

**PESTECH INTERNATIONAL BERHAD**  
**("PESTECH" or "the Company")**  
[Registration No. 201101019901 (948035-U)]  
(Incorporated in Malaysia)

MINUTES OF THE EXTRAORDINARY GENERAL MEETING ("EGM") OF THE COMPANY HELD VIRTUALLY VIA REMOTE PARTICIPATION AND VOTING AT THE BROADCAST VENUE AT NO.26, JALAN UTARID U5/14, SEKSYEN U5, 40150 SHAH ALAM, SELANGOR DARUL EHSAN ON WEDNESDAY, 28 DECEMBER 2022 AT 10:00 A.M.

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**DIRECTORS PRESENT AT BROADCAST VENUE**

Mr. Lim Pay Chuan (*Chairman of the Meeting*)  
(*Managing Director and Group Chief Executive Officer*)

**DIRECTORS PRESENT VIA REMOTE PARTICIPATION AND VOTING ("RPV") FACILITY**

Mr. Stanley Lim Peir Shenq (*Executive Director*)  
Ir. Amir Bin Yahya (*Senior Independent Non-Executive Director*)  
Mr. Ng Chee Hoong (*Independent Non-Executive Director*)  
Ms. Hoo Siew Lee (*Independent Non-Executive Director*)  
Ms. Helen Tan Miang Kieng (*Independent Non-Executive Director*)

**IN ATTENDANCE**

Ms. Teh Bee Choo (*Chief Financial Officer & Company Secretary*)  
Ms. Lynda Pan Seng Wee (*Company Secretary*)

**REPRESENTATIVES OF PRINCIPAL ADVISER PRESENT AT BROADCAST VENUE**

Mr. Cheong Wen Jie (*TA Securities Holdings Berhad*)  
Mr. Jason Chin Wai King (*TA Securities Holdings Berhad*)

**REPRESENTATIVES OF LEGAL ADVISER**

Mr. Yee Fook Weng (*Messrs. Murad Yee Partnership*) (*Via RPV Facility*)  
Ms. Kuay Ken Nie (*Messrs. Murad Yee Partnership*) (*Via RPV Facility*)

**REPRESENTATIVES OF REPORTING ACCOUNTANTS**

Ms. Lee Sheau Wei (*Messrs. Grant Thornton Malaysia PLT*) (*Via RPV Facility*)  
Ms. Stephy Woo (*Messrs. Grant Thornton Malaysia PLT*) (*Via RPV Facility*)

**REPRESENTATIVE OF INDEPENDENT BUSINESS VALUER**

Mr. Ng Woon Lit (*FMMH Corporate Advisory Services Sdn. Bhd.*) (*Via RPV Facility*)

**MEMBERS, PROXY HOLDERS AND INVITEES**

As per Attendance List

**WELCOME ADDRESS BY CHAIRMAN OF THE MEETING**

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(Minutes of the Extraordinary General Meeting held on 28 December 2022 - cont'd)

Mr. Paul Lim Pay Chuan ("Mr. Paul Lim"), the Managing Director and Group Chief Executive Officer of Pestech International Berhad, presided as Chairman of the Meeting.

The Meeting was informed that for the purpose of complying with Section 327(2) of the Companies Act 2016 which stipulates that the chairman shall be present at the main venue of the general meeting, the Board has elected Mr. Paul Lim as Chairman of this Meeting ("**Chairman**") to chair the proceedings of the EGM in accordance with Clause 78 of the Company's Constitution.

The Chairman welcomed and thanked all present for participating in the EGM of PESTECH from various locations through live streaming.

The Chairman proceeded to introduce the Chief Financial Officer, the Company Secretary and the representatives of TA Securities Holdings Berhad who were present at the broadcast venue. The Chairman then introduced the Directors and the advisers who participated in this EGM remotely.

**QUORUM**

Ms. Lynda Pan Seng Wee ("**Ms. Lynda Pan**"), the Company Secretary confirmed that a quorum was present in accordance with Clause 96 of the Company's Constitution.

With the requisite quorum being present, the Chairman declared the Meeting duly convened.

The Chairman advised the Meeting that the Company was using 19 December 2022 as the determinant date of the General Meeting Record of Depositors.

**NOTICE OF MEETING**

The Notice convening the Meeting dated 13 December 2022 having been circulated within the prescribed period was, with the permission of the Meeting, taken as read.

**POLLING AND VOTING PROCEDURES**

The Chairman invited Ms. Lynda Pan to give an overview of the polling and voting procedures at this Meeting.

Ms. Lynda Pan informed the Meeting of the following:-

- (i) In compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the proposed resolution set out in the Notice convening the Meeting would be voted by poll.
- (ii) Shareholders and proxies present virtually at the Meeting of their right to ask questions in relation to the Agenda items for the Meeting and vote on the resolution to be tabled at the EGM.
- (iii) The Company had taken all efforts and tried their best to ensure a smooth live streaming, however the quality of the broadcast may be affected by the participants' own internet bandwidth connection and stability.

