

**THIS CIRCULAR TO SHAREHOLDERS OF KEJURUTERAAN ASASTERA BERHAD (“KAB” OR THE “COMPANY”) IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately. The Circular has been reviewed and approved by Mercury Securities Sdn Bhd, being the Principal Adviser to the Company for the Proposed Special Issue (as defined herein).

Bursa Malaysia Securities Berhad takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness, and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.



**KEJURUTERAAN ASASTERA BERHAD**

(Company No. 420505-H)  
(Incorporated in Malaysia)

**CIRCULAR TO SHAREHOLDERS IN RELATION TO THE:-**

**PROPOSED SPECIAL ISSUE OF UP TO 34,000,000 NEW ORDINARY SHARES IN KAB TO BUMIPUTERA INVESTORS TO BE IDENTIFIED AND/OR APPROVED BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY (“PROPOSED SPECIAL ISSUE”)**

**AND**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

*Principal Adviser*



**MERCURY SECURITIES SDN BHD**

(Company No. 113193-W)  
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of the Extraordinary General Meeting (“EGM”) of KAB to be held at Function Room 5, Level 2, Hotel Sri Petaling Kuala Lumpur, No. 30 Jalan Radin Anum, Bandar Baru Sri Petaling, 57000 Kuala Lumpur, Malaysia on Thursday, 3 January 2019 at 9.30 a.m. or at any adjournment thereof, is enclosed together with the Form of Proxy in this Circular.

You are requested to complete, sign and return the enclosed Form of Proxy and deposit it at the office of the share registrar of the Company at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No.8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than 48 hours before the time and date appointed for holding the EGM. The completion and lodging of the Form of Proxy shall not preclude you from attending and voting in person at the EGM should you subsequently wish to do so and in such an event, your Form of Proxy shall be deemed to have been revoked.

Last day, date and time for lodging the Form of Proxy : Tuesday, 1 January 2019 at 9.30 a.m.  
Day, date and time of the EGM : Thursday, 3 January 2019 at 9.30 a.m.

This Circular is dated 19 December 2018

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## DEFINITIONS

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Except where the context otherwise requires, the following definitions shall apply throughout this Circular:-

<b>BNM</b>	- Bank Negara Malaysia
<b>Board</b>	- The Board of Directors of KAB
<b>Bumiputera Equity Condition</b>	- Requirement imposed by the SC to allocate 12.5% of KAB's enlarged issued share capital to Bumiputera investors recognised by the MITI within 1 year after achieving the profit requirement for companies seeking listing on the Main Market of Bursa Securities, or 5 years after being listed on the ACE Market of Bursa Securities, whichever is the earlier
<b>Bursa Securities</b>	- Bursa Malaysia Securities Berhad (635998-W)
<b>Circular</b>	- This circular to the Shareholders
<b>Directors</b>	- The directors of the Company for the time being
<b>EGM</b>	- Extraordinary general meeting
<b>EPS</b>	- Earnings per Share
<b>ESOS</b>	- Existing employees' share option scheme of the Company which took effect on 1 June 2018 for a period of 5 years
<b>FYE</b>	- Financial year ended / ending
<b>Interested Person</b>	- All directors, major Shareholders or chief executive of KAB or the holding company of KAB
<b>KAB or the Company</b>	- Kejuruteraan Asastera Berhad (420505-H)
<b>KAB Group or the Group</b>	- Collectively, KAB and its subsidiaries
<b>KAB Shares or Shares</b>	- Ordinary shares of the Company
<b>Listing Requirements</b>	- ACE Market Listing Requirements of Bursa Securities including any amendments made thereto from time to time
<b>LPD</b>	- 5 December 2018, being the latest practicable date prior to the printing of this Circular
<b>Market Day</b>	- Any day on which Bursa Securities is open for trading in securities
<b>Mercury Securities or the Principal Adviser</b>	- Mercury Securities Sdn Bhd (113193-W)
<b>MITI</b>	- Ministry of International Trade and Industry
<b>NA</b>	- Net assets
<b>Proposed Special Issue</b>	- Proposed special issue of up to 34,000,000 Special Issue Shares to Bumiputera investors to be identified and/or approved by the MITI
<b>RM and sen</b>	- Ringgit Malaysia and sen respectively
<b>SC</b>	- Securities Commission Malaysia

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**DEFINITIONS (CONT'D)**

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- Shareholders** - Registered holders of KAB Shares
- Special Issue Shares** - New Shares to be issued pursuant to the Proposed Special Issue
- VWAP** - Volume-weighted average market price

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. Reference to persons shall include corporations, unless otherwise specified. All references to “you” in this Circular are to the Shareholders.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise stated.

Certain statements in this Circular may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by the Board after due enquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Circular should not be regarded as a representation or warranty that the Company’s plans and objectives will be achieved.

