

**JHM CONSOLIDATION BERHAD**

**ACQUISITION OF PROPERTY BY JHM CONSOLIDATION BERHAD FOR A TOTAL CASH CONSIDERATION OF RM20,900,000.00**

**1. INTRODUCTION**

The Board of Directors of JHM Consolidation Berhad (“**JHM**” or the “**Company**” or the “**Purchaser**”) wishes to announce that the Company had on 6 September 2024 entered into a Sale and Purchase Agreement (referred to as the “**Agreement**”) with Megaready Industries Sdn Bhd (“**MISB**” or the “**Vendor**”), for the purchase of Property (as defined herein), for a total cash consideration of Ringgit Malaysia Twenty Million And Nine Hundred Thousand (RM20,900,000.00) only (the “**Purchase Price**”) (hereinafter referred to as “**Acquisition**”):-

<u>Description of Property</u>	<u>Purchase Price</u>
<p>Perbadanan Kemajuan Negeri Kedah (hereinafter referred to as "<b>PKNK</b>") is the registered owner of all that piece of industrial land known as HS(D) 120719 PT 96588 Bandar Sungai Petani, Daerah Kuala Muda, Kedah measuring approximately 12,140.6 square meters (“<b>Land</b>”).</p> <p>PKNK has leased the said Land to the Vendor under Lease Presentation No. 8799/1997 Jil. 13 Fol. 9 for a duration of sixty (60) years commencing from the 5 March 1990 and expiring on 4 March 2050 (hereinafter referred to as “<b>Existing Lease</b>”).</p> <p>The said Existing Lease is currently charged to Alliance Islamic Bank Berhad (hereinafter referred to as “<b>the Chargee</b>”) under Charge Presentation No. 21243/2023 as security for facilities granted to the Vendor.</p> <p>The Vendor intends to apply to PKNK for the extension of the said Existing Lease for a further duration of thirty-nine (39) years (i.e.: expiring on 4 March 2089) (hereinafter referred to as “<b>Extended Lease</b>”).</p> <p>There is an existing industrial building erected on a portion of the said Land bearing premises No. 12-B, Jalan PKNK 1/1, Kawasan Perusahaan Sungai Petani, 08000 Sungai Petani, Kedah with supply with of electricity up to 400 amperes (hereinafter referred to as “<b>Existing Building</b>”).</p> <p>The Existing Building which was constructed in the year 2015 consists of a single storey factory building together with an office and a lettable area of approximately 1,987 square meters.</p> <p>The Vendor has recently completed the construction of a new industrial building on the portion of the said Land with supply of electricity of up to 600 amperes but the same is still pending the issuance of Certificate of Completion and Compliance (CCC) (hereinafter referred to as “<b>New Building</b>”).</p>	RM20,900,000.00

<p>The New Building consists of a single storey factory building together with a double storey office and a lettable area of approximately 3,891.89 square meter.</p> <p>MISB has agreed to sell and JHM has agreed to purchase the Existing Lease, the Extended Lease, the Existing Building and the New Building (hereinafter collectively referred to as “<b>Property</b>”) on terms and conditions of the Agreement.</p> <p>JHM is unable to procure the net book value of the Property as JHM is not privy to this information at this juncture.</p>	
---	--

## **2. INFORMATION ON THE PARTIES**

### **2.1 Information on JHM**

2.1.1 JHM was incorporated in Malaysia on 26 March 2005 and listed on the MESDAQ Market (now known as the ACE Market) on 13 July 2006. The Company has on 12 November 2020 transferred the listing of and quotation for the entire share capital of the Company from ACE Market to the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is situated at Suite 16.06, MWE Plaza, No. 8 Lebuhr Farquhar, 10200 George Town, Pulau Pinang.

JHM is principally an investment holding company.

As at the date of the Agreement, the total issued share capital of the JHM is RM148,562,900.00 comprising of 606,000,000 ordinary shares.

The existing Directors of JHM are as follows :-

- i. Dato’ Seri Tan King Seng
- ii. Mr Cheah Choon Ghee
- iii. Ms Low Soo Kim
- iv. Mr Lim Chun Thang
- v. Ms Wong Chi Yeng
- vi. Mr Khor Cheng Kwang
- vii. Mr Lai Fah Hin

### **2.2 Information on MISB**

2.2.1 MISB was incorporated in Malaysia under the Companies Act 1965 on 22 August 2010 and is deemed registered under the Companies Act 2016.

