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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.

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The Securities Commission Malaysia ("**SC**") had on 11 October 2023 notified that it had no further comments to the contents of this Circular. However, such notification 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; AND**
- II. PROPOSED EXEMPTION**

PART B

**INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF PESTECH 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)

Financial Adviser



NEWFIELDS

NEWFIELDS ADVISORS SDN BHD
(Registration No. 199401010372 (296051-V))

Independent Adviser



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

The Extraordinary General Meeting of the Company ("**EGM**") will be conducted on a virtual basis through remote participation and online voting at the broadcast venue at No. 26, Jalan Utarid U5/14, Seksyen U5, 40150 Shah Alam, Selangor Darul Ehsan on Friday, 27 October 2023 at 10.00 a.m. or any adjournment thereof. The Notice of EGM together with the Administrative Guide and the Form of Proxy are enclosed in this Circular and are available at the Company's website at <https://www.pestech-international.com>.

You are advised to follow the procedures set out in the Administrative Guide to register, participate and vote remotely via the Remote Participation and Voting facilities provided by SS E Solutions Sdn Bhd on Securities Services e-Portal ("**SS e-Portal**") at <https://sshsb.net.my/>.

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 SS 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 date and time for lodging the Form of Proxy : Wednesday, 25 October 2023 at 10.00 a.m.

Date and time of the EGM : Friday, 27 October 2023 at 10.00 a.m. or any adjournment thereof

This Circular is dated 12 October 2023

CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE:-

PART A

- I. PROPOSED RESTRICTED ISSUE OF 800,000,000 NEW ORDINARY SHARES IN PESTECH INTERNATIONAL BERHAD (“PESTECH” OR THE “COMPANY”) (“PESTECH SHARE(S)” OR “SHARE(S)”) (“RESTRICTED SHARE(S)”) REPRESENTING APPROXIMATELY 81.25% OF THE EXISTING TOTAL NUMBER OF ISSUED SHARES OF PESTECH (EXCLUDING TREASURY SHARES) TO IJM CORPORATION BERHAD (“IJM”) AT AN ISSUE PRICE OF RM0.155 PER RESTRICTED SHARE (“PROPOSED RESTRICTED ISSUE”); AND**
- II. PROPOSED EXEMPTION UNDER SUBPARAGRAPH 4.08(1)(B) OF THE RULES ON TAKE-OVERS, MERGERS AND COMPULSORY ACQUISITIONS FOR IJM AND ITS PERSONS ACTING IN CONCERT FROM THE OBLIGATION TO UNDERTAKE A MANDATORY TAKE-OVER OFFER TO ACQUIRE ALL THE REMAINING PESTECH SHARES AND OUTSTANDING WARRANTS IN PESTECH NOT ALREADY OWNED BY THEM UPON COMPLETION OF THE PROPOSED RESTRICTED ISSUE (“PROPOSED EXEMPTION”)**

PART B

**INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF PESTECH
IN RELATION TO THE PROPOSED EXEMPTION**

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:-

ABMB	:	Alliance Bank Malaysia Berhad (198201008390 (88103-W))
Act	:	Companies Act 2016
AIS or the Principal Adviser or the Placement Agent	:	Alliance Islamic Bank Berhad (200701018870 (776882-V))
Board	:	Board of Directors of PESTECH
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd (198701006854 (165570-W))
Bursa Securities	:	Bursa Malaysia Securities Berhad (200301033577 (635998-W))
Circular	:	This circular dated 12 October 2023 in relation to the Proposals
Constitution	:	Constitution of PESTECH
CMSA	:	Capital Markets and Services Act 2007
Credit Facility	:	A short term loan of RM35.00 million provided by ABMB to PESTECH which was drawn down on 13 September 2023 for the Group to fund its working capital pending completion of the Proposed Restricted Issue with tenure up to six (6) months from the drawdown date or upon receipt of the proceeds from the Proposed Restricted Issue, whichever is earlier
CRSE	:	CRSE Sdn Bhd (201301028842 (1058672-T))
Director(s)	:	The Director (s) of PESTECH and shall have the same meaning given in subsection 2(1) of the CMSA and Section 2(1) of the Act. For shareholders' information, there is no interested Director in respect of the Proposals
EGM	:	Extraordinary general meeting
EPMCC	:	Engineering, procurement, manufacturing, construction and commissioning
EPS	:	Earnings per Share
FPE	:	Financial period ended
FYE	:	Financial year ended
GW	:	Gigawatt
IAL	:	Independent advice letter from Mercury Securities, as set out in Part B of this Circular
IJM or the Subscriber	:	IJM Corporation Berhad (198301008880 (104131-A))
KLIA	:	Kuala Lumpur International Airport
LAT	:	Loss after tax

DEFINITIONS (CONT'D)

Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	10 October 2023, being the latest practicable date prior to the printing of this Circular
LPS	:	Loss per Share
LTD	:	21 July 2023, being the last full trading day of PESTECH Shares preceding the date of execution of the Subscription Agreement
Mandatory Offer	:	The mandatory take-over offer by IJM and its PACs to acquire all the remaining PESTECH 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
Mercury Securities or the Independent Adviser	:	Mercury Securities Sdn Bhd (198401000672 (113193-W))
NA	:	Net assets
PACs	:	Persons acting in concert with IJM in relation to the Proposed Exemption
PAT	:	Profit after tax
PESTECH or the Company	:	PESTECH International Berhad (201101019901 (948035-U))
PESTECH Group or the Group	:	PESTECH and its subsidiaries, collectively
PESTECH Share(s) or Share(s)	:	Ordinary shares(s) in PESTECH
Proposals	:	The Proposed Restricted Issue and the Proposed Exemption, collectively
Proposed Exemption	:	Proposed exemption under subparagraph 4.08(1)(b) of the Rules for IJM and its PACs from the obligation to undertake the Mandatory Offer
Proposed Restricted Issue	:	Proposed restricted issue of the Restricted Shares representing approximately 81.25% of the existing total number of issued shares of PESTECH (excluding treasury shares) to IJM at an issue price of RM0.155 per Restricted Share
PSB	:	PESTECH Sdn Bhd (199101010266 (220578-T))
RE	:	Renewable energy
Restricted Share(s)	:	800,000,000 new PESTECH Shares to be issued pursuant to the Proposed Restricted Issue
RM and sen	:	Ringgit Malaysia and sen, respectively

DEFINITIONS (CONT'D)

Rules	: Rules on Take-overs, Mergers and Compulsory Acquisitions issued by the SC
SC	: Securities Commission Malaysia
SEA	: Southeast Asia
SPYTL	: Syarikat Pembinaan Yeoh Tiong Lay Sdn Bhd (197201000862 (12479-V))
Subscription Agreement	: A conditional subscription agreement dated 24 July 2023 entered into between PESTECH and IJM for the subscription by IJM of the Restricted Shares at the Subscription Price pursuant to the Proposed Restricted Issue
Subscription Price	: RM0.155 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 (199901016332 (491232-A))
TNB	: Tenaga Nasional Berhad (199001009294 (200866-W))
Undertaking Shareholders	: Lim Ah Hock, Lim Pay Chuan, Kumpulan Liva Sdn Bhd and VESTECH Projects Sdn Bhd, collectively
VWAMP	: Volume weighted average market price
Warrants	: The 95,145,862 outstanding warrants 2021/2028 in PESTECH as at the LPD constituted by the deed poll dated 25 November 2021

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 reference to persons shall include corporations, unless otherwise specified.

Any reference in this Circular to any provision of the statutes, rules, regulations, enactments or rules of stock exchange or guidelines shall (where the context admits) be construed as a reference to provision of such statutes, rules, regulations, enactments or rules of stock exchange or guidelines (as the case may be) 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 and date, unless otherwise specified. Any discrepancy in the figures included in this Circular between the amounts stated, actual figures and the totals thereof are due to rounding.

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EXECUTIVE SUMMARY

This Executive Summary highlights only the salient information of the Proposals in this Circular. Shareholders are advised to read this Circular and the appendices contained herein 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 the Proposed Restricted Issue

The Proposed Restricted Issue involves an issuance of 800,000,000 Restricted Shares representing approximately 81.25% of the existing total number of issued shares of PESTECH (excluding treasury shares) to IJM at an issue price of RM0.155 per Restricted Share.

