THIS CIRCULAR 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 adviser immediately.

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. Bursa Securities has not perused the content of this Circular for the Proposed Exemption (as defined herein).

The Securities Commission Malaysia ("**SC**") had on 20 November 2024 notified that it had no further comments to the contents of this Circular and such notification shall not be taken to suggest that the SC recommends the Proposed Exemption (as defined herein) or assumes responsibility for the correctness of any statements made or opinions or reports expressed in this Circular. The notification by the SC shall not be taken to suggest that the SC agrees with the recommendation of the independent adviser or assumes responsibility for the correctness of any statements made or opinions or reports expressed in the independent advice letter as set out in Part B of this Circular. The SC 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 on this Circular.

PESTECH

PESTECH INTERNATIONAL BERHAD
(Registration No: 201101019901 (948035-U))
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

PART A

(I) PROPOSED RESTRICTED ISSUE;

(II) PROPOSED CAPITALISATION; AND

(III) PROPOSED EXEMPTION

PART B

INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED DIRECTORS AND NON-INTERESTED SHAREHOLDERS OF THE COMPANY IN RELATION TO THE PROPOSED EXEMPTION

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser and Placement Agent for Part A

ALLIANCE ISLAMIC BANK
Alliance Islamic Bank Berhad 200701018870 (776882-V)

Independent Adviser for Part B

MERCURY SECURITIES SDN BHD
(Registration No. 198401000672 (113193-w))
(A Participating Organisation of Bursa Securities)

The Extraordinary General Meeting of the Company ("**EGM**") will be held at KEC Toh Yuen VIP Room, Ground Floor, Klang Executive Club, Persiaran Bukit Raja 2, Bandar Baru Klang, 41150 Klang, Selangor Darul Ehsan on Tuesday, 10 December 2024 at 10:00 a.m.. The Notice of EGM and the Form of Proxy are enclosed in this Circular and are available at the Company's website at https://www.pestech-international.com.

If you wish to appoint a proxy or proxies to attend, speak and vote on your behalf at the EGM, you must complete and deposit the Form of Proxy in accordance with the instructions thereon so as to arrive at the office of the Company's share registrar, Securities Services (Holdings) Sdn Bhd at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur or lodge the Form of Proxy electronically via Securities Services e-Portal at https://sshsb.net.my/ or by email to eservices@sshsb.com.my not less than 48 hours before the time appointed for holding the EGM.

Last day, date and time for lodging the Form of Proxy	:	Sunday, 8 December 2024 at 10:00 a.m.
Day, date and time of the EGM	:	Tuesday, 10 December 2024 at 10:00 a.m.

This Circular is dated 25 November 2024

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE:

PART A

(I) PROPOSED RESTRICTED ISSUE OF 1,333,335,000 NEW ORDINARY SHARES IN PESTECH INTERNATIONAL BERHAD ("PESTECH" OR THE "COMPANY") ("PESTECH SHARE(S)" OR "SHARE(S)") ("RESTRICTED SHARE(S)") REPRESENTING APPROXIMATELY 135.43% OF THE EXISTING TOTAL NUMBER OF ISSUED SHARES OF THE COMPANY (EXCLUDING TREASURY SHARES) TO DHAYA MAJU INFRASTRUCTURE (ASIA) SDN BERHAD ("DMIA" OR THE "SUBSCRIBER") FOR A TOTAL SUBSCRIPTION PRICE OF RM160,000,200 AT AN ISSUE PRICE OF RM0.12 PER RESTRICTED SHARE ("SUBSCRIPTION PRICE") ("PROPOSED RESTRICTED ISSUE");

(II) PROPOSED CAPITALISATION OF THE DEPOSIT OF RM16,000,020, BEING 10% OF THE SUBSCRIPTION PRICE ("DEPOSIT") PAID BY THE SUBSCRIBER TO THE COMPANY UPON EXECUTION OF THE SUBSCRIPTION AGREEMENT FOR THE PROPOSED RESTRICTED ISSUE, THROUGH THE ISSUANCE OF 133,333,500 NEW SHARES ("CAPITALISATION SHARE(S)") AT AN ISSUE PRICE OF RM0.12 PER CAPITALISATION SHARE ("CAPITALISATION ISSUE PRICE"), IF REQUIRED PURSUANT TO THE TERMS OF THE SUBSCRIPTION AGREEMENT ("PROPOSED CAPITALISATION"); AND

(III) PROPOSED EXEMPTION FROM THE SECURITIES COMMISSION MALAYSIA ("SC") UNDER SUBPARAGRAPH 4.08(1)(B) OF THE RULES ON TAKE-OVERS, MERGERS AND COMPULSORY ACQUISITIONS ("RULES") FOR THE SUBSCRIBER AND ITS PERSONS ACTING IN CONCERT ("PACS") FROM THE OBLIGATION TO UNDERTAKE A MANDATORY TAKE-OVER OFFER TO ACQUIRE ALL THE REMAINING SHARES AND OUTSTANDING WARRANTS 2021/2028 ("WARRANT(S)") IN THE COMPANY NOT ALREADY OWNED BY THEM UPON COMPLETION OF THE PROPOSED RESTRICTED ISSUE ("MANDATORY OFFER") ("PROPOSED EXEMPTION")

PART B

INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED DIRECTORS AND NON-INTERESTED SHAREHOLDERS OF THE COMPANY IN RELATION TO THE PROPOSED EXEMPTION

DEFINITIONS

In this Circular and the accompanying appendices, the following words and abbreviations shall have the following meanings unless otherwise stated:

ABMB	:	Alliance Bank Malaysia Berhad (Registration No.: 198201008390 (88103-W))
Act	:	Companies Act 2016, as amended from time to time including any re-enactment thereof
AIS or the **Principal Adviser** or the **Placement Agent**	:	Alliance Islamic Bank Berhad (Registration No.: 200701018870 (776882-V))
Balance Deposit	:	Deposit less the aggregate Distribution Amount
Board	:	Board of Directors of the Company
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd (Registration No.: 198701006854 (165570-W))
Bursa Securities	:	Bursa Malaysia Securities Berhad (Registration No.: 200301033577 (635998-W))
Capitalisation Issue Price	:	RM0.12 per Capitalisation Share
Capitalisation Share(s)	:	133,333,500 new Shares to be issued pursuant to the Proposed Capitalisation
Circular	:	This circular to shareholders of the Company dated 25 November 2024 in relation to the Proposals
Constitution	:	Constitution of the Company
CMSA	:	Capital Markets and Services Act 2007, as amended from time to time including any re-enactment thereof
CRSE	:	CRSE Sdn Bhd (Registration No.: 201301028842 (1058672-T))
Deposit	:	Deposit of RM16,000,020, being 10% of the Subscription Price
Director(s)	:	The Director(s) of the Company and shall have the same meaning given in subsection 2(1) of the CMSA and subsection 2(1) of the Act
DMIA or the **Subscriber**	:	Dhaya Maju Infrastructure (Asia) Sdn Berhad (Registration No.: 199601013646 (385996-H))
DMIA Group	:	DMIA and its subsidiaries, collectively
Distribution Amount	:	A portion of the Deposit of up to RM6,200,000 shall be utilised to settle the Company's semi-annual periodic distribution under the Company's Perpetual Sukuk
EGM	:	Extraordinary General Meeting
Eligible Persons	:	Eligible Director(s) and employee(s) of the Group, collectively
EPCC	:	Engineering, procurement, construction and commissioning
ESOS	:	Employees' share option scheme

ESOS Option(s)	:	Options granted to the Eligible Persons pursuant to the Company's ESOS
EPS	:	Earnings per share
Fornix Capital		Fornix Capital Sdn Bhd (Registration No.: 200001027739 (530346-K))
FPE	:	Financial period ended
FYE	:	Financial year ended/ending
HOA	:	The Heads of Agreement dated 16 August 2024 entered into between the Company and the Subscriber for the proposed subscription by the Subscriber of a minimum of 1,032,720,000 new Shares, representing not less than 51% of the total enlarged issued share capital of the Company, at a subscription price of RM0.155 per Share
Kumpulan Liva	:	Kumpulan Liva Sdn Bhd (Registration No.: 201301006728 (1036568-P))
IAL	:	Independent advice letter prepared by the Independent Adviser in relation to the Proposed Exemption, as set out in Part B of this Circular
Independent Adviser or **Mercury Securities**	:	Mercury Securities Sdn Bhd (Registration No.: 198401000672 (113193-W))
LAT	:	Loss after tax
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	20 November 2024, being the latest practicable date prior to the printing of this Circular
LPS	:	Loss per Share
LTD	:	3 October 2024, being the last traded market day prior to the date of execution of the Subscription Agreement
Main Market	:	Main Market of Bursa Securities
Mandatory Offer	:	The mandatory take-over offer by the Subscriber and its PACs to acquire all the remaining Shares and outstanding Warrants not already owned by them upon completion of the Proposed Restricted Issue
Market Day	:	A day on which Bursa Securities is open for trading in securities, which may include a Surprise Holiday
NA	:	Net assets
PACs	:	Persons acting in concert with the Subscriber in relation to the Proposed Exemption
PAT	:	Profit after tax
Perpetual Sukuk	:	A perpetual Islamic notes programme under the Shariah principle of Musharakah for the issuance of perpetual Islamic notes of up to RM1,000,000,000 by the Company
PESTECH or the **Company**	:	PESTECH International Berhad (Registration No.: 201101019901 (948035-U))

PESTECH Group or the **Group**	:	PESTECH and its subsidiaries, collectively
PESTECH Share(s) or **Share(s)**	:	Ordinary shares(s) in the Company
Proposals	:	The Proposed Restricted Issue, the Proposed Capitalisation and the Proposed Exemption, collectively
Proposed Capitalisation	:	Proposed capitalisation of the Deposit paid by the Subscriber to the Company upon execution of the Subscription Agreement for the Proposed Restricted Issue, through the issuance of 133,333,500 Capitalisation Shares at an issue price of RM0.12 per Capitalisation Share, if required, pursuant to the terms of the Subscription Agreement
Proposed Exemption	:	Proposed exemption from the SC under subparagraph 4.08(1)(b) of the Rules for the Subscriber and its PACs from the obligation to undertake the Mandatory Offer
Proposed Restricted Issue	:	Proposed restricted issue of 1,333,335,000 Restricted Shares representing approximately 135.43% of the existing total number of issued Shares of the Company (excluding treasury shares) to the Subscriber for a total subscription price of RM160,000,200 at an issue price of RM0.12 per Restricted Share
Restricted Share(s)	:	1,333,335,000 new Shares to be issued pursuant to the Proposed Restricted Issue
RM and sen	:	Ringgit Malaysia and sen, respectively
Rules	:	Rules on Take-overs, Mergers and Compulsory Acquisitions issued by the SC
SC	:	Securities Commission Malaysia
Subscription Agreement	:	The conditional subscription agreement dated 4 October 2024 entered into between the Company and the Subscriber for the subscription by the Subscriber of the Restricted Shares at the Subscription Price pursuant to the Proposed Restricted Issue
Subscription Price	:	Total subscription price of RM160,000,200 at an issue price of RM0.12 per Restricted Share
Surprise Holiday	:	A day that is declared as a public holiday in the Federal Territory of Kuala Lumpur that has not been gazetted as a public holiday at the beginning of the calendar year
TGV	:	Transgrid Ventures Sdn Bhd (Registration No.: 199901016332 (491232-A))
Undertaking Shareholders	:	Lim Ah Hock, Lim Pay Chuan, Kumpulan Liva and VESTECH Projects, collectively
VESTECH Projects	:	VESTECH Projects Sdn Bhd (Registration No.: 200801005662 (806946-U))
VWAMP	:	Volume weighted average market price
Warrants	:	The 95,145,862 outstanding warrants 2021/2028 in the Company as at the LPD constituted by the deed poll dated 25 November 2021

All references to "PESTECH" or the "Company" in this Circular are to PESTECH International Berhad and references to "PESTECH Group" or the "Group" are to the Company and its subsidiaries. All references to "we", "us", "our" and "ourselves" are to the Group, the Company, and where the context otherwise requires, the subsidiaries. All references to "you" and "your" in this Circular are to the shareholders of the Company.

Words denoting the singular shall, where applicable, include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine and/or neuter genders and vice versa. Any references to persons shall include a corporation, unless otherwise specified.

Any reference in this Circular to any statutes, rules, regulations, enactments or rules of the stock exchange or guidelines is a reference to such statutes, rules, regulations, enactments or rules of the stock exchange or guidelines currently in force and as may be amended from time to time and any re-enactment thereof.

Any reference to a time of day and date in this Circular shall be a reference to Malaysian time of day and date, unless otherwise specified. Any discrepancy in the figures included in this Circular between the amounts listed, actual figures and the totals thereof are due to rounding.

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EXECUTIVE SUMMARY

All definitions used in this Executive Summary shall have the same meaning as the words and expressions provided in the "Definitions" Section and context of the Circular.

This Executive Summary highlights only the pertinent information of the Proposals. Shareholders are advised to read this Circular in its entirety for further details and not to rely solely on this Executive Summary in forming a decision on the Proposals before voting at the forthcoming EGM.

Key information	Description
Summary of the Proposals	**<u>Proposed Restricted Issue</u>** Pursuant to the Subscription Agreement, the Proposed Restricted Issue involves an issuance of 1,333,335,000 Restricted Shares representing approximately 135.43% of the existing total number of issued Shares of the Company (excluding treasury shares) to the Subscriber for a total subscription price of RM160,000,200 at an issue price of RM0.12 per Restricted Share. Further details of the Proposed Restricted Issue are set out in Section 2.1 of Part A of this Circular. **<u>Proposed Capitalisation</u>** Pursuant to the terms of the Subscription Agreement, the Proposed Capitalisation will only be implemented if any of the conditions precedent of the Subscription Agreement is not fulfilled or waived within the stipulated timeframe, or that either the Company or the Subscriber terminates the Subscription Agreement, in accordance with the terms of the Subscription Agreement. If the Subscription Agreement is completed, the Company will not undertake the Proposed Capitalisation. The Proposed Capitalisation involves the Company capitalising the Deposit paid by the Subscriber to the Company for the Proposed Restricted Issue, through the issuance of the 133,333,500 Capitalisation Shares by the Company to the Subscriber at the Capitalisation Issue Price of RM0.12 per Capitalisation Share, if required pursuant to the terms of the Subscription Agreement. The Capitalisation Shares represent approximately 11.93% of the enlarged total number of issued Shares of the Company upon completion of the Proposed Capitalisation (excluding treasury shares and assuming none of the Warrants are exercised and no ESOS Options are granted). Further details of the Proposed Capitalisation are set out in Section 2.2 of Part A of this Circular. **<u>Proposed Exemption</u>** Upon completion of the Proposed Restricted Issue, the Subscriber will hold 1,333,335,000 Shares and its shareholding in the Company will increase from nil to approximately 57.52% of the enlarged total number of issued shares of the Company.

Key information	Description
	As a result of the Proposed Restricted Issue, the Subscriber will be obliged to extend the Mandatory Offer pursuant to subsection 218(2) of the CMSA and subparagraph 4.01(a) of the Rules. As the Subscriber has no intention of undertaking the Mandatory Offer, the Subscriber and its PACs will seek an exemption from the SC pursuant to subparagraph 4.08(1)(b) of the Rules from the obligation to undertake the Mandatory Offer after obtaining the approval from the shareholders of the Company for the Proposed Exemption, by way of poll at the forthcoming EGM. In the event the shareholders of the Company do not approve the Proposed Exemption, the Subscriber and the Company will not be able to complete the Subscription Agreement because this condition precedent under the Subscription Agreement cannot be fulfilled. However, if the shareholders of the Company approve the Proposed Exemption but the SC does not approve the Proposed Exemption, the Subscriber will undertake the Mandatory Offer in accordance with the Rules. The Company will proceed with the Proposed Restricted Issue irrespective of whether the SC approves or rejects the Proposed Exemption. In the event that: (i) the Subscriber and its PACs obtain the approval from the SC for the Proposed Exemption, the Subscriber and its PACs will be exempted from the obligation to undertake the Mandatory Offer; or (ii) the Subscriber and its PACs do not obtain the approval from the SC for the Proposed Exemption (i.e. rejection by the SC), the Subscriber will be required to undertake the Mandatory Offer in accordance with the Rules. For information purposes, if the approval from the SC for the Proposed Exemption is not obtained, the Mandatory Offer will be triggered when the Subscription Agreement becomes unconditional and the Subscriber is required to serve the notice of the Mandatory Offer to the Board in accordance with subparagraph 9.10(1) of the Rules on the same day. Further details of the Proposed Exemption are set out in Section 2.3 of Part A of this Circular.
Utilisation of proceeds	**<u>Proposed Restricted Issue</u>** Based on the Subscription Price, the Company is expected to raise gross proceeds of approximately RM160.00 million pursuant to the Proposed Restricted Issue which are intended to be utilised in the following manner:

Details of utilisation	RM'000	%	Estimated timeframe for utilisation (from the date of listing of the Restricted Shares)
Repayment of bank borrowings	60,000	37.50	Within 12 months
Operational requirements	17,000	10.63	Within 12 months
Working capital	82,000	51.25	Within 12 months
Estimated expenses in relation to the Proposals	1,000	0.62	Within 2 months
Total gross proceeds raised	**160,000**	**100.00**	

<table>
<tr><th>Key information</th><th>Description</th></tr>
<tr><td></td><td>Further details of the utilisation of proceeds are set out in Section 2.1.7 of Part A of this Circular.

<u>Proposed Capitalisation</u>

The Proposed Capitalisation relates to the Deposit paid by the Subscriber to the Company for the Proposed Restricted Issue. The Proposed Capitalisation will only be implemented if any of the conditions precedent of the Subscription Agreement is not fulfilled or waived within the stipulated timeframe or the Subscription Agreement is terminated by either party, in accordance with the terms of the Subscription Agreement. In the event the Deposit is capitalised, the Board intends to utilise the entire sum of the Deposit for the day-to-day working capital requirements of the Group. However, the detailed breakdown of such utilisation cannot be determined at this juncture.

Further details of the utilisation of proceeds are set out in Section 2.2.4 of Part A of this Circular.</td></tr>
<tr><td>Rationale and justifications for the Proposals</td><td><u>Proposed Restricted Issue</u>

After due consideration of the various methods of fund raising including rights issue and other debt financing, the Board is of the view that the Proposed Restricted Issue is currently the most appropriate avenue to raise funds as it:

(i) will enable the Group to raise funds more expeditiously and in a cost-effective manner as opposed to other equity fund raising exercises such as rights issue which is comparatively more time consuming and costly due to the following reasons:

(a) longer implementation times for rights issue, which typically takes around six (6) months; and

(b) underwriting arrangements and/or undertaking commitments from certain shareholders may be required to ensure the Group is able to raise the requisite minimum funding from the rights issue;

(ii) will provide an avenue for the Group to raise funds without incurring interest cost as compared to bank borrowings and issuance of debt instruments. This would allow the Group to preserve cash flow for other operational needs;

(iii) is expected to relieve the Group from having to rely mainly on borrowings to finance its working capital requirements, hence the Group's gearing level would be better managed; and

(iv) will improve the financial flexibility of the Group by increasing the size and strength of the Company's capital base and shareholders' funds to support the continuous business requirements of the Group.

Further details of the rationale and justifications for the Proposed Restricted Issue are set out in Section 3.1 of Part A of this Circular.</td></tr>
</table>

Key information	Description
	Proposed Capitalisation Both the Company and Subscriber entered into the Subscription Agreement in good faith with the intention of implementing the Proposed Restricted Issue. However, if the Proposed Restricted Issue cannot be completed or if any of the conditions precedent of the Subscription Agreement is not fulfilled or waived within the stipulated timeframe or the Subscription Agreement is terminated by either party, in accordance with the terms of the Subscription Agreement, the Subscriber agrees to allow the Company to capitalise the Deposit through the Proposed Capitalisation, resulting in the Subscriber holding approximately 11.93% of the enlarged total number of issued Shares of the Company upon completion of the Proposed Capitalisation and becoming a major shareholder in the Company. Both the Company and Subscriber remain committed to collaborating on opportunities within the rail industry. The Board is of the opinion that the Proposed Capitalisation will: (i) increase the cash flow availability of the Group; (ii) further improve the Company's equity base as well as net assets and gearing ratio of the Company as a result of the increase in the share capital of the Company; and (iii) allow the Group to utilise the Deposit for its day-to-day working capital requirements. Further details of the rationale and justifications for the Proposed Capitalisation are set out in Section 3.2 of Part A of this Circular. **Proposed Exemption** Upon the Subscriber and its PACs obtaining approval for the Proposed Exemption, the Subscriber and its PACs will be exempted from the obligation to undertake the Mandatory Offer under the Rules due to the increase of equity interests of the Subscriber in the Company to more than 33% upon completion of the Proposed Restricted Issue, as it is not the Subscriber's intention to undertake the Mandatory Offer. In the event the shareholders of the Company do not approve the Proposed Exemption, the Subscriber and the Company will not be able to complete the Subscription Agreement because this condition precedent under the Subscription Agreement cannot be fulfilled. However, if the shareholders of the Company approve the Proposed Exemption but the SC does not approve the Proposed Exemption, the Subscriber will undertake the Mandatory Offer in accordance with the Rules. Further details of the rationale and justifications for the Proposed Exemption are set out in Section 3.3 of Part A of this Circular.

<table>
<tr><th>Key information</th><th>Description</th></tr>
<tr><td>Approvals required and conditionality</td><td><u>Approvals required</u>

The Proposals are subject to, inter-alia, the following approvals being obtained from:

(i) Bursa Securities for the following:

(a) the listing of and quotation for the Restricted Shares to be issued pursuant to the Proposed Restricted Issue; and

(b) the listing of and quotation for the Capitalisation Shares to be issued pursuant to the Proposed Capitalisation,

on the Main Market of Bursa Securities;

(i) the shareholders of the Company at the forthcoming EGM for the Proposals;

(ii) the SC, for the Proposed Exemption; and

(iii) any other relevant authorities and/or parties, if required.

In the event the shareholders of the Company do not approve the Proposed Exemption, the Subscriber and the Company will not be able to complete the Subscription Agreement because this condition precedent under the Subscription Agreement cannot be fulfilled. However, if the shareholders of the Company approve the Proposed Exemption but the SC does not approve the Proposed Exemption, the Subscriber will undertake the Mandatory Offer in accordance with the Rules.

<u>Conditionality</u>

Save for the Proposed Exemption which is conditional upon the approval from the shareholders of the Company for the Proposed Restricted Issue but not vice versa, the Proposals are not inter-conditional upon each other.

The Proposals are not conditional upon any other proposals undertaken or to be undertaken by the Company.</td></tr>
<tr><td>Interests of Directors, major shareholders, chief executive and/or persons connected with them</td><td>None of the Directors, major shareholders, chief executive of the Company and/or persons connected with them have any interest, whether direct or indirect, in the Proposals.

Please refer to Section 8 of Part A of this Circular.</td></tr>
<tr><td>Directors' statement and recommendation</td><td>The Board, after having considered all aspects of the Proposals, including but not limited to the rationale and justifications and effects of the Proposals, the prospects of the Group as well as the evaluation of the Independent Adviser on the Proposed Exemption (as set out in Part B of this Circular), is of the opinion that the Proposals are in the best interest of the Company.

Accordingly, the Board recommends that you vote in favour of the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM.

Further details of the Directors' statement and recommendation are set out in Section 9 of Part A of this Circular.</td></tr>
</table>

Key information	Description
Independent adviser's recommendation in relation to the Proposed Exemption	The Independent Adviser is of the view that the Proposed Exemption is **fair and reasonable**. Accordingly, the Independent Adviser recommends that the non-interested shareholders **vote in favour** of the resolution pertaining to the Proposed Exemption to be tabled at the forthcoming EGM. The IAL containing the Independent Adviser's evaluation and recommendation on the Proposed Exemption is enclosed in Part B of this Circular.

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PART A

LETTER TO THE SHAREHOLDERS OF THE COMPANY IN RELATION TO THE PROPOSALS

PESTECH

PESTECH INTERNATIONAL BERHAD
(Registration No: 201101019901 (948035-U))
(Incorporated in Malaysia)

Registered Office

No. 26, Jalan Utarid U5/14
Seksyen U5
40150 Shah Alam
Selangor Darul Ehsan

25 November 2024

Board Of Directors

Lim Ah Hock *(Executive Chairman)*
Lim Pay Chuan *(Managing Director and Group Chief Executive Officer)*
Dato' Harjit Singh A/L Gurdev Singh *(Non-Independent Non-Executive Director)*
Hoo Siew Lee *(Independent Non-Executive Director)*
Helen Tan Miang Kieng *(Independent Non-Executive Director)*

To: The shareholders of PESTECH

Dear Sir/Madam,

(I) PROPOSED RESTRICTED ISSUE;

(II) PROPOSED CAPITALISATION; AND

(III) PROPOSED EXEMPTION

---

1. INTRODUCTION

On 16 August 2024, the Company announced that it had, on even date, entered into the HOA with the Subscriber.

On 4 October 2024, AIS had, on behalf of the Board, announced that the Company had entered into the Subscription Agreement with the Subscriber for the Proposed Restricted Issue and intends to undertake the Proposals.

In conjunction with the Proposed Restricted Issue, the Subscriber and its PACs intend to seek an exemption from the SC under subparagraph 4.08(1)(b) of the Rules from the obligation to undertake the Mandatory Offer.

For the avoidance of doubt, the Subscription Agreement shall supersede all the terms and conditions agreed between the Company and the Subscriber in the HOA.

Accordingly, the Board had, on the even date, appointed Mercury Securities as the Independent Adviser to advise the non-interested Directors and non-interested shareholders of the Company in respect of the fairness and reasonableness of the Proposed Exemption.

On 21 November 2024, AIS had, on behalf of the Board, announced that Bursa Securities had vide its letter dated 20 November 2024 (which was received on 21 November 2024), resolved to approve the additional listing application for the following:

(a) listing of and quotation for 1,333,335,000 Restricted Shares to be issued pursuant to the Proposed Restricted Issue; or

(b) listing of and quotation for 133,333,500 Capitalisation Shares to be issued pursuant to the Proposed Capitalisation,

on the Main Market of Bursa Securities, subject to the conditions as set out in Section 7.1 of Part A of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSALS AND TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO 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 CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR INCLUDING THE IAL AND THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSALS

2.1. Details of the Proposed Restricted Issue

2.1.1. Placement size

Pursuant to the Subscription Agreement, the Proposed Restricted Issue involves an issuance of 1,333,335,000 Restricted Shares at RM0.12 per Restricted Share.

As at the LPD, save for the approval of Bursa Securities for the listing of and quotation for the Restricted Shares on the Main Market of Bursa Securities which has been obtained on 20 November 2024, the remaining conditions precedent under the Subscription Agreement are yet to be fulfilled. The Company and the Subscriber are working toward fulfilling the remaining conditions precedent under the Subscription Agreement.

As at the LPD, the issued share capital of the Company is RM232,941,897 comprising 992,221,471 Shares (including 7,666,100 treasury shares).

For the implementation of the Proposed Restricted Issue, the Board has resolved that the Company shall not sell/cancel/distribute its treasury shares until completion of the Proposed Restricted Issue.

In addition, as at the LPD, the Company has a total of 95,145,862 outstanding Warrants constituted by the deed poll dated 25 November 2021. Each of the Warrants entitles its registered holder an option to exercise and subscribe for one (1) new Share at the exercise price of RM0.65 per Warrant at any time commencing on and including the date from the third anniversary of its date of issuance, which is no earlier than 16 December 2024 ("**Third Anniversary Year**").

In the event that the Proposed Restricted Issue is implemented after the Third Anniversary Year, the Board is of the view that none of the outstanding Warrants are likely to be exercised prior to the implementation of the Proposed Restricted Issue because the Warrants are, as at the LPD, "out-of-the money", given that the five (5)-day VWAMP of the Shares up to and including the LPD is RM0.12, which is lower than the exercise price of RM0.65 per Warrant.

Pursuant to the terms of the Subscription Agreement and as set out in Section 8 of Appendix I of this Circular, in the event any outstanding Warrants are exercised prior to the completion of the Proposed Restricted Issue, the Company shall seek the approval from its shareholders at a separate general meeting as well as any necessary approvals from the relevant regulatory authorities for the issuance of additional Shares to the Subscriber in order to maintain the Subscriber's shareholdings of approximately 57.52% of the enlarged total number of issued Shares of the Company upon completion of the Proposed Restricted Issue.

For information purposes, the Company implemented an ESOS on 8 March 2024. Since the implementation of the ESOS, the Company has not granted any ESOS Options to the Eligible Persons. The Company does not intend to grant any ESOS Options to the Eligible Persons until completion of the Proposed Restricted Issue.

Accordingly, the Restricted Shares represent approximately 135.43% of the existing total number of issued Shares of the Company (excluding treasury shares) and approximately 57.52% of the enlarged total number of issued Shares of the Company upon completion of the Proposed Restricted Issue (excluding treasury shares and assuming none of the Warrants are exercised and no ESOS Options are granted).

Details of the placement arrangement and the salient terms of the Subscription Agreement are set out in Section 2.1.2 of Part A and Appendix I of this Circular, respectively.

2.1.2. Placement arrangement

The subscription of the Restricted Shares shall be fully satisfied in cash in accordance with the terms and conditions of the Subscription Agreement.

The Proposed Restricted Issue will be implemented in a single tranche within six (6) months from the date of approval from Bursa Securities for the listing of and quotation for the Restricted Shares or any extended period as may be approved by Bursa Securities.

2.1.3. Background information of the Subscriber

DMIA was incorporated in Malaysia on 4 May 1996 under the Companies Act 1965 as a private limited company under the name of Tiara Squad (M) Sdn Bhd and is deemed registered under the Act. On 5 March 2004, DMIA assumed its present name.

DMIA Group is principally involved in the EPCC of public mobility and transportation (railways and highways), railway engineering and technology and real estate development. DMIA Group is involved in infrastructure projects in Malaysia and India.

As at the LPD, the issued share capital of DMIA is RM100,000,000 comprising 100,000,000 ordinary shares in DMIA. The shareholders and directors of DMIA and their respective shareholdings in DMIA are as follows:

		Direct Interest		**Indirect Interest**	
	Directorship	**No. of shares**	**%**	**No. of shares**	**%**
Datuk Seri Dr. Subramaniam Pillai A/L Sankaran Pillai	Yes	37,500,000	37.50	-	-
Datuk Mohamed Razeek Bin Md Hussain Maricar	Yes	21,000,000	21.00	-	-
Ir. Hjh Siti Saffur Binti Mansor	Yes	17,500,000	17.50	-	-
Puan Nazreen Binti Ahmad	Yes	15,000,000	15.00	-	-
Datuk Shaharuddin Bin Md Som	Yes	9,000,000	9.00	-	-
General Tan Sri Dato' Seri Panglima Mohd Azumi Bin Mohamed (RTD.)	Yes	-	-	-	-
Tan Sri Dato' Setia Mohd Anwar Bin Hj Mohd Nor	Yes	-	-	-	-
Total		**100,000,000**	**100.00**	**-**	**-**

As at the LPD, DMIA does not hold any Shares and none of its shareholders and directors has any family relationship with any Director and/or substantial shareholders of the Company.

2.1.4. Basis of determining and justification for the Subscription Price

The Subscription Price was arrived at on a willing-buyer willing-seller basis between the Company and the Subscriber through arm's length negotiations and after taking into consideration of the following:

(i) the urgent funding requirements of the Group for the purposes as set out in Section 2.1.7 of Part A of this Circular.

Based on the latest unaudited financial statements of the Group for the nine (9)-month FPE 30 June 2024, the Group has a negative cash and cash equivalents of approximately RM14.42 million as at 30 June 2024. Given the Group's relatively large order book as at the LPD of approximately RM504.33 million, the current negative cash position is deemed to be insufficient for the Group to fund its working capital requirements for its secured projects.

Additionally, the Group has a high debt position of approximately RM1.09 billion and gearing ratio of 3.60 times as at 30 June 2024.

The proceeds from the Proposed Restricted Issue will provide the Group with immediate cash relief to ease its overall cash flow position and a timely cash injection for its projects funding requirements. Upon achieving greater cash flow flexibility and improved gearing level, the Group will be in a better position to ensure the smooth continuation of its business; and

(ii) the prevailing market conditions and historical market prices of the Shares.

The Subscription Price represents a discount of approximately RM0.01 or 7.69% as at the LTD of RM0.13. For information purposes, the Subscription Price also represents the following discount to the VWAMPs of the Shares up to and including LTD:

	Price	**Discount**	
	RM	**RM**	**%**
Last trading price as at the LTD	0.1300	0.0100	7.69
<u>Up to and including the LTD</u>			
Five (5)-day VWAMP	0.1237	0.0037	2.99
One (1)-month VWAMP	0.1379	0.0179	12.98
Three (3)-month VWAMP	0.2017	0.0817	40.51

(Source: Bloomberg)

For information purposes, the Subscription Price also represents the following discount to the last trading price as at the LPD and VWAMPs of the Shares up to and including LPD:

	Price	Discount	
	RM	RM	%
Last trading price as at the LPD	0.12	-	-
Up to and including the LPD			
Five (5)-day VWAMP	0.1234	0.0034	2.76
One (1)-month VWAMP	0.1311	0.0111	8.47
Three (3)-month VWAMP	0.1444	0.0244	16.90

(Source: Bloomberg)

When considering the reasonableness of the Subscription Price, the Board has also considered, amongst others, the following:

(i) the Proposed Restricted Issue is necessary to enable the Group to finance its immediate day-to-day operational and working capital requirements for the projects as disclosed in Section 2.1.7 of Part A of this Circular.

The Group is also required to partially repay its bank borrowings to financial institutions to fulfil its financial obligations and further enhance its cashflow flexibility.

In the event the Group is unable to raise the necessary funding for the aforementioned purposes, its financial liquidity would be negatively impacted which may then affect the progress of its projects;

(ii) the potential synergistic benefits arising from the collaboration between the Group and the Subscriber after completion of the Proposed Restricted Issue as disclosed in Section 3.1 of Part A of this Circular; and

(iii) the financial conditions of the Group for the unaudited nine (9)-month FPE 30 June 2024, whereby the Group had registered a LAT attributable to the owners of the Company of RM144.56 million.

The Board is of the view that the Subscription Price is reasonable based on the following considerations:

(i) after negotiating the price with the Subscriber, both parties agreed that the Subscription Price is reasonable. However, given the fluctuating market price of the Shares, the discount applied to the Subscription Price compared to the prevailing market price of the Shares is considered sufficiently attractive to entice the Subscriber; and

(ii) the Subscriber is subscribing for not less than 51% of the total enlarged issued share capital of the Company. It is difficult to identify a strategic investor to subscribe for such a sizeable amount. Should the Subscriber decide not to proceed with the Proposed Restricted Issue, there is no guarantee that the Company will be able to issue shares of such substantial amount to other independent third-party investor(s) at a similar discount based on the current price trend of the Shares.

2.1.5. Ranking of the Restricted Shares

The Restricted Shares shall, upon allotment and issuance, rank equally and carry the same rights in all respects with the existing Shares, save and except that the Restricted Shares will not be entitled to any dividends, rights, allotments and/or any other forms of distributions that may be declared, made or paid, for which the entitlement date precedes the date of allotment and issuance of the Restricted Shares.

2.1.6. Listing of and quotation for the Restricted Shares

Bursa Securities had, vide its letter dated 20 November 2024, approved the listing of and quotation for the Restricted Shares on the Main Market of Bursa Securities, subject to the conditions as set out in Section 7.1 of Part A of this Circular.

2.1.7. Utilisation of proceeds

Based on the Subscription Price, the Company is expected to raise gross proceeds of approximately RM160.00 million pursuant to the Proposed Restricted Issue which are intended to be utilised in the following manner:

Details of utilisation	**RM'000**	**%**	**Estimated timeframe for utilisation (from the date of listing of the Restricted Shares)**
Repayment of bank borrowings[(1)]	60,000	37.50	Within 12 months
Operational requirements[(2)]	17,000	10.63	Within 12 months
Working capital[(3)]	82,000	51.25	Within 12 months
Estimated expenses in relation to the Proposals[(4)]	1,000	0.62	Within 2 months
Total gross proceeds raised	**160,000**	**100.00**	

Notes:

(1) Based on the latest unaudited consolidated financial statements of the Group for the 9-month FPE 30 June 2024, the total borrowings of the Group is approximately RM1.09 billion comprising term loans, bank overdrafts, revolving credits, trust receipts, lease liabilities and bankers acceptances. The Group intends to utilise proceeds of approximately RM60.00 million raised from the Proposed Restricted Issue to partially repay the bank borrowings. Such repayment of bank borrowings is expected to result in annual interest savings of approximately RM3.35 million calculated based on the tenure of the bank borrowings of up to 12 months and the effective interest rate of 5.59% per annum.

The proposed repayment of bank borrowings coupled with the increase in total equity from the issuance of the Restricted Shares pursuant to the Proposed Restricted Issue is expected to improve the Company's gearing ratio. Please refer to Section 5.2 of Part A of this Circular for the pro forma effect of the Proposed Restricted Issue on the Company's gearing ratio.

As at the LPD, the detailed breakdown for the repayment of bank borrowings cannot be determined as the Group has not finalised the allocation of proceeds for the repayment of bank borrowings.

*ABMB and its subsidiaries ("**ABMB Group**") are one of the lenders of the Group and the Group may utilise part of the proceeds raised from the Proposed Restricted Issue to repay its bank borrowings to ABMB Group.*

(2) The Group intends to utilise approximately RM17.00 million of the gross proceeds raised from the Proposed Restricted Issue for the payment of its day-to-day operating and administrative expenses such as staff costs (e.g. salaries and statutory contributions), corporate expenses (administrative and consultancy fees), taxes, office rental and upkeep of office as follow:

	RM'000
Staff costs (e.g. salaries and statutory contributions)	*8,000*
Corporate expenses (e.g. administrative and consultancy fees)	*7,000*
Taxes, office rental and upkeep of office	*2,000*
Total	***17,000***

(3) *The Group intends to utilise up to RM82.00 million of the gross proceeds raised from the Proposed Restricted Issue for its immediate working capital requirements as follows:*

	RM'000
Payment to suppliers, subcontractors and material costs for on-going projects as well as for tender bonds and/or performance bonds for new projects[(a)]	*75,800*
Semi-annual periodic distribution under the Company's Perpetual Sukuk[(b)]	*6,200*
Total	***82,000***

Notes:

(a) *As at the LPD, the Group has 14 on-going projects located in Malaysia, Cambodia, Philippines and Papua New Guinea. The on-going projects are as follows:*

No.	***Project***	***Project description***	***Country***	***Project status as at the LPD***
1.	*Junjung*	*Design, supply, erect, test and commissioning of the PMU 500/275 kilovolt ("**kV**") Junjung substation ("**Junjung**")*	*Malaysia*	*99.83%*
2.	*NUR*	*Design, supply, delivery, construction, erection, testing and commissioning of a new 132kV GIS substation*	*Malaysia*	*96.00%*
3.	*Cahaya Baru*	*Asset Replacement & Refurbishment for Primary and Combined Equipment including Autotransformer – PMU 275/132kV Cahaya Baru, Johor ("**Cahaya Baru**")*	*Malaysia*	*50.60%*
4.	*Prince Court*	*To supply, deliver, testing and commissioning of Double Circuit 275kV Underground Cable from PMU Prince Court to PMU Ampang, Kuala Lumpur*	*Malaysia*	*83.82%*
5.	*Rapid Transit System ("**RTS**")*	*Design, manufacture, supply, delivery, installation, testing and commissioning, interfacing, warranty and other related works of traction power supply (TPS) of RTS Link Assets for RTS Link Between Malaysia - Singapore*	*Malaysia*	*31.20%*
6.	*Teluk Kalong*	*PMU Teluk Kalong 132/33kV Extension, Terengganu ("**Teluk Kalong**")*	*Malaysia*	*54.00%*
7.	*PNG 11kV*	*Port Moresby 11kV Electrical System Upgrade*	*Papua New Guinea*	*92.00%*

No.	*Project*	*Project description*	*Country*	*Project status as at the LPD*
8.	*426 - South Luzon substation upgrading project*	*South Luzon substation upgrading project for Lumban, Daraga and San Juan substation*	*Philippines*	*98.50%*
9.	*433 Cebu - Bohol*	*Design, engineering, procurement, manufacturing, construction, installation, testing and commissioning for the primary, secondary & power compensating equipment, civil works and ancillary systems for the 230/138kV Corella Substation*	*Philippines*	*97.90%*
10.	*450 Nabas Boracay*	*Construction of a new 138/68kV Boracay GIS Substation and extension of 2x138kV diameters at outdoor AIS 138/69kV Nabas Substation*	*Philippines*	*93.50%*
11.	*523 - South Luzon Upgrading Project 2*	*South Luzon Substation Upgrading Project 2 for Lumban, Gumaca, Labo, Naga, Daraga, Tiwi A & Tiwi C*	*Philippines*	*47.00%*
12.	*Subic*	*Supply of parts, materials, special tool and technical expertise for the comprehensive maintenance of Subic GIS Substation ("**Subic**")*	*Philippines*	*96.90%*
13.	*Phnom Penh City Underground Cable*	*Phnom Penh City transmission and distribution system expansion project phase 2 - Underground transmission and distribution lines works*	*Cambodia*	*74.30%*
14.	*Tatay*	*230kV HDPP Tatay to Phnom Penh Transmission System Project ("**Tatay**")*	*Cambodia*	*78.10%*

For the avoidance of doubt, the 14 on-going projects are part of the Group's order book of approximately RM504.33 million as at the LPD. Currently, the Group's on-going projects are at various stages of completion. In addition to allocating the gross proceeds to the above on-going projects, the Group may also utilise such gross proceeds for tender bonds and/or performance bonds for the purpose of bidding/entering into new projects or new contracts.

