FM GLOBAL LOGISTICS HOLDINGS BERHAD ("FM" OR "THE COMPANY")

ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF CAC LOGISTICS SERVICES PTE. LTD. BY FM GLOBAL LOGISTICS VENTURES SDN. BHD., AN INDIRECT WHOLLY-OWNED SUBSIDIARY OF FM FOR A CASH CONSIDERATION OF SGD5,500,000

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*Unless otherwise stated and wherever applicable, the exchange rate of Singapore Dollar ("**SGD**") 1.00: Ringgit Malaysia ("**RM**") 3.4289, being the middle rate quoted by Bank Negara Malaysia as at 25 September 2023 is used throughout this announcement.*

1. INTRODUCTION

Pursuant to Paragraph 10.06 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board of Directors of the Company ("**Board**") wishes to announce that FM Global Logistics Ventures Sdn. Bhd., an indirect wholly-owned subsidiary of the Company ("**FMGLV**") has on 25 September 2023 entered into a Sale and Purchase Agreement ("**SPA**") with (i) Anthony Ng Koon Leng and (ii) Cheong Yew Fei, Randy (collectively referred to as the "Vendors") for the acquisition of 510,000 ordinary shares in the share capital of CAC Logistics Services Pte Ltd ("**CAC**"), representing the entire equity interest in CAC ("**Sale Shares**"), for a total cash consideration of SGD5,500,000 only (equivalent to approximately RM18,858,950.00) ("**Purchase Consideration**"), subject to the terms and conditions stated in the SPA (the "**Acquisition**").

Further details of the Acquisition are set out in the ensuing sections.

2. DETAILS OF THE ACQUISITION

(i) Information on the Acquisition

The Acquisition entails the acquisition by FMGLV of the Sale Shares from the Vendors at the Purchase Consideration free from any claims, charges, liens, encumbrances and equities whatsoever together with all rights attached thereto.

Upon the completion of the Acquisition, CAC will become an indirect wholly-owned subsidiary of the Company.

(ii) Information on FMGLV

FMGLV is a private limited company incorporated in Malaysia on 19 August 1994. The issued share capital of FMGLV is RM1,000,000.00 comprising 1,000,000 ordinary shares. FMGLV is principally engaged in investment holding activities.

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

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

(iii) Information on CAC

CAC is a private limited company incorporated in Singapore on 18 January 2018. The issued and paid-up capital of CAC is SGD510,000.00 comprising 510,000 ordinary shares.

The Directors of CAC are Anthony Ng Koon Leng and Cheong Yew Fei, Randy. They are also the shareholders of CAC and their respective shareholding are as follows:-

(a) Anthony Ng Koon Leng – 360,000 ordinary shares (70.59%)
(b) Cheong Yew Fei, Randy – 150,000 ordinary shares (29.41%)

CAC is principally engaged in general warehousing, road transportation and other related services. CAC does not have any subsidiary or associated company. Currently, CAC operates with a total of 236,496 square feet warehousing space in Singapore.

A summary of the financial information of CAC based on the unaudited financial statements of CAC for the financial years ended 31 December 2021 ("**FYE 2021**") and 31 December 2022 ("**FYE 2022**") and for the 7-month period ended 31 July 2023 is set out below:

	Unaudited		
	FYE 2021	**FYE 2022**	**1 January 2023 to 31 July 2023**
	SGD	**SGD**	**SGD**
Revenue	5,491,262	5,581,528	4,269,110
Profit before tax	609,973	640,612	522,124
Profit after tax	573,973	546,830	433,363
Shareholders' fund / Net assets	2,094,459	1,641,289	2,260,778

(iv) Information on the Vendors

The Vendors namely Anthony Ng Koon Leng and Cheong Yew Fei, Randy, both Singaporean, are presently the directors and shareholders of CAC and have been involved in the business of CAC since inception. They are not connected to any Directors or major shareholders of FM and/or its subsidiary companies.

(v) Source of funding

The Purchase Consideration will be satisfied entirely in cash and financed via internally generated funds and/or bank borrowings, the quantum of which has yet to be determined at this juncture.