Further details of the Proposed Restricted Issue are set out in Section 2 of Part A of this Circular.

Proposed Exemption

Upon completion of the Proposed Restricted Issue, IJM will hold 800,000,000 PESTECH Shares. As such, its shareholding in PESTECH will increase from nil to approximately 44.83% of the enlarged issued share capital of the Company.

As a result, IJM 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 IJM has no intention of undertaking the Mandatory Offer, IJM 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.

Further details of the Proposed Exemption are set out in Section 3 of Part A of this Circular.

Utilisation of proceeds pursuant to the Proposed Restricted Issue

Based on the Subscription Price, the Company is expected to raise gross proceeds of RM124.00 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 completion of the Proposed Restricted Issue
Repayment of Credit Facility	35,000	Within 12 months
Working capital	85,000	Within 12 months
Estimated expenses in relation to the Proposals	4,000	Within one (1) month
Total	<u>124,000</u>	

Further details of the utilisation of proceeds are set out in Section 2.7 of Part A of this Circular.

EXECUTIVE SUMMARY (CONT'D)

Key information	Description
Rationale and justifications for the Proposals	<p><u>Proposed Restricted Issue</u></p> <p>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:-</p> <ol style="list-style-type: none">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:-<ol style="list-style-type: none">a) longer implementation times for rights issue, which typically takes around six (6) months; andb) 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; andiv. 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 PESTECH Group. <p>Upon completion of the Proposed Restricted Issue, the Board is of the view that PESTECH Group will be able to:-</p> <ol style="list-style-type: none">a) expand its capability to offer a more holistic and integrated construction as well as project management solutions and services to its customers by leveraging on IJM's strength as PESTECH and IJM may collaborate on potential electrical infrastructure concession projects, of which PESTECH may be appointed as an EPMCC operator; andb) collaborate with IJM to tender for larger projects by offering comprehensive turnkey solutions for both local and international rail as well as other related projects. Due to PESTECH's limited financial resources which hinders its growth potential and the competition from multinational conglomerates, IJM's investment will enable both companies to further explore opportunities available in the regional developing countries, especially in the areas of power and rail electrification, signalling and communication as well as RE projects.

EXECUTIVE SUMMARY (CONT'D)

Key information	Description
	<p><u>Proposed Exemption</u></p> <p>Upon IJM and its PACs obtaining approval for the Proposed Exemption, IJM and its PACs will be exempted from the obligation to undertake the Mandatory Offer under the Rules due to the increase of the interest of IJM in PESTECH to more than 33% upon completion of the Proposed Restricted Issue as it is not IJM's intention to undertake the Mandatory Offer.</p> <p>Further details of the rationale and justifications for the Proposals are set out in Section 4 of Part A of this Circular.</p>
Approvals required and conditionality	<p>The Proposals are subject to inter-alia, the following approvals being obtained from:-</p> <ol style="list-style-type: none">i. Bursa Securities, for the listing of and quotation for the Restricted Shares on the Main Market of Bursa Securities, which was obtained vide its letter dated 29 August 2023;ii. the shareholders of PESTECH at the forthcoming EGM;iii. the SC, for the Proposed Exemption; andiv. any other relevant authorities and/ or parties, if required. <p>The Proposed Restricted Issue and the Proposed Exemption are inter-conditional upon each other.</p> <p>The Proposals are not conditional upon any other proposals undertaken or to be undertaken by the Company.</p> <p>Further details of the approvals required for the Proposals and conditionality are set out in Section 8 of Part A of this Circular.</p>
Interests of Directors, major shareholders, chief executive and/ or persons connected with them	<p>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 Proposals.</p> <p>Please refer to Section 9 of Part A of this Circular.</p>
Directors' statement and recommendation	<p>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 which has been conveyed separately to the Board from the IAL as set out in Part B of this Circular, is of the opinion that the Proposals are in the best interest of the Company.</p> <p>Accordingly, the Board recommends that you vote in favour of the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM.</p> <p>Further details of the Directors' statement and recommendation are set out in Section 10 of Part A of this Circular.</p>

EXECUTIVE SUMMARY (CONT'D)

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

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PART A

**LETTER TO THE SHAREHOLDERS OF PESTECH 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

12 October 2023

Board of Directors

Lim Ah Hock (*Executive Chairman*)
Lim Pay Chuan (*Managing Director and Group Chief Executive Officer*)
Lim Peir Shenq (*Executive Director*)
Ir. Amir Bin Yahya (*Senior Independent Non-Executive Director*)
Ng Chee Hoong (*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; AND

II. PROPOSED EXEMPTION

1. INTRODUCTION

On 24 July 2023, AIS had, on behalf of the Board, announced that PESTECH proposes to undertake a restricted issue of 800,000,000 Restricted Shares representing approximately 81.25% of the existing total number of issued shares of the Company (excluding treasury shares) to IJM at an issue price of RM0.155 per Restricted Share.

In conjunction with the Proposed Restricted Issue, IJM 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.

Accordingly, the Board had, on 7 August 2023, appointed Mercury Securities as the Independent Adviser to advise the Directors and non-interested shareholders of PESTECH in respect of the Proposed Exemption.

On 29 August 2023, AIS had, on behalf of the Board, announced that Bursa Securities had vide its letter dated 29 August 2023, approved the listing of and quotation for the 800,000,000 Restricted Shares on the Main Market of Bursa Securities, subject to the conditions as set out in Section 8 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 PROPOSED RESTRICTED ISSUE

2.1 Placement size

The Proposed Restricted Issue involves an issuance of 800,000,000 Restricted Shares at RM0.155 per Restricted Share.

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

For the purpose of implementing the Proposed Restricted Issue, the Board has undertaken to ensure that the Company shall not purchase/ sell/ cancel/ distribute any of the PESTECH Shares currently held as treasury shares pursuant to the Company's share buy-back program until completion of the Proposed Restricted Issue.

In addition, as at the LPD, the Company has a total of 95,145,862 Warrants. The Warrants are only exercisable on and commencing from the third anniversary of their date of issuance, which is no earlier than 16 December 2024. As the Proposed Restricted Issue is expected to be completed by the fourth quarter of 2023, any new Shares to be issued pursuant to the exercise of the Warrants will not have an impact on the Proposed Restricted Issue.

Accordingly, the Restricted Shares represents approximately 81.25% of PESTECH's existing total number of issued shares (excluding treasury shares) and approximately 44.83% of its enlarged total number of issued shares upon completion of the Proposed Restricted Issue, being 1,784,555,371 PESTECH Shares (excluding treasury shares).

Details of the placement arrangement and the salient terms of the Subscription Agreement are set out in Section 2.2 of Part A and Appendix I of this Circular, respectively.

2.2 Placement arrangement

On 24 July 2023, PESTECH had entered into the Subscription Agreement with IJM for the subscription of 800,000,000 Restricted Shares by IJM at an agreed subscription price of RM0.155 per Restricted Share.

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

Paragraph 6.13 of the Listing Requirements stipulates the following:-

“The listed issuer must issue and allot securities as soon as possible after the price-fixing date. In any event, the listed issuer must ensure payments for the securities are made by the placees to the listed issuer within 5 Market Days from the price-fixing date. For issues of securities under paragraph 6.05, the price-fixing date will be taken as the date of shareholder approval, except in instances where the price is determined on a date subsequent to the shareholder approval.”

On 24 August 2023, AIS had, on behalf of PESTECH, submitted an application to Bursa Securities to seek a modification from having to comply with Paragraph 6.13 of the Listing Requirements and proposed that the price-fixing date for the Restricted Shares to be taken as the date of approval of the SC for the Proposed Exemption instead of the date of shareholders' approval of the Company for the Proposed Restricted Issue ("**Proposed Modification**").

The Proposed Modification was subsequently approved on 4 September 2023. In relation thereto, PESTECH will ensure that the payment for the Restricted Shares will be made by IJM within five (5) Market Days from the date of approval of the SC for the Proposed Exemption.

Barring any unforeseen circumstances, in the event that the Subscription Agreement is terminated or the Subscriber does not subscribe for the Restricted Shares, the Company will not proceed with the Proposed Restricted Issue by placing out the Restricted Shares to other independent third party investor(s).

