

FM GLOBAL LOGISTICS HOLDING BERHAD (“FM” OR THE “COMPANY”)

RELATED PARTY TRANSACTION:

- (1) DISPOSAL OF THE ENTIRE EQUITY INTEREST IN EXTERIAN ENTERPRISE SDN BHD (“EESB”) TO CHEW CHONG KEAT, THE GROUP MANAGING DIRECTOR; AND
 - (2) SETTLEMENT AGREEMENT BETWEEN FM AND CHEW CHONG KEAT ON ADVANCES OWING BY EESB AND EXTERIAN CAPITAL PTE LTD (“ECPL”)
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1. INTRODUCTION

Pursuant to Paragraph 10.08(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“MMLR”), the Board of Directors of the Company (“Board”) wishes to announce that FM has on 29 August 2023 entered into the following agreements for the purpose of disposing of its shipyard related business for a total consideration of RM4,200,000.00 (“Disposal Consideration”):

- (a) a Share Sale Agreement (“SSA”) with Chew Chong Keat (“CCK”), a related party (“Purchaser”), for purposes of disposing 50,000 ordinary shares (“Sale Shares”), representing the entire share capital of Exterian Enterprise Sdn Bhd (“EESB”) for a cash consideration of RM50,000.00; and
- (b) a Settlement Agreement (“SA”) with CCK for the settlement of a sum of RM4,150,000.00 (“Settlement Sum”) in cash to FM and/or its subsidiaries (“Group”) (as applicable) by CCK as full and final settlement of part of the advances owing by EESB to the Group (“the Advances”),

(collectively referred to as the “Disposal”), subject to the terms and conditions stated in the SSA and SA.

The Disposal is in line with the Group’s aim to dispose of non-core assets and focus its resources on its core business which has better potential and prospects. Upon the completion of the Disposal, EESB will cease to be a subsidiary of the Company.

2. DETAILS OF THE DISPOSAL

2.1 Information on EESB and ECPL

EESB is a private limited company incorporated on 17 December 2007 in Malaysia. The principal activity of EESB is provision of freight and forwarding services and to develop, manage and operate a freight terminal and depository with facilities. The issued share capital of EESB is RM50,000.00 comprising 50,000 ordinary shares. EESB is wholly owned by the Company and the Directors of EESB are Chew Chong Keat, Yang Heng Lam and Gan Siew Yong.

EESB also owns a 100% subsidiary, Exterian Capital Pte Ltd (“ECPL”), and a 24% associate company, FMG Logistics Co. Ltd (“FMG Thailand”).

ECPL is a private limited company incorporated on 9 September 2019 in Singapore. The principal activity of ECPL is investment holding. The issued share capital of ECPL is SGD10,000.00 comprising 10,000 ordinary shares. ECPL is wholly owned by EESB which in turn is an indirect wholly owned subsidiary of the Company. The Directors of ECPL are Gan Siew Yong and Gan Siew Hooi.

The Disposal entails the disposal by the Company of its entire direct equity interest in EESB and indirect equity interests in ECPL, which are principally engaged in the shipyard business, excluding FMG Thailand. FMG Thailand will be retained by the Company.

The summary of the audited and unaudited financial information of EESB and ECPL (collectively as “**EESB Group**”) for the financial year ended 30 June 2022 (“**FYE 2022**”) and 30 June 2023 (“**FYE 2023**”) are set out below:

EESB	Audited	Unaudited
	FYE 2022	FYE 2023
	RM'000	RM'000
Revenue	231	227
Profit/(loss) before tax	(266)	977
Profit/(loss) after tax	(266)	977
Net (liabilities)/assets	(171)	807

ECPL	Audited	Unaudited
	FYE 2022	FYE 2023
	SGD'000	SGD'000
Revenue	-	-
Profit/(loss) before tax	42	(113)
Profit/(loss) after tax	42	(113)
Net (liabilities)/assets	53	(60)

2.2 Information on the Purchaser

The Purchaser, CCK is the Group Managing Director of the Group. He is also a major shareholder of FM, holding 24.06% direct and 0.10% indirect interest in the Company.

2.3 Utilisation of proceeds from the Disposal

The proceeds derived from the Disposal will be utilised for working capital requirements and/or operations of the Group.

3. LIABILITIES INCLUDING CONTINGENT LIABILITIES WHICH REMAIN WITH FM

Both FM and the Purchaser have agreed to replace, terminate, close or substitute, *inter alia*, the existing corporate guarantees provided by FM, arising from or in connection with the shipyard business, with the personal guarantees to be given by the Purchaser upon the terms and conditions stated in the SSA.