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- (iv) Since there was no legal requirement for a proposed resolution to be seconded, the Chairman would take the Meeting through the item on the Agenda.
- (v) Shareholders and proxies may proceed to cast and submit their votes from the start of the Meeting, should they wish to, until the closure of the voting session to be announced. Alternatively, shareholders may also cast and submit their votes after the resolution was being read out.

Ms. Lynda Pan further informed that the Chairman of the Meeting had been appointed as proxy by some shareholders who were unable to participate in the Meeting. Accordingly, the Chairman would be voting as their proxy in accordance with their voting instructions, where indicated.

Ms. Lynda Pan reminded the Meeting to ask questions that are relevant to the Agenda item of the EGM. For smooth running of the proceedings of the Meeting, the question-and-answer session would be conducted, upon completion of the deliberations of the business to be transacted at the Meeting, prior to the poll voting session.

In the interest of time, the Board may not be able to address all questions received. The questions received would be grouped and combined to avoid repetition, and may also be summarised for expediency. If there was time constraint, the responses would be e-mailed to the respective shareholders and proxies at the earliest possible, after the EGM.

The Meeting was also informed that the Company had appointed SS E Solutions Sdn. Bhd. as the Poll Administrator for the Meeting. Commercial Quest Sdn. Bhd. would act as the Independent Scrutineers to verify the results of the poll. All votes were to be submitted via Securities Services e-Portal ("**SSeP**").

The step-by-step guide together with a pre-recorded short audio clip on the online voting module within the SSeP was played.

**LETTER FROM THE MINORITY SHAREHOLDERS WATCH GROUP**

The Chairman informed that the Company had received questions from the Minority Shareholders Watch Group ("**MSWG**") via its letter dated 19 December 2022, raising a few questions about the proposal to be transacted at the EGM.

The Chairman read out the Company's responses to the questions of MSWG which were also presented on the screen at the Meeting, the details were attached herewith and marked as **Annexure "A"**.

**1. ORDINARY RESOLUTION  
PROPOSED DISPOSAL BY DIAMOND POWER LIMITED ("DPL"), A 60%-  
OWNED INDIRECT SUBSIDIARY OF PIB, OF THE 230 KILOVOLT KAMPONG  
CHAM-KRATIE TRANSMISSION SYSTEM ("PROJECT") TO CAMBODIAN**

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**TRANSMISSION II CO. LTD ("CTL II") FOR A TOTAL CONSIDERATION OF USD118.00 MILLION ("PROPOSED DISPOSAL")**

The Chairman informed the Meeting that the sole motion to be transacted at this EGM was to consider and vote on the proposed disposal by DPL, a 60%-owned indirect subsidiary of the Company, of the 230 kilovolt Kampong Cham-Kratie transmission system to Cambodian Transmission II Co. Ltd for a total consideration of USD118.00 million ("**Proposed Disposal**").

The Proposed Disposal provided a timely opportunity for our Group to realise the value of the Project at the disposal consideration of USD118.00 million in cash which will improve our Group's financial liquidity immediately. The net gearing of our Group is expected to decrease significantly in view of the strengthening of the Group's financial position.

The Proposed Disposal also provided flexibility to our Group to optimise its capital and funding structure for its business activities moving forward which was in line with our Group's capital management strategy to reduce its reliance on debt financing.

The Chairman highlighted that full details of the Ordinary Resolution and the Proposed Disposal were provided in the Circular to Shareholders ("**Circular**") dated 13 December 2022 which had been circulated to all shareholders earlier.

**2. QUESTION AND ANSWER ("Q&A") SESSION**

After tabling the Ordinary Resolution, the Chairman announced that the Meeting was opened for question-and-answer session to respond to the questions pertaining to the Proposed Disposal raised at the Company's Eleventh Annual General Meeting ("**11th AGM**") held on 25 November 2022 and the live questions received during this Meeting.

The Meeting was informed that questions received which were similar in nature would be collated to avoid repetition and may also be summarised for reasons of brevity.

The list of questions pertaining to the Proposed Disposal received at the 11th AGM and the live questions submitted at this EGM, together with the responses and clarifications from the representatives of advisers and the Management, were attached herewith and marked as **Annexure "B"**.

After having addressed all the questions raised, the Chairman informed the Q&A session was closed and moved on to the polling session.

**3. POLLING PROCESS**

The Meeting was informed earlier that shareholders, corporate representatives and proxies could submit their votes at the commencement of the Meeting and to facilitate those who have not done so, the Chairman then allocated another 5

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minutes for them to cast their votes. Upon completion of the poll voting, the Meeting was adjourned for 5 minutes to facilitate the verification of votes.