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.

2.3 Background information of the Subscriber

IJM was incorporated in Malaysia on 16 July 1983 under the Companies Act 1965 as a private limited company under the name of Solidstate (M) Sdn Bhd and is deemed registered under the Act. On 15 March 1984, its name was changed to IJM Engineering & Construction Sdn Bhd.

On 28 February 1986, it was converted into a public company and was renamed to IJM Engineering & Construction Berhad. It was listed on the Main Board (now known as the Main Market) of Bursa Securities on 29 September 1986 and subsequently assumed its present name on 16 December 1989.

The principal activities of IJM are construction and investment holding, whilst its subsidiaries are primarily engaged in construction, property development, manufacturing and quarrying, port operations, tollway operations and investment holding.

As at the LPD, the issued share capital of IJM is RM6,132,290,441 comprising 3,647,566,120 ordinary shares in IJM (including 141,400,000 treasury shares).

As at the LPD, the directors of IJM and their respective shareholdings in IJM are as follows:-

Directors	Designation	Nationality	Direct No. of shares	%*1	Indirect No. of shares	%*1
Tan Sri Dato' Tan Boon Seng @ Krishnan	Non-Executive Chairman	Malaysian	9,847,466	0.28	1,021,972*2	0.03
Lee Chun Fai	Chief Executive Officer and Managing Director	Malaysian	977,500	0.03	250,000*2	0.01
Goh Tian Sui	Independent Non-Executive Director	Malaysian	-	-	10,000*2	*

Directors	Designation	Nationality	Direct No. of shares	%^{*1}	Indirect No. of shares	%^{*1}
Dato' David Frederick Wilson	Independent Non-Executive Director	British	-	-	-	-
Tunku Alina Binti Raja Muhd Alias	Independent Non-Executive Director	Malaysian	-	-	-	-
Tan Ting Min	Independent Non-Executive Director	Malaysian	-	-	-	-
Dato' Ir. Tan Gim Foo	Independent Non-Executive Director	Malaysian	-	-	-	-
Loh Lay Choon	Independent Non-Executive Director	Malaysian	-	-	-	-
Datuk Lee Teck Yuen	Non-Executive Director	Malaysian	11,764,692	0.34	-	-
Azhar Bin Ahmad	Non-Executive Director	Malaysian	-	-	-	-
Datuk Ir. Ahmad 'Asri Bin Abdul Hamid	Independent Non-Executive Director	Malaysian	-	-	-	-

Notes:-

* *Negligible*

^{*1} *Based on the total issued shares of IJM of 3,506,166,120 (excluding 141,400,000 treasury shares) as at the LPD*

^{*2} *Through a family member*

As at the LPD, the substantial shareholders of IJM and their respective shareholdings are as follows:-

Shareholders	Direct No. of shares	%^{*1}	Indirect No. of shares	%^{*1}
Employees Provident Fund Board	588,458,518	16.78	-	-
Kumpulan Wang Persaraan (Diperbadankan)	323,271,000	9.22	-	-
AmanahRaya Trustees Berhad– Amanah Saham Bumiputera	254,300,000	7.25	-	-
Urusharta Jamaah Sdn Bhd	175,460,969	5.00	-	-

Note:-

^{*1} *Based on the total issued shares of IJM of 3,506,166,120 (excluding 141,400,000 treasury shares) as at the LPD*

IJM is not a major shareholder and/ or persons connected with PESTECH as at the LPD.

2.4 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 IJM through arm's length negotiations after taking into consideration the following:-

- i. the urgent funding requirements of PESTECH Group for the purposes as set out in Section 2.7 of Part A of this Circular

Based on the latest unaudited consolidated financial statements of the Group as at 30 June 2023, the Group has a free cash flow of RM16.20 million. Given the Group's relatively large order book as at the same date of approximately RM1.23 billion, the current cash position is deemed to be insufficient for the Group to fund its working capital requirements for its secured projects. For information purposes, the aforementioned order book of RM1.23 billion excludes contract works for KLIA's aerotrain which the Group received a termination notice from Malaysia Airports (Sepang) Sdn Bhd, a wholly-owned subsidiary of Malaysia Airports Holdings Berhad, on 16 August 2023 and contract works for the electrified double track from Gemas to Johor Bahru which the Group received a notice of termination for default from SPYTL on 10 May 2023.

Additionally, the Group has a high debt position of RM1.14 billion and gearing ratio of 2.78 times based on its latest unaudited consolidated financial statements as at 30 June 2023.

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 obtaining greater cash flow flexibility and improved gearing level, the Group will be in a better position to ensure the smooth continuation of its business.

Further, after considering the subsequent events in relation to the aforementioned termination of contract works as well as discussions between the Company and IJM, both parties had agreed not to revise the Subscription Price.

- ii. the historical market prices of PESTECH Shares

In view of the high volatility of share price movement of PESTECH, the Board has taken into consideration the five (5)-day, one (1)-month and three (3)-month VWAMP of PESTECH Shares up to and including the LTD. The Subscription Price represents:-

- a) a discount of RM0.1488 or 48.98% to the five (5)-day VWAMP of PESTECH Shares up to and including the LTD of RM0.3038;
- b) a discount of RM0.1020 or 39.69% to the one (1)-month VWAMP of PESTECH Shares up to including the LTD of RM0.2570; and
- c) a discount of RM0.0910 or 36.99% to the three (3)-month VWAMP of PESTECH Shares up to and including the LTD of RM0.2460.

For information purposes, the Subscription Price also represents a discount to the following VWAMP of PESTECH Shares:-

- a) RM0.1937 or 55.55% to the five (5)-day VWAMP of PESTECH Shares up to and including the LPD of RM0.3487;

- b) RM0.1640 or 51.41% to the one (1)-month VWAMP of PESTECH Shares up to and including the LPD of RM0.3190; and
- c) RM0.1315 or 45.90% to the three (3)-month VWAMP of PESTECH Shares up to and including the LPD of RM0.2865.

The Board has also considered, amongst others, the following factors in justifying the reasonableness of the Subscription Price:-

- i. The Proposed Restricted Issue is necessary to enable PESTECH to finance its immediate day-to-day working capital requirements for the projects as disclosed in Section 2.7 of Part A of this Circular which include, amongst others, contracts awarded by Alex Corporation Co Ltd, National Grid Corporation of the Philippines, TNB, Electricite Du Cambodge, Nur Energy Services Sdn Bhd, PNG Power Ltd as well as other electrification and rail projects.

The Group is also required to partially repay its bank borrowings to fulfill its financial obligations and further enhance its cash flow flexibility. In this regard, RM35.00 million of the proceeds raised from the Proposed Restricted Issue is earmarked for repayment of the Credit Facility on its maturity date, i.e. six (6) months from the drawdown date of 13 September 2023 or upon receipt of the proceeds from the Proposed Restricted Issue, whichever is earlier.

For clarification purpose, the discussion in relation to the Credit Facility between PESTECH and ABMB was held concurrently with the negotiations between PESTECH and IJM for the Proposed Restricted Issue. The Board had decided to allocate RM35.00 million from the proceeds to be raised from the Proposed Restricted Issue for repayment of the Credit Facility in view that the Credit Facility was provided by ABMB subsequent to the execution of the Subscription Agreement as a bridge loan for the Group to fund its working capital pending completion of the Proposed Restricted Issue.

The repayment of the Credit Facility is expected to result in interest cost savings of approximately RM1.23 million calculated based on the tenure of the Credit Facility of up to six (6) months and the estimated interest rate of 7.00% per annum.

In the event the Group is unable to raise the funds required for the purposes above, its financial liquidity may be negatively impacted which may then affect the progress of its projects;

- ii. the potential synergistic benefits arising from the collaboration between the Company and IJM after completion of the Proposed Restricted Issue as explained in Section 4.1 of Part A of this Circular;
- iii. the financial conditions of the Group for the nine (9)-month FPE 31 March 2023 (being the latest financial period as at the LTD), whereby the Group had registered an unaudited LAT attributable to the equity holders of the Company of RM132.02 million as compared to the PAT attributable to the equity holders of the Company of RM25.74 million recorded in the preceding corresponding period; and
- iv. the recent volatility of the price of PESTECH Shares over a period of three (3) months up to the LTD

The historical closing prices of PESTECH Shares for the past three (3) months up to and including the LTD are illustrated below:-



(Source: Bloomberg)

As shown above, PESTECH Shares were traded between the lowest of RM0.160 and the highest of RM0.315 during the aforementioned period.

