

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. This Circular has been reviewed and approved by Mercury Securities Sdn Bhd, being the Principal Adviser to the Company for the Proposed Private Placement (as defined herein).

Bursa Malaysia Securities Berhad (“**Bursa Securities**”) 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. 199701005009 (420505-H)]
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO:-

PROPOSED PRIVATE PLACEMENT OF UP TO 70,574,600 NEW ORDINARY SHARES IN KEJURUTERAAN ASASTERA BERHAD (“KAB”), REPRESENTING UP TO 20% OF THE TOTAL NUMBER OF ISSUED SHARES OF KAB, TO INDEPENDENT THIRD-PARTY INVESTORS TO BE IDENTIFIED LATER AT AN ISSUE PRICE TO BE DETERMINED LATER

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser



MERCURY SECURITIES SDN BHD

[Company No. 198401000672 (113193-W)]
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of Extraordinary General Meeting of the Company (“**EGM**”) together with the Form of Proxy are enclosed with this Circular.

If you decide to appoint a proxy or proxies for the EGM, you must complete, sign and return the Form of Proxy and deposit it at the office of the Company’s Share Registrar 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 on or before the date and time indicated below or at any adjournment thereof. You can also have the option to lodge the proxy appointment electronically via facsimile, email and TIIH Online before the proxy form lodgement cut-off time as mentioned below. For further information on the electronic lodgement of proxy form, kindly refer to the Annexure to the Form of Proxy. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the EGM should you subsequently decide to do so.

Last date and time for lodging the Form of Proxy for the EGM	:	Wednesday, 6 November 2019 at 9.30 a.m.
Date and time of the EGM	:	Friday, 8 November 2019 at 9.30 a.m.
Venue of the EGM	:	Function Room 5, Level 2, Hotel Sri Petaling Kuala Lumpur, No. 30 Jalan Radin Anum, Bandar Baru Sri Petaling, 57000 Kuala Lumpur, Malaysia

This Circular is dated 24 October 2019

DEFINITIONS

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

Act	- Companies Act 2016 of Malaysia, as amended from time to time and any re-enactment thereof
BNM	- Bank Negara Malaysia
Board	- The Board of Directors of KAB
Bursa Depository	- Bursa Malaysia Depository Sdn Bhd [Company No. 198701006854 (165570-W)]
Bursa Securities	- Bursa Malaysia Securities Berhad [Company No. 200301033577 (635998-W)]
By-Laws	- Existing by-laws governing the ESOS
CAGR	- Compound annual growth rate
Circular	- This circular in relation to the Proposed Private Placement
CMSA	- Capital Markets and Services Act, 2007, as amended from time to time and any re-enactment thereof
Directors	- The directors of the Company for the time being
EGM	- An extraordinary general meeting of the Company to be convened for the Proposed Private Placement
ELV	- Extra-low voltage
EPC	- Energy performance contracting
EPS	- Earnings per share
ESOS	- Employees' share option scheme of the Company which took effect on 1 June 2018 for a period of 5 years
ESOS Options	- Options granted under the ESOS pursuant to the By-Laws, where each option holder can subscribe for 1 new KAB Share for every 1 option held
FPE	- Financial period ended
FYE	- Financial year(s) ended / ending, as the case may be
GDP	- Gross domestic product
GWh	- Gigawatt hours
Interested Person	- A director, major shareholder or chief executive of KAB or a holding company of KAB
KAB or the Company	- Kejuruteraan Asastera Berhad [Company No. 199701005009 (420505-H)]

DEFINITIONS (CONT'D)

KAB Group or the Group	- Collectively, KAB and its subsidiaries
KAB Share(s) or Share(s)	- Ordinary share(s) in the Company
KABT	- KAB Technologies Sdn Bhd [Company No. 201801012852 (1274868-D)]
kWh	- Kilowatt hours
Listing Requirements	- ACE Market Listing Requirements, as amended from time to time
LPD	- 2 October 2019, being the latest practicable date for this Circular
M&E	Mechanical and electrical
Market Day(s)	- Any day on which Bursa Securities is open for trading in securities
Mercury Securities or the Principal Adviser	- Mercury Securities Sdn Bhd [Company No. 198401000672 (113193-W)]
NA	- Net assets
Official List	- The official list of the ACE Market of Bursa Securities
Placement Shares	- Up to 70,574,600 new KAB Shares to be issued pursuant to the Proposed Private Placement
Proposed Private Placement	- Proposed private placement of up to 20% of the total number of issued shares of the Company to independent third-party investors to be identified later at an issue price to be determined later
Record of Depositors	- A record of securities holders established by Bursa Depository under the Rules of Bursa Depository
RM and sen	- Ringgit Malaysia and sen respectively
Rules of Bursa Depository	- The Rules of Bursa Depository as issued pursuant to the Securities Industry (Central Depositories) Act, 1991, as amended from time to time
Shareholders	- Registered holders of KAB Shares
SMITH ZANDER	- Smith Zander International Sdn Bhd [Company No. 201301028298 (1058128-V)], an independent market researcher
Special Issue	- Special issue of 34,000,000 KAB Shares to Bumiputera investors approved by the Ministry of International Trade and Industry, which was completed in 17 June 2019
treasury shares	- The treasury shares held by KAB pursuant to the exercise of the share buy-back mandate granted by Shareholders
VWAP	- Volume-weighted average market price

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DEFINITIONS (CONT'D)

All references to “you” in this Circular are to the Shareholders.

In this Circular, words referring to 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*. References to persons shall include corporations, unless otherwise specified.

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 Malaysia time, unless otherwise stated. Any discrepancies in the tables included in this Circular between the amounts stated, actual figures and the totals thereof are due to rounding.

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

LETTER TO SHAREHOLDERS IN RELATION TO THE PROPOSED PRIVATE PLACEMENT CONTAINING:-

SECTION	PAGE
1. INTRODUCTION	1
2. PROPOSED PRIVATE PLACEMENT	2
3. UTILISATION OF PROCEEDS	3
4. RATIONALE FOR THE PROPOSED PRIVATE PLACEMENT	8
5. INDUSTRY OVERVIEW AND FUTURE PROSPECTS	8
6. EFFECTS OF THE PROPOSED PRIVATE PLACEMENT	12
7. TENTATIVE TIMELINE	15
8. APPROVALS REQUIRED AND CONDITIONALITY	15
9. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION	16
10. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM	16
11. BOARD'S RECOMMENDATION	16
12. DETAILS OF THE GROUP'S PREVIOUS FUND-RAISING EXERCISE	16
13. EGM	17
14. FURTHER INFORMATION	17
APPENDIX I FURTHER INFORMATION	18
NOTICE OF EGM	ENCLOSED
FORM OF PROXY FOR THE EGM	ENCLOSED



KEJURUTERAAN ASASTERA BERHAD

[Company No. 199701005009 (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
Malaysia

24 October 2019

Board of Directors

Yoong Kah Yin (*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*)
Dato' Chan Chee Hong (*Independent Non-Executive Director*)

To: The Shareholders

Dear Sir / Madam,

PROPOSED PRIVATE PLACEMENT

1. INTRODUCTION

On 10 October 2019, Mercury Securities had, on behalf of the Board, announced that the Company proposes to undertake the Proposed Private Placement.