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**TABLE OF CONTENTS**

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**LETTER TO THE SHAREHOLDERS IN RELATION TO THE PROPOSED SPECIAL ISSUE CONTAINING:-**

	<b>PAGE</b>
1. INTRODUCTION	1
2. DETAILS OF THE PROPOSED SPECIAL ISSUE	2
3. UTILISATION OF PROCEEDS	4
4. RATIONALE FOR THE PROPOSED SPECIAL ISSUE	5
5. INDUSTRY OVERVIEW AND PROSPECTS	5
6. EFFECTS OF THE PROPOSED SPECIAL ISSUE	9
7. TENTATIVE TIMELINE	10
8. APPROVALS REQUIRED AND CONDITIONALITY	10
9. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION	11
10. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDER AND/OR PERSONS CONNECTED TO THEM	11
11. BOARD'S RECOMMENDATION	11
12. EGM	12
13. FURTHER INFORMATION	12
APPENDIX I FURTHER INFORMATION	13
NOTICE OF EGM	ENCLOSED
FORM OF PROXY	ENCLOSED

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## KEJURUTERAAN ASASTERA BERHAD

(Company No. 420505-H)  
(Incorporated in Malaysia)

### Registered office:

Unit 30-01, Level 30, Tower A  
Vertical Business Suite  
Avenue 3, Bangsar South  
No. 8, Jalan Kerinchi  
59200 Kuala Lumpur  
Wilayah Persekutuan

19 December 2018

### Board of Directors

Ferdaus Bin Mahmood (*Independent Non-Executive Chairman*)  
Dato' Lai Keng Onn (*Managing Director*)  
Choong Gaik Seng (*Executive Director*)  
Datin Chan Pey Kheng (*Executive Director*)  
Goh Kok Boon (*Executive Director*)  
Lu Chee Leong (*Independent Non-Executive Director*)  
Tong Siut Moi (*Independent Non-Executive Director*)

### To: The Shareholders

Dear Sir / Madam,

### PROPOSED SPECIAL ISSUE

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#### 1. INTRODUCTION

On 10 December 2018, Mercury Securities had, on behalf of the Board, announced that the Company proposes to undertake the Proposed Special Issue.

The Proposed Special Issue is being undertaken to enable KAB to comply with the Bumiputera Equity Condition imposed by the SC in relation to the approval granted to KAB for its listing proposal.

Further to KAB's listing on the ACE Market of Bursa Securities, KAB has met the profit requirement for companies seeking listing on the Main Market of Bursa Securities pursuant to its audited profit after tax for the FYE 31 December 2017. Hence, KAB is required to comply with the Bumiputera Equity Condition by 31 December 2018. On 28 June 2018, Mercury Securities had, on behalf of the Company, submitted a proposal to the SC on KAB's plan to meet the Bumiputera Equity Condition by implementing the Proposed Special Issue. The SC had vide its letter dated 5 October 2018, approved the resultant equity structure of KAB pursuant to the Proposed Special Issue under the equity requirement for public listed companies.

On 2 November 2018, Mercury Securities had on behalf of the Company, submitted an application to the MITI to seek its recognition of the Company's existing Bumiputera shareholdings. The MITI had then vide its letter dated 26 November 2018 recognised that 10,260,100 KAB Shares (representing approximately 3.2% of the existing issued share capital of KAB) is held by Bumiputera shareholders of the Company.

On 10 December 2018, Mercury Securities had, on behalf of KAB, submitted an application to the SC for an extension of time of 6 months from 31 December 2018 to 30 June 2019 for the Company to comply with the Bumiputera Equity Condition.

On 17 December 2018, Mercury Securities had on behalf of the Board, announced that Bursa Securities had, vide its letter dated 17 December 2018, granted its approval for the listing and quotation of the Special Issue Shares to be issued pursuant to the Proposed Special Issue on the ACE Market of Bursa Securities.

The approval of Bursa Securities is subject to the conditions as set out in Section 8 of this Circular.

The purpose of this Circular is to provide you with relevant information on the Proposed Special Issue and to seek your approval for the resolution pertaining to the Proposed Special Issue which will be tabled at the forthcoming EGM of the Company. The Notice of the EGM and the Form of Proxy are enclosed in this Circular.

**YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDIX BEFORE VOTING ON THE RESOLUTION TO GIVE EFFECT TO THE PROPOSED SPECIAL ISSUE TO BE TABLED AT THE FORTHCOMING EGM.**

## 2. DETAILS OF THE PROPOSED SPECIAL ISSUE

### 2.1 Size of the Proposed Special Issue

The Proposed Special Issue shall entail the issuance of up to 34,000,000 Special Issue Shares, representing 10.63% of the existing total number of issued shares of the Company, to Bumiputera investors to be identified and/or approved by the MITI at an issue price to be determined later after obtaining all relevant approvals.

The 34,000,000 Special Issue Shares to be issued under the Proposed Special Issue was arrived at in the following manner:-

Bumiputera shareholdings	As at the LPD %(1)	After the Proposed Special Issue %(2)
10,260,100 Shares held by existing Bumiputera investors recognised by the MITI vide its letter dated 26 November 2018	3.21	2.90
Proposed Special Issue of up to 34,000,000 Special Issue Shares	-	9.60
	<b>3.21</b>	<b>12.50</b>

Notes:-

- (1) Based on the existing total number of issued shares of 320,000,000 Shares as at the LPD. There are no outstanding options granted under the Company's ESOS which are exercisable into new Shares and the Board does not intend to grant any options under the ESOS from the LPD up to the completion of the Proposed Special Issue.
- (2) Based on the enlarged total number of issued shares of 354,000,000 Shares after the Proposed Special Issue.

The Proposed Special Issue may be implemented in tranches depending on the prevailing equity market conditions and interest from the Bumiputera investors. As such, there could potentially be several price fixing dates and several issue prices, depending on the number of tranches and timing of implementation which is to be determined later.

## **2.2 Special issue arrangement**

The Special Issue Shares will be allotted and issued to Bumiputera investors to be identified and/or approved by the MITI other than the following persons:-

- (i) Interested Person;
- (ii) a person connected to the Interested Person; and
- (iii) nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

The Bumiputera investors shall also be class of persons or corporations who fall within the exceptions in Schedule 6 and/or 7 of the Capital Markets and Services Act 2007 and no prospectus will be issued in respect of the Proposed Special Issue.