In relation to the above, PESTECH Shares were traded relatively stable at the range of RM0.23 to RM0.26 from 1 March 2023 to 31 May 2023.

Subsequently, the price was moving into a downtrend from 1 June 2023 and hit the lowest at RM0.160 on 22 June 2023 before a reversal took place on 11 July 2023. The Subscription Price represent a discount of RM0.0284 or 15.49% to the one (1)-month VWAMP of PESTECH Shares up to and including 30 June 2023 of RM0.1834.

During the period from 1 June 2023 up until the LTD, the following events occurred:-

- a) On 27 June 2023, 7 July 2023 and 20 July 2023, the Board has made separate announcements in relation to the development of a material litigation involving a subsidiary company of PESTECH, namely PSB and the counterparty, SPYTL. Further details of the litigation are set out in Section 3(iv) of Appendix III of this Circular; and
- b) On 17 July 2023, an announcement was made, amongst others, in relation to the discharge and acquittal order of two (2) executive Directors of PESTECH, namely Lim Ah Hock and Lim Pay Chuan from all the charges against them with immediate effect. They were charged for allegedly committing offences under Section 109 read together with Section 403 of the Penal Code.

Whilst the Board could not conclude whether the aforementioned events have possibly led to any significant fluctuations in PESTECH Shares' price and as the volatility of the Shares' price is beyond the control of both the Company and the Subscriber, the Board is of the view that the Subscription Price is reasonable premised upon the following:-

- a) After having negotiated the price with the Subscriber, both parties agreed that the Subscription Price is reasonable. However, there is also no assurance that the PESTECH Shares' price will hold since the negotiation commenced. Given the wide-ranging PESTECH Shares' price and generally low trading volume of the Shares, the discount of the Subscription Price to the prevailing market price of PESTECH Shares is deemed sufficiently attractive to entice IJM; and

- b) IJM is subscribing for a sizeable amount of the Shares. It is not easy to find a strategic investor to subscribe for such a sizeable amount. Should IJM decide not to proceed with the subscription, there is no guarantee that PESTECH 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 PESTECH Shares.

2.5 Ranking of the Restricted Shares

The Restricted Shares shall, upon allotment and issuance, rank equally in all respects with the existing PESTECH Shares, save and except that the Restricted Shares shall not be entitled to any dividends, rights, allotments and/ or any other forms of distributions 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.

2.6 Listing of and quotation for the Restricted Shares

Bursa Securities had vide its letter dated 29 August 2023, 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 8 of Part A of this Circular.

2.7 Utilisation of proceeds

Based on the Subscription Price, the Company is expected to raise gross proceeds of RM124.00 million pursuant to the Proposed Restricted Issue.

The proceeds are intended to be utilised in the following manner and any variation in the actual amount utilised for each category will be adjusted to or from the amount allocated for the working capital of the Group:-

Details of utilisation	RM'000	Estimated timeframe for utilisation from the completion of the Proposed Restricted Issue
Repayment of Credit Facility* ¹	35,000	Within 12 months
Working capital* ²	85,000	Within 12 months
Estimated expenses in relation to the Proposals* ³	4,000	Within one (1) month
Total	124,000	

Notes:-

¹ Based on the latest unaudited consolidated financial statements of PESTECH Group as at 30 June 2023, the total borrowings of the Group is approximately RM1.14 billion comprising term loans, overdrafts, revolving credits, trust receipts, lease liabilities and banker acceptance. The Group intends to utilise proceeds of RM35.00 million raised from the Proposed Restricted Issue to fully repay the Credit Facility. Such repayment is expected to result in interest cost savings of approximately RM1.23 million calculated based on the tenure of the Credit Facility of up to six (6) months and the estimated interest rate of 7.00% per annum, if such sums are paid immediately.

² The Group intends to utilise RM85.00 million of the proceeds to meet the immediate day-to-day working capital requirements of its projects, such as payment to suppliers, subcontractors, material costs and other operating and administrative expenses. These projects include, amongst others, contract works from Alex Corporation Co Ltd, National Grid Corporation of the Philippines, TNB, Electricite Du Cambodge, Nur Energy Services Sdn Bhd, PNG Power Ltd as well as other electrification and rail projects.

The estimated proceeds earmarked for each component of the working capital are as follows:-

	RM'000
Payment to suppliers, subcontractors and material costs ^(a)	79,000
Other operating and administrative expenses ^(b)	6,000
Total	<u>85,000</u>

Notes:-

a) On a best estimate basis, the breakdown of the proceeds earmarked by projects are as follows:-

Customer	Project descriptions	RM'000
Alex Corporation Co Ltd	EPMCC for transmission lines	30,000
National Grid Corporation of the Philippines	EPMCC for power substations	13,700
TNB	EPMCC for power substations and transmission line; smart meters supply	12,000
Electricite Du Cambodge	EPMCC for underground cables work	7,000
Nur Energy Services Sdn Bhd	EPMCC for power substation	5,000
PNG Power Ltd	EPMCC for power substation and transmission line	2,800
Other secured customers	EPMCC for power substations, transmission lines and rail electrification	2,500
Other future projects to be secured	EPMCC for power substations, transmission lines and rail electrification	6,000
Total		<u>79,000</u>

b) Include, amongst others, staff costs (e.g. salaries and statutory contributions), corporate tax contribution and office related expenses (e.g. utilities, office rental and upkeep of office)

Nevertheless, the breakdown set out above represents an estimation only and the actual utilisation for each category and/ or project may differ subject to its operating requirements at the time of the utilisation of the proceeds.

³ The proceeds earmarked for estimated expenses in relation to the Proposals will be utilised in the following manner:-

	RM'000
Professional fees	
- Advisory fees to advisers (i.e. Principal Adviser and placement agent, financial adviser and Independent Adviser)	3,460
- Fees to solicitors	300
	<u>3,760</u>
Fees to authorities	80
Miscellaneous expenses	
- Printing and advertising costs	40
- Expenses to convene EGM	30
- Contingencies and other incidental expenses	90
	<u>160</u>
Total	<u>4,000</u>

Any surplus or shortfall to the actual amount of expenses for the Proposals will be adjusted accordingly against the amount allocated for the working capital.

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.

2.8 Pre-emptive rights pursuant to Section 85(1) of the Act

Pursuant to Section 85(1) of the Act, when read together with Clause 14 of the Constitution, the shareholders of PESTECH 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.

Section 85(1) of the Act provides that:-

“Subject to the constitution, where a company issues 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 the Proposed Restricted Issue 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 resolution pertaining to the Proposed Restricted Issue to be tabled at the forthcoming EGM. The resolution pertaining to the Proposed Restricted Issue, 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. Please refer to the Notice of EGM enclosed in this Circular pertaining to the resolution for the Proposed Restricted Issue.

2.9 Other equity fund raising exercises in the past 12 months

PESTECH has not undertaken any other equity fund raising exercises in the past 12 months prior to the date of announcement of the Proposals.

2.10 Undertakings by shareholders

The Company had, on 16 August 2023, 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 in respect of their shareholdings in PESTECH.

