

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

PROPOSED ACQUISITION OF TWO PARCELS OF CONTIGUOUS FREEHOLD VACANT INDUSTRIAL LAND MEASURING APPROXIMATELY 405,979.2 SQUARE FEET LOCATED IN MUKIM KAPAR, DEARAH KLANG, SELANGOR BY FM GLOBAL LOGISTICS (M) SDN. BHD. (“FMGLM”), A WHOLLY-OWNED SUBSIDIARY OF FREIGHT, FOR A TOTAL CASH CONSIDERATION OF RM56.837 MILLION (COLLECTIVELY REFERRED TO AS THE “PROPOSED ACQUISITIONS”)

1. INTRODUCTION

Pursuant to Paragraph 10.06(1) of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“**Bursa Securities**”), the Board of Directors of the Company (“**Board**”) wishes to announce that FMGLM, a wholly-owned subsidiary of the Company has on 2 August 2021 entered into a Sale and Purchase Agreement (“**SPA**”) with Cebur Megah Development Sdn. Bhd. (“**Vendor**”) for the acquisition of two (2) parcels of contiguous freehold vacant industrial land held under HS(D) No. 165750, No. PT 84558 (“**Land 1**”) and HS(D) No. 165749, No. PT 84557 (“**Land 2**”), both in Mukim Kapar, Daerah Klang, Selangor, measuring approximately 4.67 acre (or 203,425.2 square feet) and 4.65 acre (or 202,554 square feet) respectively, for a total cash consideration of RM56,837,088.00 (“**Purchase Consideration**”).

Land 1 and Land 2 shall hereinafter be referred to as “**the Properties**”.

2. DETAILS OF THE PROPOSED ACQUISITIONS

Pursuant to the SPA, the Vendor has agreed to sell and FMGLM has agreed to purchase the Properties on an “as is where is” basis, free from any encumbrances with vacant possession and basic infrastructure works, but subject to restrictions in interest (if any) and conditions expressed or implied in the individual issue of document of titles of the Properties at the consideration and upon the terms and conditions stipulated therein.

The express condition set out in the issue document of title of the Properties is “Industri Sederhana”.

Further details of the Properties are set out in the table below:-

	Land 1	Land 2
Title	Held under HS(D) No. 165750, No. PT 84558, Mukim Kapar, Daerah Klang, Negeri Selangor	Held under HS(D) No. 165749, No. PT 84557, Mukim Kapar, Daerah Klang, Negeri Selangor
Postal Address	Plot 8, Jalan Keluli 2A/KU2, Kawasan Perindustrian Bukit Raja, 41050 Klang, Selangor	Plot 9, Jalan Keluli 2A/KU2, Kawasan Perindustrian Bukit Raja, 41050 Klang, Selangor
Tenure	Freehold	Freehold
Land area	Approximately 4.67 acre (equivalent to 203,425.2 square feet)	Approximately 4.65 acre (equivalent to 202,554 square feet)

	Land 1	Land 2
Encumbrances	None	None
Purchase Price	RM28,479,528.00, calculated at RM140.00 per square foot	RM28,357,560.00, calculated at RM140.00 per square foot
Registered/beneficial owner of the Land	Cebur Megah Development Sdn. Bhd. (Registration No. 200601017485 (737237-K))	
Audited Net Book Value (“NBV”) of the Land	The Company is unable to disclose the latest audited NBV of the Land as FMGLM is not privy to such information.	The Company is unable to disclose the latest audited NBV of the Land as FMGLM is not privy to such information.
Market Value	RM28,500,000.00	RM28,350,000.00
Category of Land use	“Industri Sederhana”	“Industri Sederhana”
Existing use	Vacant	Vacant
Future use	Building a warehouse for its 3PL warehousing, e-commerce fulfilment and parcel logistics operations	Building a warehouse for its 3PL warehousing, e-commerce fulfilment and parcel logistics operations

3. INFORMATION ON FMGLM AND THE VENDORS

(i) FM Global Logistics (M) Sdn. Bhd (“FMGLM”)

FMGLM is a private limited company incorporated in Malaysia on 4 June 1982 and having its business address at Lot 37, Lebuhr Sultan Mohamad 1, Kawasan Perindustrian Bandar Sultan Suleiman, 42000 Port Klang, Selangor. The issued and paid-up share capital of FMGLM is RM10,000,000.00. FMGLM is principally engaged in provision of freight services.

(ii) Cebur Megah Development Sdn. Bhd. (“Vendor”)

The Vendor is a private limited company incorporated in Malaysia on 12 June 2006 with its business address at 241, Second Floor, The Curve, No. 6, Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor. The issued and paid-up share capital of the Vendor is RM2.00 comprising 2 ordinary shares. The principal activity of the Vendor is investment holding.