On 17 October 2019, Mercury Securities had, on behalf of the Board, announced that Bursa Securities had, vide its letter on even date, approved the listing and quotation of the Placement Shares 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 PRIVATE PLACEMENT AND TO SET OUT THE VIEWS AND RECOMMENDATION OF THE BOARD AS WELL AS TO SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSED PRIVATE PLACEMENT WHICH WILL BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF 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 ITS APPENDIX BEFORE VOTING ON THE RESOLUTION TO GIVE EFFECT TO THE PROPOSED PRIVATE PLACEMENT TO BE TABLED AT THE FORTHCOMING EGM.

2. PROPOSED PRIVATE PLACEMENT

2.1 Size of placement

The Proposed Private Placement involves the issuance of up to 70,574,600 new KAB Shares, representing up to 20% of the total number of issued KAB Shares at an issue price to be determined later.

As at the LPD, the issued share capital of the Company is RM38,558,672 comprising 352,873,100 KAB Shares (after excluding 1,126,900 treasury shares) and the Company has up to 105,861,930 ESOS Options which may be granted pursuant to the maximum allowable amount under the ESOS. However, the Company does not intend to grant any ESOS Options prior to the completion of the Proposed Private Placement.

Based on the total number of 352,873,100 issued Shares (after excluding 1,126,900 treasury shares) as at the LPD, the Proposed Private Placement would entail the issuance of up to 70,574,600 Placement Shares, representing 20% of such total number of issued Shares (after rounding down to the nearest 100 Shares).

The actual number of Placement Shares to be issued pursuant to the Proposed Private Placement will depend on the total number of issued Shares on a date to be determined and announced later, after receipt of all relevant approvals for the Proposed Private Placement.

The effects of the Proposed Private Placement are set out in Section 6 of this Circular.

2.2 Placement arrangement

The Placement Shares are intended to be placed to independent third-party investor(s) to be identified later. Such investor(s) shall be party(ies) which qualify under Schedules 6 and 7 of the CMSA. The Placement Shares are not intended to be placed to the following persons:-

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

The Proposed Private Placement may be implemented in 1 or more tranches (as the places may be identified and procured over a period of time rather than simultaneously) within a period of 6 months from the date of approval from Bursa Securities for the listing and quotation of the Placement Shares on the ACE Market of Bursa Securities or any extended period as may be approved by Bursa Securities, subject to the prevailing market conditions.

2.3 Ranking of the Placement Shares

The Placement Shares shall, upon allotment, issuance and full payment of the issue price, rank equally in all respects with the then existing issued Shares, save and except that the holders of such Placement Shares shall not be entitled to any dividend, rights, allotment 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 issuance and allotment of the Placement Shares.

2.4 Listing of the Placement Shares

The Placement Shares to be issued will be listed on the ACE Market of Bursa Securities.

2.5 Basis and justification of the issue price of the Placement Shares

The Placement 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 prevailing market conditions.

As the Proposed Private Placement may be implemented in several tranches within 6 months, there could potentially be several price fixing dates and issue prices.

For illustrative purposes only, based on an illustrative issue price of RM0.3839 per Placement Share, the issue price of the Placement Shares would represent a discount of approximately 9.99% to the 5-day VWAP of KAB Shares up to and including the LPD of RM0.4265 (*Source: Bloomberg*).

3. UTILISATION OF PROCEEDS

Based on an illustrative issue price of RM0.3839 per Placement Share, the gross proceeds to be raised from the Proposed Private Placement are intended to be utilised in the following manner:-

Utilisation of proceeds	Expected timeframe for utilisation from completion of the Proposed Private Placement	(1)RM'000
(i) Expansion of customised energy efficiency solutions business	Within 24 months	17,000
(ii) Project costs and expenses	Within 24 months	4,500
(iii) Acquisition and/or investment in other complementary businesses and/or assets	Within 24 months	4,694
(iv) Estimated expenses for the Proposed Private Placement	Immediate	(2)900
Total		27,094

Notes:-

(1) *The proceeds raised from the Proposed Private Placement will be allocated up to the respective maximum allocation set out in (i) to (iv) above in the following order of priority:-*

- (i) estimated expenses for the Proposed Private Placement;*
- (ii) expansion of customised energy efficiency solutions business;*
- (iii) project costs and expenses; and*
- (iv) acquisition and/or investment in other complementary businesses and/or assets.*

Any additional proceeds raised in excess of RM27.1 million will be allocated for acquisition and/or investment in other complementary businesses and/or assets.

(2) *Any excess in the actual amount of expenses incurred will be satisfied via internally-generated funds. Conversely, any surplus of funds following payment of expenses will be utilised for acquisition and/or investment in other complementary businesses and/or assets.*

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(i) Expansion of customised energy efficiency solutions business

KAB Group is principally involved in the provision of M&E engineering services. Recognising the importance for various businesses, organisations and communities to adopt a more efficient use of electrical energy, KABT (a wholly-owned subsidiary of KAB) was incorporated on 3 April 2018 and commenced business on 1 November 2018 with the aim of providing customised energy efficiency solutions to promote more efficient and effective use of energy in residential, commercial and industrial buildings. Currently, KABT's business is focused in Klang Valley but the company also intends to expand to other parts of Malaysia, including Penang and Johor as well as overseas markets like Thailand, Indonesia and Vietnam.

KABT's customised energy efficiency solutions enable the optimisation of energy consumption of an electrical system by monitoring and controlling various M&E equipment within the customers' site, including heating, ventilation and air-conditioning equipment as well as lighting, to ensure the intended functions are met with the least energy possible. As at the LPD, KABT has 2 EPC contracts in hand with duration ranging from 4 to 6 years, commencing from 2019 up to 2025. Please refer below for further details.

These energy efficiency solutions are premised on data collection and analysis using the relevant software and hardware. The data on parameters include current (or ambient) temperature of the areas or rooms in a building, chilled water temperature in chillers and energy consumption of various M&E equipment. These data are collected and analysed for the calculation of electrical energy demand as well as other relevant information to facilitate automated control actions, to ensure daily operations are carried out with less electrical energy consumption.

To achieve this purpose, various energy management measures are offered, including, but not limited to, the following:

(a) Chiller optimisation

Chillers are used to regulate temperature in certain areas within a building to achieve the desired temperature. Chillers control the temperature of water using a cooling source such as a compressor. The chilled water is then piped throughout a building for air-conditioning purposes. Various sensors are used to measure temperature and humidity readings for chillers and the data are analysed using a software. The software also automates the control of chiller operations, resulting in less electrical energy consumption.

(b) High efficiency lighting

Light-emitting diode lights are installed in place of existing less energy-efficient lights such as conventional fluorescent lighting for less electrical energy consumption.