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

Undertaking Shareholders	No. of Shares	% ^{*1}
Lim Ah Hock	300,093,855	30.48
Lim Pay Chuan	190,221,870	19.32
Kumpulan Liva Sdn Bhd ^{*2}	2,572,750	0.26
VESTECH Projects Sdn Bhd ^{*3}	1,320,080	0.13
Total	494,208,555	50.19

Notes:-

^{*1} Based on 984,555,371 PESTECH Shares as at the LPD (excluding treasury shares)

^{*2} Lim Ah Hock is deemed interested in Kumpulan Liva Sdn Bhd by virtue of his son, Lim Peir Shenq's substantial shareholdings in Kumpulan Liva Sdn Bhd pursuant to Section 8 of the Act

^{*3} Lim Ah Hock and Lim Pay Chuan are deemed interested in VESTECH Projects Sdn Bhd by virtue of their respective shareholdings of 50% in Fornix Capital Sdn Bhd pursuant to Section 8 of the Act, which in turn owns 94.33% of shareholdings in VESTECH Projects Sdn Bhd

3. DETAILS OF THE PROPOSED EXEMPTION

Upon completion of the Proposed Restricted Issue, IJM will hold 800,000,000 PESTECH Shares. As such, its shareholding in PESTECH will increase from nil to approximately 44.83% of the enlarged issued share capital of the Company. The aforementioned equity interest is calculated premised on the undertaking by the Company that none of the Company's treasury shares will be sold/ cancelled or distributed until completion of the Proposed Restricted Issue and the Warrants can only be exercised no earlier than 16 December 2024.

As a result, IJM 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 IJM has no intention of undertaking the Mandatory Offer, IJM 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 PESTECH for the Proposed Exemption, by way of poll at the forthcoming EGM.

4. RATIONALE AND JUSTIFICATIONS FOR THE PROPOSALS

4.1 Proposed Restricted Issue

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 PESTECH Group.

It should be noted that save for the potential synergistic benefits that PESTECH Group and IJM may gain upon completion of the Proposed Restricted Issue, IJM's emergence as the largest shareholder of the Company with its shareholdings of approximately 44.83% after completion of the Proposed Restricted Issue would not have any other operational impact to PESTECH Group as the Group's principal activities and nature of business will remain the same in the near future.

Nevertheless, the Proposed Restricted Issue is expected to create potential synergy effects between PESTECH and IJM as both entities are involved in construction and engineering related businesses. PESTECH Group is principally engaged in the provision of project management, engineering, digitalisation, manufacturing, installation, testing and commissioning of electrical power infrastructures for power grid and rail network. The business model of the Group includes deriving recurring income (typically from project with deferred payment scheme) from clients with strong financial and credit profile, such as national utility companies, at a commendable return.

Meanwhile, construction is one of the IJM's core businesses. It has vast expertise and strong track record in civil and engineering construction such as construction of buildings, bridges, highways, ports and railway. The Proposed Restricted Issue would create an opportunity to combine the capabilities of PESTECH and IJM to allow participation in larger projects, both locally and internationally, by offering comprehensive turnkey solutions for rail and other related projects. For shareholders' information, PESTECH Group does not have any form of working relationship with IJM at this juncture.

Upon completion of the Proposed Restricted Issue, the Board is of the view that PESTECH Group will be able to:-

- a) expand its capability to offer a more holistic and integrated construction as well as project management solutions and services to its customers by leveraging on IJM's strength as PESTECH and IJM may collaborate on potential electrical infrastructure concession projects, of which PESTECH may be appointed as an EPMCC operator; and
- b) collaborate with IJM to tender for larger projects by offering comprehensive turnkey solutions for both local and international rail as well as other related projects. Due to PESTECH's limited financial resources which hinders its growth potential and the competition from multinational conglomerates, IJM's investment will enable both companies to further explore opportunities available in the regional developing countries, especially in the areas of power and rail electrification, signalling and communication as well as RE projects.

Shareholders should note that the Proposed Restricted Issue will have a dilutive impact on their existing shareholding percentage. For illustrative purposes, the percentage of shareholding of a shareholder who currently holds 1,000,000 PESTECH Shares will be reduced from 0.10% to 0.06% upon completion of the Proposed Restricted Issue due to the increase in the number of Shares in issue. The extent of the dilutive effect on the shareholdings of the substantial shareholders upon completion of the Proposed Restricted Issue is illustrated in Section 6.4 of Part A of this Circular.

Notwithstanding the dilutive effect on the overall shareholders' shareholding in the Company, shareholders should consider the potential accretive effects of the Proposed Restricted Issue.

4.2 Proposed Exemption

Upon IJM and its PACs obtaining approval for the Proposed Exemption, IJM and its PACs will be exempted from the obligation to undertake the Mandatory Offer under the Rules due to the increase of the interest of IJM in PESTECH to more than 33% upon completion of the Proposed Restricted Issue as it is not IJM's intention to undertake the Mandatory Offer.

5. INDUSTRY OVERVIEW AND OUTLOOK AND PROSPECTS OF PESTECH GROUP

Based on the latest audited consolidated financial statements of PESTECH Group for the FYE 30 June 2022, the revenue of the Group was largely derived from Malaysia and Cambodia which accounted for approximately 52.71% and 40.45% of the Group's revenue respectively. In addition, the business of PESTECH Group covers electrical infrastructure construction and RE industries. Sections 5.1 to 5.7 below provide an overview and outlook of the economies and industries which are closely related to the business of PESTECH Group.

5.1 Overview and outlook of Malaysian economy

For the second half of 2023, the Malaysian economy is expected to expand at a moderate pace. Slower external demand will continue to weigh on economic activity particularly for the export oriented sectors. Growth will be supported by domestic demand, underpinned by favourable labour market conditions, particularly in the domestic oriented sectors. Tourist arrivals are expected to continue improving, thereby lifting tourism activities, while investment activity would be supported by implementation of multi-year investment projects. Domestic financial conditions also remain conducive to financial intermediation. While the growth outlook is subject to some downside risks stemming from weaker than expected global growth, upside risks mainly emanate from domestic factors such as stronger-than-expected tourism activity and faster implementation of projects.

Besides, headline inflation has continued to ease amid lower cost factors. While core inflation has also moderated, it remained elevated relative to the long term average amid lingering demand and cost factors. For the second half of 2023, both headline and core inflation are projected to trend lower, broadly within expectations. Risks to the inflation outlook remain highly subject to the degree of persistence in core inflation, changes to domestic policy on subsidies and price controls, as well as global commodity prices and financial market developments.

(Source: Quarterly Bulletin- Second Quarter 2023, Bank Negara Malaysia)

5.2 Overview and outlook of the Cambodian economy

Cambodia's economic recovery solidified in 2022 with real growth accelerating to 5.2%. After shifting to "living with COVID-19" in late 2021, the economy is firmly on a path to recovery and has now returned to its pre-pandemic growth trajectory.

Initially led by the strong performance of export-oriented manufacturing, growth drivers are rotating to the services and agriculture sectors. Driven by pent-up consumer demand, the overall contribution of the services sector to economic growth is returning to the 2019 levels. Underpinned by the complete removal of COVID-19-related mobility restrictions and China's recent reopening, international arrivals have picked up, reaching 830,000 during the first two months of 2023, approaching pre-pandemic levels.

There are also signs of a pick-up in the construction and real estate sector which was a major, albeit not necessarily sustainable growth driver before COVID-19. While uncertainty in the housing market remains high, construction permit values started to accelerate for the first time since COVID-19, reaching US\$802 million or a 484% year-on-year increase during the first two months of 2023.

Inflation eased significantly, while the exchange rate has been stable, underpinning domestic consumption. Cambodia's consumer price index declined to 2.2% year-on-year in February 2023, after peaking at 7.8% year-on-year in June 2022, as energy and food prices stabilised. Thanks to the central bank's open market operations, the nominal exchange rate has been broadly stable, hovering at 4,100 riel per U.S. dollar. Moderating inflation helped boost domestic consumption. During the first two months of 2023, quantity imports of consumer goods such as gasoline, alcohol, cooking oil, and sugar accelerated, growing at 28.1%, 16.7%, 79.7%, and 49.6% year-on-year, respectively. Similarly, value imports of durable goods such as passenger cars and buses rose to 6.6% and 127.1% year-on-year, respectively.

Cambodia's real GDP growth for 2023 is projected to accelerate further, reaching 5.5%. Despite the easing of goods exports, the current account deficit is expected to improve to 19.3% of GDP on the back of the recovering services exports, especially tourism receipts and remittances. Despite the recent decline in approved FDI projects, continued robust capital inflows and concessional financing will continue to largely cover external financing needs.

In 2023, the fiscal deficit is expected to widen to 6.4% of GDP. Revenue, including grants, is improving and is projected to remain strong, reaching 23.5% of GDP. Expenditure is expected to increase to 29.9% of GDP, thanks to rising post-pandemic operating expenses that include an across-the-board public sector wage increase and an increase in goods and services expense as well as general election-related spending and the hosting of the Southeast Asian Games and the ASEAN Para Games.

