allow us to identify and explore other potential avenues, to tap into other industries to expand our customer base.

At the onset of the pandemic, the Group set up the Business Continuity Team to immediately respond to the crisis by managing all risks. The Team kept track of all operating regulations and SOPs as warranted by the authorities. As the health and safety of our employees and stakeholders are of paramount concern, we implemented necessary steps to ensure that all protocols were managed and followed according to stringent measures. While our operations were deemed as essential services, we weighed the market's uncertainties from a demand, supply and operation perspective.

At all our operational sites, stringent SOPs were adhered to, including ensuring proper sanitisation, the mandatory wearing of masks, rearranging workspaces at the offices to enable social distancing, conducting daily temperature checks, and making health declarations for all employees and visitors at our premises. We also advised all employees to minimise business-related travel and conduct virtual meetings or conference calls to mitigate the spread of infection. On top of this, a business continuity plan remains in place, and the Group has taken decisive actions to control and reduce costs. During the year under review, there were no retrenchments or pay cuts enforced on our employees.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)



### Operational Risk

We have taken all necessary precautions to combat potential hazards that may be commonly encountered in the logistics industry, including fire, loss of cargo, 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 crucial in our operations. In addition, our normal standard trading terms exclude FMHB's liability in the event of any loss or damage to our customers' cargoes due to fire or any untoward incidences.

### Financial Risk

In moderating financial risk, cashflow monitoring and collateral obligations are crucial to support ongoing funding requirements. This entails the coordination of various sources of available funds for business and investment. It may also impact the Group's liquidity and cash flow risk of not having sufficient cash funding and credit facilities to operate our business and fulfil our financial commitments.

We are bound by a stringent credit policy to ensure all our business units can perform without disruption through regular monitoring of receivable balances and follow-ups. We ensure sufficient credit lines are in place to meet our liquidity requirements while ensuring effective working capital management measures are made available throughout the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Cybersecurity Risk

Cybersecurity risk proliferated at the onset of the pandemic which caused threats or loss to customer and business data. These include threats to the confidentiality, availability and integrity of FMHB's digital assets, network and system security. Security measures were deployed to protect confidential information, continuous assessments on IT security and safety and ongoing training on cyber security awareness amongst our employees. The Group's disaster recovery plan and PDPA policy have been established, and to date, there has been no record of any breaches or violations.

### PROSPECTS

#### MOVING FORWARD WITH VIGOUR AND ENTHUSIASM

As with most industries, freight and logistics services are experiencing immense change in 2021 due to the necessity of delivering more products in less time. Despite the impact of COVID-19 on global trade, FMHB is confident of high-growth prospects owing to solid fundamentals and continued expansion in both our domestic and overseas businesses. On the overseas front, we plan to secure new clients by leveraging on our established global network and accretive acquisitions of logistics service providers in new or existing markets. While we remain cognisant that Malaysia is gearing up to start living with COVID-19, recovery prospects will vary by country and industry sectors due to repeated lockdowns. We are also aware of an increasingly competitive environment in a sector under acute pressure to deliver better services and offer competitive rates to meet customer expectations.

### Joint Venture with CNL

On 18 May 2021, the Group announced the JV between FMGLV and CNL, a public listed company listed on the Main Board of the Hong Kong Stock Exchange, to establish CN FM Logistics (Malaysia) Sdn. Bhd. FMGLV and CNL have an established partnership where the companies' main businesses are fashion logistics under its air freight segment and logistics for high-end fashion, respectively. Considered a natural fit, CN FM Logistics is anticipated to grow both on logistics (distribution to the retailer) and E-Commerce in the future.

### Expansion of our Domestic Logistics Hub

To further establish our market position in the Group's Domestic Logistics' segment, we acquired two parcels of leasehold land and two parcels of freehold land which are strategically located in close proximity to Northport and Westport in Port Klang.

On 27 May 2021, FMGLM entered into two Sale and Purchase Agreements to purchase two parcels of leasehold land measuring approximately 3.50 and 3.68 acres, respectively, at a total cost of RM22.20 million. Another two parcels of contiguous freehold land were purchased for a total cash consideration of RM56.84 million and measures 4.67 and 4.65 acres, respectively, in an agreement that was signed on 2 August 2021.

Given that the new facilities are located within an established industrial area with good infrastructure and connectivity to the New Klang Valley Expressway ("NKVE"), Federal Highway, New North Klang Straits Bypass ("NNKSB") and Port Klang, we expect positive growth prospects for the Group in the long-term.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

On 1 June 2021, FMGLM obtained the Letter of Approval from MIDA on the revision of conditions for Tax Incentive for developing Logistics Services and E-Commerce Fulfillment Hub activities. Previously, FMGLM was granted a special incentive package from MIDA in 2017 that will enable it to qualify for income tax exemption. The Investment Tax Allowance (“ITA”) is based on 60% of total CAPEX to be offset against 70% of statutory taxable income.

To further expand its integrated logistics services and to continue to qualify for the Investment Tax Allowance, the updated approval requires FMGLM to invest at least RM245 million in CAPEX to be deployed over a five-year period. FMHB expects to register tax savings with MIDA’s approval to carry out integrated logistics services and E-Commerce Fulfillment Hub activities.