(c) Building management systems

Building management systems are used to monitor and control M&E equipment as well as ELV equipment such as closed-circuit televisions and building alarms to ensure daily operations are carried out more efficiently (e.g. less manpower required to monitor and control the functioning of M&E and ELV equipment).

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(d) Combined heat and power (cogeneration) and combined cooling, heat and power (trigeneration)

Cogeneration is the generation of electricity and thermal energy (i.e. heat and steam) within the same system. Thermal energy recovered in cogeneration can be used for heating or cooling in industrial environments or buildings. Unlike the conventional method used in the production of electricity, cogeneration captures the thermal energy that would normally be dissipated and lost.

In trigeneration, energy efficient cooling can be achieved using waste thermal energy. The waste thermal energy is passed through an absorption chiller and is used to separate the refrigerant liquid and absorber liquid in the absorption chiller. A refrigerant liquid is used to extract heat from its surroundings while an absorber liquid is used to absorb the refrigerant liquid back into the absorption chiller to perpetuate the cooling cycle.

Cogeneration and trigeneration increase the overall efficiency of power generation by harnessing the excess heat and steam that would otherwise be lost and consequently increase the efficiency of the usage of energy.

(e) Waste heat recovery

Waste heat from hot combustion gases released into the atmosphere and heat produced from industrial processes are captured and reused for heating or generating mechanical or electrical energy.

In addition, KABT is able to source and adopt other energy efficiency measures into their solutions as and when needed to meet customers' requirements.

Revenue from the customised energy efficiency solutions business is expected to be derived via the following manner:-

(a) EPC contracts

An EPC contract is an agreement between a provider of energy efficiency solutions and a customer who intends to implement energy efficiency solutions. Under an EPC contract, the provider of energy efficiency solutions will design, install and implement energy efficiency solutions at the customer's site.

The energy efficiency solutions will be financed by the provider of energy efficiency solutions. The electrical energy savings in terms of kWh will be shared between the provider of energy efficiency solutions and the customers at a pre-agreed profit sharing ratio over the period of the EPC contract.

KABT charges monthly fees to its customers throughout the EPC contract period. This monthly fee is calculated based on the monthly electrical energy savings derived from the difference between actual monthly electrical energy consumption and a pre-determined electrical energy consumption benchmark.

The energy consumption benchmark is determined before a contract commences by taking into consideration the customer's historical electrical energy consumption. KABT will finance the cost associated with the design and installation of its customised energy efficiency solutions.

The duration of EPC contracts varies in accordance with the total cost and size of a project. As at the LPD, KABT has 2 EPC contracts in hand with duration ranging from 4 to 6 years, commencing from 2019 up to 2025. The details of the EPC contracts are as follows:-

Party to the agreement	Customer site	Project duration	Period
Foremost Wealth Management Sdn Bhd	Bandar Mahkota Cheras Mall	6 years	2019 – 2025
Energy Optimization (Thailand) Co. Ltd	<ul style="list-style-type: none"> • Robinsons Rama 9, Thailand • Robinsons Prachinburi, Thailand 	4 years	2019 – 2023

(b) Maintenance and technical support contracts

Upon maturity of an EPC contract, the ownership of certain functions within the customised energy efficiency solutions will be transferred to KABT's customers. Thereafter, any further maintenance and technical support rendered to customers will be charged separately.

KABT may charge an annual fee throughout the service and maintenance contract period. KABT may also charge an ad-hoc fee as and when further services are required, which are beyond the scope of the maintenance and technical support contracts.

As at the LPD, KABT has no on-going maintenance and technical support as none of its EPC contracts have reached maturity.

(c) Outright purchase

Alternatively, KABT may also offer its customised energy efficiency solutions to customers via outright purchase. In this instance, the entire solution will be owned by a customer and the customer will bear the entire cost associated with the design and installation of the solution. This will involve a one-off upfront payment by the customer to KABT.

For an outright purchase, there will not be any monthly fee charged to customers based on electrical energy savings. Any maintenance and technical support services rendered to the customers will be charged separately.

In view of the foregoing, the Group's funding requirement for the expansion of its customised energy efficiency solutions business is as follows:-

Utilisation	Description	RM'000
Development of chiller optimisation solution	Procurement of servers and ancillary network equipment, wages and expenses in relation to the development and testing of the solution	4,000
Funding for current / future EPC contracts	Funding for implementation of customised energy efficiency solutions at customer premises / facilities including the purchase and installation of hardware such as sensors, meters, transmitters, thermostats, switches and any other related hardware	8,500
Marketing expenses	Marketing and advertising costs through exhibition and roadshows	4,500
Working capital	Operating and administrative expenses such as contractor fees, staff costs, utilities and maintenance costs for chiller optimisation solution	3,000
Total		20,000

Given the above, the Group intends to utilise proceeds of RM17.0 million from the Proposed Private Placement to part-finance the above funding requirement. The excess shall be met via existing cash reserves, internally-generated funds, bank borrowings and/or any other fund-raising exercises to be undertaken, if required. However, the actual funding breakdown for the excess cannot be determined at this juncture as it will depend on the availability and suitability of other funding options at the relevant time.

Moving forward, depending on the success of the expansion of the customised energy efficiency solutions business, the Group may market these solutions more actively to cover other countries such as Thailand, Indonesia and Vietnam. As part of the expansion plan, the Group intends to collaborate with energy solutions provider from these countries. The exact timing and future plans cannot be determined at this juncture as it will depend on, amongst others, the market's reception towards the customised energy efficiency solutions offered by the Company as well as the availability and suitability of funding options at the relevant time.

(ii) Project costs and expenses

The ability of the Group to secure more project tenders lies in its financial strength. In this instance, the Group is often required to provide tender deposits, tender bonds and/or performance bonds, usually in the form of bank guarantees representing a certain percentage of the contract sum. Tender bonds and performance bonds are commonly required in the construction industry as a means of securing a client against the performance of a contractor against its contractual obligations.

As at the LPD, the order book for the Group's M&E projects stood at approximately RM305.0 million. In addition, the Group also has tender book of approximately RM290.0 million. As such, the Group intends to allocate proceeds of RM4.5 million for tender deposits or performance bonds in order to secure such projects.

(iii) Acquisition and/or investment in other complementary businesses and/or assets

The proceeds of RM4.7 million are 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 Group 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 Private Placement, 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 Group has successfully identified suitable businesses and/or assets to acquire and/or invest in.

(iv) Estimated expenses for the Proposed Private Placement

The breakdown of the estimated expenses for the Proposed Private Placement is illustrated below:-

Estimated expenses	Amount RM'000
Professional fees ⁽¹⁾	850
Fees to relevant authorities	20
Printing, despatch and advertising expenses	30
Total	900

Notes:-

(1) *These include advisory fees, management fees, placement commission and other professional fees payable to the Company Secretarial Agent, Share Registrar and Solicitors in relation to the Proposed Private Placement.*

4. RATIONALE FOR THE PROPOSED PRIVATE PLACEMENT

As detailed in Section 3 of this Circular, the proceeds raised from the Proposed Private Placement will be utilised mainly to facilitate the expansion of the Group's customised energy efficiency solutions business. This is in line with the Group's initiative to expand its offerings that can complement its existing M&E engineering business while providing an additional source of income. In turn, this is expected to contribute positively to the earnings of the Group.

