

THIS STATEMENT/CIRCULAR TO SHAREHOLDERS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

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JHM CONSOLIDATION BERHAD
[Company No.: 200501009101 (686148-A)]
(Incorporated in Malaysia)

PART A

STATEMENT TO SHAREHOLDERS IN RELATION TO THE PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN ORDINARY SHARES OF UP TO 10% OF THE TOTAL NUMBER OF ISSUED SHARES

PART B

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE COMPANY

The above proposals will be tabled as special business at the Fifteenth Annual General Meeting ("**AGM**") of the Company.

Notice of the AGM to be held at Grand Ballroom I, LG Level – Main Wing, Hotel Equatorial Penang, 1, Jalan Bukit Jambul, Bayan Lepas, 11900 Penang on Wednesday, 26 August 2020 at 11.00 a.m. together with the Form of Proxy are enclosed in the Annual Report 2019 of the Company. The Form of Proxy should be completed and lodged at the registered office of the Company at 51-13-A Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang, not less than 48 hours before the time fixed for holding the AGM. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the meeting should you wish to do so.

Last date and time for lodging the Form of Proxy : Monday, 24 August 2020 at 11.00 a.m.
Date and time of the AGM : Wednesday, 26 August 2020 at 11.00 a.m.

This Statement/Circular is dated 18 June 2020

DEFINITIONS

In this Statement/Circular and the accompanying appendices, the following abbreviations shall have the following meanings unless otherwise stated:

15 th AGM	:	Fifteenth Annual General Meeting of the Company
ACE Market	:	ACE Market of Bursa Securities
Act	:	Companies Act 2016 and any statutory modification, amendment or re-enactment thereof for the time being in force
Annual Report 2019	:	Annual Report of JHM for the financial year ended 31 December 2019
Board	:	Board of Directors of JHM
Bursa Securities	:	Bursa Malaysia Securities Berhad [200301033577 (635998-W)]
Code	:	The Malaysia Code on Take-over and Mergers 2016 (as amended from time to time)
Constitution	:	Constitution of JHM
Director(s)	:	Shall have the meaning given in Section 2(1) of the Capital Markets And Services Act 2007
EPS	:	Earnings per share
JHM or the Company	:	JHM Consolidation Berhad [200501009101 (686148-A)]
JHM Group or the Group	:	JHM and its subsidiary companies
Listing Requirements	:	ACE Market Listing Requirements of Bursa Securities
LPD	:	10 June 2020, being the latest practicable date prior to the printing of this Statement/Circular
Market Day	:	A day which Bursa Malaysia Berhad is open for trading in securities
NA	:	Net Assets
Proposed Amendments	:	Proposed amendments to the Constitution of JHM
Proposed Renewal of Share Buy-Back Authority	:	The proposed renewal of share buy-back authority for JHM to purchase its own ordinary shares of up to 10% of the total number of issued shares
Purchased Shares	:	Shares purchased pursuant to the Proposed Renewal of Share Buy-Back Authority
RM and sen	:	Ringgit Malaysia and sen respectively
Share(s)	:	Ordinary share(s) in JHM

DEFINITIONS (CONT'D)

All references to “our Company” or “JHM” in this Statement/Circular are to JHM Consolidation Berhad, and references to “our Group” or “JHM Group” are to our Company and our subsidiaries. References to “we”, “us”, “our” and “ourselves” are to our Company and, where the context requires otherwise, our subsidiaries.

All references to “you” in this Statement/Circular are to the shareholders of our Company.

Words denoting the singular number shall, where applicable, include the plural and vice versa, and words denoting the masculine gender shall, where applicable, include the feminine and/or neuter genders, and vice versa. References to persons shall include corporations.

Any reference in this Statement/Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted.

Any reference to time of day and date of this Statement/Circular is a reference to Malaysian time and date, unless otherwise stated.

