

PESTECH INTERNATIONAL BERHAD (“PIB” OR “COMPANY”)

PROPOSED DISPOSAL BY DIAMOND POWER LIMITED (“DPL” OR “VENDOR”), A 60%-OWNED INDIRECT SUBSIDIARY OF PIB, OF THE 230 KILOVOLT (“KV”) KAMPONG CHAM-KRATIE TRANSMISSION SYSTEM (“PROJECT”) TO CAMBODIAN TRANSMISSION II CO. LTD (“CTL II” OR “PURCHASER”) FOR A TOTAL CONSIDERATION OF USD118.00 MILLION (“PROPOSED DISPOSAL”)

(Unless otherwise stated, all abbreviations used in this announcement shall have the same meanings as defined in the announcement dated 8 November 2022 in relation to the Proposed Disposal (“Announcement”) and the exchange rate of USD1.00:RM4.7280, being the middle rate quoted by BNM at 5:00 p.m. on 31 October 2022, being the LPD prior to the Announcement, is used throughout this announcement)

On behalf of the Board, TA Securities wishes to announce the following revised details of the use of proceeds in relation to the Proposed Disposal which shall replace the details of use of proceeds as set out in Section 3 of the Announcement in its entirety:

3. USE OF PROCEEDS

DPL intends to utilise the Disposal Consideration in the following manner:

Description	Note	USD’000	RM’000	Estimated timeframe for use of proceeds from completion of the Proposed Disposal
Repayment of bank borrowings	(1)	37,012	174,995	Within 3 months
Settlement of advances from the Group	(2)	12,645	59,784	Within 3 months
Estimated capital gain tax for the Proposed Disposal	(3)	4,720	22,316	Immediately
Working capital	(4)	1,803	8,526	Within 18 months
Dividend distribution by DPL:	(5)			Within 6 months
- Attributable to PPW (60%)		37,092	175,370	
- Attributable to DHCL (40%)		24,728	116,913	
		118,000	557,904	

Notes:

- (1) DPL intends to utilise up to USD37.01 million (equivalent to RM174.99 million) to repay its entire bank borrowings which were procured to finance the construction of the Project.

The repayment of bank borrowings of DPL is expected to result in finance cost savings of approximately USD1.87 million (equivalent to RM8.84 million) per annum based on the average interest rate of approximately 5.05% per annum.

The actual amount of DPL’s bank borrowings to be repaid will depend on the actual timing of repayment of the bank borrowings which in turn is dependent on the timing of completion of the Proposed Disposal. Any surplus of funds after the repayment of DPL’s bank borrowings shall be distributed as part of the DPL Distribution (as defined in Note 5 below).

- (2) DPL intends to utilise up to USD12.64 million (equivalent to RM59.78 million) to settle all the advances from the Group to DPL which comprise of advances from PPW of USD12.64 million (equivalent to RM59.77 million) and PESTECH (Cambodia) PLC (“PCL”), a 94.7%-owned subsidiary of the Company, of USD0.002 million (equivalent to RM0.01 million) (collectively, the “Advances”).

- (3) The Proposed Disposal is expected to result in an estimated capital gain tax of USD4.72 million (equivalent to RM22.32 million) payable to Cambodian tax authority. The actual capital gain tax is subject to the final assessment by a tax consultant to be appointed by DPL prior to the completion of the Proposed Disposal.
- (4) Upon completion of the Proposed Disposal, DPL intends to settle all its liabilities and take the necessary steps to liquidate DPL which is expected to take approximately 18 months from the date of completion of the Proposed Disposal.

In this regard, DPL intends to utilise up to approximately USD1.80 million (equivalent to RM8.53 million) to meet its daily operational and administrative requirements until the liquidation of DPL, which include, among others, payments to its suppliers, directors' remuneration, management fees, professional fees, rental of premises and utilities.

The allocation of such proceeds for the above purposes has yet to be determined at this juncture and the said proceeds will be used based on the actual working capital requirements of DPL at the relevant time.

- (5) Upon completion of the Proposed Disposal and settlement of all DPL's liabilities (i.e., bank borrowings and the Advances) and estimated working capital amounting to USD51.46 million (equivalent to RM243.30 million) as well as the estimated capital gain tax of USD4.72 million (equivalent to RM22.32 million) payable to Cambodian tax authority, as set out in Notes (1) to (4) above, DPL intends to distribute the remaining Disposal Consideration of USD61.82 million (equivalent to RM292.28 million) to its shareholders, i.e., PPW and DHCL ("**DPL Distribution**").