As at the LPD, KAB Group's cash and bank balances stood at approximately RM13.0 million while its fixed deposits stood at approximately RM12.6 million. It should be noted that RM7.6 million has been earmarked for tender deposits / performance bond while RM5.4 million from the proceeds of the Special Issue has been earmarked for investment in the development of cogeneration solution. Please refer to Section 12 for further details on the utilisation of proceeds from the Special Issue.

After due consideration of the various methods of fund raising, the Board is of the opinion that the Proposed Private Placement is the most appropriate avenue of fund raising at this juncture as it would enable the Group to raise additional funds expeditiously without having to incur interest costs or service principal repayments as compared to bank borrowings, thereby allowing the Company to preserve its cash flow.

Upon completion of the Proposed Private Placement, the enlarged capital base is also expected to further strengthen the financial position of the Company.

5. INDUSTRY OVERVIEW AND FUTURE PROSPECTS

5.1 Malaysian economy

The Malaysian economy grew at stronger pace of 4.9% in the second quarter of 2019. GDP registered a higher growth of 4.9% in the second quarter of 2019 (1Q 2019: 4.5%), supported by continued expansion in domestic demand. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.0% (1Q 2019: 1.1%).

Domestic demand expanded by 4.6% in the second quarter (1Q 2019: 4.4%), supported by firm household spending and slightly higher private investment.

Private consumption expanded by 7.8% (1Q 2019:7.6%), supported by continued income growth and festive spending during the quarter. Selected Government measures, such as the special Aidilfitri assistance and Bantuan Sara Hidup, also provided some lift to overall household spending.

Growth in the manufacturing sector registered a marginal improvement at 4.3% (1Q 2019: 4.2%) amid better performance in the domestic-oriented industries. Higher production of motor vehicles mainly reflected strong sales during the festive season. Demand for metal related materials for existing transport and infrastructure projects supported the higher production within the construction-related cluster. Meanwhile, within the export-oriented industries, the production of electronic components continued to be weighed by weaker global demand, with negative spillovers across the global semiconductor value chain.

(Source: Economic and Financial Developments in the Malaysian Economy in the Second Quarter of 2019, BNM)

Against the backdrop of a challenging global environment, the Malaysian economy is expected to sustain its growth momentum, expanding by 4.3% – 4.8% in 2019 (2018: 4.7%). The external sector is expected to register a more moderate expansion in tandem with the moderation in global growth. Domestic demand will remain the anchor of growth, underpinned by continued expansion in private sector activity. Private consumption growth is expected to moderate, but remain firm supported by stable labour market conditions and continued wage growth. The implementation of several government measures, particularly aimed at alleviating rising cost of living, is expected to further support consumption spending, especially by lower income households.

Private investment activity will be supported by the implementation of on-going multi-year projects, particularly in the manufacturing and services sectors. The normalisation of destocking activities by firms after the strong demand during the tax holiday period in 2018 will serve as an additional support to growth. Public sector expenditure, however, is expected to weigh on growth. The projected contraction in public investment will be due mainly to lower investment by public corporations following the completion of large-scale projects, while the expectations for a moderate growth in public consumption reflect the continued reprioritisation of government spending.

(Source: BNM's Annual Report 2018, BNM, published on 27 March 2019)

5.2 Overview and outlook of the construction industry in Malaysia

KAB Group is principally involved in the electrical and mechanical engineering business. The Group 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. Hence, the prospects of KAB Group is dependent on the prospects of the construction sector in Malaysia as set out below.

The value of construction work done in the second quarter 2019 recorded a growth of 0.8 per cent year-on-year, amounting to RM35.9 billion (Q1 2019: RM37.4 billion). The expansion in value of construction work done was driven by positive growth in the Civil engineering sub-sector with 8.2 per cent and Special trades activities sub-sector with 5.9 per cent.

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However, the Residential buildings sub-sector and Non-residential buildings sub-sectors growth reduced to 1.1 per cent and 9.3 per cent respectively. The Civil engineering sub-sector remained as the key contributor to the value of construction work done with 44.8 per cent share. This was followed by Non-residential buildings (25.3%), Residential buildings (24.5%) and Special trades activities (5.4%). The private sector continued to propelled the construction activity with 55.2 per cent share of value of construction work done (RM19.8 billion) as compared to the public sector with 44.8 per cent share of value of construction work done (RM16.1 billion).

(Source: Quarterly Construction Statistics Second Quarter 2019, Department of Statistics Malaysia, published on 9 August 2019)

Growth in the construction sector moderated to 4.2% in 2018 (2017: 6.7%). The moderation was on account of weaknesses in the property segment, as the higher levels of unsold residential properties and the oversupply in commercial property weighed on growth in the residential and non-residential sub-sectors respectively. Nevertheless, the civil engineering sub-sector remained the key driver of growth for the construction sector, supported by continued progress of large petrochemical, transportation, and utility projects. The special trade sub-sector benefited from early works activity from large transportation projects and additional support from solar projects.

The forecast growth for the construction sector in 2019 is 3.0%.

(Source: BNM's Annual Report 2018, BNM, published on 27 March 2019)

5.3 Overview and outlook of the energy efficiency industry

Energy efficiency is achieved through modes of energy management and energy conservation, with the objective to reduce energy consumption in performing the same task. Energy management comprises the tracking, monitoring and planning of energy usage to control and optimise energy consumption in a building. Energy conservation involves the behaviour or act of conserving energy usage that can produce positive outcome in reducing energy consumption.

The adoption of energy efficiency aims to achieve cost savings and reduce greenhouse gas emissions, while optimising energy consumption and ensuring the safety of occupants through timely identification and rectification of faults and failures in buildings and equipment. Energy performance contracting is a method often adopted by companies that intend to incorporate energy efficiency solutions into their buildings without large upfront capital investments.

The growth of the energy efficiency industry is built on the growth of electricity consumption in the country. The total volume of electricity consumption in Malaysia grew from 124,706 GWh in 2015 to 138,297 GWh in 2017, at a CAGR of 5.31%, supported by the growth in the total number of consumers from 9.66 million premises in 2015 to 10.05 million premises in 2017. The continued growth in the total number of consumers is expected to drive the growth in total electricity consumption and hence, total electricity consumption is estimated to reach 142,474 GWh in 2018 and 146,776 GWh in 2019⁽¹⁾.

The total revenue derived from consumers for the consumption of electricity in Malaysia grew from RM46.23 billion in 2015 to RM50.13 billion in 2017 at a CAGR of 4.13%. In view of the estimated increase in the volume of electricity consumption, the total revenue derived from consumers for the consumption of electricity in Malaysia is also expected to increase, reaching an estimated value of RM51.69 billion in 2018 and RM53.29 billion in 2019⁽²⁾.