The Directors of the Vendor are Shahril Bin Mohd Khairi@Bakhri, Izaddeen Bin Daud and Phan Yoke Seng.

The Vendor is wholly owned by Astacanggih Sdn. Bhd. The ultimate holding company of the Vendor is Boustead Properties Berhad.

The Vendor is not connected to Freight and its subsidiaries (“Freight Group”) in any manner. The Company is not in the position to provide information on the Vendor’s original costs of acquisition nor net book value of the Lands as the Company is not privy to these information.

4. BASIS OF AND JUSTIFICATION FOR THE PURCHASE CONSIDERATION

The Purchase Consideration of RM56,837,088.00 was derived after negotiation and mutual agreement taking into consideration of the market value of the Properties appraised by VPC Alliance (KL) Sdn. Bhd. (“**Valuer**”). The Valuer is an independent registered valuer. The valuation was carried out using the Comparison Method as stated in the Certificate of Valuation dated 12 July 2021. The present market value of the Properties is RM56,850,000.00 (i.e. Land 1 – RM28,500,000.00 and Land 2 – RM28,350,000.00).

5. SALIENT TERMS AND CONDITIONS OF THE SPA

The salient terms and conditions of the SPAs are as follows:-

- i. The SPA shall be conditional upon FMGLM obtaining the approval of the Economic Planning Unit of Malaysia under the Prime Minister’s Department (“**EPU**”) for the purchase of the Properties (“**EPU Approval**”) pursuant to the guideline on Acquisition of Properties (“**EPU Guidelines**”) (if so required) within 6 months from the date of SPA with an automatic extension of a further 3 months and such further extension as may be mutually agreed between the parties (“**Cut-Off Date**”). The EPU Approval is inclusive of the waiver by the EPU of any condition on shareholding structure of FMGLM other than the requirement of a minimum paid-up capital of RM250,000.00.
- ii. The SPA shall become unconditional upon receipt by FMGLM the EPU Approval, if so required provided that if the EPU Approval is not required, the SPA shall be unconditional on the date of SPA (“**Unconditional Date**”).
- iii. The Purchase Consideration shall be satisfied in the following manner:-
 - (a) Earnest Deposit : RM1,136,741.76, being 2% of the Purchase Consideration, which has been paid to the Vendor prior to the signing of the SPA.
 - (b) Balance Deposit : RM4,546,967.04, being 8% of the Purchase Consideration, which shall be paid to the Vendor simultaneously upon the execution of the SPA.
 - (c) Balance Purchase Price : (i) RM11,367,417.60, being 20% of the Purchase Consideration, which shall be paid to the Vendor within 3 months of the date of SPA (“**1st Balance**”).
(ii) RM11,367,417.60, being 20% of the Purchase Consideration, which shall be paid to the Vendor within 14 days of the Unconditional Date (“**2nd Balance**”).

- (iii) RM28,418,544.00, being 50% of the Purchase Consideration, which shall be paid to the Vendor's solicitors to be held by the Vendor's solicitors as stakeholder within 2 months of the Unconditional Date or the completion of basic infrastructure works whichever is later ("**Final Balance**").
- iv. The instalments of Balance Purchase Price to be paid by FMGLM are subject always to an automatic extension of a further one (1) month with interest at 8% per annum levied on the outstanding 1st Balance, 2nd Balance or Final Balance as the case may be, calculated on a day to day basis on the unpaid 1st Balance, 2nd Balance or Final Balance from the commencement of the expiry of the respective due date as stated above to the date of actual payment of 1st Balance, 2nd Balance or Final Balance as the case may be.
- v. In the event FMGLM fails to pay any of the instalments in accordance with the provisions of the SPA or if there is a material breach of any of the provisions of the SPA before the date of full payment of the Balance Purchase Price, the Vendor may give notice in writing to FMGLM requiring FMGLM to remedy the default within fourteen (14) days together with interest thereon at the rate of 8% per annum calculated daily in the case of any default in payment(s) and within thirty (30) days in the case of other default and/or breach from the date of the said notice.
- vi. In the event the Vendor is in material breach of any of the provisions of the SPA that affects its ability to transfer the Properties to FMGLM free from all encumbrances and/or to complete the basic infrastructure works before the date of full payment of the Balance Purchase Price or refuses to complete the SPA, FMGLM may issue a notice in writing to the Vendor requiring the Vendor to remedy the default and/or breach complained of within thirty (30) days from the date of Vendor's receipt of the said notice and if the Vendor fails to remedy the default and/or breach, then at the expiration of the said notice, FMGLM shall be entitled to the remedy of specific performance of the SPA against the Vendor and to all relief flowing therefrom or termination pursuant to the terms as stipulated in the SPA.
- vii. The Vendor shall refund to FMGLM any part of the Purchase Consideration including Earnest Deposit and Balance Deposit ("**Deposit**") paid by FMGLM free of interest together with a sum equivalent to the Deposit as agreed liquidated damages; provided always that if the Vendor fails to refund to FMGLM any part of the Purchase Consideration including the Deposit paid by FMGLM free of interest together with a sum equivalent to the Deposit within fourteen (14) working days after compliance by FMGLM as stated in the SPA, the Vendor shall pay interest at the rate of 8% per annum levied on the outstanding sums to be refunded calculated on a day to day basis from the commencement of the expiry of the aforesaid fourteen (14) working days to the date of actual payment.