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PART A

**STATEMENT TO SHAREHOLDERS IN RELATION TO THE PROPOSED RENEWAL OF
AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN ORDINARY SHARES OF
UP TO 10% OF THE TOTAL NUMBER OF ISSUED SHARES**



[Company No.: 200501009101 (686148-A)]
(Incorporated in Malaysia)

Registered Office

51-13-A, Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Penang

Date: 18 June 2020

Board of Directors:

Lim Chun Thang (*Independent Non-Executive Chairman*)
Dato' Tan King Seng (*Executive Director/ Group Chief Executive Officer*)
Cheah Choon Ghee (*Executive Director*)
Khor Thean Lee (*Executive Director*)
Koh Yew Wah (*Executive Director*)
Wong Chi Yeng (*Independent Non-Executive Director*)
Lai Fah Hin (*Independent Non-Executive Director*)
Khor Cheng Kwang (*Independent Non-Executive Director*)

To: The Shareholders of JHM Consolidation Berhad

Dear Sir/Madam,

STATEMENT TO THE SHAREHOLDERS IN RELATION TO THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

1. INTRODUCTION

The Board had on 1 June 2020, announced the Company's intention to seek shareholders' approval for the Proposed Renewal of Share Buy-Back Authority at the forthcoming AGM.

The purpose of this Statement is to provide you with the details of the Proposed Renewal of Share Buy-Back Authority and to seek your approval for the ordinary resolution pertaining thereto to be tabled at the forthcoming AGM. The Notice convening the AGM of JHM and the Form of Proxy are enclosed in the Annual Report 2019 of the Company.

2. DETAILS OF THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

- 2.1** The Company is proposing to seek a renewal of share buy-back authority from the shareholders at the forthcoming AGM of JHM to be convened on 26 August 2020 for the Company to purchase up to 10% of the total number of issued shares of the Company.

The Proposed Renewal of Share Buy-Back Authority will be effective immediately upon passing of the Ordinary Resolution pertaining to the Proposed Renewal of Share Buy-Back Authority by shareholders of JHM at the forthcoming AGM and will continue to be in force until :-

- a) the conclusion of the next AGM of JHM following the AGM at which such resolution was passed at which time the authority would lapse unless renewed by ordinary resolution, either unconditionally or conditionally; or
- b) the expiration of the period within which the next AGM of JHM after that date it is required by law to be held; or

- c) the authority is revoked or varied by ordinary resolution passed by the shareholders of JHM in a general meeting;

whichever occurs first.

2.2 As at LPD, the total number of issued shares of the Company is 557,600,000 Shares.

For illustration purposes, the maximum number of Shares that may be bought back under the new mandate pursuant to the Proposed Renewal of Share Buy-Back Authority based on the total number of issued shares as at LPD and the number of treasury shares held as at LPD are as follows:

	<u>No. of Shares</u>
Total number of issued shares as at LPD*	557,600,000
Proposed Renewal of Authority to Buy Back Shares	55,760,000
Less: Number of Shares bought back and held as treasury shares as at LPD	<u>(966,900)</u>
Maximum number of Shares that may be further bought back	<u>54,793,100</u>

Note:-

* inclusive of the treasury shares held by the Company.

2.3 Pursuant to Rule 12.10 of the Listing Requirements, the Proposed Renewal of Share Buy-Back Authority must be made wholly out of the retained profits account of the Company. The maximum amount of funds to be allocated for the Proposed Renewal of Share Buy-back Authority shall not exceed the retained profits of the Company.

Based on our audited financial Statements for the financial year ended 31 December 2019, the retained profits of the Company stood at RM9.54 million.

2.4 Pursuant to the Listing Requirements, the purchase price of Shares cannot be more than 15% above the weighted average market price of our Shares for the 5 Market Days immediately preceding the date of the purchase. In the case of a resale or transfer of the treasury shares on Bursa Securities, the Company may only resell or transfer any treasury shares at a price, which is:

- (i) not less than the weighted average market price of Shares for 5 Market Days immediately prior to the date of the resale or transfer; or
- (ii) a discounted price of not more than 5% to the weighted average market price for Shares for 5 Market Days immediately prior to the date of the resale or transfer, provided that:
 - (a) the resale or transfer takes place not earlier than 30 days from the date of the purchase; and
 - (b) the resale or transfer price is not less than the cost of purchase of the Shares being resold or transferred.