The precise terms and conditions such as the identity of the placees and number of new KAB Shares allocated can only be determined and finalised later when the Proposed Special Issue is implemented.

## **2.3 Basis and justification of the issue price of the Special Issue Shares**

The Special Issue Shares will be issued based on a discount of not more than 10% to the 5-day VWAP of KAB Shares immediately preceding the price-fixing date, to be determined by the Board after taking into consideration the prevailing market conditions.

For illustrative purposes only, based on an illustrative issue price of RM0.21 per Special Issue Share, the issue price of the Special Issue Shares would represent a discount of approximately 7.33% to the 5-day VWAP of KAB Shares up to and including the LPD of RM0.2266 (*Source: Bloomberg*).

## **2.4 Ranking of the Special Issue Shares**

The Special Issue Shares shall, upon allotment, issue and payment of the issue price, rank *pari passu* in all respects with the then existing issued Shares, save and except that the holders of such Special Issue Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to the Shareholders, the entitlement date of which is prior to the date of allotment of the Special Issue Shares.

## **2.5 Listing and quotation of the Special Issue Shares**

Bursa Securities had on 17 December 2018 granted its approval for the listing and quotation of the Special Issue Shares on the ACE Market of Bursa Securities.

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### 3. UTILISATION OF PROCEEDS

For illustrative purposes, based on an illustrative issue price of RM0.21 per Special Issue Share and assuming all 34,000,000 Special Issue Shares are placed out, the Proposed Special Issue is expected to generate gross proceeds of approximately RM7.14 million.

The proceeds to be raised from the Proposed Special Issue are expected to be utilised in the following manner:-

Utilisation of proceeds	Expected timeframe for utilisation from receipt of funds	RM'000
(i) Acquisition and/or investment in other complementary businesses and/or assets <sup>(1)</sup>	Within 24 months	6,970
(ii) Estimated expenses for the Proposed Special Issue <sup>(2)</sup>	Immediate	170
<b>Total</b>		<b>7,140</b>

Notes:-

(1) *The proceeds of RM6.97 million is earmarked to finance any potential acquisitions and/or investments in similar or other complementary businesses and/or assets when the opportunity arises for future business expansion of KAB Group.*

*These acquisitions and/or investments may include businesses and/or assets within KAB's core business in the electrical and mechanical engineering services industry, as well as businesses and/or assets within the same value chain, and such other businesses and/or assets which the Board may deem beneficial and are complementary to the Group's business expansion.*

*The Board is continuously exploring for opportunities to acquire and/or invest in such businesses and/or assets. As at the LPD, the Board has yet to identify any specific business and/or assets for acquisition and/or investment. The Company will make the necessary announcements as provided for in the Listing Requirements. In the event that Shareholders' approval and/or other regulatory bodies' approvals are required, the necessary approvals will be sought as per the provisions in the Listing Requirements or such other regulatory bodies.*

*Pending the identification of new businesses and/or assets to be invested in, the Company will place the unutilised cash proceeds in interest-bearing bank deposits and/or money market financial instruments.*

*If the Company is unable to identify suitable investments within 24 months from the completion of the Proposed Special Issue, the timeframe for the utilisation of proceeds that has been allocated for the said purpose will be extended and announced as well as disclosed in KAB's quarterly result announcements until the Company has successfully identified suitable businesses and/or assets to acquire and/or invest in.*

(2) *The estimated incidental expenses in relation to the Proposed Special Issue comprising professional fees, fees payable to relevant authorities, printing, despatch and advertising expenses as well as other miscellaneous charges. Any shortfall or excess in funds allocated for estimated expenses will be funded from or used for the acquisition and/or investment in other complementary businesses.*

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#### 4. RATIONALE FOR THE PROPOSED SPECIAL ISSUE

The Proposed Special Issue is undertaken to enable the Company to comply with the Bumiputera Equity Condition and to facilitate the equity participation of Bumiputera investors in KAB.

Further, the Proposed Special Issue allows the Group to raise funds to finance any potential acquisitions and/or investments in similar or other complementary businesses when the opportunity arises for its future business expansion, without having to incur interest costs or service principal repayments as compared to bank borrowings, thereby allowing the Company to preserve its cash flow.

#### 5. INDUSTRY OVERVIEW AND PROSPECTS

##### 5.1 Overview and outlook of the Malaysian economy

The Malaysian economy recorded a sustained growth of 4.4% in the third quarter of 2018 (2Q 2018: 4.5%), supported by expansion in domestic demand amid a decline in net exports growth. Private sector expenditure remained the key driver of growth, expanding at a faster pace of 8.5% (2Q 2018: 7.5%), while public sector expenditure turned around to register a positive growth of 1.1% (2Q 2018: -1.4%). On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.6% (2Q 2018: 0.3%).

*(Source: Quarterly Construction Statistics Third Quarter 2018, Department of Statistics Malaysia, published on 9 November 2018)*

Prospects for the Malaysian economy remain favourable largely supported by sound domestic demand. In addition, steady global growth and trade, continuous expansion in electrical and electronics as well as higher oil prices are expected to support export growth. Consequently, real gross domestic product is expected to expand 4.8% in 2018 after recording a growth rate of 4.9% during the 1st half of the year. In 2019, growth is forecast to increase further to 4.9%. Despite the resilient economic performance, risks to growth are tilted to the downside emanating from heightening uncertainties in the global environment, including rising trade conflict, volatility in global financial markets and oil prices as well as geopolitical tension.

