

JHM CONSOLIDATION BERHAD

SALE AND PURCHASE OF ASSETS CUM JOINT VENTURE SHAREHOLDERS' AGREEMENT BETWEEN JHM CONSOLIDATION BERHAD, MD (XIAMEN) MECHANICAL SOLUTIONS COMPANY, MD MECHANICAL SOLUTIONS (PG) SDN BHD AND MORRISSEY INTEGRATED DYNAMICS SDN BHD

1. INTRODUCTION

The Board of Directors ("**the Board**") of JHM Consolidation Berhad ("**JHM**" or the "**Company**") wishes to announce that the Company and its wholly owned subsidiary, Morrissey Integrated Dynamics Sdn. Bhd. ("**MID**") had on 27 November 2024 entered into a Sale and Purchase of Assets Cum Joint Venture Shareholders' Agreement (referred to as the "**Agreement**") with MD (Xiamen) Mechanical Solutions Company ("**MD**") and MD Mechanical Solutions (PG) Sdn. Bhd. ("**MD Penang**") for the purpose of collaborate with each other to use MID as the joint venture vehicle to carry out MID's existing business as well as the Faceplate Business to be brought in by MD Penang, upon the terms and conditions as stipulated in the Agreement.

(collectively referred to as the "**Proposed Joint Venture**", and each of JHM, MID, MD and MD Penang is referred to as a "**Party**" and collectively, as "**Parties**")

2. DETAILS OF PROPOSED JOINT VENTURE

The Company and MD (collectively referred to as the "**JV Shareholders**" and each a "**JV Shareholder**"), through MD Penang, are desirous to collaborate with each other to use MID as the joint venture vehicle to carry out the MID's existing business as well as Faceplate Business as outlined in the Agreement to be brought in by MD Penang.

MID will be responsible for manufacturing and delivering the products to customers within its scope of business and MD will sell and transfer the following equipment and intangible assets ("**Equipment and Intangible Assets**") including but not limited to technical know-how, technology, source code and expertise in relation to the Faceplate Business ("**MD Assets**") to MID for a purchase consideration of RM1,200,00.00 ("**Purchase Consideration**") to be satisfied by RM1,080,000.00 by way of cash and RM120,000.00 by way of MID allotting and issuing of 7,500,000 new ordinary shares in MID at an issue price of RM0.016 per ordinary shares ("**Consideration Shares**") to MD Penang, which will result in the Company and MD Penang holding enlarged issued and paid up shares in MID in a 80:20 proportion ("**Acquisition of MD Assets**"):-

Description of Equipment and Intangible Assets

1. 1 Micro-Venting machines with 24 spindles, 60K RPM;
2. 1 Micro-Venting machines with 8 spindles, 24K RPM;
3. 1 FANUC ROBODRILL a-D14LiB, 24K RPM, with Proba; and
4. 1 FANUC ROBODRILL a-D21LiB, 24K RPM, with Proba.

3. INFORMATION ON THE PARTIES

3.1 Information on JHM

- 3.1.1 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

3.2 Information on MID

- 3.2.1 MID was incorporated in Malaysia under the Companies Act 1965 on 12 January 2012 and is deemed registered under the Companies Act 2016.

MID is wholly owned subsidiary of JHM and principally involved in the manufacturing of precision mechanical parts, die casting, moulding of precision plastic lens and modular assembly mainly to the automotive, semiconductor industries and aerospace sector.

As at the date of the Agreement, the total issued share capital of the MID is RM30,000,000.00 comprising of 30,000,000 ordinary shares.

The existing Directors of MD are as follows :-

- i. Dato' Seri Tan King Seng
- ii. Mr Cheah Choon Ghee
- iii. Mr Tan Chee Ming

3.3 Information on MD

- 3.3.1 MD was incorporated in Republic of China on 30 July 2013.

MD is ISO9001 certified manufacturer that offers global manufacturing solutions mainly to the data-communication/ network industry.

As at the date of the Agreement, the total issued share capital of the MD is CNY1,000,000 comprising of 100 ordinary shares.

The existing Directors of MD are as follows :-

- i. XIANG YANWEI
- ii. WU HONGXING

The substantial shareholders of MD are as follows:-

Name of substantial shareholder	Direct interest		Indirect interest	
	No. of shares	%	No. of shares	%
XIANG YANWEI	78	78	-	-
WU HONGXING	22	22	-	-

3.4 Information on MD Penang

- 3.4.1 MD Penang was incorporated in Malaysia under the Companies Act 2016 on 10 July 2024.

MD Penang is a subsidiary of MD and is principally involved in providing mechanical solutions and component for network infrastructure and data processor.

As at the date of the Agreement, the total issued share capital of the MD Penang is RM2,500.00 comprising of 2,500 ordinary shares.

