

## IRE-TEX CORPORATION BERHAD

**Subject : Investment in new subsidiary company, Jumbo Universe Sdn. Bhd., by Ire-Tex Corporation Berhad**

### 1. Introduction

The Board of Directors of Ire-Tex Corporation Berhad ("ITCB" or "the Company") wishes to announce that the Company has on 11 April 2011 acquired Ninety Eight Thousand (98,000) shares of RM1.00 each in Jumbo Universe Sdn. Bhd. ("JUSB") from the following seller for a cash consideration of Ringgit Malaysia Ninety Eight Thousand (RM98,000.00) only ("the Acquisition") : -

<u>Name of Seller</u>	<u>No. of shares</u>	<u>Consideration</u>
Ong Seng Hooi	98,000	RM98,000

On the same date, ITCB has also subscribed for One Hundred And Forty Thousand (140,000) new shares of RM1.00 each in JUSB for a cash consideration of Ringgit Malaysia One Hundred And Forty Thousand (RM140,000.00) only ("the Subscription"). The total cash consideration paid by ITCB for the Acquisition and the Subscription was thus Ringgit Malaysia Two Hundred and Thirty Eight Thousand (RM238,000.00) only (the "Purchase Consideration"). As a result of the Acquisition and the Subscription (hereinafter collectively referred to as the "Investment"), ITCB currently holds 238,000 ordinary shares of RM1.00 each in JUSB which represents seventy percent (70%) of the total paid up capital of JUSB. JUSB has thus become a subsidiary company of ITCB.

### 2. Information on JUSB

JUSB was incorporated in Malaysia on 3 June 2009 under the Malaysian Companies Act, 1965. The Authorised Capital of JUSB is currently RM500,000.00 consisting of 500,000 ordinary shares of RM1.00 each.

The issued and paid up capital of JUSB is as follows : -

	<u>No. of shares of RM1.00 each</u>	<u>Issued and fully paid up capital (RM)</u>
Before the Subscription by ITCB	200,000	200,000.00
Shares issued per the Subscription	140,000	140,000.00
After the Subscription by ITCB	<u>340,000</u>	<u>340,000.00</u>

The principal activity of JUSB is manufacturing and dealing in wooden pallets and other related wood products.

Based on the audited financial statements of JUSB as at 31 December 2009 its net assets amounted to RM52,587 and its net loss for the year ended 2009 amounted to RM47,413.

### 3. Rationale for the Investment

The Board is of the view that the Investment represents a good opportunity for ITCB to expand its operations into a business which is synergistic to the existing business of the ITCB Group. With the Investment, ITCB Group will be able to expand into the wooden pallets and other related wood products which are also the major raw materials components in heavy duty packaging.

#### **4. The Purchase Consideration**

The consideration for the Acquisition is arrived at on a “willing-buyer willing-seller” basis after taking into consideration various factors including the latest financial performance and potential future synergistic benefits that are expected to be derived from the Investment. Even though the consideration for the Acquisition was higher than the applicable net asset value of JUSB as at 31 December 2009, ITCB was of the opinion that the price was justified as the Investment allowed ITCB to step into a business that has already been established and running instead of setting up the business itself and incurring start up costs and time.

The consideration for the Subscription was at par value of RM1.00 for each new share which is the minimum price allowed under Company Law.

The Purchase Consideration was satisfied in cash from internally generated funds of ITCB Group.

ITCB will not be assuming any liability, including contingent liabilities and guarantees, pursuant to the Investment.

#### **5. Effects of the Investment**

The Investment is not expected to have any material impact on the earnings of the Company for the financial year ending 31 December 2011.

The Investment will not have any effect on the net assets of ITCB Group as it was by way of cash.

The Investment will not have any effect on the share capital and substantial shareholders' shareholding of ITCB.

#### **6. Risk Factors**

The risks faced by JUSB are business risks inherent within the packaging industry. These include but are not limited to business, operational and economic risks. Save for the normal business risk associated with investment in a company, the Board of Directors of ITCB is unaware of any risk arising from the Investment which could materially or adversely affect the financial and operation conditions of ITCB Group.

#### **7. Percentage Ratios under paragraph 10.02(g) of the Bursa Malaysia Securities Berhad's Main Market Listing Requirements**

Based on ITCB's audited financial statements for the financial year ended 31 December 2009, the highest percentage ratio under Paragraph 10.02(g) of Chapter 10 of the Bursa Malaysia Securities Berhad's Main Market Listing Requirements applicable to the Investment is 0.55%.

#### **8. Approvals Required**

The Investment is not subject to the approval of any governmental authorities or the shareholders of the Company.

**9. Directors' and Major Shareholders' Interests**

None of the Directors and major shareholders of ITCB or persons connected with them have any interests, direct or indirect, in the Investment.

**10. Directors' Statement**

The Board of Directors of ITCB, is of the opinion that the Investment is in the best interest of the Company.

**11. Compliance with the Securities Commission's Policies and Guidelines on Issue/Offer of Securities ("SC Guidelines")**

The Board of Directors of ITCB is not aware of any departure from the SC Guidelines.

This announcement is dated 11 April 2011.