Private sector expenditure will remain as the key driver of growth, cushioning the effects of lower public sector spending in 2018 and 2019. Stable employment and wage growth, conducive financing condition and benign inflation will continue to support private consumption which accounts for about 55% of growth domestic product. Meanwhile, private investment is anticipated to expand with capital outlays mainly channelled into the services and manufacturing sectors. On the contrary, public expenditure is projected to record a slower growth following initiatives taken by the Government of Malaysia to review and reprioritise expenditure without jeopardising the economic growth as well as lower capital spending by public corporations.

On the supply side, growth is expected to be driven by the services and manufacturing sectors. The services sector is projected to remain firm supported by consumption and domestic tourism activities as well as strong demand for information and communication technology, transport and finance. The manufacturing sector is estimated to record a steady growth in tandem with developments in the global semiconductor industry. Though the growth in agriculture and mining sectors are expected to decline marginally in 2018, it is projected to rebound in 2019 following an uptick in the production of crude palm oil and liquefied natural gas (“LNG”).

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The construction sector is anticipated to expand, albeit at a moderate pace largely due to near completion of several mega projects as well as property overhang, particularly in the non-residential subsector. In 2019, the sector is expected to improve marginally following an increase in new planned supply in the affordable homes and industrial segments.

The external sector is expected to remain resilient in 2018 supported by steady global economic and trade performances. Nevertheless, in 2019, exports are anticipated to expand moderately in line with slower global trade activities. Meanwhile, current account surplus is estimated to narrow with widening deficits in the services and income accounts.

Malaysia's near-term growth outlook remains resilient with sound macroeconomic fundamentals, stable financial conditions as well as broad-based and diversified economic structure. Domestic demand continues to drive the economy while the external sector is benefitting from steady global growth and trade activities. Nevertheless, as a highly open economy, Malaysia faces several risks relating to uncertainties in the external environment. Heightening financial market volatility as well as escalating protectionism and trade tensions, which could have a dampening effect on global trade and investment flows are expected to have an adverse impact on Malaysia's economic growth. Moving forward, the Government through various measures will continue to strengthen structural reforms and accelerate the country's convergence with developed economies. These include addressing mismatch in the labour market; improving quality of education and training; further diversifying export products and markets; enhancing innovation and adoption of technology; as well as unlocking the potential of the digital economy as a future driver of growth.

*(Source: Economic Outlook 2019, Ministry of Finance Malaysia, published on 2 November 2018)*

## **5.2 Overview and outlook of the construction industry in Malaysia**

KAB is principally involved in the electrical and mechanical engineering business. KAB is usually appointed as a sub-contractor for electrical engineering services either by the main contractor or project owner of a particular building or construction project.

In view of the above, the prospects of both KAB is expected to be dependent on the prospects of the construction sector in Malaysia as set out below:-

The value of construction work done in the third quarter 2018 recorded a moderate growth of 5.2 per cent year-on-year to record RM36.3 billion (Q2 2018: RM35.6 billion). The expansion in value of construction work done was driven by positive growth in the Civil engineering, Special trades activities and Non-residential buildings sub-sectors, which grew by 17.7 per cent, 11.8 per cent and 0.4 per cent, respectively. However, the Residential buildings sub-sector declined to 7.7 per cent. In terms of contributions, Civil engineering sub-sector continued to dominate the performance of value of construction work done with 42.6 per cent share, followed by Non-residential buildings (27.9%), Residential buildings (24.7%) and Special trades activities (4.8%). The private sector continued to propelled the construction activity with 54.7 per cent share (RM19.8 billion) as compared to the public sector with 45.3 per cent share (RM16.4 billion).

*(Source: Quarterly Construction Statistics Third Quarter 2018, Department of Statistics Malaysia, published on 9 November 2018)*

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The construction sector registered a moderate growth of 6.7% in 2017 (2016: 7.4%). Growth was supported mainly by the civil engineering sub-sector, due to steady progress of large petrochemical, transportation, and utility projects. The special trade sub-sector benefited from increased activity from projects in the early stages of construction, such as land clearing, piling and land reclamation work. Growth in the residential sub-sector moderated, consistent with the record-high number of unsold residential properties. In the non-residential sub-sector, growth was sustained by higher activity from mixed developments, industrial and social projects such as theme parks and sports complexes, which was offset by the ongoing weakness in the commercial segment due to an oversupply of office space and shopping complexes.

The construction sector is expected to record a stronger growth of 7.3% in 2018. This will be driven primarily by large new and existing multi-year civil engineering projects. These projects are mainly in the transportation and utilities segment.

*(Source: BNM's Annual Report 2017, BNM, published on 28 March 2018)*

Value added of the construction sector grew 4.8% year-on-year during the 1st half of 2018 supported by the civil engineering subsector. For 2018, the sector is expected to expand, albeit moderately at 4.5% following near completion of several mega projects and overhang, particularly in the non-residential subsector. The growth momentum is expected to improve slightly in 2019, with the sector expanding 4.7%, following an increase in new planned supply in the affordable homes and industrial segments. However, review of several infrastructure projects as well as subdued activities in non-residential subsector is expected to weigh down the sector's performance.

The civil engineering subsector is expected to remain as the driver of the construction sector in 2018 and 2019 largely supported by ongoing projects. Among the infrastructure projects include the Pan Borneo Highway in Sabah and Sarawak; Central Spine Road in East Coast; as well as Mass Rapid Transit Sungai Buloh - Serdang-Putrajaya Line and Light Rail Transit Line 3 in Klang Valley. Meanwhile, in the petrochemical and power plant segment, ongoing projects are the Deepwater Petroleum Terminal 2 at the Refinery and Petrochemical Integrated Development Complex in Pengerang, Johor; Floating LNG 2 in Sabah; and the Central Processing Platform in Bokor, Sarawak. In addition, mixed development projects such as the Tun Razak Exchange and Bukit Bintang City Centre in Kuala Lumpur are expected to support the growth of the subsector.

