

IREKA CORPORATION BERHAD (“IREKA” OR THE “COMPANY”)

- (I) MEMORANDUM OF UNDERSTANDING BETWEEN IREKA AND CRRC URBAN TRAFFIC CO. LTD. (“CRRC UT”); AND
- (II) PROPOSED SUBSCRIPTION BY CRRC URBAN TRAFFIC (EUROPE) CO LTD (“CRRC EUROPE”) OF 15,836,000 NEW ORDINARY SHARES IN IREKA (“IREKA SHARE(S)” OR “SHARE(S)”) (“SUBSCRIPTION SHARE(S)”), REPRESENTING APPROXIMATELY 9.27% OF THE TOTAL NUMBER OF ISSUED SHARES IN IREKA, AT AN ISSUE PRICE OF RM0.5795 PER SUBSCRIPTION SHARE (“PROPOSED SUBSCRIPTION”)

(COLLECTIVELY REFERRED TO AS THE “PROPOSALS”)

1. INTRODUCTION

On behalf of the Board of Directors of Ireka (“**Board**”), UOB Kay Hian Securities (M) Sdn Bhd (“**UOBKH**” or the “**Placement Agent**”) wishes to announce that the Company had on 4 December 2017 entered into the following:-

- (a) a Memorandum of Understanding (“**MOU**”) with CRRC UT for the collaboration in rail, urban traffic solution, tourism and infrastructure projects in Malaysia and South East Asia; and
- (b) a conditional subscription agreement with CRRC Europe (the “**Subscriber**”) (“**Subscription Agreement**”) for the proposed subscription by CRRC Europe of 15,836,000 Subscription Shares, representing approximately 9.27% of the total number of issued shares in Ireka, at an issue price of RM0.5795 per Subscription Share.

Further details on the Proposals are set out in the ensuing sections of this announcement.

2. DETAILS OF THE PROPOSALS

2.1 MOU

2.1.1 Background

CRRC UT is a member of the CRRC Group, the world’s largest manufacturer of rolling stock and rail related products and systems. CRRC UT, a China based company, is a leading player in providing investments, engineering technology and construction solutions in the rail and urban transportation sectors.

Ireka, its subsidiaries and associated companies (“**Ireka Group**” or the “**Group**”) are principally involved in construction, property development, property development management, property services, property related services and information technology. Its current activities are divided into three core businesses – infrastructure, real estate and technology, in both Malaysia and Vietnam.

The MOU entered into between Ireka and CRRC UT establishes a formal working relationship between the parties to jointly pursue projects in the areas set out in **Section 2.1.2.1** of this announcement.

2.1.2 Salient terms of MOU

2.1.2.1 Purpose and objective

For a duration of 24 months from the date of the MOU (“**Exclusivity Period**”), Ireka and CRRC UT (collectively referred to as the “**Parties**”) will work together exclusively to:-

- (i) explore specific rail, urban traffic solution, tourism and infrastructure projects across Malaysia and South East Asia through various commercial collaboration models including engineering, procurement and construction, public private partnerships and build, operate and transfer models via the establishment of a joint venture company between the Parties and/or their affiliates;
- (ii) explore business opportunities in the area of logistics with the objective of supporting the connected parties of CRRC UT in China in their business operation (“**Chinese Companies**”) in Malaysia and South East Asia via the establishment of a joint venture company between the Parties and/or their affiliates;
- (iii) explore business opportunities in the area of trading of construction and building materials, with the objective of supporting the Chinese Companies operating in Malaysia and South East Asia via the establishment of a joint venture company between the Parties and/or their affiliates; and
- (iv) explore specific rail and infrastructure construction projects arising from China’s One Belt One Road initiatives in Malaysia.

During the Exclusivity Period, the Parties agree to engage exclusively with each other to discuss various commercial possibilities arising from the areas listed above.

2.1.2.2 Subscription of shares in Ireka and joint venture

Simultaneous to this MOU, the Parties agree to enter into the Subscription Agreement, whereby CRRC UT’s designated entity will undertake the Proposed Subscription.