Over the medium term, the economy is expected to trend back to potential, growing at 6%. Goods and services exports and FDI inflows are expected to be bolstered by the newly ratified free trade agreements; a substantial increase in private and public investment in key physical infrastructure such as seaports and roads, especially under public-private partnerships; and structural reforms. Poverty is expected to decline due to the projected economic recovery and moderating inflation.

(Source: Cambodia Economic Update- May 2023, The World Bank)

5.3 Overview and outlook of the electricity supply sector in Malaysia

TNB has reported an increase in the electricity demand in Malaysia in the financial year 2022 of 7.2% year-on-year in line with Malaysia's economic growth.

(Source: Press release dated 23 November 2022, TNB)

In terms of electricity supply quality in the Peninsular Malaysia, TNB has achieved a ranking equal to developed countries like Denmark, France and the United Kingdom. TNB will further be investing approximately RM5 billion per annum up to 2025 to modernise Malaysia's power grid. This will enable it to facilitate greater penetration of renewables into the grid, manage energy decentralisation, create new platforms for energy solutions, and be resilient against cybersecurity threats and the impact of climate change.

(Source: Energy Malaysia- Volume 22 (2022), Energy Commission Malaysia)

5.4 Overview and outlook of the construction industry in Malaysia

The value of work done in the construction sector continued to increase for the five consecutive quarters with year-on-year growth of 8.1% to record a total of RM32.4 billion in the second quarter of 2023. The increment was supported continuously by double digit growth in civil engineering with 10.4% in this quarter. In the meantime, the subsector of special trade activities recorded higher growth in this quarter by 9.8% as compared to 9.0% in the previous quarter while the non-residential buildings subsector grew modestly by 5.7%. Additionally, the work done value in the residential buildings subsector rebounded to 6.9% from -2.2% registered in the preceding quarter. A total of RM12.1 billion or 37.4% of the construction work done value was civil engineering contributed mainly by the construction of roads and railways activity with a value of RM6.5 billion in this quarter.

In the meantime, the value of work done for non-residential buildings and residential buildings was RM9.9 billion and RM7.3 billion, respectively. The combined share of these two construction activities made up more than half of the work done value in this quarter, encompassing 53.4%. Meanwhile, special trade activities amounted to RM3 billion, largely in plumbing, heat and air conditioning installation, and electrical installation activities.

The private sector remained as the main spurs to the growth in this quarter, with an increase of 17.3%. The value of work done by the private sector amounted to RM20.4 billion or 63.1% of the total construction work done value. Nevertheless, the public sector with a share of 36.9% or equivalent to RM11.9 billion, declined by 4.8% during this quarter.

Nearly one-fourth or 23.3% of the work done value in the second quarter of 2023 was concentrated in Selangor, amounting to RM7.5 billion. The highest of the value of work done in Selangor was civil engineering, followed by residential buildings and non-residential buildings. Meanwhile, Johor which was ranked second with a value of RM3.8 billion or 11.9% was supported mainly by non-residential buildings and civil engineering. In the meantime, the value of work done in Wilayah Persekutuan was RM3.7 billion and Sarawak with RM3.4 billion.

(Source: Construction Statistics, Second Quarter 2023, Department of Statistics Malaysia)

5.5 Overview and outlook of the electricity supply sector in SEA

In 2022, the electricity demand is estimated to grow by 5.5% in SEA. This trend is in line with the economic recovery in the region after countries opened their borders to international tourism, a significant economic driver in many SEA countries. The electricity demand is estimated to continue to rise by 4-6% per year until 2025. Most of that additional demand will be met by fossil fuels, with renewables meeting about a third of that demand growth. The share of renewables in the generation mix will rise slightly to below 28% in 2025. Several countries in the region have set carbon neutral or net zero targets and aim to accelerate renewable energy capacity deployment. As such, the region is targeting the addition of 50 GW of solar and wind capacity by 2030, and over 250 GW by 2050.

(Source: Electricity Market Report 2023- Regional Perspective: SEA, International Energy Agency)

5.6 Overview and outlook of the construction industry in Cambodia

There are signs of a pick-up in the construction and real estate sector which was a major, albeit not necessarily sustainable growth driver before COVID-19. While uncertainty in the housing market remains high, construction permit values started to accelerate for the first time since COVID-19, reaching US\$802 million or a 484% year-on-year increase during the first two months of 2023.

For the first time since 2019, approved construction permit value increased during the first two months of 2023. Possibly reflecting renewed investor appetite to invest in the construction and real estate sector, approved construction permit value rose, reaching US\$802 million, or a 484% increase during the first two months of 2023. Of this, approved construction permits for projects in Sihanoukville province, which experienced the most rapid construction boom during the pre-pandemic period, accounted for US\$160 million, up from zero in 2022. The number of approved square meters of construction permits also rose, reaching 1.2 million, or a 278% increase.

Despite improvements in construction permit numbers, property development activity likely continues to suffer from excess supply. Several years before the pandemic hit, Cambodia's urban centers such as the capital city of Phnom Penh, the tourist attraction site of Siem Reap, the seaside town of Sihanoukville, and the border towns of Poi Pet and Bavet, experienced a rapid construction boom. Given the country's relatively small domestic market, the boom created excess supply. In addition, the financial sector has been partly behind the recent construction boom. In this regard, it is increasingly important to safeguard financial stability.

Despite rising construction permit value during the first two months of 2023, performance of construction material imports remained mixed. While steel imports mainly used for the construction industry accelerated, growing at 18.5% in volume terms during the first two months of 2023, imports of construction equipment and cement contracted at 7.1% and 38.3%, respectively.

(Source: Cambodia Economic Update- May 2023, The World Bank)

5.7 Overview and outlook of the RE industry in SEA region

In SEA, renewable installed capacity has more than tripled since 2000, growing from 20 GW in 2000 to 87 GW in 2020 with an average compound annual growth rate of 8%. Globally, the renewable installed capacity mix is relatively balanced between hydro (49% share) and other RE (50% share, including non-variable RE (“VRE”) such as solar photovoltaic (“PV”), wind, bioenergy, and others). Similarly in SEA, hydropower accounted for 56% of RE capacity, and the VRE capacity only gradually increased starting 2010. These gaps with global average are a result of the lag in development for VRE sources such as solar PV and wind. Policies and incentives to promote VRE started off in the SEA much later than in other geographies with higher income levels as VRE were still expensive at that time.

Policy directions in SEA are changing in favour of an increasing role of variable renewable sources in the region’s energy mix. National targets have been set in some and inter-regional initiatives, such as the ASEAN Plan of Action for Energy Cooperation (APAEC 2016-2025) include aspirational target for RE share.

As renewable generation costs have decreased in recent years, SEA countries have also revised their targets for renewable generation deployment. Availability of resources also impacts RE targets. Solar PV is the preferred technology by most of the SEA countries due to high annual solar irradiation in the region. Long-term RE targets in countries in the region aim to achieve a RE share between 30-40%. Indonesia targets 31% by 2050 in terms of primary energy supply while Philippines targets 20 GW by 2040, translating into 32% installed capacity. Thailand targets 33% of RE installed capacity by 2037 and Vietnam target 32% installed capacity by 2030 and 45% by 2050.

The Malaysian Government’s commitment towards sustainable development is highlighted by the launch of the Malaysia Renewable Energy Roadmap by the Ministry of Energy and Natural Resources and Sustainable Energy Development Authority Malaysia on 30 December 2021 which aims to achieve a 31% RE share in the national capacity mix by 2025 and to attain decarbonisation of the electricity sector by 2035.

(Source: Malaysia Renewable Energy Roadmap)

Solar power is recognised as the primary source of RE in Malaysia and several market mechanisms have been introduced to facilitate solar power generation. For example, the implementation of the large-scale solar programme has led to the establishment of large-scale solar farms. The implementation of Enhanced Net Energy Metering scheme, in the meantime, has incentivised small medium enterprises and prosumers to generate solar power for their own consumption and sale of excess energy to the grid.