Notes:-

- (1) *Total electricity consumption, in volume terms, up to 2017 are the latest available figures published by Energy Commission Malaysia as at LPD. Figures for 2018 and 2019 are estimated by SMITH ZANDER.*
- (2) *Total electricity consumption, in value terms, up to 2017 are the latest available figures published by Energy Commission Malaysia as at LPD. Figures for 2018 and 2019 are estimated by SMITH ZANDER.*

SMITH ZANDER forecasts the volume of electricity consumption to grow from 151,209 GWh in 2020 to 159,919 GWh in 2022 at a CAGR of 2.84%, with the total revenue derived from consumers for the consumption of electricity expected to grow from RM54.77 billion in 2020 to RM57.63 billion in 2022 at a CAGR of 2.58%.

The potential size of the energy efficiency industry is estimated by measuring the potential cost savings, ranging between 2.80% and 5.00%, that can be achieved from the forecast electricity consumption in value terms between 2020 and 2022. Based on the above, the accumulated potential electricity cost savings that can be achieved in Malaysia between 2020 and 2022 is expected to be RM6.61 billion.

The growth of the energy efficiency industry is expected to be driven by increasing electricity consumption and rising prices of electricity, particularly from the commercial and industrial sectors. The commercial and industrial sectors were the two highest consumers of electricity in 2017 whereby it collectively contributed to 77.55% of the total electricity consumption in Malaysia.

Energy Commission Malaysia has increased the level of base tariff from 38.53 sen per kWh for the period between 2015 and 2017 to 39.45 sen per kWh effective for the period of 2018, 2019 and 2020. The base tariff and imbalance cost pass through methodology are used by utility providers to determine the selling prices per unit of electricity to consumers depending on the generation cost of electricity. In view of the increase in the level of base tariff, the average selling prices per unit of electricity, for the commercial and industrial sectors combined, is expected to increase to 34.86 sen per kWh in 2018 and 35.07 sen per kWh in 2019.

The continued enhancement of technology used in the provision of energy efficiency solutions is expected to continue driving the demand for energy efficiency solutions. Further, growth of the energy efficiency industry is also to be driven by Government initiatives such as implementation of the National Energy Efficiency Action Plan 2016-2025 and funding for energy performance contracting. Notwithstanding that, the growth of the energy efficiency industry may be restrained by high initial capital investments and lack of financing for energy efficiency projects.

(Source: Independent market research report by SMITH ZANDER)

5.4 Prospects and future plans of KAB Group

KAB Group is principally involved in the provision of M&E engineering services. Electrical engineering services is the Group's core business activity and involves the installation, testing and commissioning of electrical systems. The Group also provides mechanical engineering services including installation, testing and commissioning of air-conditioning and mechanical ventilation systems.

During the FYE 31 December 2018, KAB's revenue was contributed mainly by its electrical engineering services segment which was derived from its commercial projects and residential projects. The remaining revenue was contributed by its mechanical engineering segment. KAB intends to grow its market share by increasing tendering activities, specifically in the affordable housing sector. The Group is also focusing on the expansion of its business beyond the Klang Valley area.

Moving forward, KAB 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 due to wear and tear, this segment is expected to be more resilient against any potential downturn in the property market.

By increasing its presence in maintenance services, KAB may also reduce its reliance on new construction projects and therefore mitigate any adverse effects to its revenue in the event of any slowdown in construction activity for new buildings in the future.

In addition, the Group also intends to expand into the customised energy efficiency solutions business through KABT, which will complement its existing M&E engineering services. With the addition of KABT's energy efficiency solutions to the range of services offered by KAB, the Group will be able to expand its scope of work within M&E engineering services and to capture a wider base of customers.

Currently, KABT's business is focused in Klang Valley but the company also intends to expand to other parts of Malaysia, including Penang and Johor. Moving forward, depending on the success of the expansion of the customised energy efficiency solutions business, the Group may market these solutions more actively to cover other countries such as Thailand, Indonesia and Vietnam.

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

(Source: Management of KAB)

6. EFFECTS OF THE PROPOSED PRIVATE PLACEMENT

6.1 Share capital

The pro-forma effects of the Proposed Private Placement on the issued share capital of the Company are as follows:-

	No. of KAB Shares	Share capital RM
Issued share capital as at the LPD	⁽¹⁾ 352,873,100	38,558,672
New Shares to be issued pursuant to the Proposed Private Placement	70,574,600	⁽²⁾ 27,093,589
Enlarged issued share capital	423,447,700	65,652,261

Notes:-

- (1) Excludes the 1,126,900 treasury shares held by the Company as at the LPD which are not intended to be resold in the market.
- (2) Based on the illustrative issue price of RM0.3839 per Placement Share (based on approximately 10% discount to the 5-day VWAP of KAB Shares up to and including the LPD of RM0.4265).

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6.2 NA and gearing

The pro-forma effects of the Proposed Private Placement on the NA and gearing of the Group are as follows:-

	Audited as at 31 December 2018 RM'000	(I) After subsequent events ⁽¹⁾ RM'000	(II) After (I) and the Proposed Private Placement ⁽²⁾ RM'000
Share capital ⁽³⁾	32,000	38,559	65,652
Foreign currency translation reserve	⁽⁴⁾ -	⁽⁴⁾ -	⁽⁴⁾ -
Retained earnings	16,262	14,662	⁽⁵⁾ 13,762
Shareholders' equity / NA	48,262	53,221	79,414
Non-controlling interest	⁽⁵⁾	⁽⁵⁾	⁽⁵⁾
Total equity	48,257	53,215	79,409
No. of KAB Shares in issue ⁽³⁾ ('000)	320,000	352,873	423,448
NA per KAB Share (RM)	0.15	0.15	0.19
Total borrowings (RM'000)	9,811	9,811	9,811
Gearing (times)	0.20	0.18	0.12

Notes:-

- (1) After taking into account the following:-
 (i) issuance of 34,000,000 new Shares at the issue price of RM0.20 each arising from the Special Issue which was completed on 17 June 2019;
 (ii) distribution of cash dividend amounting to RM1.60 million to Shareholders during the second quarter ended 30 June 2019; and
 (iii) acquisition of 1,126,900 Shares held as treasury shares from the open market at prices ranging between RM0.21 to RM0.215.
- (2) Based on the issuance of 70,574,600 Placement Shares at an illustrative issue price of RM0.3839 each (based on approximately 10% discount to the 5-day VWAP of KAB Shares up to and including the LPD of RM0.4265).
- (3) Excludes treasury shares.
- (4) Less than RM1,000.
- (5) After deducting estimated expenses incidental to the Proposed Private Placement of RM0.90 million.