Following the Proposed Subscription, the Parties envisage that a joint venture company (“**JVCo**”) will be established to pursue the business area set out in **Section 2.1.2.1(i) to (iv)** above, with a shareholding structure of Ireka holding 51% and CRRC UT holding 49%.

The Parties agree that proceeds from the Proposed Subscription will be used by Ireka for the purposes to fund the business areas set out in **Section 2.1.2.1(i) to (iv)** above and the estimated expenses in relation to the Proposed Subscription, or to be injected into the JVCo as the capital contribution by Ireka, or in other areas if agreed by the Parties.

2.2 Proposed Subscription

2.2.1 Details of the Proposed Subscription

The Proposed Subscription entails the subscription by CRR Europe of 15,836,000 Subscription Shares, representing approximately 9.27% of the total number of issued shares in Ireka, at an issue price of RM0.5795 per Subscription Share.

The Proposed Subscription will be implemented in line with the general mandate under Sections 75 and 76 of the Companies Act, 2016 (“**Act**”), which Ireka obtained from its shareholders at its annual general meeting on 30 August 2017 (“**General Mandate**”). Under the General Mandate, the Board is authorised to issue new Ireka Shares up to 10% of the Company’s total number of issued shares.

Upon completion of the Proposed Subscription, the total number of issued shares in Ireka will increase to 186,708,050 Ireka Shares. CRR Europe will emerge as a substantial shareholder holding 8.48% equity interest in Ireka based on the enlarged total number of issued shares after the Proposed Subscription.

2.2.2 Salient terms of the Subscription Agreement

(i) Subscription

Subject to the terms and conditions of the Subscription Agreement, the Subscriber agrees to subscribe for the Subscription Shares at the subscription price of RM0.5795 per Subscription Share, for a total price of RM9,176,962 (“**Subscription Sum**”).

The Subscription Sum shall be used by Ireka for the purposes set out in **Section 4** of this Announcement.

(ii) Condition precedent

The allotment and issuance of the Subscription Shares is subject to the approval obtained from Bursa Malaysia Securities Berhad (“**Bursa Securities**”) for the listing of and quotation for the Subscription Shares (“**Condition Precedent**”).

The Condition Precedent shall be fulfilled within 14 days from the date of the Subscription Agreement.

(iii) Payment and completion

The Subscriber shall pay the Subscription Sum to UOBKH as the Placement Agent within 5 market days from the date of this announcement and the signing of the Subscription Agreement (the date of payment shall be the “**Payment Date**”), subject to the satisfaction of the Condition Precedent.

Within 5 business days after the Payment Date and subject to the satisfaction of the Condition Precedent, the Company shall do the following:-

- (a) allot and issue the Subscription Shares to the Subscriber or the entity designated by the Subscriber;
- (b) deliver, or cause to be delivered to Bursa Malaysia Depository Sdn Bhd (“**Bursa Depository**”) the share certificates registered in the name of Bursa Depository for the Subscription Shares; and

- (c) instruct and procure Bursa Depository to credit the Subscription Shares to the securities account of Subscriber or the entity designated by the Subscriber.

Completion of the Proposed Subscription will occur on the listing date of the Subscription Shares (“**Completion**”, and the date on which such Completion actually takes place, the “**Completion Date**”).

On the Completion Date, the Placement Agent will release the Subscription Sum to the Company.

(iv) Non-compliance

Without prejudice to any other remedies available to the parties, if in any respect the provisions of **Section 2.2.2 (iii)** above (as the case may be) are not complied with by Ireka or the Subscriber (as the case may be) on the Payment Date, or the target Completion Date (as the case may be), the Subscriber or the Company (as the case may be) as the party not in default may, subject to applicable laws, regulations or the Main Market Listing Requirements of Bursa Securities:

- (a) defer Completion to a date not more than 28 days after the target Completion Date (and so that the provisions herein shall apply to Completion as so deferred);
- (b) proceed to Completion so far as practicable and legally permissible (without prejudice to its rights hereunder); or
- (c) rescind the Subscription Agreement and claim for the actual costs and expenses incurred by the non-defaulting Party in relation to the Subscription Agreement.