**4. DECLARATION OF POLL RESULTS**

The Meeting resumed at 11:04 a.m. for the declaration of the poll results.

Based on the report from the Independent Scrutineers, the Company Secretary, Ms. Lynda Pan read out the poll results and the Chairman subsequently declared that based on the results of the verified poll votes, the Ordinary Resolution was **CARRIED:-**

**4.1 ORDINARY RESOLUTION**

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

Resolution	Voted For		Voted Against	
	No. of shares	%	No. of shares	%
<b>Ordinary Resolution</b>	552,168,453	99.9968	17,616	0.0032

***“THAT*** subject to the approvals of all relevant authorities being obtained (where required), approval be and is hereby given to DPL to divest, assign, novate and substitute in favour of CTL II the contractual position of DPL under the relevant project agreements, including:

- (i) *Implementation Agreement dated 25 June 2013 entered into between the Royal Government of Cambodia (as represented by the Ministry of Mines and Energy) and L.Y.P Group Co., Ltd, as novated to DPL on 20 March 2015 and amended on 6 April 2015; and*
- (ii) *Power Transmission Agreement dated 21 August 2013 entered into between Electricité du Cambodge and L.Y.P Group Co., Ltd, as novated to DPL on 24 March 2015 and amended on 8 April 2015,*

*for a total cash consideration of USD118.00 million, pursuant to and in accordance with the terms and conditions of the Business Transfer Agreement dated 20 October 2022 entered into between DPL and CTL II (as further elaborated in the Company’s circular to shareholders in relation to the Proposed Disposal dated 13 December 2022).*

***AND THAT*** the Board of Directors be and are hereby empowered and authorised to sign, execute, deliver or caused to be delivered on behalf of the Company all such documents and/or agreements (including but not limited to any deed, undertaking and/or covenant), do all things and acts and to deal with all matters relating thereto or as may be required or as the Board of Directors may consider

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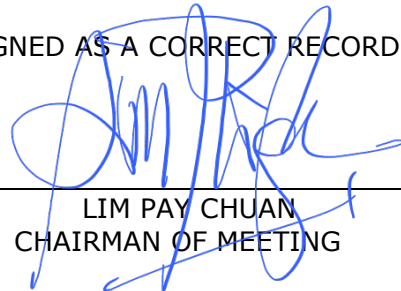
*necessary, expedient and/or appropriate to give full effect to and complete the Proposed Disposal with full power to assent to any conditions, modifications, variations and/or amendments in any manner as may be required or permitted by any relevant authorities in connection with the Proposed Disposal."*

**TERMINATION**

There being no other business to be transacted, the Chairman thanked Management and everyone involved in making this virtual EGM a successful event.

The Meeting ended at 11:08 a.m. with a vote of thanks to the Chair.

SIGNED AS A CORRECT RECORD



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LIM PAY CHUAN  
CHAIRMAN OF MEETING

Dated: 28 December 2022

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**ANNEXURE A – RESPONSES TO QUESTIONS RECEIVED FROM MINORITY SHAREHOLDERS WATCH GROUP VIA LETTER DATED 19 DECEMBER 2022**

We refer to your letter dated 19 December 2022 and are pleased to append herewith our replies to your questions as below:-

1. The power transmission charges were fixed at USD12.25m per year for the first three years from the Commercial Operation Date ("COD") and approximately USD18.216m per year from 4th year from COD until the end of the concession period. Diamond Power Limited ("DPL") recorded a profit after tax of USD6.464m, USD8.333m and USD8.602m for FY2020, FY2021 and FY2022 respectively. Also, the disposal consideration of RM520.144m falls within the fair valuation of the project of USD114.20m and USD121.65m, as appraised by the independent valuer using the discounted free cash flow to firm method. How do these reconcile with the significant pro forma net loss on disposal of RM139.395m?

**PESTECH:**

**As set out in Section 6.3 of the Circular, the pro forma net loss on disposal arising from the Proposed Disposal, assuming that the Proposed Disposal had been effected on 30 June 2022, is mainly due to the derecognition of net carrying amounts of the contract asset, intangible asset and insurance prepayment as at 30 June 2022 amounting to approximately RM638.21 million in aggregate as well as estimated expenses for the Proposed Disposal of approximately RM21.33 million.**

**The Power Transmission Charge of approximately USD18.22 per annum is a gross cash inflow which has yet to take into account the cash outflows associated with operating and maintaining the Project such as operating and maintenance costs, license fee, insurance, repayment of loans and interest costs as well as income tax (applicable after the expiry of profit tax exemption granted by Royal Government of Cambodia ("RGC") on 31 December 2026).**

**Meanwhile, the indicative value for the Project appraised by FHM Corporate Advisory Sdn Bhd ("FHCA") was based on discounted cash flow valuation method which entails the projected free cash flows of the Project for the FYE 30 June 2023 to FYE 30 June 2043 (i.e. until the expiry of the Concession Period) being discounted using the weighted average cost of capital. The discounted cash flow valuation considers both the time value of money and the projected net cash flow to be generated from the Project.**

2. One of the benefits of the proposed disposal is the strengthening of the financial position of the group with its gearing expected to decrease from 1.29 times to 0.88 times (page 10 of the circular).
  - (a) How much of DPL's borrowings of USD37.01m is non-recourse loan?