There are no liabilities, including contingent liabilities and guarantees, to be assumed by the Group arising from the Disposal.

4. ORIGINAL COST AND DATE OF INVESTMENT

The aggregate original cost and dates of investment of EESB Group are as follow:

	<u>Date of Investment</u>	<u>Cost of Investment</u>
EESB	November 2010	RM250,000.00
	July 2011	RM50,000.00
		<hr/> RM300,000.00
ECPL	April 2020	SGD10,000.00
		<i>(equivalent to RM30,805.00)</i>
		<hr/> <hr/> RM330,805.00

5. CASH COMPANY OR PRACTICE NOTE 17 (“PN17”) COMPANY

The Disposal is not expected to result in FM becoming a Cash Company or a PN17 Company as defined under the MMLR.

6. BASIS AND JUSTIFICATION IN ARRIVING AT THE DISPOSAL CONSIDERATION

The Disposal Consideration was arrived on a “willing buyer-willing seller” basis after taking into account the following:

- (a) EESB is a non-operational company;
- (b) EESB has a hire purchase liability of approximate RM7,600,000.00 as at 20 June 2023; and
- (c) the aggregate net assets of EESB Group, based on unaudited financial information as at 30 June 2023, are as follow:

	<u>Net Assets</u> <u>RM'000</u>
EESB	807
ECPL	(208)
Aggregate Net Assets	<hr/> <hr/> 599

- (d) The rationale of the Disposal as set out in Section 7 of this announcement.

7. SALIENT TERMS OF THE SSA AND THE SA

The salient terms of the SSA and the SA are as follow:

(a) Sale and purchase

FM agreed to sell and the Purchaser agreed to purchase the Sale Shares (together with all commitments and liabilities (contingent or otherwise) of the Company) on an “as is where is” basis for the Disposal Consideration which consists of:-

- a. RM50,000.00, being the consideration for the Sale Shares upon the terms and conditions set out in the SSA; and
- b. RM4,150,000.00, being the settlement and repayment of the Advances upon the terms and conditions set out in the SA.

(b) Mode of satisfaction of Disposal Consideration

Upon the execution of the SSA and SA, the Purchaser shall pay a consideration sum of RM50,000.00 in cash for the sale and purchase of the Sale Shares in EESB. Thereafter, the Purchaser shall pay the Settlement Sum of RM4,150,000.00 to FM Group in the manner and subject to the terms and conditions as stipulated in the SA.

(c) Completion

The sale and purchase of the Sale Shares shall be deemed to be completed on the date of the SSA or at any other time as the parties may agree in writing (“**SSA Completion Date**”), when all of the relevant business stated in the SSA shall be transacted (“**Completion**”). Beneficial title to and risk in the Sale Shares shall pass to the Purchaser on the SSA Completion Date.

After Completion of the SSA, the Purchaser shall, on a best effort basis, promptly do all things necessary (including the prompt payment of the necessary duty, tax, levy and other charge payable) to cause the registration of the transfer of Sale Shares to the Purchaser and the registration of the Purchaser as a member of EESB.

Under the SA, CCK shall pay the settlement sum to FM and/or the Group (as FM and/or the Group may direct at its sole and absolute discretion) as full and final settlement of the Advances.

(d) Post-completion undertakings

The Purchaser shall undertake to procure that EESB shall (where required), after Completion of the SSA, promptly substitute with a personal guarantee, terminate or close all the corporate guarantees issued by the Group and bear the costs relating to the same and other undertakings as stipulated in the SSA.

In any event, the Purchaser will indemnify the Group in respect of, *inter alia*, any liabilities arising from or in connection with such corporate guarantees issued or granted by the Group arising from or in connection with the shipyard business.

(e) Remedies upon default and Termination

If any party defaults on its obligations to sale or purchase the Sale Shares or is in breach of any provisions of the SSA and has failed to remedy the same to the satisfaction of each other within seven (7) days from the date of a written notice from either party requiring such breach to be remedied, the non-defaulting party shall be entitled to the remedy of specific performance and damages against the defaulting party, or claim for damages, without prejudice to its other rights or remedies.

The parties are not entitled to rescind or terminate the SSA in any circumstances whatsoever (whether before or after Completion).

8. RATIONALE AND BENEFITS OF THE DISPOSAL

The Disposal is in line with the Group’s aim to dispose of non-core assets, i.e. shipyard related business and to focus its resources on its core business in freight and logistics services to improve the operational efficiency of the Group.