(v) Nomination of director

Upon the Completion, the Subscriber shall immediately be entitled to nominate and appoint a person, who shall have the right to receive notice for, attend and observe in all of the board meetings of the Company, provided that such person agrees in writing to maintain the confidentiality of all proceedings of the board and of all information disclosed at such board meetings (save and except for disclosure to the Subscriber). Such person shall have no right to vote on any resolution tabled at the board meetings and shall receive no remuneration from the Company.

2.2.3 Basis of arriving at the issue price of the Subscription Shares

The issue price of RM0.5795 (“**Issue Price**”) was arrived at between Ireka and CRRC Europe on a willing issuer willing subscriber basis after taking into consideration the following:-

- (i) the historical price movement and prevailing market price of Ireka Shares; and
- (ii) the 5-day volume weighted average market price (“**VWAP**”) of Ireka Shares, with a discount of not more than 10% to the 5-day VWAP immediately preceding the price-fixing date.

The Issue Price represents a discount of approximately 3.55% or RM0.0213 to the 5-day VWAP of RM0.6008 per Ireka Share up to and including 30 November 2017, being the last trading day prior to the signing of the Subscription Agreement.

2.2.4 Ranking and listing of the Subscription Shares

The Subscription Shares will, upon allotment and issue, rank *pari passu* in all respects with the existing Ireka Shares, except that the Subscription Shares will not be entitled to any dividend, right, allotment and/or other distribution that may be declared, made or paid where the entitlement date precedes the date of allotment and issuance of the Subscription Shares.

An application will be made to Bursa Securities for the listing of and quotation for the Subscription Shares on the Main Market of Bursa Securities.

2.2.5 Brief information on CRRC Europe

CRRC Europe was registered in Hungary on 30 June 2016 with its registered office at 1075 Budapest, Károly körút 11.2. em. Hungary. The principal activities of CRRC Europe include building a green and smart urban transportation system and solutions platform, provide rail transportation solution, tram, trolley bus, public BRT bus, electronical public bus, and commuter logistics, smart parking lot, electronic car charging station through research and development, construction investment, financial leasing and operation maintenance and other integrated services.

The directors of CRRC Europe are Gu Yifeng and Pei Jie. The substantial shareholders of CRRC Europe are CRRC UT and Hungary CRE New Energy Equipment Co. kft, holding 60% and 40% equity interest in CRRC Europe, respectively.

3. RATIONALE AND JUSTIFICATION FOR THE PROPOSALS

The MOU and Proposed Subscription serves as an important milestone for strategic collaboration between Ireka and CRRC Group, the world's largest manufacturer of rolling stock and supplier of railway transport equipment, well known for incorporating leading technology in its product lines. CRRC UT and CRRC Europe are members of the CRRC Group. Pursuant to the MOU, Ireka will work with CRRC UT to explore business opportunities in the 4 key areas highlighted in **Section 2.1.2.1** of this Announcement. In addition, the Proposed Subscription will raise additional working capital for the purposes set out in **Section 4** below.

The Board believes that the entry of CRRC UT as a substantial shareholder of the Company will enable both Parties to leverage on each other's technical knowledge and experience in different fields to provide comprehensive solutions for rail and urban transportation projects to be undertaken.

4. USE OF PROCEEDS

The Proposed Subscription will raise gross proceeds of RM9,176,962, which will be utilised in the following manner:-

Details of use	(RM)	Timeframe for use
Working capital ⁽¹⁾	9,026,962	Within 12 months from receipt of funds
Estimated expenses in relation to the Proposed Subscription ⁽²⁾	150,000	Within 1 month from receipt of funds
Total	9,176,962	

Notes:-

- (1) Pursuant to the MOU and Subscription Agreement, the proceeds will be used for working capital purposes to fund the business area as set out in **Section 2.1.2.1** of this Announcement.