2.5 The Directors may deal with Shares so purchased in accordance with the Act in the following manner :-

- (i) cancel the Shares so purchased;
- (ii) retain the Shares so purchased as treasury shares; or
- (iii) retain part of the Shares so purchased as treasury shares and cancel the remainder.

Where Shares so purchased are held as treasury shares, the Directors may deal with the treasury shares in the following manner :-

- (a) distribute the shares as dividends to shareholders, such dividends to be known as "share dividends";
- (b) resell the shares or any of the shares in accordance with the relevant rules of Bursa Securities;
- (c) transfer the shares, or any of the shares for the purpose of or under an employees' share scheme;

- (d) transfer the shares, or any of the shares as purchase consideration;
- (e) cancel the shares or any of the shares; or
- (f) sell, transfer or otherwise use the shares for such other purposes as the Minister may by order prescribe.

Appropriate announcement(s) and/or notice(s) will be made to Bursa Securities and the relevant authorities in respect of the Board's decision on the treatment of the Purchased Shares in compliance with the Listing Requirements and the Act. The Board may decide to cancel the Purchased Shares if the cancellation of the said Shares is expected to enhance the EPS of the Group and thereby in the long term, have a positive impact on the market price of the Shares. If the Board decides to retain the Purchased Shares as treasury shares, it may distribute the treasury shares as share dividends to the Company's shareholders and/or resell the Purchased Shares in accordance with the Listing Requirements and utilise the proceeds for any feasible investment opportunity arising in future as working capital.

- 2.6** The Proposed Renewal of Share Buy-Back Authority will allow the Board to exercise the power of the Company to purchase its Shares at any time within the abovementioned period using the internal funds of the Company and/or external borrowings. The amount of internally generated funds and/or external borrowings to be utilised will only be determined later, depending on, amongst others, the availability of internally generated funds, the actual number of Shares to be purchased and other relevant factors.

The actual number of Shares to be purchased and the timing of such purchases will depend on, amongst others, the market conditions and sentiments of the stock market as well as the retained profits account and the financial resources available to the Company. In the event the Company purchases its own Shares using external borrowings, the Board will ensure that the Company has sufficient funds to repay the external borrowings and that the repayment would have no material effect on the cash flow of the Company.

3. RATIONALE FOR THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

The Proposed Renewal of Share Buy-Back Authority has the potential of benefiting JHM and its shareholders in the following manner:

- (a) JHM will have the avenue of stabilising the supply and demand of its Shares in the open market and thereby supporting the fundamental values of Shares, in particular to ensure, where possible, that the market share price is fair reflection of the value of the Company;
- (b) JHM may also utilise the treasury shares as future dividend payout to the Company's shareholders and/or resell the Shares in the open market to profit from future price appreciation of Shares; and
- (c) The Proposed Renewal of Share Buy-Back Authority is expected to enhance the value for shareholders from the resultant reduction in the number of Shares in the open market, all things remaining equal. The Proposed Renewal of Share Buy-Back Authority also signals the focus of the Board and management of JHM on returns to shareholders.

4. POTENTIAL ADVANTAGES OF THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

The potential advantages of the Proposed Renewal of Share Buy-Back Authority to the Company and its shareholders are as follows:

- (a) The EPS of the JHM Group would be enhanced (all things being equal);
- (b) The Company may be able to reduce any unwarranted volatility of the Shares and assist to stabilise the supply, demand and price of the Shares in the open market, thereby supporting the fundamental value of the Shares;

- (c) If the Shares so purchased are retained as treasury shares, it will provide the Board an option to sell the treasury shares at a higher price and therefore make an exceptional gain for the Company. Alternatively, the treasury shares can be distributed as share dividends to shareholders;
- (d) Provides the Company with the flexibility in achieving the desired capital structure, in terms of debt and equity composition and size of equity; and
- (e) Allows the Company to take preventive measures against speculations particularly when the Shares are undervalued which would in turn, stabilise the market price of the Shares and hence, enhance investors' confidence.

