

PESTECH INTERNATIONAL BERHAD
(“PESTECH” or “Company”)
[Registration No. 201101019901 (948035-U)]
(Incorporated in Malaysia)

SUMMARY OF KEY MATTERS DISCUSSED AT THE EIGHTH ANNUAL GENERAL MEETING (“8TH AGM”) OF THE COMPANY HELD AT ZAMRUD ROOM, GROUND FLOOR, THE SAUJANA HOTEL KUALA LUMPUR, JALAN LAPANGAN TERBANG SAAS, 40150 SHAH ALAM, SELANGOR DARUL EHSAN ON WEDNESDAY, 27 NOVEMBER 2019 AT 10:00 A.M.

The 8th AGM of the Company was attended by all the Directors of the Company.

The shareholders and proxies raised questions on the business and operations of the Group, which were duly responded by the Executive Chairman, Mr. Lim Ah Hock and the Executive Director / Group Chief Executive Officer, Mr. Paul Lim Pay Chuan.

The clarifications from the Company in response to the questions and comments raised were summarised as follows:-

Agenda 1

Audited Financial Statements for the financial year ended 30 June 2019 together with the Reports of the Directors and the Auditors thereon

1.1 **The status and challenges of the proposed listing of PESTECH (Cambodia) PLC (“PCL”) in the Kingdom of Cambodia**

On 9 July 2018, the Securities and Exchange Commission of Cambodia had granted the approval-in-principle to PCL, the proposed listing of PCL in the Kingdom of Cambodia in accordance with the laws and regulations in force (“**Proposed Listing**”). The Proposed Listing is now subject to and conditional upon the remaining approvals being obtained.

PESTECH has engaged strategic investors in the book building process to determine the valuation of the share price of PCL. Barring any unforeseen circumstances and subject to all requisite approvals being obtained, the Proposed Listing is expected to be completed by the end of the first quarter of calendar year 2020.

1.2 **The progress of the Klang Valley Double Track (“KVDT”) Electrification Phase 2**

Phase 1 of KVDT project entails the rehabilitation of 42 kilometres of tracks between Rawang and Salak Selatan as well as Sentul and Simpang Batu. PESTECH’s scope of work in the rehabilitation of KVDT is well in its way for completion by December 2019. The main contract works for Phase 2 of KVDT has not opened for tender.

PESTECH will participate in the tender once the Government has announced the job scope for the tender. PESTECH has a good chance to secure the electrification portion of Phase 2 of KVDT given its technical capacity.

1.3 **The outlook of PESTECH in the next financial year and will PESTECH expect a better financial year**

PESTECH posted an increase in Profit After Tax of 14% of RM86.7 million on the back of revenue of RM811.5 million for the financial year ended 30 June 2019. PESTECH expects a stronger earnings premised on the growth in its order book in the ensuing year.

Overall, the Board is positive that with the strategic success of winning contracts locally in Malaysia, this will serve as springboard for the Company to have better opportunities in securing contracts across the Asia region in the financial year ending 30 June 2020.

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(Summary of the Key Matters Discussed at the Eighth Annual General Meeting held on 27 November 2019 - cont'd)

Agenda 6

Proposed Renewal of Existing Shareholders’ Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature

2.1 A shareholder raised the following questions in respect of the recurrent related party transactions (“RRPTs”) with CPM Services Sdn. Bhd. (“CPM”) and SystemCorp Energy Pty Ltd (“SEN”) set out in Part A Section 1.3 of the Circular to Shareholders dated 29 October 2019:-

- why the estimation of the aggregate value of the RRPTs with CPM and SEN could not be ascertained and disclosed in the Circular
- the review procedures for the RRPTs undertaken by the Board and process of estimating the aggregate value of the RRPTs

The Company’s response:-

The Group’s procurement is conducted in line with guidelines set by the Group’s procurement division, which would require comparisons of at least two (2) quotations for the same or substantially similar types of, products or services or substantially similar quantity of products or services, from third parties. However, given the nature and type of transactions, in a number of occasions, where quotation or comparative pricing from unrelated third parties cannot be obtained, the transaction price and terms would be determined based on those offered by/to other unrelated parties for the same or substantially similar type of transaction, or transfer pricing studies to ensure that the RRPTs are not detrimental to the Group.

Further, the estimates of the value of RRPTs with CPM and SEN could not be ascertained for the time being, given the nature of services procured from CPM and SEN would vary from project to project, depending on the type of provision of consultancy services successfully procured by PESTECH Group. The Audit Committee and the Board, while reviewing the Group’s RRPTs, anticipated that the value of the RRPTs with CPM and SEN would not be significant and exceeding the threshold amount as prescribed in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. Therefore, the transactions with these parties were not put forth for shareholders’ approval.

It was highlighted that besides pricing, the Group has a procurement policy that priority of, and selection of, vendors and suppliers are not based on pricing alone, but also on other intrinsic factors, such as quality and nature of goods or services, reliability, lead time and all other relevant business circumstances and considerations. The estimated value of RRPTs to be sought under the shareholders’ mandate is calculated based on the opportunities in the market and the performance of the Related Parties in previous year.

The Group should also be given the opportunity to have access to all available markets, products and services provided by all vendors including Related Parties, and to provide products and services to all persons, including the Related Parties. This would enhance the Group’s ability to explore beneficial opportunities as well as to promote cross-selling which is beneficial to the Group.

For the rest of the items on the Agenda, there were no questions raised by the shareholders and proxies present at the 8th AGM of the Company.

The resolutions set out in the 8th AGM dated 29 October 2019 were put to vote by way of poll. The Chairman announced the results of the poll for each of the resolutions and declared that all the resolutions set out therein were duly carried and passed by the shareholders and proxies present.