- (2) The estimated expenses in relation to the Proposed Subscription comprising professional fees, regulatory fees and other incidental expenses estimated to be RM150,000. Any shortfall or excess in funds allocated for estimated expenses will be funded from or used for the working capital of Ireka Group.

5. EFFECTS OF THE PROPOSALS

The MOU will not have any effect on the share capital, substantial shareholders' shareholdings, net assets ("NA"), gearing and earnings of the Group.

For illustration purposes, the pro forma effects of the Proposed Subscription on the share capital, substantial shareholders' shareholdings, NA, gearing and earnings of the Group are set out below:-

5.1 Share capital

For illustration, the pro forma effects of the Proposed Subscription on the share capital of Ireka are as follows:-

	No. of Shares	RM
Share capital as at 30 September 2017	170,872,050	170,872,050
Subscription Shares to be issued	15,836,000	⁽¹⁾ 9,176,962
Enlarged share capital	186,708,050	180,049,012

Note:-

- (1) Based on issue price of RM0.5795 per Subscription Share and the amount is fully credited to the share capital account in accordance with the Act.

5.2 NA per Share and gearing

Based on the audited consolidated financial statements of Ireka as at 31 March 2017, the pro forma effects of the Proposed Subscription on the NA per Share and gearing of Ireka Group are as follows:-

	Audited as at 31 March 2017 (RM)	Pro forma I Adjustment for subsequent event (RM)	Pro forma II After the Proposed Subscription (RM)
Share capital	170,872,050	170,872,050	⁽²⁾ 180,049,012
Share premium	1,384,922	1,384,922	1,384,922
Warrant reserves	5,695,735	5,695,735	5,695,735
Other reserves	(5,695,735)	(5,695,735)	(5,695,735)
Foreign currency translation reserve	(1,404,478)	(1,404,478)	(1,404,478)
(Accumulated losses)	(26,754,578)	⁽¹⁾ (30,172,019)	⁽³⁾ (30,322,019)
Total equity / NA	144,097,916	140,680,475	149,707,437
No. of Shares issued	170,872,050	170,872,050	186,708,050
NA per Share (RM)	0.84	0.82	0.80
Total borrowings	126,217,753	126,217,753	126,217,753
Gearing (times) ⁽⁴⁾	0.88	0.90	0.84

Notes:-

- (1) After deducting the first and final single-tier dividend of 2 sen per Share amounting to RM3,417,441 for the financial year ended 31 March 2017 which was paid on 23 November 2017.
- (2) After incorporating the fair value of Subscription Shares based on issue price of RM0.5795 per Subscription Share.

- (3) *After deducting the estimated expenses of RM150,000 for the Proposed Subscription.*
- (4) *Computed as borrowings divided by shareholders' equity/NA.*

5.3 Earnings and earnings per share (“EPS”)

The Proposed Subscription is not expected to have any material effect on the earnings of Ireka Group for the FYE 31 March 2018. However, there may be a corresponding dilution in the EPS of the Company as a result of the increase in the number of shares issued pursuant to the Proposed Subscription.

Nevertheless, the proceeds to be raised from the Proposed Subscription are expected to be utilised as working capital which in turn are expected to contribute positively to the future earnings of Ireka Group.

5.4 Convertible securities

Save for the 56,957,350 outstanding warrants 2014/2019 (“**Warrants**”) issued by Ireka, there are no options, warrants or convertible securities issued by the Company as at 30 September 2017. The Proposed Subscription does not give rise to any adjustments to the exercise price and/or number of Warrants.