5. POTENTIAL DISADVANTAGES OF THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

The Proposed Renewal of Share Buy-Back Authority will temporarily reduce the financial resources of the Company. This may result in the Company foregoing other investment opportunities that may emerge in the future or, at least, deprive the Company of interest income that can be derived from funds to be utilised for the Proposed Renewal of Share Buy-Back Authority.

It may also reduce the amount of resources available for distribution in the form of dividends to the shareholders as funds are utilised to purchase its own Shares. However, the financial resources of the Company may recover and increase upon the re-selling of the Purchased Shares held as treasury shares.

Notwithstanding the above, the Board is of the view that the Proposed Renewal of Share Buy-Back Authority is not expected to have any material disadvantage to the shareholders as well as the Company as it will be implemented only after careful consideration of the financial resources of the Group and the resultant impact on the shareholders and the Company.

6. EFFECTS OF THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

The effects of the Proposed Renewal of Share Buy-Back Authority are as follows:

6.1 Number of Issued Shares

The Proposed Renewal of Share Buy-Back Authority will have no effect on the total number of issued shares of JHM if all of the Shares purchased are held as treasury shares. The Proposed Renewal of Share Buy-Back Authority will reduce the total number of issued Shares of the Company as follows if all of the Shares purchased are subsequently cancelled:

	No. of Shares
Total number of issued Shares as at LPD *	557,600,000
Less: Maximum number of Shares that may be purchased	(55,760,000)
Total number of issued Shares after the Proposed Renewal of Share Buy-Back Authority	501,840,000

Note:-

* The existing number of Shares is inclusive of the treasury shares held by the Company. As at the LPD, the number of Shares held as treasury shares are 10 June 2020, of which none has been cancelled.

However, while the Shares are held as treasury shares, the rights attached to them as to voting, dividends and participation in other distribution or otherwise, are suspended and the treasury shares shall not be taken into account in calculating the number or percentage of the Company's Shares or of a class of the Company's Shares for any purposes including substantial shareholding, take-overs, notices, the requisitioning of meetings, the quorum for a meeting and the result of a vote on a resolution at a meeting.

6.2 NA

The consolidated NA of the Company may increase or decrease depending on the number of Shares purchased under the Proposed Renewal of Share Buy-Back Authority, the purchase prices of its Shares, the effective cost of funding and the treatment of its Shares purchased under the Proposed Renewal of Share Buy-Back Authority.

The Proposed Renewal of Share Buy-Back Authority will reduce the consolidated NA per Share when the purchase price exceeds the consolidated NA per Share at the time of purchase. On the contrary, the consolidated NA per Share will increase when the purchase price is less than the consolidated NA per Share at the time of purchase.

If the Shares purchased under the Proposed Renewal of Share Buy-Back Authority are held as treasury shares and subsequently resold on Bursa Securities, the consolidated NA per Share would increase if the Company realises a gain from the resale or vice versa. If the treasury shares are distributed as share dividends, it will decrease the Group's NA by the cost of the treasury shares.

6.3 Working Capital

Although the Proposed Renewal of Share Buy-Back Authority will reduce the working capital of the JHM Group to the extent of the amount of funds utilised for the purchase of the Company's Shares, it is not expected to have a material effect on the working capital of the JHM Group.

The cash flow of the Company and of the JHM Group will be reduced and the extent of the cash flow reduction will depend on the number of Shares purchased and the purchase prices of the Shares.

6.4 Earnings

The effect of the Proposed Renewal of Share Buy-Back Authority on the consolidated EPS of the Company will depend on the purchase prices paid for its Shares, the effective funding cost to the Group to finance the purchases of its Shares or any loss in interest income to the Group, if internally generated funds are utilised to finance the purchase of its Shares. Further, the purchase of Shares will result in a lower number of shares being taken into account for purposes of EPS computation.

Assuming that any Purchased Shares are retained as treasury shares and resold on Bursa Securities, the effects on the consolidated earnings of the Company will depend on the actual selling price, the number of treasury shares resold and the effective gain or interest savings arising from the exercise.

