

**IBRACO BERHAD (“IBRACO” OR “THE COMPANY”)  
JOINT VENTURE BETWEEN IBRACO HELP EDUCATION SDN BHD (“IHE”) AND CMS  
EDUCATION SDN BHD (“CMSE”)**

**1. INTRODUCTION**

Further to the Company’s announcement on 27 February 2018, the Board of Directors of IBRACO wishes to announce that its associate company, IHE, had on 9 March 2018, entered into a Shareholders’ Agreement (“**SHA**”) with CMSE to:

- (i) enter into a Build and Lease Agreement with IBRACO; and
- (ii) enter into a Management Agreement with HELP Education Services Sdn Bhd (“**HES**”) to undertake the establishment, maintenance, running and operation of private school at pre-school, primary, secondary and pre-university levels at a new four storey school building with sports facilities (“**the Proposed New School Building**”) and any other places as IHE and CMSE may mutually agree.

IB shall be constructing the Proposed New School Building on a portion of land measuring 6 acres which is situated on part of Survey Lot 3146 (which is from parent Lot 2975 Block 12 Muara Tebas Land District) in Kuching according to HES’s requirements and IHE shall procure a joint venture company to enter into a build and lease agreement with IB for the build and lease of the Proposed New School Building for a private school and the joint venture company shall carry on business of operating and managing a private school in the Proposed New School Building (“**Project**”).

IHE has agreed for CMSE to participate in the said joint venture company, and in consideration, CMSE shall shift its current TUNKU PUTRA SCHOOL at Kasuma to the Proposed New School Building when it is ready.

**2. BACKGROUND INFORMATION ON CMSE, IHE, HELP AND HICMS**

**2.1 IHE**

IHE was incorporated on 4 October 2017 in Malaysia as a joint venture company between IB and HES, with the following shareholding structure:-

HES	– 51%
IB	– 49%

The issued capital of IHE is RM100 comprising 100 ordinary shares. The intended principal activity of IHE is to provide education at primary, secondary and pre-university levels alone or in conjunction with either local or foreign institutions.

**2.2 CMSE**

CMSE was incorporated on 2 July 1996 in Malaysia with the name CMS Intpac Sdn Bhd and assumed its present name on 8 July 2004. The issued capital of CMSE is RM 3,000,000 comprising 3,000,000 ordinary shares. CMSE is principally involved in the provision of education services. CMSE is a wholly-owned subsidiary company of CMSB.

### 2.3 HES

HES, a subsidiary of HELP International Corporation Berhad, was incorporated in Malaysia on 14 January 2008 for its various businesses which are primarily in the field of education services and activities at pre-school, primary, secondary and pre-university level. One of its business activity is the setting up of HELP International School (HIS) which has established itself as one of the fastest growing international schools in Malaysia. The issued capital of HES is RM1,002,500 comprising 2,500 redeemable preference shares and 1,000,000 ordinary shares.

### 2.4 HICMS

HICMS was incorporated on 27 February 2018 in Malaysia with an issued capital of RM100,000 comprising 100,000 ordinary shares. HICMS is incorporated for the purpose of joint venture with IHE with shareholding structure as follows:

- IHE – 70%
- CMSE – 30%

The intended principal activity of HICMS is to provide education services at primary, secondary and pre-university levels alone or in conjunction with either local or foreign institutions.

## 3. SALIENT TERMS OF THE SHA

- 3.1 The parties to the SHA are IHE and CMSE.
- 3.2 IHE and CMSE have formed a joint venture company, HICMS.
- 3.3 The business of HICMS are to enter into the Build and Lease Agreement with IB and to operate a private school to be built by IB on the Land.
- 3.4 IHE shall hold 70% and CMSE shall hold 30% of the shareholding in HICMS.
- 3.5 The eventual issued and paid up capital of HICMS shall be RM5,000,000 comprising 5,000,000 ordinary shares.
- 3.6 There shall be seven (7) directors in HICMS, of which five (5) shall be nominated by IHE and two (2) shall be nominated by CMSE.
- 3.7 There shall be a reserved matters list which shall require the approval of at least three (3) directors nominated by IHE and two (2) directors nominated by CMSE.
- 3.8 No shareholder shall sell, dispose or transfer beneficial ownership of its shares without first offering to sell such shares to the other shareholder at a price to be agreed between the shareholders or as determined by a valuer.