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6.3 Substantial Shareholders' shareholdings

The pro-forma effects of the Proposed Private Placement on the substantial Shareholders' shareholdings based on the register of substantial Shareholders of the Company as at the LPD are as follows:-

Substantial shareholders	As at the LPD				(1) After the Proposed Private Placement			
	Direct		Indirect		Direct		Indirect	
	No. of KAB Shares	(1)%	No. of KAB Shares	(1)%	No. of KAB Shares	(2)%	No. of KAB Shares	(2)%
Dato' Lai Keng Onn	144,000,000	40.81	-	-	144,000,000	34.01	-	-
GAT Success (M) Sdn Bhd ("GAT")	40,000,000	11.34	-	-	40,000,000	9.45	-	-
Faith Chow Poh Ten	47,771,300	13.54	⁽³⁾ 1,778,000	⁽³⁾ 0.50	47,771,300	11.28	⁽³⁾ 1,778,000	⁽³⁾ 0.42
Everest Pavilion Sdn Bhd ("EPSB")	-	-	⁽⁴⁾ 40,000,000	⁽⁴⁾ 11.34	-	-	⁽⁴⁾ 40,000,000	⁽⁴⁾ 9.45
Cherry Anne Tong Chun Ling	-	-	⁽⁵⁾ 40,000,000	⁽⁵⁾ 11.34	-	-	⁽⁵⁾ 40,000,000	⁽⁵⁾ 9.45

Notes:-

- (1) Based on the issued share capital of 352,873,100 KAB Shares (excluding 1,126,900 treasury shares) as at the LPD.
- (2) Based on the enlarged issued share capital of 423,447,700 KAB Shares (excluding 1,126,900 treasury shares).
- (3) Deemed interest in the shares held by Regalis Investment Ltd pursuant to Section 8 of the Act.
- (4) Deemed interest in the shares held by GAT pursuant to Section 8 of the Act.
- (5) Deemed interest by virtue of her interest in EPSB pursuant to Section 8 of the Act. EPSB is deemed interested in the shares held by GAT pursuant to Section 8 of the Act.

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6.4 Earnings and EPS

The Board expects the Proposed Private Placement to contribute positively to the future earnings of the Group via the utilisation of proceeds as set out in Section 3 of this Circular.

Subsequent to the completion of the Proposed Private Placement, the earnings per share of the Group shall be correspondingly diluted as a result of the increase in the number of Shares arising from Proposed Private Placement.

The potential effects of the Proposed Private Placement on the consolidated earnings of KAB moving forward will depend on, amongst others, the number of Placement Shares to be issued and the level of returns generated from the utilisation of the proceeds to be raised from the Proposed Private Placement.

6.5 Convertible securities

As at the LPD, the Company does not have any outstanding ESOS Options but there are up to 105,861,930 ESOS Options which may be granted pursuant to the maximum allowable amount under the ESOS. However, the Company does not intend to grant any ESOS Options prior to the completion of the Proposed Private Placement.

Save for the above, the Company does not have any other outstanding convertible securities as at the LPD.

7. TENTATIVE TIMELINE

The tentative timeline of events leading to the completion of the Proposed Private Placement is as follows:-

Date	Events
8 November 2019	EGM for the Proposed Private Placement
November / December 2019	Listing and quotation of the Placement Shares on the ACE Market of Bursa Securities and completion

8. APPROVALS REQUIRED AND CONDITIONALITY

8.1 Approvals required

The Proposed Private Placement is subject to the following approvals being obtained:-

- (i) the approval of Bursa Securities for the listing and quotation of the Placement Shares on the ACE Market of Bursa Securities.

The approval by Bursa Securities for the above was obtained via its letter dated 17 October 2019, subject to the following conditions:-

- (a) KAB and Mercury Securities must fully comply with the relevant provisions under the ACE Market Listing Requirements pertaining to the implementation of the Proposed Private Placement;
- (b) KAB and Mercury Securities to inform Bursa Securities upon the completion of the Proposed Private Placement; and
- (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 Private Placement is completed.

- (ii) the approval of Shareholders at the forthcoming EGM; and
- (iii) the approvals / consents of any other relevant authorities and/or parties, if required.

8.2 Conditionality

The Proposed Private Placement is not conditional upon any other corporate exercise / scheme being or proposed to be undertaken by the Company.

9. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed Private Placement, there are no other corporate exercises which have been announced by the Company but are pending completion before the date of this Circular.

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

None of the directors and/or major shareholders of the Company and/or persons connected to them have any interest, direct or indirect, in the Proposed Private Placement.

11. BOARD'S RECOMMENDATION

The Board, having considered the current and prospective financial position, needs and capacity of the Group, and after careful deliberation and taking into consideration the rationale, utilisation of proceeds and all other aspects of the Proposed Private Placement, is of the opinion that the Proposed Private Placement is in the best interests of the Company.

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

12. DETAILS OF THE GROUP'S PREVIOUS FUND-RAISING EXERCISE

On 10 December 2018, the Company proposed to undertake a special issue of up to 34,000,000 new KAB Shares to Bumiputera investors approved by the Ministry of International Trade and Industry ("Special Issue").

The Special Issue was completed on 17 June 2019. The 34,000,000 new KAB Shares under the Special Issue was fully subscribed, raising RM6.8 million for the Company.

The proceeds from the Special Issue have been utilised as follows:-

	Intended timeframe for utilisation from 17 June 2019	Actual proceeds raised RM'000	Actual utilisation up to the LPD RM'000	Balance available for utilisation RM'000
(i) Acquisition and/or investment in other complementary businesses and/or assets	Within 24 months	6,630	-	⁽¹⁾ 6,630
(ii) Estimated expenses for the Proposed Special Issue	Immediate	170	⁽²⁾ 170	-
Total		6,800	170	6,630

Notes:-

- (1) As at the LPD, RM5.4 million from the proceeds of the Special Issue has been earmarked for investment in the development of cogeneration solution. Details of this investment will be announced in due course and the Company will seek for approval from Shareholders, if required pursuant to the Listing Requirements.
- (2) The incidental expenses in relation to the Special Issue comprising professional fees, fees payable to relevant authorities, printing, despatch and advertising expenses as well as other miscellaneous charges.

13. EGM

The EGM, the notice of which is enclosed in 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 the date and time indicated below or at any adjournment thereof for the purpose of considering and, if thought fit, passing the resolution, with or without modifications, to give effect to the Proposed Private Placement.

Date and time of the EGM	: Friday, 8 November 2019 at 9.30 a.m.
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If you are unable to attend and vote in person at the EGM, you may appoint a proxy or proxies 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 Company's Share Registrar at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia 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 date and time for the EGM as indicated above or at any adjournment thereof. You can also have the option to lodge the proxy appointment electronically via facsimile, email and TIIH Online before the proxy form lodgement cut-off time as mentioned above. For further information on the electronic lodgement of proxy form, kindly refer to the Annexure to the Form of Proxy. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the EGM should you subsequently decide to do so.

14. FURTHER INFORMATION

You are requested to refer to the enclosed appendix for further information.

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

DATO' LAI KENG ONN
Managing Director

1. RESPONSIBILITY STATEMENT

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

2. CONSENTS AND CONFLICT OF INTEREST**2.1 Mercury Securities**

The written consent of Mercury Securities, being the Principal Adviser for the Proposed Private Placement, for the inclusion of its name and all references thereto in the form and context in which it appears in this Circular has been given and has not been subsequently withdrawn before the issuance of this Circular.