The allocation of the proceeds to each on-going project or new contract cannot be determined at this juncture, and pursuant to the terms of the Subscription Agreement, the disbursement of the gross proceeds is subject to the prior approval of the Board (which shall include directors to be nominated by the Subscriber upon completion of the Proposed Restricted Issue) or any committee(s) to be established by the Board for the purpose of the utilisation of the gross proceeds.

Towards this end, upon completion of the Proposed Restricted Issue, the Board or the committee(s) (as the case may be) will assess the requirements of the on-going projects and new projects, if required, with the assistance of advisers (including technical advisers), to ensure efficient disbursement of the gross proceeds to facilitate completion of the same. Hence, it would be more appropriate for the gross proceeds to be allocated amongst the on-going projects and for new projects after the completion of the Proposed Restricted Issue as the funding requirements for each project may vary from time to time and are uncertain at this juncture. For information purposes, the Group does not foresee any additional financial commitment required to complete the on-going projects.

(b) Pursuant to the terms of the Subscription Agreement, the Company may utilise up to RM6.20 million from the Deposit prior to completion of the Proposed Restricted Issue to settle the Company's semi-annual periodic distribution under the Company's Perpetual Sukuk.

For information purposes, the Company had issued a total of five (5) series of Perpetual Sukuk and the proceeds raised from the issuance of the Perpetual Sukuk were utilised to refinance existing financing/borrowings, capital expenditure, working capital, general corporate purposes and/or defray fees, costs and expenses in relation to the issuance of the Company's Perpetual Sukuk.

(4) The breakdown of the estimated expenses in relation to the Proposals is illustrated as follows:

	RM'000
Professional fees[(a)]	*800*
Fees to relevant authorities	*60*
Miscellaneous expenses[(b)]	*140*
Total	***1,000***

Notes:

(a) These include advisory fees, placement fees and other professional fees payable to the Principal Adviser, Independent Adviser, solicitors and share registrar in relation to the Proposals.

(b) These include cost relating to printing, advertising, convening the EGM and other incidental expenses.

Any surplus or shortfall in these expenses will be adjusted accordingly against the amount allocated for the working capital.

Any variation and/or difference in the actual utilisation of proceeds raised from the Proposed Restricted Issue will be adjusted to or from the amount allocated for the working capital of the Group.

Pending full utilisation of the proceeds raised from the Proposed Restricted Issue, the proceeds will be placed in interest-bearing deposit accounts with licensed financial institutions and/or in short-term money market instruments. Any interests derived from the deposits with financial institutions and/or any gains arising from the short-term money market instruments will also be allocated for the general working capital of the Group.

2.1.8. Public shareholding spread requirement

The public shareholding spread of the Company based on the Record of Depositors maintained by Bursa Depository as at the LPD is approximately 65.81%. The Proposed Restricted Issue will result in the Company's public shareholding spread to reduce to approximately 27.95%. Nevertheless, the Proposed Restricted Issue will not result the Company in breaching the public shareholding spread requirement.

2.2. Details of the Proposed Capitalisation

Pursuant to the terms of the Subscription Agreement, the Proposed Capitalisation will only be implemented if any of the conditions precedent of the Subscription Agreement is not fulfilled or waived within the stipulated timeframe, or that either the Company or the Subscriber terminates the Subscription Agreement, in accordance with the terms of the Subscription Agreement. If the Subscription Agreement is completed, the Company will not implement the Proposed Capitalisation.

The Proposed Capitalisation involves the Company capitalising the Deposit paid by the Subscriber to the Company for the Proposed Restricted Issue, through the issuance of the 133,333,500 Capitalisation Shares by the Company to the Subscriber at the Capitalisation Issue Price of RM0.12 per Capitalisation Share, if required, pursuant to the terms of the Subscription Agreement. The Capitalisation Shares represent approximately 11.93% of the enlarged total number of issued Shares of the Company upon completion of the Proposed Capitalisation (excluding treasury shares and assuming none of the Warrants are exercised and no ESOS Options are granted).

The Board is of the view that the Proposed Capitalisation through the issuance of Capitalisation Shares to the Subscriber is not detrimental to the interests of existing shareholders as this will enhance the cashflow flexibility of the Group, in which the Group could utilise the Deposit for its day-to-day working capital requirements of the Group.

For clarification, the Proposed Capitalisation is subject to the approvals from Bursa Securities for the listing of and quotation for the Capitalisation Shares on the Main Market of Bursa Securities and from the Company's shareholders for the Proposed Capitalisation at the forthcoming EGM, failing which the Company shall refund the Deposit (together with interest accrued thereon, if any) to the Subscriber in immediately available funds.

2.2.1. Basis of determining and justification for the Capitalisation Issue Price

The Capitalisation Issue Price was arrived at on a willing-buyer willing-seller basis between the Company and the Subscriber through arm's length negotiations and after taking into consideration of the prevailing market conditions and historical market prices of the Shares.

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The Capitalisation Issue Price represents a discount of approximately RM0.01 or 7.69% as at the LTD of RM0.13. For information purposes, the Capitalisation Issue Price also represents the following discount to the VWAMPs of the Shares up to and including LTD:

	Price	Discount	
	RM	RM	%
Last trading price as at the LTD	0.13	0.01	7.69
Up to and including the LTD			
Five (5)-day VWAMP	0.1237	0.0037	2.99
One (1)-month VWAMP	0.1379	0.0179	12.98
Three (3)-month VWAMP	0.2017	0.0817	40.51

(Source: Bloomberg)

For information purposes, the Capitalisation Issue Price also represents the following discount to the last trading price as at the LPD and VWAMPs of the Shares up to and including LPD:

	Price	Discount	
	RM	RM	%
Last trading price as at the LPD	0.12	-	-
Up to and including the LPD			
Five (5)-day VWAMP	0.1234	0.0034	2.76
One (1)-month VWAMP	0.1311	0.0111	8.47
Three (3)-month VWAMP	0.1444	0.0244	16.90

(Source: Bloomberg)

Premised on the above, the Board is of the view that the Capitalisation Issue Price is reasonable.

2.2.2. Ranking of the Capitalisation Shares

The Capitalisation Shares shall, upon allotment and issuance, rank equally and carry the same rights in all respects with the existing Shares, save and except that the Capitalisation Shares will not be entitled to any dividends, rights, allotments and/or any other forms of distributions that may be declared, made or paid, for which the entitlement date precedes the date of allotment and issuance of the Capitalisation Shares.

2.2.3. Listing of and quotation for the Capitalisation Shares

Bursa Securities had, vide its letter dated 20 November 2024, approved the listing of and quotation for the Capitalisation Shares on the Main Market of Bursa Securities, subject to the conditions as set out in Section 7.1 of Part A of this Circular.

2.2.4. Utilisation of proceeds

The Proposed Capitalisation relates to the Deposit paid by the Subscriber to the Company for the Proposed Restricted Issue. The Proposed Capitalisation will only be implemented if any of the conditions precedent of the Subscription Agreement is not fulfilled or waived within the stipulated timeframe or the Subscription Agreement is terminated by either party, in accordance with the terms of the Subscription Agreement. In the event the Deposit is capitalised, the Board intends to utilise the entire sum of the Deposit for the day-to-day working capital requirements of the Group. However, the detailed breakdown of such utilisation cannot be determined at this juncture.

Pending full utilisation of the Deposit paid by the Subscriber to the Company, the Deposit will be placed in interest-bearing deposit accounts with licensed financial institutions.

Notwithstanding the above, pursuant to the terms of the Subscription Agreement, the Company may utilise a portion of the Deposit up to RM6.20 million prior to completion of the Proposed Restricted Issue to settle the Company's semi-annual periodic distribution of the Perpetual Sukuk.

If the Subscription Agreement is terminated, any interests derived from the Deposit or Balance Deposit with financial institutions will be paid to the Subscriber in cash. If the Subscription Agreement is completed, any interests derived from the Deposit or Balance Deposit with financial institutions will be paid to the Company and the Company intends to utilise such interests for the day-to-day working capital requirements of the Group upon completion of the Proposed Restricted Issue.

2.3. Details of the Proposed Exemption

Upon completion of the Proposed Restricted Issue, the Subscriber will hold 1,333,335,000 Shares and its shareholding in the Company will increase from nil to approximately 57.52% of the enlarged total number of issued shares of the Company. The equity interest is calculated premised on the following:

(i) the Board has resolved that the Company shall not sell/cancel/distribute its treasury shares until completion of the Proposed Restricted Issue;

(ii) none of the outstanding Warrants will be exercised prior to the implementation of the Proposed Restricted Issue because the Warrants are, as at the LPD, "out-of-the money", given that the five (5)-day VWAMP of the Shares up to and including the LPD is RM0.12, which is lower than the exercise price of RM0.65 per Warrant; and

(iii) no ESOS Options will be granted by the Company to the Eligible Persons until completion of the Proposed Restricted Issue.

As a result of the Proposed Restricted Issue, the Subscriber will be obliged to extend the Mandatory Offer pursuant to subsection 218(2) of the CMSA and subparagraph 4.01(a) of the Rules. As the Subscriber has no intention of undertaking the Mandatory Offer, the Subscriber and its PACs will seek an exemption from the SC pursuant to subparagraph 4.08(1)(b) of the Rules from the obligation to undertake the Mandatory Offer after obtaining the approval from the shareholders of the Company for the Proposed Exemption, by way of poll at the forthcoming EGM.

In the event the shareholders of the Company do not approve the Proposed Exemption, the Subscriber and the Company will not be able to complete the Subscription Agreement because this condition precedent under the Subscription Agreement cannot be fulfilled. However, if the shareholders of the Company approve the Proposed Exemption but the SC does not approve the Proposed Exemption, the Subscriber will undertake the Mandatory Offer in accordance with the Rules.

The Company will proceed with the Proposed Restricted Issue irrespective of whether the SC approves or rejects the Proposed Exemption.

In the event that:

(i) the Subscriber and its PACs obtain the approval from the SC for the Proposed Exemption, the Subscriber and its PACs will be exempted from the obligation to undertake the Mandatory Offer; or

(ii) the Subscriber and its PACs do not obtain the approval from the SC for the Proposed Exemption (i.e. rejection by the SC), the Subscriber will be required to undertake the Mandatory Offer in accordance with the Rules.

For information purposes, if the approval from the SC for the Proposed Exemption is not obtained, the Mandatory Offer will be triggered when the Subscription Agreement becomes unconditional and the Subscriber is required to serve the notice of the Mandatory Offer to the Board in accordance with subparagraph 9.10(1) of the Rules on the same day.

2.4. Pre-emptive rights pursuant to subsection 85(1) of the Act

Pursuant to subsection 85(1) of the Act, when read together with Clause 14 of the Constitution, the shareholders of the Company have a statutory pre-emptive right to be offered any new Shares to be issued by the Company which rank equally to the existing issued Shares.

Subsection 85(1) of the Act provides that:

"Subject to the constitution, where a company issue shares which rank equally to existing shares as to voting or distribution rights, those shares shall first be offered to the holders of existing shares in a manner which would, if the offer were accepted, maintain the relative voting and distribution rights of those shareholders."

Clause 14 of the Constitution provides that:

"Subject to any direction to the contrary that may be given by the Company in general meeting and subject always to this Constitution and the Act, all new shares or other Securities shall, before issue, be offered to Members who at the date of the offer are entitled to receive notices from the Company of general meetings in proportion as nearly as the circumstances admit, to the amount of the existing shares or Securities to which they are entitled. The offer shall be made by notice specifying the number of shares or Securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiry of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or Securities offered, the Directors may dispose of those shares or Securities in such manner as they think most beneficial to the Company. The Directors may likewise also dispose of any new shares or Securities which (by reason of the ratio which the new shares or Securities bear to shares or Securities held by persons entitled to an offer of new shares or Securities) cannot, in the opinion of the Directors, be conveniently offered under this Constitution."

In view of the above, the Company would be required to seek its shareholders' approval for the waiver of their statutory pre-emptive rights to be first offered any new Shares to be issued in connection with either the Proposed Restricted Issue or the Proposed Capitalisation prior to the issuance of such Shares to any third parties who are not the existing shareholders of the Company, which will consequently result in a dilution of the shareholders' shareholdings percentage in the Company. Such waiver will be sought via the resolutions pertaining to the Proposed Restricted Issue and the Proposed Capitalisation at the forthcoming EGM. The resolutions pertaining to the Proposed Restricted Issue and the Proposed Capitalisation, if passed, will constitute a waiver of the shareholders' pre-emptive rights to any new Shares to be issued pursuant to the Proposed Restricted Issue and the Proposed Capitalisation.

2.5. Other fund raising exercises in the past twelve (12) months

The Company has not undertaken any other equity fund raising exercises in the past twelve (12) months prior to the date of this Circular. For information purposes, the Company had announced that it had subsequently terminated and aborted the following corporate proposals in the past twelve (12) months prior to the date of this Circular:

Proposed Restricted Issue 2023

On 24 July 2023, the Board announced that the Company had, on even date, entered into a conditional subscription agreement with IJM Corporation Berhad ("**IJM**") ("**Subscription Agreement 2023**"), whereby the Company proposed to undertake a restricted issue of 800,000,000 new Shares, representing approximately 81.25% of the total number of issued shares of the Company (excluding treasury shares) to IJM at an issue price of RM0.155 per Share ("**Proposed Restricted Issue 2023**").

In conjunction with the Proposed Restricted Issue 2023, IJM and its PACs intended to seek an exemption from the SC under subparagraph 4.08(1)(b) of the Rules from the obligation to undertake a mandatory take-over offer to acquire all the remaining Shares and outstanding Warrants in the Company not already owned by them upon completion of the Proposed Restricted Issue 2023 ("**Proposed Exemption 2023**").

On 29 August 2023, Bursa Securities approved the listing of and quotation for 800,000,000 new Shares to be issued pursuant to the Proposed Restricted Issue 2023.

On 27 October 2023, the Company obtained the approval from its shareholders for the Proposed Restricted Issue 2023 and Proposed Exemption 2023.

On 15 August 2024, the Company and IJM mutually decided to terminate the Subscription Agreement 2023 due to non-fulfilment of the conditions precedent pursuant to the Subscription Agreement 2023.

In view of the above, the Board had on the even date decided to terminate and abort the Proposed Restricted Issue 2023 and the Proposed Exemption 2023.

2.6. Undertaking by shareholders

The Company had, on 10 October 2024, obtained irrevocable and unconditional written undertakings from the Undertaking Shareholders, to vote in favour of all resolutions pertaining to the Proposals to be tabled at the forthcoming EGM of the Company in respect of their shareholdings in the Company ("**Undertaking**").

The shareholdings of the Undertaking Shareholders in the Company as at the LPD are set out below:

Undertaking Shareholders	No. of Shares	%[1]
Lim Ah Hock	209,675,455	21.30
Lim Pay Chuan	115,250,670	11.71
Kumpulan Liva[2]	2,572,750	0.27
VESTECH Projects[3]	1,320,080	0.13
Total	**328,818,955**	**33.41**

Notes:

(1) Based on 984,555,371 Shares as at the LPD (excluding treasury shares).

(2) Lim Ah Hock is deemed interested in Kumpulan Liva by virtue of his son, Lim Peir Shenq's 50% shareholdings in Kumpulan Liva pursuant to Section 8 of the Act.

(3) Lim Ah Hock and Lim Pay Chuan are deemed interested in VESTECH Projects by virtue of their respective 50% shareholdings in Fornix Capital pursuant to Section 8 of the Act, which in turn owns 94.33% of shareholdings in VESTECH Projects.

The purpose of this Undertaking by the Undertaking Shareholders is to inform the shareholders of the Company that the intention of the Undertaking Shareholders to vote in favour of all resolutions pertaining to the Proposals to be tabled at the forthcoming EGM of the Company.

Notwithstanding that the Undertaking by the Undertaking Shareholders to vote in favour of all resolutions pertaining to the Proposals to be tabled at the forthcoming EGM of the Company, the Undertaking Shareholders are not considered as the PACs with the Subscriber pursuant to subsections 216(2) and 216(3) of the CMSA. Furthermore, the Undertaking by the Undertaking Shareholders to the Company does not extend to their acceptance or non-acceptance of the Mandatory Offer in the event that the Subscriber undertakes the Mandatory Offer.

Additionally, Mr. Lim Ah Hock and Mr. Lim Pay Chuan have each signed an undertaking letter dated 6 November 2024 with the Subscriber, undertaking, amongst others, that effective from 6 November 2024:

(a) for a period of 12 months from the completion of the Proposed Restricted Issue, they will not sell, transfer, assign, pledge or otherwise deal in any manner with their shareholdings in the Company, nor enter into any arrangement or agreement that may give effect to any of the foregoing (including accepting the Mandatory Offer in the event that the Subscriber undertakes the Mandatory Offer); and

(b) they will vote or procure the relevant parties to vote, in favour of all resolutions in connection with the Proposed Restricted issue to be tabled at the forthcoming EGM of the Company in respect of their shareholdings in the Company.

3. RATIONALE AND JUSTIFICATIONS FOR THE PROPOSALS

3.1. Proposed Restricted Issue

After due consideration of the various methods of fund raising including a rights issue and other debt financing, the Board is of the view that the Proposed Restricted Issue is currently the most appropriate avenue to raise funds as it:

(i) will enable the Group to raise funds more expeditiously and in a cost-effective manner as opposed to other equity fund raising exercises such as rights issue which is comparatively more time consuming and costly due to the following reasons:

 (a) longer implementation times for rights issue, which typically takes around six (6) months; and

 (b) underwriting arrangements and/or undertaking commitments from certain shareholders may be required to ensure the Group is able to raise the requisite minimum funding from the rights issue;

(ii) will provide an avenue for the Group to raise funds without incurring interest cost as compared to bank borrowings and issuance of debt instruments. This would allow the Group to preserve cash flow for other operational needs;

(iii) is expected to relieve the Group from having to rely mainly on borrowings to finance its working capital requirements, hence the Group's gearing level would be better managed; and

(iv) will improve the financial flexibility of the Group by increasing the size and strength of the Company's capital base and shareholders' funds to support the continuous business requirements of the Group.

The emergence of the Subscriber as the controlling shareholder of the Company with its shareholdings of approximately 57.52% after completion of the Proposed Restricted Issue is expected to bring significant benefits to the Group due to the expertise and proven track record of the Subscriber in the rail and other related industries. The Subscriber is one of a leading railway contractor in Malaysia and have successfully executed various projects both in Malaysia and India in the areas of property construction and development, highways construction and railway construction etc. The Subscriber has a large number of technical personnel, executives and personnel who bring technical excellence and experience in undertaking and executing multifarious construction projects successfully both in Malaysia and abroad.

As a controlling shareholder of the Company upon completion of the Proposed Restricted Issue, the Subscriber can assist the Group to expand its electrical, signalling and communication business. The Subscriber is looking to expand its railway construction business in India, Thailand and other Southeast Asia countries. The Group will be able to leverage and collaborate with the Subscriber from the contracts to be secured in the future, apart from the Subscriber's existing projects. This will provide opportunity for the Company to enhance the revenue as well as improving the operational efficiencies, scale of operation, cost reduction in procurement and in other areas resulting in improvement of the financial performance of the Group.

In addition, the entry of the Subscriber forming a strategic alliance will bring in additional synergistic benefits to the Company as follows:

(i) the Subscriber will work together with the Company in adopting new technological and commercial developments under each of its major business segments;

(ii) alliance with the Subscriber will assist the Company to expand its current businesses with new execution capabilities, development of green energy businesses, high value electric and power projects, multifarious railway business, electrification, communication and system businesses. This will enable the Company to grow both horizontally and vertically in terms of existing and new opportunities; and

(iii) the Subscriber with its experience senior management, including directors and senior executives will provide guidance to the Company to be more efficient, with the aim of reducing expenditure and completing on-going projects within the budgeted cost, thus improving profitability.

As at the LPD, the major projects in rail and other related industries undertaken by the Subscriber in the past five (5) years in Malaysia and India are as follows:

(i) Malaysia

(a) Phase 1 of Klang Valley Double Track Rehabilitation project awarded in 2015 and is expected to be completed by December 2024, with a contract value of approximately RM1.40 billion; and

(b) Phase 2 of Klang Valley Double Track Rehabilitation project awarded in 2022 and is expected to be completed by 2029, with a contract value of approximately RM4.10 billion.

(ii) India

Double Line Track from Gomoh-Koderma section awarded in 2024 and is expected to be completed by 2027, with a contract value of approximately RM430 million.

Premised on the above, the Proposed Restricted Issue is expected to create strategic and synergistic collaboration between the Group and DMIA Group, aimed at enhancing competitiveness, offering more comprehensive solutions, enabling participation in larger-scale projects, complementing each other's strength in the business activities and expanding the geographical footprint of both parties.

With the inclusion of DMIA Group, both parties will be able to expand their capabilities, offering more holistic and integrated construction and project management solutions and services to their customers by leveraging on each other's expertise, strength and competencies, particularly in rail-related infrastructure development.

Both the Group and DMIA Group have established strong track records in railway and rail electrification, highways, civil and electrical network infrastructures within the region, with expertise spanning across various aspects of railway projects, electrical power grids and renewable energy. The completion of the Proposed Restricted Issue is expected to generate synergistic advantages, enabling the Group and DMIA Group to propel forward within the region.

3.2. Proposed Capitalisation

Both the Company and Subscriber entered into the Subscription Agreement in good faith with the intention of implementing the Proposed Restricted Issue. However, if the Proposed Restricted Issue cannot be completed or if any of the conditions precedent of the Subscription Agreement is not fulfilled or waived within the stipulated timeframe or the Subscription Agreement is terminated by either party, in accordance with the terms of the Subscription Agreement, the Subscriber agrees to allow the Company to capitalise the Deposit through the Proposed Capitalisation, resulting in the Subscriber holding approximately 11.93% of the enlarged total number of issued Shares of the Company upon completion of the Proposed Capitalisation and becoming a major shareholder in the Company. Both the Company and Subscriber remain committed to collaborating on opportunities within the rail industry.

The Board is of the opinion that the Proposed Capitalisation will:

(i) increase the cash flow availability of the Group;

(ii) further improve the Company's equity base as well as NA and gearing ratio of the Company as a result of the increase in the share capital of the Company; and

(iii) allow the Group to utilise the Deposit for its day-to-day working capital requirements.

3.3. Proposed Exemption

Upon the Subscriber and its PACs obtaining approval for the Proposed Exemption, the Subscriber and its PACs will be exempted from the obligation to undertake the Mandatory Offer under the Rules due to the increase of equity interests of the Subscriber in the Company to more than 33% upon completion of the Proposed Restricted Issue, as it is not the Subscriber's intention to undertake the Mandatory Offer. In the event the shareholders of the Company do not approve the Proposed Exemption, the Subscriber and the Company will not be able to complete the Subscription Agreement because this condition precedent under the Subscription Agreement cannot be fulfilled. However, if the shareholders of the Company approve the Proposed Exemption but the SC does not approve the Proposed Exemption, the Subscriber will undertake the Mandatory Offer in accordance with the Rules.

4. OUTLOOK AND PROSPECTS

4.1. Overview and outlook of Malaysian economy

The Malaysian economy expanded by 5.3% in the third quarter of 2024 (second quarter ("**2Q**") 2024: 5.9%), driven by strong investment activity and continued improvement in exports. Investment activity was underpinned by strong spending on structures and machinery and equipment (M&E), while household spending sustained its expansion amid positive labour market conditions and policy support. In the external sector, exports continued to strengthen on the back of recovering external demand and positive spillovers from the global tech upcycle. Meanwhile, imports also grew at a faster pace, following strong demand for capital and intermediate goods to support rising investments and trade. On the supply side, most sectors remained supportive of growth. In particular, the improvement in the manufacturing sector was driven by export-oriented clusters. However, growth was partly offset by maintenance activities in the mining sector. On a quarter on quarter, seasonally-adjusted basis, growth momentum moderated to 1.8% (2Q 2024: 2.9%). Overall, the Malaysian economy expanded by 5.2% in the first three quarters of 2024.

During the quarter, both headline and core inflation remained stable at 1.9% (2Q 2024: 1.9%). Higher inflation was observed for diesel at 20.1% (2Q 2024: 5.3%) and vehicle insurance at 0.8% (2Q 2024: -0.1%), which was offset by broader moderation in inflation for food and beverages at 1.6% (2Q 2024: 1.9%), particularly food away from home, cereals, and fresh vegetables. On the whole, the share of Consumer Price Index (CPI) items recording monthly price increases was lower at 38.9% during the quarter (2Q 2024: 49.4%).

Going forward, growth of the Malaysian economy is expected to be driven by robust expansion in investment activity, strong exports and resilient household spending. Investment activities will be driven by continued progress of multi-year projects in both the private and public sectors, higher realisation of approved investments and the implementation of catalytic initiatives under the national master plans. Higher spillover from global tech upcycle and continued strength in demand for non-electrical and electronics goods will lift exports, while tourist spending is expected to improve further. Employment and wage growth, as well as policy measures would remain supportive of household spending.

The growth outlook faces downside risks from slower-than-expected external demand, further escalations in geopolitical tensions and protectionist measures as well as weaker-than-expected commodity production. Nevertheless, greater spillovers from the tech upcycle, faster implementation of investment projects and more robust tourism activities, provide upsides to Malaysia's economic outlook.

(Source: Economic and Financial Developments in the Malaysian Economy in the Third Quarter of 2024, BNM Quarterly Bulletin, Bank Negara Malaysia)

4.2. Overview and outlook of Cambodia, Philippines and Papua New Guinea economies

(i) Cambodia

Cambodia's economic growth is projected to marginally improve to 5.8% in 2024, driven mainly by a continued revival of services and good exports. Looking ahead, Cambodia's improved current account balance, supported by some success in diversifying its exported products beyond garment, travel goods and footwear products (to agricultural commodities, solar panels, and electrical and electronic parts) and its export markets beyond the United States of America and European Union markets (to regional markets, especially the Southeast Asia market) should support resilience of goods exports. The economic recovery, in conjunction with continued social assistance programs, should translate into a decline in poverty, reversing part of the likely increase in poverty in 2020 and 2021. The pace of poverty reduction is projected to accelerate this year.

Cambodia's real growth is projected to reach 6.1% in 2025 and 6.4% in 2026. The tourism and hospitality industries are anticipated to continue to expand, with a projected increase in international arrivals, surpassing the pre-pandemic levels in the coming years, while goods exports and foreign direct investment inflows are expected to be further strengthened by the newly ratified free trade agreements and a substantial increase in private and public investment in key physical infrastructure.

(Source: Cambodia Economic Update, June 2024, The World Bank)

(ii) Philippines

The Philippine economy is forecast to accelerate to 5.8% growth in 2024 from 5.5% in 2023 and to 5.9% in 2025. Growth is expected to be driven by strong household consumption, sustained strength in the services sector, and improved trade stemming from a rebound in global demand for goods and the continued recovery of services exports such as tourism.

(Source: Philippines Economic Update, Beyond the Numbers: Sustaining Poverty Reduction in Barmm, June 2024, The World Bank)

(iii) Papua New Guinea

Economic growth in Papua New Guinea continues to show resilience, with growth projected to be higher in 2024 and further increase in 2025. Headline inflation recorded a historical low of 0.1% in June 2024, with underlying trimmed-mean inflation of around 3.2%, reflecting significant falls in prices of seasonal items and lower prices for key imports. Inflation in Papua New Guinea is among the lowest in the region and below its long-term trend.

Growth in the domestic economy has been robust and driven by the mineral sector, while the non-mineral sector has experienced slower expansion. Papua New Guinea's growth forecast for this year is approximately 3.0% due mainly to increased prices and production of mineral export commodities. Growth in the non-mineral sector is driven by construction activity and higher prices for some agricultural exports (notably cocoa and coffee) and is supported by Papua New Guinea's government spending.

(Source: BPNG Monetary Policy Statement, September 2024, Bank of PNG)

4.3. Overview and outlook of the construction industry in Malaysia

The value of work done in the construction sector reached RM41.1 billion in the 3Q of 2024, marking a substantial growth of 22.9%, an improvement from the 20.2% recorded in the previous quarter. The growth momentum was primarily driven by a 42.6% expansion in the special trade activities subsector, which continues to demonstrate accelerated growth. Additionally, the residential buildings and non-residential buildings subsectors both gained the momentum by expanding 27.8% and 27.7% respectively. Meanwhile, the civil engineering subsector also expanded at a more moderate pace, still contributed positively with a 12.0% growth rate.

(Source: Construction Statistics, Third Quarter 2024, Department of Statistics Malaysia)

The construction sector is forecast to register a growth of 9.4% in 2025, largely driven by the acceleration of strategic infrastructure projects. The sector is expected to benefit particularly from civil engineering activities such as LRT3 Phase 2 and Sarawak-Sabah Link Road Phase 2. Similarly, the non-residential buildings subsector is projected to expand further, supported by strong demand for industrial facilities from the realisation of approved investments, coupled with the development of new industrial areas such as the Kerian Integrated Green Industrial Park (KIGIP) and Johor-Singapore special economic zone (JS-SEZ). Furthermore, the residential buildings subsector is anticipated to expand, driven by sustained demand for affordable housing as underlined by the Ekonomi MADANI framework, alongside new development projects by the private sector.

(Source: Economic Outlook 2025, Ministry of Finance Malaysia)

4.4. Overview and outlook of the construction industry in Cambodia

The construction sector experienced a slow growth of 1.1% in 2023 compared to 0.5% growth in 2022 due to the development of public infrastructure such as bridges, airports and expressways. Imports of construction materials and equipment increased by 4.7% (in 2022, it decreased by 25.6%). The rate of approval of construction projects increased one-fold, especially residential and public construction projects, while the total number of construction projects decreased by 20.5%.

(Source: Annual Report 2023, National Bank of Cambodia)

4.5. Prospects of the Group

The Group continues to face multiple external challenges in 2024 such as inflation risk and volatile currency market, which have placed immense pressure on the Group's business and financial performance.

Based on the latest unaudited consolidated financial statements of the Group for the nine (9)-month FPE 30 June 2024, the Group registered a LAT attributable to the owners of the Company approximately of RM144.56 million. This was mainly due to the impairment of contract assets of approximately RM205.02 million and a fair value loss of RM18.70 million from contract modifications attributable to the deferment of collection for a deferred payment project completed in June 2023.

As at the LPD, the Group has an outstanding order book of approximately RM504.33 million which is expected to provide revenue visibility for the next two (2) years. The Group will also continue to identify suitable opportunities to expand and strengthen its core business segments including high voltage and extra high voltage electrical systems, transmission lines and power cables, power generation, and rail electrification and signalling.

Moving forward, the Group intends to focus on projects with progressive payments, rather than long term deferred payments scheme, to minimise project funding requirements. This strategy aims to improve the Group's capital structure and ensure sustainable growth, particularly in the current rising interest rate environment.

Notwithstanding that the Subscriber will emerge as controlling shareholder of the Company with its shareholdings of approximately 57.52%, and is entitled and intends to nominate two (2) Executive Directors and one (1) Non-Executive Chairman to the Board upon completion of the Proposed Restricted Issue, Mr. Lim Ah Hock and Mr. Lim Pay Chuan will remain on the Board and continue to manage the day-to-day operations of the Group.

The identities and background of the three (3) proposed Directors to be nominated by the Subscriber to the Board upon completion of the Proposed Restricted Issue are as follows:

(1) Datuk Mohamed Razeek Md Hussain Maricar

Datuk Mohamed Razeek Md Hussain Maricar, a Malaysian aged 66, who holds a BSc Civil Engineering from Polytechnic of South Bank, London, is currently heading the operations and management of the DMIA group as its Group Chief Executive Officer. With 43 years of extensive experience in the engineering field, he is in charge of managing the entire operations of the company, namely the railway sector, roads and property developments. He has been instrumental in evolving new policies and programs which have brought in improvements and efficiencies in the functioning of the DMIA group, which has contributed to its growth.

(2) Tan Sri Dato' Seri Mohd Zuki Bin Ali

Tan Sri Dato' Seri Mohd Zuki bin Ali, a Malaysian aged 62, who holds a Bachelor of Economics from Universiti Kebangsaan Malaysia and then obtained his Master of Business Administration (Finance) from Nanyang University, Singapore in a collaboration programme with the Massachusetts Institute of Technology, Boston. He is currently the Chairman of Employees Provident Fund with effect from 1 September 2024. He retired from the Government services as the 15th Chief Secretary to the Government of Malaysia. He has consented to be nominated as one of the Directors representing DMIA to the Board.

Tan Sri Dato' Seri Mohd Zuki has received several awards in recognition of his contributions throughout his service. He was awarded the Excellent Service Award by the Ministry of Finance, the Ministry of Rural and Regional Development, as well as the State Palace. In addition, he was honoured with various medals including Darjah Indera Mahkota Pahang (Pahang State) in 2009, Panglima Setia DiRaja (Federal) in 2011, Seri Mahkota Wilayah (Federal) in 2018 and Darjah Panglima Mangku Negara which carries the title of Tan Sri for his loyalty and service to the King and country. In 2022, he was awarded the Terengganu State Level Maal Hijrah.

Over the last 30 years in Government service, his career has spanned across several ministries such as the Ministry of Education, the Ministry of Rural Development, the Ministry of Home Affairs and the Ministry of Natural Resources and Environment. He has held various positions of leadership during that time, such as Chief Assistant Secretary, Special Officer to the Minister and Senior Private Secretary to the Minister. From 2006 to 2011, his leadership qualities were recognised when he was appointed as the Senior Private Secretary to His Majesty the Yang di-Pertuan Agong.

Tan Sri Dato' Seri Mohd Zuki was then assigned to the Prime Minister's Department, where he held various positions such as Senior Consultant, Divisional Secretary, Deputy Chief Secretary (Management), Director General of Legal Affairs Division, Sarawak State Federal Secretary and finally as Senior Deputy Chief Secretary in 2017. He was appointed as Chief Secretary of the Ministry of Defense in 2019. YBhg Tan Sri Dato' Seri Mohd Zuki was appointed as the 15th Chief Secretary to the State on 1 January 2020, and subsequently, a year later he was appointed as UKM Pro-Chancellor. He also chairs various Companies, Razak School of Government and Malaysian Institute of Integrity.

(3) Datuk Seri Dr. Subramaniam Pillai A/L Sankaran Pillai

Datuk Seri Dr. Subramaniam Pillai A/L Sankaran Pillai, a Malaysian aged 54, who is one of the co-founders of DMIA and Group Executive Director of DMIA. He holds a Masters in Business Administration (MBA-Euro-Asia Management) from the University Putra Malaysia and University of Aix-Marseille, France. He also holds a certificate in Project Management and Contract Administration from Teesside Tertiary College, Middlesbrough, United Kingdom and a certificate for the Asean Advance Senior Management Development Program of the Harvard Business School.

He has more than 30 years' experience in the construction industry. He has immense knowledge and experience in highways, railways, property construction and development. Under his leadership DMIA has established and grown itself as a strong engineering, railway, infrastructure, property, and energy company based in Malaysia. Over the last 28 years with the company, DMIA has, under his leadership, completed innumerable projects in Malaysia and abroad. For the FYE 31 March 2024, DMIA has achieved a turnover of RM1.05 billion. He is instrumental in DMIA diversifying into railway construction. Under his leadership, DMIA has bagged the contract for Phase 1 of Klang Valley Double Track Rehabilitation project, which the project has completed. Besides that, DMIA is also successfully executing the Phase 2 of Klang Valley Double Track Rehabilitation project.

Under his leadership, DMIA has established firmly in property development by acquiring large land banks and starting constructions at Seremban, Salak South, Brickfields and Setapak Jaya, Kuala Lumpur, including affordable housing projects for civil servants at Projek Perumahan Penjawat Awam Malaysia (PPAM) Brickfields — a high-rise residential development with 913 units over 2.9 acres of land. Most of the projects are at an advanced planning and development stage. In addition, DMIA have also expanded to overseas and completed large infrastructure projects in India valued over several hundred million Ringgit Malaysia. The completed projects include the Malaysian High Commission Complex in New Delhi and six (6) major expressway projects in the states of Karnataka, Rajasthan, Madhya Pradesh, Andra Pradesh and Tamil Nadu under the National Highway Authority India (NHAI) and State highways. Currently DMIA's Indian subsidiary is executing two major highways for NHAI and one railway project for Indian Railways.

He is always focussed on adapting and investing in new cutting-edge technologies, machineries and methodologies. With a clear vision he has made investments in cutting-edge railway track machineries like specializing track and turnout laying system, track relaying train and panel lifters, a trio of specialised tools that are exclusive to DMIA for Southeast Asia. He is instrumental in DMIA diversifying into oil and gas and energy sectors with the required coveted licences and certifications.

However, the appointment of the three (3) proposed Directors to be nominated by the Subscriber as Executive Directors or Non-Executive Chairman have yet to be finalised at this juncture. The Subscriber's right to nominate the Directors is subject to the applicable laws as well as regulations, guidelines and codes issued by the relevant authorities. The Company will ensure compliance with paragraph 15.02 of the Rules and Malaysian Code on Corporate Governance 2021 issued by the SC. The Proposed Restricted Issue will not result in significant changes to the Group's principal activities or business direction.

With the Subscriber's expertise and proven track record in the rail and other related industries, it is well-positioned to complement the Group's capabilities and competencies. The relationship between the Group and the Subscriber has been well-established since 2017, when they collaborated on the electrification works for Phase 1 of the Klang Valley Double Track Rehabilitation project, where the Subscriber served as the main contractor for the civil and track works and the Group served as the subcontractor for upgrading the signalling and electrification systems work package. Both the Group and the Subscriber have relevant experience in rail electrification, with the Subscriber focusing primarily on civil works and rail track laying, while the Group specialises in signalling and electrification systems. This collaboration presents a significant opportunity to extend their comprehensive railway solutions and systems to its customers by leveraging the combined expertise of both organisations following the completion of the Proposed Restricted Issue.

The Board is confident that the Group and the Subscriber share a common vision in developing essential infrastructure for the country. The Board looks forward to contributing to Malaysia's growth and exporting the Group's expertise to serve broader markets as a unified, synergistic Malaysian entity.

With this prospect of new capital infusion, the Group is cautiously confident that it will continue to serve in the rail electrification, power grid built-up and renewable energy sectors. These sectors continue to be the focus in most countries in the region in their built-up towards sustainable development of transportation system and modernisation of the electrical grid, providing the Group with robust business opportunities.