(vi) Liabilities including contingent liabilities to be assumed by FM

Save for the obligations and liabilities arising from the SPA, there are no other liabilities, including taxation liability, contingent liabilities and/or guarantees to be assumed by FM and/or its subsidiaries ("**FM Group**"), arising from the Acquisition.

(vii) Additional financial commitments required

FMGLV or FM does not expect to incur any additional material financial commitment to put the existing operations of CAC on-stream as it is an on-going entity with business operations and generating income and cash flow.

(viii) Mode of Settlement

On the Completion:

(i) FMGLV shall pay SGD4,000,000.00 in favour of the Vendors in SGD, in cash, in accordance with their respective shareholding proportions.

(ii) FMGLV shall deposit an amount equal to SGD1,500,000.00 (the "**Profit Guarantee Amount**") with a legal counsel appointed by FMGLV whom will act as a stakeholder (the "Escrow Agent") to be held in an escrow account in Singapore (the "Escrow Account") as security for the due observance and performance by the Vendors of the Vendors' undertaking under item 2(ix)(ii) below. The Profit Guarantee Amount would be released to the Vendors in accordance with their respective shareholding proportions based on the terms and conditions stated in item 2(ix)(ii) below.

FMGLV shall be entitled to withhold, deduct and set-off against any payment otherwise payable to the Vendors under the SPA, any amount payable by the Vendors to FMGLV under or in connection with the SPA.

(ix) Salient Terms of the SPA

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

(i) FMGLV (or its approved nominee) shall, relying on the several warranties, representations and undertakings made by the Vendors, purchase the Sale Shares, and the Vendors shall sell as the sole legal and beneficial owner of the Sale Shares, free from any claims, charges, liens, encumbrances and equities whatsoever together with all rights attached thereto.

(ii) Each of the Vendors hereby jointly and severally undertakes to FMGLV that the annual net profit after tax of CAC for the next 2 years commencing from the completion date shall not be less than the sum of SGD750,000.00 per year, based on the audited accounts of CAC for each of the relevant year. In the event the annual net profit after tax for any of the 2 years is less than SGD750,000.00, the Vendors shall be liable to compensate FMGLV the difference between SGD750,000.00 and the annual net profit for the relevant year.

(iii) The completion of the sale and purchase of the Sale Shares is subject to and conditional upon among others following conditions having been fulfilled (or waived by FMGLV (or its approved nominee), at its absolute sole discretion) ("**Completion**"):

i. satisfactory of financial, tax and legal due diligence by FMGLV and its representatives on CAC;

ii. all approvals, waivers or consents as may be required for the sale and purchase of the Sale Shares being obtained;

iii. provision of documentation evidencing that all debt under all loan or facility agreements to which CAC is a party has been fully paid up and such loan or facility agreements have been terminated with no party having any further claims thereunder and with any break-funding costs, liabilities or expenses resulting from such prepayment or early termination being borne in full by the Vendors;

iv. satisfactory of the conditions and maintenance of all assets of CAC, including but not limited to the equipment and/or machinery used in connection with customer contracts;

v. provision of an executed deed of restraint in a form satisfactory to FMGLV in its sole and absolute discretion under which the Vendors covenant and undertake with CAC and FMGLV that for a period of five (5) years after the completion date, the Vendors shall not, directly or indirectly, carry on, be engaged in or be economically interested in any business which is of the same or similar type to CAC's business or which is in competition with the business of CAC, including but not limited to the provision of general warehousing and freight transport by road services;

vi. all approvals, consents, statements of no objection, waivers, authorisations, permissions as required under the lease of the properties arising from a change in shareholders of the Company; and

vii. such other documents or conditions relating to any of the matters contemplated in the SPA as FMGLV (or its approved nominee) may reasonably require.

3. BASIS AND JUSTIFICATION FOR THE PURCHASE CONSIDERATION

The Purchase Consideration of SGD5,500,000 (equivalent to approximately RM18,858,950) was arrived at on a “willing-buyer willing-seller” basis following negotiations with the Vendors and after taking into consideration, amongst other factors:-

(a) the undertaking by the Vendors for an annual profit after tax of not less than SGD750,000.00 for the first 2 years after the completion (“**Profit Guarantee**”);
(b) the Vendors’ Profit Guarantee Amount of SGD1,500,000.00 with the stakeholder as security for the due observance and performance by the Vendors of the Vendors’ undertaking as mentioned above; and
(c) the Group’s initiatives to expand into selective international markets as part of the Group’s future growth strategies and the historical track records of the financial performance of CAC.