Mercury Securities is not aware of any conflict of interest which exists or is likely to exist by virtue of its appointment as the Principal Adviser for the Proposed Private Placement.

2.2 SMITH ZANDER

The written consent of SMITH ZANDER for the inclusion of its name and extracts of its independent market research report referred to in Section 5.3 of this Circular in the form and context in which it appears in this Circular has been given and has not been subsequently withdrawn before the issuance of this Circular.

SMITH ZANDER is not aware of any conflict of interest which exists or is likely to exist by virtue of its appointment as the independent market researcher for the Proposed Private Placement.

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

Save as disclosed below, as at the LPD, the Board confirmed that there are no other material commitments incurred or known to be incurred by the Group:-

Material commitments	RM'000
Capital commitment in respect of property, plant and equipment - approved and contracted but not provided for	1,965

Contingent liabilities

Save as disclosed below, as at the LPD, the Board confirmed that there are no other 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:-

Contingent liabilities	RM'000
Guarantees given to third parties in respect of performance bonds for the Group's projects	20,284

4. MATERIAL LITIGATION

As at the LPD, neither KAB nor its subsidiaries are engaged in any material litigation, claim or arbitration, either as plaintiff or defendant, which has or would have a material and adverse effect on the financial position or business of the Group and, to the best of the Board's knowledge and belief, the Board confirmed that there are no proceedings pending or threatened against the Company and/or any of its subsidiaries 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.

5. HISTORICAL SHARE PRICES

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

	High	Low
	RM	RM
2018		
October	0.300	0.225
November	0.265	0.210
December	0.230	0.185
2019		
January	0.225	0.190
February	0.225	0.205
March	0.240	0.200
April	0.225	0.205
May	0.220	0.200
June	0.215	0.200
July	0.240	0.200
August	0.295	0.220
September	0.405	0.285
Last transacted market price on 9 October 2019, being the last Market Day immediately prior to the first announcement of the Proposed Private Placement	0.475	
Last transacted market price on the LPD	0.475	

(Source: Bloomberg)

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, Malaysia 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 consolidated financial statements of KAB for the FYE 31 December 2017 and FYE 31 December 2018 as well as the unaudited consolidated financial statements of KAB for the 6-month FPE 30 June 2019;
- (iii) the letters of consent referred to in Section 2 of Appendix I above; and
- (iv) the independent market research report referred to in Section 5 of this Circular.



KEJURUTERAAN ASASTERA BERHAD

[Company No. 199701005009 (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**”) 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 Friday, 8 November 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 modifications:-

ORDINARY RESOLUTION

PROPOSED PRIVATE PLACEMENT OF UP TO 70,574,600 NEW ORDINARY SHARES IN KAB, REPRESENTING UP TO 20% OF THE TOTAL NUMBER OF ISSUED SHARES OF KAB, TO INDEPENDENT THIRD-PARTY INVESTOR(S) TO BE IDENTIFIED LATER AT AN ISSUE PRICE TO BE DETERMINED LATER

“**THAT** subject to the approval of all the relevant authorities, approval be and is hereby given to the Board of Directors of the Company (“**Board**” or “**Directors**”) to allot and issue up to 70,574,600 new ordinary shares in the Company (“**KAB Shares**” or “**Shares**”) by way of private placement to independent third party investor(s) to be identified later in 1 or more tranches at an issue price for each tranche to be determined at a later date by the Board (“**Price-Fixing Date**”) upon such terms and conditions as disclosed in the Circular to the shareholders of the Company dated 24 October 2019 (“**Circular**”) (“**Proposed Private Placement**”);

THAT the issue price of the Placement Shares will be determined based on a discount of not more than 10% to the 5-day volume-weighted average market price of KAB Shares up to and including the Price-Fixing Date;

THAT the Directors be and are hereby authorised to utilise the proceeds to be derived from the Proposed Private Placement for such purposes as set out in the Circular and the Board be and is hereby authorised with full power to vary the manner and/or purpose of the utilisation of such proceeds from the Proposed Private Placement in the manner as the Board may deem fit, necessary and/or expedient, subject (where required) to the approval of the relevant authorities and in the best interest of the Company;

THAT such Placement Shares shall, upon allotment, issuance and full payment of the issue price, rank equally in all respects with the then existing issued Shares, save and except that the holders of such Placement Shares shall not be entitled to any dividend, rights, allotment and/or other distribution which may be declared, made or paid to the Shareholders, the entitlement date of which is prior to the date of allotment and issuance of the Placement Shares;

AND THAT the Directors be and are hereby empowered and authorised to do all acts, deeds and things and to execute, sign, deliver and cause to be delivered on behalf of the Company all such documents and/or arrangements as may be necessary to give effect and complete the Proposed Private Placement and to assent to any conditions, modifications, variations and/or amendments in any manner as may be required by the relevant authorities or as the Directors may deem necessary in the interest of the Company and to take such steps as they may deem necessary or expedient in order to implement, finalise, give full effect and to complete the Proposed Private Placement.”

By Order of the Board
KEJURUTERAAN ASASTERA BERHAD

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

Company Secretaries
Kuala Lumpur
24 October 2019

Notes:-

1. For the purpose of determining who shall be entitled to attend this General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 1 November 2019. Only a member whose name appears on this Record of Depositors shall be entitled to attend this General Meeting or appoint a proxy to attend, speak and vote on his/her/its behalf.
2. A member entitled to attend and vote at this General Meeting is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, participate, speak and vote in his place. A proxy may but need not be a member of the Company.
3. A member of the Company who is entitled to attend and vote at a General Meeting of the Company may appoint not more than two (2) proxies to attend, participate, speak and vote instead of the member at the General Meeting.
4. If two (2) proxies are appointed, the entitlement of those proxies to vote on a show of hands shall be in accordance with the listing requirements of the stock exchange.
5. Where a member of the Company is an authorised nominee as defined in the Central Depositories Act, it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
6. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company 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. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act") which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.
7. Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
8. The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote:
 - (i) In hard copy form
In the case of an appointment made in hard copy form, this proxy form must be deposited at the Company's Share Registrar 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.
 - (ii) By electronic means via facsimile
In the case of an appointment made by facsimile transmission, this proxy form must be received via facsimile at 03-27839222.
 - (iii) By electronic means via email
In the case of an appointment made via email transmission, this proxy form must be received via email at is.enquiry@my.tricorglobal.com
 - (iv) By electronic means via Tricor System, TIIH Online
In the case of an appointment made via TIIH Online, this proxy form must be deposited via TIIH Online at <https://tjih.online>. Please refer to the Annexure to the Form of Proxy for further information.For options (ii) and (iii), the Company may request any member to deposit original executed proxy form to its registered office before or on the day of meeting for verification purpose.
9. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited at the Company's Share Registrar 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 forty-eight (48) hours before the time appointed for holding the General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
10. Please ensure ALL the particulars as required in this proxy form are completed, signed and dated accordingly.
11. Last date and time for lodging this proxy form is Wednesday, 6 November 2019 at 9.30 a.m.
12. Please bring an **ORIGINAL** of the following identification papers (where applicable) and present it to the registration staff for verification:
 - (a) Identity card (NRIC) (Malaysian), or
 - (b) Police report (for loss of NRIC) / Temporary NRIC (Malaysian), or
 - (c) Passport (Foreigner).
13. For a corporate member who has appointed a representative instead of a proxy to attend this meeting, please bring the **ORIGINAL** certificate of appointment executed in the manner as stated in this proxy form if this has not been lodged at the Company's registered office earlier.