Premised on the above and after taking into consideration the overview and outlook of the economies and industries in which the Group is operating as set out in Sections 4.1 to 4.5 of Part A of this Circular, the Board remains cautiously optimistic on the business strategy and future prospects of the Group.

(*Source: Management of PESTECH*)

5. EFFECTS OF THE PROPOSALS

The Proposed Exemption will not have any effect on the issued share capital and substantial shareholders' shareholdings of the Company as well as NA, NA per Share, gearing and losses of the Group.

For the purpose of implementing either the Proposed Restricted Issue or the Proposed Capitalisation, the Board has resolved that the Company shall not sell/cancel/distribute its treasury shares until completion of either the Proposed Restricted Issue or the Proposed Capitalisation.

In addition, the Board is of the view that none of the outstanding Warrants will be exercised prior to the implementation of either the Proposed Restricted Issue or the Proposed Capitalisation because the Warrants are, as at the LPD, "out-of-the money", given that the five (5)-day VWAMP of the Shares up to and including the LPD is RM0.12, which is lower than the exercise price of RM0.65 per Warrant.

In relation to the ESOS, the Company does not intend to grant any ESOS Options to the Eligible Persons until completion of either the Proposed Restricted Issue or the Proposed Capitalisation.

For illustration purposes, the pro forma effects of either the Proposed Restricted Issue or the Proposed Capitalisation on the issued share capital and substantial shareholders' shareholdings of the Company as well as NA, NA per Share, gearing and losses of the Group are set out below.

5.1. Issued share capital

The pro forma effects of either the Proposed Restricted Issue or the Proposed Capitalisation on the issued share capital of the Company respectively, are as follows:

Proposed Restricted Issue

	No. of Shares	% of Shares	RM
Issued share capital as at the LPD[(1)]	992,221,471	42.67%	232,941,897
Restricted Shares to be issued pursuant to the Proposed Restricted Issue	1,333,335,000	57.33%	160,000,200[(2)]
Enlarged share capital	**2,325,556,471**	**100.00%**	**392,942,097**

Notes:

(1) Including treasury shares as at the LPD.

(2) Computed based on RM0.12 per Restricted Share.

Proposed Capitalisation

	No. of Shares	% of Shares	RM
Issued share capital as at the LPD[(1)]	992,221,471	88.15%	232,941,897
Capitalisation Shares to be issued pursuant to the Proposed Capitalisation	133,333,500	11.85%	16,000,020[(2)]
Enlarged share capital	**1,125,554,971**	**100.00%**	**248,941,917**

Notes:

(1) Including treasury shares as at the LPD.

(2) Computed based on RM0.12 per Capitalisation Share.

5.2. NA, NA per Share and gearing

Based on the latest audited consolidated statement of financial position of the Group as at 30 September 2023, the pro forma effects of either the Proposed Restricted Issue or the Proposed Capitalisation on the NA, NA per Share and gearing of the Group respectively, are as follows:

Proposed Restricted Issue

	Audited as at 30 September 2023 (RM'000)	After the Proposed Restricted Issue (RM'000)
Share capital	232,942	392,942[(1)]
Treasury shares	(4,183)	(4,183)
Reserve	18,971	18,971
Retained earnings	91,178	90,178[(2)]
Equity attributable to the owners of the Company / NA	**338,908**	**497,908**
Perpetual Sukuk	100,000	100,000
Non-controlling interests	35,600	35,600
Total equity	**474,508**	**633,508**
No. of Shares (excluding treasury shares) ('000)	984,555	2,317,890
NA per Share (RM)	0.34	0.21
Borrowings (interest-bearing) (RM'000)	1,128,164	1,068,164[(3)]
Gearing ratio (times)	2.38	1.69

Notes:

(1) Computed based on RM0.12 per Restricted Share.

(2) After deducting estimated expenses of RM1.00 million in relation to the Proposals.

(3) Assuming RM60.00 million raised from the Proposed Restricted Issue will be utilised for the partial repayment of the Group's existing bank borrowings.

Proposed Capitalisation

	Audited as at 30 September 2023 (RM'000)	**After the Proposed Capitalisation (RM'000)**
Share capital	232,942	248,942[(1)]
Treasury shares	(4,183)	(4,183)
Reserve	18,971	18,971
Retained earnings	91,178	90,178[(2)]
Equity attributable to the owners of the Company / NA	**338,908**	**353,908**
Perpetual Sukuk	100,000	100,000
Non-controlling interests	35,600	35,600
Total equity	**474,508**	**489,508**
No. of Shares (excluding treasury shares) ('000)	984,555	1,117,889
NA per Share (RM)	0.34	0.32
Borrowings (interest-bearing) (RM'000)	1,128,164	1,128,164
Gearing ratio (times)	2.38	2.30

Notes:

(1) Computed based on RM0.12 per Capitalisation Share.

(2) After deducting estimated expenses of RM1.00 million in relation to the Proposals.

For information purposes, based on the latest unaudited consolidated statement of financial position of the Group as at 30 June 2024, the pro forma effects of either the Proposed Restricted Issue or the Proposed Capitalisation on the NA, NA per Share and gearing of the Group respectively, are as follows:

Proposed Restricted Issue

	Unaudited as at 30 June 2024 (RM'000)	**After the Proposed Restricted Issue (RM'000)**
Share capital	232,942	392,942[(1)]
Treasury shares	(4,183)	(4,183)
Reserve	17,492	17,492
Accumulated losses	(53,385)	(54,385)[(2)]
Equity attributable to the owners of the Company / NA	**192,866**	**351,866**
Perpetual Sukuk	82,000	82,000
Non-controlling interests	26,843	26,843
Total equity	**301,709**	**460,709**
No. of Shares (excluding treasury shares) ('000)	984,555	2,317,890
NA per Share (RM)	0.20	0.15
Borrowings (interest-bearing) (RM'000)	1,085,176	1,025,176[(3)]
Gearing ratio (times)	3.60	2.23

Notes:

(1) Computed based on RM0.12 per Restricted Share.

(2) After deducting estimated expenses of RM1.00 million in relation to the Proposals.

(3) Assuming RM60.00 million raised from the Proposed Restricted Issue will be utilised for the partial repayment of the Group's existing bank borrowings.

Proposed Capitalisation

	Unaudited as at 30 June 2024 (RM'000)	**After the Proposed Capitalisation (RM'000)**
Share capital	232,942	248,942[(1)]
Treasury shares	(4,183)	(4,183)
Reserve	17,492	17,492
Accumulated losses	(53,385)	(54,385)[(2)]
Equity attributable to the owners of the Company / NA	**192,866**	**207,866**
Perpetual Sukuk	82,000	82,000
Non-controlling interests	26,843	26,843
Total equity	**301,709**	**316,709**
No. of Shares (excluding treasury shares) ('000)	984,555	1,117,889
NA per Share (RM)	0.20	0.19
Borrowings (interest-bearing) (RM'000)	1,085,176	1,085,176
Gearing ratio (times)	3.60	3.43

Notes:

(1) Computed based on RM0.12 per Capitalisation Share.

(2) After deducting estimated expenses of RM1.00 million in relation to the Proposals.

5.3. Losses and LPS

The Proposed Restricted Issue or the Proposed Capitalisation is expected to contribute positively to the future earnings of the Group for the 18-month FPE 31 March 2025, when the benefits arising from the proposed utilisation of proceeds are realised. However, the Shares to be issued pursuant to the Proposed Restricted Issue or the Proposed Capitalisation will result in a corresponding dilution in the Company's LPS due to the increase in the number of Shares in issue.

For illustration purposes, assuming either the Proposed Restricted Issue or the Proposed Capitalisation had been effected at the beginning of the 15-month FPE 30 September 2023, the pro forma effects of either the Proposed Restricted Issue or the Proposed Capitalisation on the losses and LPS of the Group for the 15-month FPE 30 September 2023 are as follows:

Proposed Restricted Issue

	Audited 15-month FPE 30 September 2023	**After the Proposed Restricted Issue**
LAT attributable to the owners of the Company (RM'000)	(334,288)	(331,934)[(1)]
No. of Shares (excluding treasury shares) ('000)	984,555	2,317,890
LPS (sen)	(33.95)	(14.32)

Note:

(1) After deducting estimated expenses of RM1.00 million in relation to the Proposals.

Assuming RM60.00 million raised from the Proposed Restricted Issue will be utilised for the partial repayment of the Group's existing bank borrowings, this would result in an annual interest savings of approximately RM3.35 million calculated based on the tenure of the bank borrowings of up to 12 months and the effective interest rate of 5.59% per annum. However, the actual interest savings may vary depending on the then applicable interest rate.

Barring any unforeseen circumstances, the Proposed Restricted Issue is expected to contribute positively to the future earnings of the Group as and when the benefits arising from the proposed utilisation of proceeds are realised. In this respect, the proceeds earmarked for the working capital requirements is vital for the Group to deliver its projects on time, thereby generating more revenue and contributing positively to the future earnings of the Group.

Proposed Capitalisation

	Audited 15-month FPE 30 September 2023	**After the Proposed Capitalisation**
LAT attributable to the owners of the Company (RM'000)	(334,288)	(335,288)[1]
No. of Shares (excluding treasury shares) ('000)	984,555	1,117,889
LPS (sen)	(33.95)	(29.99)

Note:

(1) After deducting estimated expenses of RM1.00 million in relation to the Proposals.

For information purposes, assuming either the Proposed Restricted Issue or the Proposed Capitalisation had been effected at the beginning of the 9-month FPE 30 June 2024, the pro forma effects of either the Proposed Restricted Issue or the Proposed Capitalisation on the losses and LPS of the Group for the 9-month FPE 30 June 2024 are as follows:

Proposed Restricted Issue

	Unaudited 9-month FPE 30 June 2024	**After the Proposed Restricted Issue**
LAT attributable to the owners of the Company (RM'000)	(144,563)	(142,209)[1]
No. of Shares (excluding treasury shares) ('000)	984,555	2,317,890
LPS (sen)	(14.68)	(6.14)

Note:

(1) After deducting estimated expenses of RM1.00 million in relation to the Proposals.

Assuming RM60.00 million raised from the Proposed Restricted Issue will be utilised for the partial repayment of the Group's existing bank borrowings, this would result in an annual interest savings of approximately RM3.35 million calculated based on the tenure of the bank borrowings of up to 12 months and the effective interest rate of 5.59% per annum. However, the actual interest savings may vary depending on the then applicable interest rate.

Proposed Capitalisation

	Unaudited 9-month FPE 30 June 2024	**After the Proposed Capitalisation**
LAT attributable to the owners of the Company (RM'000)	(144,563)	(145,563)[1]
No. of Shares (excluding treasury shares) ('000)	984,555	1,117,889
LPS (sen)	(14.68)	(13.02)

Note:

(1) After deducting estimated expenses of RM1.00 million in relation to the Proposals.

5.4. Substantial shareholders' shareholdings

The pro forma effects of either the Proposed Restricted Issue or the Proposed Capitalisation on the shareholdings of the substantial shareholders of the Company as at the LPD are as follows:

Proposed Restricted Issue

	As at the LPD[1]				After the Proposed Restricted Issue[2]			
	Direct		Indirect		Direct		Indirect	
Name	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**
Lim Ah Hock	209,675,455	21.30	3,892,830	0.40[3]	209,675,455	9.05	3,892,830	0.17[3]
Lim Pay Chuan	115,250,670	11.71	1,320,080	0.13[4]	115,250,670	4.97	1,320,080	0.06[4]
DMIA	-	-	-	-	1,333,335,000	57.52	-	-
Datuk Seri Dr. Subramaniam Pillai A/L Sankaran Pillai	-	-	-	-	-	-	1,333,335,000	57.52[5]
Datuk Mohamed Razeek Bin Md Hussain Maricar	-	-	-	-	-	-	1,333,335,000	57.52[5]

Notes:

(1) *Based on 984,555,371 Shares as at the LPD (excluding treasury shares).*

(2) *Based on the enlarged total number of issued Shares of the Company of 2,317,890,371 Shares (excluding treasury shares) after the Proposed Restricted Issue.*

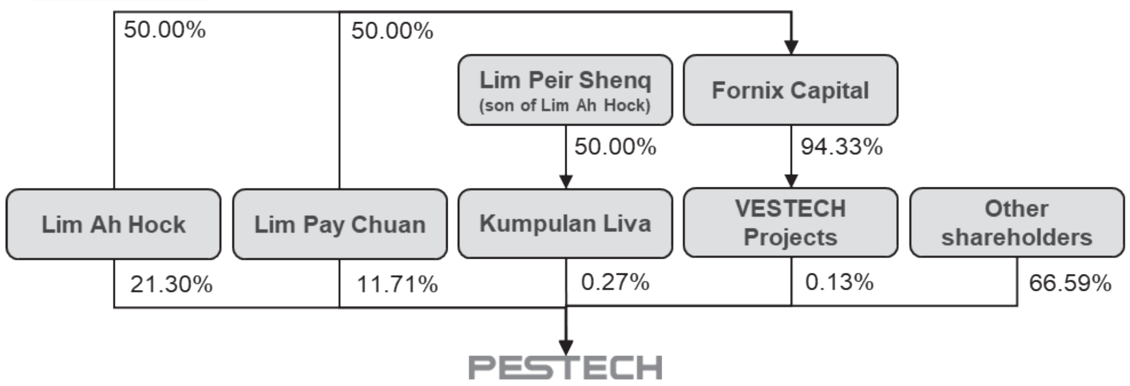
(3) *Deemed interested by virtue of his indirect shareholdings in Kumpulan Liva and VESTECH Projects pursuant to Section 8 of the Act.*

(4) *Deemed interested by virtue of his indirect shareholdings in VESTECH Projects pursuant to Section 8 of the Act.*

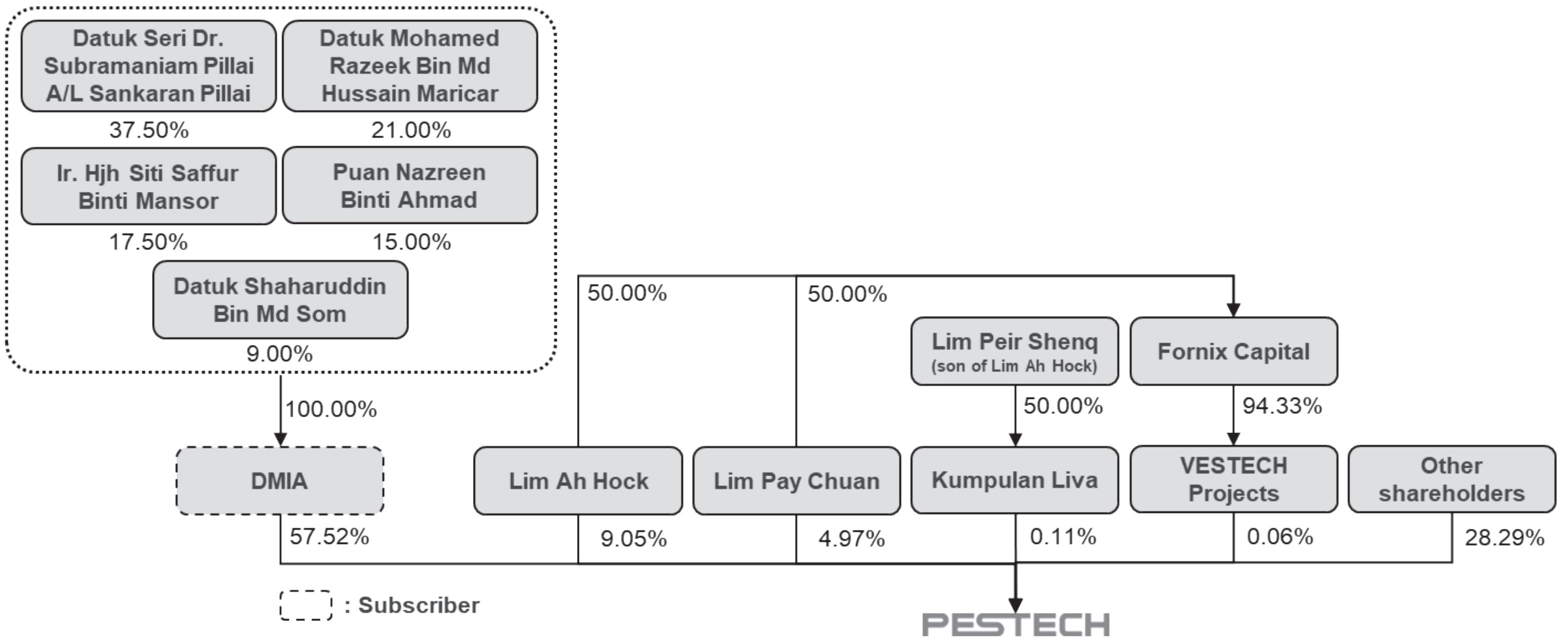
(5) *Deemed interested by virtue of his direct shareholdings in DMIA pursuant to Section 8 of the Act.*

The shareholding structure of the Company before and after the Proposed Restricted Issue are as follows:

As at the LPD



After the Proposed Restricted Issue



Proposed Capitalisation

	As at the LPD[1]				After the Proposed Capitalisation[2]			
	Direct		Indirect		Direct		Indirect	
Name	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**
Lim Ah Hock	209,675,455	21.30	3,892,830	0.40[3]	209,675,455	18.76	3,892,830	0.35[3]
Lim Pay Chuan	115,250,670	11.71	1,320,080	0.13[4]	115,250,670	10.31	1,320,080	0.12[4]
DMIA	-	-	-	-	133,333,500	11.93	-	-
Datuk Seri Dr. Subramaniam Pillai A/L Sankaran Pillai	-	-	-	-	-	-	133,333,500	11.93[5]
Datuk Mohamed Razeek Bin Md Hussain Maricar	-	-	-	-	-	-	133,333,500	11.93[5]

Notes:

(1) *Based on 984,555,371 Shares as at the LPD (excluding treasury shares).*

(2) *Based on the enlarged total number of issued Shares of the Company of 1,117,888,871 Shares (excluding treasury shares) after the Proposed Capitalisation.*

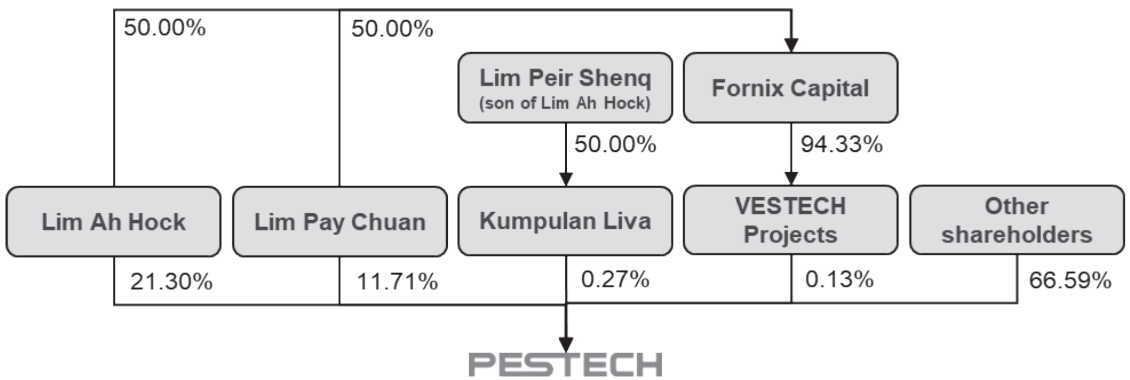
(3) *Deemed interested by virtue of his indirect shareholdings in Kumpulan Liva and VESTECH Projects pursuant to Section 8 of the Act.*

(4) *Deemed interested by virtue of his indirect shareholdings in VESTECH Projects pursuant to Section 8 of the Act.*

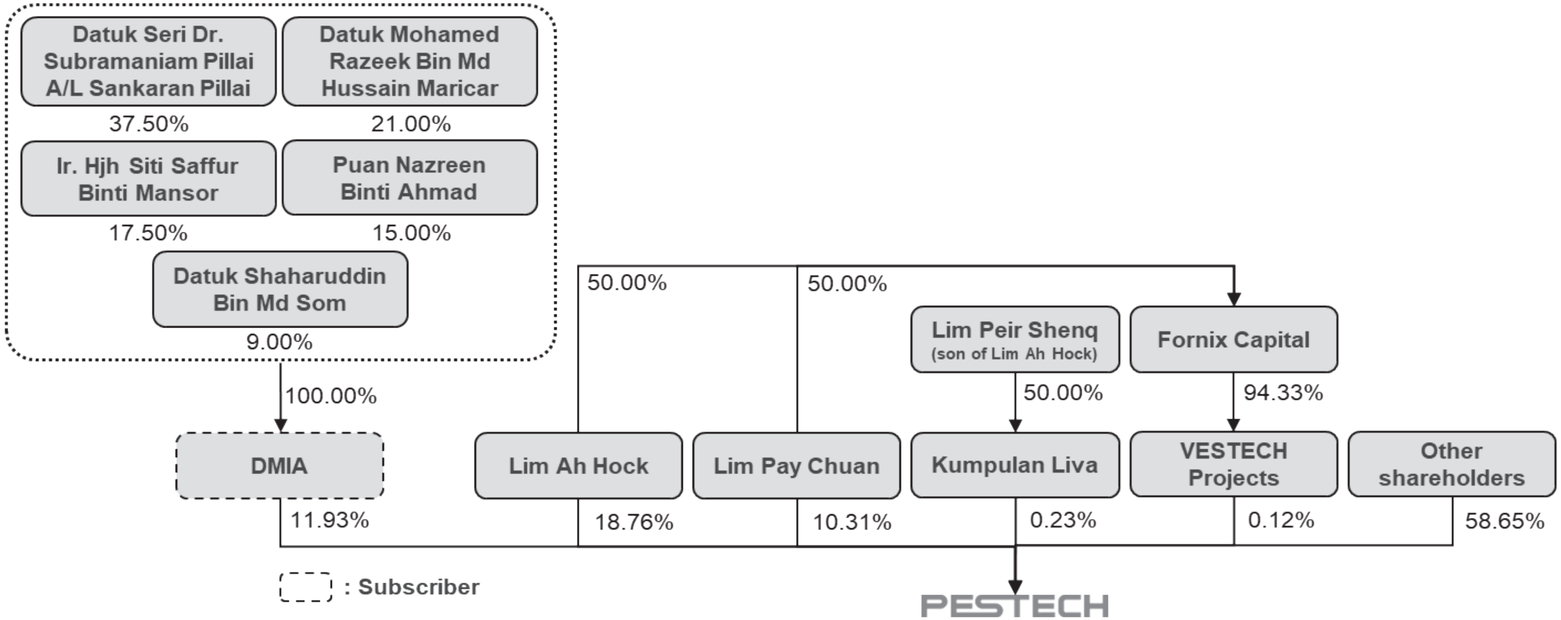
(5) *Deemed interested by virtue of his direct shareholdings in DMIA pursuant to Section 8 of the Act.*

The shareholding structure of the Company before and after the Proposed Capitalisation are as follows:

As at the LPD



After the Proposed Capitalisation



5.5. Convertible securities

Save for the 95,145,862 outstanding Warrants, the Company does not have any other convertible securities as at the LPD.

The Proposed Restricted Issue or the Proposed Capitalisation will not give rise to any adjustments to the exercise price and/or the outstanding number of the Warrants.

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6. HISTORICAL SHARE PRICES

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

	High RM	Low RM
2023		
November	0.355	0.255
December	0.340	0.265
2024		
January	0.335	0.275
February	0.280	0.210
March	0.255	0.190
April	0.240	0.200
May	0.225	0.190
June	0.250	0.185
July	0.280	0.195
August	0.240	0.145
September	0.180	0.125
October	0.170	0.110
Last transacted market price of the Shares on the LTD		0.130
Last transacted market price of the Shares on the LPD		0.120

(Source: Bloomberg)

7. APPROVALS REQUIRED AND CONDITIONALITY

7.1. Approvals required

The Proposals are subject to, inter-alia, the following approvals being obtained from:

(i) Bursa Securities for the following:

(a) the listing of and quotation for the Restricted Shares to be issued pursuant to the Proposed Restricted Issue; and

(b) the listing of and quotation for the Capitalisation Shares to be issued pursuant to the Proposed Capitalisation,

on the Main Market of Bursa Securities, which was obtained vide its letter dated 20 November 2024, subject to the following conditions:

No.	Conditions	Status of compliance
1.	PESTECH and AIS must fully comply with the relevant provisions under the Listing Requirements, pertaining to the implementation of the Proposed Restricted Issue or Proposed Capitalisation, including compliance with the public security holding spread requirement pursuant to Paragraph 8.02(1) of the Listing Requirements;	To be complied
2.	AIS to inform Bursa Securities upon the completion of the Proposed Restricted Issue or Proposed Capitalisation;	To be complied

No.	Conditions	Status of compliance
3.	AIS to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Restricted Issue or Proposed Capitalisation is completed; and	To be complied
4.	PESTECH to furnish Bursa Securities with a certified true copy of the resolutions passed by the shareholders in general meeting approving the Proposed Restricted Issue and Proposed Capitalisation.	To be complied

(ii) the shareholders of the Company at the forthcoming EGM for the Proposals;

(iii) the SC, for the Proposed Exemption; and

(iv) any other relevant authorities and/or parties, if required.

In the event the shareholders of the Company do not approve the Proposed Exemption, the Subscriber and the Company will not be able to complete the Subscription Agreement because this condition precedent under the Subscription Agreement cannot be fulfilled. However, if the shareholders of the Company approve the Proposed Exemption but the SC does not approve the Proposed Exemption, the Subscriber will undertake the Mandatory Offer in accordance with the Rules.

7.2. Conditionality

Save for the Proposed Exemption which is conditional upon the approval from the shareholders of the Company for the Proposed Restricted Issue but not vice versa, the Proposals are not inter-conditional upon each other.

The Proposals are not conditional upon any other proposals undertaken or to be undertaken by the Company.

8. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED WITH THEM

None of the Directors, major shareholders, chief executive of the Company and/or persons connected with them have any interest, whether direct or indirect, in the Proposals.

9. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board, after having considered all aspects of the Proposals, including but not limited to the rationale and justifications and effects of the Proposals, the prospects of the Group as well as the evaluation of the Independent Adviser on the Proposed Exemption (as set out in Part B of this Circular), is of the opinion that the Proposals are in the best interest of the Company.

Shareholders should note that two of the Directors, namely Lim Ah Hock and Lim Pay Chuan, who are also the substantial shareholders of the Company, have provided their respective irrevocable and unconditional written undertakings to vote in favour of all the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM in respect of their shareholdings in the Company. Further details of the aforementioned undertakings are set out in Section 2.6 of Part A of this Circular.

Accordingly, the Board recommends that you **vote in favour** of the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM.

10. CORPORATE PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save for the Proposals, the Board confirms that as at the date of this Circular, there are no other outstanding corporate exercises that have been announced but pending completion by the Company.

11. ESTIMATED TIMEFRAME FOR COMPLETION

Subject to all the relevant approvals and/or consents being obtained and barring any unforeseen circumstances, the Proposals are expected to be completed by the first (1^{st}) quarter of 2025.

12. EGM

The EGM will be held at KEC Toh Yuen VIP Room, Ground Floor, Klang Executive Club, Persiaran Bukit Raja 2, Bandar Baru Klang, 41150 Klang, Selangor Darul Ehsan on Tuesday, 10 December 2024 at 10:00 a.m., for the purpose of considering and if thought fit, passing with or without modifications, the resolutions as set out in the Notice of EGM enclosed in this Circular, to give effect to the Proposals.

If you are unable to attend, speak and vote at the Company's EGM, you are requested to complete, sign and return the enclosed Form of Proxy in accordance with the instructions printed therein as soon as possible, so as to arrive at the office of the Company's share registrar, Securities Services (Holdings) Sdn Bhd at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur not less than 48 hours before the time appointed for holding the EGM. The lodging of the Form of Proxy will not preclude you from attending, speaking and voting in person at the EGM should you subsequently wish to do so.

13. FURTHER INFORMATION

Shareholders are advised to refer to the appendices set out in this Circular for further information.

Yours faithfully,
For and on behalf of the Board of
PESTECH INTERNATIONAL BERHAD

LIM AH HOCK
Executive Chairman

PART B

INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED DIRECTORS AND NON-INTERESTED SHAREHOLDERS OF THE COMPANY IN RELATION TO THE PROPOSED EXEMPTION

Unless otherwise stated, all defined terms and abbreviations used in this Executive Summary shall carry the same meaning as those defined in the 'Definitions' section of the Circular.

All references to "we", "us" and "our" in this IAL are to Mercury Securities and all references to "you" and "your" in this IAL are to PESTECH' non-interested shareholders.

This Executive Summary summarises the pertinent information of our evaluations of the Proposed Exemption. You are advised to read and understand the IAL in its entirety, together with the letter from the Board in Part A of the Circular, including the accompanying appendices, for all other relevant information on the Proposed Exemption and not to rely solely on this Executive Summary in forming an opinion on the Proposed Exemption.

You are also advised to carefully consider the recommendations contained in both the IAL and letter from the Board in Part A of the Circular before voting on the resolution pertaining to the Proposed Exemption.

If you are in doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately

1. INTRODUCTION

On 4 October 2024, AIS had, on behalf of the Board, announced that PESTECH had on even date entered into the Subscription Agreement with DMIA for the Proposed Restricted Issue. The Proposed Restricted Issue is conditional upon, amongst others, PESTECH having obtained its non-interested shareholders' approvals for both the Proposed Restricted Issue and the Proposed Exemption. You may refer to **Appendix I** of the Circular for further details on the salient terms of the Subscription Agreement.

The Proposed Restricted Issue entails the issuance of 1,333,350,000 Restricted Shares to DMIA, which in turn will result in an increase of DMIA's shareholding in PESTECH from NIL to approximately 57.5%.

As the resultant increase of DMIA's shareholding in PESTECH after the Proposed Restricted Issue is more than 33%, pursuant to subsection 218(2) of the CMSA and subparagraph 4.01(a) of the Rules, DMIA and its PACs are obliged to undertake the Mandatory Offer.

However, as DMIA does not intend to undertake the Mandatory Offer as a result of the Proposed Restricted Issue, DMIA and its PACs will seek the Proposed Exemption from the SC pursuant to subparagraph 4.08(1)(b) of the Rules after PESTECH having obtained its non-interested shareholders' approvals for both the Proposed Restricted Issue and the Proposed Exemption at the forthcoming EGM.

In re-iteration, given that the Subscription Agreement is conditional upon, amongst others, PESTECH having obtained its non-interested shareholders' approvals for both the Proposed Restricted Issue and Proposed Exemption, without its non-interested shareholders' approval for the Proposed Exemption, PESTECH would not be able to implement the Proposed Restricted Issue due to non-fulfilment of conditions precedent of the Subscription Agreement.

The Proposed Exemprion is also subject to the SC's approval. Pursuant to subparagraphs 4.08(2) of the Rules, the SC may consider granting the Proposed Exemption. An approval from the SC for the Proposed Exemption would then exempt DMIA and its PACs from the obligation to undertake the Mandatory Offer as a result of the Proposed Restricted Issue.

For clarification purposes, if the Proposed Exemption is not approved by the SC but PESTECH is able to obtain its non-interested shareholders' approvals for both the Proposed Exemption and Proposed Restricted Issue at the forthcoming EGM, then the outcome are:

(i) PESTECH would still be able to proceed with the Proposed Restricted Issue assuming all other conditions precedent of the Subscription Agreement are fulfilled (including obtaining its non-interested shareholders' approval for the Proposed Exemption); and

(ii) thereafter, in compliance with the Rules, DMIA and its PACs would be obliged to undertake the Mandatory Offer upon the Subscription Agreement becomes unconditional.

On 4 October 2024, the Board had appointed us, Mercury Securities, as the Independent Adviser to provide our comments, opinions, information and recommendation on the Proposed Exemption, as well as to advise you and the non-interested Directors of PESTECH in respect of the fairness and reasonableness of the Proposed Exemption.

2. EVALUATION OF THE PROPOSED EXEMPTION

In evaluating the Proposed Exemption, we had assessed the fairness and reasonableness of Proposed Exemption in accordance with Schedule 2: Part III of the Rules. Set out below is a summary of our evaluation of the Proposed Exemption:

<table>
<tr><th>Key factors</th><th>Our comments</th></tr>
<tr><td><u>Section 5.1 of the IAL</u>
Rationale and justifications for the Proposed Exemption</td><td>We had considered the following key factors in evaluating the rationale and justifications for the Proposed Exemption:

(i) The Group's negative net cash position

The Group was not profitable over the past 2 FPEs whereby losses incurred over the past 2 FPEs had drained the Group of its financial resources.

This in turn had led to the Group recorded an unaudited negative net cash position of RM14.4 million as at 30 June 2024, being the Group's latest available financial position as at the LPD. As such, the Group is in an immediate need of a suitable fund-raising proposal.

The Proposed Restricted Issue would meet the Group's immediate fund-raising needs as DMIA will be injecting sizeable equity capital of RM160.0 million for the Group's operational use and repayment of bank borrowings notwithstanding the Group's current loss-making financial performances.

(ii) The Proposed Restricted Issue allows the Group to raise sizeable equity capital of RM160.0 million for operational use and repayment of bank borrowings

As set out in Section 2.1.7, Part A of the Circular, proceeds to be raised from the Proposed Restricted Issue are intended to be utilised in the following manner:
<table>
<tr><th>Details of utilisation</th><th>RM'000</th><th>%</th></tr>
<tr><td>Repayment of bank borrowings</td><td>60,000</td><td>37.5</td></tr>
<tr><td>Working capital</td><td>82,000</td><td>51.3</td></tr>
<tr><td>Operational requirements</td><td>17,000</td><td>10.6</td></tr>
<tr><td>Estimated expenses for the Proposals</td><td>1,000</td><td>0.6</td></tr>
<tr><td>Total</td><td>160,000</td><td>100.0</td></tr>
</table>
</td></tr>
</table>

<table>
<tr><th>Key factors</th><th>Our comments</th></tr>
<tr><td>(cont'd)</td><td>
The intended use of proceeds is justifiable considering the following key factors:

(a) Repayment of bank borrowings

As at 30 June 2024, the Group has total bank borrowings of RM1.09 billion which implies a relatively high gearing ratio of 3.6 time. Accordingly, the Group's proposal to pare down its bank borrowings is justifiable especially in view of the losses that it has suffered over the past 2 FPEs.

Further, the intended RM60.0 million repayment of bank borrowings would allow the Group to achieve the following additional benefits:

(1) an estimated annual interest savings of approximately RM3.4 million; and

(2) a pro forma reduction in gearing ratio from 3.6 times as at 30 June 2024 (unaudited) to 2.2 times.

(b) Working capital

The allocated proceeds will be utilised in the following manner:

<table>
<tr><th>Details of utilisation</th><th>RM'000</th></tr>
<tr><td>Payment to suppliers, subcontractors and material costs for on-going products as well as for tender bonds and/or performance bonds for new project</td><td>75,800</td></tr>
<tr><td>Semi-annual periodic distribution under the Perpetual Sukuk</td><td>6,200</td></tr>
<tr><td>Total</td><td>82,000</td></tr>
</table>
The intended use of proceeds is acceptable as it would equip the Group with the necessary financial resources to meet the:

(1) estimated capital requirements of its existing and future projects. In return, the timely completion of its existing and future projects would allow the Group to generate the anticipated revenue and gross profits therefrom, which is expected to contribute positively to the Group's future prospects and business undertakings; and

(2) semi-annual periodic distribution of its Perpetual Sukuk of RM6.2 million, which is an existing contractual financial obligation of the Group, without increasing its gearing ratio and interest costs.

(c) Operational requirements

The allocated proceeds will be utilised to fund the Group's day-to-day operational costs such as administrative expenses. This in turn could help to facilitate the continuity of operations of the Group.
</td></tr>
</table>

Key factors	Our comments
(cont'd)	**(iii) Potential value creations from DMIA** Given that DMIA is an experienced contractor in the rail and related industries, the entry of DMIA as the controlling shareholder of PESTECH is expected to bring strategic values to the Group as the Group would be able to tap into DMIA's profile, strength and business network in its future jobs tender. **(iv) PESTECH's weighted average cost of capital ("WACC")** We derived that the Proposed Restricted Issue will not result in a material change to PESTECH's WACC as at the LPD. Hence, the Proposed Restricted Issue is deemed a justifiable fund-raising proposal as it is not expected to result in an increase in the Group's overall costs of capital. **<u>Summary</u>** In a nutshell, the Proposed Exemption arises as it is not the intention of DMIA to undertake the Mandatory Offer as a result of the Proposed Restricted Issue. As such, given that the Subscription Agreement is conditional upon, amongst others, PESTECH having obtained its non-interested shareholders' approvals for both the Proposed Restricted Issue and Proposed Exemption, without your approvals for the Proposed Exemption, PESTECH would not be able to implement the Proposed Restricted Issue due to non-fulfilment of conditions precedent of the Subscription Agreement. Accordingly, the Proposed Exemption is essential to facilitate the successful implementation of the Proposed Restricted Issue which in turn would enable the Group to reap the envisaged benefits of the Proposed Restricted Issue as mentioned above. In this regard, as we had viewed the Proposed Restricted Issue to be a justifiable fund-raising proposal to PESTECH and it is to the Group's benefits, we are thereby of the view that the rationale and justifications for the Proposed Exemption to be acceptable. For your information, the Proposed Exemption is in line with the underlying principle of subparagraph 4.08(1)(b) of the Rules which provides for exemption to persons from undertaking a mandatory offer, subject to compliances with the Rules and PESTECH having obtained the relevant approvals for the Proposed Exemption such as your prior approval for the Proposed Exemption at the forthcoming EGM.

<table>
<tr><th>Key factors</th><th>Our comments</th></tr>
<tr><td><u>Section 5.2 of the IAL</u>
Subscription Price</td><td>
The Shares' market prices were on a downward trend over the past 1 year. Accordingly, the Subscription Price implies the following discounts to the Shares' historical VWAPs:

<table>
<tr><th rowspan="2">VWAPs</th><th>Price</th><th colspan="2">Discount</th></tr>
<tr><th>RM</th><th>RM</th><th>%</th></tr>
<tr><td><u>Up to the LTD</u></td><td></td><td></td><td></td></tr>
<tr><td>▪ 5-day</td><td>0.1237</td><td>0.0037</td><td>2.99</td></tr>
<tr><td>▪ 1-month</td><td>0.1379</td><td>0.0179</td><td>12.98</td></tr>
<tr><td>▪ 3-month</td><td>0.2017</td><td>0.0817</td><td>40.51</td></tr>
<tr><td>▪ 6-month</td><td>0.2063</td><td>0.0863</td><td>41.83</td></tr>
<tr><td>▪ 12-month</td><td>0.2540</td><td>0.1340</td><td>52.76</td></tr>
<tr><td><u>Up to the LPD</u></td><td></td><td></td><td></td></tr>
<tr><td>▪ 5-day</td><td>0.1234</td><td>0.0034</td><td>2.76</td></tr>
<tr><td>▪ 1-month</td><td>0.1311</td><td>0.0111</td><td>8.47</td></tr>
</table>

(Source: Bloomberg)

In our view, the Shares' 5-day and 1-month VWAPs up to the LTD and LPD are closer comparisons to assess the Subscription Price as they are current market prices, and not skewed by past positive market sentiments over the Proposed Restricted Issue 2023 which has been aborted on 15 August 2024 due to non-fulfilment of the conditions precedent of the Subscription Agreement 2023.

We thereby took note that the Subscription Price is at a discount of:

(i) 3% and 13% to the Shares' 5-day and 1-month VWAPs up to the LTD, respectively; and

(ii) 2.8% and 8.5% to the Shares' 5-day and 1-month VWAPs up to the LPD, respectively.

To further assess the Subscription Price, we had also compared the Subscription Price *vis-a-vis* the Group's latest available NA per Share.

Notably, the Subscription Price of RM0.12 is below the Group's latest unaudited NA per Share of RM0.196 as at 30 June 2024. As such, the Proposed Restricted Issue, when completed, would result in an illustrative dilutive impact of 22.5% to the said unaudited NA per Share of RM0.196 as at 30 June 2024.