The residential subsector is expected to grow at a marginal pace following the mismatch between supply and demand. Towards this end, the Government suspended the development of residential properties, serviced apartments and luxury condominiums priced over RM1 million in prime areas, effective November 2017. In addition, the developers are focusing on sales of existing projects to address the overhang issues. Meanwhile, the Government will continue to provide affordable housing for the low and middle-income groups through various programmes.

The non-residential subsector is projected to decline following oversupply and overhang of high-end shops and shopping complexes as well as the downward trend in the incoming supply of commercial buildings. However, the demand for commercial buildings in prime areas is anticipated to remain stable supported by residential development projects in Klang Valley suburbs, particularly in areas along MRT and LRT routes; as well as in major cities such as Johor Bahru, Melaka and Pulau Pinang.

*(Source: Economic Outlook 2019, Ministry of Finance Malaysia, published on 2 November 2018)*

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### **5.3 Prospects and future plans of KAB Group**

KAB Group is principally involved in the provision of electrical and mechanical engineering services. Electrical engineering services is the Group's core business activity and involves the installation, testing and commissioning of electrical systems comprising electrical distribution systems, communications and information technology networks and extra low voltage systems. The Group also provide mechanical engineering services where this involves the installation, testing and commissioning of air-conditioning and mechanical ventilation systems.

During the FYE 31 December 2017, KAB's electrical engineering services segment contributed 97.9% of its revenue whilst the remaining revenue was contributed by its mechanical engineering segment. KAB intends to strengthen its capabilities by growing its mechanical engineering segment which focuses on air-conditioning and mechanical ventilation systems.

Moving forward, KAB also intends to strengthen its presence in the area of maintenance services to further generate income beyond project completion. In this regard, KAB aims to offer various maintenance services including upgrading, expansion, refurbishment, retrofitting and renovation of existing buildings. Since all buildings will eventually require maintenance from time to time due to wear and tear, this segment tends to be more resilient against any potential downturn in the property market. Hence, by increasing its presence in maintenance services, KAB may reduce its reliance on new construction projects and may therefore mitigate any adverse effects to KAB's revenue in the event of any slowdown in construction activity for new buildings in the future.

In summary, KAB intends to strengthen its capabilities by growing its mechanical engineering segment which focuses on air-conditioning and mechanical ventilation systems as well as strengthen its presence in the area of maintenance services to further generate income beyond project completion. KAB also aims to expand its business and increase its revenue stream by continuously looking out for acquisition opportunities to further expand the scale of its electrical and mechanical engineering services business and increase its market share by capitalising on the prospects of the construction industry as set out in Section 5.2 of this Circular. In this regard, the proceeds to be raised from the Proposed Special Issue will allow the Company to raise funds to finance any potential acquisitions and/or investments in similar or other complementary businesses as and when such opportunities arise.

Taking into account the above factors, KAB's management remains optimistic of the Group's future prospects.

*(Source: Management of KAB)*

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## 6. EFFECTS OF THE PROPOSED SPECIAL ISSUE

Based on an illustrative issue price of RM0.21 per Special Issue Share and the issuance of up to 34,000,000 Special Issue Shares, the pro forma effects on the Company's share capital, NA and gearing, earnings and EPS, and substantial Shareholders' shareholdings are set out below.

### 6.1 Share capital

	No. of Shares	Share capital (RM)
Issued share capital as at the LPD	320,000,000	32,000,000
New Special Issue Shares to be issued pursuant to the Proposed Special Issue	34,000,000	7,140,000
<b>Enlarged issued share capital</b>	<b>354,000,000</b>	<b>39,140,000</b>

The number of Special Issue Shares to be issued under the Proposed Special Issue was determined on the basis that Bumiputera Shareholders will hold at least 12.50% of the enlarged share capital of KAB.

### 6.2 NA and gearing

Group level	Audited as at 31 December 2017 (RM'000)	(I) Adjustments for subsequent events <sup>(1)</sup> (RM'000)	(II) After the Proposed Special Issue <sup>(2)</sup> (RM'000)
Share capital	32,000	32,000	39,140
Retained profits	10,899	7,699	<sup>(3)</sup> 7,529
<b>Shareholders equity / NA</b>	<b>42,899</b>	<b>39,699</b>	<b>46,669</b>
No. of Shares in issue ('000)	320,000	320,000	354,000
NA per Share (RM)	0.13	0.12	0.13
Total borrowings (RM'000)	15,407	15,407	15,407
Gearing (times)	0.36	0.39	0.33

#### Notes:-

- (1) After adjusting for the subsequent events, being an interim single-tier dividend of 0.5 sen per Share in respect of the FYE 31 December 2018 amounting to RM1.6 million which was paid on 6 April 2018 and a second interim single-tier dividend of 0.5 sen per Share in respect of the FYE 31 December 2018 amounting to RM1.6 million which was paid on 11 October 2018.
- (2) Assuming the 34,000,000 Special Issue Shares were placed out at an illustrative issue price of RM0.21 each.
- (3) After deducting the estimated expenses of RM170,000 in relation to the Proposed Special Issue.

### 6.3 Earnings and EPS

The Proposed Special Issue will not have any effect on the EPS of the Company for the FYE 31 December 2018 as the Proposed Special Issue will be implemented after 31 December 2018.