### USA: Acquisition of Freight Forwarding Services

Another noteworthy development is the acquisition of three US-based freight forwarding services companies for a combined RM9.2 million (US\$2.2 million) as part of the group’s expansion initiatives into selective international markets. The USA 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 significant trading partner of countries where the Group has a presence.

On 4 October 2021, FMGLV entered into a stock purchase agreement with several independent third parties to acquire the entire issued shares of Inter-Orient Services, Inter-Orient Corporation and Noble Shipping Corporation (IOS Companies). With the acquisition, the Group would immediately leverage the existing customer base and resources of IOS Companies, which have an established freight forwarding business and valid customs brokerage licence in the USA.

The IOS Companies will also serve as a gateway to the vast USA market via its base in Los Angeles. As FMHB develops its presence in the USA, we will also explore other logistics-related opportunities such as E-Commerce Fulfillment services.

### Digitalisation as the Way Forward

In efforts to enhance the Group’s operations, we launched a pilot programme to push our customers to adopt digitalisation as part of our business model to minimise disruptions and increase efficiency. With the existence of the FM Online Platform, we expect to boost our productivity levels, improve business flow and support our drive towards managing our carbon footprint effectively. As demands have been on the rise for logistics, E-Commerce and E-Fulfillment services in the past year, the Group’s shift towards digital transformation is anticipated to strengthen customer and supply-chain interactions by optimising our integrated logistics operations.

This endeavour forms part of our sustainability initiatives to reduce printing and paper use for documentation purposes, saves time, and cuts costs. It further secures our customers’ security and privacy, and allows easy access for bookings, tracking and monitoring customers’ requirements.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### INDUSTRY LANDSCAPE & MARKET OVERVIEW

The global logistics reached a value of US\$8.6 trillion in 2020. The market is expected to grow at a CAGR of 4.6% during 2021-2026, signifying a robust rebound from the economic effects of the pandemic. The logistics market in the Asia Pacific is the largest one globally, with approximately US\$3.9 trillion in size. The expansion of trade routes and the shift of industrial production towards Asian countries contributed to the logistic market's development immensely. In the past several years, there was a shift for western companies to start moving the entire production of goods to Asia as it was highly cost-effective.

In its present state, the global logistics market has come about due to an amalgamation of supply-side and demand-side trends. The rapid proliferation of trade agreements among various nations is the foremost demand driver of the global logistics market. Additionally, the initiatives to increase international trade activities have expanded the demand for logistics to keep pace with the rising needs of importers and exporters. (Sources: *Research and Markets, IMARC*)

In this context, FMHB has been gradually scaling up its operations to improve planning and coordinating resources and services from the point of origin to the point of consumption to ensure efficient and effective transportation and storage of goods and services.

FMHB has steadily improved significant logistics components involved in the proper functioning of inventory management, inbound and outbound transportation, material handling, and warehousing. The global logistics industry has benefitted from advancements in technology, integration, globalisation, legislation and confederations in recent years.

The advancements in technology that involve automated material handling equipment, biometrics, GPS, and others have tremendously boosted work proficiency, thereby spurring the growth of the logistics market across the globe. The upsurge in internet retailing and the increasing popularity of online shopping are other factors supporting the market growth.

The global contract logistics market was dealt a number of blows during the COVID-19 pandemic, notably from the closure of retail and manufacturing locations as public health measures were implemented, causing consumer demand to vanish.

### 2020 GLOBAL LOGISTICS MARKET SHARE, BY REGION (IN US\$ BILLION)



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)



As the market size forecasts show, however, the rebound is expected to be strong. The rapid growth we expect to see in the market over the next five years will be accompanied by an even quicker pace of technological change, and alongside this, 3PLs will have to react to increased demand for more sophisticated and responsive services.

### REINFORCING OUR POSITION

The outlook for the local and global economy remains tied to vaccination rates, and in Malaysia, the success of the NRP would precipitate a comprehensive reopening of the economy and return to a new version of normal life. While we expect the Malaysian economy to stabilise, there remains a cloud of uncertainty in many parts of the world, including our trade destinations that threatens to prolong the pandemic and delay full revival.

Despite such concerns, the global economy is expected to recover strongly in 2021 and maintain this momentum through 2022. According to the World Trade Organisation (“WTO”), it has projected world merchandise trade to expand by a robust 10.8% in 2021 before moderating to 4.7% in 2022.

To sustain our uptrend, we intend to intensify new customer acquisition efforts by scrutinising our actions to provide better customer solutions. Change is inevitable in a competitive operating environment, and we are embracing an agile and flexible culture to ease working relationships both internally and externally.

Through a clearly developed strategy, we are strengthening our capabilities to ensure the robustness of our profitability and growth. We continue to focus on managing costs and pricing to increase margins and will intensify efforts to restructure underperforming operations.

While the Group is confident of sustaining its positive performance, we are mindful of the economic uncertainties and potential downside risks posed by the COVID-19 pandemic. Notwithstanding these challenges, the Group remains focused on its core businesses and would continue to expand its customer base internationally and improve its cost management via operational efficiencies. In addition, we will continue with our pivot towards greater digitalisation of processes and procedures.