6. SOURCE OF FUNDING

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

7. LIABILITIES TO BE ASSUMED

Save for any potential bank borrowings that may arise from funding the Purchase Consideration or the obligations and liabilities arising from the SPA, there are no liabilities, including contingent liabilities and guarantees to be assumed by Freight arising from the Proposed Acquisitions.

8. RATIONALE AND BENEFITS OF THE PROPOSED ACQUISITIONS

The Proposed Acquisitions are to facilitate the Group's future expansion of its 3PL warehousing and distribution services. The Purchase Consideration is reasonable and reflects the current price of similar lands near the Properties. The Properties are strategically located, close to major seaports such as Northport and Westport in Port Klang and are situated in an established industrial area with good infrastructure and connectivity such as New Klang Valley Expressway (NKVE), Federal Highway, New North Klang Straits Bypass (NNKSB) and Port Klang for ease of logistics.

Given the Properties are located in an area with good connectivity and amenities, the Proposed Acquisitions are expected to contribute positively to the growth of the Group.

9. PROSPECTS FOR THE PROPOSED ACQUISITIONS

The Group intends to occupy the Properties for its own use and the Proposed Acquisitions are to cater for the expansion of the Group's 3PL warehousing and distribution services which include e-commerce fulfilment and parcel delivery services.

10. RISK FACTORS OF THE PROPOSED ACQUISITIONS

Other than the normal and market risks such as non-completion of the Proposed Acquisitions, the Board does not foresee any specific risk/ risk factors arising from the Proposed Acquisitions which could materially or adversely affect the financial and operating condition of the Company.

11. EFFECTS OF THE PROPOSED ACQUISITIONS

a. Share capital and substantial shareholders' shareholdings

The Proposed Acquisitions will not have any effect on the share capital and substantial shareholders' shareholdings of the Company as it does not involve any issuance of new shares in Freight.

b. Net assets per share and Gearing

The Proposed Acquisitions will not have material effect on the net assets per share and gearing of the Group for the financial year ending 30 June 2022. However, the Proposed Acquisitions are expected to enhance the net assets per share of the Group in the future in view of the potential future profit contribution arising from the Group's 3PL warehousing and distribution services including e-commerce fulfilment and parcel delivery services.

The Proposed Acquisitions will be funded through internally generated funds and bank borrowings, the combination of which will be decided at a later date. The effects of the Proposed Acquisitions on the gearing of Freight Group will be dependent on the eventual funding mix to be used.

c. Earnings and earnings per share ("EPS")

The Proposed Acquisitions will not have any material impact on the earnings and EPS of the Company for the financial year ending 30 June 2022. However, the Board believes that the Proposed Acquisitions will contribute positively to the Group's future earnings and EPS in the long-term once the expansions for the Group's 3PL warehousing and distribution division including e-commerce fulfilment and parcel delivery services are fully operational.

12. APPROVAL/CONSENT REQUIRED FOR THE PROPOSED ACQUISITIONS

Save for the approval of the relevant authorities for the sale and transfer of the Properties, the Proposed Acquisitions are not subject to the approval of the shareholders of the Company.

13. 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 Proposed Acquisitions.

14. DIRECTORS' STATEMENT

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

15. HIGHEST PERCENTAGE RATIO APPLICABLE TO THE PROPOSED ACQUISITIONS

The aggregate highest percentage ratio applicable to the Proposed Acquisitions pursuant to Paragraph 10.12 of the MMLR of Bursa Securities is 19.57% based on the latest audited consolidated financial statements of Freight for the financial year ended

30 June 2020 whereas the respective highest percentage ratio applicable to the individual acquisition is as follows:-

	Percentage ratio (%)
Acquisition of Land 1	9.81
Acquisition of Land 2	9.76
Total	19.57%

16. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, subject to the fulfilment of all conditions as stipulated in the SPA and the EPU Approval being obtained, the Proposed Acquisitions are expected to be completed within 9 months from the date of the SPA, or a further extension period as may be mutually agreed between FMGLM and the Vendor.

17. DOCUMENTS AVAILABLE FOR INSPECTION

The SPA is available for inspection at the registered office of the Company at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur during normal office hours from Monday to Friday (except public holidays) for a period of three months from the date of this announcement.

This announcement is dated 2 August 2021.