## 4. CONDITIONS PRECEDENT

There is no conditions precedent in the SHA.

## 5. RATIONALE AND PROSPECTS FOR THE PROJECT

The joint venture is to capitalise on the extensive and proven experience that HES and CMSE have in the education industry and IB in terms of providing a Proposed New School Building, strategically located in the wider and well established Tabuan Jaya township.

This partnership aims to position Tunku Putra-HELP International School as a school which delivers world-class education with world-class facilities at affordable fees to all who live and work in Sarawak.

## 6. INFORMATION ON THE LAND

IB is currently the registered proprietor of a parcel of land situated at Sungai Niada/Sungai Stutong/Sungai Laru, Kuching, containing an area of 49.5 hectares, more or less, and described as Master Parent Lot 2975 (to be known as Lot 3146) Block 12 Muara Tebas Land District ("**Land**"). A portion of the Land measuring approximately 6 acres has been approved for 4 storey private school with sport facilities. The lease of the Land is expiring on 17 November 2071. The Land is currently free from encumbrances.

## 7. ESTIMATED PROJECT COST

The project cost of the Proposed New School Building by IB is currently estimated at RM50 million.

Details of the project costs are as follow:-

Piling Works	RM 1.2 million
Building and Infrastructure Works	RM48.8 million
Total Estimated Project Cost	<u>RM50.0 million</u>

## 8. FUNDING

The funding to finance the development cost by IB will be through internally generated funds and bank borrowings.

## 9. LIABILITIES TO BE ASSUMED

There will be no liabilities, including contingent liabilities and guarantees, to be assumed by IHE and CMSE.

## 10. RISK FACTORS

As the developer of the Proposed New School Building, IB will be exposed to defects liability clause as well as liquidated damages should IB fail to deliver vacant possession of the Proposed New School Building within the stipulated period. There can be no assurance that any delays in the delivery of vacant possession will not have any material and adverse impact to Ibraco.

However, these risks are familiar to Ibraco's management who has had incorporated assurances through its extensive experience of over 40 years in the property development and construction business to manage and mitigate such risks.

#### **11. EFFECTS OF THE PROJECT**

The Project is not expected to have any material effect on the earnings per share, net assets per share, share capital, gearing and/or substantial shareholders' shareholdings of IB for the financial year ending 31 December 2018.

#### **12. APPROVALS REQUIRED**

The building plan approvals will have to be secured before construction commences.

The SHA does not require the approval of the shareholders of IB or any other regulatory body.

#### **13. ESTIMATED TIME FRAME FOR COMPLETION OF THE PROJECT**

Barring unforeseeable circumstances, the Project is expected to be completed in September 2019.

#### **14. HIGHEST PERCENTAGE RATIO**

The highest percentage ratio applicable for the Project pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is 0.63%.

#### **15. STATEMENT BY THE BOARD**

Having considered all aspects of the Project, the Board of IB is of the opinion that the SHA is in the best interest of IB.

#### **16. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED WITH THEM**

None of the other directors and/or major shareholders of IB or persons connected to them have any interest, direct or indirect, in the SHA.

#### **17. DOCUMENTS FOR INSPECTION**

The SHA is available for inspection at the registered office of the Company at Ibraco House, No.898 Jalan Wan Alwi, Tauan Jaya, 93350, Kuching, Sarawak from Mondays to Fridays (except public holidays) during business hours, for a period of three (3) months from the date of this announcement.

This announcement is dated 9 March 2018.