KEJURUTERAAN ASASTERA BERHAD ("KAB" OR THE "COMPANY")

PROPOSED TRANSFER OF THE LISTING AND QUOTATION OF THE ENTIRE ISSUED SHARE CAPITAL OF KAB FROM THE ACE MARKET TO THE MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD ("PROPOSED TRANSFER")

(For consistency, the abbreviations used throughout this announcement shall have the same meanings as defined in the announcement dated 13 April 2020 in relation to the Proposed Transfer, where applicable, unless stated otherwise or defined herein.)

Reference is made to the announcements dated 13 April 2020, 14 April 2020 and 12 May 2020 in relation to the Proposed Transfer.

1. INTRODUCTION

On behalf of the Board, Mercury Securities wishes to announce the following information on the Group pursuant to subparagraph 2A.2 of Practice Note 22 of the Listing Requirements in relation to the Proposed Transfer.

KAB was incorporated in Malaysia under the Companies Act, 1965 on 24 February 1997 as a private limited company under the name of Kejuruteraan Asastera Sdn Bhd. On 26 May 2017, the Company was converted into a public limited company and assumed its present name. KAB was subsequently listed on the ACE Market of Bursa Securities on 17 November 2017.

The Group is principally involved in the provision of electrical and mechanical engineering services in Malaysia. Subsequent to its listing, the Company expanded its group structure with the incorporation and/or acquisitions of a few subsidiaries.

In 2018, KAB incorporated 3 new subsidiaries in Malaysia, namely KAB Technologies Sdn Bhd ("**KAB Technologies**"), KAB M&E Engineering Sdn Bhd ("**KAB M&E Engineering**") and KAB Construction Sdn Bhd ("**KAB Construction**"). In the same year, the Company also incorporated a subsidiary in Hong Kong, KAB (HK) Investment Co., Limited ("**KAB (HK) Investment**"). The Group is currently expanding into customised energy efficiency solutions through KAB Technologies, while the other subsidiaries (KAB M&E Engineering, KAB Construction and KAB (HK) Investment) remain dormant.

In 2019, KAB incorporated KAB Energy Power Sdn Bhd ("**KAB Energy Power**"). The Company further announced the proposed acquisition by KAB Energy Power of equity interests in a few companies, namely Kiev CRG Sdn Bhd, Konpro Industries Sdn Bhd and Meru One Sdn Bhd, to venture into the combined heat and power (also known as cogeneration) and waste heat recovery business. KAB had on 23 July 2020 completed the acquisition of its indirect 70%-owned subsidiary, Kiev CRG Sdn Bhd. As at 18 August 2020, being the latest practicable date ("**LPD**") prior to the date of this announcement, the acquisitions of Konpro Industries Sdn Bhd and Meru One Sdn Bhd are pending completion.

Further, KAB had on 26 March 2020 completed the acquisition of an indirect 49.997%-owned subsidiary, Energy Optimization (Thailand) Co., Ltd. The company is principally involved in the design and implementation of energy saving equipment works.