**PESTECH:**

**The entire DPL's borrowings are a recourse loan.**

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- (b) If a substantial part of the borrowings is non-recourse loan, why is the Board in favour of the proposed disposal when i) the disposal consideration has no premium to its appraised value; ii) incurring significant loss to the group; iii) loss of stable recurring income from DPL; iv) incurrence of capital gain tax and transactional costs for the proposed disposal which will result in reduced net receipts from the proposed disposal?

**PESTECH:**

**The Proposed Disposal represents a timely opportunity for our Group to dispose the Project at a fair valuation as assessed by the Independent Business Valuer, while it is not at a premium to its appraised value, the Disposal Consideration of USD118.00 million approximates the mid-point of the range of indicative value for the Project of between USD114.20 million and USD121.65 million.**

**Notwithstanding the loss of stable income from the Project, the Proposed Disposal will allow our Group to realise the value in cash and improve our Group's financial liquidity immediately which will allow our Group to pursue and focus on growing its EPMCC segment around the Southeast Asia region specialising in power substations, transmission lines and rail electrifications which has lower capital investment requirement as compared to build, operate and maintenance concession projects (such as the Project) whereby financing via bank borrowings over a long duration is required.**

**Further, we wish to highlight that the pro forma loss on disposal arising from the Proposed Disposal was mainly due to the derecognition of, among others, the net carrying amount of the contract asset which was recognised in DPL's statement of financial position as the excess of cumulative revenue earned over the billings to date, for which the billings to its customer are based on the billing milestones in the contract with the customer in respect of the Project, i.e. future cashflows to be derived from the Project pursuant to the Project Agreements, which is not a loss incurred vis-à-vis the cost of investment of DPL in respect of the Project. The total original cost of investment for the Project is approximately USD101.29 million.**

**Notwithstanding the estimated expenses and applicable taxes attributable to the Proposed Disposal of approximately USD10.03 million in aggregate, which represents approximately 8.50% of the Disposal Consideration only, our Group is expected to receive total net proceeds of USD44.544 million from DPL upon completion of the Proposed Disposal which will be substantial and timely for our Group to optimise its capital and funding structure for its business activities moving forward which is in line with our Group's capital management strategy to reduce its reliance on debt financing.**



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- (c) Will there be any penalties arising from early and full settlement of DPL's entire bank borrowings after the disposal of DPL?

**PESTECH:**

**Based on the terms and conditions of the loan, there will not be any penalty imposed on DPL for early settlement of its bank borrowings as long as the required notice has been provided accordingly.**

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**ANNEXURE B – RESPONSES AND CLARIFICATIONS TO QUESTIONS PERTAINING TO THE PROPOSED DISPOSAL RECEIVED AT THE 11TH ANNUAL GENERAL MEETING HELD ON 25 NOVEMBER 2022 AND LIVE QUESTIONS SUBMITTED DURING THE EXTRAORDINARY GENERAL MEETING OF THE COMPANY HELD ON 28 DECEMBER 2022**

No.	Shareholder / Proxy	Questions
1	LEE TUCK WAI  (Question submitted at the 11th AGM)	<p>On 8 November 2022, PESTECH announced the proposed disposal by Diamond Power Ltd of the 230 KV Kampong Cham-Kratie Transmission Project ("<b>Kampong Cham-Kratie Project</b>") for USD118 million ("<b>Proposed Disposal</b>"). The proposed disposal will result in a proforma Net Loss of RM87 million and loss after tax contribution to the Group amounting to RM13.7 million.</p> <p>(1) Please provide the reason(s) for the disposal which resulted in a loss of RM87 million to the Group.</p> <p>(2) Is PESTECH Group disposing assets to address liquidity issues in the Group?</p>
<p><u>Response</u></p> <p>The disposal of the Project is not a corporate proposal to address a liquidity issue of the company. Instead, it is a transaction to immediately realised our investment in a project at the disposal consideration of USD118.0 million in cash, as compared to our Group continuing to perform its obligations under the Project Agreements in return for the Power Transmission Charge.</p> <p>The Proposed Disposal allows our Group to repay or settle bank borrowings and liabilities, which were incurred by Diamond Power Limited ("<b>DPL</b>") for the Project as well as part of our Group's other bank borrowings.</p> <p>The Proposed Disposal will also strengthen the financial position of our Group with:</p> <p>(i) Its net gearing is expected to decrease from 1.29 times as at 30 June 2022 to 0.88 times; and</p> <p>(ii) cash and short term deposits are estimated to increase significantly from RM168.98 million as at 30 June 2022 (audited) to approximately RM438.87 million.</p> <p>It allows our Group to pursue and focus on growing this engineering, procurement, manufacturing, construction and commissioning ("<b>EPMCC</b>") segment around the Southeast Asia region specializing in power substations, transmission lines, and real electrification which has lower capital investment requirement as compared to build, operate and maintenance concession projects (such as the Project) whereby financing via bank borrowings over a long duration is required.</p>		