The Purchase Consideration is also justified in view of the potential synergistic benefits from the Acquisition as set out in item (4) below.

The Board is of the opinion that the Profit Guarantee is reasonable and realistic after taking into consideration the following:-

(i) historical aggregate net profit after tax of CAC for FYE 2021, FYE 2022, and 7-month financial period ended 31 July 2023 of approximately SGD1.55 million;

(ii) the earning potential of CAC vis-à-vis its historical financial track record of CAC for the past and the future prospects of CAC as set out in item 4 below.

FMGLV is entitled to legal recourse against CAC in the manner as set out in item 2(ix)(ii) above. In the event if any shortfall in the Profit Guarantee (i.e. the annual net profit after tax for any of the 2 years is less than SGD750,000.00), the Vendors undertake to pay the shortfall in cash to FMGLV.

4. RATIONALE, BENEFITS AND PROSPECTS OF THE ACQUISITION

The Acquisition is in line with the Group’s expansion initiatives into selective international markets as part of the Group’s future growth strategies. The Singapore market fits into the Group’s strategies as Singapore is a major regional business and shipping hub. Currently, the Group has its presence in Malaysia, Indonesia, Thailand, Vietnam, India, the Philippines, Australia, the United Arab Emirates and the USA.

With the Acquisition, the Group would be able to immediately leverage the existing customer base, market and resources of CAC, which has an established warehousing business and valid business licence in Singapore. CAC will also serve as a gateway to the vast Singapore market via its base in Singapore, as Singapore has many multinational regional offices that will allow the Group to increase its customer base.

CAC’s total warehousing space of 236,496 square feet in Singapore will increase FM’s total warehousing space to approximately 1.32 million square feet across multiple countries.

Based on the above, the Board is of the view that the Acquisition will contribute positively to the future earnings of FM Group and strengthen FM as a regional logistics company.

5. RISK FACTORS OF THE ACQUISITION

The Acquisition will not materially change the risk profile of the business of FM Group as both FM Group and CAC operate in the same industry i.e. freight and logistics, and warehousing industries. As such, the enlarged FM Group will be exposed to similar business, operational and financial risks inherent in the industry after the completion of the Acquisition.

However, there are certain risks specifically associated with the Acquisition. These risks including changes to the general economics, business and political conditions, such as the regulation conditions in Singapore, which would include economic performance, demand and supply conditions in warehousing and transportation sector, interest rates and currency exchange rules and controls.

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

6. FINANCIAL EFFECTS OF THE ACQUISITION

6.1 Issued share capital and substantial shareholders' shareholdings

The Acquisition will not have any effect on the issued share capital and substantial shareholders' shareholdings of the Company as there is no issuance of new FM's shares.

6.2 Gearing

The Acquisition will be funded through internally generated funds and bank borrowings, the quantum of which will be determined at a later date. The effect of the Acquisition on the gearing of the Group will be dependent on the eventual funding mix to be used.

Assuming that the Purchase Consideration of SGD5,500,000 (equivalent to approximately RM18,858,950) will be fully funded by bank borrowings, the gearing of FM Group will increase from 0.37 times to 0.42 times (total borrowings/ total equity) based on the unaudited financial results of FM Group as at 30 June 2023.

6.3 Net assets and earnings per share

Upon the completion of the Acquisition, FM will be able to consolidate the financial results of CAC and FM Group expects that CAC will contribute positively to the long-term future earnings, net assets per share and earnings per share of FM Group.

7. APPROVAL REQUIRED FOR THE ACQUISITION

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

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

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

9. DIRECTORS' STATEMENT

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

10. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Acquisition pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is 5.22%, calculated based on the audited consolidated financial statements of FM for the financial year ended 30 June 2022.

11. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Acquisition is expected to be completed by the second quarter of the financial year 2024.

12. DOCUMENTS AVAILABLE FOR INSPECTION

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

This announcement is dated 25 September 2023.