The Proposed Special Issue is not expected to have an immediate material effect on the EPS of the Company for the FYE 31 December 2019 save for the dilution to EPS as a result of the increase in the number of Shares pursuant to the issuance of Special Issue Shares.

Nevertheless, the proceeds to be raised from the Proposed Special Issue is expected to contribute positively to the future earnings of the Group.

#### 6.4 Substantial Shareholders' shareholdings

The proforma effects of the Proposed Special Issue on the shareholdings of the substantial Shareholder of KAB as at the LPD are as follows:-

Substantial Shareholder	As at the LPD				After the Proposed Special Issue			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	% <sup>(1)</sup>	No. of Shares	% <sup>(1)</sup>	No. of Shares	% <sup>(2)</sup>	No. of Shares	% <sup>(2)</sup>
Dato' Lai Keng Onn	144,000,000	45.00	<sup>(3)</sup> 52,000,000	<sup>(3)</sup> 16.25	144,000,000	40.68	<sup>(3)</sup> 52,000,000	<sup>(3)</sup> 14.69
GAT Success (M) Sdn Bhd	40,000,000	12.50	-	-	40,000,000	11.30	-	-

*Notes:-*

- (1) Based on the total number of issued shares of 320,000,000 Shares as at the LPD.
- (2) Based on the enlarged total number of issued shares of 354,000,000 Shares after the Proposed Special Issue.
- (3) Deemed interest pursuant to Section 8 of the Companies Act 2016 by virtue of his shareholdings in GAT Success (M) Sdn Bhd and Lotus Win Sdn Bhd.

#### 6.5 Existing convertible securities

The Company does not have any outstanding convertible securities as at the LPD.

### 7. TENTATIVE TIMELINE

The Proposed Special Issue is expected to be completed by the second quarter of 2019. The tentative timetable for the Proposed Special Issue is as follows:-

Date	Events
3 January 2019	<ul style="list-style-type: none"> <li>• EGM for the Proposed Special Issue</li> </ul>
January 2019	<ul style="list-style-type: none"> <li>• Identification and/or approval of Bumiputera investor(s) by MITI for the implementation of the Proposed Special Issue</li> </ul>
April 2019	<ul style="list-style-type: none"> <li>• Listing and quotation of the Special Issue Shares</li> <li>• Bumiputera Equity Condition met</li> </ul>

### 8. APPROVALS REQUIRED AND CONDITIONALITY

The SC had vide its letter dated 5 October 2018, approved the resultant equity structure of KAB pursuant to the Proposed Special Issue under the equity requirement for public listed companies.

The Proposed Special Issue is still pending approvals from the following:-

- (i) Bursa Securities for the listing and quotation of up to 34,000,000 Special Issue Shares on the ACE Market of Bursa Securities;

The approval of Bursa Securities was obtained vide its letter dated 17 December 2018, subject to the following conditions:-

Conditions imposed	Status of compliance
(a) KAB and Mercury Securities must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Special Issue;	Noted. To be complied.
(b) KAB and Mercury Securities to inform Bursa Securities upon the completion of the Proposed Special Issue;	To be complied.
(c) KAB to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Special Issue is completed;	To be complied.
(d) KAB or Mercury Securities to furnish Bursa Securities with a certified true copy of the resolution passed by the Shareholders in general meeting approving the Proposed Special Issue;	To be complied.
(e) the up to 34,000,000 Special Issue Shares to be issued to Bumiputera investors that have yet to be identified, can only be issued after the MITI has approved the Bumiputera investors to be nominated to subscribe for the Special Issue Shares; and	To be complied.
(f) Mercury Securities to furnish Bursa Securities a copy of the SC's letter on the extension of time to implement the Proposed Special Issue, once it is available.	To be complied.

- (ii) the MITI for identifying and/or approving Bumiputera investors for the Company to implement the Proposed Special Issue; and
- (iii) Shareholders at the forthcoming EGM for the Proposed Special Issue.

The Proposed Special Issue is not conditional upon any other corporate proposals undertaken or to be undertaken by KAB.

## 9. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed Special Issue, there are no other corporate exercises which have been announced by the Company but are pending completion as at the LPD.

## 10. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDER AND/OR PERSONS CONNECTED TO THEM

None of the Directors and/or major Shareholder and/or persons connected to them have any interest, whether direct or indirect, in the Proposed Special Issue.

## 11. BOARD'S RECOMMENDATION

After considering all aspects of the Proposed Special Issue, the Board is of the opinion that the Proposed Special Issue is in the best interest of the Company.

Accordingly, the Board recommends that you vote in favour of the ordinary resolution pertaining to the Proposed Special Issue to be tabled at the forthcoming EGM.

## **12. EGM**

The EGM, the Notice of which is enclosed with this Circular, will be held at Function Room 5, Level 2, Hotel Sri Petaling Kuala Lumpur, No. 30 Jalan Radin Anum, Bandar Baru Sri Petaling, 57000 Kuala Lumpur, Malaysia on Thursday, 3 January 2019 at 9.30 a.m. or at any adjournment thereof for the purpose of considering and, if thought fit, passing, with or without any modifications, the resolution by way of poll to give effect to the Proposed Special Issue.

If you are unable to attend and vote in person at the EGM, you may appoint a proxy to attend and vote on your behalf by completing, signing and returning the enclosed Form of Proxy in accordance with the instructions contained therein as soon as possible, so as to arrive at the office of the share registrar of the Company not less than 48 hours before the time and date set for holding the EGM or any adjournment thereof. The completion and lodgement of the Form of Proxy shall not preclude you from attending and voting in person at the EGM should you subsequently wish to do so and in such an event, your Form of Proxy shall be deemed to have been revoked.