6.5 Dividends

Assuming the Proposed Renewal of Share Buy-Back Authority is implemented in full, it may reduce the amount of distributable reserves available for payment of dividend as the funds to be allocated for the purchase of the Shares are utilised from the Company's retained earnings account.

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6.6 Directors and Substantial Shareholders' shareholdings

The direct and indirect shareholdings of the Directors and Substantial Shareholders of the Company as at LPD are set out as follows:

	As at the LPD				After the Proposed Renewal of Share Buy-Back authority ⁽ⁱⁱⁱ⁾			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Directors								
Lim Chun Thang	-	-	-	-	-	-	-	-
Dato' Tan King Seng	187,002,000	33.595	-	-	187,002,000	37.263	-	-
Cheah Choon Ghee	5,830,000	1.047	75,441,452 ⁽ⁱ⁾	13.553	5,830,000	1.162	75,441,452 ⁽ⁱ⁾	15.033
Khor Thean Lee	119,000	0.021	-	-	119,000	0.024	-	-
Koh Yew Wah	500,000	0.090	-	-	500,000	0.100	-	-
Wong Chi Yeng	30,000	0.005	-	-	30,000	0.006	-	-
Lai Fah Hin	23,000	0.004	14,000 ⁽ⁱⁱ⁾	0.003	23,000	0.005	14,000 ⁽ⁱⁱ⁾	0.003
Khor Cheng Kwang	-	-	-	-	-	-	-	-
Substantial Shareholders								
Dato' Tan King Seng	187,002,000	33.595	-	-	187,002,000	37.263	-	-
Noble Matters Sdn Bhd	75,441,452	13.553	-	-	75,441,452	15.033	-	-
Cheah Choon Ghee	5,830,000	1.047	75,441,452 ⁽ⁱ⁾	13.553	5,830,000	1.162	75,441,452 ⁽ⁱ⁾	15.033
Ong Hock Seong	12,542,600	2.253	75,441,452 ⁽ⁱ⁾	13.553	12,542,600	2.499	75,441,452 ⁽ⁱ⁾	15.033

Notes:

⁽ⁱ⁾ Deemed interested by virtue of his shareholdings of not less than 20% in Noble Matters Sdn. Bhd. pursuant to Section 8 of the Act.

⁽ⁱⁱ⁾ Other interest held through spouse pursuant to Section 59(1)(c) of the Act.

⁽ⁱⁱⁱ⁾ Assuming the Proposed Renewal of Share Buy Back implemented in full.

Save for the proportionate increase in the percentage shareholdings including, amongst others, the voting rights as shareholders in the Company, none of our Directors, substantial shareholders and persons connected with them has any interest, direct or indirect, in the Proposed Renewal of Share Buy-Back Authority.

7. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of Shares transacted for the 12 months from June 2019 to May 2020 are as follows:

	High RM	Low RM
<u>2019</u>		
June	1.280	1.090
July	1.350	1.210
August	1.260	1.070
September	1.300	1.110
October	1.410	1.230
November	1.480	1.260
December	1.690	1.310
<u>2020</u>		
January	1.780	1.460
February	1.540	1.170
March	1.230	0.500
April	1.040	0.690
May	0.995	0.830

The last transacted market price of the Shares as at LPD RM0.965

8. PUBLIC SHAREHOLDING SPREAD

The Proposed Renewal of Share Buy-Back Authority will be carried out in accordance with the prevailing laws at the time of the purchase including compliance with the requirement of 25% public shareholding spread under Rule 8.02(1) of the Listing Requirements.

As at LPD, the public shareholding spread of our Company based on the total issued Shares of 557,600,000 Shares (inclusive of 966,900 treasury shares) was 49.43%. Our Board will ensure that the Company complies with the minimum public spread in implementing the Proposed Renewal of Share Buy-Back Authority.