Nevertheless, such dilutive impact may not necessarily to the detriment of your interests as it can be alleviated through the potential benefits that the Group may reap from the Proposed Restricted Issue as elaborated earlier.

Further, as DMIA will be injecting RM160.0 million cash into the Group for the Group's operational use and repayment of bank borrowings, it is envisaged that the non-interested shareholders of PESTECH could enjoy the Group's potential upside in the future without incurring cash outlays.
</td></tr>
</table>

Key factors	Our comments
(cont'd)	In that regard, considering the potential benefits to be realised from the Proposed Restricted Issue (as summarised in **Section 5.1** of the IAL) can alleviate the dilutive impact to the Group's NA per Share, we are of the view that the Subscription Price, although at a discount of: (i) 3% and 13% to the Shares' 5-day and 1-month VWAP up to the LTD, respectively; and (ii) 2.8% and 8.5% to the Shares' 5-day and 1-month VWAPs up to the LPD, respectively, to be acceptable.
<u>Section 5.3 of the IAL</u> **Salient terms of the Subscription Agreement**	We had evaluated the salient terms of the Subscription Agreement. In our view, the salient terms of the Subscription Agreement are reasonable and on normal commercial terms.
<u>Section 5.4 of the IAL</u> **Effects to the Group**	We had evaluated effects of the Proposed Exemption and Proposed Restricted Issue on the Group. In our view, effects of the Proposed Exemption and Proposed Restricted Issue on the Group are reasonable as they reflect the consequential results to the Group arising from its undertaking of the Proposed Restricted Issue.
<u>Section 5.5 of the IAL</u> **Prospects of the Group**	We expect the Proposed Restricted Issue to contribute positively to the Group's future prospects underpinned by the following key considerations: **(i) Stronger capital base and financial footing** The Proposed Restricted Issue is expected to substantially shore up the Group's financial footings and capabilities as it could result in: (a) a sizeable net increase in the Group's total equity by RM159.0 million; (b) a corresponding decrease in the Group's gearing ratio from 3.6 times as at 30 June 2024 (unaudited) to 2.2 times; (c) funding the Group's on-going working capital requirements; and (d) an estimated annual interest savings of RM3.4 million. A stronger financial foothold is paramount to the Group's current and future operations as this would allow the Group to have the needed financial capabilities to complete its secured projects as well as to pursue future projects when opportunities arise.

<table>
<tr><th>Key factors</th><th>Our comments</th></tr>
<tr><td>(cont'd)</td><td>
(ii) Orderbook of RM504.3 million

As at 30 June 2024, the Group has a total orderbook of RM504.3 million. With the Proposed Restricted Issue, the Group will be able to channel RM75.8 million of the gross proceeds to be raised towards funding the working capital requirements of these secured projects.

The timely completion of existing and future projects would allow the Group to generate the anticipated revenue and gross profits therefrom, which in turn would contribute positively to the Group's future prospects.

(iii) Potential synergistic value creations from DMIA

Considering both PESTECH and DMIA are principally involved in the rail and related industries, post completion of the Proposed Restricted Issue, PESTECH expects both parties will be able to collaborate together in future projects by leveraging on each other's core expertise and strengths.

Further, given that DMIA is an experienced contractor in the rail and related industries, the entry of DMIA as the controlling shareholder of PESTECH is expected to offer strategic values to the Group as the Group can tap into DMIA's profile, strength and business network in its future jobs tenders.
</td></tr>
<tr><td><u>Section 5.6 of the IAL</u>
Implications arising from the voting outcome of the Proposed Exemption</td><td>
• If you vote in favour of the Proposed Exemption, the application by DMIA and its PACs for the Proposed Exemption can be submitted to the SC for its consideration and approval.

• If you vote against the Proposed Exemption, PESTECH will not be able to undertake the Proposed Restricted Issue due to non-fulfilment of the conditions precedent of the Subscription Agreement. As a result, the Group will not be able to realise the potential benefits arising from the Proposed Restricted Issue as set out in Section 3.1, Part A of the Circular.
</td></tr>
</table>

3. CONCLUSION AND RECOMMENDATION

In arriving at our conclusion and recommendation for the Proposed Exemption, we had also evaluated the potential advantages and disadvantages of the Proposed Exemption as summarised below:

Potential Advantages
<u>Ability to undertake the Proposed Restricted Issue</u> As elaborated in the summary of our evaluations in **Section 5.1** of the IAL, the Subscription Agreement is conditional upon, amongst others, PESTECH having obtained its non-interested shareholders' approvals for both the Proposed Restricted Issue and Proposed Exemption. In this regard, the Proposed Exemption, if approved and undertaken, would enable PESTECH to implement the Proposed Restricted Issue assuming the Proposed Restricted Issue is also approved by PESTECH's non-interested shareholders at the forthcoming EGM. **<u>Potential benefits from the Proposed Restricted Issue</u>** The Proposed Restricted Issue, if approved and undertaken, is expected to accord the Group with the following benefits: **(i) Raise RM160.0 million sizeable capital for operational use and repayment of bank borrowings without incurring additional costs** As elaborated in **Section 5.1.1** of the IAL, the Proposed Restricted Issue would enable the Group to raise sizeable equity capital of RM160.0 million without incurring additional interest costs, an opportunity which may not be otherwise available to the Group given its current loss-making financial performances and high gearing ratio of 3.6 times. **(ii) Reduce bank borrowings to more comfortable level** As elaborated in **Section 5.1** of the IAL, losses over the past 2 FPEs had drained the Group of its financial resources, which in turn had led to the Group recorded a negative net cash position of RM14.4 million. Given the Group's lacklustre financial performances over the past 2 FPEs, it is the Group's intention to pare down its bank borrowings in order to reduce its financial burdens to a more comfortable level. The Proposed Restricted Issue would address this objective as the Group is able to channel RM60.0 million out of the total RM160.0 million gross proceeds to be raised from the Proposed Restricted Issue for repayment of bank borrowings. The intended repayment of bank borrowings by RM60.0 million could in turn result in the Group achieving the following additional benefits: (a) an estimated annual interest savings of RM3.4 million as elaborated in **Section 5.1.1** of the IAL; and (b) reduce its gearing ratio from 3.6 times (unaudited as at 30 June 2024) to 2.2 times as elaborated in **Section 5.1.1** of the IAL.

Potential Advantages
(iii) Fund the Group's working capital requirements including secured projects As elaborated in **Section 5.1.1** of the IAL, RM75.8 million of the proceeds to be raised will be used to fund the Group's working capital needs, including secured projects. As at 30 June 2024, the Group has total order book of RM646.7 million. Such intended use of proceeds is to the benefits of PESTECH as it could provide the Group with the needed financial capacities to meet the working capital requirements of its secured projects as well as to pursue new projects if the opportunities arise. The timely completion of secured and future projects would allow the Group to generate the anticipated revenue and gross profits, which in turn is expected to contribute positively to the Group's future prospects and business undertakings. **(iv) Fund the Group's day-to-day operations** As elaborated in **Section 5.1.1** of the IAL, RM17.0 million of the proceeds to be raised will be channelled towards funding the Group's day-to-day operational costs, including administrative expenses. This intended use of proceeds is justifiable as it could help to facilitate the smooth and continuity of operations of the Group. **(v) Tap into DMIA's profile, strength and network** As mentioned in Section **5.1.3** of the IAL, considering PESTECH and DMIA are principally involved in the rail and related industries, post completion of the Proposed Restricted Issue, PESTECH expects both parties to collaborate together in future projects by leveraging on each other's core expertise and strengths. Further, given that DMIA is an experienced contractor in the rail and related industries, the entry of DMIA as the controlling shareholder of PESTECH is expected to bring strategic values to the Group as the Group would be able to tap into DMIA's profile, strength and network in its future jobs tender. **(vi) Stronger financial footing** As mentioned in **Section 5.5** of the IAL, Proposed Restricted Issue would help to shore up the Group's financial footings and capabilities as it could result in: (a) a sizeable net increase in the Group's total equity by RM159.0 million as mentioned in **Section 5.1** of the IAL; (b) a corresponding decrease in the Group's gearing ratio from 3.6 times as at 30 June 2024 (unaudited) to 2.2 times as mentioned in **Section 5.1** of the IAL; and A stronger financial foothold is paramount to the Group's current and future operations as this would allow the Group to have the needed financial capabilities to complete secured projects as well as to pursue future projects when opportunities arise. **(vii) No increase in overall costs of capital** Based on our calculations in **Section 5.1.4** of the IAL, we derived that the Proposed Restricted Issue will not result in a material change to PESTECH's WACC as at the LPD. As such, from a financial point of view, the Proposed Restricted Issue is deemed a justifiable fund-raising proposal as it is not expected to result in an overall increase in the Group's costs of capital.

Potential Disadvantages
The potential disadvantages of the Proposed Restricted Issue are as follows: **(i) Dilution to the Group's NA per Share** As elaborated in **Section 5.2(ii)** of the IAL, the Proposed Restricted Issue would result in an illustrative dilutive impact of 22.5% to the Group's unaudited NA per Share of RM0.196 as at 30 June 2024, being the Group's latest financial position as at the LPD. This is in view that the Subscription Price of RM0.12 is lower than the said NA per Share of RM0.196. However, such dilutive impact can be alleviated when the Group subsequently achieved improved financial performances leveraging on, amongst others, the potential advantages of the Proposed Restricted Issue as mentioned above. Nevertheless, we wish to note to you that there is no certainty that the Group would be able to materialise such potential benefits as it is dependent on, amongst others, the ability of its management to execute the Group's business plans including the ability to timely deliver existing secured projects. **(ii) DMIA is able to obtain statutory control without undertaking Mandatory Offer** As mentioned in **Section 1** above, the Proposed Restricted Issue would result in DMIA obtaining 57.5% shareholding in PESTECH. As such, the completion of the Proposed Restricted Issue as well as the Proposed Exemption will result in DMIA obtaining a statutory control in PESTECH at the Subscription Price, which is: (a) at a discount of between 3% to 52.8% to the Shares' 5-day, 1-month, 3-month, 6-month and 12-month VWAPs up to the LTD; (b) at a discount of 2.8% and 8.5% to the Shares' 5-day and 1-month VWAPs up to the LPD, respectively; and (c) lower than the Group's latest unaudited NA per Share of RM0.196 as at 30 June 2024, without having to undertake the Mandatory Offer. Further, in view that the collective shareholdings of DMIA and its PACs will increase to more than 50% immediately after the completion of the Proposed Restricted Issues, moving forward, DMIA and its PACs could collectively further increase their voting shares or voting rights in PESTECH without incurring any further obligation to undertake the Mandatory Offer, provided that DMIA and its PACs do not trigger such Mandatory Offer obligation on an individual basis. **(iii) DMIA is able to exercise significant influence over shareholders' resolutions** As elaborated in **Section 5.6.1(iv)** of the IAL, unless DMIA and its PACs are required to obtain from voting on such shareholders' resolutions of PESTECH, with DMIA's statutory control in PESTECH, DMIA would be able to exercise significant influence over the outcome of PESTECH's shareholders' resolution(s) as it is able to: (a) approve or oppose any ordinary resolutions (requiring approval from more than 50% of the total votes cast); and (b) oppose any special resolutions (requiring approval from at least 75% of the total votes cast).

Potential Disadvantages
(cont'd) However, considering DMIA will be making RM160.0 million sizeable investment in PESTECH *vide* the Proposed Restricted Issue, it is envisaged that DMIA will make careful decision on the shareholders' resolutions of PESTECH so to safeguard its investment value in PESTECH and in consideration of the Group's overall equity growth. **(iv) Your shareholding in PESTECH will be proportionately diluted** As mentioned in **Section 5.6.1(v)** of the IAL, the issuance of 1,333,350,000 Restricted Shares by PESTECH to DMIA pursuant to the Proposed Restricted Issue will result in a proportionate dilutive effect to your current shareholding in PESTECH. For illustrative purposes, upon completion of Proposed Restricted Issue, the collective shareholdings of PESTECH's shareholders will be diluted from 100% as at the LPD to 42.5%, assuming none of the Warrants are being exercised and none of PESTECH's treasury Shares are being sold, cancelled or distributed However, notwithstanding the dilutive impact to your current shareholdings in PESTECH, assuming there being no additional purchase of Shares by DMIA and its PACs from the open market subsequent to the completion of the Proposed Restricted Issue, the number of Shares currently held by PESTECH's shareholders will remain the same after the completion of Proposed Restricted Issue. As such, the Proposed Restricted Issue and Proposed Exemption are not expected to result in an adverse effect to the trading liquidity of the Shares moving forward. **(v) Loss of opportunity to exit from PESTECH through a mandatory offer** As elaborated in **Section 5.6.1 (vi)** of the IAL, the Proposed Exemption would essentially deny you with the opportunity to exit from PESTECH through a mandatory offer, which shall be no lower than the highest price paid by DMIA and its PACs for the Shares and Warrants in the past 6 months prior to the incurrence of such obligation to undertake the Mandatory Offer. However, the Proposed Exemption is in line with the underlying principle of subparagraph 4.08(1)(b) of the Rules which provides for exemption to persons from undertaking a mandatory offer, subject to compliances with the Rules and PESTECH having obtained the relevant approvals for the Proposed Exemption, such as your prior approval for the Proposed Exemption at the forthcoming EGM.

Premised on our overall evaluations as set out in **Section 5** of the IAL and considering that the Proposed Exemption's potential advantages outweigh that of its potential disadvantages, on an overall basis, we are of the view that the Proposed Exemption is **fair and reasonable**. Accordingly, we recommend you to **vote in favour** of the resolution pertaining to the Proposed Exemption to be tabled at PESTECH's forthcoming EGM.

Mercury Securities Sdn. Bhd. 198401000672 (113193-W)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Headquarters
Ground, 1st, 2nd and 3rd Floor
Wisma UMNO
Lorong Bagan Luar Dua
12000 Butterworth
Seberang Perai
Penang

25 November 2024

To: Non-interested Shareholders of PESTECH International Berhad

Dear Sir/Madam,

INDEPENDENT ADVICE LETTER IN RELATION TO THE PROPOSED EXEMPTION ("IAL")

This IAL has been prepared for inclusion in the Circular. Unless otherwise stated, all defined terms and abbreviations used in this IAL shall carry the same meaning as those defined in the 'Definitions' section of the Circular.

All references to "we", "us" and "our" in this IAL are references to Mercury Securities, whilst all references to "you" and "your" in this IAL are references to PESTECH's non-interested shareholders.

1. INTRODUCTION

On 4 October 2024, AIS had, on behalf of the Board, announced that PESTECH had on even date entered into the Subscription Agreement with DMIA for the Proposed Restricted Issue. The Proposed Restricted Issue is conditional upon, amongst others, PESTECH having obtained its non-interested shareholders' approvals for both the Proposed Restricted Issue and the Proposed Exemption. You may refer to **Appendix I** of the Circular for further details on the salient terms of the Subscription Agreement.

The Proposed Restricted Issue entails the issuance of 1,333,350,000 Restricted Shares to DMIA, which in turn will result in an increase of DMIA's shareholding in PESTECH from NIL to approximately 57.5%, on the assumption that before the completion of the Proposed Restricted Issue:

(i) none of the outstanding Warrants are being exercised;

(ii) none of the treasury shares are being sold, cancelled or distributed; and

(iii) no ESOS Options are granted to the Eligible Persons.

Pursuant to subsection 218(2) of the CMSA, an acquirer who has obtained control in a company shall make a take-over offer for the remaining voting shares in accordance with the provisions of the Malaysian Code on Take-Overs and Mergers 2016. In accordance with subparagraph 4.01(a) of the Rules, unless otherwise exempted by the SC, a mandatory offer shall apply to an acquirer where the acquirer has obtained control in the company (i.e. more than 33% of the voting shares or voting rights of the company) irrespective of how such control has been effected, including by way of a scheme.

In view of the foregoing, given that the resultant increase of DMIA's shareholding in PESTECH after the completion of the Proposed Restricted Issue is more than 33%, pursuant to subsection 218(2) of the CMSA and subparagraph 4.01(a) of the Rules, DMIA and its PACs are obliged to undertake the Mandatory Offer.

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However, as DMIA does not intend to undertake the Mandatory Offer as a result of the Proposed Restricted Issue, DMIA and its PACs will seek an exemption from the SC pursuant to subparagraph 4.08(1)(b) of the Rules from the obligation to undertake the Mandatory Offer after PESTECH having obtained its non-interested shareholders' approvals for both the Proposed Restricted Issue and the Proposed Exemption at the forthcoming EGM.

For your information, the Proposed Exemption is in line with the underlying principle of subparagraph 4.08(1)(b) of the Rules whereby, an offeror may apply for an exemption from the obligation to undertake a mandatory offer when the offeror subscribes for new voting shares or voting rights in the offeree company in cash that results in the offeror incurring the obligation to undertake a mandatory offer.

In re-iteration, given that the Subscription Agreement is conditional upon, amongst others, PESTECH having obtained its non-interested shareholders' approvals for both the Proposed Restricted Issue and Proposed Exemption, without its non-interested shareholders' approval for the Proposed Exemption, PESTECH would not be able to implement the Proposed Restricted Issue due to non-fulfilment of conditions precedent of the Subscription Agreement.

The Proposed Exemprion is also subject to the SC's approval. Pursuant to subparagraphs 4.08(2) of the Rules, the SC may consider granting the Proposed Exemption. An approval from the SC for the Proposed Exemption would then exempt DMIA and its PACs from the obligation to undertake the Mandatory Offer as a result of the Proposed Restricted Issue.

For clarification purposes, if the Proposed Exemption is not approved by the SC but PESTECH is able to obtain its non-interested shareholders' approvals for both the Proposed Exemption and Proposed Restricted Issue at the forthcoming EGM, then the outcome are:

(i) PESTECH would still be able to proceed with the Proposed Restricted Issue assuming all other conditions precedent of the Subscription Agreement are fulfilled (including obtaining its non-interested shareholders' approval for the Proposed Exemption); and

(ii) thereafter, in compliance with the Rules, DMIA and its PACs would be obliged to undertake the Mandatory Offer upon the Subscription Agreement becomes unconditional.

In accordane with paragraph 3.06 of the Rules, the Board had on 4 October 2024 appointed us, Mercury Securities, as the Independent Adviser for the Proposed Exemption to provide our comments, opinions, information and recommendation on the Proposed Exemption, as well as to advise you and the non-interested Directors of PESTECH in respect of the fairness and reasonableness of the Proposed Exemption.

Pursuant to subparagraph 4.08(3)(g) of the Rules, the SC had, *vide* its letter dated 20 November 2024, notified that it has no further comments to the contents of this IAL. However, such notifcation shall not be taken to suggest that the SC agrees with our recommendation or assumes responsibility for the correctness of any statements made or opinions expressed in this IAL.

THIS IAL HAS BEEN PREPARED SOLELY FOR YOU TO CONSIDER THE PROPOSED EXEMPTION AND SHOULD NOT BE USED OR RELIED UPON BY ANY OTHER PARTY OR FOR ANY OTHER PURPOSE WHATSOEVER.

WE ADVISE YOU TO READ AND UNDERSTAND THIS IAL, TOGETHER WITH THE LETTER FROM THE BOARD IN PART A OF THIS CIRCULAR, INCLUDING THE ACCOMPANYING APPENDICES, AND TO CONSIDER THE RECOMMENDATIONS CONTAINED IN BOTH THIS IAL AND THE LETTER FROM THE BOARD CAREFULLY BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED EXEMPTION.

IF YOU ARE IN DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

2. SCOPE AND LIMITATIONS

We are not involved in the formulation, deliberation and negotiation of the terms and conditions of the Proposals. Our scope as the Independent Adviser for the Proposed Exemption is limited to providing our comments, opinions, information and recommendation on the Proposed Exemption as well as expressing an independent opinion as to whether the Proposed Exemption is fair and reasonable, based on the following information and documents that have been made available to us:

(i) information contained in **Part A of this Circular** and the accompanying appendices;

(ii) Subscription Agreement;

(iii) audited consolidated financial statements of PESTECH for the 15-month FPE 30 September 2023;

(iv) unaudited consolidated financial statements of PESTECH for the 9-month FPE 30 June 2024;

(v) relevant announcements of PESTECH to Bursa Securities for the past 1 year up to the LPD;

(vi) audited consolidated financial statements of DMIA for the FYE 31 March 2023 and 2024;

(vii) relevant information of the PESTECH Group as furnished to us by its management;

(viii) relevant information of the DMIA Group as furnished to us by its management; and

(ix) other publicly available information.

We have relied on the Board and PESTECH's management to take due care to ensure that all information, documents, confirmations and representations provided to us to facilitate our evaluations of the Proposed Exemption are accurate, valid and complete in all material aspects. After making all reasonable enquiries, we are satisfied that sufficient information has been obtained and we have no reason to believe that the aforesaid information provided to us or which are available to us is unreliable, incomplete, misleading and/or inaccurate as at the LPD.

In rendering our advice, we have taken into consideration pertinent factors which we believe are of relevance and importance to you for a holistic assessment of the Proposed Exemption. Notwithstanding the foregoing, we wish to highlight that in arriving at our evaluations of the Proposed Exemption, we have not taken into consideration any specific investment objectives, financial situation, risk profile or particular needs of any individual shareholder of PESTECH or any specific group of shareholders of PESTECH. As such, we recommend that any of you who requires specific advice in relation to the Proposed Exemption in the context of your individual investment objectives, financial situation, risk profile or particular needs should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Our advice should be considered in the context of the entirety of this IAL. Our evaluation and opinion as set out in this IAL are based on, amongst others, equity capital market, economic industry, regulatory and other prevailing conditions, and the information/documents made available to us as at the LPD. Such conditions may change significantly over a short period of time.

Pursuant to subparagraph 11.07(1) of the Rules, we shall immediately disclose to the SC in writing and to notify you by way of an announcement if, after the issuance and despatch of this IAL, we become aware that this IAL:

(i) contains a material statement which is false or misleading;

(ii) contains a statement from which there is a material omission; or

(iii) does not contain a statement relating to a material development.

The disclosures and announcements of such facts or statements shall be made before 9 a.m. on the next market day pursuant to subparagraph 11.07(3) of the Rules. If circumstances require, a supplemental IAL will be sent to you in accordance with subparagraphs 11.07(2) and 11.07(3) of the Rules.

3. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED WITH THEM

As at the LPD, none of the Directors, major shareholders, chief executive of PESTECH and/or persons connected with them have any interest, whether direct or indirect, in the Proposed Exemption.

4. DETAILS OF THE PROPOSED EXEMPTION

Please refer to **Section 2.3, Part A**, of this Circular for details of the Proposed Exemption.

5. EVALUATIONS OF THE PROPOSED EXEMPTION

In evaluating the Proposed Exemption, we had assessed the fairness and reasonableness of Proposed Exemption on a holistic basis in accordance with Schedule 2: Part III of the Rules.

Below are the key factors that we had considered in arriving at our opinion and recommendation in respect of the Proposed Exemption:

Key Factors	Section
• Rationale and justifications for the Proposed Exemption	5.1
• Subscription Price	5.2
• Salient terms of the Subscription Agreement	5.3
• Effects to the Group	5.4
• Future prospects of the Group	5.5
• Implications arising from the voting outcome of the Proposed Exemption	5.6

5.1 Rationale and Justifications for the Proposed Exemption

We took cognizance of the rationale and justifications for the Proposed Exemption as set out in **Section 3.3, Part A** of the Circular.

In evaluating the rationale and justifications for the Proposed Exemption, we had also considered PESTECH's rationale and justifications for the Proposed Restricted Issue.

Our comments

The Group is principally involved in the business of engineering, procurement, manufacturing, construction, and commissioning of power substations, transmission lines and rail electrifications with operations mainly in Malaysia and Cambodia.

From our discussions with PESTECH's management, we note that the Group's nature of business generally requires substantial amount of project financing to fund the working capital requirements of its projects. As at 30 June 2024, being the Group's latest available unaudited financial position as at the LPD, the Group has total bank borrowings of RM1.09 billion.

The table below sets out a summary of the Group's historical financial performances over the past 2 audited FYE/FPE and during its latest unaudited financial period of 9-month FPE 30 June 2024:

	Audited		**Unaudited**
	FYE 30 June 2022	**15-month FPE 30 Sep 2023**	**9-month FPE 30 Jun 2024**
	RM'000	**RM'000**	**RM'000**
Revenue	**715,090**	**592,997**	**300,652**
- Operating expenses	(678,648)	(776,409)	(188,807)
- Other operating income	1,636	1,160	968
- Fair value loss	-	-	(18,701)
- Impairments	-	(13,435)	(205,023)
- Other gains/(losses)	8,799	(22,877)	13,690
Operating gains/(losses)	**46,877**	**(218,564)**	**(97,221)**
- Loss from disposal	-	(110,846)	-
- Share of associate results	344	(332)	3,943
- Finance income	58,539	48,148	17,623
- Finance costs	(64,086)	(108,329)	(61,148)
Profit/(losses) before tax	**41,674**	**(389,923)**	**(136,803)**
Tax	(4,344)	(8,331)	(4,755)
Profit/(loss) after tax	**37,330**	**(398,254)**	**(141,558)**
Attributable to:			
• Shareholders	9,982	(334,288)	(144,563)
• Perpetual Sukuk holders	3,744	5,915	11,999
• Non-controlling interests	23,604	(69,881)	(8,994)
Total	**37,330**	**(398,254)**	**(141,558)**

(Source : PESTECH's audited consolidated financial statements for the 15-month FPE 30 Sep 2023 and unaudited consolidated financial statements for the 9-month FPE 30 Jun 2024)

As shown above, the Group was not profitable during the following FPEs:

(i) 15-month FPE 30 September 2023

The Group recorded an audited net loss of RM398.3 million during the 15-month FPE 30 September 2023 mainly due to the following key factors:

(a) one-off expenses incurred during the FPE comprising:

(1) RM39.9 million provision for a performance bond being uplifted by a main contractor due to non-performances of contractual obligations by a subsidiary of PESTECH in a rail project;

(2) RM20.0 million in compensation as global settlement for the litigations between a project contractor and a subsidiary of PESTECH;

(3) impairment of intangible assets and property, plant and equipment related to a solar power plant of the Group amounted to RM15.5 million and RM30.0 million respectively due to lower recoverable amount of such asset;

(4) RM13.4 million impairment loss on long overdue trade receivables; and

(5) RM110.8 million loss on disposal of a concession asset in Cambodia;

(b) annualised finance costs incurred of RM86.6 million whereby the higher annualised finance costs incurred of RM22.5 million, as compared to the FYE 30 June 2022, was mainly due to higher average interest costs of 6.6% per annum as compared to 3.7% per annum during the FYE 30 June 2022;

(c) the strengthening of the US Dollar which lead to higher material costs and lower gross profit margins; and

(d) lower revenue from construction contracts mainly due to:

(1) sluggish projects execution resulting from, amongst others, lack of cash flow to fund the working capital requirements of secured projects; and

(2) termination of a rail project by main contractor due to non-performances of contractual obligations by a subsidiary of PESTECH.

(ii) 9-month FPE 30 June 2024

The Group recorded an unaudited net loss of RM141.6 million during the 9-month FPE 30 June 2024 mainly due to the following key factors:

(a) one-off expenses incurred during the FPE comprising:

(1) RM132.5 million in net loss from the annulment of a deferred payment project. Net loss from the annulment of the deferred payment project comprise the following:

(aa) impairment of contract asset totalling RM205.0 million;

(bb) customer compensation of RM55.2 million; and

(cc) reversal of provision for project cost of RM127.7 million; and (dd) RM18.7 million fair value loss from contract modification due to the deferment of collection for a deferred payment project. This project was completed in June 2023.

Losses incurred over the past 2 FPEs had drained the Group of its financial resources, which had led to the Group recorded an unaudited negative net cash of RM14.4 million as at 30 June 2024. The breakdown of its net cash over the past 2 FPEs are as follows:

Breakdown of cash and bank balances	**Audited as at 30 Sep 2023**	**Unaudited as at 30 Jun 2024**
	RM'000	**RM'000**
Cash and bank balances	**157,366**	**70,369**
Less:		
- Debt service reserve account	(46,349)	(45,994)
- Fixed deposits	(57,728)	(8,401)
- Bank overdraft	(47,101)	(30,389)
Net cash position/free cash flows	**6,188**	**(14,415)**

Given its current negative net cash position, the Group is in an immediate need of a suitable fund-raising proposal in order to shore up its financial resources and capability so to ensure that there is no major interruption in its on-going business operations.

To meet this fund-raising objective, PESTECH had entered into the Subscription Agreement with DMIA for the Proposed Restricted Issue. When completed, the Proposed Restricted Issue will enable the Group to raise RM160.0 million for the intended use as set out in **Section 2.1.7, Part A** of the Circular.

In evaluating the rationale and justifications for the Proposed Restricted Issue, we had considered the following key factors:

5.1.1 Utilisation of proceeds

We note from **Section 2.1.7, Part A** of the Circular that proceeds to be raised from the Proposed Restricted Issue are intended to be utilised in the following manner:

Details of utilisation	**RM'000**	**%**
Repayment of bank borrowings	60,000	37.5
Working capital	82,000	51.3
Operational requirements	17,000	10.6
Estimated expenses for the Proposals	1,000	0.6
Total	**160,000**	**100.0**

In our view, the intended use of proceeds is justifiable as it would accord the Group with the following benefits:

(i) Interest savings from reduction in bank borrowings

As at 30 June 2024, being the Group's latest available unaudited financial position as at the LPD, the Group has total bank borrowings of approximately RM1.09 billion which is relatively large as compared to its total equity of approximately RM301.7 million as at 30 June 2024. In this regard, the Group's proposal to pare down its bank borrowings is justifiable especially in view of the losses that it has suffered over the past 2 FPEs.

The reduction in bank borrowings would alleviate the Group's financial burdens and in the meantime, achieve the following additional benefits:

(a) estimated annual interest savings of approximately RM3.4 million, calculated based on the Group's average interest rate (after tax) of 5.6% per annum and the intended RM60.0 million repayment of bank borrowings; and

(b) pro forma reduction in gearing ratio from 3.6 times as at 30 June 2024 to 2.2 times. Details of the pro forma reduction in gearing ratio are as follows:

Gearing ratio	**Unaudited as at 30 Jun 2024**	**After the Proposed Restricted Issue**
	RM'000	**RM'000**
Total equity	301,709	(aa)460,709
Total borrowings	1,085,176	(bb)1,025,176
Gearing ratio (times)	**3.6**	**2.2**

Notes:

(aa) The illustrative increase in total equity by RM159.0 million is due to the increase in PESTECH's issued share capital by RM160.0 million pursuant the Proposed Restricted Issue and after deducting the RM1.0 million estimated expenses for the Proposals.

(bb) The illustrative decrease in total borrowings by RM60.0 million is due to the intended RM60.0 million repayment of bank borrowings using part of the proceeds from the Proposed Restricted Issue.

(ii) Working capital

We note that the allocated proceeds will be used in the following manner:

Details of utilisation	**RM'000**	**(a)%**
Payment to suppliers, subcontractors and material costs for on-going products as well as for tender bonds and/or performance bonds for new project	75,800	47.4
Semi-annual periodic distribution under the Perpetual Sukuk	6,200	3.9
Total	**82,000**	**51.3**

Note:

(a) As a percentage of the total proceeds to be raised from the Proposed Restricted Issue of RM160.0 million.

<u>Project use</u>

As at the LPD, the Group has an orderbook of approximately RM504.3 million comprising 14 on-going projects in Malaysia, Cambodia, Philippines and Papua New Guinea. You may refer to **Section 2.1.7, Part A** of the Circular for further details of these secured projects.

In view of its relatively large orderbook of RM504.3 million, the Group had allocated RM75.8 million (or 47.4%) of the proceeds to be raised from the Proposed Restricted Issue for funding the estimated working capital requirements of these secured projects such as payment to suppliers, subcontractors and material costs, as well as to fund the tender bonds and/or performance bonds of its future projects to be identified.

In our view, such intended use of proceeds is justifiable as it would equip the Group with the necessary financial capabilities to fund the estimated capital needs of its projects. In return, the timely completion of its existing and future projects would allow the Group to generate the anticipated revenue and gross profits, which is expected to bolster the Group's future prospects and business undertakings positively.

<u>Periodic distribution in respect of the Perpetual Sukuk</u>

The Group had in year 2021 and 2022 issued the Perpetual Sukuk, an Islamic financial security, amounted to RM48.6 million and RM51.4 million respectively. Such issuance was to raise funds for the Group to, amongst others, refinance some of its bank borrowings, as well as to fund the on-going working capital requirements of its secured projects.

The Group had in year 2023 redeemed part the Perpetual Sukuk totaling RM18.0 million. Accordingly, as at the LPD, the Group has total outstanding Perpetual Sukuk of RM82.0 million. These Perpetual Sukuk currently carry a contractual distribution rate (i.e. financing costs) of 15% p.a.

In view of the Group's current negative net cash position, we note that it is the intention of the Group to allocate RM6.2 million (or 3.9%) of the proceeds to be raised from the Proposed Restricted Issue to fund the semi-annual periodic distributions of these Perpetual Sukuk amounting to RM6.2 million. In our view, such intended use of proceeds is acceptable as it will help the Group to timely meet this contractual financial obligation when it comes due.

(iii) Operational requirements

We note that RM17.0 million (or 10.6%) of the gross proceeds to be raised from the Proposed Restricted Issue will be used to defray the Group's day-to-day operational costs such as administrative expenses. In our view, such intended use of proceeds is acceptable as it will facilitate the continuity of operations of the Group.

5.1.2 The Proposed Restricted Issue is comparatively a more certain and efficient fund-raising proposal

In the absence of the Proposed Restricted Issue, PESTECH would have to seek alternative fund-raising proposal(s) to meet its on-going capital needs. Our assessments are as follows:

(i) As compared to bank borrowings

The Group has been relying heavily on bank borrowings to fund its capital needs as evidenced by its substantial bank borrowings of RM1.09 billion as at 30 June 2024, which implies a relatively high gearing ratio of 3.6 times as elaborated in **Section 5.1.1** above.

Considering the Group's current loss-making financial performances and high gearing ratio of 3.6 times as at 30 June 2024, additional bank borrowings may not be a suitable fund-raising proposal at this juncture as this will lead to higher interest costs, as well as more financial obligations for the Group to meet. Further, there is no certainty that the Group would be able secure additional bank borrowings and on financing terms and conditions that are acceptable to the Group.

As such, as compared to bank borrowings, we are of the view that the Proposed Restricted Issue is a more cost effective fund-raising proposal to PESTECH as it allows the Group to:

(a) raise RM160.0 million sizeable capital without additional interest costs; and

(b) reduce its gearing ratio from 3.6 times as at 30 June 2024 to 2.2 times as elaborated in **Section 5.1.1** above.

(ii) As compared to a rights issue exercise

Rights issue is a lengthy and costly process as it generally requires longer period of time to implement, which typically takes around 6 months.

In addition, rights issue would require the issuer to identify shareholders with the ability and willingness to provide irrevocable undertakings to subscribe for a minimum number of the rights securities so to ensure that the issuer would be able to raise the desired amount of proceeds or alternatively, to procure the underwriter(s) to underwrite a portion of the rights issue exercise so to achieve the minimum subscription level. The underwriter(s) will charge an underwriting commission for the underwriting services rendered, which will add costs to the rights issue exercise.

In this respect, if the issuer is unable to secure subscription commitment from its shareholders or underwriting services from the underwriter(s) to raise its desired amount of capital, the rights issue may not be successful to raise the desired amount of proceeds. Further, given the Group's lacklustre financial performances and downward market prices of the Shares over the past 1 year (as further evaluated in **Section 5.2** below), there is no certainty that the Group would be able to obtain sufficient subscriptions for its rights securities.

As such, considering DMIA had already shown its commitment as the ready investor to PESTECH *vide* the Subscription Agreement, the Proposed Restricted Issue is comparatively a more certainty and expedient fund-raising proposal as it allows the Group to raise RM160.0 million sizeable capital with more certainty, and potentially within a shorter timeframe if all the conditions precedents as set forth in the Subscription Agreement are met within a period of 6 months.

Also, given the profile of DMIA as mentioned in **Section 5.1.3** below, the entry of DMIA as the new controlling shareholder of PESTECH is expected to bring synergistic value to the Group and thereby not to the detriment of your interests.

5.1.3 Potential value creations from DMIA

We note from **Section 3.1, Part A** of the Circular that PESTECH has considered DMIA as its strategic partner and investor as both parties are principally involved in rail and related industries. In light of this, with DMIA as the new controlling shareholder of PESTECH, the Group expects both parties to be able to expand their capabilities, thereby enabling them to offer more holistic and integrated construction and project management solutions and services by leveraging on each other's core expertise and strengths.

On that basis, we note from PESTECH's management that the potential collaborations between DMIA and PESTECH after the Proposed Restricted Issue are expected to bring synergistic values to each other, including enhancing their combined competitiveness and value propositions in future job tenders. We also note that the DMIA Group was profitable over the past 3 FYEs as summarised below:

Financial summary of the DMIA Group	**Audited**		
	FYE 31 March 2022	**FYE 31 March 2023**	**FYE 31 March 2024**
	RM'000	**RM'000**	**RM'000**
Revenue	363,620	1,031,065	1,053,904
Gross profits	56,506	148,237	231,064
Profit before tax	10,092	28,598	50,134
Profit after tax	8,452	23,289	35,990
Total equity	152,256	184,813	228,105
Total bank borrowings	503,410	649,217	907,172
Gearing ratio (times)	3.3	3.6	4.0
Current assets	928,546	1,170,262	1,414,703
Current liabilities	420,463	659,986	901,391
Current ratio (times)	2.2	1.8	1.6

(Source: Management of DMIA)

Given the above, we would also envisage that the entry of DMIA, which is an experienced contractor in the rail and related industries, to bring strategic values the Group and thereby not to the detriment of your interests.

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5.1.4 Reprofiling of the Group's weighted average cost of capital ("WACC")

As part of our evaluation of the Proposed Restricted Issue, we had also assessed whether the Proposed Restricted Issue would result in a pro forma decrease in the Group's WACC. From a financial point of view, a corporate proposal can be considered value accretive if it could result in, amongst others, a decrease in the subject company's WACC (i.e. enabling the subject company to operate on a lower capital costs). For this purpose, we had calculated the Group's WACC *vide* the following formula:

$$\mathbf{WACC} = \frac{\mathbf{E}}{\mathbf{E+S+D}}(\mathbf{k_e}) + \frac{\mathbf{S}}{\mathbf{E+S+D}}(\mathbf{k_s}) + \frac{\mathbf{D}}{\mathbf{E+S+D}}(\mathbf{k_d})(\mathbf{1-t})$$

Where:

E	=	PESTECH's issued Shares and non-controlling interest ("**NCI**")
S	=	The Group's Perpetual Sukuk
D	=	The Group's bank borrowings, including lease liabilities
K_e	=	PESTECH's cost of equity
K_s	=	Distribution rate of the Perpetual Sukuk
K_d	=	The Group's pre-tax average cost of bank borrowings
t	=	Malaysian corporate income tax rate of 24.0%

(A) WACC evaluation as at the LTD

Below is a summary of our assessment of the Group's WACC as at the LTD before and after the Proposed Restricted Issue:

WACC	**Note**	**Formula**	**As at the LTD**		**After the Proposed Restricted Issue**	
			RM'000	**%**	**RM'000**	**%**
Market value of:						
▪ issued Shares and NCI	(1)	(A)	148,633	11.3	308,633	21.8
▪ Perpetual Sukuk	(2)	(B)	82,000	6.2	82,000	5.8
▪ bank borrowings	(3)	(C)	1,085,176	82.5	1,025,176	72.4
Total		(D)	**1,315,809**	**100.0**	**1,415,809**	**100.0**
Cost of financing of:						
▪ issued Shares and NCI	(4)	(E)	-	10.1	-	7.9
▪ Perpetual Sukuk	(5)	(F)	-	15.0	-	15.0
▪ bank borrowings	(6)	(G)	-	5.6	-	5.6
Weighted average cost of financing of:						
▪ issued Shares and NCI		(H)=(A)/(D)*(E)	-	1.1	-	1.7
▪ Perpetual Sukuk		(I)=(B)/(D)*(F)	-	0.9	-	0.9
▪ bank borrowings		(J)=(C)/(D)*(G)	-	4.6	-	4.1
WACC		**(H)+(I)+(J)**		**6.7**		**6.6**

Notes:

(1) PESTECH's equity value before and after the Proposed Restricted Issue is calculated as follows:

PESTECH's equity value		Formula	As at the LTD	After the Proposed Restricted Issue
			RM'000	**RM'000**
Total outstanding Shares, excluding 7,666,100 treasury shares ('000)		(A)	984,555	984,555
5-day VWAP up to LTD (RM)		(B)	0.1237	0.1237
Market value of issued Shares		(C)=(A)*(B)	121,790	121,790
Add:	Unaudited net book value of NCI as at 30 June 2024	(D)	26,843	26,843
Add:	New Restricted Shares to be issued pursuant to the Proposed Restricted Issue	(E)	-	160,000
Total		**(C)+(D)+(E)**	**148,633**	**308,633**

(2) Being the latest net book value of the Perpetual Sukuk as at 30 June 2024 (unaudited). For clarification purposes, the Perpetual Sukuk is an equity instrument and therefore, all distributions of the Perpetual Sukuk are not tax deductible. In this regard, no tax shields are being imputed in our calculation of the financing costs/distribution rate of the Perpetual Sukuk.