## **13. FURTHER INFORMATION**

You are requested to refer to the Appendix I for further information.

Yours faithfully,  
For and on behalf of the Board of  
**KEJURUTERAAN ASASTERA BERHAD**

**DATO' LAI KENG ONN**  
Managing Director



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**APPENDIX I – FURTHER INFORMATION**

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**1. RESPONSIBILITY STATEMENT**

This Circular has been seen and approved by the Board and the Directors collectively and individually accept full responsibility for the accuracy, completeness and correctness of the information contained in this Circular and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no false and misleading statements and other facts the omission of which would make any statement herein false or misleading.

**2. CONSENT AND CONFLICT OF INTEREST**

Mercury Securities, being the Principal Adviser to KAB for the Proposed Special Issue, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which they appear in this Circular.

Mercury Securities is not aware of any conflict of interest which exists or is likely to exist which would or is likely to give rise to a possible conflict of interest by virtue of its appointment as the Principal Adviser to KAB for the Proposed Special Issue.

**3. HISTORICAL SHARE PRICES**

The monthly highest and lowest market prices of KAB Shares as transacted for the past 12 months preceding the date of this Circular are as follows:-

	<b>High</b>	<b>Low</b>
	<b>RM</b>	<b>RM</b>
<b><u>2017</u></b>		
December	0.315	0.245
<b><u>2018</u></b>		
January	0.325	0.265
February	0.290	0.250
March	0.285	0.240
April	0.250	0.200
May	0.275	0.210
June	0.300	0.250
July	0.280	0.235
August	0.310	0.240
September	0.300	0.250
October	0.300	0.225
November	0.265	0.210
Last transacted market price on 7 December 2018, being the last Market Day immediately prior to the first announcement of the Proposed Special Issue (RM)	0.220	
Last transacted market price on the LPD (RM)	0.225	

(Source: Bloomberg)

**4. MATERIAL LITIGATION**

As at the LPD, neither KAB nor its subsidiaries are engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, which has or would have a material and adverse effect on the financial position of the Group and, to the best of the Board's knowledge and belief, the Board is not aware of any proceedings pending or threatened against the Group or of any facts likely to give rise to any proceedings which might materially and adversely affect the financial position or business of the Group.

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**APPENDIX I – FURTHER INFORMATION (CONT'D)**

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**5. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES****Material commitments**

Save as disclosed below, as at the LPD, the Board is not aware of any material commitments incurred or known to be incurred by the Group which may have a material impact on the financial results or position of the Group:-

<b>Capital commitments</b>	<b>Amount (RM'000)</b>
Capital commitment in respect of property, plant and equipment - approved and contracted but not provided for	275

**Contingent liabilities**

Save as disclosed below, as at the LPD, the Board is not aware of any contingent liabilities incurred or known to be incurred by the Group which, upon becoming due or enforceable, may have a material impact on the financial results or position of the Group:-

<b>Contingent liabilities</b>	<b>Amount (RM'000)</b>
Guarantees given to third parties in respect of performance bonds for the Group's projects	11,467

**6. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the registered office of the Company at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan, during normal business hours from Monday to Friday (except public holidays) following the date of this Circular up to and including the date of the EGM:-

- (i) Constitution of KAB;
- (ii) audited financial statements of KAB for the FYE 31 December 2016 and FYE 31 December 2017;
- (iii) unaudited consolidated financial statements of KAB for the 9-month financial period ended 30 September 2018; and
- (iv) consent letter referred to in Section 2 of this Appendix I.

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## KEJURUTERAAN ASASTERA BERHAD

(Company No. 420505-H)  
(Incorporated in Malaysia)

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** an Extraordinary General Meeting of Kejuruteraan Asastera Berhad (“KAB” or the “Company”) (“EGM”) will be held at Function Room 5, Level 2, Hotel Sri Petaling Kuala Lumpur, No. 30 Jalan Radin Anum, Bandar Baru Sri Petaling, 57000 Kuala Lumpur, Malaysia on Thursday, 3 January 2019 at 9.30 a.m. or at any adjournment thereof, for the purpose of considering and, if thought fit, passing the following resolution with or without any modifications:-

#### ORDINARY RESOLUTION

**PROPOSED SPECIAL ISSUE OF UP TO 34,000,000 NEW ORDINARY SHARES IN KAB (“KAB SHARES” OR “SHARES”) (“SPECIAL ISSUE SHARES”) TO BUMIPUTERA INVESTORS TO BE IDENTIFIED AND/OR APPROVED BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY (“PROPOSED SPECIAL ISSUE”)**

“**THAT** subject to the approvals of all relevant parties and/or authorities being obtained (where required) for the Proposed Special Issue, approval be and hereby given to the Board of Directors of the Company (“**Board**”) to allot and issue up to 34,000,000 new Special Issue Shares at an issue price to be determined later;

**THAT** approval be and is hereby given for the Company to utilise the proceeds from the Proposed Special Issue for the purposes set out in the circular to shareholders dated 19 December 2018, and the Board be and is hereby authorised with full powers to vary the manner and/or purpose of the utilisation of such proceeds in such manner as the Board shall in its absolute discretion deem fit, necessary, expedient and/or appropriate and in the best interest of the Company, subject to the approvals of relevant authorities, where required;

**THAT** the Special Issue Shares shall, upon allotment, issue and payment of the issue price, rank *pari passu* in all respects with the then existing issued Shares, save and except that the holders of such Special Issue Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to the shareholders of the Company, the entitlement date of which is prior to the date of allotment of the Special Issue Shares;

**AND THAT** the Board be and is hereby authorised to do all such acts and things and to execute all necessary documents to give full effect to the Proposed Special Issue with full power to assent to any conditions, modifications, variations and/or amendments as may be required by all the relevant authorities and to take all steps and actions as they may deem necessary and expedient to finalise, implement and give full effect to the Proposed Special Issue.”