Premised on the above, it is in the best interest of FM to (i) dispose of EESB Group to the Purchaser; and (ii) recover part of the Advances granted by the Group to EESB Group from CCK pursuant to the SA in relation to the Disposal. The proceeds from the Disposal Consideration will be used for the Group working capital purposes.

9. RISK FACTORS

9.1 Loss of contribution from EESB Group

Upon completion of the Disposal, EESB Group will cease to be FM's subsidiary and the Group will cease to consolidate the financial results of EESB Group. Notwithstanding that, the potential loss of contribution from EESB Group is minimal due to the uncertainty of the shipyard business.

The Disposal is expected to facilitate the Group in achieving its strategy as mentioned under Sections 1 and 2 of this announcement, whereby FM is able to allocate more resources to expand its core business in total logistics which can enhance the earnings of the Group.

10. FINANCIAL EFFECTS OF THE DISPOSAL

10.1 Issued share capital

The Disposal will not have any effect on the issued share capital of FM as there is no issuance of new shares of FM.

10.2 Net Assets and gearing

For illustration purpose, based on the audited financial statements of FM as at 30 June 2022, the pro forma effects of the Disposal on the consolidated NA and gearing of the Group are as follows:

	Audited as at 30 June 2022 (RM'000)	After the Disposal (RM'000)
Share capital	104,290	104,290
Reserves	83,670	83,670
Retained profit	173,615	169,166
Equity attributable to owners of the Company	361,575	357,126
Non-controlling interest	15,162	15,162
Total equity	376,737	372,288
No. of shares ('000)	558,445	558,445
NA per share (RM)	0.65	0.64
Borrowings	203,547	195,875
Gearing ratio (times)	0.56	0.55

10.3 Earnings and Earnings per Share ("EPS")

The Disposal will not have any significant effect on the earnings and EPS of the Group as there is no material gain/loss from the Disposal.

10.4 Substantial shareholders' shareholdings

The Disposal will not have any effect on the substantial shareholders' shareholdings in the Company as there is no issuance of new FM's shares.

11. APPROVALS REQUIRED

The Disposal is not subject to the approval of the shareholders of FM and/or any other relevant regulatory authorities and it is not conditional upon any other corporate exercise undertaken or to be undertaken by the Company.

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

Save as disclosed below, none of the other Directors, major shareholders of FM and/or person connected to them have any interests, direct or indirect in the Disposal:

- (a) Chew Chong Keat, the Purchaser, is the Group Managing Director of the Group. He is also a major shareholder of the Company, holding 24.06% and 0.10% direct and indirect interest in the Company.
- (b) Gan Siew Yong, an Executive Director of the Group, is the spouse of Chew Chong Keat. She is also a shareholder of FM, holding 4.35% and 0.10% direct and indirect interest in the Company. Therefore, she is deemed interested in the Disposal.
- (c) Both Chew Chong Keat and Gan Siew Yong are also Directors of EESB.

The Disposal is a related party transaction under Paragraph 10.08 of the MMLR in view of the interest of the interested parties namely Chew Chong Keat and Gan Siew Yong ("**Interested Parties**") by virtue of their directorships and shareholdings in FM. Accordingly, the Interested Parties have abstained and will continue to abstain from all Board deliberations and voting in relation to the Disposal.

13. STATEMENT BY THE BOARD AND AUDIT AND RISK MANAGEMENT COMMITTEE

The Board (save for the Interested Parties who have abstained from deliberating and voting in respect of the Disposal at the relevant Board meetings) and the Audit and Risk Management Committee of FM, after having considered all aspects of the Disposal, including but not limited to the rationale, basis and justification for the Disposal Consideration, the terms and conditions of the SSA and SA as well as the financial effects of the Disposal, are of the opinion that the Disposal is:

- (a) in the best interest of the Group;
- (b) fair and reasonable; and
- (c) not detrimental to the interest of the non-interested shareholders of the Group.

14. TOTAL AMOUNT TRANSACTED WITH THE SAME RELATED PARTIES FOR THE PRECEDING 12 MONTHS

There is no transaction entered into between FM and the related parties, namely the Interested Parties for the 12 months preceding from LPD.

15. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Disposal pursuant to Paragraph 10.02(g) of the MMLR is 1.10% based on the latest audited consolidated financial statements of the Company for the financial year ended 30 June 2022.

16. ESTIMATED TIMEFRAME FOR COMPLETION OF THE DISPOSAL

The Disposal is deemed to be completed on the date of the SSA.

17. DOCUMENTS AVAILABLE FOR INSPECTION

The SSA and the SA are 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 29 August 2023.