MISB is principally a trader in steel products.

As at the date of the Agreement, the total issued share capital of the MISB is RM2,000,000.00 comprising of 2,000,000 ordinary shares.

The existing Directors of MISB are as follows :-

- i. Chin Kah Yeow; and
- ii. Lu, Chia-Jung

The substantial shareholders of MISB are as follows:-

Name of substantial shareholder	Direct interest	
	No. of shares	%
Chin Kah Yeow	1,420,000	71%
Lu, Chia-Jung	380,000	19%
Koh Peng Hooi	200,000	10%

### **3 SALIENT TERMS OF THE AGREEMENT**

- 3.1 The salient terms of the Agreement are disclosed separately in Appendix 1 of this announcement.

### **4 LIABILITIES TO BE ASSUMED**

- 4.1 There are no liabilities, including contingent liabilities or guarantees to be assumed by JHM pursuant to the Acquisition, except for the borrowing to finance the acquisition of the Property.

### **5. SOURCE OF FUNDING FOR THE PURCHASE PRICE FOR THE ACQUISITION**

- 5.1 The Purchase Price for the Acquisition will be funded via a combination of internally generated funds and bank borrowings. The exact proportion of the Purchase Price to be funded using internally generated fund and bank borrowings will be decided by the Board of Directors at a later stage, after taking into consideration JHM's gearing level, interest costs as well as internal cash requirements for its business.

### **6. BASIS OF AND JUSTIFICATION FOR THE PURCHASE PRICE**

- 6.1 The Purchase Price for the Property was mutually agreed upon by willing seller-willing buyer basis, free from all encumbrances with vacant possession, and based on the management's best estimate of the market value, including the lease extension of additional 39 years, higher floor loading as well as readiness of sufficient power supply for industrial land located near the Property.

No valuation was carried out by JHM in this Acquisition.

### **7. RATIONALE AND BENEFITS OF THE ACQUISITION**

- 7.1 The Acquisition is a strategic move that aligns with JHM's long-term business growth strategy, serving as a critical investment for the Group's expansion. As JHM continues to grow, the demand for additional manufacturing space becomes increasingly essential to support its ongoing and future growth efforts.

### **8. PROSPECTS OF THE ACQUISITION**

- 8.1 The Acquisition is a vital step in JHM's strategy to expand and enhance its current capabilities in Surface Mount Technology (SMT). By acquiring additional manufacturing space, JHM will be able to significantly increase its production capacity, particularly in the manufacturing of Printed Circuit Board Assemblies (PCBA), Module Assembly and Box-Build products. This expansion positions the Company and its subsidiaries ("**JHM Group**") to meet the expected rise in customers demand as global market dynamics shift toward Southeast Asia, driven by factors such as tariff and trade barriers.

The Acquisition represents a pivotal moment in JHM's journey to scale up its operations and improve its ability to serve clients in the automotive and industrial markets. Specifically, the Acquisition will increase the production area of the SMT plant by approximately 70%, expanding from about 3,500 square meters to about 6,000 square meters. The larger space will allow JHM to enhance its capacity by adding new machinery, production lines, and expanding its workforce. This increase in capacity will enable the JHM Group to take on larger sales orders, boosting its production volume and overall efficiency. Additionally, the strategic reserve of about 4,000 square meters for future expansion to cater new projects, would place JHM Group in a strong position to seize emerging market opportunities and ensure sustainable growth.

Furthermore, the Board of Directors is confident that the Acquisition will help JHM maintain its growth momentum and better position the JHM Group to become a global leader in the vertically integrated Electronics Manufacturing Services (EMS) industry. JHM will continue to pursue technological advancements and adopt state-of-the-art manufacturing techniques. The focus will be on enhancing cost-effectiveness, particularly through Industry 4.0 initiatives, ensuring that JHM remains at the forefront of innovation and efficiency in the EMS industry.

## **9. RISKS OF THE ACQUISITION**

### **9.1 Completion Risk**

The Acquisition is subject to the Conditions Precedent stated in the Agreement. There is no assurance that the Acquisition could be completed with the timeframe as prescribed under the Agreement.