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2	RAJKUMAR A/L PERIANNAN  (Question submitted at the 11th AGM)	It appears the amount billable for Kg Cham-Kratie concession was USD18.2 million per annum (till 2043) and it was disposed for USD118 million. At first glance, the asset gross return appears to be attractive at 15% of the disposal price. Why was this done, and would such disposals continue? If the disposals were to continue, what will be the impact to the estimated Free Cash Flow of RM 4.5B to be collected till 2043 from the ring-fenced debt of about RM 830M (briefed during Stockbit-9 June)?
<u>Response</u>  We wish to clarify that the Power Transmission Charge is approximately USD18.22 million per annum, which has yet to take into account the cash outflows associated with operating and maintaining the Project such as operating and maintenance costs, license fee insurance, repayment of loans and interest costs as well as income tax (applicable after the expiry of profit tax exemption granted by Royal Government Cambodia on 31st December 2026).  The estimated net cash flows over the duration over the remaining duration of the concession period from January 2023 to December 2024 is approximately USD210.64 million (and not RM4.5 billion as suggested in the enquiry). However, one must take note that the estimated net cash flows has not taken into account the discount factor over time (i.e. until December 2024).  In this regard, the Independent Business valuer has assessed the indicated value of the Project to be between USD114.2 million and USD121.65 million using the discounted cash flow valuation method as detailed in the Circular.		
3	TAN ZHI HOW  (Question submitted at the 11th AGM)	Can please enlighten me for few questions:  1. What are the rationale of propose disposing Diamond Power Limited for USD118 million? Is the company able to recoup all its investment of the project by the cash flow generated so far? How much has been invested in the Project in total?  2. What is the total internal rate of return (" <b>IRR</b> ") after the disposal exercises?  3. Is the selling price too low for project that generate cash flow of RM18 million per year?

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	<p><u>Response</u></p> <p>The rationale of the Proposed Disposal which have been explained in the earlier responses to Q1 above are briefly summarised as follows:-</p>		
	<ul style="list-style-type: none"> <li>• To immediately realise our investment in the Project and the disposal consideration of USD118 million in cash;</li> <li>• Strengthen the financial position of our Group with:             <ul style="list-style-type: none"> <li>i. decreased net gearing; and</li> <li>ii. significant increase in cash and short-term deposits; and</li> </ul> </li> <li>• allow our Group to pursue and focus on growing this EPMCC segment around the Southeast Asia region.</li> </ul> <p>The total project costs incurred for project is approximately USD112.84 million (comprising the original cost of investment of approximately USD101.29 million and operational costs of approximately USD11.55 million) as compared to the total cash inflows from the Project to be received by DPL is approximately USD188.1 million (comprising the disposal consideration of USD118 million and total Power Transmission Charge collected by the Group up to December 2022 is USD70.1 million).</p> <p>For information, the expected net profit margin for the Group's EPMCC projects is typically about 5% to 7%.</p> <p>The disposal consideration of USD118.0 million approximates the mid-point of the range of indicative value for the Project of between USD114.20 million and USD121.65 million as assessed by the Independent Business Valuer hence, the Management is of the view that the disposal consideration is fair. In addition, cash inflow of USD18 million per annum is not a correct parameter to assess the disposal consideration as it is not the net cashflow to be generated from the Project.</p>		
4	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%; vertical-align: top;">LEE TUCK WAI</td> <td style="vertical-align: top;"> <p>DPL will receive USD18.216 million per annum from Electricite Du Cambodge ("<b>EDC</b>") for the Power Transmission Charge for approximately 20 years (Section 4 - Page 10 of Circular). In total, DPL will receive USD364.318 million or RM1.619 billion in the next 20 years.</p> <p>(1) Please explain why is the indicative value arrived at only ranges between USD114.2 to USD121.65 million?</p> <p>(2) What is the basis of using the weighted average cost</p> </td> </tr> </table>	LEE TUCK WAI	<p>DPL will receive USD18.216 million per annum from Electricite Du Cambodge ("<b>EDC</b>") for the Power Transmission Charge for approximately 20 years (Section 4 - Page 10 of Circular). In total, DPL will receive USD364.318 million or RM1.619 billion in the next 20 years.</p> <p>(1) Please explain why is the indicative value arrived at only ranges between USD114.2 to USD121.65 million?</p> <p>(2) What is the basis of using the weighted average cost</p>
LEE TUCK WAI	<p>DPL will receive USD18.216 million per annum from Electricite Du Cambodge ("<b>EDC</b>") for the Power Transmission Charge for approximately 20 years (Section 4 - Page 10 of Circular). In total, DPL will receive USD364.318 million or RM1.619 billion in the next 20 years.</p> <p>(1) Please explain why is the indicative value arrived at only ranges between USD114.2 to USD121.65 million?</p> <p>(2) What is the basis of using the weighted average cost</p>		