KEJURUTERAAN ASASTERA BERHAD

[Company No. 199701005009 (420505-H)]
(Incorporated in Malaysia)

FORM OF PROXY

CDS Account No.
No. of Shares held

I/We, Tel. No.:
(Full name in block and NRIC No. / Company No.)

of
(Address)

being a member of Kejuruteraan Asastera Berhad, hereby appoint(s):-

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and / or* (*delete as appropriate)

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him, the Chairperson of the meeting as my/our proxy to 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 Friday, 8 November 2019 at 9.30 a.m. or any adjournment thereof, and to vote as indicated below:-

Item	Agenda	Resolution	FOR	AGAINST
1.	Proposed Private Placement	Ordinary Resolution		

Please indicate with an 'X' in the space provided whether you wish your votes to be cast for or against the resolution. In the absence of specific direction, your proxy may vote or abstain as he thinks fit.

Signed this.....

Signature*
Member

***Manner of execution:**

- (a) If you are an individual member, please sign where indicated.
- (b) If you are a corporate member which has a common seal, this proxy form should be executed under seal in accordance with the constitution of your corporation.
- (c) If you are a corporate member which does not have a common seal, this proxy form should be affixed with the rubber stamp of your company (if any) and executed by:
 - (i) at least two (2) authorised officers, of whom one shall be a director; or
 - (ii) any director and/or authorised officers in accordance with the laws of the country under which your corporation is incorporated.

Notes:-

1. For the purpose of determining who shall be entitled to attend this General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 1 November 2019. Only a member whose name appears on this Record of Depositors shall be entitled to attend this General Meeting or appoint a proxy to attend, speak and vote on his/her/its behalf.
2. A member entitled to attend and vote at this General Meeting is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, participate, speak and vote in his place. A proxy may but need not be a member of the Company.
3. A member of the Company who is entitled to attend and vote at a General Meeting of the Company may appoint not more than two (2) proxies to attend, participate, speak and vote instead of the member at the General Meeting.

4. *If two (2) proxies are appointed, the entitlement of those proxies to vote on a show of hands shall be in accordance with the listing requirements of the stock exchange.*
5. *Where a member of the Company is an authorised nominee as defined in the Central Depositories Act, it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.*
6. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company 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. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act") which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.*
7. *Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.*
8. *The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote:*
 - (i) *In hard copy form*
In the case of an appointment made in hard copy form, this proxy form must be deposited at the Company's Share Registrar 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.
 - (ii) *By electronic means via facsimile*
In the case of an appointment made by facsimile transmission, this proxy form must be received via facsimile at 03-27839222.
 - (iii) *By electronic means via email*
In the case of an appointment made via email transmission, this proxy form must be received via email at is.enquiry@my.tricorglobal.com
 - (iv) *By electronic means via Tricor System, TIIH Online*
In the case of an appointment made via TIIH Online, this proxy form must be deposited via TIIH Online at <https://tiih.online>. Please refer to the Annexure to the Form of Proxy for further information.

For options (ii) and (iii), the Company may request any member to deposit original executed proxy form to its registered office before or on the day of meeting for verification purpose.
9. *Any authority pursuant to which such an appointment is made by a power of attorney must be deposited at the Company's Share Registrar 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 forty-eight (48) hours before the time appointed for holding the General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.*
10. *Please ensure ALL the particulars as required in this proxy form are completed, signed and dated accordingly.*
11. *Last date and time for lodging this proxy form is Wednesday, 6 November 2019 at 9.30 a.m.*
12. *Please bring an ORIGINAL of the following identification papers (where applicable) and present it to the registration staff for verification:*
 - (a) *Identity card (NRIC) (Malaysian), or*
 - (b) *Police report (for loss of NRIC) / Temporary NRIC (Malaysian), or*
 - (c) *Passport (Foreigner).*
13. *For a corporate member who has appointed a representative instead of a proxy to attend this meeting, please bring the ORIGINAL certificate of appointment executed in the manner as stated in this proxy form if this has not been lodged at the Company's registered office earlier.*



ANNEXURE TO PROXY FORM

Dear Security Holders,






ELECTRONIC LODGEMENT OF PROXY FORM FOR GENERAL MEETING

We are pleased to inform that security holders can have the option to lodge their proxy forms by electronic means through our system, TIH Online (“**e-proxy form**”).

TIH Online is an application that provides an online platform for security holders (individuals only) to perform lodgement of document / form electronically which includes proxy form in paperless form (“**e-lodgement**”). Once you have successfully lodged your e-proxy form, you are no longer required to complete and lodge the physical proxy form to the company or Tricor office.









To assist you on how to engage with e-lodgement of proxy form, kindly read and follow the guidance notes which are detailed below:

1. Sign up as user of TIH Online

-  Using your computer, access our website at <https://tih.online>.
-  Sign up as a user by completing the registration form. Registration is free.
-  Upload a softcopy of your MyKad (front and back) or your passport.
-  Administrator will approve your registration within one working day and notify you via email.
-  Activate your account by re-setting your password.

- Notes:**
- (i) *If you are already a user of TIH Online, you are not required to sign up again.*
 - (ii) *An email address is allowed to be used once to register as a new user account, and the same email cannot be used to register another user account.*
 - (iii) *At this juncture, only individual security holders are offered to register as user and participate in e-lodgement.*

2. Proceed with e-lodgement of proxy form

-  After the release of the Notice of EGM by the Company, login with your user name (i.e. e-mail address) and password.
-  Select the corporate event: “**Lodgement of Proxy Form**”.
-  Read and agree to the Terms & Conditions and confirm the Declaration.
-  Insert the CDS account number and indicate the number of securities for your proxy(s) to vote on your behalf.
-  Appoint your proxy(s) or chairman and insert the required details of your proxy(s).
-  Indicate your voting instructions – FOR or AGAINST, otherwise your proxy will decide your vote.
-  Review & confirm your proxy(s) appointment.
-  Print e-proxy form for your record.

Our Contact

Should you need further clarification on the e-lodgement of proxy form, you can contact us at the following. Thank you.

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, Malaysia

Telephone No: 03-27839299
Fax No: 03-27839222
E-mail: is.enquiry@my.tricorglobal.com

Fold this flap for sealing

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AFFIX

KEJURUTERAAN ASASTERA BERHAD
[Company No. 199701005009 (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

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