The Board will take reasonable steps to ensure that such Conditions Precedent are met and fulfilled within the prescribed timeframe, besides ensuring every effort is made to obtain all the necessary approvals in order to complete the Acquisition in a timely manner.

### **9.2 Financing Risk**

JHM will be seeking external financing to partially fund the acquisition of the Property. Its ability to arrange for external financing and the cost of such financing are dependent on numerous factors, including general economic and capital market conditions, interest rates, credit availability from banks or other lenders, or any restrictions imposed by the Government as well as the political, social and economic conditions in Malaysia. JHM may also be exposed to fluctuations in interest rate movements. Any future significant fluctuation of interest rates could have an effect on JHM's cash flows and profitability. Nevertheless, JHM will endeavor to manage its cash flow position and funding requirements prudently, to address the risk.

## **10. EFFECTS OF THE ACQUISITION**

### **10.1 Share capital and substantial shareholders' shareholdings**

10.1.1 The Acquisition will not have any effect on the issued share capital and the shareholdings of substantial shareholders of JHM as the Purchase Price for the Property is to be fully satisfied in cash and does not involve any issuance of new ordinary shares in JHM.

### **10.2 Earnings and Earnings per share ("EPS")**

10.2.1 The Acquisition will not have any material effect to the earnings and EPS of JHM Group for the financial year ending 31 December 2024.

### 10.3 Net Assets (“NA”), NA per share and Gearing

10.3.1 The Acquisition will not have any material effect on the NA per share and gearing of JHM Group for the financial year ending 31 December 2024. As set out in item 5, the Acquisition will be funded through a combination of internally generated funds and bank borrowings, of which the final composition of the funding will be determined at a later stage.

The pro forma effects of the Acquisition on the NA per share and gearing of JHM Group, assuming the Acquisition had been effected by end of 2023 are as follows:

	Audited as at 31-Dec-2023 RM	After Acquisition RM
Share capital	132,532,586	132,532,586
Capital reserves	(276,976)	(276,976)
Retained profits	188,008,728	188,008,728
	<u>320,264,338</u>	<u>320,264,338</u>
Non-Controlling interest	492,545	492,545
Total equity	<u>320,756,883</u>	<u>320,756,883</u>
No. of ordinary share in issue (‘000)	606,000	606,000
NA per share (RM)	0.53	0.53
Total borrowings	65,840,878	82,560,878 <sup>(1)</sup>
Gearing (times)	0.21	0.26

**Notes:**

<sup>(1)</sup> On the assumption that 80% of the total consideration amounting to RM16.72 million is to be funded by bank borrowings and the balance is by cash.

### 10.4 Highest Percentage Ratio applicable to the Acquisition

10.4.1 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 6.53% calculated based on the Purchase Price and the latest consolidated NA of JHM as at 31 December 2023.

## 11. APPROVALS REQUIRED

11.1 The Acquisition is not subject to the approval of the shareholders of JHM.

The Approval for Extended Lease and PKNK’s Consent (both hereinafter defined), and any other relevant authorities, if any, will be sought by the Vendor.

The Acquisition is not conditional upon any other corporate exercise undertaken by JHM.

The Vendor shall at their own cost and expenses take the necessary steps to procure the Approval for Extended Lease and the PKNK’s Consent immediately after the execution of the Agreement by the Vendor and the Purchaser.

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

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

**13. DIRECTORS' STATEMENT/ RECOMMENDATION**

13.1 The Board, having considered all aspect of the Acquisition including the salient terms of the Acquisition, the basis and justification of the Purchase Price for the Acquisition, rationale of the Acquisition as well as the effects from the Acquisition, is of the opinion that the Acquisition is in the best interest of JHM Group and not detrimental to the minority shareholders of JHM.

**14. ESTIMATED TIME FRAME FOR COMPLETION OF THE ACQUISITION**

14.1 Barring any unforeseen circumstances, the Acquisition is expected to be completed within eight (8) months from the date of the Agreement. The completion period may be extended by mutual agreement by the parties hereto in writing should the need arises.

**15. DOCUMENTS FOR INSPECTION**

15.1 The executed Agreement will be available for inspection at the registered office of JHM at Suite 16.06, MWE Plaza, No. 8 Lebuhr Farquhar, 10200 George Town, Pulau Pinang 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 6 September 2024.