(3) The Group's total bank borrowings as at the LTD of RM1.09 billion is calculated based on the net book value of the Group's total bank borrowings, including lease liabilities, as at 30 June 2024 of RM1.09 billion (unaudited).

The Group's total bank borrowings after the Proposed Restricted Issue is calculated based on its total bank borrowings as at the LTD of RM1.09 billion and after adjusted for the intended RM60.0 million repayment of bank borrowings using part of the proceeds to be raised from the Proposed Restricted Issue as elaborated in **Section 5.1.1** above.

(4) Computed based on the capital asset pricing model ("**CAPM**"), which is a commonly used formula to estimate the required rate of return of an investor for investing in an equity security. The formula for CAPM is as follows:

$$\mathbf{K_e = R_f + \beta * (R_m - R_f)}$$

Where:

K_e = Cost of equity

R_f = Risk-free rate

β = Beta

$R_m - R_f$ = Equity risk premium

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The following parameters were adopted to calculate the cost of equity:

Variable	Parameter		Details
	As at the LTD	After the Proposed Restricted Issue	
Risk-free rate	3.76%	3.76%	Risk-free rate refers to the expected rate of return from a risk-free asset. The commonly use proxy for risk-free rate is the long term yield of government bond. Based on statistics from Bank Negara Malaysia, the last traded yield of 10-year Malaysian Government Investment Issues (Islamic) as at the LTD is 3.76% p.a. (Source: Bank Negara Malaysia). As such, we had adopted 3.76% as the risk-free rate.
Beta	1.04	0.68	Beta is a measure of systematic risk of an equity security relative to a diversified equity market portfolio. A beta of more than 1 indicates that the equity security is riskier than the market and vice versa. For this evaluation, beta is determined based on PESTECH's beta as at the LTD (and not beta of its comparable companies) as: (i) PESTECH is a listed entity where its beta can be readily assessed using correlation analysis with the FTSE Bursa Malaysia KLCI Index; and (ii) the Proposed Restricted Issue is a fund-raising proposal of PESTECH, and the utilisation of proceeds does not include acquisition of new business segment or unit (where beta of comparable companies of the enlarged entity would be more suitable to be used). **<u>Beta as at the LTD</u>** Based on extraction from Bloomberg, we note that PESTECH's beta as at the LTD, calculated based on 3 years monthly correlation between the last traded prices of the issued Shares against the FTSE Bursa Malaysia KLCI Index up to the LTD, is 1.04 (Source: Bloomberg). **<u>Beta after the Proposed Restricted Issue</u>** The pro forma beta of PESTECH after the Proposed Restricted Issue is calculated by re-levering PESTECH's Beta as at the LTD of 1.04 using the Group's estimated gearing ratio after the Proposed Restricted Issue of 2.7 times. Based on this, we derived that PESTECH's beta after the Proposed Restricted Issue is 0.68.

Variable	Parameter		Details
	As at the LTD	After the Proposed Restricted Issue	
Equity risk premium	6.05%	6.05%	Equity risk premium refers to the required rate of return for assuming the market risks of investing in a diversified equity portfolio. We noted the following: **(i) Equity risk premium extracted from Bloomberg** Based on extract from Bloomberg, the average 10 years monthly equity risk premium of Malaysia, calculated based on the average historical rate of return of the FTSE Bursa Malaysia Top 100 Index, up to the LTD, is 5.75%; **(ii) Equity risk premium extracted from a public research by Professor Aswath Damodaron** Based on a public publication by Professor Aswath Damodaron, a commonly used public research for investment analysis, the average equity risk premium of Malaysia as at 5 January 2024, being his research date, is 6.35%. For the purpose of this evaluation, we had adopted 6.05% as the Malaysian equity risk premium, calculated based on the average of the equity risk premiums from the 2 sources above. The use of 2 sources to estimate the Malaysian equity risk premium is to capture a broader market view of the estimated equity risk premium in Malaysia.
Cost of equity	**10.1%**	**7.9%**	-

(5) Being the current distribution rate of the Perpetual Sukuk of 15% p.a. as elaborated in **Section 5.1.2** above. For clarification purposes, as elaborated in note (2) above, the Perpetual Sukuk is an equity instrument and therefore, its distribution rate is not tax deductible (i.e. no tax shields on the distribution rate).

(6) Being the Group's effective interest rate (after tax) of 5.6% p.a. as mentioned in **Section 2.1.7, Part A** of the Circular.

Based on the above, we derived that the Proposed Restricted Issue could result in a marginal decrease in PESTECH's WACC as at the LTD by 0.1% (i.e. from 6.7% to 6.6%).

As such, from a financial point of view, the Proposed Restricted Issue is deemed a value accretive proposal.

(B) WACC evaluation as at the LPD

To illustrate the pro forma changes in the Group's WACC as at the LPD, we had re-calculated the Group's WACC based on the following updated key parameters as at the LPD:

WACC as at the LPD	Note	Formula	As at the LPD		After the Proposed Restricted Issue	
			RM'000	%	RM'000	%
Market value of:						
▪ issued Shares and NCI	(1)	(A)	148,337	11.3	308,337	21.8
▪ Perpetual Sukuk	(2)	(B)	82,000	6.2	82,000	5.8
▪ bank borrowings	(2)	(C)	1,085,176	82.5	1,025,176	72.4
Total		(D)	**1,315,513**	**100.0**	**1,415,513**	**100.0**
Cost of financing of:						
▪ issued Shares and NCI	(3)	(E)	-	9.6	-	7.6
▪ Perpetual Sukuk	(2)	(F)	-	15.0	-	15.0
▪ bank borrowings	(2)	(G)	-	5.6	-	5.6
Weighted average cost of financing of:						
▪ issued Shares and NCI		(H)=(A)/(D)*(E)	-	1.1	-	1.7
▪ Perpetual Sukuk		(I)=(B)/(D)*(F)	-	0.9	-	0.9
▪ bank borrowings		(J)=(C)/(D)*(G)	-	4.6	-	4.0
WACC		**(H)+(I)+(J)**		**6.6**		**6.6**

(1) Updated as follows:

PESTECH's equity value	Formula	As at the LPD	After the Proposed Restricted Issue
		RM'000	**RM'000**
Total outstanding Shares, excluding 7,666,100 treasury shares ('000)	(A)	984,555	984,555
5-day VWAP up to LPD (RM)	(B)	0.1234	0.1234
Market value of issued Shares	(C)=(A)*(B)	121,494	121,494
Add: Unaudited net book value of NCI as at 30 June 2024	(D)	26,843	26,843
Add: New Restricted Shares to be issued pursuant to the Proposed Restricted Issue	(E)	-	160,000
Total	**(C)+(D)+(E)**	**148,337**	**308,337**

(2) No changes in the bases of calculation. Please refer to preceding sub-section (A) above for the details of calculation.

(3) Updated as follows:

Variable	Parameter		Details
	As at the LPD	After the Proposed Restricted Issue	
Risk-free rate	3.83%	3.83%	Being the last traded yield of 10-year Malaysian Government Investment Issues (Islamic) as at the LPD of 3.83% p.a. (Source: Bank Negara Malaysia).
Beta	0.953	0.63	**<u>Beta as at the LPD</u>** Based on extraction from Bloomberg, PESTECH's beta as at the LPD is 0.953 (Source: Bloomberg). **<u>Beta after the Proposed Restricted Issue</u>** The pro forma beta of PESTECH after the Proposed Restricted Issue is calculated by re-levering PESTECH's Beta as at the LPD of 0.953 using the Group's estimated gearing ratio after the Proposed Restricted Issue of 2.6 times. Based on this, we derived that PESTECH's beta after the Proposed Restricted Issue is 0.63.
Equity risk premium	6.05%	6.05%	We noted the following: **(i) Equity risk premium extracted from Bloomberg** Based on extract from Bloomberg, the average 10 years monthly equity risk premium of Malaysia, calculated based on the average historical rate of return of the FTSE Bursa Malaysia Top 100 Index, up to the LPD, is 5.75%. **(ii) Equity risk premium extracted from a public research by Professor Aswath Damodaron** Based on the public publication by Professor Aswath Damodaron, the average equity risk premium in Malaysia as at 5 January 2024 is 6.35%. The average of the equity risk premiums from the 2 sources above is 6.05%.
Cost of equity	**9.6%**	**7.6%**	**-**

As shown above, based on the updated key parameters as at the LPD, we derived that the Proposed Restricted Issue will not result in a material change in the Group's WACC as at the LPD. Hence, the Proposed Restricted Issue is deemed a justifiable fund-raising proposal as it is not expected to result in an increase in the Group's overall costs of capital.

Summary

In a nutshell, the Proposed Exemption arises as it is not the intention of DMIA to undertake the Mandatory Offer as a result of the Proposed Restricted Issue. Based on our evaluations in this **Section 5.1**, we had assessed and evaluated that the Proposed Restricted Issue to be a justifiable fund-raising proposal for PESTECH to embark on.

As mentioned in **Section 1 of Appendix I of the Circular**, the Subscription Agreement is conditional upon, amongst others, PESTECH having obtained its non-interested shareholders' approvals for both the Proposed Restricted Issue and Proposed Exemption.

In this regard, without your approvals for the Proposed Exemption, PESTECH would not be able to implement the Proposed Restricted Issue due to non-fulfilment of conditions precedent of the Subscription Agreement. Accordingly, the Proposed Exemption is essential to facilitate the successful implementation of the Proposed Restricted Issue which in turn would enable the Group to achieve the envisaged benefits of the Proposed Restricted Issue as mentioned in **Section 5.1** above.

Notably, with the Proposed Restricted Issue, the Group would be able to address its urgent funding requirements as DMIA will be injecting sizeable fresh capital of RM160.0 million into the Group for the Group's operational use and repayment of bank borrowings. In addition, given the Group's current loss-making financial results and high gearing ratio of 3.6 times, in the absence of the Proposed Restricted Issue, there is no assurance that the Group would be able to arrive at an alternative funding proposal within a short period of time so to address its current funding needs.

In that regard, as we had viewed the Proposed Restricted Issue to be a justifiable fund-raising proposal to PESTECH and it is to the Group's benefits, we are thereby of the view that the rationale and justifications for the Proposed Exemption to be acceptable.

For your information, the Proposed Exemption is in line with the underlying principle of subparagraph 4.08(1)(b) of the Rules which provides for exemption to persons from undertaking a mandatory offer, subject to compliances with the Rules and PESTECH having obtained the relevant approvals for the Proposed Exemption, such as your prior approval for the Proposed Exemption at the forthcoming EGM.

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5.2 Subscription Price

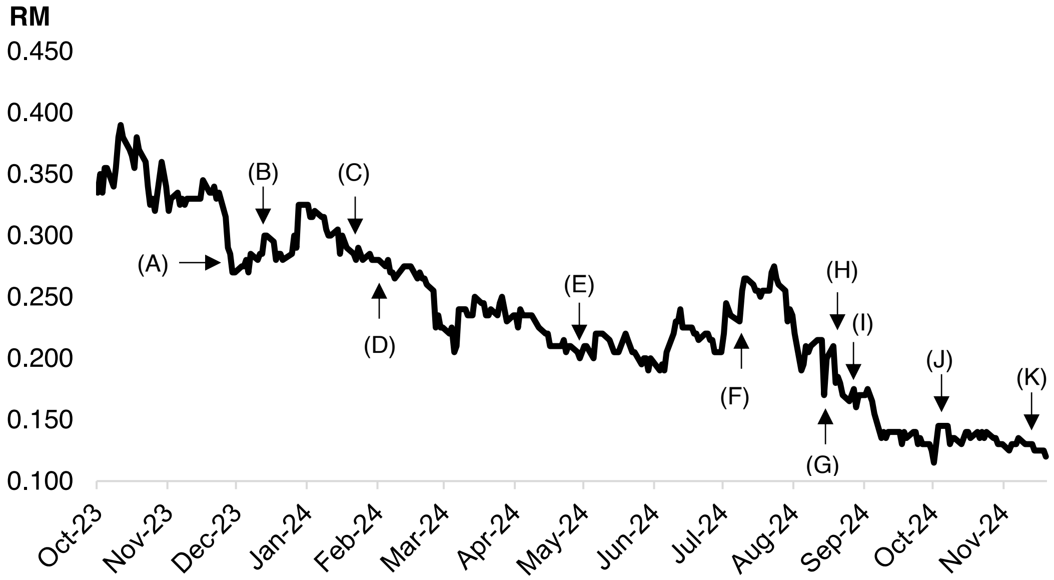
We note from **Section 2.1.4, Part A** of the Circular that the Subscription Price was arrived at on a willing buyer willing seller basis after taking into consideration the Group's urgent funding requirements, as well as the prevailing market conditions and historical market prices of the Shares.

<u>Our comments</u>

In evaluating the Subscription Price, we had considered the following key factors:

(i) Historical market prices of the Shares

We note that the market prices of the Shares were on a downward trend over the past 1 year up to the LPD as follows:



(Source: Bloomberg)

Below is a summary of the key announcements made by PESTECH over the past 1 year up to the LPD:

Annotation	Date	Details of the announcement
(A)	30 Nov 2023	PESTECH announced its 5th quarter results for the 15-month FPE 30 September 2023, whereby the Group recorded a quarterly revenue and loss after tax and minority interests ("**LATMI**") of RM88.2 million and RM79.6 million respectively.
(B)	14 Dec 2024	The Group accepted a letter of award from Syarikat SESCO Berhad for a power substation project with total contract value of RM110.0 million ("**Power Substation Dec 2024**"). The project is to be undertaken between a subsidiary of PESTECH and Sky High Construction Sdn Bhd on a 60:40 joint venture basis.

Annotation	Date	Details of the announcement
(C)	17 Jan 2024	The Group accepted a letter of award from Malaysia Airports (Sepang) Sdn Bhd for the Automated People Mover project and associated works at KL International Airport, at a total contract amount of RM175.7 million. The project is to be undertaken between a subsidiary of PESTECH and IJM Construction Sdn Bhd on a 40:60 joint venture basis.
-	31 Jan 2024	PESTECH issued its 2023 annual report.
(D)	27 Feb 2024	PESTECH announced its 1st quarter results for the FYE 30 September 2024, whereby the Group recorded a quarterly revenue and LATMI of RM73.1 million and RM39.2 million respectively.
(E)	31 May 2024	PESTECH announced its 2nd quarter results for the FYE 30 September 2024, whereby the Group recorded a quarterly revenue and LATMI of RM72.4 million and RM25.8 million respectively.
(F)	5 July 2024	The Power Substation Dec 2024 (as set out in annotation (B) above) was annulled.
(G)	15 Aug 2024	The Proposed Restricted Issue 2023 was aborted due to non-fulfilment of the conditions precedent in the Subscription Agreement 2023. You may also refer to **Section 2.5, Part A** of the Circular for further details on this.
(H)	16 Aug 2024	PESTECH had entered into the HOA with DMIA to explore the Proposed Restricted Issue
(I)	28 Aug 2024	PESTECH announced its 3rd quarter results for the FYE 30 September 2024, whereby the Group recorded a quarterly revenue and LATMI of RM155.2 million and RM71.8 million respectively.
(J)	4 Oct 2024	PESTECH announced the Proposals
(K)	14 Nov 2024	PESTECH announced that Shandong Power Equipment Co., Ltd had initiated arbitral proceedings against PESTECH Sdn Bhd, a wholly-owned subsidiary of PESTECH, in relation to its claim over unpaid dues from PESTECH Sdn Bhd.

(Source: Bursa Securities)

Given that the market prices of the Shares were on a downward trend over the past 1 year, the Subscription Price implies the following discounts to the Shares' historical VWAPs:

VWAPs	Price	Discount	
	RM	RM	%
Up to the LTD			
▪ 5-day	0.1237	0.0037	2.99
▪ 1-month	0.1379	0.0179	12.98
▪ 3-month	0.2017	0.0817	40.51
▪ 6-month	0.2063	0.0863	41.83
▪ 12-month	0.2540	0.1340	52.76
Up to the LPD			
▪ 5-day	0.1234	0.0034	2.76
▪ 1-month	0.1311	0.0111	8.47

(Source: Bloomberg)

We noted that the Shares' 3-month, 6-month and 12-month VWAPs up to the LTD of between RM0.2017 to RM0.2540 were much higher than its 5-day and 1-month VWAPs up to the LTD and LPD.

In our view, the higher 3-month, 6-month and 12-month VWAPs up to the LTD were mainly due to the skewed effect arising from past positive market sentiments over the Proposed Restricted Issue 2023, which was subsequently aborted on 15 August 2024 due to non-fulfilment of conditions precedent of the Subscription Agreement 2023.

As such, in our view, given that the Proposed Restricted Issue 2023 has been aborted on 15 August 2024, the Shares' 5-day and 1-month VWAPs up to the LTD and LPD are closer comparisons to assess the Subscription Price as such VWAPs are current market prices and not skewed by past market sentiments over the Proposed Restricted Issue 2023.

Further, the Shares' 5-day and 1-month VWAPs up to the LTD and LPD are envisaged to have also reflected current market sentiments over the Group's most recent financial results announced on 28 August 2024.

We thereby took note that the Subscription Price is at a discount of:

(a) 3% and 13% to the Shares' 5-day and 1-month VWAPs up to the LTD, respectively; and

(b) 2.8% and 8.5% to the Shares' 5-day and 1-month VWAPs up to the LPD, respectively.

(ii) The Group's NA per Share

To further assess the Subscription Price, we had also compared the Subscription Price *vis-a-vis* the Group's latest available NA per Share. Notably, we note that the Subscription Price of RM0.12 is below the Group's latest unaudited NA per Share of RM0.196 as at 30 June 2024. In this regard, the Proposed Restricted Issue is expected to result in a dilutive impact to the Group's NA per Share.

For illustrative purposes, based on the Group's latest available unaudited NA per Share of RM0.196 as at 30 June 2024, we derived that the Proposed Restricted Issue would result in a dilution of RM0.044 or 22.5% to the Group's unaudited NA per Share of RM0.196 as at 30 June 2024, details are as shown below:

Dilution to the Group's NA per Share	**Formula**	**RM'000**
Unaudited NA as at 30 Jun 2024		192,866
Total outstanding Shares, excluding treasury shares ('000)		984,555
Unaudited NA per Share as at 30 Jun 2024 (RM)	**(A)**	**0.1959**
NA after the Proposed Restricted Issue		[(a)]351,866
Total outstanding Shares, excluding treasury shares ('000)		[(b)]2,317,890
NA per Share after the Proposed Restricted Issue (RM)	**(B)**	**0.1518**
Dilution (%)	**{(B)–(A)}/(A)**	**22.5%**

Notes:

(a) Calculated based on the Group's latest available NA as at the LPD of RM192.9 million (unaudited as at 30 June 2024) and after accounted for the illustrative increase in PESTECH's issued share capital by RM160 million pursuant to the Proposed Restricted Issue, as well as after deducting the RM1 million estimated expenses for the Proposals.

(b) Calculated based on the Group's total issued Shares, excluding treasury shares, of 984,555,371 Shares as at the LPD and after accounting for the issuance of 1,333,335,000 new Restricted Shares pursuant to the Proposed Restricted Issue.

Although the Proposed Restricted Issue will result in a dilutive impact to the Group's NA per Share, we are of the view that such dilutive impact may not necessarily to the detriment of your interests as it can be alleviated through the following benefits that the Group may reap from the Proposed Restricted Issue:

(a) addressing the Group's urgent funding requirements through the ability to raise RM160.0 million sizeable fresh capital without increasing its gearing ratio and interest costs;

(b) reduce bank borrowings by RM60 million, which could also result in:

    (1) annual interest savings of approximately RM3.4 million as elaborated in **Section 5.1** above; and

    (2) reduction of gearing ratio from 3.6 times (unaudited as at 30 June 2024) to 2.2 times as elaborated in **Section 5.1** above;

(c) funding the Group's working capital needs, including secured projects. In return, the timely delivery and completion of secured and future projects would allow the Group to generate the anticipated revenue and gross profits therefrom, which is expected to contribute positively to the Group's future prospects and business undertakings;

(d) funding the Group's day-to-day operational costs, including its administrative expenses, which could help to facilitate the smooth and continuity of operations of the Group;

(e) no increase in the Group's WACC as at the LPD; and

(f) tap into the profile, strength and business network of DMIA, being the new controlling shareholder of PESTECH after the Proposed Restricted Issue, in its pursuit of future growth in the rail and related industries.

In addition, given that DMIA will be injecting RM160.0 million cash into the Group for the Group's operational use and repayment of bank borrowings, it is envisaged that the non-interested shareholders of PESTECH could enjoy the Group's potential upside in the future without incurring cash outlays.

Accordingly, considering the potential benefits to be realised from the Proposed Restricted Issue (as summarised above) can alleviate the dilutive impact to the Group's NA per Share, we are of the view that the Subscription Price, although at a discount of:

(i) 3% and 13% to the Shares' 5-day and 1-month VWAPs up to the LTD respectively; and

(ii) 2.8% and 8.5% to the Shares' 5-day and 1-month VWAPs up to the LPD respectively,

to be acceptable.

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5.3 Salient terms of the Subscription Agreement

The Subscription Agreement sets out the terms and conditions between PESTECH and DMIA for the Proposed Restricted Issue. The salient terms of the Subscription Agreement are set out in **Appendix I** of this Circular and our comments thereon are as follows:

Salient terms	Our comments
Conditions precedent (Please refer to **Appendix I, Section 1**, for the details)	We wish to note to you that: (i) salient terms 1(i)(a) to 1(i)(d) and salient terms 1(i)(f) to 1(i)(g) refer to the requisite approvals needed for the implementation of the Proposed Restricted Issue and Proposed Exemption. These terms are necessary and therefore, not detrimental to your interests; (ii) salient term 1(i)(e) stipulates that the Proposed Restricted Issue is subject to a favourable revision to the Group's existing bank borrowings which is to the Group's betterment and therefore, not detrimental to your interests; and (iii) salient term 1(i)(g) stipulates that the Proposed Restricted Issue is subject to DMIA being satisfied with its due diligence findings on the Group, which is a normal commercial term in mergers and acquisitions exercise. This term is justifiable and not detrimental to your interests. Besides the above, we also wish to highlight to you that: **(i) Conditional approval** In the event any of the requisite approval(s) obtained are subject to conditions, such conditions shall be subjected to the prior agreements of both PESTECH and DMIA, failing which such condition precedent shall be deemed not met. This term is necessary as it allows PESTECH to implement the Proposed Restricted Issue and Proposed Exemption on terms and conditions that are acceptable to itself. **(ii) SC's non-approval for the Proposed Exemption** In the event PESTECH is able to obtained its non-interested shareholders' approval for both the Proposed Restricted Issue and Proposed Exemption but DMIA is unable to obtain the SC's approval for the Proposed Exemption, DMIA will undertake the Mandatory Offer upon the Subscription Agreement becomes unconditional, strictly to comply with its obligations under the Rules. This term is justifiable as it will ensure that the Proposed Restricted Issue can continue and the shareholders would not be disadvantaged as the option to accept the Mandatory Offer lies with the respective shareholders.

Salient terms	Our comments
(cont'd)	**(iii) Non-fulfillment of Conditions Precedent** The Subscription Agreement will be terminated if any of the Conditions Precedent is not being satisfied. If the Subscription Agreement is being terminated due to non-fulfilment of Conditions Precedent, then: (a) the Subscriber shall release the Deposit to PESTECH; and thereafter (b) PESTECH shall capitalise the Deposit received by way of issuing 133,333,500 Capitalised Shares at the Capitalised Issue Price of RM0.12 each, provided always that PESTECH has obtained: (1) its shareholders' approval for the Proposed Capitalisation at the forthcoming EGM; and (2) Bursa Securities' approval for the listing of and quotation for the Capitalised Shares on the Main Market of Bursa Securities. Notwithstanding the above, if any of the requisite approvals for the Proposed Capitalisation is not obtained, PESTECH shall then refund the Deposit to DMIA within 5 business days upon receiving DMIA's written instruction. In our view, the Proposed Capitalisation is not detrimental to your interests considering that: (a) PESTECH would be able to utilise part of the Deposit to fund the semi-annual periodic distributions of its Perpetual Sukuk, which is an existing contractual financial obligation of PESTECH; and (b) the Capitalisation Issue Price and the Subscription Issue Price is the same as both issue prices were set at the same time in the Subscription Agreement. The management of PESTECH has also informed us that the Subscription Agreement was entered into in good faith by both parties to implement the Proposed Restricted Issue. Having considered the above, on an overall basis, we are of the view that this term is acceptable and not detrimental to PESTECH.

Salient terms	Our comments
Subscription Price (Please refer to **Appendix I, Section 2**, for the details)	Our evaluations are as follows: **(i) Subscription Price** The Subscription Price for the issuance of 1,333,335,000 Restricted Shares is RM0.12 each. Based on our evaluations as set out in **Section 5.2** above, we had assessed and evaluated that the Subscription Price is acceptable. As such, this term is justifiable. **(ii) Distribution Amount** Pursuant to this clause, PESTECH may, prior to the Completion of the Subscription Agreement, utilise part of the Deposit received of up to RM6.2 million to settle the semi-annual periodic distributions of its Perpetual Sukuk. This term is to the Group's benefits as it provides PESTECH with ready equity cash flows to meet such existing contractual obligation without increasing its gearing ratio and interest costs.
Completion (Please refer to **Appendix I, Section 3**, for the details)	This term is reasonable as PESTECH will only allot and issue the Restricted Shares to DMIA on the Completion Date, which is within 8 market days after all the conditions precedent under the Subscription Agreement have been fulfilled. Further, pursuant to this clause, the Deposit/Balance Deposit, and the Balance Subscription Monies, will be released to PESTECH on Completion Date and after DMIA having confirmed its receipt of the Restricted Shares.

Salient terms	Our comments
Representations, warranties and undertakings (Please refer to **Appendix I, Section 4**, for the details)	Our evaluations are as follows: **(a) Submission to the SC for the Proposed Exemption** Pursuant to this term, DMIA has undertaken to submit a formal application to the SC for the Proposed Exemption after PESTECH having obtained its non-interested shareholders' approvals for the Proposed Restricted Issue and Proposed Exemption at the forthcoming EGM. If the SC rejects the Proposed Exemption application, DMIA and its PACs shall undertake the Mandatory Offer upon the Subscription Agreement becomes unconditional so to comply with their obligations under the Rules. In such circumstances and pursuant to the Rules, PESTECH is required to, amongst others, issue an independent advice circular to separately advise you on the fairness and reasonableness of the Mandatory Offer. **(b) Losses suffered by DMIA** If there being any inaccuracies or breaches by PESTECH of its warranties up to the Completion Date, which lead to a diminution in the Group's NA, DMIA shall have claims over the diminution incurred which is to be calculated based on: (i) DMIA's eventual shareholding in PESTECH of 57.5%; and multiplied by the (ii) the difference between the reduced value of the Group's NA as determined by an independent valuer and the Group's NA as determined from the Group's latest unaudited accounts delivered to DMIA on the Completion Date. For the avoidance of doubt, the diminution in value of the net asset shall not include any losses incurred by the Group in the ordinary course of business provided that these losses incurred are not a result of any inaccuracy or breach of its warranties. In our view, this term is not detrimental to PESTECH as only the reduction in value of the Group's NA arising from inaccuracies and breaches by PESTECH will be claimed by DMIA. In addition, any reduction in value of the Group's NA will be assessed and verified by an independent valuer which will ensure that the reduced Group's NA, if any, is determined in an independent, transparent and equitable manner. Further, pursuant to this clause, the independent valuer shall be from either one of the well-known firm of chartered accountants, being KPMG, Deloitte, Ernst & Young or PricewaterhouseCoopers, unless PESTECH and DMIA mutually agree to appoint another independent firm of chartered accountants Having considered the above and on an overall basis, we are of the view that this term is not detrimental to PESTECH.

<table>
<tr><th>Salient terms</th><th>Our comments</th></tr>
<tr><td>Indemnity

(Please refer to Appendix I, Section 5, for the details)</td><td>Indemnity is a common commercial term in mergers and acquisitions exercise, which is intended to safeguard the interests of the non-defaulting party.

Pursuant to this clause:

(i) No liability over claims below RM1.2 million

The indemnifying party shall not be liable for any individual claim (or a series of claims arising from substantially identical circumstances) that is below RM1.2 million. In our view, such minimum claim threshold is acceptable as it constitutes less than 1% of the Subscription Price; and

(ii) Maximum liability is up to 50% of the Subscription Price

The maximum liability of indemnifying party shall not exceed 50% of the Subscription Price. Notwithstanding this, we note that in the event of a material breach by the indemnifying party of any provisions under the Subscription Agreement, the non-defaulting party is entitled to terminate the Subscription Agreement pursuant to the termination clause as stipulated in Appendix I, Section 6 of the Circular.

Having considered the above and on an overall basis, we are of the view that this term is not detrimental to PESTECH.</td></tr>
<tr><td>Termination

(Please refer to Appendix I, Section 6, for the details)</td><td>Pursuant to this clause, PESTECH is entitled to terminate the Subscription Agreement in the event of, amongst others:

(i) material breach by DMIA of its warranties, representations and/or any provisions of this Subscription Agreement;

(ii) adverse matters which materially and adversely affect DMIA's business/operations, financial position or prospects; or

(iii) DMIA is insolvent or being wound up.

Hence, this term is justifiable as it serves to safeguard the interests of PESTECH if any of the abovementioned adverse events were to take place.

In the event the Subscription Agreement is being terminated pursuant to this clause, PESTECH shall capitalise the Deposit received pursuant to the Proposed Capitalisation, assuming all the requisite approvals for the Proposed Capitalisation have been obtained by PESTECH. As mentioned earlier, the Proposed Capitalisation is an acceptable proposal in our view.

Having considered the above and on an overall basis, we are of the view that this term is acceptable and not detrimental to PESTECH.</td></tr>
</table>

<table>
<tr><th>Salient terms</th><th>Our comments</th></tr>
<tr><td>Rights to nominate Directors

(Please refer to Appendix I, Section 7, for the details)</td><td>Rights to nominate Directors to represent the interests of a controlling shareholder is a common commercial term in mergers and acquisition exercise.

Notwithstanding this, we wish to highlight to you that:

(i) Executive Directors

As mentioned in Section 4.5, Part A of the Circular, Mr. Lim Ah Hock and Mr. Lim Pay Chuan, the current Executive Directors of PESTECH, will continue to remain on the Board and managing the Group's day-to-day operations after the completion of Proposed Restricted Issue.

Thus, the Proposed Restricted Issue is not expected to result in a significant change to the Group's principal activities or business directions.

(ii) Independent Directors

As a listed issuer and for good corporate governance, the Board shall comprise independent Directors.

Pursuant to paragraph 15.02(1) of the Listing Requirements, PESTECH shall ensure that at least 2 or one-third of its Board, whichever is higher, are Independent Directors.

Further, pursuant to the Malaysian Code on Corporate Requirements 2021, at least half of the Board shall comprise independent Directors.

In view of the above requirements, in the event DMIA nominated additional Directors to the Board pursuant to this clause, PESTECH would be required to appoint additional Independent Directors so to comply with the said requirements on independent Directors, and to instil greater independent oversight on the Group's corporate governance.

Based on our discussions with the Board, the Board is aware of the said requirements and will endeavour to appoint additional Independent Directors to its Board where required.

Having considered the above, we are of the view that this term is not detrimental to PESTECH.</td></tr>
</table>

Salient terms	Our comments
Variation of issued Share capital (Please refer to **Appendix I, Section 8**, for the details)	We note that if, prior to the Completion Date, there being a variation to the issued shares capital of PESTECH, then the total number of Restricted Shares to be issued, or the Subscription Price, shall be adjusted accordingly in such manner that such variation, if any, shall not alter DMIA's total shareholding in PESTECH of 57.52% immediately upon completion of the Proposed Restricted Issue. The adjustment clause is not detrimental to your interests as the percentage shareholding of DMIA after such adjustments, if any, will not vary from 57.52%. Further, this adjustment clause is not detrimental to PESTECH's interests as its management will have to take into consideration the needs of the Group and all of its stakeholders before deciding to issue new Shares that may trigger this clause. However, it should be noted that if there are any Warrants exercised before the completion of the Proposed Restricted issue, the number of Shares to be issued to DMIA may increase so that DMIA shareholding upon completion of the Proposed Restricted Issue will remain at 57.52%.

Premised on the above and on an overall basis, we are of view that the salient terms of the Subscription Agreement are reasonable and on normal commercial term.

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5.4 Effects to the Group

We took cognizance of the effects of the Proposed Restricted Issue and the Proposed Exemption on the Group as set out in **Section 5, Part A** of the Circular.

<u>Our comments</u>

The Proposed Exemption, on a standalone basis, will not have any effect on the Group. Our evaluations on the effects of the Proposed Restricted Issue to the Group are as follows:

Effects	Our comments
Issued share capital	▪ The pro forma increase in issued Shares (including treasury shares) from 992,221,471 Shares (as at the LPD) to 2,325,556,471 Shares is due to issuance of 1,333,335,000 Restricted Shares to DMIA pursuant to the Proposed Restricted Issue. ▪ The pro forma increase in PESTECH's issued share capital (including treasury shares) from RM232.9 million (as at the LPD) to RM392.9 million is due to the issuance of 1,333,335,000 Restricted Shares to DMIA at the Subscription Price of RM0.12 each pursuant to the Proposed Restricted Issue.
NA and NA per Share	**<u>Based on the Group's audited statement of financial position as at 30 September 2023</u>** ▪ The pro forma increase in the Group's audited NA from RM338.9 million (as at 30 September 2023) to RM497.9 million is due to the resultant RM160.0 million increase in PESTECH's issued share capital as elaborated above, and after deducting for the RM1 million estimated expenses for the Proposals. ▪ The pro forma decrease in the Group's audited NA per Share from RM0.34 (as at 30 September 2023) to RM0.21 is due to the natural dilutive impact arising from the Subscription Price of RM0.12 being lower than the Group's audited NA per Share of RM0.34 as at 30 September 2023. **<u>Based on the Group's latest unaudited statement of financial position as at 30 June 2024</u>** ▪ The pro forma increase in the Group's unaudited NA from RM192.9 million (as at 30 June 2024) to RM351.9 million is due to the resultant RM160.0 million increase in PESTECH's issued share capital as elaborated above, and after deducting for the RM1 million estimated expenses for the Proposals. ▪ The pro forma decrease in the Group's unaudited NA per Share from RM0.20 (as at 30 June 2024) to RM0.15 is due to the natural dilutive impact arising from the Subscription Price of RM0.12 being lower than the Group's unaudited NA per Share of RM0.20 as at 30 June 2024.

Effects	Our comments
Gearing	**<u>Based on the Group's audited statement of financial position as at 30 September 2023</u>** The Proposed Restricted Issue will result in a pro forma decrease in the Group's gearing ratio from 2.4 times (as at 30 September 2023) to 1.7 times mainly due to the: (i) resultant increase in the Group's NA as elaborated above; and (ii) the intended RM60.0 million repayment of the Group's bank borrowings using part of the proceeds raised from Proposed Restricted Issue as elaborated in **Section 5.1.1** above. **<u>Based on the Group's latest unaudited statement of financial position as at 30 June 2024</u>** The Proposed Restricted Issue will also result in a pro forma decrease in the Group's gearing ratio of 3.6 times (as at 30 June 2024) to 2.2 times due to the same reason as mentioned in the paragraph above.
Losses and LPS	▪ Premised on the rationale, justifications and potential benefits of the Proposed Restricted Issue as set out in **Section 3.1, Part A** of the Circular, the Proposed Restricted Issue is expected to be an earnings accretive proposal to PESTECH. In this regard, the Proposed Restricted Issue is expected to contribute positively to the Group's future earnings. ▪ However, the issuance of 1,333,335,000 Restricted Shares to DMIA pursuant to the Proposed Restricted Issue will result in a natural dilutive impact to the Group's future earnings/loss per Share.
Substantial shareholders' shareholdings	Upon completion of the Proposed Restricted Issue, DMIA will emerge as the controlling shareholder of PESTECH with 57.5% shareholding. This is due to its receipt of the 1,333,335,000 Restricted Shares pursuant to the Proposed Restricted Issue. Notwithstanding the above, as analysed in **Section 5.1.3** of this IAL, the entry of DMIA as the controlling shareholder of PESTECH is expected to bring synergistic values to the Group and thereby, not to the detriment of your interests.
Convertible Securities	The Proposed Restricted Issue will not give rise to any adjustments to the exercise price and/or outstanding number of Warrants.

Premised on the above, we are of the view that the effects of the Proposed Restricted Issue appear to be reasonable as they reflect the consequential results to the Group arising from its undertaking of the Proposed Restricted Issue.

5.5 Future Prospects of the Group

We took cognizance of the industry outlook and future prospects of the Group as set out in **Section 4, Part A** of the Circular.

<u>Our comments</u>

In our view, the Proposed Restricted Issue is expected to augur well to the Group's future prospects underpinned by the following key considerations:

(i) Stronger capital base and financial footing

The Proposed Restricted Issue is expected to substantially shore up the Group's financial footings and capabilities as it could result in:

(a) a sizeable net increase in its total equity by RM159.0 million as mentioned in **Section 5.1** above;

(b) a corresponding decrease in its gearing ratio from 3.6 times as at 30 June 2024 (unaudited) to 2.2 times as mentioned in **Section 5.1** above; and

(c) funding the its on-going working capital requirements, including secured projects, as mentioned in **Section 5.1** above;

(d) an estimated annual interest savings of RM3.4 million as mentioned in **Section 5.1** above.

A stronger financial foothold is paramount to the Group's current and future operations as this would allow the Group to have the needed financial capabilities to complete its existing secured projects as well as pursuing future projects when opportunities arise.

(ii) Orderbook of RM504.3 million

As at 30 June 2024, the Group has a total orderbook of RM504.3 million. With the Proposed Restricted Issue, the Group will be able to channel RM75.8 million of the gross proceeds to be raised towards funding the working capital requirements of these secured projects. The timely completion of existing and future projects would allow the Group to generate the anticipated revenue and gross profits, which in turn is expected to contribute positively to the Group's future prospects and business undertakings.

(iii) Potential synergistic value creations from DMIA

As mentioned in **Section 5.1.3** above, considering both PESTECH and DMIA are principally involved in the rail and related industries, post completion of the Proposed Restricted Issue, PESTECH expects both parties will be able to collaborate together in future projects by leveraging on each other's core expertise and strengths .

Further, given that DMIA is an experienced contractor in the rail and related industries, the entry of DMIA as the controlling shareholder of PESTECH is expected to offer strategic values to the Group as the Group can tap into DMIA's profile, strength and business network in future jobs tenders.