Based on DPL's proposed use of proceeds as detailed above, the total net proceeds to be received by the Group from DPL (via PPW and PCL) is approximately USD44.54 million (equivalent to RM210.60 million), comprising the following:

	USD'000	RM'000
Gross dividend to PPW pursuant to the DPL Distribution	37,092	175,370
Less: Withholding tax of 14%*	(5,193)	(24,552)
Net dividend to PPW pursuant to the DPL Distribution	31,899	150,818
Add: Settlement of the Advances by DPL	12,645	59,784
Total proceeds to be received by the Group from DPL	44,544	210,602

Note:

- * *The DPL Distribution attributable to PPW will be subject to withholding tax of 14% in the Kingdom of Cambodia.*

In this regard, the Group intends to utilise the net proceeds to be received from DPL as follows:

Description	Note	USD'000	RM'000	Estimated timeframe for use of proceeds from completion of the Proposed Disposal
Repayment of bank borrowings	(1)	14,921	70,545	Within 12 months
Working capital	(2)	25,274	119,495	Within 24 months
Dividend distribution by the Company	(3)	4,230	20,000	Within 6 months
Estimated expenses for the Proposed Disposal	(4)	119	562	Immediately
		44,544	210,602	

Notes:

- (1) The Group intends to utilise up to USD14.92 million (equivalent to RM70.54 million) to partly repay the bank borrowings of the Group (other than DPL), upon completion of the Proposed Disposal and the DPL Distribution.

The repayment of bank borrowings of the Group (other than DPL) is expected to result in finance cost savings of approximately RM3.21 million per annum based on the average interest rate of approximately 4.55% per annum.

For information, the total borrowings of the Group as at 30 June 2022 is approximately RM1,361.51 million.

- (2) The Group intends to utilise up to approximately USD25.27 million (equivalent to RM119.50 million) to meet its day-to-day working capital requirements for its engineering, procurement, manufacturing, construction and commissioning (“**EPMCC**”) projects which include, among others, payments to suppliers and creditors, material costs, staff costs and other operating and administrative expenses.

The allocation of such proceeds for the above purposes has yet to be determined at this juncture and the said proceeds will be used based on the actual working capital requirements of the Group at the relevant time.

For information, the Group has an outstanding order book of approximately RM1.70 billion as at 31 August 2022 in relation to its EPMCC projects.

- (3) Subject to the completion of the Proposed Disposal and DPL Distribution as well as approval by the Board, it is the intention of the Company to distribute approximately USD4.23 million, equivalent to approximately RM20.00 million, to the Company’s shareholders via a special dividend. For illustration purposes, the distribution of RM20.00 million by the Company translates into RM0.02 per ordinary share in PIB (“**PIB Share**” or “**Share**”) (“**Proposed Distribution**”) based on the existing issued 984,555,371 PIB Shares (excluding 7,666,100 treasury shares held by the Company) as at the LPD.

The actual amount (in RM) to be paid to the shareholders of the Company for the Proposed Distribution is dependent on the PIB Shares in issue as at an entitlement date for the Proposed Distribution to be determined and announced by the Board at a later date after the completion of the Proposed Disposal and the applicable exchange rate for the conversion of the proceeds from the Proposed Disposal in USD to RM.

- (4) The total estimated expenses to be incurred by the Group (other than DPL) relating to the Proposed Disposal of approximately USD0.12 million (equivalent to approximately RM0.56 million) include, among others, professional fees, fees payable to the relevant authorities, costs of convening the extraordinary general meeting of PIB (“**EGM**”), as well as other miscellaneous expenses.

Any variation to the estimated expenses relating to the Proposed Disposal will be adjusted to or from the amount allocated for the Group’s working capital, of which the allocation will be adjusted accordingly among each category as the management of the Company deems appropriate.

Pending the use of the proceeds from the Proposed Disposal for the purposes set out above, the proceeds from the Proposed Disposal may be placed in interest-bearing deposits with financial institutions and/or short-term money market instruments as the Board deems fit. The interest derived from the deposits placed with financial institutions and/or any gains arising from the short-term money market instruments will be used for the working capital requirements of the Group such as, among others, payments to suppliers and creditors, professional fees, utilities and rental of premises, the allocation of which has not been determined at this juncture and will be based on the Group’s requirements at the relevant time.

This announcement is dated 2 December 2022.