

**RHONG KHEN INTERNATIONAL BERHAD
(FORMERLY KNOWN AS LATITUDE TREE HOLDINGS BERHAD)**

JOINT VENTURE AGREEMENT ENTERED BY RHONG KHEN INDUSTRIES SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF THE COMPANY WITH NG YANG PENG AND CHONG CHING FEN

1. INTRODUCTION

The Board of Directors (“Board”) of Rhong Khen International Berhad (“RKIB” or the “Company”) wishes to announce that Rhong Khen Industries Sdn. Bhd. (“RKI”), a wholly-owned subsidiary of the Company, had on 18 January 2023 entered into a joint venture agreement (“JVA” or “Proposed Joint Venture”) with Ng Yang Peng (“NYP”) and Chong Ching Fen (“CCF”) for the manufacture and sale of furniture, panel board furniture and components in and from Malaysia through the medium of Excite Group Sdn. Bhd. (“the JVC”).

(RKI, NYP and CCF are referred to individually as the “Party” and collectively as the “Parties”.)

2. DETAILS OF THE PROPOSED JOINT VENTURE

- (i) The JVC is a private limited company incorporated in Malaysia under Companies Act 2016 on 8 November 2022. The JVC has paid up share capital of RM1.00 divided into 1 share wholly owned by NYP.
- (ii) The principal activities of the JVC are to carry on the business of manufacturing, selling and distributing furniture, panel board furniture, furniture components and other related wood or panel products.

3. INFORMATION OF THE PARTIES

RKI

RKI was incorporated in Malaysia as a private limited company on 15 December 1988. RKI is a wholly-owned subsidiary of RKIB and its principal activities are manufacturing, sale of decorative wood panel and decorative paper.

The issued share capital of RKI is RM78,000,000.00 comprising 3,000,000 ordinary shares and 75,000,000 redeemable preference shares. The shareholders of RKI are RKIB and Latitude Tree Sdn. Bhd. (a wholly-owned subsidiary of RKIB). The Directors of RKI are Lin, Chin-Hung and Lin Chen, Jui-Fen.

NYP

Mr Ng Yang Peng is a Malaysian and is currently the Managing Director of Excite Team Sdn. Bhd. (“ETSB”). ETSB is principally involved in manufacturing and trading of panel board furniture and components.

CCF

Mr Chong Ching Fen is a Malaysian and is currently the Managing Director of Innovest Furniture Industries Sdn. Bhd. (“IFISB”). IFISB is principally involved in manufacturing and trading of panel board furniture and components

4. SALIENT TERMS OF THE JVA

4.1 Shareholdings of the Parties – Issuance of Shares

Upon the completion of execution of JVA:

- (a) All Parties agree to cause and procure that the JVC will pass Special Resolutions in accordance with the JVC's Articles of Association approving:
- i) the issuance of 999,999 new ordinary shares in the JVC; and
 - ii) the changes to the Constitutional Documents of the JVC.
- (b) Subject to and forthwith upon the resolutions referred to in (a) above being proposed and passed, all Parties and the JVC shall procure that:
- i) Mr Lin, Chin-Hung, or such other persons nominated by RKIB in their place are appointed as directors of the JVC, as nominees of RKI; and
 - ii) NYP is appointed as director of the JVC.

4.2 Shareholdings of the Parties – Subscription for Shares

Upon the capital increment and the issuance of new ordinary shares, RKI, NYP and CCF agree to subscribe for, and the Parties agree to cause the immediate allotment to RKI, NYP and CCF of Ordinary Shares in the proportions set out below:

Party	Mode of Payment of Subscription Monies	Number of Ordinary Shares
RKI	Cash	510,000
NYP	Cash	399,999
CCF	Cash	90,000
	Total	999,999

such that the Parties' respective shareholdings in the JVC immediately thereafter shall be as follows:

Party	Number and Type of Shares	Percentage
RKI	510,000 Ordinary Shares	51.0%
NYP	400,000 Ordinary Shares	40.0%
CCF	90,000 Ordinary Shares	9.0%
Total	1,000,000 Ordinary Shares	100.0%

4.3 Board of Directors – Composition of the Board

Upon completion of the subscription, and at all times thereafter (unless otherwise agreed between the Shareholders in writing) the Board shall consist of three (3) members, as follows:

- (a) Two (2) nominees of RKI; and
- (b) NYP or his nominee.

