

# **SUBSCRIPTION AND JOINT VENTURE AGREEMENT WITH SKYWOOD MANUFACTURING SDN BHD, NURULHUDA BINTI AZMI AND LIM CHEE YAW**

## **1. INTRODUCTION**

The Board of Directors of JHM Consolidation Berhad (“**JHM**” or “**Company**”) wishes to announce that the Company, had on 4 May 2021 entered into a Subscription and Joint Venture Agreement (“**Subscription and JV Agreement**”) with Skywood Manufacturing Sdn Bhd (“**Skywood**”), Nurulhuda Binti Azmi and Lim Chee Yaw to regulate the arrangement relating to the management, operations, affairs and the rights and obligations of the parties as members of Skywood (“**JV Company**”) (the “**Joint Venture**”). The JV Company will be a 40% associate company of JHM.

## **2. INFORMATION ON SKYWOOD**

Skywood is a private company limited by shares which was incorporated on 17 December 2020 in Malaysia with its registered address at 183A, 1.5 Miles, Jalan Kapar, 41400 Klang, Selangor.

The principal activities of Skywood are manufacture, sales, distribution and retail sale of all parts, components, tools, electrical, electronic accessories for motor vehicles.

## **3. INFORMATION ON NURULHUDA BINTI AZMI AND LIM CHEE YAW**

Nurulhuda Binti Azmi (“**Nurul**”) and Lim Chee Yaw (“**LCY**”) are the current shareholders and directors of Skywood.

#### 4. INFORMATION ON THE JOINT VENTURE

The Joint Venture is to create an efficient and effective supply chain to support assembly of components of Proton cars in Malaysia plus original equipment manufacturer (“OEM”) business for ASEAN Region market and subsequently expanded to other countries in future by way of the Company subscribes 40% equity interest in Skywooo for a total cash consideration of Ringgit Malaysia Eight Hundred Thousand (RM800,000) upon the terms and conditions of the JV Agreement.

The total current issued share capital of Skywooo is RM100,000 comprising 100,000 ordinary shares and Skywooo shall allot 66,667 shares to JHM (“Allotment”) so that the equity participation of the shareholders after the Allotment and the internal transfer between Nurul and LCY shall be as follows:

Name of shareholders	Number of existing ordinary shares	Allotment / transfer	Number of ordinary shares after allotment / transfer	Ultimate Shareholding %
Nurul	75,000	10,000	85,000	51%
LCY	25,000	(10,000)	15,000	9%
JHM	-	66,667	66,667	40%
<b>Total</b>	<b>100,000</b>	<b>-</b>	<b>166,667</b>	<b>100%</b>

The investment in the JV Company by JHM will be financed through internally generated funds.

## 5. SALIENT TERM OF SUBSCRIPTION AND JV AGREEMENT

A. The obligations of JHM shall be as follows:

- 1) To source a factory building that is suitable and fit for carrying out the business activities and to procure that the landlord enters into a tenancy agreement with Skywooo for at least 3 years' duration with an option to renew for assembly of audio, video & navigator ("**AVN**") and lighting for Proton cars ("**the Proton Projects**") and other OEM business in ASEAN region for tier 1 (dealing directly with car producers/manufacturers) or tier 2 (direct or indirect suppliers of the car producers/manufacturers) ("**Other OEM Projects**");
- 2) To manage and operate the assembly line include after sales service support for the Proton Projects and Other OEM Projects;
- 3) To provide technical support in lighting for the Proton Projects;
- 4) To supply AVN and lighting components from its existing manufacturing facilities for the Proton Projects and Other OEM Projects.
- 5) To assist Skywooo in applying and renewing the business licence and other relevant operating licences, approvals and permits from the relevant authorities;
- 6) To support Skywooo in the market expansion in Malaysia and overseas related to AVN products.

B. The obligations of Skywooo, Nurul and LCY shall be as follows:

- 1) To secure business for Proton Projects and Other OEM Projects;
- 2) To be responsible for the localization of product manufacturing in Malaysia including providing technical knowledge, expertise and also component supports;
- 3) To bring in the technical knowledge and expertise and technology transfer on infotainment equipment, AVN products and other automotive related products from Japan and China;

- 4) To ensure all relevant licences for the Proton Projects and Other OEM Projects are obtained and remained valid at all time;
- 5) To support Skywooo in the market expansion in Malaysia and overseas.
- 6) To support Skywooo in promoting the automotive lights products and all other products.

Notwithstanding anything to the contrary, all Parties in this Subscription and JV Agreement acknowledge that JHM's existing core business is automotive lights products ("**Lighting Business**") and agree that all Lighting Business secured by JHM regardless whether it is from customers of Skywooo, shall belong to JHM's group of companies.

## **6. RATIONALE FOR THE JOINT VENTURE**

The rationale of the Joint Venture is to enable JHM to expand its automotive market shares in Malaysia as well as ASEAN region. The joint venture is also broadening the capability of JHM in supplying automotive parts other than LED lighting.

## **7. FINANCIAL EFFECTS**

The Joint Venture will not have any material effect on the earnings per share, net assets per share, gearing, share capital and substantial shareholders' shareholding of JHM for the financial year ending 31 December 2021.

## **8. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS**

None of the Directors, major shareholders and/or persons connected with the Directors and major shareholders of JHM, has any interest, direct or indirect, in the Joint Venture.

**9. APPROVAL REQUIRED**

The Joint Venture is not subject to the approval of the shareholders of JHM.

**10. DIRECTORS' STATEMENT**

The Board of JHM having considered all aspects of the Joint Venture, is of the opinion that the Joint Venture is in the best interest of JHM Group.

**11. DOCUMENTS AVAILABLE FOR INSPECTION**

The executed Subscription and JV Agreement will be available for inspection at the registered office of JHM at 48, Jalan Chow Thye, 10050 George Town, Pulau Pinang during 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 4 May 2021.