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5.5 Substantial shareholders' shareholdings

The effects of the Proposed Subscription on the shareholdings of the substantial shareholders of Ireka as at the LPD are as follows:-

Substantial shareholders	Shareholdings as at the LPD				Pro forma I After the Proposed Subscription			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Ideal Land Holdings Sdn Bhd	73,502,997	43.02	-	-	73,502,997	39.37	-	-
Magnipact Resources Sdn Bhd	23,097,372	13.52	-	-	23,097,372	12.37	-	-
Green Rivervale Holdings Sdn Bhd	-	-	⁽¹⁾ 23,097,372	13.52	-	-	⁽¹⁾ 23,097,372	12.37
Chan Soo Har @ Chan Kay Chong	3,277,125	1.92	⁽²⁾ 23,097,372	13.52	3,277,125	1.76	⁽²⁾ 23,097,372	12.37
Lai Man Moi	2,161,125	1.26	⁽²⁾ 23,097,372	13.52	2,161,125	1.16	⁽²⁾ 23,097,372	12.37
Datuk Lai Jaat Kong @ Lai Foot Kong	8,943,750	5.23	-	-	8,943,750	4.79	-	-
Datuk Lai Siew Wah	-	-	⁽³⁾ 73,502,997	43.02	-	-	⁽³⁾ 73,502,997	39.37
Datuk Lai Voon Hon	18,000	0.01	⁽³⁾ 73,502,997	43.02	18,000	0.01	⁽³⁾ 73,502,997	39.37
Lai Voon Keat	-	-	⁽³⁾ 73,502,997	43.02	-	-	⁽³⁾ 73,502,997	39.37
Lai Voon Wai	-	-	⁽³⁾ 73,502,997	43.02	-	-	⁽³⁾ 73,502,997	39.37
Liw Yoke Yin	18,000	0.01	⁽³⁾ 73,502,997	43.02	18,000	0.01	⁽³⁾ 73,502,997	39.37
CRRC UT	-	-	-	-	15,836,000	8.48	-	-

Notes:-

- (1) Deemed interests through Magnipact Resources Sdn Bhd.
- (2) Deemed interests through Green Rivervale Holdings Sdn Bhd.
- (3) Deemed interests through Ideal Land Holdings Sdn Bhd.

6. APPROVALS REQUIRED

The MOU is not subject to the approval of the shareholders of Ireka and/or any other relevant authority.

The Proposed Subscription is subject to the following approvals:-

- (i) Bursa Securities, for the listing of and quotation for the Subscription Shares on the Main Market of Bursa Securities; and
- (ii) any other relevant authorities and/or parties, if required.

Approval has been obtained from the shareholders of Ireka at its annual general meeting convened on 30 August 2017 authorising the Board to allot and issue new Ireka Shares not exceeding 10% of the total number of issued shares of the Company at any point in time. The approval is valid, unless revoked or varied by the Company at a general meeting, until the conclusion of the next annual general meeting of Ireka.

The Proposed Subscription is not conditional upon any other corporate exercise undertaken or to be undertaken by the Company.

7. INTEREST OF DIRECTORS AND MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

None of the directors, major shareholders of Ireka and/or persons connected to them have any interest, whether direct or indirect, in the Proposals.

8. DIRECTORS' STATEMENT

After considering all aspects of the Proposals, the Board is of the opinion that the Proposals are in the best interest of the Company.

9. ADVISER AND PLACEMENT AGENT

UOBKH has been appointed by the Company to act as the Adviser and Placement Agent for the Proposed Subscription.

10. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Board expects the Proposed Subscription to be completed by the end of 2017.

11. APPLICATION TO RELEVANT AUTHORITIES

Barring any unforeseen circumstances, the applications to the relevant authorities for the Proposed Subscription are expected to be submitted within 2 weeks from the date of this announcement.

12. DOCUMENTS FOR INSPECTION

The MOU and Subscription Agreement will be available for inspection at the registered office of Ireka at Level 18, Wisma Mont' Kiara, No.1, Jalan Kiara, Mont' Kiara, 50480 Kuala Lumpur from Monday to Friday (except public holidays) during normal business hours for a period of 3 months commencing from the date of this announcement.

This announcement is dated 4 December 2017.