

KEJURUTERAAN ASASTERA BERHAD (“KAB” OR “THE COMPANY”)

GENERAL ANNOUNCEMENT

NON RELATED PARTY TRANSACTIONS (CHAPTER 10 OF LISTING REQUIREMENTS)

SUBJECT:

PROPOSED ACQUISITION BY KAB ENERGY HOLDINGS SDN BHD (“KABEH” OR THE “PURCHASER”), A WHOLLY-OWNED SUBSIDIARY OF KAB, OF 100% ISSUED AND PAID-UP SHARE CAPITAL IN PT INPOLA MITRA ELEKTRINDO (“PT IME”) (“SALE SHARES”) (“PROPOSED ACQUISITION”)

1. INTRODUCTION

The Board of Directors of KAB (“**Board**”) wishes to announce that KABEH had on 19 January 2022 entered into a term sheet with Sarawak Cable Berhad (“**SCB**”) (a company listed on the Main Market of Bursa Malaysia Securities Berhad (“**Bursa Securities**”)) for the Proposed Acquisition (“**Term Sheet**”).

SCB undertakes to cause all other shareholders of PT IME (“**Minority Shareholders**”) to transfer their respective shares in PT IME in accordance with the terms and conditions provided in the Term Sheet to the Purchaser.

SCB and the Minority Shareholders are collectively referred to as the “**Shareholders**” while KABEH and SCB are collectively referred to as the “**Parties**”.

2. DETAILS OF THE PROPOSED ACQUISITION

2.1 Information on PT IME

PT IME (Company Registration No.: 9120504820181) was incorporated in Medan, Indonesia on 22 April 2008 approved by the Minister of Law and Human Rights of the Republic of Indonesia.

PT IME is principally involved in the designing, financing, construction and operation of independent and mini hydro power plant. PT IME operates a Mini Hydro Electric Power Plant (“**Mini Hydro**”) in District of Pakpak Bharat, North Sumatera, Indonesia with an installed capacity of 11-megawatts. On 23 September 2010, PT IME signed a Power Purchase Agreement (“**PPA**”) with PT Perusahaan Listrik Negara (Persero) for the installation, operation and maintenance of the Mini Hydro. Under the PPA, PT IME was required to design, finance, develop, own and operate the Mini Hydro for a period of 20 years upon the commercial operation date of the plant, which was achieved on 12 October 2021.

The present issued share capital of PT IME is 30,000,000,000 Indonesian Rupiah, comprising 300,000 ordinary shares.

The existing board of directors comprise Dato’ Ahmad Redza Bin Abdullah and Surya Sugandi while the existing board of commissioners comprise Woon Wai En and Yek Siew Liong.

The existing shareholding structure of PT IME is as follows:-

Shareholders	Issued share capital (Indonesian Rupiah)	Total shares	Shareholding percentage
SCB	23,500,000,000	235,000	78.33%
Minority Shareholders	6,500,000,000	65,000	21.67%
Total	30,000,000,000	300,000	100.0%

PT IME does not have any subsidiary and/or associate companies.

Upon completion of the Proposed Acquisition, PT IME will become a wholly-owned subsidiary of KABEH.

2.2 Salient terms of the Term Sheet

2.2.1 Timeframe for due diligence exercise

The Parties anticipate that the due diligence exercise (including but without limited to the financial, tax, technical and legal aspects) ("**Due Diligence**") should be completed within 2 months from the date of the Term Sheet ("**Due Diligence Period**"). In the event that the Purchaser is not able to complete the Due Diligence within the Due Diligence Period, SCB shall be deemed to have automatically granted to the Purchaser an extension of 1 month from the expiry of the Due Diligence Period to complete the Due Diligence. Provided that the results and findings of the Due Diligence are acceptable and satisfactory to the Purchaser, the Parties shall execute the definitive shares sale and purchase agreement and other related documents ("**SPA**") within 1 month from the completion of the Due Diligence.

The Parties shall meet fortnightly to discuss the results and findings of the Due Diligence. If the Purchaser is not satisfied with the results and findings of the Due Diligence for any reason whatsoever, the Purchaser shall raise the same during such meetings and the Parties shall negotiate in good faith to address and resolve the issues pertaining to the unsatisfactory results and findings and in the event the same is not capable of remedy, the Purchaser may terminate the Term Sheet by notice in writing to SCB, whereupon the First Payment (as defined below) shall be refunded by SCB to the Purchaser within 7 days of receiving the notice of termination from the Purchaser failing which SCB shall pay late payment interest to the Purchaser at the rate of 5% per annum on the same or remaining balance not refunded calculated on a daily basis. If no issues are raised from the results and findings of the Due Diligence by the Purchaser within the Due Diligence Period or extended Due Diligence Period, as the case may be, it shall be deemed that the Purchaser is satisfied with results and findings of the Due Diligence.