The existing Director of MD Penang is as follows :-

- i. Mr. Ch'ng Kean Tiong

The substantial shareholders of MD Penang are as follows:-

Name of substantial shareholder	Direct interest		Indirect interest	
	No. of shares	%	No. of shares	%
XIANG YANWEI	250	10	-	-
MD	2,250	90	-	-

4. SALIENT TERMS OF THE AGREEMENT

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

5. RATIONALE AND BENEFITS OF THE PROPOSED JOINT VENTURE

- 5.1 The Proposed Joint Venture is expected to strengthen our competitive position in the machining industry, as MID would be able to leverage MD's advanced machining technologies particularly in faceplate business and benefit from the upskilling in its extensive technical expertise. The integration of technical knowledge would enhance our technological capabilities and improve the quality of our products and manufacturing services. This would enable us to better serve customers with complex technical requirements.

Under the collaboration, MID would be able to leverage MD's established supply chain and manufacturing resources in China to drive cost saving and improve operational efficiency. Over the medium to long term, this would position the company to meet the growing demand for precision machining solutions in key sectors, including industrial and telecommunications industries.

6. RISKS OF THE PROPOSED JOINT VENTURE

- 6.1 The Proposed Joint Venture is subject to the Conditions Precedent stated in the Agreement. JHM does not foresee any exceptional risk other than the normal operational risks associated with joint venture partners.

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 Proposed Joint Venture in a timely manner.

7. EFFECTS OF THE PROPOSED JOINED VENTURE

7.1 Share capital and substantial shareholders' shareholdings

- 7.1.1 The Proposed Joint Ventures will not have any effect on the issued share capital of the Company.

7.2 Earnings and Earnings per share ("EPS")

- 7.2.1 The Proposed Joint Ventures will not have any material effect to the earnings and EPS of JHM Group for the financial year ending 31 December 2024.

7.3 Net Assets ("NA"), NA per share and Gearing

- 7.3.1 The Proposed Joint Ventures will not have any material effect on the NA, NA per share and gearing of JHM Group for the financial year ending 31 December 2024.

Barring any unforeseen circumstances, the Proposed Joint Venture is expected to contribute positively to the Company's consolidated earnings per share and NA per share in the future.

8. APPROVALS REQUIRED

- 8.1 The Proposed Joint Ventures is not subject to the approval of the shareholders of JHM and any other relevant government authorities.

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

- 9.1 None of the Directors and major shareholders of the Company and/or persons connected with them has any direct or indirect interest in the Proposed Joint Venture.

10. STATEMENT BY DIRECTORS

- 10.1 The Board having reviewed and considered the terms and conditions of the Agreement, is of the opinion that the Proposed Joint Venture is in the best interest of the Company

11. DOCUMENT FOR INSPECTION

- 11.1 The Agreement is 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 on public holidays) for a period of 3 months from the date of this announcement.

This announcement is dated 27 November 2024.

SALIENT TERMS OF THE AGREEMENT FOR THE PROPOSED JOINT VENTURES

Clause	Content
Conditions precedent	<p>Completion is conditional on the satisfaction or waiver of the following conditions:</p> <ul style="list-style-type: none"> (a) all necessary regulatory and governmental consents having been obtained by the Parties; (b) the approval of the board of directors and, if applicable, shareholders of JHM for the entry into and performance of the Agreement; (c) the approval of the board of directors and, if applicable, shareholders of MD for the entry into and performance of the Agreement; (d) the approval of the board of directors and, if applicable, shareholders of MD Penang for the entry into and performance of the Agreement; (e) the approval of the board of directors and, if applicable, shareholders of MID for the entry into and performance of the Agreement; and (f) no legislation or regulation being proposed or passed that would prohibit or materially restrict the implementation of the Agreement or the participation in MID by any of the Parties.
Purchase Consideration	<p>The consideration for the purchase of the MD Assets shall be the sum of Ringgit Malaysia One Million Two Hundred Thousand only (RM1,200,000.00) only ("Purchase Consideration") which shall be paid by MID in cash and non-cash consideration as follows:</p> <ul style="list-style-type: none"> (a) non-cash consideration of Ringgit Malaysia One Hundred and Twenty Thousand (RM120,000.00) only to be paid via allotment and issuance of the Consideration Shares in MID to MD Penang on the date which the issuance of the Consideration Shares to MD in accordance with Clause 5 of the Agreement takes place, which shall be on or before 31 December 2024 ("Completion Date") by crediting as fully paid the Consideration Shares as part satisfaction of the Purchase Consideration, and such shares shall have equal rights and rank <i>pari passu</i> with the then existing Shares on the Completion Date; and (b) cash consideration of Ringgit Malaysia One Million Eighty Thousand (RM1,080,000.00) only to be satisfied by MID in accordance with the payment term to be agreed between MD and MID. <p>Upon the allotment and issuance of the Consideration Shares to MD Penang on the Completion Date ("Completion"), MD shall be deemed or treated to have transferred and/or assigned absolutely all rights title interests and benefit of the MD Assets to MID.</p>
Relationship	The JV Shareholders agree that upon Completion, their relationship as shareholders of MID will be regulated in accordance with the provisions of the Agreement.
Business	The business of MID is the manufacturing of precision mechanical parts, die casting, moulding of precision plastic lens and modular assembly mainly to the automotive, semiconductor industries and aerospace sector (" Existing Business ") and chassis faceplate business and such other business activities

related to the chassis faceplate business to be brought in by MD Penang (“**Faceplate Business**”, together with the Existing Business, the “**Business**”).