(Source: Energy Malaysia- Volume 22 (2022), Energy Commission Malaysia)

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5.8 Prospects of PESTECH Group

PESTECH Group continues to face multiple external challenges in 2023 such as inflation risk, volatile currency market and continuous hike in lending rates, which have put immense pressure towards the Group's business and financial performance.

Based on the latest unaudited consolidated financial statements of the Group for the FYE 30 June 2023, the Group registered an unaudited LAT attributable to equity holders of RM257.68 million as compared to the PAT attributable to equity holders of RM9.98 million recorded in the previous financial year. This was mainly due to:-

- i. a one-off fair value adjustment of RM110.31 million and other operating expenses of RM28.90 million arising from the disposal of a concession asset comprising a 230 kilovolt transmission line from Kampong Cham's substation to Kratie's substation in Cambodia by Diamond Power Limited, a 60%-owned indirect subsidiary of the Company. The disposal was completed on 22 March 2023; and
- 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 a litigation proceeding between both parties. Based on the aforementioned settlement agreement, TGV has agreed to accept the settlement sum of RM20.00 million as a global settlement for the appeals filed to the Court of Appeal. Further details of the litigation and salient terms of the settlement agreement are set out in Section 3(ii) of Appendix III of this Circular.

Amidst all the adversities, the Group remains steadfast in the execution of its projects while maintaining its quality in projects delivery. Based on the latest unaudited consolidated financial statements of the Group as at 30 June 2023, the Group has an outstanding order book of approximately RM1.23 billion which is expected to provide revenue visibility for the next three (3) years. For clarification purposes, the aforementioned order book excludes contract works for KLIA's aerotrain which the Group received a termination notice from Malaysia Airports (Sepang) Sdn Bhd on 16 August 2023 and contract works for the electrified double track from Gemas to Johor Bahru which the Group received a notice of termination for default from SPYTL on 10 May 2023. The termination of these projects will not have any impact on the Proposed Restricted Issue and the proceeds to be raised will be utilised for other projects as stated in Section 2.7 of Part A of this Circular.

In addition, the Group's tender book stood at approximately RM1.81 billion as at 31 August 2023 consisting projects located mainly in Malaysia and SEA. The Group will also continue to identify suitable opportunities to expand and strengthen its core business segments comprising high voltage ("HV") and extra high voltage ("EHV") electrical systems, transmission lines and power cables, power generation, and rail electrification and signalling.

With IJM being the shareholders of PESTECH upon completion of the Proposed Restricted Issue, it paves an entry for potential business collaboration between both companies as PESTECH continues its focus in the following business activities:-

- i. HV and EHV power transmission projects ranging from 33 kilovolt to 500 kilovolt

With the combined resources of PESTECH and IJM, it creates an opportunity for the Group to participate in EPMCC for power transmission projects in Malaysia as well as SEA, and/ or in the electrical infrastructure concessions by providing operation and maintenance services for such projects;

ii. Participation in rail electrification and signalling projects in railway sector

PESTECH could join forces with IJM and partnership with various multinational engineering and construction companies to undertake the railway system related works including signalling, communication and electrification. In this respect, the Group could continue to expand its expertise and deliver engineering, procurement and commissioning work for rail electrification and signalling projects in Malaysia and SEA; and

iii. Expansion in EPMCC works in the RE sector especially in solar farms

With the combined resources, PESTECH and IJM would be able to jointly manage solar farms as the assets owner and offer microgrid solutions to bring electrical power to rural and remote areas.

Moving forward, the Group also intends to focus on projects with progressive payments instead of those with long term deferred payment scheme, which would minimise the project funding requirements. This strategy is expected to improve the Group's capital structure and ensure a sustainable growth path for the Group in the current raising interest rate environment.

Additionally, with the entry of IJM as a strategic investor of the Company pursuant to the Proposed Restricted Issue, IJM would be able to complement the capabilities of the Group as disclosed in Section 4.1 of Part A of this Circular. Together with IJM's industry expertise as well as the Group's experience and competitiveness in the power infrastructure industry, the Group will also be looking to tender for future infrastructure projects in Malaysia and SEA to replenish its order book.

Premised on the above and after considering the overview and outlook of the economies and industries in which PESTECH Group is operating as set out in Sections 5.1 to 5.7 of Part A of this Circular, the Board is cautiously optimistic on the business strategy and future prospects of the Group.

(Source: Management of PESTECH)

6. 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 earnings of the Group.

As highlighted in the Section 2.1 of Part A of this Circular, for the purpose of implementing the Proposed Restricted Issue, the Board has undertaken to ensure that the Company shall not purchase/ sell/ cancel/ distribute any of the PESTECH Shares currently held as treasury shares pursuant to the Company's share buy-back program until completion of the Proposed Restricted Issue.

In addition, all the 95,145,862 outstanding Warrants are only exercisable on and commencing from the third anniversary of their date of issuance, which is no earlier than 16 December 2024. As the Proposed Restricted Issue is expected to be completed in the fourth quarter of 2023, any new Shares that may be issued pursuant to the exercise of the Warrants will not have any impact on the Proposed Restricted Issue.

6.1 Issued share capital

The pro forma effects of the Proposed Restricted Issue on the issued share capital of PESTECH are as follows:-

	No. of Shares	RM
Issued share capital as at the LPD ^{*1}	992,221,471	232,941,897
Restricted Shares to be issued pursuant to the Proposed Restricted Issue	800,000,000	124,000,000 ^{*2}
Enlarged share capital	1,792,221,471	356,941,897

Notes:-

^{*1} Including treasury shares

^{*2} Computed based on RM0.155 per Restricted Share

6.2 NA, NA per Share and gearing

Based on the latest audited consolidated statement of financial position of the Group as at 30 June 2022, the pro forma effects of the Proposed Restricted Issue on the NA, NA per Share and gearing of the Group are as follows:-

	Audited as at 30 June 2022 RM'000	After the Proposed Restricted Issue RM'000
Share capital	232,942	356,942 ^{*1}
Treasury shares	(4,183)	(4,183)
Fair value reserve	(1,336)	(1,336)
Exchange translation reserve	24,855	24,855
Capital reserve	8,534	8,534
Merger deficit	(33,137)	(33,137)
Retained earnings	425,466	421,466 ^{*2}
Shareholders' equity/ NA	653,141	773,141
Perpetual SUKUK	100,000	100,000
Non-controlling interests	174,342	174,342
Total equity	927,483	1,047,483
No. of Shares (excluding treasury shares) ('000)	984,555	1,784,555
NA per Share (RM)	0.66	0.43
Borrowings (interest-bearing) (RM'000)	1,374,340	1,374,340 ^{*3}
Gearing ratio (times)	2.10	1.78

Notes:-

^{*1} Computed based on RM0.155 per Restricted Share

^{*2} After deducting estimated expenses of RM4.00 million in relation to the Proposals

^{*3} Including lease liabilities but excluding the Credit Facility. The Credit Facility was drawn down on 13 September 2023 (i.e. after FYE 30 June 2022) and hence the repayment of the Credit Facility does not have any effect on the Group's existing borrowings as at 30 June 2022.

For information purposes, based on the latest unaudited consolidated statement of financial position of the Group as at 30 June 2023, the pro forma effects of the Proposed Restricted Issue on the NA, NA per Share and gearing of the Group are as follows:-

	Unaudited as at 30 June 2023 RM'000	I After the Proposed Restricted Issue RM'000
Share capital	232,942	356,942 ^{*1}
Treasury shares	(4,183)	(4,183)
Fair value reserve	106	106
Exchange translation reserve	39,014	39,014
Capital reserve	8,534	8,534
Merger deficit	(33,137)	(33,137)
Retained earnings	167,784	163,784 ^{*2}
Shareholders' equity/ NA	411,060	531,060
Perpetual SUKUK	100,000	100,000
Non-controlling interests	40,057	40,057
Total equity	551,117	671,117
No. of Shares (excluding treasury shares) ('000)	984,555	1,784,555
NA per Share (RM)	0.42	0.30
Borrowings (interest-bearing) (RM'000)	1,143,966	1,143,966 ^{*3}
Gearing ratio (times)	2.78	2.15

Notes:-

^{*1} Computed based on RM0.155 per Restricted Share

^{*2} After deducting estimated expenses of RM4.00 million in relation to the Proposals

^{*3} Including lease liabilities but excluding the Credit Facility. The Credit Facility was drawn down on 13 September 2023 (i.e. after FYE 30 June 2023) and hence the repayment of the Credit Facility does not have any effect on the Group's borrowings as at 30 June 2023.