## SALIENT TERMS OF THE AGREEMENT FOR THE ACQUISITION

Clause	Content
<b>1</b>	<b>Agreement of Sale</b>
1.1	The Vendor hereby agrees to sell and the Purchaser hereby agrees to purchase the said Property free from all encumbrances and with vacant possession but subject to all the existing conditions of the title and category of land use, expressed or implied at a total purchase price of Ringgit Malaysia Twenty Million And Nine Hundred Thousand (RM20,900,000-00) only.
<b>2</b>	<b>Application for Consent</b>
2.1	<p>The sale and purchase of the Property is expressly conditional upon :-</p> <p>(i) The Vendor procuring the approval of PKNK for the said Extended Lease and where applicable the Vendor shall observe, fulfil and complete all conditions, documentation, and pay all fees, charges and premium as may be necessary and required to obtain the same (hereinafter referred to as “<b>Approval for Extended Lease</b>”);</p> <p>(ii) The Vendor procuring the written consent of PKNK for the sale and transfer of the said Property in favour of the Purchaser and where applicable the Vendor shall observe, fulfil and complete all conditions, documentation, and pay all fees, charges and premium as may be necessary and required to obtain the same (hereinafter referred to as “<b>PKNK’s Consent</b>”);</p> <p>(iii) The issuance of CCC for the said New Building;</p> <p>(hereinafter collectively referred to as the “<b>Condition Precedent</b>”) within four (4) months from the date of the Agreement, subject to any extension mutually agreed upon by the parties hereto in writing (hereinafter referred to as “the <b>Conditional Period</b>”). The parties agree that each party shall not unreasonably refuse/withhold any agreement to extend the Conditional Period.</p>
2.2	Immediately upon the execution of the Agreement, the Vendor shall at their own cost and expenses take the necessary steps to procure the Approval for Extended Lease, the PKNK’s Consent and the issuance of CCC;
2.3	The Vendor shall keep the Purchaser fully informed of the progress of the application for Approval for Extended Lease, the PKNK’s Consent and the issuance of CCC and shall inform the Purchaser or the Purchaser’s Solicitors in writing immediately when any of the approvals is obtained or refused, as the case may be and enclose copies of the letters of approval or refusal as the case may be.
2.4	If the Condition Precedent cannot be fulfilled within the Conditional Period or any extension mutually agreed upon in writing, then the Agreement shall be terminated and the following consequences shall ensue:-

- (i) the documents deposited with the Purchaser's Solicitors pursuant to the Agreement shall be returned to the Vendor;
- (ii) the deposit paid shall be refunded to the Purchaser together with the interest from the placement of the deposit stated in Clause 3.1(i)(b) below within seven (7) days from the written notification of the non-fulfilment of the Condition Precedent failing which an interest of eight per centum (8%) per annum calculated on a daily basis commencing from the day after the seventh (7th) day until the full refund of deposit shall be payable by the Vendor to the Purchaser; and
- (iii) thereupon the Agreement shall cease to have effect, the parties hereto shall have no claim whatsoever against the other on any matter in respect of or arising out of this Agreement save for in respect of any prior antecedent breach.

2.5 The Agreement shall become unconditional on the date of receipt by the Purchaser's Solicitors of a confirmation of fulfilment of the Condition Precedent supported by a certified copy each of the Approval for Extended Lease, the PKNK's Consent and the CCC (hereinafter referred to as "**the Effective Date**").

