

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

- (I) PROPOSED ACQUISITION;
- (II) PROPOSED DIVERSIFICATION; AND
- (III) PROPOSED PRIVATE PLACEMENT

(COLLECTIVELY REFERRED TO AS THE “PROPOSALS”)

1. INTRODUCTION

We refer to the announcements dated 19 January 2022, 29 March 2022, 20 June 2022, 30 June 2022, 29 July 2022, 30 August 2022 and 17 October 2022 in relation to the Proposed Acquisition as well as the announcements dated 7 September 2022, 14 September 2022 and 11 October 2022 in relation to the Proposed Diversification and Proposed Private Placement (“**Announcements**”). Unless otherwise defined, the definitions set out in the Announcements shall apply herein.

On 17 October 2022, Kenanga IB had, on behalf of the Company, announced that KAB had received a letter dated 13 October 2022 from SCB, who is one of the Vendors in relation to the Proposed Acquisition, notifying the Company that SCB had obtained a restraining order in the High Court of Kuching (“**Court**”) pursuant to Section 368 of the Act (“**Restraining Order**”) and that it would be unable to proceed with the fulfilment of conditions precedent and pre-handover issues of the SPA during the period of the Restraining Order. SCB would notify KAB when the Restraining Order is lifted by the Court.

2. DEFERMENT OF THE PROPOSED ACQUISITION

Following the above, the Company is in the midst of seeking clarification from SCB on their letter. In view that there might be a delay in the Proposed Acquisition at this juncture, the Company intends to defer the tabling of the Proposed Acquisition for shareholders’ approval in the EGM (“**Deferment**”).

Notwithstanding the Deferment, the Company intends to proceed with the tabling of the Proposed Diversification and Proposed Private Placement for shareholders’ approval at an EGM to be convened.

This is premised on the following:-

- (i) although the Proposed Acquisition is conditional upon the Proposed Diversification, the Proposed Diversification is not conditional upon the Proposed Acquisition. In the event the Proposed Acquisition cannot be completed, the Company is still of the view that its existing SES Business will contribute 25% or more of the net profits and/or result in a diversion of 25% or more of the NA of the Group moving forward. In view thereof, the Company wishes to proceed with the Proposed Diversification as soon as possible to cater for the continuing growth of its existing SES Business; and
- (ii) the Proposed Private Placement is not conditional upon the Proposed Acquisition. As set out in Section 3.6 of the announcement in relation to the Proposed Diversification and Proposed Private Placement dated 7 September 2022 (“**First Announcement**”), the gross proceeds to be raised from the Proposed Private Placement are intended to be utilised mainly for working capital, repayment of bank borrowings as well as funding for existing and future SES projects. In view thereof, the Company wishes to proceed with the Proposed Private Placement to raise the requisite funds to meet its funding requirements as soon as possible. For the avoidance of doubt, none of the proceeds to be raised from the Proposed Private Placement are earmarked to fund the Proposed Acquisition or the target asset i.e. PT IME.

3. ADDITIONAL INFORMATION IN RELATION TO THE PROPOSED DIVERSIFICATION

Pursuant to Paragraph 10.13(1) of the Listing Requirements, the Company is required to obtain approval from the shareholders in a general meeting for any transaction or business arrangement which might reasonably be expected to result in either:-

- (a) the diversion of 25% or more of the NA of the listed issuer to an operation which differs widely from those operations previously carried on by the listed issuer; or
- (b) the contribution from such an operation of 25% or more of the net profits of the listed issuer.

In relation to the above, based on the Group's existing ventures into the SES Business as set out in Section 2 of the First Announcement and assuming the Proposed Acquisition does not materialise, the Group's existing SES Business is still anticipated to contribute 25% or more of the net profits and/or result in a diversion of 25% or more of the NA of the Group moving forward.

For information, the contribution by each business segment of the Group to the Group's net profits and NA are illustrated below:-

	Audited		Unaudited	
	FYE 31 December 2021		6-month FPE 30 June 2022	
	RM'000	%	RM'000	%
Net profits by business segment				
M&E engineering services	5,573	134.6	1,553	126.2
SES Business	(922)	(22.3)	601	48.8
Non-reportable segments	(511)	(12.3)	(923)	(75.0)
Total	4,140	100.0	1,231	100.0
NA by business segment				
M&E engineering services	93,115	74.5	98,897	75.1
SES Business	(22,250)	(17.8)	20,030	15.2
Non-reportable segments	54,068	43.3	12,846	9.7
Total	124,933	100.0	131,773	100.0

Based on the unaudited financial results for the latest 6-month FPE 30 June 2022, the SES Business contributed 48.8% of the Group's net profits.