Scope of responsibility

MID

MID shall be responsible for manufacturing and delivering the products to customers within the scope of Business.

JHM

JHM shall be responsible for:

- (a) all operations and decisions of MID;
- (b) providing reasonable assistance to MD Penang in relation to customer certification and the transfer of the MD Assets to MID;
- (c) providing reasonable assistance to MD Penang in localising suppliers of MID.

MD Penang

MD Penang shall be responsible for:

- (a) assuming obligations and enjoying rights as a shareholder of MID under the Constitution and the Agreement;
- (b) actively participating in MID’s business operations;
- (c) the provision of the technical know-how and expertise for the Faceplate Business without reservation;
- (d) providing full support and assistance to MID in the development of its Existing Business, enhancement of its management standards and production efficiency and ultimately improving MID’s performance;
- (e) expanding MID’s customer base in the Faceplate Business to include more world-class customers such as Cisco, Google, Palo-Alto, Nokia;
- (f) upon passing of customer’s audits (i.e. the successful registration of MID as vendor of MD Penang’s customers), achieving the following sales target:

Timeline	Sales target
1 st year	USD 1 million
2 nd year	USD 2 million
3 rd year	USD 4 million

- (g) the provision of technical and managerial support and on-site training at MID at the costs and expenses of MID.

MD

MD shall be responsible for the transfer of the MD Assets to MID in accordance with the terms and conditions of the Agreement.

Completion

Date and place

Completion shall take place on or before 31 December 2024 at the office of MID.

Completion obligations

At Completion:

1. the Company shall procure that such shareholder and board meetings of MID are held as may be necessary to:
 - (a) appoint 1 director as MD Director and 3 directors as JHM Directors;
 - (b) give the Board the authority to allot the Consideration Shares in accordance with Clause 5.3 of the Agreement (Issue of Consideration Shares).
2. MID shall (i) issue credited as fully paid the Consideration Shares at the issue price of RM0.016 per Consideration Share to MD Penang; (ii) enter MD Penang in the register of members of MID as the holders of such Consideration Shares; and (iii) issue share certificates to MD Penang in respect of such Consideration Shares.
3. in consideration for the issue of the Consideration Shares, MD shall deliver the MD Assets to MID.

Equity structure

1. On the Completion Date, the total issued and paid up share capital of MID will be held in the following proportions ("**Respective Proportion**"):

Shareholder	No. of Shares	Percentage
JHM	30,000,000	80%
MD Penang	7,500,000	20%
Total	37,500,000	100%

2. Subject to the terms of the Agreement, the JV Shareholders agree that the equity interest of JHM and MD Penang shall be held in the Respective Proportion for a minimum period of eight (8) years from the Completion Date ("**Moratorium Period**"), during which no transfer of shares or proposed transfer of shares shall be made by the JV Shareholders. After the expiry of the Moratorium Period, any transfer of Shares between the Shareholders shall be in accordance with Clause 10 of the Agreement.
3. Subject always that there is no breach of the Agreement by MD Penang and/or MD, JHM has agreed to grant to MD Penang an option to further subscribe to an additional 20% (accumulatively 40%) of the issued and paid-up share capital of MID for a consideration to be determined at the time of the exercise of the option by MD Penang and subject to further terms and conditions to be negotiated in good faith between the Parties.

Term	The Agreement shall continue in full force and effect from date of this Agreement until 31 December 2039 (" Term "). The Parties agree that period from the date of the Agreement until the Completion Date or 1 January 2025 (whichever later) shall be deemed as the preparation period for the joint venture between the Parties under the Agreement while the joint venture period shall commence on 1 January 2025 until 31 December 2039. Any renewal of Term shall be subject to the agreement between the Parties one (1) year prior to the expiry of the Term.
Termination	<p>Except for the provisions which this Clause states shall continue in full force after termination, this Agreement shall terminate:</p> <ul style="list-style-type: none"> (a) when one JV Shareholder ceases to hold any shares in MID; (b) when a resolution is passed by shareholders or creditors, or an order made by a court or other competent body or person instituting a process that shall lead to MID being wound up and its assets being distributed among the MID's creditors, shareholders or other contributors; (c) upon mutual agreement between the Parties in writing; (d) upon the expiry of the Term with no renewal agreed by the Parties; or (e) MID continuously making losses for five (5) years from the Completion Date and the net assets of MID fall by over 50%.
Consequences of winding-up	<p>Where MID is to be wound up and its assets distributed, the Parties shall agree on a suitable basis for dealing with the interests and assets of MID and shall endeavour to ensure that:</p> <ul style="list-style-type: none"> (a) all existing contracts of MID are performed to the extent that there are sufficient resources; (b) MID shall not enter into any new contractual obligations; (c) MID is dissolved and its assets are distributed to the JV Shareholders in their Respective Proportions as soon as practical; and (d) any other proprietary information or intellectual property rights belonging to or originating from a JV Shareholder shall be returned to it by the other JV Shareholder or MID and all such proprietary information or intellectual property rights shall be erased from the computer systems (to the extent possible) of MID and the JV Shareholder who is returning it.