9. IMPLICATION OF THE CODE

It is not intended for the Proposed Renewal of Share Buy-Back Authority to trigger the obligation to undertake a mandatory offer pursuant to the Code for any of its substantial shareholders and/or parties acting in concert with them. However, in the event an obligation to undertake a mandatory offer is to arise with respect to any parties resulting from the Proposed Renewal of Share Buy-Back Authority, the relevant parties shall make the necessary application to the Securities Commission for a waiver to undertake a mandatory offer prior to such obligation being triggered.

10. PURCHASE, RESALE, TRANSFER AND CANCELLATION OF PURCHASED SHARES MADE IN THE PREVIOUS TWELVE (12) MONTHS

Details of Purchased Shares made in the preceding 12 months preceding the LPD are as follows:

No.	Date of Purchase	Number of Shares Purchased	Purchase price (RM)		Average Price Paid (RM)	Total Consideration (RM)
			Lowest	Highest		
1.	1 April 2020	200,000	0.705	0.720	0.714	143,249.79
2.	2 April 2020	250,000	0.760	0.765	0.762	191,162.94
3.	3 April 2020	66,900	0.755	0.755	0.755	50,845.90
4.	6 April 2020	100,000	0.780	0.785	0.783	78,821.48
5.	7 April 2020	100,000	0.845	0.845	0.845	85,062.77
6.	8 April 2020	150,000	0.855	0.860	0.858	129,198.06
7.	9 April 2020	100,000	0.890	0.895	0.894	89,974.27
	Total	966,900				768,315.21

As at the LPD, a total of 966,900 Shares were being held as treasury shares. The Company has not resold or transferred or cancelled and/or distributed any treasury shares as dividend in the preceding 12 months.

11. APPROVALS REQUIRED

The Proposed Renewal of Share Buy-Back Authority is subject to the approval of the shareholders of the Company at the forthcoming AGM.

12. DIRECTORS AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

Save for the proportionate increase in the percentage shareholdings of the Directors and Substantial Shareholders in the Company as a result of the Proposed Renewal of Share Buy-Back Authority, none of the Directors or Substantial Shareholders and/or persons connected to them, has any interest, direct or indirect, in the Proposed Renewal of Share Buy-Back Authority or the resale of the treasury shares, if any.

13. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board, having considered all the aspects of the Proposed Renewal of Share Buy-Back Authority, is of the opinion that it is in the best interest of the Company. Accordingly, the Board recommends that you vote in favour of the ordinary resolution pertaining to the Proposed Renewal of Share Buy-Back Authority to be tabled at the forthcoming AGM.

14. THE 15TH AGM

The notice convening the 15th AGM to vote on the resolution and the Form of Proxy are set out in the Annual Report 2019 accompanying this Statement. The 15th AGM will be held at Grand Ballroom I, LG Level – Main Wing, Hotel Equatorial Penang, 1, Jalan Bukit Jambul, Bayan Lepas, 11900 Penang on Wednesday, 26 August 2020 at 11.00 a.m. for the purpose of considering and if thought fit, approving, inter alia, with or without modifications, the resolution on the Proposed Renewal of Share Buy-Back Authority as Special Business.

If you are unable to attend and vote in person at the 15th AGM, you should complete, sign and return the Form of Proxy enclosed with the Annual Report 2019 in accordance with the instructions printed therein as soon as possible so as to arrive at the registered office of the Company at 51-13-A Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang, not later than 48 hours before the time appointed for holding of the 15th AGM. The lodgement of the Form of Proxy will not preclude you from attending and voting in person should you wish to do so.

15. ADDITIONAL INFORMATION

Shareholders are advised to refer to the attached Appendix I for additional information.