Currently, the SES Business is mainly driven by the following:-

(i) Energy efficiency solutions

As at the date of this announcement, the Group has 15 energy efficiency solutions projects in operation.

(ii) Clean energy generation

As at the date of this announcement, the Group operates the following:-

- (a) 1.5 MW cogeneration plant in Negeri Sembilan which has been operational since 1 January 2022. The generated electricity and heat is being sold to a third party for a period of 8 years under an energy purchase agreement for an estimated concession value of RM50.6 million; and

- (b) 2.2 MW waste heat recovery facility in Negeri Sembilan which has been operational since July 2020. The energy generated therefrom is being sold to a third party via an energy purchase agreement executed in April 2017 for a concession period of 10 years for an estimated concession value of RM57.3 million.

(iii) Renewable energy generation

As at the date of this announcement, the Group has 11 contracts (3 in Malaysia, 8 in Thailand) with a combined capacity of 12,931kWp and a total estimated concession value of RM128.42 million.

Further to the above, the SES Business has the following potential contracts in the pipeline:-

- (i) the Group is currently in talks for a potential contract in Malaysia for solar PV projects with total capacity of 4,000 kWp for an estimated total capital expenditure requirement of RM10.00 million;
- (ii) the Group is currently in talks for 2 potential contracts in Thailand for solar PV projects with total capacity of 4,927 kWp for an estimated total capital expenditure requirement of RM14.26 million; and
- (iii) the Group is currently in talks for some potential contracts for clean energy generation with an approximate capacity of 65 MW for an estimated total capital expenditure requirement of approximately RM220.0 million.

Taking all the above into consideration and barring any unforeseen circumstances, the SES Business is anticipated to contribute 25% or more of the net profits and/or NA of the Group for the current FYE 31 December 2022.

In view thereof, notwithstanding the Deferment, the Board intends to proceed to seek the approval from its shareholders for the Proposed Diversification at an EGM to be convened

Please refer to Section 2 of the First Announcement for further details on the Group's SES Business.

4. PROSPECTS AND FUTURE PLANS OF THE GROUP

Reference is made to Section 6.8 of the First Announcement.

Notwithstanding the Deferment, the information on the prospects and future plans of the Group as set out in Section 6.8 of the First Announcement remains unchanged (save for the corresponding information pertaining to the Proposed Acquisition which shall not be applicable at this juncture in view of the current uncertain status of the Proposed Acquisition).

5. OTHER CHANGES TO THE INFORMATION CONTAINED IN THE FIRST ANNOUNCEMENT

Save as set out above, the Deferment would not result in any other changes to the information contained in the First Announcement.

6. APPROVALS REQUIRED AND CONDITIONALITY

6.1 Approvals required

As set out in Section 9.1 of the First Announcement:-

- (i) The Proposed Diversification is subject to approval from the shareholders at an EGM to be convened; and
- (ii) The Proposed Private Placement is subject to approvals being obtained from the following:-
 - (a) Bursa Securities for the listing and quotation of the Placement Shares;
 - (b) the shareholders at an EGM to be convened; and
 - (c) the approvals / consents of any other relevant authorities and/or parties, if required.

As announced on 11 October 2022, Bursa Securities had, vide its letter dated 11 October 2022, approved the listing of and quotation for up to 361,581,000 new Shares to be issued pursuant to the Proposed Private Placement.

As the abovementioned approval has been obtained, the Group plans to issue the circular in relation to the Proposed Diversification and Proposed Private Placement to shareholders in due course and convene the EGM to seek shareholders' approval for the Proposed Diversification and the Proposed Private Placement.

6.2 Conditionality

As set out in Section 9.2 of the First Announcement:-

- (i) the Proposed Diversification and Proposed Private Placement are not conditional upon each other and upon any other corporate exercise / scheme being or proposed to be undertaken by the Company; and
- (ii) the Proposed Acquisition is conditional upon the Proposed Diversification but not *vice versa*.

This announcement is dated 21 October 2022.