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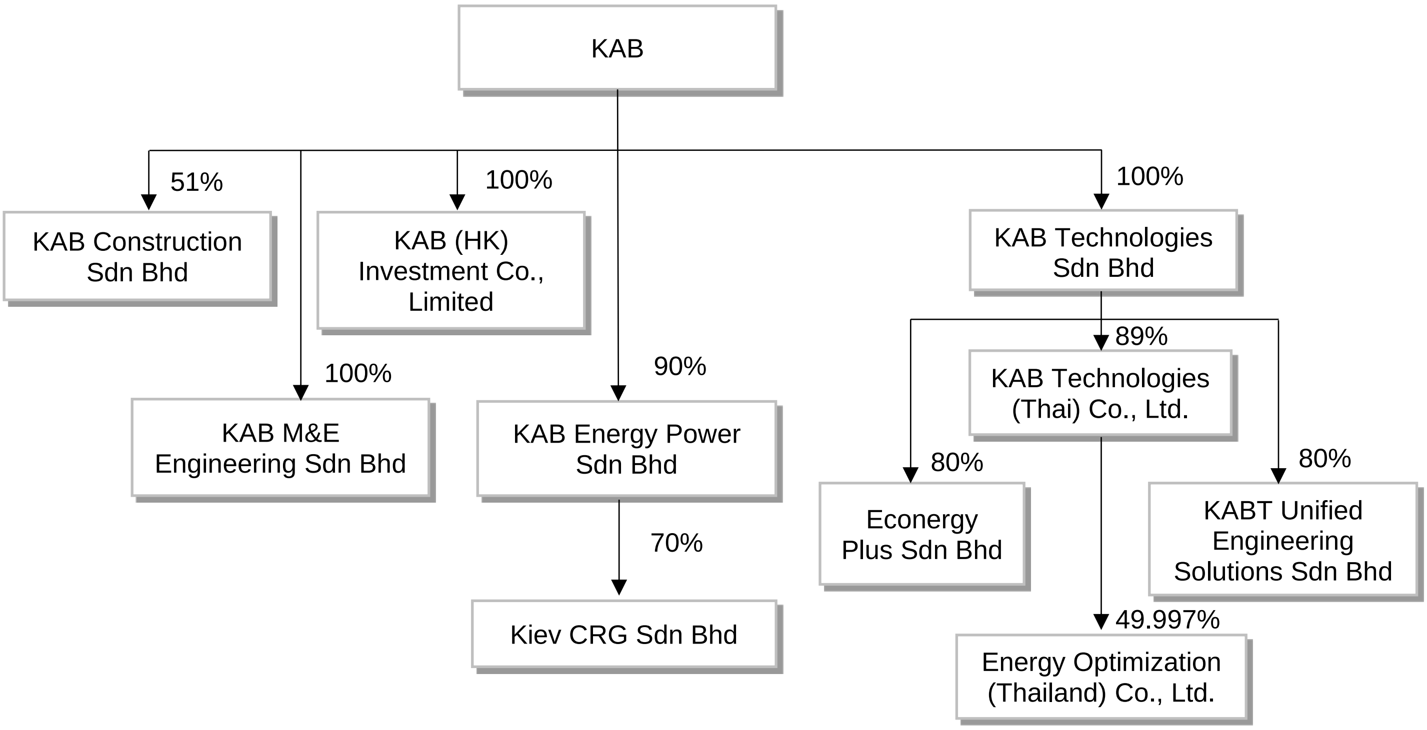
The corporate structure of the Group as at the LPD is set out as follows:-



2. SECURITIES

As at the LPD, the issued share capital of KAB is RM48,299,419.00 comprising 925,525,610 Shares (after excluding 49,388 KAB Shares which are held as treasury shares).

3. PUBLIC SHAREHOLDING SPREAD

Based on the Record of Depositors of KAB as at the LPD, approximately 26.0% of the total number of issued shares of the Company was held by 1,882 public shareholders holding not less than 100 Shares each.

4. LISTING STATUS

KAB has been listed on the ACE Market of Bursa Securities since its admission on 17 November 2017.

5. MARKET CAPITALISATION

The market capitalisation of KAB is approximately RM916.2 million based on the total number of issued shares of KAB of 925,525,610 Shares (after excluding 49,388 KAB Shares which are held as treasury shares) and the 5-day volume weighted average market price of KAB Shares of RM0.9899 up to and including the LPD.

6. PROFIT AND DIVIDEND TRACK RECORD

The profit and dividend record of the Group based on its audited consolidated financial statements for the past 3 financial year ended 31 December ("**FYE**") 2017 to 2019 as well as the 3-month financial period ended 31 March ("**FPE**") 2019 and FPE 2020 are as follows:-

	Audited			**Unaudited**	
	FYE 2017	**FYE 2018**	**FYE 2019**	**3-month FPE 2019**	**3-month FPE 2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue	114,552	139,096	159,619	31,066	31,660
Cost of sales	(92,589)	(113,718)	(130,401)	(24,754)	(25,748)
Gross profit ("GP")	**21,963**	**25,378**	**29,218**	**6,312**	**5,912**
Other income	470	776	380	92	154
Administrative expenses	(11,014)	(12,259)	(13,884)	(2,930)	(3,807)
Finance costs	(1,234)	(1,480)	(1,206)	(194)	(250)
Profit before tax ("PBT")	**10,185**	**12,415**	**14,508**	**3,280**	**2,009**
Income tax expense	(3,409)	(3,858)	(4,102)	(919)	(523)
Profit after tax ("PAT")	**6,776**	**8,557**	**10,406**	**2,361**	**1,486**
Other comprehensive expense	-	-(1)	-(1)	-	(3)
Total comprehensive income	**6,776**	**8,557**	**10,406**	**2,361**	**1,483**
Attributable to:					
- Owners of the Company	6,776	8,563	10,437	2,368	1,483
- Non-controlling interest	-	(6)	(31)	(7)	-
	6,776	**8,557**	**10,406**	**2,361**	**1,483**
Weighted average no. of Shares in issue ('000)(2)	624,658	800,000	854,332	800,000	922,758
Earnings before interest, tax, depreciation and amortisation (RM'000)	12,053	15,086	16,712	3,704	2,575
Depreciation and amortisation (RM'000)	634	1,191	998	215	282
GP margin (%)(3)	19.2	18.2	18.3	20.3	18.7
PBT margin (%)(4)	8.9	8.9	9.1	10.6	6.3
PAT margin (%)(5)	5.9	6.2	6.5	7.6	4.7
Basic earnings per share ("**EPS**") (sen)(6)	1.08	1.07	1.22	0.30	0.16
Diluted EPS (sen)(6)	1.08	1.07	(7)1.05	0.30	(7)0.14
Effective tax rate (%)(8)	33.5	31.1	28.3	28.0	26.0
Dividend per Share (sen)	-	1.0	1.0	0.5	-

Notes:-

(1) Negligible.