2.2.2 Conditions Precedent

The completion of the Proposed Acquisition shall be conditional upon the following:-

- (i) SCB, on behalf of PT IME, obtaining the necessary consent from Bank of China (Malaysia) Berhad ("**BOC**") for the Purchaser's acquisition of PT IME;

- (ii) the Parties obtaining all necessary approvals or consents of any party, including but not limited to spousal consent (if applicable), director and shareholder resolutions, public agency or government authority or waiver of any rights of first refusal or pre-emptive rights of any nature, that are necessary for the sale and disposal of the Sale Shares to the Purchaser;
- (iii) the fulfilment of any other conditions or matters arising from any findings or advice of the consultants or advisors of the Purchaser in the Due Diligence in relation to any matter in respect of PT IME;
- (iv) the Purchaser and/or SCB obtaining the necessary approval/consent from and/or making the necessary announcement/disclosure to the relevant regulatory authority, if necessary; and
- (v) any conditions precedent as may be advised by the legal advisers or consultants shall be mutually agreed by the Parties herein.

The Parties shall fulfil the Conditions Precedent within 3 months from the date of the SPA. The Purchaser shall have the right to waive any of the Conditions Precedent unless such Conditions Precedent require compliance by law and/or the relevant regulatory authority.

2.2.3 Purchase consideration

Subject to fulfilment of the Conditions Precedent unless expressly waived by the Purchaser, the Purchaser shall acquire the Sale Shares for a total consideration of RM10,000.00 only ("**Purchase Consideration**") subject to the following conditions that:-

- (i) the Purchaser's acquisition of the Sale Shares shall be free from all encumbrances other than the outstanding banking facility of PT IME with BOC which is presently in the approximate sum of RM24,000,000.00 or such other sum as may be confirmed by BOC ("**Encumbrance Sum**");
- (ii) PT IME shall be free and relieved from all liabilities, (including without limitation, all contingent liabilities) save and except for liabilities incurred in the ordinary course of PT IME's business whereby if such liabilities are in excess of RM10,000.00 per transaction, PT IME shall require the prior written consent of the Purchaser (such consent shall not be unreasonably withheld) (collectively "**Liabilities**") on the completion date of the Proposed Acquisition;
- (iii) after the Purchaser's acquisition of the Sale Shares, the Purchaser undertakes to cause PT IME to pay its debts and liabilities up to the maximum sum of RM61,500,000.00 ("**Debt Sum**") in the following order and priority:-
 - (a) firstly, all the Liabilities of PT IME based on the findings pursuant to the Due Diligence (if any) as may be mutually agreed by the Parties; and
 - (b) secondly, the adjusted Debt Sum (i.e the Debt Sum less firstly the First Payment (as defined below), secondly, any adjustment to the Encumbrance Sum above or below RM24,000,000.00 ("**Adjusted Encumbrance Sum**") to SCB as full and final settlement of the Debt Sum.

SCB acknowledges and agrees and undertakes to cause the Minority Shareholders to acknowledge and agree that the receipt by SCB of the payment pursuant to Section 2.2.3(iii)(b) above shall be deemed as full and final settlement of all SCB's advances to PT IME ("**Shareholders' Advances**") and SCB undertakes to cause all Minority Shareholders to write-off all other remaining advances owing by PT IME to SCB and the Minority Shareholders and such writing-off shall take place concurrently with the receipt by SCB of the payment under Section 2.2.3(iii)(b) above in a manner to be mutually agreed between the Parties.

The Debt Sum may be subject to adjustment and verification through the Due Diligence and mutual agreement based on the financial model documentation ("**Financial Model**").

The final adjusted or verified Debt Sum (if at all), which shall be mutually agreed between the Parties, shall be the "**Final Debt Sum**" and adopted in the SPA.

The reference to "**Final Debt Sum**" shall mean the "**Debt Sum**" in the case where no adjustment is made to the Debt Sum.

Subject to the adjustment and verification through the Due Diligence and mutual agreement based on the Financial Model, if the Parties are unable to agree on the Final Debt Sum for any reason whatsoever after the Due Diligence, then either Party may terminate the Term Sheet by notice in writing whereupon all payments made by the Purchaser under the Term Sheet shall be refunded to the Purchaser within 7 days of receiving the notice of termination and neither Party shall have any claim against the other Party save and except for a claim for any antecedent breach.

2.2.4 Payment terms

The Purchase Consideration and the Final Debt Sum shall be satisfied by the Purchaser in the following manner:-

- (i) a sum of RM10,000.00 only towards settlement of the full Purchase Consideration payable by the Purchaser to SCB upon execution of the Term Sheet ("**First Payment**");

Upon Unconditional Date, the Purchaser shall be entitled to the prorated profits received by PT IME in accordance to the Final Debt Sum ("**Prorated Profits**").

- (ii) provided that the registration of transfer of the Sale Shares is completed, the balance sum of RM61,490,000.00 only (or such other figure equivalent to the Final Debt Sum less firstly, the First Payment, secondly, the Adjusted Encumbrance Sum (if any) and thirdly, the Liabilities (if any)), payable by PT IME to the SCB's solicitors as full and final payment towards satisfaction of the Shareholders' Advances within 3 months from the Unconditional Date ("**Final Payment**").