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		of capital (" <b>WACC</b> ") of 9.71% in calculating the underlying value of the Project?
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	<u>Response</u>	<p>Q1) The indicative value which arrived at the range between USD114.2 to USD121.65 million, is based on the assessment by the Independent Business Valuer which used the discounted cash flows method deriving from the net cash flows. So, the revenue to be generated per annum has not taken into account the cash outflows of operating and maintaining the Project every year.</p> <p>Q2) As set out in page 36 of the Circular, the Independent Business Valuer has provided the detailed calculation in terms of the parameters used in calculating the WACC of 9.71%. The Independent Business Valuer has disclosed in detail on how the WACC of 9.71% was arrived using the cost of capital structure of the Project, based on 30% equity and 70% debt.</p> <p>The Independent Business Valuer has also considered the risk-free rate and market return of Cambodia as well as the country risk premium of Cambodia to arrive at the WACC of 9.71%.</p>
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6	LEE TUCK WAI	DPL has total equity or net assets amounting to RM93,565 million as at FYE 30 June 2022 (Appendix II - Page 22 of Circular). Based on the existing financial position of DPL, after the Proposed Disposal, will there be any balance of proceeds attributable to PESTECH after the liquidation of DPL?
	<u>Response</u>	Pages 7 and 8 of the Circular set out the use of the proceeds by DPL of settling all the liabilities and bank borrowings of DPL. Upon settling all the liabilities and bank borrowings, the remainder of the proceeds that is available will be distributed by DPL to the shareholders which include PESTECH Power Sdn. Bhd, a subsidiary of the Company, that will amount to about USD37.09 million.

6	TEH SUE WEI	How much does the company spend on this virtual EGM ? Would the board kindly consider giving shareholder with e- wallet as a token of appreciation for attending today's meeting May I know what is the rationale for this proposal?
	<u>Response</u>	Please refer to the response to Question No. 3 for the rationale of the Proposed Disposal. Shareholders can also refer to the information set out on pages 10