(2) The Company has completed a subdivision of every 2 then existing KAB Shares into 5 KAB Shares on 27 February 2020 ("**Share Split**"). For comparison purposes, the Share Split is applied retrospectively in the calculation of the weighted average number of Shares in issue for the FYEs 2017, 2018 and 2019 as well as the 3-month FPE 2019.

(3) GP margin is computed based on GP over revenue.

(4) PBT margin is computed based on PBT over revenue.

(5) PAT margin is computed based on PAT over revenue.

(6) Basic and diluted EPS is computed based on PAT divided by the Company's weighted average number of ordinary shares at the end of the financial years/periods.

(7) As at 31 December 2019, the Company has up to 54,344,600 new Shares yet to be issued via the private placement exercise which will dilute the earnings of the Company if such placement Shares are issued and placed out. For information only, pursuant to the completion of the Share Split, the remaining 54,344,600 placement Shares is consequentially subdivided to 135,861,500 remaining placement Shares to be allotted and issued under the private placement exercise.

(8) Effective tax rate is computed based on income tax expense divided by PBT.

For the past 3 FYEs 2017 to 2019, there were no material changes in the accounting policies adopted by the Group.

The review of the financial performance of the Group is as follows:-

FYE 2017

The Group recorded revenue of RM114.55 million in FYE 2017. This was mainly contributed by the following:-

(i) revenue recognition of RM93.18 million in FYE 2017 from ongoing projects, particularly:-

(a) revenue of RM12.11 million in FYE 2017 from provision of electrical, fiber to the home ("**FTTH**") and telephone services for H2O Residences at Ara Damansara, Selangor;

(b) revenue of RM11.45 million in FYE 2017 from provision of electrical and FTTH services for project at EkoCheras; and

(c) revenue of 15 other ongoing projects with revenue recognised between RM1.0 million and RM10.0 million.

(ii) revenue recognition of RM7.97 million from newly commenced projects in FYE 2017, namely Jalilmas and The Havre, Ekovest Kolam Biru, Astoria Ampang and EkoCheras Infrastructure, amongst others;

(iii) revenue recognition of RM2.41 million in FYE 2017 from a newly commenced mechanical engineering services contract for the provision of mechanical engineering services at Universiti Tun Hussein Onn Malaysia, Batu Pahat, Johor; and

(iv) revenue recognition from sale of goods segment of RM10.98 million in FYE 2017.

For the FYE 2017, the Group recorded PBT of approximately RM10.19 million. The Group's effective tax rate, i.e. 33.5% is higher than the statutory tax rate of 24% for the FYE 2017. This was mainly due to an increase in certain non-tax deductible expenses such as the listing expenses of RM3.42 million during the financial year. The Group recorded PAT of RM6.78 million after deducting tax expenses of RM3.41 million in FYE 2017.

FYE 2018

For the FYE 2018, the Group's revenue increased from RM114.55 million to RM139.10 million, representing an increase of RM24.55 million or 21.4% from FYE 2017 to FYE 2018. The increase in revenue was mainly contributed by the following:-

(i) revenue recognition from ongoing projects increased from RM93.18 million in FYE 2017 to RM114.58 million in FYE 2018, an increase of RM21.40 million or 23.0%. This includes, amongst others:-

(a) revenue recognised from the provision of electrical and FTTH services increased from RM11.45 million in FYE 2017 to RM32.81 million in FYE 2018 from the project works commenced at EkoCheras; and

(b) revenue recognised from provision of electrical, FTTH and extra low voltage ("**ELV**") services increased from RM3.62 million in FYE 2017 to RM16.81 million in FYE 2018 from the project works commenced at Jalilmas and The Havre, Bukit Jalil;

(ii) revenue recognition of RM12.02 million from newly commenced projects in FYE 2018, namely the Port Klang Free Zone (PKFZ) Warehouse, Cerrado, Continew, and a new car park guidance system project at EkoCheras Car Park Guidance (CPG), amongst others; and

(iii) revenue recognition from sale of goods segment increased by RM1.52 million or 13.8% from RM10.98 million in FYE 2017 to RM12.50 million in FYE 2018 due to an increase in demand of goods from its subcontractors.