Yours faithfully

For and on behalf of the Board of Directors of
JHM CONSOLIDATION BERHAD

DATO' TAN KING SENG

Executive Director

Group Chief Executive Officer

PART B

**CIRCULAR TO SHAREHOLDERS IN RELATION TO THE PROPOSED AMENDMENTS
TO THE CONSTITUTION OF THE COMPANY**



[Company No.: 200501009101 (686148-A)]
(Incorporated in Malaysia)

Registered Office

51-13-A, Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Penang

Date: 18 June 2020

Board of Directors:

Lim Chun Thang (*Independent Non-Executive Chairman*)
Dato' Tan King Seng (*Executive Director/ Group Chief Executive Officer*)
Cheah Choon Ghee (*Executive Director*)
Khor Thean Lee (*Executive Director*)
Koh Yew Wah (*Executive Director*)
Wong Chi Yeng (*Independent Non-Executive Director*)
Lai Fah Hin (*Independent Non-Executive Director*)
Khor Cheng Kwang (*Independent Non-Executive Director*)

To: The Shareholders of JHM Consolidation Berhad

Dear Sir/Madam,

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE COMPANY (“PROPOSED AMENDMENTS”)

1. INTRODUCTION

The Board had on 31 December 2019 announced that the Company proposed to undertake the following proposals :-

- (i) proposed transfer of the listing of and quotation for the entire issued share capital of JHM from the ACE Market to the Main Market of Bursa Securities (“Proposed Transfer”); and
- (ii) proposed amendments to the Constitution of JHM to facilitate the implementation of the Proposed Transfer.

Subsequently, the Board had on 3 June 2020 announced the Company proposed to undertake the Proposed Amendments.

The Proposed Amendments is to facilitate the implementation of the Proposed Transfer as well as to be in line with the latest amendments to the Companies Act 2016.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH INFORMATION ON THE PROPOSED AMENDMENTS AND TO SEEK YOUR APPROVAL FOR THE SPECIAL RESOLUTION PERTAINING TO THE PROPOSED AMENDMENTS, WHICH WILL BE TABLED AT THE FORTHCOMING 15TH AGM.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDIX CONTAINED HEREIN BEFORE VOTING ON THE SPECIAL RESOLUTION PERTAINING TO THE PROPOSED AMENDMENTS TO BE TABLED AT THE FORTHCOMING 15TH AGM

2. DETAILS OF THE PROPOSED AMENDMENTS

The Board proposes to alter and amend the following existing Articles of the Company's Constitution in the following manner with effect from the date the Company is transferred from the ACE Market to Main Market of Bursa Securities :-

Article No.	Existing Article	Amended Article
Article 6(a) - Listing Requirements	means Bursa Malaysia Securities Berhad ACE Market Listing Requirements including any amendment thereto that may be made from time to time	means Bursa Malaysia Securities Berhad Main Market Listing Requirements including any amendment thereto that may be made from time to time
Article 24 -	<p>The Company shall have a first and paramount lien on every share and dividends declared in respect of such shares (not being a fully paid up share), such lien to be restricted to:-</p> <p>(a) unpaid calls and installments upon the specific shares in respect of which such moneys are due and unpaid,</p> <p>(b) if the shares were acquired under an employee share option scheme, amounts which are owed to the Company for acquiring them; and</p> <p>(c) such amounts as the Company is required by law to pay, and has paid, in respect of the shares of the Member or deceased Member.</p> <p>In each case, the lien extends to reasonable interest and expenses incurred because the amount is not paid. The Directors may at any time declare any share to be wholly or in part exempted from the provisions of this Article.</p>	<p>The Company shall have a first and paramount lien on every share (not being a fully paid up share), such lien to be restricted to unpaid calls and instalments upon the specific shares in respect of which such moneys are due and unpaid, and to such amount as the Company may be called upon by law to pay and has paid in respect of the shares of the Member or deceased Member. The Company's lien, if any, on share shall extend to all dividends payable thereon and other moneys payable thereon or in respect thereof. The Board may at any time declare any share to be wholly or in part exempted from the provisions of this Article.</p>
Article 59 -	<p>The Company may by Special Resolution: -</p> <p>(a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;</p>	<p>The Company may by Ordinary Resolution: -</p> <p>(a) consolidate and divide all or any of its share capital, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived;</p>