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	<p>and 11, Section 4 of the Circular, for the detailed explanations on the rationale and benefits of the Proposed Disposal.</p> <p>The Company has not considered any e-wallet as a token of appreciation for this EGM. We will take the note and consider it for the next occasion.</p>
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7	CHAN FUNG HAN	<p>DPL intends to utilize USD1.8 million (RM8 million) from the Disposal Consideration as working capital within 18 months from completion of the Proposed Disposal, with any surplus/shortfall of the amount earmarked for DPL's working capital be adjusted to or from the amount allocated for the DPL Distribution. However, the dividend distribution is estimated to happen within 6 months. As such, how would DPL service additional working capital requirement (if any) after the dividend distributions?</p>
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<p><u>Response</u></p> <p>Please refer to Note 4 of Section 3 of the Circular on the use of the proceeds for the working capital purpose and the amount earmarked to meet its daily operational and administrative requirements until the liquidation of DPL, which is estimated to take about 18 months. Any surplus/shortfall of the amount earmarked for DPL's working capital will be adjusted to or from the amount allocated for the DPL Distribution. Whatever surplus from that account will actually be used for the distribution to the DPL shareholders.</p>		
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8	CHAN FUNG HAN	<p>Section 3 - Use of Proceeds. It is stated that USD4.7 million (RM21 million) is estimated being the capital gain tax for the Proposed Disposal. Furthermore, there will be withholding tax of 14% from the DPL dividend distribution. Why the same source of income or consideration is to be taxed twice by the Cambodia tax authority? Has the Group sought advice from tax consultants in this regard?</p>
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<p><u>Response</u></p> <p>For the amount allocated for the payment of the capital gains tax and withholding tax are pursuant to the requirements of the tax laws in Cambodia which is known to the Company. For the final tax amount payable will be assessed by the tax advisor in Cambodia to be appointed by DPL in due course. This has been explained in Note 3 of Section 3 on page 7 of the Circular.</p>		
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9	CHAN FUNG HAN	<p>Could FHMH Corporate Advisory Sdn Bhd please explain how the WACC of 9.71% is derived together with the illustration of the computation and underlying data? How does this WACC being reconciled to the discount rate</p>
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		used by Management in the latest impairment assessment of the Cambodia's concession asset?
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	<p><u>Response</u>          Shareholders can refer to page 36 of the Circular and page 8 of the report of Independent Business Valuer, which set out details in terms of the calculation of the WACC.</p> <p>Shareholders can view the inputs used by the Independent Business Valuer to calculate the WACC as illustrated in the table of CAPM inputs, as follows:-</p> <p>(i) First input is based on the Project funding's ratio of 30% equity and 70% debt capital structure.</p> <p>(ii) Second input is risk free rate for Cambodia. The Independent Business Valuer has used the Cambodia inflation rate divided by the US inflation rate, then to multiply with the US risk free rate.</p> <p>Given that US being a mature market, the Independent Business Valuer has always used the US market data as their reference. In view that USD is a main currency or reporting currency being used in Cambodia in addition to the Cambodia local currency, the Independent Business Valuer has used the US market data as a benchmark to calculate the risk free rate.</p> <p>(iii) In terms of arriving at country risk premium of 4.24% and also 5.44%, these are actually based on data published by a renowned academia Professor Aswath Damodaran ,being one of the top-notch researchers in the world to have published this data.</p> <p>(iii) In determining the beta 1.94 times, the Independent Business Valuer has considered the data of comparable companies that are listed in this region. The details of the 5 comparable companies are set out on page 33 of the Circular and page 5 of the Independent Business Valuer's report.</p> <p>The liquidity premium of 4% being added to the discount rate, is based on the published data of Professor Aswath Damodaran.</p> <p>(iv) The basis in arriving the cost of debt is based on the existing facilities with the Bank of China. Having the cost of debt of 4.04% and cost of liability of 22.94%, with the weighted average capital structure of DPL, it turned out to be the WACC to be 9.71%.</p>
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10	CHAN FUNG HAN	<p>According to the FY2022 Annual Report, the Management had performed impairment testing by discounting future cash flows (similar methodology adopted by FHCA) to the Cambodia's concession asset and concluded that no impairment charge. Hence, is this indicating the Management had over-estimated the value in use as the recoverable amount of the Cambodia's concession asset? Otherwise, why not PESTECH sticks towards continuing operating the Project to maximize the benefits deriving from value in use?</p>
		<p><u>Response</u></p> <p>The treatment of the accounts is based on two parts, i.e. the concession assets as well as the intangible assets on the concession assets. There are actual contractual rights to receive from future proceeds. Hence, no indication for impairment is required in the accounts, similarly for the intangible assets to be amortised over the fixed period, no indication for impairment is required in the accounts.</p> <p>The Group decided to monetise the investments made since 2017 to 2018, in order to address the volatile market situations. The proposal is recommended for approval by the shareholders to monetise the investment at this juncture to reap the benefits of creating these assets for the Group.</p>
11	CHAN FUNG HAN	<p>With this RM83.85 million pro forma net loss on disposal attributable to PESTECH, does it indicate that the valuation of the assets as per your Annual Report 2022 are indeed inaccurate? Why such adjustment was not made when PESTECH released the Annual Report 2022 on 27 Oct 2022 with the Proposed Disposal (with consideration) had been announced on 20 Oct 2022 and the FHCA had rendered its opinion on 17 October 2022 (date of opinion) which is the date of the financial statements being approved?</p>
		<p><u>Response</u></p> <p>We wish to highlight that the 2022 Annual Report is in respect of the audited financial statements for the financial year ended ("<b>FYE</b>") 30 June 2022 ("<b>2022 Annual Report</b>"). Hence, the impairment assessment is based on the Proposed Disposal which was announced 20 October 2022 as well as the assessment by FHCA opinion as of 17 October 2022, both are actually subsequent to the accounting cut-off date of the 2022 Annual Report. As such, there shall not be</p>