### **3 PAYMENT OF THE TOTAL PURCHASE PRICE**

3.1 The Purchase Price of the said Property shall be paid by the Purchaser in the following manner :-

- (i) A sum of Ringgit Malaysia Four Million One Hundred And Eighty Thousand (RM4,180,000-00) Only by way of deposit to account of the total purchase price shall be paid by the Purchaser upon the execution of the Agreement in the following manner:
  - a. the sum of Ringgit Malaysia Six Hundred And Twenty Seven Thousand (RM627,000-00) Only (hereinafter referred to as the "**said Retention Sum**" being three percent (3%) of the total purchase price) to the Purchaser's Solicitors as stakeholder. The Purchaser's Solicitors are hereby authorized to forward the said Retention Sum to Inland Revenue Board to account of Real Property Gains Tax payable by the Vendor in respect of the disposal of the said Property; and
  - b. A sum of Ringgit Malaysia Three Million Five Hundred And Fifty Three Thousand (RM3,553,000-00) Only to the Vendor's Solicitors as stakeholder to be held in the interest bearing fixed deposit clients' account (the receipt of which sum the Vendor hereby acknowledges). The Vendor's Solicitors are authorized to deal with the aforesaid deposit as follows:-
    - 1) To pay PKNK for the fee, charges and premium incurred for the Approval for Extended Lease;
    - 2) To pay PKNK for the fee, charges and premium for the PKNK's Consent;
    - 3) To pay any shortfall of the Real Property Gains Tax arising from the sale of the said Property; and
    - 4) Upon fulfillment of the Condition Precedent, to release the balance sum of the deposit together with accrued interest to the Vendor.
- (ii) The balance purchase price of Ringgit Malaysia Sixteen Million Seven Hundred And Twenty Thousand (RM16,720,000-00) Only shall be paid within four (4) months from the Effective Date (hereinafter referred to as "**the Completion Period**") with



an automatic extension of a further duration of one (1) month (hereinafter referred to as “**the Extended Completion Period**”) subject to payment of agreed interest at the rate of eight percent (8%) per annum on the outstanding balance purchase price calculated on a daily basis during the period of extension and shall accrue from day to day and payable on the date of full payment of the balance purchase price by the Purchaser (hereinafter referred to as “**The Completion Date**”) to the Vendor’s Solicitors as stakeholder. All payments made by the Purchaser or the Purchaser’s Financier (hereinafter defined) to the Vendor’s Solicitors shall be deemed made to the Vendor and shall be good and sufficient discharge to the Purchaser and payment shall be deemed to be paid by the Purchaser on the day the amount is received by the Vendor’s Solicitors or the party concerned in immediately available cleared funds or the day the Vendor’s Solicitors receives written notification of payment thereof, whichever is the later.

(iii) The Vendor’s Solicitors are authorized by the parties hereto to deal with the balance purchase price in the following manner and priority :-

- a. Firstly, to settle for and on behalf of the Vendor all sums payable for the purpose of discharging any charge(s), encumbrances and caveats (if any) over the said Property;
- b. Secondly, to settle for and on behalf of the Vendor all fees, charges, expenses and other payments, if any, payable by the Vendor by virtue of these presents; and
- c. Thirdly, to withhold an amount equivalent to 20% of the Purchase Price (amounting to Ringgit Malaysia Four Million One Hundred And Eighty Thousand (RM4,180,000.00) only) and the said sum shall be placed into an interest bearing account and it shall be released together with the accrued interest to the Vendor by the Vendor’s Solicitors within three (3) working days from the date of delivery of vacant possession of the said Existing Building; and
- d. Lastly, to release the remaining balance thereof to the Vendor after the expiration of fourteen (14) days from the date of the presentation of the Transfer for registration provided that the Purchaser shall present the Transfer for registration at the land registry within seven (7) working days from the date of the receipt of the original title of the said Land.

#### 4. DELIVERY OF POSSESSION

- (i) Upon the execution of the Agreement and pending the issuance of CCC for the said New Building, the Purchaser shall be granted access to the said New Building and the said Existing Building for the purposes of planning and preparation work for the renovation of the said New Building and the said Existing Building but shall not occupy nor use same until issuance of CCC and payment of the balance purchase price. The Vendor shall deliver legal and vacant possession of the said New Building within five (5) working days from the date of payment of the balance purchase price.
- (ii) Notwithstanding the payment of the balance purchase price, the Vendor shall deliver vacant possession of the said Existing Building on or before 28th of January 2025 (hereinafter referred to as "the Delivery Date"), failing which the Vendor shall be liable to pay to the Purchaser liquidated damages for late delivery which is calculated at the rate of eight per centum (8%) per annum on the total purchase price from the date immediately

following the Delivery Date to the date the Vendor is able and ready to deliver vacant possession of the said Property to the Purchaser.

- (iii) Upon the payment of the balance Purchase Price to the Vendor's Solicitors as stakeholder and the delivery of vacant possession of the said New Building to the Purchaser, the Vendor is only allowed access to the said Existing Building for the purposes of dismantling and moving out process of the Vendor's machineries, assets, stocks, fixtures, fittings, furniture etc., and shall be subject to any security check by the Purchaser's authorized personnel and to the Purchaser's security processes and protocol.