MAGMA GROUP BERHAD ("MAGMA" OR "THE COMPANY")

JOINT VENTURE AGREEMENT AND SUBSCRIPTION AGREEMENT BETWEEN CHAGEE (M) SDN BHD AND MAGMA CHAIN MANAGEMENT SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF THE COMPANY

1. INTRODUCTION

The Board of Directors of Magma Group Berhad ("MGB" or the "Company") wishes to announce that its wholly-owned subsidiary, Magma Chain Management Sdn Bhd (Company registration number 202401009877 (1555727-U)) ("MCM"), has on 16 May 2025 entered into the following agreements:

a) A Joint Venture Agreement ("JVA") with Chagee (M) Sdn Bhd (Company registration number 202001014898 (1371218-H)), ("Chagee"); and
b) A Subscription Agreement ("SA") with Chagee and a joint venture company incorporated in Malaysia, namely Chagee Magma Sdn Bhd (Company registration number 202501019102 (1620515-D)) ("JVC").

The abovementioned agreements formalise the strategic partnership between Chagee and MCM and set out the terms and conditions governing their equity participation in, and operational framework for, the JVC.

2. INFORMATION OF THE PARTIES

a) Chagee is a company incorporated in Malaysia whose business address is at 127-1 & 127-2, Jalan Radin Bagus, Bandar Baru Sri Petaling, 57000 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia. Chagee is principally engaged in the retail sale of beverages, including but not limited to tea, coffee, soft drinks, mineral water, and other related products.

b) MCM is a company incorporated in Malaysia whose business address is at D5-5-5, Solaris Dutamas, No.1 Jalan Dutamas 1, 50480 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia. MCM is a company involved in the business of restaurant franchising, food and beverage services and any other related activities.

c) The JVC is a company incorporated in Malaysia whose business address is at 127-1 & 127-2, Jalan Radin Bagus, Bandar Baru Sri Petaling, 57000 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia. The JVC will be engaged in the retail sale of tea, coffee, soft drinks, mineral water, and other beverages.

3. DETAILS OF THE JOINT VENTURE

The joint venture represents a strategic collaboration between Chagee and MCM to jointly pursue business opportunities under the "CHAGEE" brand in Malaysia. The JVC will serve as the primary vehicle for executing the business expansion and operations, which include, among others, the development of branded retail outlets and other commercial initiatives within the premium tea and beverage segment.

Pursuant to the terms of the JVA and SA:

a) Both parties shall subscribe to new shares in the JVC in the agreed proportions resulting in an equity composition of 60:40 between Chagee and MCM, respectively.
b) The JVC shall be governed by a board comprising of nominees from both shareholders and key strategic decisions shall be subject to the provisions of the JVA, including board representation and reserved matters;
c) As part of its growth strategy, the JVC aims to establish up to 300 directly managed CHAGEE outlets across Malaysia within a period of three (3) years, to be rolled out progressively in phases, subject to prevailing market conditions.

4. SALIENT TERMS OF THE AGREEMENTS

The principal terms of the JVA and SA include, inter alia, the following:

a) The JVC will operate the CHAGEE business in Malaysia;
b) The share subscription by both parties shall be effected through payment in accordance with the terms of the SA;
c) Each party shall be entitled to appoint directors to the board of the JVC proportionate to their respective equity interest;
d) Reserved matters, including key strategic and financial decisions, shall require the prior approval of both shareholders;
e) The parties have agreed to mutual undertakings on confidentiality, further assurance, compliance with laws, and dispute resolution, including arbitration under the AIAC Rules;
f) The SA also incorporates customary warranties and representations by the parties, along with undertakings regarding anti-bribery and anti-corruption compliance.

5. RATIONALE AND BENEFITS

a) The entry into the JVA and SA is part of the Company's strategic initiative to diversify its business operations and create new revenue streams.

b) The collaboration with Chagee, a recognised and fast-growing brand in the premium tea beverage segment, will enable MCM to participate in the expansion of the CHAGEE business in Malaysia.

c) The JVA and SA is expected to provide the following key benefits to the Company:

i. Enable the Company to diversify into the food and beverage sector, complementing its existing business portfolio;

ii. Allow the Company to leverage on CHAGEE's established brand, operational capabilities, and market presence;

iii. Support potential earnings contribution to the Company in the future as the business expands;

iv. Provide equity participation in a high-growth consumer segment while sharing capital and operational risks with an experienced partner.

The proposed joint venture is in line with the Company's strategy to enhance long-term shareholder value through selective partnerships in growth sectors.

6. EFFECTS OF JVA AND SA

The JVA and SA will not have any effect on the share capital and substantial shareholders' shareholding of the Company.

The proposed transactions are not expected to have any material effect on the earnings per share, net assets per share, or gearing of the Company for the financial year ending 31 December 2025. Nevertheless, the joint venture is anticipated to contribute positively to the consolidated financial performance of the Group in the medium to long term, subject to the successful execution of the JVC's business plan.

7. PROSPECTS AND RISK FACTORS

a. Prospects

i. The joint venture is expected to benefit from favourable trends in the Malaysian consumer market, particularly in the premium tea beverage segment, which has shown steady growth driven by evolving lifestyle preferences.

ii. The Parties intend to scale operations through phased outlet expansion and localisation strategies. Subject to effective execution of the business plan, this may contribute positively to the Company's medium to long-term financial performance.

iii. The strategic partnership offers potential for operational synergies, brand development, and enhanced market reach, which may support further business opportunities beyond initial expansion plans.

b. Risk Factors

i. The risks associated with the joint venture are consistent with those generally encountered in similar ventures. The Company has implemented appropriate measures to safeguard its interests and will continue to adopt mitigation strategies as necessary.

ii. Geopolitical developments may pose broader challenges to the global economic outlook, potentially affecting economic growth, inflation, financial markets, and supply chains. Prolonged global conflicts may contribute to regional instability, higher energy and food prices, and inflationary pressures.

8. APPROVALS REQUIRED

The execution of the JVA and SA is not subject to the approval of the shareholders of the Company or any regulatory authorities. The transaction is also not conditional upon any other corporate proposal undertaken by the Company.

9. PERCENTAGE RATIO

Based on the audited consolidated financial statements of MAGMA for the financial year ended 31 December 2024, the highest percentage ratio applicable to the JVA and SA pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is 22.44%.

10. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED WITH THEM

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

11. SOURCE OF FUNDING

The equity participation in the JVC shall be satisfied by way of internally generated funds.

12. DIRECTORS' STATEMENT

The Board, having considered all the relevant factors in respect of the JVA and SA, is of the opinion that the JVA and SA is in the best interest of the Company.

13. EXPECTED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances, the JVA and SA is expected to be completed by 30 May 2025.

14. DOCUMENT FOR INSPECTION

Copies of the JVA and SA will be made available for inspection at the registered office of Magma at Ho Hup Tower-Aurora Place, 02-07-01-Level 7, Plaza Bukit Jalil, No. 1, Persiaran Jalil Bandar Bukit Jalil, 57000 Kuala Lumpur during normal office hours from Monday to Friday (except public holidays) for a duration of three (3) months from the date of this announcement.

This announcement is dated 16 May 2025.