

## JHM CONSOLIDATION BERHAD ("JHM" OR THE "COMPANY")

### VARIATION TO THE UTILISATION OF PROCEEDS TO BE RAISED FROM THE PRIVATE PLACEMENT

(We refer to the Company's announcements dated 15 December 2021, 17 December 2021, 27 December 2021, 29 December 2021, 10 June 2022 and 27 June 2022 in relation to the Private Placement. Unless otherwise stated, the terms used herein shall have the same meaning as defined in the said announcements ("**Announcements**").

#### 1. INTRODUCTION

We refer to the Company's Announcements in relation to the Private Placement. On behalf of the Board, RHBIB wishes to announce that the Board intends to vary the utilisation of proceeds to be raised from the Private Placement ("**Variation**").

#### 2. DETAILS OF THE PROPOSED VARIATION

In the previous Announcements, based on the indicative issue price of RM1.65 per Placement Share, the Private Placement was expected to raise gross proceeds of approximately RM92.00 million, of which the proposed utilisation are set out below:

Details of utilisation	Time frame for utilisation*	Amount RM' million
Construction of Batu Kawan factory	Within 18 months from the receipt of the proceeds	91.07
Estimated expenses in relation to the Private Placement	Immediate	0.93
<b>Total</b>		<b>92.00</b>

**Note:**

\* Time frame for utilisation shall be from the date of listing of each tranche of the Placement Shares.

For information purposes, no proceeds had been raised by the Company for the Private Placement as the Private Placement has yet to be implemented as at the date of this announcement. Based on the indicative issue price of RM0.82 per Placement Share, which was derived based on a discount of approximately 4.58% to the 5-day VWAP of JHM Shares up to and including 31 October 2022 of RM0.8594, the Private Placement is expected to raise gross proceeds amounting to RM45.72 million and intends to vary the utilisation of proceeds, further details which are set out below:

Details of utilisation	Original proposed utilisation of proceeds RM' million	Revised proposed utilisation of proceeds RM' million	Expected timeframe from receipt of the proceeds
Construction of Batu Kawan factory	91.07	-	-
Capital expenditure for its existing automotive segment and industrial products segment <sup>(a)</sup>	-	5.00	12 months
General working capital requirements <sup>(b)</sup>	-	28.00	12 months
Investment in embedded design <sup>(c)</sup>	-	5.00	24 months
Partial repayment of interest-bearing borrowing <sup>(d)</sup>	-	7.22	6 months

Details of utilisation	Original proposed utilisation of proceeds RM' million	Revised proposed utilisation of proceeds RM' million	Expected timeframe from receipt of the proceeds
Estimated expenses in relation to the Private Placement	0.93	0.50	Immediate
<b>Total</b>	<b>92.00</b>	<b>45.72</b>	

**Notes:**

**(a) Capital expenditure for its existing automotive segment and industrial products segment**

The Group intends to utilise the gross proceeds amounting to approximately RM5.00 million for the Group's capital expenditure on its automotive and industrial segments, which are set out below:

- i. initial pre-payment amounting to approximately RM2.00 million for the downpayment for 2 SMT lines as well as level 2 assembly equipment which costs a total of approximately RM10.00 million. The remaining balance of funds amounting to approximately RM8.00 million will be funded by the Company via bank borrowings; and
- ii. initial pre-payment amounting to RM3.00 million for the downpayment for lamp assembly production set-up which costs a total of RM6.00 million. The remaining balance of funds amounting to RM3.00 million will be funded by the Company via bank borrowings.

**(b) General working capital requirements**

The Group intends to utilise the gross proceeds amounting to RM28.00 million for the Group's working capital to purchase raw materials such as electronic components. For information purpose, the Group's average yearly purchase of raw materials was approximately RM239.24 million for the financial year ended 31 December 2021.

**(c) Investment in embedded design**

JHM Group intend to expand the Group's design and development in embedded design business segment by establishing an Embedded Product Design Centre of Excellence ("CoE") which will be a design & development hub to facilitate comprehensive ecosystem development, value chain integration and market expansion especially into new Embedded Product segments such as medical, industrial, aerospace and defence industries. The CoE and all relevant operations to be conducted will be based in an office to be established in Singapore.

The breakdown of proceeds earmarked for the investment in embedded design amounting to RM5.00 million are as follows:

	RM' million
Setting up of operations at the Singapore office, which includes rental, renovation and fitting costs	0.60
Capital expenditure on design centre, server, test and design tools and equipment and software licence fees	1.80
Hiring of 10 professional staff such as hardware and software embedded designer, program management as well as test development engineers to support the expansion of the CoE	2.60
<b>Total</b>	<b>5.00</b>

**(d) Partial repayment of interest-bearing borrowing**

The Company intends to allocate RM7.22 million for the partial-repayment of trade financing. As at 31 October 2022, the Group's total-interest bearing borrowings amounted to approximately RM87.17 million of which RM19.83 million are from trade financing. The partial repayment of the interest-bearing borrowings amounting to RM7.22 million is expected to result in annual gross interest savings of approximately RM0.34 million per annum to the Group, assuming interest rates of 4.75% per annum.

### **3. RATIONALE FOR THE VARIATION**

For information purposes, the Company has decided to put on hold the construction of the Batu Kawan factory. The initial purpose of the construction of the Batu Kawan factory was to set the course in the Group's business expansion plans into the telecommunication equipment manufacturing industries ("**New Business Segment**"). However, in view of the uncertainty over the concerns of rising global recessions risks, JHM Group has decided to put on hold the expansion plans into the New Business Segment and has restructured its plans and redeploy its resources appropriately to be in tune to the current market conditions and hence has decided to put on hold with its earlier plans for the construction of the Batu Kawan factory. JHM shall reassess the construction of the Batu Kawan factory when market conditions are more favourable to move forward with the construction.

As the Private Placement has yet to be implemented as at the date of this announcement, the Board has resolved that the Variation to be undertaken would be in line with the current business circumstances and requirements of the Company as stated in Section 2 of this announcement.

### **4. APPROVALS REQUIRED**

The Variation is not subject to any regulatory authorities or shareholders' approval. Nevertheless, the Board shall continue to be prudent in managing the proceeds from the Private Placement and will continue to disclose the status of the utilisation of proceeds in its quarterly results and annual reports until the proceeds have been fully utilised.

### **5. DIRECTORS' STATEMENT**

The Board, having considered all aspects of the Variation, including but not limited to the rationale for the Variation, is of the opinion that the Variation is in the best interest of the Company.

**This Announcement is dated 3 November 2022.**