The Chairman of the Board shall be a nominee of RKI acceptable to NYP, provided that NYP and CCF may at any time during the tenure of such Chairman request reasonably that he or she be replaced, whereupon RKI shall forthwith nominate another nominee of RKI acceptable to NYP and CCF to act as Chairman.

4.4 Management of JVC

- (i) The General Manager shall be appointed from the Directors of the JVC by mutual agreement of the Shareholders.
- (ii) The Finance Manager may be nominated by RKI and shall subject to the prior approval of each of the Shareholders.
- (iii) The Marketing Manager shall be appointed by the Directors of the JVC by mutual agreement of the Shareholders.

4.5 Capital Expenditure Funding

The JVC will not require any other capital expenditure funding or outlay from the Shareholders' for the next 5 years from the date of the JVA other than as follows:

	RM
Preliminary cost	100,000
Plant and machinery	3,000,000
Furniture fittings and office equipment	150,000
Working capital	1,750,000
Total	5,000,000

4.6 Conditions Precedent

JVA is subject to the full compliance of the conditions precedent as below:

- (a) no material adverse change having occurred to the business or financial condition or prospects of the JVC and its business between the execution and completion of JVA;
- (b) RKI being furnished with evidence acceptable to it of the appointment of persons satisfactory to RKI to the following posts in the JVC, on at least 2-year service contracts:
 - i) General Manager; and

- ii) Business Development Manager.
- (c) RKI being furnished with a certified true copy of a resolution of the Board and shareholders' meeting approving the execution and delivery by the JVC of the JVA; and
- (d) Internal approvals of RKI being obtained, which shall include various approvals and consents to be obtained from the investment committee and Board of RKIB.

4.7 Completion Documents

On the Completion Date, the JVC shall deliver or cause to be delivered to each of RKI, NYP and CCF:

- (a) certified true copies of the resolutions passed by the Board in accordance with the Articles of the JVC:
 - i) approving the allotment of the relevant ordinary shares to RKI, NYP and CCF;
 - ii) authorising the issuance of the new share certificates in respect of the ordinary shares;
 - iii) approving the entry in the Shareholders' Register Book of the JVC of RKI, NYP and CCF as holders of the relevant ordinary shares; and
 - iv) appointing or authorising persons nominated by RKI as co-signatories to the bank accounts of the JVC.
- (b) certified true copy of the Special Resolutions on capital increment and issuance of new ordinary shares;
- (c) the relevant original share certificates in respect of the ordinary shares to be allotted to RKI, NYP or CCF pursuant to the JVA; and
- (d) cause the persons nominated by RKI to be validly appointed and registered as Directors of the JVC.

5. SOURCE OF FUNDING

The investment in the Proposed Joint Venture will be funded via internally generated funds.

6. EFFECTS OF THE PROPOSED JOINT VENTURE

The Proposed Joint Venture will not have any material effect on the earnings, earnings per share, net assets and net assets per share and gearing of the Company for the financial year ending 30 June 2023.

7. RATIONALE FOR THE PROPOSED JOINT VENTURE

The rationale for the Proposed Joint Venture is in line with the Group's objective to expand its revenue stream by diversifying into viable businesses, to enhance shareholders' value in the long term.

In this respect, the Proposed Joint Venture represent a strategic opportunity for RKI to venture into manufacture and sale of furniture, panel board furniture and components in and from Malaysia, through the medium of JVC. Furthermore, the Group is able to tap into the competency and experience of Mr Ng Yang Peng and Mr Chong Ching Fen, being the key management personnel identified to spearhead the business operations in JVC.

8. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposed Joint Venture is targeted to be completed before the fourth quarter of the financial year ending 30 June 2023 and thereafter, JVC will become a 51%-owned subsidiary of RKI.

9. APPROVALS REQUIRED

The Proposed Joint Venture is not subject to the approval of the shareholders of RKIB and any other regulatory authorities.

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

None of the Directors and/or major shareholders and/or persons connected with them has any interest, whether direct or indirect, in the JVA.

11. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the JVA pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is negligible.

12. DOCUMENTS FOR INSPECTION

The JVA is available for inspection at the registered office of the Company at 12th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan during normal 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 18 January 2023.