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	any inaccuracy in that respect.
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12	TEH PENG TING	<p>PESTECH will recognise RM83.85 million net loss on disposal and the loss of annual contribution from the Project of USD5 million revenue and profits. Shareholders will only receive dividend of USD4.23 million (3.6% out of the USD118 million) from the disposal consideration. As such, the Proposed Disposal does not seem to be beneficial to the minority shareholders. Could the Board please justify to minority shareholders why should we vote in favor of this resolution?</p>
	<p><u>Response</u></p> <p>We have gone through the justification for the monetisation or the disposal of the assets as set out in the Circular. After we have settled all the loan liabilities of DPL, the remainder proceeds will amount to approximately USD44.5 million to further reduce the gearing of the Group.</p> <p>The lower net gearing together with the funds made available from the Disposal Consideration to finance our Group's working capital for its EPMCC projects, will provide flexibility to our Group to optimise its capital and funding structure for its business activities moving forward, which is in line with our Group's capital management strategy to reduce its reliance on debt financing.</p> <p>In addition, the expected improved financial position of our Group will also allow our Group to pursue and focus on growing its EPMCC segment around the Southeast Asia region specialising in power substations, transmission lines and rail electrifications, which has lower capital investment requirement as compared to build, operate and maintenance concession projects whereby financing via bank borrowings over a long duration is required.</p> <p>Rather than holding on to the concession assets, it is proposed to the shareholders for approval to dispose this asset in order to gear up the Group for the growth into the region.</p>	
13	LEW TUCK WAI	<p>By disposing a project which is contributing steady revenue and cash flows for the next 20 years, there is a perception in the market that PESTECH is disposing an attractive asset with steady income to address its liquidity and cash flows pressure due to the numerous delays in its projects. Can the Chairman comment and provide clarity to shareholders on this negative market perception.</p>

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	<u>Response</u>  Please refer to the response to Question No. 12 for the rationale and benefits of the Proposed Disposal.	
	The Board after having considered the operational and financial effects of the Proposed Disposal, is of the opinion that the Proposed Disposal is in the best interests of our Company. The Board recommends the shareholders to vote in favour of the resolution pertaining to the Proposed Disposal.	
14	RAJKUMAR A/L PERIANNAN	As per understanding, the concession assets being built over the last few years was to create positive free cashflows till 2042. With the focus now increasingly to reduce reliance on debt, when would you expect positive free cashflows be possible for the Company?
	<u>Response</u>  With the successful disposal of the assets, our intention is to rely less on debt financing. We expect positive free cash flow to be achieved by the Group by year 2025 or 2026 which will be contributed by other collections and also the projects of the EPMCC.	
15	LEOW YUK LOONG	Will the company disposal other asset to settle the Company debt in the future? Why?
	<u>Response</u>  The other assets that the Company is considering for disposal is the large scale photovoltaic solar plant of 20 years of independent power plant (IPP) in Cambodia. We do not close the door on possibility of disposing more assets to monetise the value of our investments.	
16	LEW TUCK WAI	After the Proposed Disposal, PESTECH will lose income from the Project (Section 5.3 - Page 12 of Circular)  (1) What was the contribution from DPL to PESTECH in FYE 30 June 2022?  (2) What is the total borrowings to be de-consolidated from the accounts of PESTECH after the Proposed Disposal?  (3) The expected interest savings from the de-

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		consolidation of these borrowings?
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		<p><u>Response</u></p> <p>Q1) Shareholders can refer to Section 5.3 on pages 11 and 12 of the Circular for the information. The PAT contribution from the project was approximately 159.24% for the FYE 2022.</p> <p>For information, for the FYE 30 June 2021, the PAT from the Project was USD8.33 million, of which USD5.00 million was attributable to our Company (based on the equity interest of PPW in DPL of 60%) which in turn represents approximately 31.11% of our Group’s PAT attributable to the owners of our Company of RM66.21 million.</p> <p>Further explanations are provided on page 12 of the Circular.</p> <p>Q2) Based on the latest audited numbers, the total borrowings to be deconsolidated from the accounts of PESTECH after the Proposed Disposal is approximately RM228.9 million.</p> <p>Q3) Shareholders can refer to Note 1 of Section 3 on page 7 of the Circular, the repayment of bank borrowings of DPL is expected to result in a finance cost savings of approximately USD1.87 million per annum, based on average interest rate of approximately 5.05% per annum.</p>
17	TAN HUP YIAK	<p>With the Proposed Disposal, is PESTECH revert back to its original business model of EPMCC? With that, what is the current order book of PESTECH, and what is the competitive advantage of PESTECH in view that there are many EPCC players in the market nowadays?</p>
		<p><u>Response</u></p> <p>Currently, the Company has intention to refocus on the EPMCC business segment, which we can see the increased spending in the region towards improving electrical infrastructures in the Southeast Asia region. From the market research, we take cognisant of the investment of about USD20 billion to USD30 billion a year in the Southeast Asia region in terms of electrical infrastructure for both power system and rail electrification.</p> <p>The current order books of PESTECH allow market access to this country in order</p>

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to secure contracts in the rail electrification, so we have refocused to move towards securing EPMCC contracts rather than continue to holding on to the concession assets, particularly with the uncertainties in the interest rates at this moment.

PESTECH has been in the market in the region since 2007. We have been able to expand our business outside of Malaysia, towards Cambodia, Philippine as well as Papua New Guinea.

Given the market size of USD20 billion to USD30 billion, we are quite confident there will be enough rather than price pressure moving forwards in building up the electrical infrastructure in the region.