	<p>(b) subdivide its share capital or any part thereof into shares of smaller amount than is fixed by this Constitution by subdivision of its existing shares or any of them, subject nevertheless to the provisions of the Act and so that as between the resulting shares, one (1) or more of such shares may, by the resolution by which such subdivision is effected, be given any preference or advantage as regards dividend, return of capital, voting or otherwise over the others or any other of such shares;</p> <p>(c) cancel shares which at the date of the passing of the resolution in that behalf have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled; and</p> <p>(d) subject to the provisions of this Constitution and the Act, convert and/or re-classify any class of shares into any other class of shares.</p>	<p>(b) subdivide its shares or any of the shares, whatever is in the subdivision, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived. Any resolution whereby any share is subdivided may determine that, as between the holders of shares resulting from such subdivision, one or more of such shares may have such preferred or other special rights over, or may be given any preference or advantage as regards dividends, return of capital, voting or otherwise over the other or others of such shares; or</p> <p>(c) convert all or any of its paid-up shares into stock and may re-convert that stock into paid-up shares or subject to the Act, reclassify any class of shares into other class of shares.</p>
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3. RATIONALE FOR THE PROPOSED AMENDMENTS

The Proposed Amendments is necessary to incorporate the relevant amendments to the Constitution of the Company to facilitate the implementation of the proposed transfer of the listing of and quotation for the entire issued share capital of the Company from the ACE Market to the Main Market of Bursa Securities as announced by the Company on 31 December 2019 as well as to be in line with the latest amendments to the Companies Act 2016.

4. EFFECTS OF THE PROPOSED AMENDMENTS

The Proposed Amendments will not have any effect on the share capital of the Company and shall not have any effect on the substantial shareholders' shareholdings, net assets, dividend policy, gearing, earnings and earnings per share of the Company.

5. APPROVAL REQUIRED

The Proposed Amendments is subject to the approval of the shareholders of the Company at the forthcoming AGM.

The Proposed Amendments will take effect only on the date of listing of JHM on the Main Market of Bursa Securities.

6. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

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

7. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board, after having considered all aspects for the Proposed Amendments, is of the opinion that the Proposed Amendments is in the best interest of the Company. Accordingly, the Board recommends that you vote in favour of the special resolution in relation to the Proposed Amendments to be tabled at the forthcoming AGM of the Company.

8. THE 15TH AGM

The notice convening the 15th AGM to vote on the resolution and the Form of Proxy are set out in the Annual Report 2019 accompanying this Circular. The 15th AGM will be held at Grand Ballroom I, LG Level – Main Wing, Hotel Equatorial Penang, 1, Jalan Bukit Jambul, Bayan Lepas, 11900 Penang on Wednesday, 26 August 2020 at 11.00 a.m. for the purpose of considering and if thought fit, approving, inter alia, with or without modifications, the resolution on the Proposed Amendments as Special Business.

If you are unable to attend and vote in person at the 15th AGM, you should complete, sign and return the Form of Proxy enclosed with the Annual Report 2019 in accordance with the instructions printed therein as soon as possible so as to arrive at the registered office of the Company at 51-13-A Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang, not later than 48 hours before the time appointed for holding of the 15th AGM. The lodgement of the Form of Proxy will not preclude you from attending and voting in person should you wish to do so.

9. ADDITIONAL INFORMATION

Shareholders are advised to refer to the attached Appendix I for additional information.

Yours faithfully,
For and on behalf of the Board of Directors of
JHM CONSOLIDATION BERHAD

DATO' TAN KING SENG
Executive Director
Group Chief Executive Officer

ADDITIONAL INFORMATION

1.0 RESPONSIBILITY STATEMENT

The Board has seen and approved this Statement/Circular to shareholders and they collectively and individually accept full responsibility for the accuracy of the information contained in this Statement/Circular to shareholders. They confirm, after making all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts which, if omitted, would make any statement in this Statement/Circular to shareholders misleading.

2.0 DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 51-13-A Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang, following the publication of this Statement/Circular from Monday to Friday (except Public Holidays) during business hours up to and including the date of the AGM:-

- (a) The Company's Constitution; and
- (b) The audited financial statements of JHM for the past two (2) financial years ended 31 December 2018 and 2019 as well as the latest unaudited quarterly results for the period ended 31 December 2019.

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