(First Payment and the Final Payment are collectively referred to as the "**Full and Final Payment**")

2.2.5 Default by Parties

Subject to the Purchaser's right to a full refund as stated in the Term Sheet, in the event a Party ("**Defaulting Party**") shall fail or refuse or neglect to enter into the SPA drawn up in accordance with the terms in the Term Sheet within the timeframes stipulated, unless the same shall be attributable to any act or fault of the other Party ("**Non Defaulting Party**"), then, the Non Defaulting Party may terminate the Term Sheet by a notice in writing to the Defaulting Party.

Upon the notice of termination being issued by the Non-Defaulting Party, the following shall ensue:-

- (i) if the Defaulting Party is the Purchaser, SCB shall be entitled to treat as forfeited absolutely the First Payment and the Purchaser shall further pay a sum of RM1,527,500.00 representing 2.5% of the Debt Sum as agreed liquidated damages to SCB within 7 days from such termination notice, failing which the Purchaser shall pay late payment interest to SCB at the rate of 5% per annum on the same or remaining balance not paid calculated on a daily basis; or
- (ii) if the Defaulting Party is SCB, then SCB shall be liable to refund all monies paid by the Purchaser in relation to the purchase of the Sale Shares and pay a further sum of RM1,527,500.00 representing 2.5% of the Debt Sum to the Purchaser within 7 days from such termination notice failing which SCB shall pay late payment interest to the Purchaser at the rate of 5% per annum on the same or remaining balance not refunded calculated on a daily basis.

2.2.6 Failure to pay the Final Payment

Subject to the SPA becoming unconditional and the transfer of the Sale Shares, in the event the Purchaser shall fail and/or neglect to cause PT IME to settle the Final Payment in accordance with the terms of the Term Sheet (which terms shall be adopted in the SPA), the following shall ensue:-

- (i) SCB shall be entitled to terminate the SPA by issuing a termination notice to the Purchaser and forfeit absolutely the First Payment and the Purchaser shall further pay a sum of RM6,140,000.00 in aggregate representing 10% of the Debt Sum as agreed liquidated damages to SCB within 7 days from such termination notice, failing which the Purchaser shall pay late payment interest to SCB at the rate of 5% per annum on the same or remaining balance not refunded calculated on a daily basis and the Purchaser shall do and execute all necessary forms and/or documents to re-transfer the Sale Shares to SCB and/or the Minority Shareholders and put Parties back to status quo as though the transaction was not entered into within 14 days from the date of SCB's notice of termination ("**Purchaser's Deliverables**");
- (ii) SCB shall refund the balance of all other monies paid by the Purchaser to SCB, if any, within 14 days from SCB's receipt of the Purchaser's Deliverables, failing which SCB shall pay late payment interest to the Purchaser at the rate of 5% per annum on the remaining balance not refunded calculated on a daily basis; and
- (iii) the Purchaser shall refund the Prorated Profits to SCB within 14 days from the date of SCB's notice of termination, failing which the Purchaser shall pay late payment interest to SCB at the rate of 5% per annum on the amount not refunded calculated on a daily basis.

2.2.7 Guarantee

As security for SCB, that the Final Payment shall be paid in accordance with Section 2.2.4(ii) above, the Purchaser and KAB shall guarantee the payment of the Final Payment. The Guarantee will be complied with by payment of cash on behalf of the Purchaser.

3. RATIONALE AND BENEFITS FOR THE PROPOSED ACQUISITION

The Proposed Acquisition is in line with the KAB and its subsidiaries (“**KAB Group**” or “**Group**”)’s direction to expand income streams and have a stronger foothold in the renewable energy sector. The Proposed Acquisition will provide the Group with a profitable recurring income stream, which is expected to improve the Group’s profit and provide better earnings visibility over the long term.

4. EFFECTS OF THE PROPOSED ACQUISITION

The pro forma effects of the Proposed Acquisition on the issued share capital, substantial shareholders’ shareholding, net assets, gearing, earnings and earnings per share of the Company will be included in the announcement of the Proposed Acquisition to be made at a later date upon execution of the SPA.

5. PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Acquisition will be included in the announcement of the Proposed Acquisition to be made at a later date upon execution of the SPA.

6. APPROVALS REQUIRED

No approval is required for KABEH to enter into the Term Sheet.

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

None of the Directors and/or major shareholders of KAB, as well as persons connected to them, have any interest, direct or indirect, in the Proposed Acquisition.

8. DOCUMENTS FOR INSPECTION

The Term Sheet is available for inspection at the registered office of the Company at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur during normal office hours from Mondays to Fridays (except public holidays) for a period of 3 months from the date of this announcement.

In adherence to the standard operating procedures imposed by the regulatory authority(ies), all inspection of documents at registered office of the Company could only be conducted by prior appointment only. For appointment(s) request, please contact +603-2084 9000 or email: info@sshsb.com.my.

This announcement is dated 19 January 2022.