(iv) Industry outlook

The Group predominately generates revenue from its operations in Malaysia and Cambodia. A summary of the outlook of the Malaysian and Cambodian economies are as follows:

(a) Malaysia

The Malaysian economy grew by 5.3% for the 3rd quarter of 2024, mainly driven by strong expansion in overall investment activities, higher goods exports and tourism spending as well as expansion in household spending [aa]. Moving forward, the Malaysian economy is expected to grow further between 4.5% to 5.5% in 2024 and between 4.0% to 5.0% in 2025, underpinned by, amongst others, firmer conditions for domestic consumption and investment[bb].

The construction sector is forecasted to grow by 6.8% in 2024 following better performance in all subsectors. We also note that the Malaysian Government had, in its 2024 budget, allocated RM90 billion development expenditure to fund public infrastructure projects such as Penang light rail transit ("**LRT**"), Pan Borne Sabah Phase 1, Mass Rapid Transit 3 and large-scale flood mitigation projects[cc]. Further, there were also plans to reinstate 5 more LRT 3 stations in the Klang Valley[cc].

(b) Cambodia

Cambodia's economic activity improved in the 1st quarter of 2024, driven by higher services and goods exports. Moving forward, economic growth is expected to improve marginally to 5.8% in 2024, up from 5.6% in 2023, and should further strengthen by 6.1% in 2025 and 6.4% in 2026 as revival in garment, travel goods, and footwear exports and tourism propel the ongoing recovery[dd].

We also note from **Section 4.4, Part A** of the Circular that the Cambodian's construction sector had grown 1.1% in 2023. We also note that that from January to November 2023, the Cambodian government had approved 3,142 projects covering an area of 12.69 million square meters with total investments of USD5.3 billion[ee].

Sources:

(aa) Publication by Bank Negara Malaysia titled "BNM Quarterly Bulletin: Third Quarter".

(bb) Publication by RAM Rating Services Berhad titled "Malaysia's Strong Economic Momentum to Carry Over into 2H 2024 and 2025".

(cc) Publication by the Malaysian Investment Development Authority titled "Strong Spillover from Mega Infrastructure Projects in Q2".

(dd) Publication by the World Bank Group titled "Cambodia's Goods Exports, Services Boosting Economic Activity, World Bank Report Says".

(ee) Publication by The Phnom Penh Post titled "Construction Sector Facing Slow Recovery Due to Global Conflict, Covid".

Noting the above key market developments above, we are of the view that the overall economy and construction industry outlooks in Malaysia and Cambodia appear to be positive and thereby, are expected to augur well the Group's future pursuits in the rail and related industries.

5.6 Implications arising from the voting outcome of the Proposed Exemption

Subparagraph 4.08(2) of the Rules

Pursuant to subparagraph 4.08(2) of the Rules, the SC may consider granting the Proposed Exemption if DMIA and its PACs had satisfied the following conditions:

(a) there has been no acquisition of Shares or instruments convertible into Shares and options in respect of Shares (other than subscriptions for new Shares or new instruments convertible into or options in respect of new Shares which have been disclosed in the Circular) by DMIA and its PACs in the past 6 months prior to the announcement of the Proposed Exemption, but subsequent to the negotiations, discussions or the reaching of understandings or agreements with the Board in relation to the Proposed Restricted Issue until completion of the Proposed Restricted Issue ("**Disqualifying Transaction**"); and

(b) approval has been obtained from PESTECH's non-interested holders of voting shares or voting rights at a meeting of the holders of the relevant class of voting shares or voting rights to waive their rights to receive the Mandatory Offer from DMIA and its PACs. The voting at the forthcoming EGM shall be conducted by way of poll.

Any exemption granted by the SC will be invalidated if DMIA or its PACs have engaged or engage in a Disqualifying Transaction.

Subparagraph 18.02 of the Rules

Pursuant to subparagraph 18.02 of the Rules, upon PESTECH having obtained its non-interested shareholders' approvals for the Proposed Restricted Issue and Proposed Exemption, DMIA and its PACs shall not acquire any Shares within a period of 6 months after the EGM for the Proposed Exemption from a person whom, at the time of the Proposed Exemption, was a Director or substantial shareholder of PESTECH.

That is in view that such acquisition, if any, shall be deemed favourable deal pursuant to paragraph 18 of the Rules. The SC may consider granting a waiver to DMIA and its PAC if such acquisition, if any, is *de minimis*.

The implications of your voting outcomes on the resolution for the Proposed Exemption are as follows:

5.6.1 If you VOTE IN FAVOUR of the Proposed Exemption

If you vote in favour of the Proposed Exemption, and assuming PESTECH is able to obtain its non-interested shareholders' approvals for both the Proposed Exemption and Proposed Restricted Issue, then the implications are:

(i) The application by DMIA and its PACs for the Proposed Exemption can be submitted to the SC

Subject to full compliances by DMIA and its PACs under the Rules, the SC would be able to consider their application for the Proposed Exemption. An approval from the SC for the Proposed Exemption would then exempt DMIA and its PACs from the obligation to undertake the Mandatory Offer as a result of the Proposed Restricted Issue.

(ii) You agree to waive your rights and exempt DMIA and its PACs from the obligation to undertake the Mandatory Offer

Your approval of the Proposed Exemption will imply that you agree to waive your rights and exempt DMIA and its PACs from the obligation to undertake the Mandatory Offer.

Notwithstanding waiver of your rights for the Mandatory Offer, voting in favour of the Proposed Exemption would enable PESTECH to undertake the Proposed Restricted Issue as the Subscription Agreement is conditional upon, amongst others, PESTECH having obtained its non-interested shareholders for the Proposed Exemption.

You may refer to **Section 5.1** above for our evaluations on the rationale, justifications and potential benefits of the Proposed Restricted Issue.

(iii) DMIA is able to obtain statutory control without undertaking Mandatory Offer

As mentioned in **Section 1** above, the Proposed Restricted Issue, if approved and implemented, would result in DMIA obtaining 57.5% shareholding in PESTECH. In this regard, the completion of the Proposed Restricted Issue will result in DMIA obtaining a statutory control in PESTECH at the Subscription Price, which is:

(d) at a discount of between 3% to 52.8% to the 5-day, 1-month, 3-month, 6-month and 12-month VWAPs of the Share up to the LTD;

(e) at a discount of between 2.8% and 8.5% to the 5-day and 1-month VWAPs of the Share up to the LPD; and

(f) lower than the Group's latest unaudited NA per Share of RM0.196 as at 30 June 2024,

without having to undertake the Mandatory Offer.

Further, in view that the collective shareholdings of DMIA and its PACs will increase to more than 50% immediately after the completion of the Proposed Restricted Issues, moving forward, DMIA and its PACs could collectively further increase their voting shares or voting rights in PESTECH without incurring any further obligation to undertake the Mandatory Offer, provided that DMIA and its PACs do not trigger such Mandatory Offer obligation on an individual basis.

(iv) DMIA is able to exercise significant influence over shareholders' resolutions

Unless DMIA and its PACs are required to obtain from voting on the relevant shareholders' resolutions of PESTECH, with DMIA's statutory control in PESTECH, DMIA and its PACs would be able to exercise significant influence over the outcome of PESTECH's shareholders' resolution(s) as DMIA is able to:

(a) approve or oppose any ordinary resolutions (requiring approval from more than 50% of the total votes cast); and

(b) oppose any special resolutions (requiring approval from at least 75% of the total votes cast).

However, considering DMIA will be making RM160.0 million sizeable investment in PESTECH *vide* the Proposed Restricted Issue, it is envisaged that DMIA will make careful decision on all shareholders' resolutions of PESTECH so to safeguard its investment value in PESTECH and in consideration of the Group's overall equity growth.

(v) Your shareholding in PESTECH will be proportionately diluted

The Proposed Restricted Issue, if approved and implemented, will result in your current shareholding in PESTECH being proportionately diluted. This is due to the natural dilutive effect arising from the issuance of 1,333,350,000 Restricted Shares by PESTECH to DMIA pursuant to the Proposed Restricted Issue.

For illustrative purposes, upon completion of Proposed Restricted Issue, the collective shareholdings of PESTECH's shareholders will be diluted from 100% as at the LPD to 42.5%, assuming none of the Warrants are being exercised and none of PESTECH's treasury Shares are being sold, cancelled or distributed.

However, notwithstanding the dilutive impact to your current shareholdings in PESTECH, assuming there being no additional purchase of Shares by the DMIA and its PACs from the open market subsequent to the completion of the Proposed Restricted Issue, the number of Shares currently held by PESTECH's shareholders will remain the same after the completion of Proposed Restricted Issue. As such, the Proposed Restricted Issue and Proposed Exemption are not expected to result in an adverse effect to the trading liquidity of the Shares moving forward.

(vi) Deny your opportunity to exit from PESTECH through a mandatory offer

The Proposed Exemption would essentially deny you with the opportunity to exit from PESTECH through a mandatory offer, which shall be no lower than the highest price paid by DMIA and its PACs for the Shares and Warrants in the past 6 months prior to the incurrence of such obligation to undertake the Mandatory Offer.

Nonetheless, we wish to highlight that the Proposed Exemption is in line with the underlying principle of subparagraph 4.08(1)(b) of the Rules, which provide for exemption to persons from undertaking a mandatory offer, subject to compliances with the Rules and PESTECH having obtained the relevant approvals for the Proposed Exemption, such as your prior approval for the Proposed Exemption at the forthcoming EGM.

5.6.2 If you VOTE AGAINST the Proposed Exemption

If you vote against the Proposed Exemption and PESTECH is unable to obtain its non-interested shareholders' approval for the Proposed Exemption at the forthcoming EGM, then:

(i) the application by DMIA and its PACs for the Proposed Exemption will not be able to be submitted to the SC as it does not fulfil the requirements under subparagraph 4.08(2) of the Rules; and

(ii) PESTECH would not be able to undertake the Proposed Restricted Issue due to non-fulfilment of the conditions precedent of the Subscription Agreement.

In this regard, PESTECH will not be able to achieve the envisaged benefits as set out in **Section 3.1, Part A** of the Circular.

6. DECLARATIONS AND CONFIRMATIONS

Pursuant to Schedule 2: Part II of the Rules, the following declarations have been made in respect of the Proposed Exemption as at the LPD:

6.1 Declarations by DMIA

(i) DMIA:

(a) intends to continue with the Group's businesses;

(b) does not intend to effect and/or introduce any major changes to the Group's business activities, including any plans to liquidate any of the companies within the Group, sell the assets or re-deploy the fixed assets of the Group or make any other major changes in the business and/or structure of the Group; and

(c) does not intend to effect any major changes to the continued employment of the employees of the Group or its employment policies, except where such changes are considered by the Group to be necessary to improve, amongst others, its profitability, operation and/or market position, and in the best interest of the Group.

(ii) DMIA's commercial justification for the Proposed Exemption is to facilitate the Proposed Restricted Issue without having to undertake the Mandatory Offer.

(iii) There is no agreement, arrangement or understanding that exists between DMIA or its PACs and any of the Directors of PESTECH or recent Directors of PESTECH, holders of voting shares or voting rights or recent holders of voting shares or voting rights of PESTECH having any connection with or dependence upon the Proposed Exemption.

(iv) DMIA does not have any indemnity arrangement and any agreement or understanding, formal or informal, of whatever nature with any person relating to Shares which may be an inducement to deal or refrain from dealing.

(v) Within the knowledge of DMIA, as at the LPD, there has not been any material changes in the consolidated financial position or prospects of PESTECH since 30 September 2023, being the Company's latest audited consolidated financial statements presented to its shareholders in the annual general meeting held on 26 March 2024.

(vi) DMIA or its PACs has not borrowed or lent any Shares and/or convertible securities in PESTECH.

(vii) DMIA has not dealt in the Shares and/or convertible securities in PESTECH during the period beginning 6 months prior to the announcement of the Proposed Exemption on 4 October 2024 and ending on the LPD.

Premised on the foregoing and barring any unforeseen circumstances, save for the Proposed Restricted Issue, we note that there will not be any major changes to the Group's business operations after the Proposed Exemption.

6.2 Declarations by PESTECH's Directors

(i) PESTECH's Directors have confirmed that they will **vote in favour** of the Proposed Restricted Issue and Proposed Exemption in respect of their beneficial holdings in PESTECH at the forthcoming EGM. Save as disclosed in **Section 4 of Attachment I** to this IAL, none of the Directors have any direct or indirect holdings of Shares as at the LPD.

(ii) None of PESTECH's Directors have any existing service contracts with PESTECH or any of its subsidiaries which have been entered into or amended within 6 months prior to announcement of the Proposed Exemption on 4 October 2024 or which are fixed term contracts with more than 12 months to run, excluding contracts expiring or determinable by the PESTECH Group without payment of compensation within 12 months from the date of this IAL.

(iii) PESTECH's Directors confirmed that, notwithstanding they will vote in favour of the Proposed Restricted Issue and Proposed Exemption in respect of their beneficial holdings in PESTECH at the forthcoming EGM, there is no agreement, arrangement or understanding that exists between DMIA and any of the Directors of PESTECH or recent Directors of PESTECH, existing or recent holders of voting shares or voting rights of the Group having any connection with or dependence upon the outcome of the Proposed Exemption.

(iv) There are no payments or other benefits which will be made or given to any Directors of PESTECH as compensation for loss of office or otherwise in connection with the Proposed Exemption.

(v) There is no agreement or arrangement between any Director of PESTECH and any other person which is conditional on or dependent upon the outcome of the Proposed Exemption.

(vi) None of the Directors of PESTECH have any personal interest in any material contracts entered into by DMIA.

7. DIRECTORS' RESPONSIBILITY STATEMENT

The Board has seen and approved the contents of this IAL, and the Board, collectively and individually, accepts full responsibility for the accuracy of the information contained in this IAL, save for the views and recommendation of Mercury Securities, and confirms that, after having made all reasonable enquiries and to the best of their knowledge, the opinion of the Directors of PESTECH as set out in **Section 9, Part A** of the Circular have been arrived at after due and careful consideration and all information relevant to the evaluation of the Proposals have been disclosed and that there are no omission of any material facts which would make any statement in this IAL false or misleading.

The responsibility of the Board in respect of:

(i) the information relating to DMIA (as provided by DMIA) is limited to ensuring that such information is accurately reproduced in this IAL; and

(ii) the independent advice and expression of opinion by Mercury Securities in relation to the Proposed Exemption and Proposed Restricted Issue as set out in this IAL is limited to ensuring that accurate information in relation to the Group have been provided to us for our evaluation of the Proposed Exemption and to ensure that all information in relation to the Group that is of relevance to our evaluation of the Proposed Exemption have been completely disclosed to us and that there is no material fact the omission of which would make any information provided to us false or misleading.

8. FURTHER INFORMATION

Please refer to **Part A** of the Circular as well as the accompanying appendices for further information in respect of the Proposed Exemption.

9. CONCLUSION AND RECOMMENDATION

In arriving at our conclusion and recommendation for the Proposed Exemption, we had also evaluated the potential advantages and disadvantages of the Proposed Exemption as summarised below:

Potential Advantages
<u>Ability to undertake the Proposed Restricted Issue</u> As elaborated in the summary of our evaluations in **Section 5.1** above, the Subscription Agreement is conditional upon, amongst others, PESTECH having obtained its non-interested shareholders' approvals for both the Proposed Restricted Issue and Proposed Exemption. In this regard, the Proposed Exemption, if approved and undertaken, would enable PESTECH to implement the Proposed Restricted Issue assuming the Proposed Restricted Issue is also approved by PESTECH's non-interested shareholders at the forthcoming EGM. **<u>Potential benefits from the Proposed Restricted Issue</u>** The Proposed Restricted Issue, if approved and undertaken, is expected to accord the Group with the following benefits: **(i) Raise RM160.0 million sizeable capital for operational use and repayment of bank borrowings without incurring additional costs** As elaborated in **Section 5.1.1** above, the Proposed Restricted Issue would enable the Group to raise sizeable equity capital of RM160.0 million without incurring additional interest costs, an opportunity which may not be otherwise available to the Group given its current loss-making financial performances and high gearing ratio of 3.6 times. **(ii) Reduce bank borrowings to more comfortable level** As elaborated in **Section 5.1** above, losses over the past 2 FPEs had drained the Group of its financial resources, which in turn had led to the Group recorded a negative net cash position of RM14.4 million. Given the Group's lacklustre financial performances over the past 2 FPEs, it is the Group's intention to pare down its bank borrowings in order to reduce its financial burdens to a more comfortable level. The Proposed Restricted Issue would meet this objective as the Group is able to channel RM60.0 million out of the total RM160.0 million gross proceeds to be raised from the Proposed Restricted Issue for repayment of its bank borrowings. The intended repayment of bank borrowings by RM60.0 million could in turn result in the Group achieving the following additional benefits: (a) an estimated annual interest savings of RM3.4 million as elaborated in **Section 5.1.1** above; and (b) reduce its gearing ratio from 3.6 times (unaudited as at 30 June 2024) to 2.2 times as elaborated in **Section 5.1.1** above.

Potential Advantages

(cont'd)

(iii) Fund the Group's working capital requirements including secured projects

As elaborated in **Section 5.1.1** above, RM75.8 million of the proceeds to be raised will be used to fund the Group's working capital needs, including secured projects. As at 30 June 2024, the Group has total order book of RM646.7 million.

Such intended use of proceeds is to the benefits of PESTECH as it could provide the Group with the needed financial capacities to meet the working capital requirements of its secured projects as well as to pursue new projects if the opportunities arise. The timely completion of its secured and future projects would allow the Group to generate the anticipated revenue and gross profits, which in turn is expected to contribute positively to the Group's future prospects and business undertakings.

(iv) Fund the Group's day-to-day operations

As elaborated in **Section 5.1.1** above, RM17.0 million of the proceeds to be raised will be channelled towards funding the Group's day-to-day operational costs, including administrative expenses. The intended use of proceeds is justifiable as it could help to facilitate the smooth and continuity of operations of the Group.

(v) Tap into DMIA's profile, strength and network

As mentioned in Section **5.1.3** above, considering PESTECH and DMIA are principally involved in the rail and related industries, post completion of the Proposed Restricted Issue, PESTECH expects both parties to collaborate together in future projects by leveraging on each other's core expertise and strengths for future projects.

Further, given that DMIA is an experienced contractor in the rail and related industries, the entry of DMIA as the controlling shareholder of PESTECH is expected to bring strategic values to the Group as the Group would be able to tap into DMIA's profile, strength and network in its future jobs tender.

(vi) Stronger financial footing

As mentioned in **Section 5.5** above, Proposed Restricted Issue would help to shore up the Group's financial footings and capabilities as it could result in:

(a) a sizeable net increase in the Group's total equity by RM159.0 million as mentioned in **Section 5.1** above;

(b) a corresponding decrease in the Group's gearing ratio from 3.6 times as at 30 June 2024 (unaudited) to 2.2 times as mentioned in **Section 5.1** above; and

A stronger financial foothold is paramount to the Group's current and future operations as this would allow the Group to have the needed financial capabilities to complete secured projects as well as to pursue future projects when opportunities arise.

Potential Advantages
(cont'd) **(vii) No increase in overall costs of capital** Based on our calculations in **Section 5.1.4** above, we derived that the Proposed Restricted Issue will not result in a material change to PESTECH's WACC as at the LPD. As such, from a financial point of view, the Proposed Restricted Issue is deemed a justifiable fund-raising proposal as it is not expected to result in an overall increase in the Group's costs of capital.

Potential Disadvantages

The potential disadvantages of the Proposed Restricted Issue are as follows:

(i) Dilution to the Group's NA per Share

As elaborated in **Section 5.2(ii)** above, the Proposed Restricted Issue would result in an illustrative dilutive impact of 22.5% to the Group's unaudited NA per Share of RM0.196 as at 30 June 2024, being the Group's latest financial position as at the LPD. This is in view that the Subscription Price of RM0.12 is lower than the said NA per Share of RM0.196.

However, such dilutive impact can be alleviated when the Group subsequently achieved improved financial performances leveraging on, amongst others, the potential advantages of the Proposed Restricted Issue as mentioned above. Nevertheless, we wish to note to you that there is no certainty that the Group would be able to materialise such potential benefits as it is dependent on, amongst others, the ability of its management to execute the Group's business plans including the ability to timely deliver existing secured projects.

(ii) DMIA is able to obtain statutory control without undertaking Mandatory Offer

As mentioned in **Section 1** above, the Proposed Restricted Issue would result in DMIA obtaining 57.5% shareholding in PESTECH. As such, the completion of the Proposed Restricted Issue as well as the Proposed Exemption will result in DMIA obtaining a statutory control in PESTECH at the Subscription Price, which is:

(a) at a discount of between 3% to 52.8% to the Shares' 5-day, 1-month, 3-month, 6-month and 12-month VWAPs up to the LTD;

(b) at a discount of 2.8% and 8.5% to the Shares' 5-day and 1-month VWAPs up to the LPD, respectively; and

(c) lower than the Group's latest unaudited NA per Share of RM0.196 as at 30 June 2024,

without having to undertake the Mandatory Offer.

Further, in view that the collective shareholdings of DMIA and its PACs will increase to more than 50% immediately after the completion of the Proposed Restricted Issues, moving forward, DMIA and its PACs could collectively further increase their voting shares or voting rights in PESTECH without incurring any further obligation to undertake the Mandatory Offer, provided that DMIA and its PACs do not trigger such Mandatory Offer obligation on an individual basis.

Potential Disadvantages

(iii) DMIA is able to exercise significant influence over shareholders' resolutions

As elaborated in **Section 5.6.1(iv)** above, unless DMIA and its PACs are required to obtain from voting on such shareholders' resolutions of PESTECH, with DMIA's statutory control in PESTECH, DMIA would be able to exercise significant influence over the outcome of PESTECH's shareholders' resolution(s) as it is able to:

(a) approve or oppose any ordinary resolutions (requiring approval from more than 50% of the total votes cast); and

(b) oppose any special resolutions (requiring approval from at least 75% of the total votes cast),

However, considering DMIA will be making RM160.0 million sizeable investment in PESTECH *vide* the Proposed Restricted Issue, it is envisaged that DMIA will make careful decision on the shareholders' resolutions of PESTECH so to safeguard its investment value in PESTECH and in consideration of the Group's overall equity growth.

(iv) Your shareholding in PESTECH will be proportionately diluted

As mentioned in **Section 5.6.1(v)** above, the issuance of 1,333,350,000 Restricted Shares by PESTECH to DMIA pursuant to the Proposed Restricted Issue will result in a proportionate dilutive effect to your current shareholding in PESTECH.

For illustrative purposes, upon completion of Proposed Restricted Issue, the collective shareholdings of PESTECH's shareholders will be diluted from 100% as at the LPD to 42.5%, assuming none of the Warrants are being exercised and none of PESTECH's treasury Shares are being sold, cancelled or distributed

However, notwithstanding the dilutive impact to your current shareholdings in PESTECH, assuming there being no additional purchase of Shares by DMIA and its PACs from the open market subsequent to the completion of the Proposed Restricted Issue, the number of Shares currently held by PESTECH's shareholders will remain the same after the completion of Proposed Restricted Issue. As such, the Proposed Restricted Issue and Proposed Exemption are not expected to result in an adverse effect to the trading liquidity of the Shares moving forward.

(v) Loss of opportunity to exit from PESTECH through a mandatory offer

As elaborated in **Section 5.6.1 (vi)** above, the Proposed Exemption would essentially deny you with the opportunity to exit from PESTECH through a mandatory offer, which shall be no lower than the highest price paid by DMIA and its PACs for the Shares and Warrants in the past 6 months prior to the incurrence of such obligation to undertake the Mandatory Offer.

However, the Proposed Exemption is in line with the underlying principle of subparagraph 4.08(1)(b) of the Rules, which provides for exemption to persons from undertaking a mandatory offer, subject to compliances with the Rules and PESTECH having obtained the relevant approvals for the Proposed Exemption, such as your prior approval for the Proposed Exemption at the forthcoming EGM.

Based on the above, we are of the view that the Proposed Exemption's potential advantages appear to outweigh that of its potential disadvantages.

Accordingly, premised on our overall evaluations as set out in **Section 5** of this IAL and considering that the Proposed Exemption's potential advantages outweigh that of its potential disadvantages, on an overall basis, we are of the view that the Proposed Exemption is **fair,** and **reasonable**. Accordingly, we recommend you to **vote in favour** of the resolution pertaining to the Proposed Exemption to be tabled at PESTECH's forthcoming EGM.

YOU ARE ADVISED TO READ AND UNDERSTAND BOTH THIS IAL AND PART A OF THE CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES, AND CAREFULLY CONSIDER THE RECOMMENDATIONS CONTAINED IN BOTH THIS IAL AND PART A OF THE CIRCULAR BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED EXEMPTION TO BE TABLED AT PESTECH'S FORTHCOMING EGM.

Yours faithfully
For and on behalf of
MERCURY SECURITIES SDN BHD

CHEW SING GUAN Managing Director	**CHRIS LAI THER WEI** Director, Head of Capital Markets

INFORMATION ON PESTECH

1. HISTORY AND PRINCIPAL ACTIVITIES

PESTECH (201101019901 (948035-U)) was incorporated in Malaysia on 10 June 2011 under its present name and was listed on the Main Market of Bursa Securities on 30 May 2012.

The principal activities of PESTECH are investment holdings, general trading and provision of management services. The principal activities of its subsidiaries are set out in **Section 5** below.

2. SHARE CAPITAL

(i) Issued Share Capital

As at the LPD, PESTECH has an issued shares capital of RM232.9 million comprising 992,221,471 PESTECH Shares (including 7,666,100 treasury shares).

Holders of PESTECH Shares are entitled to receive dividends as and when declared by PESTECH. All PESTECH Shares carry 1 vote per Share without restrictions and rank equally with regards to its residual assets.

(ii) Changes in Issued Share Capital

There have been no changes in PESTECH's issued share capital since the end of the 15-month FPE 30 September 2023 and up to the LPD.

(iii) Outstanding Convertible Securities

Save for the 95,145,862 Warrants, PESTECH does not have any other convertible securities in issue as at the LPD.

3. SUBSTANTIAL SHAREHOLDERS

Based on the PESTECH's register of substantial shareholders as at the LPD, its substantial shareholders and their respective shareholdings in PESTECH are as follows:

	Direct		Indirect	
Name	**No. of Shares**	**(i)%**	**No. of Shares**	**(i)%**
Lim Ah Hock	209,675,455	21.3	(ii)3,892,830	(ii)0.4
Lim Pay Chuan	115,250,670	11.7	(iii)1,320,080	(iii)0.1

Notes:

(i) Computed based on 984,555,371 issued Shares as at the LPD (excluding 7,666,100 treasury shares).

(ii) Deemed interested by virtue of his shareholdings in Kumpulan Liva Sdn Bhd and VESTECH Projects Sdn Bhd pursuant to section 8 of the Act.

(iii) Deemed interested by virtue of his shareholdings in VESTECH Projects Sdn Bhd pursuant to section 8 of the Act.

4. DIRECTORS

As at the LPD, PESTECH's Directors (all are Malaysians) and their respective shareholdings in PESTECH are as follows:

		Direct		Indirect	
Name/Designation	**Correspondence address**	**No. of Shares**	**(i)%**	**No. of Shares**	**(i)%**
Lim Ah Hock *(Executive Chairman)*	27A, Jalan Permas 1/5 Bandar Baru Permas Jaya 81750 Masai, Johor	209,675,455	(ii)21.3	3,892,830	(ii)0.4
Lim Pay Chuan *(Managing Director and Group Chief Executive Officer)*	346, Jalan Yong Pak Kian, Ujong Pasir 75050, Melaka	115,250,670	(iii)11.7	1,320,080	(iii)0.1
Dato' Harjit Singh A/L Gurdev Singh *(Non-Independent Non-Executive Director)*	96, Lorong Empat Jalan Sultanah Rogayah Taman Iskandar 80050 Johor Bahru	5,040,000	0.51	-	-
Hoo Siew Lee *(Independent Non-Executive Director)*	13, Jalan Diamond 6 Diamond Residential 43500 Semenyih Selangor	-	-	-	-
Helen Tan Miang Kieng *(Independent Non-Executive Director)*	6, Lorong 5G Richmond Hill Jalan Stampin Tengah 93350 Kuching Sarawak	300,000	0.03	-	-

Notes:

(i) Computed based on 984,555,371 issued Shares as at the LPD (excluding 7,666,100 treasury shares).

(ii) Deemed interested by virtue of his shareholdings in Kumpulan Liva Sdn Bhd and VESTECH Projects Sdn Bhd pursuant to section 8 of the Act.

(iii) Deemed interested by virtue of his shareholdings in VESTECH Projects Sdn Bhd pursuant to section 8 of the Act.

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5. SUBSIDIARIES AND ASSOCIATED COMPANIES

As at the LPD, PESTCH's subsidiaries comprise the following:

Name	Country of incorporation	Effective equity interest (%)	Principal Activities
PESTECH Sdn Bhd ("**PSB**")	Malaysia	100.0	Provision of comprehensive power system engineering and technical solutions for design, procurement and installation of substations, transmission lines and underground cables for electricity transmission and distribution. It is also an investment holding company.
PESTECH (Cambodia) Plc ("**PCL**")	Cambodia	94.7	Construction of electrical substation and transmission line.
PESTECH Energy Sdn Bhd ("**PEN**")	Malaysia	100.0	Provision of design and supply of remote-control systems and data communication products and its related services.
PESTECH Power Sdn Bhd ("**PPW**")	Malaysia	100.0	Investment holding and provision of establishing electric power transmission concessions.
PESTECH (PNG) Ltd	Papua New Guinea	100.0	Provision of project management, electrical substations and transmission line erection and installation, supervision of testing and commissioning and civil works.
PESTECH (Sarawak) Sdn Bhd	Malaysia	100.0	Provision of electrical mechanical and civil engineering, subcontracting and engineering services and its related products.
PESTECH Technology Sdn Bhd ("**PTE**")	Malaysia	100.0	Provision of design, engineering, supply and commissioning of plant systems for power plants and rail electrification projects.
PESTECH Transmission Sdn. Bhd ("**PTR**")	Malaysia	100.0	Provision of comprehensive power system engineering and technical solutions for design, procurement, construction, commissioning of High Voltage ("**HV**") and Extra High Voltage ("**EHV**") substations.
ENERSOL Co. Ltd.	Malaysia (Labuan)	100.0	Investment holding, provision of comprehensive power system engineering and technical solution for procurement and installation of substations, transmission lines and underground cables for electric power transmission and distribution.
PESTECH System Siam Ltd	Thailand	99.99	Inactive.
PESTECH Vietnam Company Limited	Vietnam	100.0	Investment holding company.
PESTECH Aerotrain Sdn Bhd	Malaysia	100.0	Inactive.
Fornix Sdn Bhd ("**FNX**")	Malaysia	100.0	Investment holding company.

Name	Country of incorporation	Effective equity interest (%)	Principal Activities
<u>Subsidiary of PCL</u>			
PESTECH (Myanmar) Limited ("**PML**")	Myanmar	94.7	Provision of project management, electrical substations, transmission line erection and installation, supervision of testing and commission and civil works.
<u>Subsidiary of PML</u>			
PESTECH Hinthar Corporation Limited ("**PHC**")	Myanmar	56.8	Establish the infrastructure of power sector and promote the power segments such as power generation, power transmission and power distribution.
<u>Subsidiary of PHC</u>			
PESTECH Microgrid Company Limited ("**PMG**")	Myanmar	51.1	Provision of microgrid system and other power infrastructure to the rural areas in Myanmar.
<u>Subsidiary of PEN</u>			
PESTECH Solutions Sdn Bhd	Malaysia	100.0	Marketing and trading of meters, HVDC electrical power transmission system and any other ancillary peripherals and/or products
<u>Subsidiaries of PPW</u>			
Diamond Power Ltd	Cambodia	60.0	Supplying, installing, maintaining, repairing and operating power substation and power transmission (inactive after the disposal of the 230 kilovolt ("**kV**") Kampong Cham-Kratie Transmission System.
PESTECH Power One Sdn Bhd ("**PP1**")	Malaysia	100.0	Investment holding company.
Astoria Solar Farm Sdn Bhd ("**ASF**")	Malaysia	100.0	Investment holding company.
PESTECH REI Sdn Bhd	Malaysia	90.0	Inactive.
PESTECH Pluginfinite Sdn Bhd	Malaysia	100.0	Investment holding and provision of electric vehicles ("EV") chargin facilities, green renewable energy services and other ancillary services.
<u>Subsidiary of PP1</u>			
ODM Power Line Company Limited	Cambodia	70.0	Construction of electrical substation and transmission line.

Name	Country of incorporation	Effective equity interest (%)	Principal Activities
Subsidiary of ASF			
Green Sustainable Ventures (Cambodia) Co Ltd	Cambodia	94.0	Establish the infrastructure of power sector such as electric power generation, power transmission, power distribution and operation in Cambodia.
Subsidiaries of PSB			
PESTECH (Brunei) Sdn Bhd	Brunei	90.0	Inactive.
PESTECH Transmission Limited	Ghana	100.0	Inactive.
Subsidiary of PTE			
CRSE Sdn Bhd	Malaysia	100.0	Provision of project management, engineering, design, procurement, construction and related support services in relation to railway electrical and mechanical projects.
Subsidiary of PTR			
PESTECH Transmission CDI SARL	Africa	100.0	Construction services.

As at the LPD, PESTECH's associated companies comprise the following:

Name of company	Country of incorporation	Effective equity interest (%)	Principal Activities
PESTECH GTI Sdn Bhd	Malaysia	30.0	Inactive.

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6. PROFIT AND DIVIDEND RECORD

The Group's audited financial results for the past 3 financial years/period ended, and up to the 9-month FPE 30 June 2024 are as follows:

	Audited			Unaudited
	FYE 30 Jun 2021	**FYE 30 Jun 2022**	**(i)15-month FPE 30 Sep 2023**	**9-month FPE 30 Jun 2024**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue	889,363	715,090	592,997	300,652
Profit/(loss) before tax	113,650	41,674	(389,923)	(136,803)
PAT/(LAT)	102,680	37,330	(398,254)	(141,558)
PAT/(LAT) attributable to:				
- shareholders of PESTECH	66,213	9,982	(334,288)	(144,563)
- Perpetual Sukuk holders	-	3,744	5,915	11,999
- Non-controlling interests	36,467	23,604	(69,881)	(8,994)
	102,680	**37,330**	**(398,254)**	**(141,558)**
Weighted average number of Shares ('000)	951,918	961,229	984,555	984,555
Basic earnings/(loss) per Share (sen)	6.96	1.04	(33.95)	(14.68)
Net dividend per Share (sen)	1.5	-	-	-

Save for the following, there have been no other material exceptional items being recorded during abovesaid financial years/periods under review:

(i) 15-month FPE 30 September 2023

The PESTECH Group recorded the following 1-off expenses during the 15-month FPE 30 September 2023:

(a) RM39.9 million from provision made for a performance bond being uplifted by the main contractor due to non-performances of contractual obligations by a subsidiary of PESTECH in a rail project;

(b) RM20.0 million in compensation for a global settlement for the litigation matters between a project contractor and a subsidiary of PESTECH;

(c) impairment of intangible assets and property, plant and equipment related to a solar power plant of the Group amounted to RM15.5 million and RM30.0 million respectively, which resulted from lower recoverable amount of such asset;

(d) RM13.4 million in impairment loss on long overdue trade receivables; and

(e) RM110.8 million in loss on disposal of a concession asset in Cambodia;

(ii) 9-month FPE 30 June 2024

The PESTECH Group recorded the following 1-off financial items during the 9-month FPE 30 June 2024:

(a) RM132.5 million in net loss from the annulment of a deferred payment project. The net loss from the annulment of a deferred payment project comprise of the following:

(i) impairment of a contract asset totalling RM205.0 million;

(ii) customer compensation of RM55.2 million;

(iii) reversal of provision for project cost of RM127.7 million;

(b) RM18.7 million from fair value loss from contract modification due to the deferment of collection for a deferred payment project. The project was completed in June 2023;

(c) RM18.6 million from gain on disposal of subsidiaries; and

(d) RM56.0 million from reversal of provision of trade creditor arising from a completed deferred payment project.

7. STATEMENT OF ASSETS AND LIABILITIES

The Group's assets and liabilities as at 30 June 2022, 30 September 2023 and 30 June 2024 are as follows:

	Audited		Unaudited
	As at 30 Jun 2022	**As at 30 Sep 2023**	**As at 30 Jun 2024**
	RM'000	**RM'000**	**RM'000**
Non-current assets			
Property, plant and equipment	248,988	213,973	199,056
Intangible assets	92,799	715	-
Investment in associates	1,230	898	4,841
Derivative financial assets	2,975	2,530	497
Contract assets	956,942	804,792	732,589
Total non-current assets	1,302,934	1,022,908	936,983
Current assets			
Contract assets	1,190,822	957,648	767,968
Inventories	28,570	29,052	26,732
Trade receivables	222,174	182,693	153,961
Other receivables	108,870	142,960	75,510
Amount due from associate	2,833	3,513	7,274
Tax recoverable	5,561	5,149	4,957
Cash and short-term deposits	168,980	157,366	70,369
Total current assets	1,727,810	1,478,381	1,106,771
Total assets	**3,030,744**	**2,501,289**	**2,043,754**

	Audited		Unaudited
	As at 30 Jun 2022	**As at 30 Sep 2023**	**As at 30 Jun 2024**
	RM'000	**RM'000**	**RM'000**
Equity			
Share capital	**232,942**	**232,942**	**232,942**
Treasury shares	(4,183)	(4,183)	(4,183)
Reserves	(1,084)	18,971	17,492
Retained earnings/(Accumulated losses)	425,466	91,178	(53,385)
NA	**653,141**	**338,908**	**192,866**
Perpetual Sukuk	100,000	100,000	82,000
Non-controlling interests	174,342	35,600	26,843
Total equity	**927,483**	**474,508**	**301,709**
Non-current liabilities			
Derivative financial liabilities	6,264	3,191	5,029
Lease liabilities	10,579	10,414	8,950
Loans and borrowings	780,147	650,012	687,404
Deferred tax liabilities	4,693	6,556	6,597
Trade payables	21,722	5,816	-
Other payables	-	-	49,555
Total non-current liabilities	**823,405**	**675,989**	**757,535**
Current liabilities			
Contract liabilities	2,377	10,959	8,471
Trade payables	572,431	685,092	430,319
Other payables	117,661	181,633	150,319
Lease liabilities	2,256	1,342	630
Loans and borrowings	581,358	466,396	388,192
Derivative financial liabilities	535	1,722	1,896
Tax payable	3,238	3,648	4,683
Total current liabilities	**1,279,856**	**1,350,792**	**984,510**
Total equity and liabilities	**3,030,744**	**2,501,289**	**2,043,754**

8. MATERIAL CHANGES IN THE FINANCIAL POSITION OF THE PESTECH GROUP

The Board confirmed that, save for the exceptional financial items incurred during the 9-month FPE 30 June 2024 as elaborated in **Section 6** above, there have been no other known material changes to the Group's financial position subsequent to its latest audited consolidated financial statements for the 15-month FPE 30 June 2023.

9. ACCOUNTING POLICIES

The Group's audited financial statements for the FYE 30 June 2021, FYE 30 June 2022, and 15-month FPE 30 September 2023, have been prepared in accordance with the approved accounting standards in Malaysia and the Act.

There were no audit qualifications on the Group's audited financial statements for the respective financial years/period under review.

There were no changes in the accounting standards adopted by the PESTECH Group which would result in a material variation to the comparable figures for the FYE 30 June 2021, FYE 30 June 2022, and 15-month FPE 30 September 2023.

10. BORROWINGS

As at 30 September 2024, which is not more than 3 months preceding the LPD, the Group has total borrowings (interest-bearing) of approximately RM975.3 million comprising the following:

Borrowings (interest-bearing)	Current	Non-Current	Total
	RM'000	RM'000	RM'000
Lease liabilities	557	7,876	8,433
Term loans	113,029	497,732	610,761
Bank overdrafts	64,172	-	64,172
Bankers' acceptances	35,576	-	35,576
Trust receipts	93,621	-	93,621
Revolving credit	123,129	39,571	162,700
Total borrowings	**430,084**	**545,178**	**975,263**

11. MATERIAL CONTINGENT LIABILITIES

Please refer to **Section 4 of Appendix III** of the Circular for the details.

12. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

Please refer to **Section 3 of Appendix III** of the Circular for the details.

13. MATERIAL CONTRACTS

Save for the following, the Group has not entered into any other material contracts (not being contracts entered into in the ordinary course of business) for the past 2 years up to the LPD:

(i) business transfer agreement dated 20 October 2022 between Diamond Power Limited ("**DPL**"), a 60%-owned indirect subsidiary of PESTECH, and Cambodian Transmission II Co. Ltd ("**CTL II**") for the disposal by DPL of the 230kV Kampong Cham-Kratie Transmission System to CTL II for a total disposal consideration of USD 118.0 million. The disposal was completed on 22 March 2023;

(ii) settlement agreement dated 1 March 2023 between TGV and CRSE, an indirectly wholly-owned subsidiary of PESTECH, for an out-of-court settlement sum of RM20.0 million in relation to an arbitration proceeding between both parties;

(iii) the Subscription Agreement 2023;

(iv) share sale and purchase agreement dated 1 April 2024 between FNX, a directly wholly-owned subsidiary company of PESTECH, and Resintech Berhad for the disposal of its 100% equity interest in Forward Metal Works Sdn Bhd for a total cash consideration of RM5.4 million;

(v) equity interest transfer agreement dated 5 May 2024 between PESTECH and PESTECH Engineering Technology Hong Kong Limited for the disposal of 100% equity interest in PCN for a total cash consideration of USD520,000 to be paid within two years upon completion of change of registration procedures;

(vi) sale and purchase agreement dated 6 August 2024 between FNX, a directly wholly-owned subsidiary company of PESTECH and A2Z Warehouse Sdn. Bhd for the disposal of freehold industrial land at Daerah Kuala Selangor, measuring approximately 12,205 square metre in area, for a total cash consideration of RM8.4 million;

(vii) shares sale agreement dated 30 August 2024 with between PSB and Mr. Haresh Mirpuri for the disposal of PSB's 40% equity interest in PESTECH Corporation in Philippines for sales consideration of Peso 13,020,000;

(viii) the HOA; and

(ix) the Subscription Agreement.

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14. HISTORICAL PRICES

The monthly highest, lowest and closing market prices of PESTECH Shares for the past 6 months prior to the Announcement and up to the LPD are as follows:

	High	Low	As at end of the month
	RM	RM	RM
2024			
April	0.240	0.200	0.200
May	0.220	0.190	0.200
June	0.240	0.190	0.205
July	0.275	0.205	0.240
August	0.235	0.160	0.170
September	0.175	0.130	0.130
October	0.145	0.115	0.130
November (up to the LPD)	0.135	0.120	0.135

The last traded price of PESTECH Shares:

(i) as at the LTD was RM0.130; and

(ii) as at the LPD was RM0.120.

During the period under review:

(i) the highest closing market price was RM0.275 transacted on 24 July 2024; and

(ii) the lowest closing market price was RM0.115 transacted on 2 October 2024.

(Source: Bloomberg)

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INFORMATION ON DMIA AND ITS PACS

1. HISTORY AND PRINCIPAL ACTIVITIES

DMIA (199601013646 (385996-H)) was incorporated in Malaysia on 4 May 1996 under the name of Tiara Squad (M) Sdn Bhd. The company had made several changes to its name since its incorporation as follows:

Date of change	New name
13 Jun 2000	Tiara Daya Maju (M) Sdn Bhd
5 Nov 2001	Tiara Dhaya Maju Constructions (M) Sdn Bhd
7 May 2003	Dhaya Maju Infrastructure Asia Sdn Berhad
5 May 2004	Dhaya Maju Infrastructure (Asia) Sdn Berhad

The DMIA Group is principally involved in the business of EPCC of public mobility and transportation (railways and highways), railway engineering and technology and real estate development.

2. SHARE CAPITAL

(i) Issued Share Capital

As at the LPD, DMIA has an issued share capital of RM100.0 million comprising 100,000,000 ordinary shares ("**DMIA Shares**")

Holders of DMIA Shares are entitled to receive dividends as and when declared by DMIA. All DMIA Shares carry 1 vote per DMIA Share without restrictions and rank equally with regards to DMIA's residual assets.

(ii) Changes in issued share capital

On 5 November 2024, DMIA had allotted 60,000,000 new DMIA Shares to its existing shareholders as follows:

Name	No. of DMIA Shares	%
Datuk Seri Dr. Subramaniam Pillai A/L Sankaran Pillai	22,500,000	37.5
Datuk Mohamed Razeek Bin Md Hussain Maricar	12,600,000	21.0
Ir. Hjh Siti Saffur Binti Mansor	10,500,000	17.5
Puan Nazreen Binti Ahmad	9,000,000	15.0
Datuk Shaharuddin Bin Md Som	5,400,000	9.0
Total	**60,000,000**	**100.0**

Please refer to **Section 3** of this Attachment II for the shareholders of DMIA as at the LPD. Save as disclosed above, there are no changes in DMIA's issued share capital since the end of the FYE 31 March 2024 and up to the LPD.

(iii) Convertible Securities

As at the LPD, DMIA does not have any convertible securities in issue.

3. SUBSTANTIAL SHAREHOLDERS

As at the LPD, DMIA's shareholders and their respective shareholdings in DMIA are as follows:

Name	No. of DMIA Shares	%
Datuk Seri Dr. Subramaniam Pillai A/L Sankaran Pillai	37,500,000	37.5
Datuk Mohamed Razeek Bin Md Hussain Maricar	21,000,000	21.0
Ir. Hjh Siti Saffur Binti Mansor	17,500,000	17.5
Puan Nazreen Binti Ahmad	15,000,000	15.0
Datuk Shaharuddin Bin Md Som	9,000,000	9.0
Total	**100,000,000**	**100.0**

4. DIRECTORS

As at the LPD, DMIA's Directors (all are Malaysians) and their respective shareholdings in DMIA are as follows:

Name	Correspondence address	No. of DMIA Shares	%
Datuk Seri Dr. Subramaniam Pillai A/L Sankaran Pillai	19, Lorong Chelagi, Damansara Heights, 50490 Kuala Lumpur	37,500,000	37.5
Datuk Mohamed Razeek Bin Md Hussain Maricar	19, Jalan SS19/4G, 47500 Subang Jaya, Selangor	21,000,000	21.0
Ir. Hjh Siti Saffur Binti Mansor	26, Jalan Hilir 2, Taman Ampang Hilir, 55100 Kuala Lumpur	17,500,000	17.5
Puan Nazreen Binti Ahmad	5734, Jalan SJ 5/5, Taman Seremban Jaya, 70450 Seremban, Negeri Sembilan	15,000,000	15.0
Datuk Shaharuddin Bin Md Som	6, Jalan 6/3, Seksyen 6, 46000 Petaling Jaya, Selangor	9,000,000	9.0
General Tan Sri Dato' Seri Panglima Mohd Azumi Bin Mohamed (RTD.)	2, Jalan UP 3/4, Taman Ukay Perdana, 68000 Ampang, Selangor	-	-
Tan Sri Dato' Setia Mohd Anwar Bin Hj Mohd Nor	18, Jalan Kent Satu, Jalan Mentakab, 53200 Kuala Lumpur	-	-
Total		**100,000,000**	**100.0**

5. SUBSIDIARIES AND ASSOCIATED COMPANIES

As at the LPD, DMIA's subsidiaries comprise the following:

Name of company	Country of incorporation	Effective equity interest (%)	Principal activities
Silver Field Land Sdn Bhd	Malaysia	100.0	Construction, property development, project management and purchase and sale of properties and land
Richfield Builder (M) Sdn Bhd	Malaysia	100.0	Construction and development of properties
Dhaya Maju PVATM (M) Sdn Bhd	Malaysia	80.0	Construction and development of properties
Dhaya Maju LTAT Sdn Bhd	Malaysia	80.0	Construction of roads and railways
Eastern Railways Sdn Bhd	Malaysia	64.0	Dealing in railway business
DMIA Kansai Resources Sdn Bhd	Malaysia	100.0	Dormant
Monorail Mobility Int Berhad	Malaysia	100.0	Dormant
DMIA Land (India) Private Limited	India	99.99	Infrastructure development
Jabalpur Corridor (India) Private Limited	India	99.89	Infrastructure development
Dhaya Maju Resources Ltd	Singapore	100.0	Dormant
DMIA Builders (Thailand) Co. Ltd	Thailand	100.0	Dormant
Dhaya Maju Corporation Limited	England and Wales	100.0	Dormant

As at the LPD, DMIA does not have any associate companies.

6. PROFIT AND DIVIDEND RECORD

The DMIA Group's financial results for the past 3 financial years are as follows:

	Audited		
	FYE 31 Mar 2022	**FYE 31 Mar 2023**	**FYE 31 Mar 2024**
	RM'000	**RM'000**	**RM'000**
Revenue	363,620	1,031,065	1,053,904
Profit before tax	10,092	28,598	50,134
PAT	8,452	23,289	35,990
Profit attributable to			
- Owners of DMIA	7,231	23,287	35,989
- Non-controlling interests	1,221	2	1
	8,452	23,289	35,990
Weighted average number of Shares ('000)	40,000	40,000	40,000
Basic EPS (sen)	18.08	58.22	89.98
Net dividend per Share (sen)	-	-	-

There have been no material exceptional items being recorded over the past 3 financial years under review.

7. STATEMENT OF ASSETS AND LIABILITIES

The DMIA Group's assets and liabilities as at 31 March 2023 and 31 March 2024 and 31 March 2024 are as follows:

	Audited		
	As at 31 Mar 2022	**As at 31 Mar 2023**	**As at 31 Mar 2024**
	RM'000	**RM'000**	**RM'000**
<u>Non-current assets</u>			
Investment	3,000	3,000	3,000
Long term loan and advances	4,271	4,410	8,370
Property, plant and equipment	100,776	109,050	137,146
Deferred tax asset	96	20	13
Total non-current assets	**108,143**	**116,480**	**148,529**

	Audited		Unaudited
	As at 31 Mar 2022	**As at 31 Mar 2023**	**As at 31 Mar 2024**
	RM'000	**RM'000**	**RM'000**
Current assets			
Inventories	3,767	5,164	3,541
Project development expenditure	69,127	66,417	76,620
Development properties	10,276	10,276	-
Trade and other receivables	676,087	820,514	837,745
Amount due from related companies	122,060	123,748	281,488
Other current assets	5,725	63,297	82,184
Short term loan and advances	17,152	6,816	3,085
Cash and cash equivalents	24,352	74,030	130,040
Total current asset	**928,546**	**1,170,262**	**1,414,703**
Total assets	**1,036,689**	**1,286,742**	**1,563,232**
Equity			
Share capital	40,000	40,000	40,000
Exchange fluctuation reserve	(4,669)	(4,669)	(4,669)
Retained earnings	111,595	144,150	187,442
NA	**146,926**	**179,481**	**222,773**
Non-controlling interests	5,330	5,332	5,333
Total equity	**152,256**	**184,813**	**228,105**
Non-current liabilities			
Borrowings	387,606	383,289	425,074
Deferred taxation	6,666	6,831	7,763
Amount due to related companies	69,115	51,669	656
Long term provision	583	154	243
Total non-current liabilities	**463,970**	**441,943**	**433,736**
Current liabilities			
Trade and other payables	276,836	352,313	392,326
Amount due to directors	22,162	30,562	7,848
Borrowings (current)	115,804	265,928	482,098
Provision for taxation	5,661	8,903	16,359
Short term provision	-	2,280	2,760
Total current liabilities	**420,463**	**659,986**	**901,391**
Total liabilities and equity	**1,036,689**	**1,286,742**	**1,563,232**

8. MATERIAL CHANGES IN THE FINANCIAL POSITION OF THE DMIA GROUP

There have been no known material changes to the DMIA Group's financial position subsequent to its latest audited consolidated financial statements for the FYE 31 March 2023.

9. ACCOUNTING POLICIES

The DMIA Group's audited consolidated financial statements for the FYE 31 March 2023 has been prepared in accordance approved accounting standards in Malaysia and the Act.

There were no audit qualification on the DMIA Group's financial statements for the respective financial years under review.

There were no changes in the accounting standards adopted by the DMIA Group which would result in a material variation to the comparable figures for the past 3 financial years up to the FYE 31 March 2024.

10. INFORMATION ON THE PACS

Name	Nationality	Nature of relationship with DMIA
Datuk Seri Dr. Subramaniam Pillai A/L Sankaran Pillai	Malaysian	Controlling shareholder and a Director of DMIA
Datuk Mohamed Razeek Bin Md Hussain Maricar	Malaysian	Major shareholder and a Director of DMIA
Ir. Hjh Siti Saffur Binti Mansor	Malaysian	Major shareholder and a Director of DMIA
Puan Nazreen Binti Ahmad	Malaysian	Major shareholder and a Director of DMIA
Datuk Shaharuddin Bin Md Som	Malaysian	Substantial shareholder and a Director of DMIA

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1. DISCLOSURE OF INTERESTS AND DEALINGS IN SHARES AND CONVERTIBLE SECURITIES

1.1 By PESTECH

(i) Disclosure of interests in DMIA

As at the LPD, PESTECH does not have any interest, direct or indirect, in any voting shares and/or convertible securities of DMIA.

(ii) Dealings in the securities of DMIA

PESTECH has not dealt, directly or indirectly, in any voting shares and/or convertible securities of DMIA during the period beginning 6 months prior to the Announcement and ending on the LPD.

(iii) Dealings in the securities of PESTECH

PESTECH has not dealt, directly or indirectly, in any of its own voting shares and/or convertible securities during the period beginning 6 months prior to the Announcement and ending on the LPD.

1.2 By the Directors of PESTECH

(i) Disclosure of interests in PESTECH

As at the LPD, save as disclosed in **Section 4 of Attachment I of this IAL**, the Directors of PESTECH do not have any interest, direct or indirect, in any voting shares and/or convertible securities of PESTECH.

(ii) Dealings in the securities of PESTECH

Save as disclosed below, the Directors of PESTECH have not dealt, directly or indirectly, in any voting shares and/or convertible securities of PESTECH during the period beginning 6 months prior to the announcement of the Proposed Exemption on 4 October 2024 ("**Announcement**") and up to the LPD:

(a) Lim Ah Hock (Executive Chairman)

Date of transaction	Nature of transaction	No. of Shares transacted		Transacted price
			[(a)]%	RM
01 April 2024	Disposal of Shares *via* Direct Business Transaction	2,100,000	0.21	0.215
05 April 2024	Disposal of Shares *via* Direct Business Transaction	2,100,000	0.21	0.215
15 April 2024	Disposal of Shares *via* Direct Business Transaction	1,500,000	0.15	0.215
17 April 2024	Disposal of Shares *via* Direct Business Transaction	11,000,000	1.12	0.210

Date of transaction	Nature of transaction	No. of Shares transacted		Transacted price
			[(a)]%	RM
11 June 2024	Disposal of Shares *via* Open Market Sale and Open Market Sale	4,192,800	0.43	0.218
12 June 2024	Disposal of Shares *via* Direct Business Transaction and Open Market Sale	407,200	[(b)]-	0.240
18 June 2024	Disposal of Shares *via* Direct Business Transaction and Open Market Sale	2,418,400	0.25	0.208
3 July 2024	Disposal of Shares *via* Direct Business Transaction and Open Market Sale	5,000,000	0.51	0.227
4 July 2024	Disposal of Shares *via* Direct Business Transaction and Open Market Sale	5,500,000	0.56	0.212
9 July 2024	Disposal of Shares *via* Direct Business Transaction and Open Market Sale	6,000,000	0.61	0.211
19 July 2024	Disposal of Shares *via* Direct Business Transaction and Open Market Sale	500,000	[(b)]-	0.260
25 July 2024	Disposal of Shares *via* Direct Business Transaction	1,600,000	0.16	0.240
11 September 2024	Acquisition of Shares *via* Direct Business Transaction	3,400,000	0.35	0.140

(b) Lim Pay Chuan (Managing Director and Group Chief Executive Officer)

Date of transaction	Nature of transaction	No. of Shares transacted		Transacted price
			[(a)]%	RM
24 April 2024	Disposal of Shares *via* Direct Business Transaction	3,310,000	0.34	0.207
26 April 2024	Disposal of Shares *via* Direct Business Transaction	1,000,000	0.10	0.205
23 May 2024	Disposal of Shares *via* Direct Business Transaction	1,000,000	0.10	0.205
6 June 2024	Disposal of Shares *via* Direct Business Transaction	1,884,200	0.19	0.187
11 June 2024	Disposal of Shares *via* Open Market Sale	3,000,000	0.30	0.235
3 July 2024	Disposal of Shares *via* Open Market Sale	1,777,000	0.18	0.244
10 July 2024	Disposal of Shares *via* Open Market Sale	3,500,000	0.36	0.254
11 July 2024	Disposal of Shares *via* Open Market Sale	1,500,000	0.15	0.265
11 September 2024	Disposal of Shares *via* Direct Business Transaction	8,000,000	0.81	0.140

(c) Dato' Harjit Singh A/L Gurdev Singh (Non-Independent Non-Executive Director)

Date of transaction	Nature of transaction	No. of Shares transacted		Transacted price
			[(a)]%	RM
11 September 2024	Acquisition of Shares *via* Direct Business Transaction	3,600,000	0.37	0.140

(d) Helen Tan Miang Kieng (Independent Non-Executive Director)

Date of transaction	Nature of transaction	No. of Shares transacted		Transacted price
			[a]%	RM
23 July 2024	Disposal of Shares *via* Open Market Sale	258,750	[b]-	0.265

Notes:

(a) Computed based on 984,555,371 Shares in issue as at the LPD (excluding 7,666,100 treasury Shares).

(b) Less than 0.1%.

(iii) Disclosure of interests in DMIA

As at the LPD, the Directors of PESTECH do not have any interest, direct or indirect, in any voting shares and/or convertible securities of DMIA.

(iv) Dealings in the securities of DMIA

The Directors of PESTECH have not dealt, directly or indirectly, in any voting shares and/or convertible securities in DMIA during the period beginning 6 months prior to the Announcement and ending on the LPD.

1.3 By DMIA

(i) Disclosure of interests in PESTECH

As at the LPD, DMIA does not have any interest, direct or indirect, in any voting shares and/or convertible securities of PESTECH.

(ii) Dealings in the securities of PESTECH

DMIA has not dealt, directly or indirectly, in any voting shares and/or convertible securities of PESTECH during the period beginning 6 months prior to the Announcement and ending on the LPD.

(iii) Dealings in the securities of DMIA

DMIA has not dealt, directly or indirectly, in any voting shares and/or convertible securities of DMIA during the period beginning 6 months prior to the Announcement and ending on the LPD:

1.4 By the Directors of DMIA

(i) Disclosure of interests in PESTECH

The Directors of DMIA do not have any interest, direct or indirect, in any voting shares and/or convertible securities of PESTECH.

(ii) Dealings in the securities of PESTECH

The Directors of DMIA have not dealt, directly or indirectly, in any voting shares and/or convertible securities of PESTECH during the period beginning 6 months prior to the Announcement and ending on the LPD.

(iii) Disclosure of interests in DMIA

As at the LPD, save as disclosed in **Section 4 of Attachment II of this IAL**, the Directors of DMIA do not have any other interest, direct or indirect, in any voting shares and/or convertible securities of DMIA.

(iv) Dealings in the securities of DMIA

Save for the allotment of new DMIA Shares as disclosed in **Section 2(ii) of Attachment II of this IAL**, the Directors of DMIA have not dealt, directly or indirectly, in any voting shares and/or convertible securities in DMIA during the period beginning 6 months prior to the Announcement and ending on the LPD.

1.5 By the PACs of DMIA

(i) Disclosure of interests in PESTECH

The PACs of DMIA do not have any interest, direct or indirect, in any voting shares and/or convertible securities of PESTECH.

(ii) Dealings in the securities of PESTECH

The PACs of DMIA have not dealt, directly or indirectly, in any voting shares and/or convertible securities of PESTECH during the period beginning 6 months prior to the Announcement and ending on the LPD.

(iii) Disclosure of interests in DMIA

As at the LPD, the PACs of DMIA do not have any interest, direct or indirect, in any voting shares and/or convertible securities of DMIA.

(iv) Dealings in the securities of DMIA

Save for the allotment of new DMIA Shares as disclosed in **Section 2(ii) of Attachment II of this IAL**, the PACs of DMIA have not dealt, directly or indirectly, in any voting shares and/or convertible securities in DMIA during the period beginning 6 months prior to the Announcement and ending on the LPD.

1.6 By persons who have irrevocably committed themselves to vote in favour of or against the Proposed Exemption

Save as disclosed in **Section 2.6, Part A** of the Circular, as at the LPD, there are no other persons who have irrevocably committed themselves to vote in favour of or against the Proposed Exemption.

1.7 By persons with whom PESTECH or any persons acting in concert with it has borrowed or lent any PESTECH Shares and/or convertible securities in PESTECH

As at the LPD, there are no persons with whom PESTECH or any persons acting in concert with it has borrowed or lent any PESTECH Shares and /or convertible securities in PESTECH.

APPENDIX I – SALIENT TERMS OF THE SUBSCRIPTION AGREEMENT

(Unless otherwise defined in this Appendix I, capitalised terms used herein without definition shall have the meaning assigned to them in the Circular)

The salient terms of the Subscription Agreement are as follows:

1. Conditions Precedent

i. the Subscription Agreement is subject to and conditional upon the following conditions precedent being satisfied/fulfilled or waived (as the case may be) within three (3) months from the date of the Subscription Agreement with an automatic extension of one (1) month, or such other period as may be mutually agreed by the Company and Subscriber in writing ("**Condition Period**"):

a. the passing of a resolution of shareholders of the Company approving the transactions contemplated under the Subscription Agreement including the issuance and allotment of the Restricted Shares to the Subscriber and waiving their pre-emptive rights pursuant to Section 85 of the Act, read together with the Constitution, to allow and/ or facilitate the issuance and allotment of the Restricted Shares to the Subscriber under the Subscription Agreement;

b. the passing of a resolution of shareholders of the Company waiving their rights to receive the Mandatory Offer from the Subscriber arising from the subscription of the Restricted Shares under the Subscription Agreement for the purposes of the Subscriber's application to the SC for the Proposed Exemption;

c. the approval or rejection by the SC of the Proposed Exemption;

d. the approval of Bursa Securities for the listing and quotation for the Restricted Shares on the Main Market of Bursa Securities;

e. the approval(s) or consent(s) from the financiers of the Group for favourable revisions of the Group's existing bank borrowings with terms and conditions acceptable to the Subscriber and the Company;

f. the approval(s) or consent(s) from relevant financiers and counterparties to contracts entered into by the Company for the subscription of the Restricted Shares by the Subscriber and the change to the Board as contemplated under the Subscription Agreement, if required;

g. the approval(s) or consent(s) of any relevant authority and/or parties, if required, in connection with the issuance and allotment by the Company and the subscription by the Subscriber of the Restricted Shares; and

h. the Subscriber's satisfactory findings of the due diligence review. This condition precedent shall be deemed satisfied if the Subscriber or its authorised representatives does not identify and notify the Company in writing on or before the expiry of the Condition Period of any matter, issue, finding or discrepancy affecting the Group (including but not limited to its assets, liabilities, results of operation or financial condition) (a) which results or is likely, in the Subscriber's reasonable opinion, to result in a diminution of 10% or more of the net tangible asset value of the Group as reflected in the audited consolidated financial statements of the Group for the financial year ended 30 September 2023 or (b) cannot, in the Subscriber's reasonable opinion, be remedied by the Company within six (6) months from the date of its discovery,

(collectively, the "**Conditions Precedent**").

ii. if any of the Conditions Precedent has not been satisfied or fulfilled (or waived in accordance with Section 1(iii) of this Appendix I) on or before the last day of the Condition Period (or such longer period as the parties may agree in writing):

a. either party will be entitled to terminate the Subscription Agreement by giving a written notice of termination to the other party;

b. upon receipt of the Deposit or the Balance Deposit, as the case may be, pursuant to Section 1(ii)(c) of this Appendix I, the Company shall capitalise the Deposit and issue and allot such number of Shares to the Subscriber at an issue price of RM0.12 per Share, subject always to the necessary approvals from the Company's shareholders for the issuance and allotment of the said Shares, and from Bursa Securities for the listing of and quotation for the said Shares on the Main Market of Bursa Securities;

c. the Company's Solicitors shall, upon receipt of written instruction from the Subscriber, release;

(i) the Deposit or the Balance Deposit, as the case may be, to the Company; and

(ii) all interests accrued on the Balance Deposit, if any, to the Subscriber,

in immediately funds within five (5) business days from the date on which the necessary approvals referred to in Section 1(ii)(b) of this Appendix I are obtained;

d. in the event the necessary approvals referred to in Section 1(ii)(b) of this Appendix I are not obtained notwithstanding the Company's best endeavours to obtain the same, the Deposit (together with interests accrued thereon, if any) will be refunded to the Subscriber in immediately available funds where:

(i) the Company's Solicitors shall release the Deposit or the Balance Deposit (together with interests accrued thereon, if any), as the case may be, to the Subscriber; and

(ii) the Company shall pay an amount equivalent to the aggregate Distribution Amount to the Subscriber,

within five (5) Business Days upon receipt of written instruction from the Subscriber;

e. thereafter, the Subscription Agreement shall cease to be of any effect save for the survival provisions set out in the Subscription Agreement (which shall remain in force); and

f. none of the parties shall have any claim against the other for costs, damages, compensation or otherwise save in respect of any antecedent breach of the terms in the Subscription Agreement.

iii. the Subscription Agreement will become unconditional upon parties being notified of the satisfaction or fulfilment of all Conditions Precedent. The Subscriber may waive any of the Conditions Precedent. Any Condition Precedent agreed to be waived by the Subscriber will be deemed as a satisfaction or fulfilment of that Condition Precedent.

2. Subscription Price

i. the Subscription Price shall be payable by the Subscriber in accordance with Section 2(ii) of this Appendix I ("**Subscription Monies**").

ii. the Subscriber shall:

a. upon the execution of the Subscription Agreement, pay the Deposit to Cheang & Ariff ("**Company's Solicitors**") into their designated clients' account, as stakeholders to be dealt with in the manner provided in the Subscription Agreement, the receipt of which the Company hereby acknowledges. The Deposit shall form part of the payment towards the Subscription Monies upon completion of the issuance and allotment of the Restricted Shares under the Subscription Agreement ("**Completion**"); and

b. within five (5) market days from the date the Subscription Agreement becomes unconditional in accordance with Section 1(iii) of this Appendix I ("**Unconditional Date**"):

i. deposit the balance sum of RM144,000,180 ("**Balance Subscription Monies**") with the Placement Agent by way of telegraphic transfer to the bank account nominated by the Placement Agent; and

ii. provide all information as may be reasonably required for the Company to issue and allot the Restricted Shares to the Subscriber and for Bursa Depository to make the appropriate entries in the securities account of the Subscriber maintained with Bursa Depository ("**Subscriber CDS Account**") in accordance with Section 3(i) of this Appendix I.

iii. unless otherwise agreed by the parties in writing, the Company shall utilise the Subscription Monies for the Group's working capital, operational requirements, repayment of bank borrowings, and ancillary expenses in relation to corporate exercises by the Company in such proportion as agreed between the parties in writing and shall ensure that such agreed proposed utilisation of proceeds is reflected accordingly in the circular to shareholders of the Company and all disbursements in relation to such utilisation (other than in accordance with Section 2(iv) of this Appendix I) shall be subject to the prior approval of the Board or any committee(s) established by the Board for purposes of the utilisation of the Subscription Monies.

iv. Without prejudice to the foregoing, the parties agree that the Company may utilise a portion of the Deposit of up to RM6,200,000.00 prior to Completion to settle the Company's semi-annual periodic distribution under the Company's Perpetual Sukuk provided always that the Company provides (i) prior written notification for any such proposed utilisation to the Subscriber containing details of the payment date to the facility agent for the Company's Perpetual Sukuk, the identity of the facility agent ("**FA**") and the Distribution Amount and such other information as may be reasonably requested by the Subscriber whereupon the Company's Solicitors shall, upon receipt of written instruction from the Subscriber, release the Distribution Amount to the FA and (ii) copy of the FA's acknowledgment of receipt of the Distribution Amount.

3. Completion

i. Completion shall take place on or before the eighth (8th) market day from the Unconditional Date unless extended further by mutual agreement between the Company and Subscriber ("**Completion Date**"). On the Completion Date,

a. the Company shall deliver to the Subscriber the following documents:

i. a copy of the resolution of the Board (duly certified by the secretary or a director of the Company) appointing such person(s) as the Subscriber may nominate as director(s) of the Company (subject to receipt of consent from the SC, if required) in accordance with Section 7 of Appendix I; and

ii. a copy of the unaudited accounts for the Company and its subsidiaries (collectively, "**Group Companies**" and each, a "**Group Company**") for the period from the date immediately following the management accounts date up to two (2) calendar months before the Completion Date (should the Completion Date fall between the 1st and 20th day of the month) or the calendar month immediately before the Completion Date (should the Completion Date fall after the 20th day of the month), as the case may be, together with the notes and all other documents annexed thereto;

b. upon receipt of the written confirmation from the Placement Agent of its receipt of the Balance Subscription Monies, the Company shall issue and allot the Restricted Shares to the Subscriber by crediting the Subscriber CDS Account with the Restricted Shares. For this purpose, the Company shall notify Bursa Depository of the name of the Subscriber and all such particulars required by Bursa Depository, to enable Bursa Depository to make the appropriate entries in the Subscriber CDS Account;

c. upon receipt of the written confirmation from the Subscriber that the Restricted Shares have been credited to the Subscriber's CDS Account:

i. the Company's Solicitors is authorised to release the Deposit or Balance Deposit, as the case may be, (together with interests accrued thereon, if any), to the Company; and

ii. the Placement Agent is authorised to release the Balance Subscription Monies (together with interests accrued thereon, if any), to the Company; and

d. the Company shall provide a written notice, where required, to each of the relevant financiers of the Group and contracting parties to notify them of any changes in the shareholdings and Board.

ii. except to the extent already performed, all the provisions of the Subscription Agreement shall, so far as they are capable of being performed or observed, continue in full force and effect notwithstanding Completion.

4. Representations, warranties and undertakings

i. Subscriber's Undertakings

The Subscriber undertakes to submit a formal application to the SC for the Proposed Exemption within seven (7) business days after the Company obtains its shareholders' approval for the resolutions specified in Sections 1(i)(a) and (b) of this Appendix I. In the event the SC does not approve the Proposed Exemption, the Subscriber shall undertake the Mandatory Offer, at a price of RM0.12 per Share and RM0.01 per Warrant, in accordance with the Rules.

ii. Notification

a. the Company and Subscriber shall notify each other in writing immediately upon becoming aware of any matter, event or circumstance (including any omission to act) which may arise or become known to the Company or Subscriber after the date of the Subscription Agreement and before Completion which constitutes a material breach of, or is materially inconsistent with, any of the representations, warranties and undertakings given by the Company ("**Company's Warranties**") or any of the representations, warranties and undertakings given by the Subscriber ("**Subscriber's Warranties**"), as the case may be.

b. if a disclosure is made under this Section 4(ii) prior to Completion, the party entitled to exercise the right to terminate under Section 6 of this Appendix I shall before the Completion Date issue a notice to the other party stating whether it, in proceeding with the completion of the Subscription Agreement, shall reserve its rights to bring a claim for breach of the Company's Warranties (in the event the disclosure is made by the Company) or the Subscriber's Warranties (in the event the disclosure is made by the Subscriber), as the case may be, after the Completion Date provided always that any claims in respect of any such disclosure must be brought within one (1) year from and excluding the Completion Date, and the claiming party accordingly waives, releases and discharges all and any of its claim and rights in respect of any liability against the other party after the expiry of such period.

iii. Loss by Subscriber

a. where there is any inaccuracy or breach of any of the Company's Warranties up to the Completion Date which results in a diminution in value of the net assets of the Group, as at the time of claim, the loss suffered by the Subscriber shall be the corresponding diminution in value of the net assets of the Group multiplied by the Subscriber's ordinary shareholding percentage in the Company, which shall be determined by an independent valuer appointed by the parties.

The diminution in value of the net asset of the Group as at the time of claim shall be the difference between the reduced value of the net assets determined by the independent valuer pursuant to Section 4(iii)(b)(i) of this Appendix I and the net assets of the Group as determined from the unaudited accounts for the Group Companies delivered by the Company to the Subscriber on Completion Date pursuant to Section 3(i)(a)(ii) of this Appendix I. For the avoidance of doubt, the diminution in value of the net asset shall not include any losses incurred by the Group in the ordinary course of business provided that these losses incurred are not a result of any inaccuracy or breach of the Company's Warranties.

b. for the purposes of this Section 4(iii) of this Appendix I:

i. the independent valuer shall be appointed from either Deloitte, Ernst & Young (EY), PricewaterhouseCoopers (PwC), or KPMG or such other independent firm of chartered accountants mutually agreed by the parties.

ii. the independent valuer shall act as an independent expert and not as an arbitrator and the determination of the independent valuer shall, in the absence of manifest error, be final and binding.

iii. parties shall provide all information and assistance reasonably requested by the firm of chartered accountants.

iv. the costs and expenses incurred shall be borne by the Company.

v. the aggregate liability of the Company under the Subscription Agreement shall not exceed 50% of the Subscription Price paid by the Subscriber and any such claims must be notified within one (1) year from Completion.

5. Indemnity

i. Upon the terms and subject to the conditions of this Section 5 of this Appendix I, from the Completion Date, each of the parties ("**Indemnifying Party**") undertakes and agrees to pay and to indemnify fully, hold harmless and defend the other party from and against any and all of the loss, cost, expense, damage, consequence and third party claim for damages suffered directly or indirectly by the other party in connection with:

a. any inaccuracy or breach of any of the Company's Warranties (in the event the Indemnifying Party is the Company) or Subscriber's Warranties (in the event the Indemnifying Party is the Subscriber), as the case may be;

b. any proceedings taken by the other party claiming that any of the Company's Warranties (in the event the Indemnifying Party is the Company) or the Subscriber's Warranties (in the event the Indemnifying Party is the Subscriber) or the performance of the obligations under the Subscription Agreement, as the case may be, is untrue or misleading in any material respects or has been breached in any material respects and in which judgment is given for the other party;

c. breach of any of the terms and conditions of the Subscription Agreement by the Indemnifying Party; and

d. the enforcement of any such settlement or judgment specified in Section 5(i)(b) of this Appendix I.

ii. Minimum Claims

a. the Indemnifying Party shall not be liable under Section 5(i) of this Appendix I in respect of any individual claim (or a series of claims arising from substantially identical facts or circumstances) where the liability of all the relevant claim or series of claims as agreed or determined does not exceed Ringgit Malaysia One Million and Two Hundred Thousand (RM1,200,000).

b. where the liability agreed or determined in respect of any such claim or series of claims exceeds Ringgit Malaysia One Million and Two Hundred Thousand (RM1,200,000), the Indemnifying Party shall be liable for the amount of the claim or series of claims as agreed or determined and not solely for any amount in excess of Ringgit Malaysia One Million and Two Hundred Thousand (RM1,200,000).

iii. Maximum Liability

The aggregate liability of the Indemnifying Party under Section 5(i) of this Appendix I shall not exceed 50% of the Subscription Price paid by the Subscriber.

6. Termination of Subscription Agreement

i. the Company may by written notice given to the Subscriber any time prior to Completion terminate the Subscription Agreement if any of the following fact, matter or event (whether existing or occurring on or before the date of the Subscription Agreement or arising or occurring afterwards) comes to the notice of the Company at any time prior to Completion:

a. any matter which constitutes a material breach by the Subscriber of any of the provisions under the Subscription Agreement;

b. any matter which constitutes a material breach of any of the representations and warranties given by the Subscriber;

c. any matter which affects or is likely to affect in a materially adverse manner the business/ operations, financial position or prospects of the Subscriber;

d. service of a notice pursuant to section 466 of the Act on the Subscriber and notice remains unresolved at the expiry of twenty-one (21) days from service of notice;

e. grant of an order or passing of a member's resolution for the winding up of the Subscriber;

f. appointment of an administrator, a receiver and/or manager by the court or pursuant to any statute or regulation or by any creditor pursuant to a debenture or any other security document in favour of such creditor over the undertaking, assets and properties of the Subscriber or any part of the Subscriber's assets and properties; or

g. an event analogous to any of the Sections 6(i)(d), (e) or (f) of this Appendix I has occurred in any jurisdiction,

provided always that the Company will only give such written notice of termination to the Subscriber where the Subscriber's breach is capable of being cured or remedied, is not cured or remedied within fourteen (14) days (or such further period to be mutually agreed by the parties) from the date the Company gives written notice to the Subscriber of any such breaches above.

ii. the Subscriber may by written notice given to the Company any time prior to Completion terminate the Subscription Agreement if any of the following fact, matter or event (whether existing or occurring on or before the date of the Subscription Agreement or arising or occurring afterwards) comes to the notice of the Subscriber at any time prior to Completion:

a. any matter which constitutes a material breach by the Company of any of the provisions under the Subscription Agreement;

b. any matter which constitutes a material breach of any of the representations and warranties given by the Company;

c. any matter which affects or is likely to affect in a materially adverse manner the business/operations, financial position or prospects of the Company including termination of contract entered into by a Group Company which significantly affects the profitability of the Company, the occurrence of an event of default under banking facilities granted to a Group Company, or termination of banking facilities granted to a Group Company which causes cross default across other facilities or borrowings of the Group;

d. where any Group Company is charged under the provisions of the Malaysian Anti-Corruption Commission Act 2009, or where new charges under the provisions of the Malaysian Anti-Corruption Commission Act 2009 are filed against any directors of the Company or senior management personnel of the Group in respect of them carrying out their duties and responsibilities to the Group or any other matters that are related to the Group;

e. service of a notice pursuant to section 466 of the Act on the Company and notice remains unresolved at the expiry of twenty-one (21) days from service of notice;

f. grant of an order or passing of a member's resolution for the winding up of the Company;

g. appointment of an administrator, a receiver and/or manager by the court or pursuant to any statute or regulation or by any creditor pursuant to a debenture or any other security document in favour of such creditor over the undertaking, assets and properties of the Company or any part of the Company's assets and properties;

h. the occurrence of any event or events that has / have occurred which materially and adversely affected, or can likely be expected to materially adversely affect, the Group's assets, liabilities, results of operation or financial condition, taken as a whole, resulting in a diminution of more than 10% of the net tangible asset value of the Group, as reflected in the audited consolidated financial statements of the Group for the financial year ended 30 September 2023; or

i. an event analogous to any of the Sections 6(ii)(d), (e), (f) or (g) of this Appendix I has occurred in any jurisdiction,

provided always that the Subscriber will only give such written notice of termination to the Company where the Company's breach is capable of being cured or remedied, is not cured or remedied within fourteen (14) days (or such further period to be mutually agreed by the parties) from the date the Subscriber gives written notice to the Company of any such breaches above.

iii. If the Subscription Agreement is terminated in accordance with Sections 6(i) or 6(ii)of this Appendix I:

a. upon receipt of the Deposit pursuant to Section 6(iii)(b) of this Appendix I, the Company shall capitalise the Deposit and issue and allot such number of Shares to the Subscriber, at an issue price of RM0.12 per Share, subject always to the necessary approvals from the Company's shareholders for the issuance and allotment of the said Shares, and from Bursa Securities for the listing of and quotation for the said Shares on the Main Market of Bursa Securities;

b. the Company's Solicitors shall, upon receipt of written instruction from the Subscriber, release:

(i) the Deposit or the Balance Deposit, as the case may be, to the Company;

(ii) all interests accrued on the Deposit or the Balance Deposit, as the case may be, if any, to the Subscriber,

in immediately available funds within five (5) business days from the date on which the necessary approvals referred to in Section 6(iii)(a) of this Appendix I are obtained;

c. in the event the necessary approvals referred to in Section 6(iii)(a) of this Appendix I are not obtained notwithstanding the Company's best endeavours to obtain the same, the Deposit (together with interests accrued thereon, if any) will be refunded to the Subscriber in immediately available funds where:

(i) the Company's Solicitors shall release the Deposit or the Balance Deposit (together with interests accrued thereon, if any), as the case may be, to the Subscriber; and

(ii) the Company shall pay an amount equivalent to the aggregate Distribution Amount to the Subscriber,

within five (5) Business Days upon receipt of written instruction from the Subscriber; and

d. thereafter, all rights and obligations of the parties shall cease to have effect immediately upon termination of the Subscription Agreement save for the survival provisions set out in the Subscription Agreement which shall continue in force following termination of the Subscription Agreement (for whatever reason) and further save that termination of the Subscription Agreement (for whatever reason) shall be without prejudice to a party's accrued rights and obligations at the date of termination including the right to claim for the loss, cost, expense, damage, consequence and third party claim for damages suffered directly or indirectly by the parties.

iv. Notwithstanding the provisions of this Section 6 of this Appendix I, any party will be entitled to the rights of specific performance against the other under the provisions of the Subscription Agreement and it is mutually agreed that in the event of any party exercising its right to specific performance of the Subscription Agreement, an alternative remedy of monetary compensation will not be regarded as compensation or sufficient compensation for the other party's default in the performance of the terms and conditions of the Subscription Agreement.