The increase in revenue was partially offset by:-

(i) a decrease in revenue recognition from provision of mechanical engineering services from RM2.41 million in FYE 2017 to RM0.27 million in FYE 2018 due to the completion of a mechanical engineering services contract for works at Universiti Tun Hussein Onn Malaysia, Batu Pahat, Johor; and

(ii) a decrease in revenue recognition from certain ongoing projects due to completion of the project works commenced in the previous financial year (i.e. revenue recognition from provision of electrical services at the CitiZen decreased from RM9.23 million in FYE 2017 to RM0.58 million in FYE 2018, amongst others).

As a result of increase in revenue and GP, the Group's PBT increased by approximately RM2.23 million or 21.9% from RM10.19 million in FYE 2017 to RM12.42 million in FYE 2018. Correspondingly, the PAT also increased by approximately RM1.78 million or 26.3% during the year from RM6.78 million to RM 8.56 million.

FYE 2019

For the FYE 2019, the Group's revenue increased from RM139.10 million in FYE 2018 to RM159.62 million, representing an increase of RM20.52 million or 14.8% from FYE 2018 to 2019. The increase in revenue was mainly contributed by the following:-

(i) revenue recognition from ongoing projects increased from RM114.58 million in FYE 2018 to RM129.18 million in FYE 2019, an increase of RM14.6 million or 12.7%. This include, amongst others:-

(a) revenue recognised from the provision of electrical services increased from RM0.68 million in FYE 2018 to RM23.08 million in FYE 2019 from the project works commenced at Pavilion Bukit Jalil;

(b) revenue recognised from provision of electrical and FTTH services increased from RM0.54 million in FYE 2018 to RM10.42 million in FYE 2019 from the project works commenced at The Estate, Bangsar; and

(ii) revenue recognition of RM18.25 million from newly commenced projects in FYE 2019, namely Cerrado HDD, M Vertica, 3rd Avenue, Canopy Hills, amongst others.

The increase in revenue was partially offset by:-

(i) a decrease in revenue recognition from the provision of ELV services from RM1.92 million in FYE 2018 to RM0.57 million in FYE 2019 due to near completion of the EkoCheras (CPG) project; and

(ii) a decrease in revenue recognition from certain ongoing projects decreased due to completion of the project works commenced in the previous financial year (i.e. revenue recognition from provision of electrical and FTTH services at EkoCheras decreased from RM32.81 million in FYE 2018 to RM1.04 million in FYE 2019, amongst others)

The Group's PBT increased by approximately RM2.09 million or 16.8% from RM12.42 million in FYE 2018 to RM14.51 million in FYE 2019 is in tandem with the increase in revenue and GP. Correspondingly, the PAT also increased by approximately RM1.85 million or 21.6% during the year from RM8.56 million to RM10.41 million.

3-month FPE 2020

The Group's revenue increased slightly by RM0.6 million or 1.9% from RM31.1 million recorded during the 3-month FPE 2019 as compared to a revenue of RM31.7 million recorded during the 3-month FPE 2020.

The Group's GP decreased by RM0.4 million or 6.3% from RM6.3 million recorded during the 3-month FPE 2019 to RM5.9 million recorded during the 3-month FPE 2020. The Group's GP margin also decreased from 20.3% during the 3-month FPE 2019 to 18.7% during the 3-month FPE 2020. The higher GP margin was due to several projects were near completion during the 3-month FPE 2019. Projects nearing completion typically incur lower costs as the bulk of the costs (e.g. material costs and subcontractor costs) would have been incurred in the earlier stages.

The Group's PBT decreased by approximately RM1.27 million or 38.8% from RM3.28 million in 3-month FPE 2019 to RM2.01 million in the 3-month FPE 2020. The decrease in PBT was mainly attributed to the increase in staff cost and certain non-recurring expenses incurred for corporate exercises. Correspondingly, the PAT also decreased by approximately RM0.88 million or 37.3% from RM2.36 million in 3-month FPE 2019 to RM1.49 million in the 3-month FPE 2020.

Since the Movement Control Order ("**MCO**") that was effected by the Malaysian Government, the Group's operations were temporarily halted as all non-essential businesses, including construction-related services were not allowed to operate during the early phases of MCO (i.e. from mid-March 2020 to early-May 2020). Hence, there was no contractual work performed on the project site during this period. For information, the Group has resumed operations for some of its projects since 4 May 2020 and resumed full operations for all its projects from 1 June 2020.

This announcement is dated 24 August 2020.