

IBRACO BERHAD (“IBRACO” or “THE COMPANY”)

- SUBSCRIPTION AND SHAREHOLDERS’ AGREEMENT BETWEEN IBRACO BERHAD WHOLLY OWNED SUBSIDIARY, IBRACO CONSTRUCTION SDN BHD AND KEMUNTING PREMIX PLANT SDN BHD

1.0 INTRODUCTION

On 16 December 2022, IBRACO has via its wholly owned subsidiary, Ibraco Construction Sdn Bhd (“**ICSB**”) incorporated a joint venture company, Ibraco KPP Concrete Sdn Bhd (“**IKPPSB**”) partnering with Kemunting Premix Plant Sdn Bhd (“**KPP**”).

Pursuant to Chapter 10 of the Listing Requirements of Bursa Malaysia Securities Berhad, the Board of Directors of IBRACO (“**Board**”) wishes to announce that ICSB had on 10 February 2023 entered into a Subscription and Shareholders’ Agreement (“**SSA**”) with KPP.

2.0 BACKGROUND INFORMATION

The principal activity of IKPPSB is to operate and sales of ready mix concrete.

IKPPSB is a company limited by shares incorporated in Malaysia under the Companies Act, 2016 on 16 December 2022.

The shareholders of IKPPSB and their respective shareholding at the date of this announcement are as follows:

Shareholders	Shareholdings	
	Units	%
ICSB	70,000	70
KPP	30,000	30
	100,000	100

The estimated capital outlay for setting up of the new batching plant is summarised as follows:-

Description	Amount
Plant and Equipment	RM2,330,000
Machinery	RM1,500,000
TOTAL	RM3,830,000

IKPPSB shall fund the capital outlay via bank borrowings and internal funds.

3.0 INFORMATION ON ICSB

ICSB was incorporated on 10 December 2002 in Malaysia. The issued capital of ICSB is RM 9,940,000 comprising 9,940,000 ordinary shares. ICSB is principally involved in construction and civil engineering works.

4.0 INFORMATION ON KPP

KPP was incorporated on 6 December 1986 in Malaysia with the name Waterborne Corporation (M) Sdn Bhd and assumed its present name on 7 January 1992. The issued capital of KPP is RM 3,000,000 comprising 3,000,000 ordinary shares. KPP is principally involved in the processing and supplying of asphalt premix products and ready mixed concrete and as road making contractor.

5.0 SALIENT TERMS OF THE AGREEMENT

5.1 The parties shall subscribe for new issuance of 2,400,000 ordinary shares at an issue price of RM1.00 each in proportion to their shareholding structure within 30 days from the date of the SSA.

5.2 In the event IKPPSB needs further funding to finance its business, the parties agree that it may be sourced from the following options:

- a) loans from financial institutions and banks;
- b) Shareholders loans from the Shareholders in proportion to their shareholding percentage; and
- c) capital contributions from the Shareholders in the form of equity shares or preference shares.

5.3 ICSB obligations:-

- a) identify and source for suitable site for setting up the Batching Plant and office for the company;
- b) assist the company in the sales and marketing of ready mix concrete; and
- c) deal with any relevant authorities to obtain approvals, licences and permits required for the company to carry out its business.

5.4 KPP obligations:-

- a) source for the machineries, equipment and vehicles required for the company business;
- b) assist the company in the setting up the batching plant;
- c) source for and provide the company with employees with the right expertise to operate the batching plant;
- d) provide continuous support and training for all aspects in relation to the batching plant; and
- e) provide the necessary advice to the company pertaining to all the necessary approvals, permits and licences which are required for the running and operation of the company's business.

5.5 Subject to the requirements of the Companies Act 2016, any financing covenants imposed by any financiers and the cashflow requirements of the Company, the Board may authorize a distribution of dividend to the Shareholders at such time and in such amount as the Board consider appropriate.

5.6 None of the Shareholders shall sell or transfer or deal with its shares in the Company without first offering the other Shareholder a right of first refusal.

5.7 The Board of Directors of company shall comprise of three (3) directors, consisting of two (2) directors nominated by ICSB and one (1) director nominated by KPP.

6.0 RATIONALE AND BENEFITS

The execution of the SSA will enable Ibraco Group to venture into new business and provide consistent supply of quality ready mix to construction sites in the vicinity which include development projects of Ibraco Group.

7.0 RISK

The Company does not foresee any exceptional risk other than the normal operational risk associated with the business and operation of IKPPSB.

8.0 APPROVAL REQUIRED

The SSA is not subject to shareholders' approval or any other regulatory authorities' approvals.

9.0 FINANCIAL EFFECTS

a. Share Capital

The SSA will not have any effect on the equity interest of IBRACO in IKPPSB.

b. Earnings

The SSA will not have material effect on the earnings of IBRACO Group for the financial year ending 31 December 2023.

c. Net Tangible Assets

The SSA will not have any material effect on the net tangible assets of IBRACO Group for the financial year ending 31 December 2023.

d. Gearing

The SSA will not have any material effect on the gearing of IBRACO Group.

10.0 DIRECTORS AND SUBSTANTIAL SHAREHOLDERS' INTEREST

None of the directors/substantial shareholders and persons connected with them has any interest, direct and indirect, in the SSA.

11.0 STATEMENT BY THE BOARD OF DIRECTORS

The Board of Directors of IBRACO is of the opinion that the SSA was made in the best interest of the Company.

12.0 ESTIMATED TIME FRAME FOR COMPLETION

The additional subscription of ordinary shares of IKKPSB shall be completed upon allotment of shares within 90 days from the date of the SSA.

13.0 HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the transaction above pursuant to paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is 0.40% in relation to the net assets based on the Audited Financial Statements of the Company for the financial year ended 31 December 2021.

14. DOCUMENTS AVAILABLE FOR INSPECTION

The SSA is available for inspection at the registered office located at No.6 The NorthBank, Off Kuching-Samarahan Expressway, 93350 Kuching , Sarawak during normal business hours from Monday to Friday (except public holiday) for a period of three (3) months from the date of this announcement.

This announcement is dated 10 February 2023.