7. The Subscriber's right to nominate directors

i. the Subscriber may nominate three (3) directors to the Board on Completion as follows:

a. two (2) of the nominated directors shall be appointed as executive directors; and

b. one (1) of the nominated directors shall be appointed as the non-executive chairman of the Board, with the authority to exercise a casting vote on all resolutions and decisions at any meeting of the Board.

ii. the right of the Subscriber to nominate a director or directors as set out above is subject to the applicable laws as well as regulations, guidelines and codes issued by the relevant authorities, compliance of which are legally required.

8. Variation of Share Capital

The Company shall not vary its issued and paid-up share capital in any manner whatsoever other than as contemplated under the Subscription Agreement or otherwise mutually agreed in writing by the parties, at any time prior to the Completion Date. In the event of a permitted variation to the issued and paid-up share capital of the Company, then the number of Restricted Shares or Subscription Price shall be adjusted accordingly in such manner as the Company may determine to be appropriate and agreed by the Subscriber provided always that such variation of the Company's issued and paid-up share capital shall not decrease, dilute or alter the total shareholding of 57.52% of the Company's issued and paid-up share capital to be held by the Subscriber upon Completion.

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1. Historical financial information of the Group

The summary of the financial information of the Group for the audited FYE 30 June 2021, FYE 30 June 2022, 15-month FPE 30 September 2023 and the unaudited 9-month FPE 30 June 2024 are as follows:

	Audited			Unaudited
	FYE 30 June		15-month FPE 30 September[(1)]	9-month FPE 30 June
	2021 RM'000	2022 RM'000	2023 RM'000	2024 RM'000
Revenue	889,363	715,090	592,997	300,652
PBT/(LBT)	113,650	41,674	(389,923)	(136,803)
PAT/(LAT)	102,680	37,330	(398,254)	(141,558)
PAT/(LAT) attributable to:-				
- Owners of the company	66,213	9,982	(334,288)	(144,563)
- Perpetual Sukuk holders	-	3,744	5,915	11,999
- Non-controlling interest	36,467	23,604	(69,881)	(8,994)
Total equity	761,712	927,483	474,508	301,709
Borrowings (interest-bearing)	1,262,720	1,374,340	1,128,164	1,085,176
No. of Shares (excluding treasury shares) ('000)	761,173	984,555	984,555	984,555
NA per Share (RM)[(2)]	0.76	0.66	0.34	0.20
Gearing ratio (times)[(3)]	1.66	1.48	2.38	3.60
EPS/(LPS) (sen)[(4)]	8.70	1.01	(33.95)	(14.68)

Notes:

(1) The Company had on 17 October 2023 announced that it has changed its financial year end from 30 June to 30 September. Accordingly, this financial period covers a period of 15 months, from 1 July 2022 to 30 September 2023.

(2) Calculated based on the NA divided by the number of Shares.

(3) Calculated based on the borrowings (interest-bearing) divided by the total equity.

(4) Calculated based on the PAT/(LAT) attributable to owners of the Company divided by the number of Shares.

Commentaries:

(a) FYE 30 June 2022 vs FYE 30 June 2021

For the FYE 30 June 2022, the Group's revenue decreased by approximately RM174.27 million or 19.59% to RM715.09 million (FYE 30 June 2021: RM889.36 million). The decrease in revenue was mainly due to lower revenue contribution from transmission lines as well as the rail electrification and signalling segments. As most of the active rail electrification projects are at their tail end while some of the new projects are still at the preliminary stage of implementation, hence the contribution from the said projects were low during the financial year under review.

On the back of lower revenue, the Group recorded a PAT attributable to the owners of the Company of approximately RM9.98 million for the FYE 30 June 2022 (FYE 30 June 2021: RM66.21 million), represents a decrease of approximately RM56.23 million or 84.93%. The decrease in PAT attributable to owners of the Company was mainly due to exceptional costs incurred in relation to COVID-19 related management and cost overruns resulting from additional costs incurred for earthworks of one of the projects.

(b) 15-month FPE 30 September 2023 vs FYE 30 June 2022

For the 15-month FPE 30 September 2023, the Group's revenue decreased by approximately RM122.10 million or 17.07% to RM592.99 million (FYE 30 June 2022: RM715.09 million). The decrease in revenue was mainly due to lower revenue contribution from power substations and transmission lines segments as some of the projects are at their end of the completion cycles as well as termination of contract of Kuala Lumpur International Airport aerotrain project.

As a result of lower revenue, the Group recorded a LAT attributable to the owners of the Company of RM334.29 million for the 15-month FPE 30 September 2023 as compared to a PAT attributable to the owners of the Company of RM9.98 million for the FYE 30 June 2022. This was mainly due to the following:

(i) a one-off fair value adjustment of RM110.85 million and other operating expenses of RM28.90 million arising from the disposal of a concession asset by Diamond Power Limited, a 60%-owned indirect subsidiary of the Company. The disposal was completed on 22 March 2023;

(ii) an out-of-court settlement sum of RM20.00 million paid by CRSE, an indirectly wholly-owned subsidiary of the Company, to TGV pursuant to a settlement agreement dated 1 March 2023 in relation to an arbitration proceeding between both parties;

(iii) impairment of property, plant and equipment of RM30.01 million; and

(iv) impairment loss of receivables amounting to RM13.44 million.; and

(v) higher finance costs as a result of the escalation of borrowing rate imposed by the relevant financial institutions.

(c) 9-month FPE 30 June 2024

For the 9-month FPE 30 June 2024, the Group recorded a LAT attributable to the owners of the Company of RM144.56 million. This was mainly due to the following:

(i) RM132.62 million in net loss from the annulment of a deferred payment project. The net loss from the annulment of a deferred payment project comprise of the following:

   (a) impairment of a contract asset totalling RM205.02 million;

   (b) customer compensation of RM55.26 million;

   (c) reversal of provision for project cost of RM127.66 million;

(ii) RM18.70 million from fair value loss from contract modification due to the deferment of collection for a deferred payment project. The project was completed in June 2023;

(iii) RM18.60 million from gain on disposal of subsidiaries; and

(iv) RM56.03 million from reversal of provision of trade creditor arising from a completed deferred payment project.

2. Impact of the Proposed Restricted Issue and value creation to the Group and its shareholders

The Proposed Restricted Issue is being undertaken to enable the Group to raise funds without being burdened with additional principal payments and interest costs as compared to conventional means of debt financing, after taking into consideration the high debt position and gearing ratio of the Group. The Proposed Restricted Issue would allow the Group to manage its cash outflow which in turn is expected to enhance the overall financial performance of the Group. For illustrative purposes, based on the average interest rate of 5.59% per annum of the Group's borrowings, the Company would incur additional finance costs of approximately RM8.89 million per annum should the requisite funds of RM159.00 million (after deducting the estimated expenses of RM1.00 million in relation to the Proposals) be raised through bank borrowings.

In addition, the successful implementation of the Proposed Restricted Issue is expected to enhance the Group's financial position. Upon completion of the Proposed Restricted Issue, the NA of the Group is expected to increase from RM338.91 million to RM497.91 million based on the latest audited consolidated statement of financial position of the Group as at 30 September 2023. This will strengthen the capital base of the Group and result in a lower gearing ratio.

Notwithstanding to the above, the issuance of the Restricted Shares will also have a dilutive impact on the percentage shareholdings of the existing shareholders in the Company. In addition, the EPS of the Group will be diluted in the event the earnings of the Group do not increase in line with the increased number of Shares in issue upon completion of the Proposed Restricted Issue. The details of the effects of the Proposed Restricted Issue on the issued share capital, NA, NA per Share, gearing and substantial shareholders' shareholdings are set out in Section 5 of Part A of this Circular.

Nevertheless, the Board is of the view that the Proposed Restricted Issue would be value accretive to the Group and the shareholders in the medium to long term when the anticipated benefits and potential synergies are realised. Further details on the potential synergies between the Group and the Subscriber are set out in Section 3.1 of Part A of this Circular.

3. Adequacy of the Proposed Restricted Issue in addressing the financial concerns of the Group

The Proposed Restricted Issue is aimed to serve as an immediate step to assist the Group to improve its current financial position. As compared to other equity fund raising exercises such as rights issue, the Proposed Restricted Issue can be implemented within a shorter period of time, thus the Group will be able to raise necessary funds for the intended purposes on an expeditious manner.

As set out in Section 2.1.7 of Part A of this Circular, the Group will allocate RM60.00 million of the gross proceeds from the Proposed Restricted Issue for the repayment of bank borrowings to reduce its indebtedness and improve its gearing level. In addition, the proceeds earmarked for the repayment of borrowings will also provide financial flexibility to the Group savings on interest costs.

Further, RM82.00 million of the gross proceeds earmarked for the immediate working capital requirements of the Group's projects is expected to improve the Group's financial flexibility in managing its operating cash flow. This would help the Group to ensure smooth business operations and deliver its projects on a timely basis.

Barring any unforeseen circumstances and premised on the above, the Board is of the view that the Proposed Restricted Issue is adequate to address the Group's current financial concerns and would help to reposition the Group in a better financial footing moving forward. Nevertheless, the Board will continue to monitor the Group's funding requirements and its financial performance over the long term. The Group will explore, assess and evaluate all other suitable proposals to address its financial requirements as and when required.

1. DIRECTORS' RESPONSIBILITY STATEMENT

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

Information relating to the Subscriber in this Circular was obtained from public available sources and/or provided by the directors and/or management of the Subscriber. The responsibility of the Board is therefore limited to ensuring that such information has been accurately reproduced in this Circular and the Board accepts no further or other responsibility in respect of such information.

2. CONSENT AND DECLARATION OF CONFLICT OF INTEREST

2.1. Principal Adviser and Placement Agent

AIS, being the Principal Adviser for the Proposals and Placement Agent for the Proposed Restricted Issue, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

Save as disclosed below, AIS has given its written confirmation that there is no conflict of interest that exists or is likely to exist in its capacity to act as the Principal Adviser for the Proposals:

As at the LPD, ABMB Group have extended credit facilities to the Group in the ordinary course of its business. Notwithstanding the above, AIS is of the opinion that the financial relationship between ABMB Group and the Group would not give rise to any conflict of interest situation for AIS to act as the Principal Adviser for the Proposals and Placement Agent for the Proposed Restricted Issue due to the following:

(i) the credit facilities granted by ABMB Group were approved in its ordinary course of business and are not material when compared to the audited consolidated NA of ABMB Group as at 31 March 2024 of RM7.18 billion, which is less than 1.00% of the audited consolidated NA of ABMB Group as at 31 March 2024;

(ii) the conduct of ABMB Group in its banking business is strictly regulated by the Financial Services Act 2013, the Islamic Financial Services Act 2013 and its own internal control policies and procedures; and

(iii) the corporate finance department of AIS is required to comply with strict policies and guidelines issued by the SC, Bursa Securities and Bank Negara Malaysia governing its advisory operations. These guidelines require, amongst others, the establishment of Chinese Wall policies. Further, the team in-charge of the Proposals in AIS is independent from the team handling the credit facilities in ABMB Group.

For information purposes, AIS was appointed as the Principal Adviser to the Company for the Proposed Restricted Issue 2023. The Proposed Restricted Issue 2023 was aborted due to non-fulfilment of the conditions precedent pursuant to the Subscription Agreement 2023. The roles of AIS in the Proposed Restricted Issue 2023 is similar to the current roles for the Proposed Restricted Issue.

2.2. Independent Adviser

Mercury Securities, being the Independent Adviser for the Proposed Exemption, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and the Independent Advice Letter and all references thereto in the form and context in which they appear in this Circular.

Mercury Securities has given its written confirmation that there is no conflict of interest that exists or is likely to exist in its capacity to act as the Independent Adviser for the Proposed Exemption.

For information purposes, Mercury Securities was appointed as the Independent Adviser to the Company for the Proposed Exemption 2023 pursuant to the Proposed Restricted Issue 2023. The Proposed Restricted Issue 2023 was aborted due to non-fulfilment of the conditions precedent pursuant to the Subscription Agreement 2023. The roles of Mercury Securities in the Proposed Exemption 2023 is similar to the current roles for the Proposed Exemption.

3. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

Save as disclosed below, as at the LPD, the Group is not involved in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Board has no knowledge of any proceedings pending or threatened against the Group or any facts which are likely to give rise to any proceedings, which may materially and adversely affect the business or financial position of the Group:

i. Lion Pacific Sdn Bhd ("LPSB")

Shah Alam High Court, Civil Suit No. BA-22NCVC-85-02/2021, LPSB (Plaintiff) vs PESTECH Technology Sdn Bhd ("PTE") (Defendant)

On 2 March 2021, LPSB initiated a suit in the High Court against PTE, raising allegations arising out of the systems works package under a project known as "Extension of the Rail Link from the Subang Commuter Station to Subang Skypark Phase 1" ("**High Court Suit**").

PTE in turn filed an application to stay the High Court Suit pending arbitration pursuant to Section 10 of the Arbitration Act 2005 ("**PTE Stay Application**").

On 20 October 2021, the High Court allowed the PTE Stay Application.

Being dissatisfied with the High Court's decision given on 20 October 2021, LPSB filed an appeal to the Court of Appeal against the aforesaid High Court's decision ("**LPSB Stay Appeal**").

However, before the LPSB Stay Appeal was heard before the Court of Appeal, PTE and LPSB had entered into a Consent Order dated 17 May 2023, wherein both parties agreed to proceed with the High Court Suit at the High Court.

LPSB and PTE are currently in the midst of settlement negotiations. The next case management is fixed on 19 December 2024 for the parties to update the High Court on the status of the settlement negotiations between both parties.

The instructing solicitors acting for PTE are unable to determine the financial outcome at this juncture.

ii. Syarikat Pembenaan Yeoh Tiong Lay Sdn Bhd ("SPYTL")

Arbitration Proceedings, AIAC/D/AD-1225-2023, SPYTL (Claimant) vs PTE and PESTECH (Respondents)

On 24 August 2018, PTE was appointed by SPYTL as the subcontractor to undertake the contract works for the design, construction, supply, installation, completion, testing, commissioning and maintenance of the electrified double track from Gemas to Johor Bahru ("**Gemas Project**"). On 18 December 2018, SPYTL and PTE entered into the sub-contracting agreement for the Gemas Project ("**SPYTL Sub-contracting Agreement**").

On 10 May 2023, PTE received a Notice of Termination for Default from SPYTL terminating PTE as the sub-contractor for the Gemas Project ("**Notice of Termination for Default**").

On 11 September 2023, SPYTL issued a Notice of Arbitration to commence arbitration against PTE ("**PTE Arbitration**") for, amongst others, a declaration that the Notice of Termination for Default is valid and for damages to be assessed in respect of alleged breaches of the SPYTL Sub-contracting Agreement.

The arbitration is deemed commenced on 18 September 2023 pursuant to Rule 2(2) of the AIAC Arbitration Rules 2023.

On 5 October 2023, PTE served its Response to the Notice of Arbitration on SPYTL.

On 18 October 2023, SPYTL issued a Notice of Arbitration to commence arbitration against PESTECH ("**PESTECH Arbitration**") for, amongst others, relief under the parent company guarantee dated 18 December 2018 provided by PESTECH in favour of SPYTL. On 10 November 2023, PESTECH served its Response to the Notice of Arbitration on SPYTL.

Both the PTE Arbitration and PESTECH Arbitration were consolidated on 6 December 2023 by the parties' agreement pursuant to Rule 10.1 of the AIAC Arbitration Rules 2023. On 10 January 2024, the Arbitral Tribunal was fully constituted.

The arbitration proceedings between SPYTL, PESTECH and PTE are presently ongoing, in which PTE is seeking a set-off against all amounts claimed by SPYTL and has further filed a counterclaim against SPYTL for reliefs in respect of the issues arising from the termination of the SPYTL Sub-contracting Agreement. PESTECH is also seeking a set-off against all amounts claimed by SPYTL and has also filed a counterclaim against SPYTL.

Both parties have completed their pleadings. On 7 October 2024, they exchanged their respective bundles of documents.

On 13 November 2024, the parties requested the arbitral tribunal to extend the deadline to 6 December 2024 for filing the Request for Production of Documents and Objections as to Authenticity or Admissibility. The parties also agreed to a suspension until 15 January 2025 in respect of the payment of the advance preliminary deposit to the Asian International Arbitration Centre ("**AIAC**"), and the arbitration proceedings, in particular, the existing timelines directed in the Procedural Timetable No. 2.

The instructing solicitors acting for PTE and PESTECH are unable to determine the financial outcome at this juncture.

Kuala Lumpur High Court, Civil Suit No. WA-22C-44-06/2023, PESTECH Sdn Bhd ("PSB") (Plaintiff) vs SPYTL (Defendant)

On 20 June 2023, PSB filed a writ at the Kuala Lumpur High Court ("**Writ**") together with an Ex-Parte Notice of Application ("**Application**") against SPYTL to, amongst others:

i. restrain SPYTL from trespassing, utilising and/ or otherwise tampering with machineries belonging to PSB until the disposal of PSB's Writ; and

ii. injunct SPYTL to return and/ or deliver the machineries to PSB.

During the case management on 10 January 2024, SPYTL informed the High Court that they have filed the application for stay of proceedings ("**SPYTL Stay Application**") on 8 January 2024. In view that the SPYTL Stay Application has been filed, the High Court directed that all other pre-trial case management directions be suspended pending disposal of the SPYTL Stay Application.

On 11 July 2024, the High Court Judge dismissed the SPYTL Stay Application with costs in the cause, and directed the parties to comply with the Pre-Trial Case Management Directions by the next case management on 11 September 2024.

On 26 July 2024, SPYTL filed an appeal to the Court of Appeal against the High Court Judge's decision in respect of the SPYTL Stay Application ("**SPYTL Stay Appeal**").

During the case management on 11 September 2024, the High Court Judge directed that the trial dates are fixed on 16 to 18 June 2025 and 23 to 25 June 2025, and the next case management is fixed on 28 November 2024 for parties to update the High Court Judge on the status of the case and the SPYTL Stay Appeal.

During the case management for the SPYTL Stay Appeal on 22 October 2024, the Court of Appeal Registrar fixed the hearing date of the SPYTL Stay Appeal on 26 March 2025 and the next case management on 12 March 2025.

The instructing solicitors acting for PSB are unable to determine the financial outcome at this juncture.

iii. Jalur Tegas Sdn Bhd ("Jalur Tegas")

Shah Alam High Court, Civil Suit No. BA-22NCvC-118-03/2024, Jalur Tegas (Plaintiff) vs PTE (Defendant) (In the Original Action); PTE (Plaintiff) vs Jalur Tegas and Mohd Rizal bin Abdul Ghani ("Mohd Rizal") (Defendants) (In the Counterclaim)

On 21 March 2024, Jalur Tegas initiated an action against PTE for RM1,037,369.76, being the amount due and owing for supply of manpower ("**Original Action**").

PTE has filed a counterclaim against Jalur Tegas for breach of its obligations to supply the manpower in accordance with the purchase order, seeking RM3,000,000.00 as compensation for the loss and damage suffered by PTE. Additionally, PTE has filed a counterclaim against both Jalur Tegas and Mohd Rizal for unlawful conspiracy, alleging that the Defendants conspired with the intent to injure PTE's business resulting in the termination of the SPYTL Sub-contracting Agreement and the failure to declare Mohd Rizal's conflict of interest, as he was also working for SPYTL at the time. Alternatively, PTE is seeking an assessment of damages for these claims ("**PTE Counterclaim**").

Jalur Tegas has applied for summary judgment in respect of the Original Action ("**Summary Judgment Application**") and to strike out the PTE Counterclaim ("**Striking Out Application**").

The hearing for the Summary Judgement Application and Striking Out Application originally fixed on 28 October 2024 has been rescheduled to 16 January 2025.

The instructing solicitors acting for PTE are unable to determine the financial outcome at this juncture. However, they have indicated that if Jalur Tegas succeeds in their Summary Judgment Application, PTE will be liable for the sum of RM1,037,369.76, with interest and costs. At this juncture, the instructing solicitors are of the view that PTE has a more than even chance of succeeding in opposing the Summary Judgment Application.

iv. Siemens Malaysia Sdn Bhd ("Siemens")

Shah Alam High Court, Civil Suit No. BA-22NCC-152-08/2024, Siemens (Plaintiff) vs PESTECH Energy Sdn Bhd ("PEN") and PESTECH (Defendants)

On 16 August 2024, Siemens commenced an action against PEN for the non-payment of invoices issued in the amount of RM14,370,844.31 and late payment interest amounting to RM1,744,258.66.

In the same action, PESTECH has been named as a Defendant pursuant to the corporate guarantee dated 20 October 2022 provided by PESTECH in favour of Siemens, in which Siemens is demanding the sum of RM9,060,000.00.

On 16 August 2024, Siemens served the Writ and Statement of Claim on PEN and PESTECH. On 2 September 2024, the instructing solicitors acting for PEN and PESTECH entered an appearance on behalf of both parties and filed a defence against the claims accordingly.

The parties have filed their respective pleadings in accordance with the directions of the Court.

On 23 September 2024, PEN and PESTECH proposed a settlement to settle the outstanding sum of RM14,370,844.31 owed to Siemens. The parties are currently negotiating the terms of the settlement.

During the case management on 4 November 2024, Siemens' solicitors requested an additional month to file an application for summary judgement. Concurrently, the instructing solicitors acting for PEN and PESTECH requested additional time for parties to reach an amicable settlement. The next case management is fixed on 4 December 2024 for the parties to update the Court on the status of the settlement and the filing of the summary judgment application. The Court suggested that the parties register the dispute for mediation.

The instructing solicitors acting for PEN and PESTECH are unable to determine the financial outcome at this juncture. However, they have indicated that there appears to be no evidence at present to support any defence that could be raised by PEN or PESTECH against the amounts claimed.

v. Shandong Power Equipment Co. Ltd ("SPECO")

Arbitration, SPECO (Claimant) vs PSB (Defendant)

On 17 October 2024, PSB received 4 Notices of Arbitration dated the same day ("**Notices of Arbitration**") demanding payment of the remaining 10% contract price due and owing to SPECO under the purchase agreements between SPECO and PSB. The purchase agreements pertain to the design, engineering, design review, supply, manufacturing, full type and special testing, factory testing, packaging, and delivery of autotransformers and power transformers, as well as ancillary accessories supplied by SPECO to PSB for the Sibiyu, Junjung, Lachau and Olak Lempit projects.

The amounts claimed under each purchase agreement for the respective projects are as follows:

(a) Establishment of Lachau 275kv/33kV Substation Extension Project, Sarawak ("**Lachau Project**") – RMB538,000.00 (equivalent to RM325,598);

(b) Establishment of PMU 500kv/275kV Junjung (3X1050MVA), Kedah ("**Junjung Project**") – RMB5,779,410.27 (equivalent to RM3,497,699);

(c) Establishment of Sibiyu 132kv/33kV Substation Extension Project, Sarawak ("**Sibiyu Project**") – RMB1,228,000.00 (equivalent to RM743,186); and

(d) Establishment of PMU 500/275kv Olak Lempit, Selangor ("**Olak Lempit Project**") – USD672,000.00 (equivalent to RM2,898,336).

On 11 November 2024, PSB received a notification from the AIAC that, pursuant to Rule 2(2) of the AIAC Arbitration Rules 2023, arbitral proceedings between SPECO and PSB had commenced on 30 October 2024.

On 18 November 2024, PSB responded to the Notices of Arbitration, denying the claims related to the remaining 10% of the contract price under each purchase agreement, the basis of the claims and any purported damages claimed by SPECO.

PSB further contended that SPECO's failure to comply with the supply specifications under the respective purchase agreements constituted a material breach of the agreements, causing PSB to incur additional costs as a result of the breach. PSB also asserted that SPECO is not entitled to the final 5% of the contract price as the defects liability period has not ended and there are issues in respect of the goods and services supplied.

In this regard, PSB seeks to set off all amounts claimed by SPECO under the respective purchase agreements and intends to counterclaim against SPECO for, amongst others, the additional costs incurred by PSB for rectification works.

Presently, the amounts PSB seeks to set off are as follows:

(a) Lachau Project – RM1,583,548.75;

(b) Junjung Project – RM381,411.85;

(c) Sibiyu Project – RM194,435.30; and

(d) Olak Lempit Project – RM1,362,260.75.

The parties are now required to agree on the appointment of an arbitrator, failing which, the appointment will be referred to the AIAC. Further, both parties are required to make payment of the provisional advance deposit of USD1,366.78 ("**PAD**") to the AIAC on or before 27 November 2024.

Both parties are also seeking for all 4 disputes to be consolidated and heard by a single arbitrator.

The issues on the classification of arbitration and the consolidation of proceedings will be determined before the arbitral tribunal once the PAD is duly paid by both parties and the arbitral tribunal is constituted.

The instructing solicitors acting for PSB are unable to determine the financial outcome at this juncture.

4. MATERIAL COMMITMENT

As at the LPD, the Group does not have any material commitments incurred or known to be incurred, which have not been provided for, which upon becoming enforceable may have a material impact on the financial position of the Group.

5. MATERIAL CONTINGENT LIABILITIES

Save for the contingent liabilities that may potentially arise from the material litigation, claim or arbitration as disclosed in Section 3 of this Appendix III, as at the LPD, there are no contingent liabilities incurred or known to be incurred by the Group which upon becoming enforceable may have a material impact on the financial position of the Group.

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of the Company at No. 26, Jalan Utarid U5/14, Seksyen U5, 40150 Shah Alam, Selangor Darul Ehsan, during normal business hours from Mondays to Fridays (except public holidays) from the date of this Circular up to and including the date of the forthcoming EGM:

(i) the Constitution;

(ii) the audited consolidated financial statements of the Group for the FYE 30 June 2022 and 15-month FPE 30 September 2023 and the latest unaudited results of the Group for the 9-month FPE 30 June 2024;

(iii) the Subscription Agreement;

(iv) the letters of undertaking provided by the Undertaking Shareholders as set in Section 2.6 of Part A of this Circular;

(v) the letters of consent and declaration on conflict of interest referred to in Section 2 of this Appendix III; and

(vi) the relevant cause papers in respect of the material litigation referred to in Section 3 of this Appendix III.

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PESTECH

PESTECH INTERNATIONAL BERHAD
(Registration No: 201101019901 (948035-U))
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting ("**EGM**" or "**Meeting**") of PESTECH International Berhad ("**PESTECH**" or "**Company**") will be held at KEC Toh Yuen VIP Room, Ground Floor, Klang Executive Club, Persiaran Bukit Raja 2, Bandar Baru Klang, 41150 Klang, Selangor Darul Ehsan on Tuesday, 10 December 2024 at 10:00 a.m., for the purpose of considering and, if thought fit, passing with or without modification, the following resolutions:

ORDINARY RESOLUTION 1

PROPOSED RESTRICTED ISSUE OF 1,333,335,000 NEW ORDINARY SHARES IN PESTECH ("PESTECH SHARE(S)" OR "SHARE(S)") ("RESTRICTED SHARE(S)") REPRESENTING APPROXIMATELY 135.43% OF THE EXISTING TOTAL NUMBER OF ISSUED SHARES OF THE COMPANY (EXCLUDING TREASURY SHARES) TO DHAYA MAJU INFRASTRUCTURE (ASIA) SDN BERHAD ("DMIA" OR THE "SUBSCRIBER") FOR A TOTAL SUBSCRIPTION PRICE OF RM160,000,200 AT AN ISSUE PRICE OF RM0.12 PER RESTRICTED SHARE ("SUBSCRIPTION PRICE") ("PROPOSED RESTRICTED ISSUE")

"**THAT**, subject to the approvals of all relevant authorities being obtained, approval be and is hereby given to the Board of Directors of the Company ("**Board**") to allot and issue 1,333,335,000 Restricted Shares at the Subscription Price of RM0.12 per Restricted Share to the Subscriber in a single tranche subject always to the terms and conditions of the subscription agreement dated 4 October 2024 ("**Subscription Agreement**");

THAT the Restricted Shares shall, upon allotment and issuance, rank equally in all respects with the then existing Shares, save and except that the Restricted Shares shall not be entitled to any dividends, rights, allotments and/or other forms of distribution which may be declared, made or paid, for which the entitlement date is prior to the date of allotment and issuance of the Restricted Shares;

THAT, pursuant to subsection 85(1) of the Companies Act 2016 ("**Act**") read together with Clause 14 of the Company's Constitution, approval be and is hereby given to waive the pre-emptive rights of the existing shareholders of the Company to be first offered any new Shares ranking equally to the existing issued shares arising from the allotment and issuance of the new Shares pursuant to the Proposed Restricted Issue and that the Board is exempted from the obligation to offer such new Shares first to the existing shareholders of the Company in respect of the allotment and issuance of the Restricted Shares to the Subscriber pursuant to the Proposed Restricted Issue, which will consequently result in a dilution of the shareholders' shareholdings percentage in the Company;

THAT the Board be and is hereby authorised to utilise the proceeds to be derived from the Proposed Restricted Issue for such purposes as set out in the circular to shareholders of the Company dated 25 November 2024 and that the Board be and is hereby authorised with full power to vary the manner and/or purposes of the utilisation of such proceeds from the Proposed Restricted Issue in the manner as the Board may deem fit, necessary and/or expedient in the best interest of the Company, subject to the compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**Listing Requirements**") and the approval of the relevant authorities (where required);

AND THAT the Board be and is hereby empowered and authorised to do all acts, deeds and things as they may consider necessary or expedient in the best interest of the Company with the full powers to amend and/or assent to any conditions, modifications, variations and/or amendments as may be required or imposed by the relevant authorities, and to take all steps and to enter into and execute all agreements, arrangements, undertakings, indemnities, transfer, assignments and guarantees with any party or parties and to carry out any other matters as may be required to finalise, implement and give full effect to the Proposed Restricted Issue."

ORDINARY RESOLUTION 2

PROPOSED CAPITALISATION OF THE DEPOSIT OF RM16,000,020, BEING 10% OF THE SUBSCRIPTION PRICE ("DEPOSIT") PAID BY THE SUBSCRIBER TO THE COMPANY UPON EXECUTION OF THE SUBSCRIPTION AGREEMENT FOR THE PROPOSED RESTRICTED ISSUE, THROUGH THE ISSUANCE OF 133,333,500 NEW SHARES ("CAPITALISATION SHARE(S)") AT AN ISSUE PRICE OF RM0.12 PER CAPITALISATION SHARE ("CAPITALISATION ISSUE PRICE"), IF REQUIRED PURSUANT TO THE TERMS OF THE SUBSCRIPTION AGREEMENT ("PROPOSED CAPITALISATION")

"**THAT**, subject to approvals of all relevant authorities being obtained, approval be and is hereby given to the Board to capitalise the Deposit paid by the Subscriber to the Company upon execution of the Subscription Agreement for the Proposed Restricted Issue;

THAT the Deposit shall be fully capitalised through the issuance of 133,333,500 Capitalisation Shares at the Capitalisation Issue Price of RM0.12 per Capitalisation Share to the Subscriber;

THAT the Capitalisation Shares shall, upon allotment and issuance, rank equally in all respects with the then existing Shares, save and except that the Capitalisation Shares shall not be entitled to any dividends, rights, allotments and/or other forms of distribution which may be declared, made or paid, for which the entitlement date is prior to the date of allotment and issuance of the Capitalisation Shares;

THAT, pursuant to subsection 85(1) of the Act read together with Clause 14 of the Company's Constitution, approval be and is hereby given to waive the pre-emptive rights of the existing shareholders of the Company to be first offered any new Shares ranking equally to the existing issued shares arising from the allotment and issuance of the new Shares pursuant to the Proposed Capitalisation and that the Board is exempted from the obligation to offer such new Shares first to the existing shareholders of the Company in respect of the allotment and issuance of the Capitalisation Shares to the Subscriber pursuant to the Proposed Capitalisation, which will consequently result in a dilution of the shareholders' shareholdings percentage in the Company;

THAT the Board be and is hereby authorised to utilise the proceeds to be derived from the Proposed Capitalisation for such purposes as set out in the circular to shareholders of the Company dated 25 November 2024 and that the Board be and is hereby authorised with full power to vary the manner and/or purposes of the utilisation of such proceeds from the Proposed Capitalisation in the manner as the Board may deem fit, necessary and/or expedient in the best interest of the Company, subject to the compliance with the Listing Requirements and the approval of the relevant authorities (where required);

AND THAT the Board be and is hereby empowered and authorised to do all acts, deeds and things as they may consider necessary or expedient in the best interest of the Company with the full powers to amend and/or assent to any conditions, modifications, variations and/or amendments as may be required or imposed by the relevant authorities, and to take all steps and to enter into and execute all agreements, arrangements, undertakings, indemnities, transfer, assignments and guarantees with any party or parties and to carry out any other matters as may be required to finalise, implement and give full effect to the Proposed Capitalisation."

ORDINARY RESOLUTION 3

PROPOSED EXEMPTION FROM THE SECURITIES COMMISSION MALAYSIA ("SC") UNDER SUBPARAGRAPH 4.08(1)(B) OF THE RULES ON TAKE-OVERS, MERGERS AND COMPULSORY ACQUISITIONS ("RULES") TO THE SUBSCRIBER AND ITS PERSONS ACTING IN CONCERT ("PACS") FROM THE OBLIGATION TO UNDERTAKE A MANDATORY TAKE-OVER OFFER TO ACQUIRE ALL THE REMAINING SHARES AND OUTSTANDING WARRANTS 2021/2028 ("WARRANT(S)") IN THE COMPANY NOT ALREADY OWNED BY THEM UPON COMPLETION OF THE PROPOSED RESTRICTED ISSUE ("MANDATORY OFFER") ("PROPOSED EXEMPTION")

"**THAT** subject to the passing of the Ordinary Resolution 1 and the approvals from the Securities Commission Malaysia ("**SC**") and/or other relevant authorities or parties being obtained including such conditions as may be imposed by the SC, approval be and is hereby given for the Subscriber and its PACs to be exempted from the obligation to undertake a mandatory take-over offer to acquire all the remaining Shares and outstanding Warrants not already owned by them upon completion of the Proposed Restricted Issue;

AND THAT the Board of the Company be and are hereby empowered and authorised to do all acts, deeds and things as they may consider necessary or expedient in the best interest of the Company with the full powers to amend and/or assent to any conditions, modifications, variations and/or amendments as may be required or imposed by the relevant authorities, and to take all steps and to enter into and execute all agreements, arrangements, undertakings, indemnities, transfer, assignments and guarantees with any party or parties and to carry out any other matters as may be required to finalise, implement and give full effect to the Proposed Exemption."

By Order of the Board
PESTECH INTERNATIONAL BERHAD

PAN SENG WEE (SSM PC No. 202008003688) (MAICSA 7034299)
CHUA SIEW CHUAN (SSM PC No. 201908002648) (MAICSA 0777689)
Company Secretaries

Shah Alam
25 November 2024

Notes:

(1) In respect of deposited securities, only members whose names appear in the Record of Depositors on 3 December 2024 shall be eligible to attend, speak and vote at the EGM.

(2) A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend, speak and vote at the EGM shall have the same rights as the member to attend, speak and vote at the EGM.

(3) The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.

(4) A member of the Company may appoint more than one (1) proxy to attend and vote the same meeting. Where a member appoints two (2) proxies to attend and vote at the same meeting, such appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.

(5) Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with 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.*

(7) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the office of the share registrar, Securities Services (Holdings) Sdn Bhd at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, not less than 48 hours before the time appointed for holding the EGM.

(8) The resolutions set out in this Notice of EGM will be put to vote by poll.

(9) The EGM will be conducted on physical basis. Members are advised to refer to the Administrative Guide on the registration and voting process for the EGM.

Explanatory note:

(1) Please refer to Section 2.4 of Part A of the Circular for the explanation in relation to subsection 85(1) of the Act and Clause 14 of the Constitution.

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PESTECH

PESTECH INTERNATIONAL BERHAD
(Registration No: 201101019901 (948035-U))
(Incorporated in Malaysia)

FORM OF PROXY

Number of Shares:	
CDS account no.:	
Contact No.:	
Email Address:	

I/ We ______________________________ NRIC/ Passport/ Company No. ______________
(Full Name in Block Letters)

of ____
(Full Address)

being a member(s) of **PESTECH INTERNATIONAL BERHAD** (“**Company**”), hereby appoint

______________________________ of ______________________________
(Full Name in Block Letters & NRIC/ Passport No.) (Full Address)

____

or failing him/ her ______________________________
(Full Name in Block Letters & NRIC/ Passport No.)

of ____
(Address)

or failing him/ her, the Chairman of the Meeting as *my/ our proxy to vote for *me/us on *my/our behalf at the Extraordinary General Meeting of the Company (“**EGM**”) to be held at KEC Toh Yuen VIP Room, Ground Floor, Klang Executive Club, Persiaran Bukit Raja 2, Bandar Baru Klang, 41150 Klang, Selangor Darul Ehsan on Tuesday, 10 December 2024 at 10:00 a.m..

My/Our proxy/proxies is/are to vote as indicated below:

ORDINARY RESOLUTIONS		**FOR**	**AGAINST**
1	Proposed Restricted Issue		
2	Proposed Capitalisation		
3	Proposed Exemption		

Please indicate with an “X” in the appropriate space how you wish your proxy to votes. If you do not indicate how you wish your proxy to vote on any resolution, the proxy shall vote as he/ she thinks fit, or at his/ her discretion, abstain from voting.

____
Signature of Shareholder/ Common Seal of Member(s)

Date :
Contact No. :

For appointment of two (2) proxies, percentage of shareholdings to be represented by the proxies:

	No. of shares	Percentage
Proxy 1		%
Proxy 2		%
Total		100%

* *Delete if inapplicable.*

Notes:

(1) In respect of deposited securities, only members whose names appear in the Record of Depositors on 3 December 2024 shall be eligible to attend, speak and vote at the EGM.

(2) A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend, speak and vote at the EGM shall have the same rights as the member to attend, speak and vote at the EGM.

(3) The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.

(4) A member of the Company may appoint more than one (1) proxy to attend and vote the same meeting. Where a member appoints two (2) proxies to attend and vote at the same meeting, such appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.

(5) Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with 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.*

(7) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the office of the share registrar, Securities Services (Holdings) Sdn Bhd at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, not less than 48 hours before the time appointed for holding the EGM.

(8) The resolutions set out in this Notice of EGM will be put to vote by poll.

(9) The EGM will be conducted on physical basis. Members are advised to refer to the Administrative Guide on the registration and voting process for the EGM.

Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Share Registrar of

PESTECH INTERNATIONAL BERHAD
c/o Securities Services (Holdings) Sdn Bhd

Level 7, Menara Milenium
Jalan Damanlela, Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur

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