**BY ORDER OF THE BOARD  
KEJURUTERAAN ASASTERA BERHAD**

**JOANNE TOH JOO ANN (LS 0008574)  
SIA EE CHIN (MAICSA 7062413)  
Company Secretaries**

Kuala Lumpur  
19 December 2018

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint up to two (2) Proxy(ies) (or in the case of a corporation, a duly authorised representative) to attend and vote in his stead.
2. Where a member appoints more than one (1) Proxy, the appointment shall be invalid unless the proportion of shareholdings to be represented by each proxy is specified in the instrument appointing the proxies.
3. The instrument appointing a proxy shall be in writing, executed by or on behalf of the appointor.
4. An instrument appointing a proxy or (in the case of a power of attorney appointing an attorney to or to (inter alia) attend and vote at meetings or polls) such power of attorney or a notarially certified copy of such power of attorney and (if required by any Director) any authority under which such proxy or power of attorney is executed or a copy of such authority certified notarially or in some other way approved by the Directors shall be deposited at the office of the Company's Share Registrar situated at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, at least forty-eight (48) hours i.e. on or before 9.30 a.m., Tuesday, 1 January 2019, otherwise the person so named shall not be entitled to vote in respect thereof, or adjourned meeting at which the person named in the instrument or power of attorney proposes to vote.
5. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("**SICDA**"), it may appoint not more than two (2) proxies in respect of each securities account it holds with KAB Shares standing to the credit of the said Securities Account.
6. Where a member of the company is an exempt authorised nominee as defined under the SICDA, which holds KAB Shares for multiple beneficial owners in one securities account ("**Omnibus Account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.
7. For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn Bhd to make available to the Company pursuant to Clause 75 of the Constitution of the Company and Rule 7.16(2) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, a Record of Depositors as at 27 December 2018 and only a Depositor whose name appear on such Record of Depositors shall be entitled to attend, vote and speak at the meeting.



## KEJURUTERAAN ASASTERA BERHAD

(Company No. 420505-H)  
(Incorporated in Malaysia)

### FORM OF PROXY

Number of shares	CDS Account No.

I/We .....  
(Full Name in Capital Letters)

NRIC / Passport / Company No ..... of .....  
.....  
(Full Address)

being a \*member / member(s) of the abovementioned Company, hereby appoint .....  
.....  
(Full Name in Capital Letters)

NRIC / Passport No ..... of .....  
.....  
(Full Address)

and/or failing him/her .....  
(Full Name in Capital Letters)

NRIC / Passport No ..... of .....  
.....  
(Full Address)

or the Chairman of the Meeting as \*my/our \*proxy/proxies to attend and vote for \*me/us on \*my/our behalf at the Extraordinary General Meeting of the Company to be held at Function Room 5, Level 2, Hotel Sri Petaling Kuala Lumpur, No. 30 Jalan Radin Anum, Bandar Baru Sri Petaling, 57000 Kuala Lumpur, Malaysia on Thursday, 3 January 2019 at 9.30 a.m. or at any adjournment thereof.

Please indicate with "X" in the appropriate space how you wish your proxy to vote. If you do not indicate how you wish your proxy to vote on any resolution, the proxy shall vote as he thinks fit or, at his discretion, abstain from voting.

NO.	RESOLUTION	FOR	AGAINST
1.	Ordinary Resolution – Proposed Special Issue		

Dated this \_\_\_\_\_ day of \_\_\_\_\_.

For appointment of two proxies, the shareholdings to be represented by the proxies	
Proxies	% of shares
Proxy 1	
Proxy 2	
Total	100%

\*Signature of Member(s) / Common Seal of Shareholder  
\* Delete if not applicable

#### Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint up to two (2) Proxy(ies) (or in the case of a corporation, a duly authorised representative) to attend and vote in his stead.
2. Where a member appoints more than one (1) Proxy, the appointment shall be invalid unless the proportion of shareholdings to be represented by each proxy is specified in the instrument appointing the proxies.
3. The instrument appointing a proxy shall be in writing, executed by or on behalf of the appointor.



4. *An instrument appointing a proxy or (in the case of a power of attorney appointing an attorney to or to (inter alia) attend and vote at meetings or polls) such power of attorney or a notarially certified copy of such power of attorney and (if required by any Director) any authority under which such proxy or power of attorney is executed or a copy of such authority certified notarially or in some other way approved by the Directors shall be deposited at the office of the Company's Share Registrar situated at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, at least forty-eight (48) hours i.e. on or before 9.30 a.m., Tuesday, 1 January 2019, otherwise the person so named shall not be entitled to vote in respect thereof, or adjourned meeting at which the person named in the instrument or power of attorney proposes to vote.*
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The Share Registrar  
**KEJURUTERAAN ASASTERA BERHAD (420505-H)**  
**c/o Tricor Investor & Issuing House Services Sdn Bhd**  
Unit 32-01, Level 32, Tower A  
Vertical Business Suite  
Avenue 3, Bangsar South  
No. 8, Jalan Kerinchi  
59200 Kuala Lumpur  
Wilayah Persekutuan  
Malaysia

AFFIX  
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