6.3 Earnings and EPS

The Proposed Restricted Issue is not expected to have any material effect on the earnings of the Group for the FYE 30 June 2023 as the Proposed Restricted Issue is expected to be completed only by the fourth quarter of 2023. However, there will be a corresponding dilution in the EPS of the Company due to the increase in the number of PESTECH Shares in issue.

For illustrative purposes only, assuming the Proposed Restricted Issue had been effected at the beginning of FYE 30 June 2022, the pro forma effects of the Proposed Restricted Issue on the earnings and EPS of the Group for the FYE 30 June 2022 are as follows:-

	Audited FYE 30 June 2022 RM'000	After the Proposed Restricted Issue RM'000
PAT attributable to the equity holders of the Company	13,726	9,726 ^{*1}
Less: Distribution to Perpetual Sukuk holders	(3,744)	(3,744)
Adjusted PAT attributable to the equity holders of the Company	9,982	5,982
No. of Shares (excluding treasury shares) ('000)	984,555	1,784,555
EPS (sen) ^{*2}	1.39	0.55
Adjusted EPS (sen) ^{*3}	1.01	0.34

Notes:-

^{*1} After deducting estimated expenses of RM4.00 million in relation to the Proposals

^{*2} Based on the PAT attributable to equity holders of the Company

^{*3} Based on the adjusted PAT attributable to equity holders of the Company

Assuming the Proposed Restricted Issue had been effected at the beginning of FYE 30 June 2023, the pro forma effects of the Proposed Restricted Issue on the earnings and EPS of the Group for the FYE 30 June 2023 are as follows:-

	Unaudited FYE 30 June 2023 RM'000	After the Proposed Restricted Issue RM'000
LAT attributable to the equity holders of the Company ^{*2}	(257,682)	(261,682) ^{*1}
No. of Shares (excluding treasury shares) ('000)	984,555	1,784,555
LPS (sen)	(26.17)	(14.66)

Notes:-

^{*1} After deducting estimated expenses of RM4.00 million in relation to the Proposals

^{*2} Excluded distribution to Perpetual Sukuk holders

Barring any unforeseen circumstances, the Proposed Restricted Issue is expected to contribute positively to the 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 would help the Group to ensure it has sufficient cash flow which is vital for the Group to deliver its projects on time, thereby generating more revenue and contribute positively to the future earnings of the Group.

6.4 Substantial shareholders' shareholdings

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

Substantial shareholders	As at the LPD		After the Proposed Restricted Issue		% ²
	Direct No. of Shares	% ¹	Direct No. of Shares	Indirect No. of Shares	
Lim Ah Hock	300,093,855	30.48	300,093,855	3,892,830 ³	0.22
Lim Pay Chuan	190,221,870	19.32	190,221,870	1,320,080 ⁴	0.07
IJM	-	-	800,000,000	-	-

Notes:-

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

² Based on the enlarged issued share capital comprising 1,784,555,371 PESTECH Shares (excluding treasury shares) after the Proposed Restricted Issue

³ Deemed interested by virtue of his indirect shareholdings in Kumpulan Liva Sdn Bhd and VESTECH Projects Sdn Bhd pursuant to Section 8 of the Act

⁴ Deemed interested by virtue of his indirect shareholding in VESTECH Projects Sdn Bhd pursuant to Section 8 of the Act

As at the LPD, the public shareholding spread of PESTECH is 48.60%. Upon completion of the Proposed Restricted Issue, the pro forma public shareholding spread of PESTECH will be 26.91%. As such, PESTECH will remain in compliance with the minimum requirement of public spread of 25% pursuant to Paragraph 8.02(1) of the Listing Requirements.

6.5 Convertible securities

Save for the outstanding Warrants, PESTECH does not have any other convertible securities as at the LPD.

The Proposals will not give rise to any adjustments to the exercise price and/ or the outstanding number of Warrants.

6.6 Impact of the Proposed Restricted Issue and value creation to PESTECH Group and its shareholders

The Proposed Restricted Issue is being undertaken to enable PESTECH 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 7.00% per annum of the Group's borrowings, PESTECH would incur additional finance costs of approximately RM8.40 million per annum should the requisite funds of RM120.00 million (after deducting the estimated expenses of RM4.00 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 balance sheet. Upon completion of the Proposed Restricted Issue, the NA of PESTECH Group is expected to increase from RM653.14 million to RM773.14 million based on the latest audited consolidated financial statements of the Group for the FYE 30 June 2022. This will strengthen the capital base of the Group and result in a lower gearing ratio. For illustrative purposes, based on the latest audited financial statement of the Group for the FYE 30 June 2022 and after taking into consideration the enlarged NA base, the Group's gearing ratio would improve from 2.10 times to 1.78 times upon completion of the Proposed Restricted Issue. Based on the unaudited consolidated financial statement of the Group for the FYE 30 June 2023, the gearing ratio is estimated to improve from 2.78 times to 2.15 times upon completion of the Proposed Restricted Issue.

Notwithstanding the improvements in the NA and gearing ratio, the NA per Share of the Group is expected to decrease upon completion of the Proposed Restricted Issue due to the increase in the number of Shares in issue.

The issuance of the Restricted Shares will also have a dilutive impact on the percentage shareholdings of the existing shareholders in PESTECH. In addition, the EPS of the Group will be diluted in the event the earnings of the Group does not increase in line with the increased number of PESTECH Shares in issue upon completion of the Proposed Restricted Issue.

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 PESTECH Group and IJM are set out in Section 4.1 of Part A of this Circular.

6.7 Adequacy of the Proposed Restricted Issue in addressing the financial concerns of PESTECH Group

The Proposed Restricted Issue is aimed to serve as an immediate step to assist PESTECH Group to improve its current financial positions. As compared to other larger scale 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 2.7 of Part A of this Circular, the Group will allocate RM35.00 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 whereby funds allocated for repayment of borrowings and the savings on interest costs can now be channelled into other business purposes.

Further, RM85.00 million of the gross proceeds earmarked for the immediate day-to-day 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.

7. HISTORICAL SHARE PRICES

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

	High RM	Low RM
<u>2022</u>		
October	0.33	0.29
November	0.32	0.29
December	0.36	0.30
<u>2023</u>		
January	0.34	0.30
February	0.29	0.23
March	0.26	0.23
April	0.28	0.24
May	0.25	0.23
June	0.23	0.16
July	0.33	0.18
August	0.33	0.23
September	0.31	0.25
Last transacted market price of PESTECH Shares on the LTD		0.30
Last transacted market price of PESTECH Shares on the LPD		0.36

(Source: Bloomberg)

8. APPROVALS REQUIRED AND CONDITIONALITY

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

- i. Bursa Securities, for the listing of and quotation for the Restricted Shares on the Main Market of Bursa Securities, which was obtained vide its letter dated 29 August 2023, 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, 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;	To be complied
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 is completed; and	To be complied

No.	Conditions	Status of compliance
4.	PESTECH to furnish Bursa Securities with a certified true copy of the resolutions passed by the shareholders in general meeting approving the Proposals.	To be complied
ii.	the shareholders of PESTECH at the forthcoming EGM;	
iii.	the SC, for the Proposed Exemption; and	
iv.	any other relevant authorities and/ or parties, if required.	

The Proposed Restricted Issue and the Proposed Exemption are inter-conditional upon each other.

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

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

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 Proposals.

10. 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 which has been conveyed separately to the Board from the IAL 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 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 2.10 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.

11. CORPORATE PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save for the Proposals and as disclosed below, there is no other outstanding corporate proposal that has been announced but pending completion as at the date of this Circular:-

- i. On 1 September 2023, the Board announced that PESTECH proposes to undertake the following:-
 - a) establishment of an employees' share option scheme ("**ESOS**") of up to 5% of the total number of issued shares of PESTECH (excluding treasury shares) at any point in time during the duration of the ESOS for the eligible Directors and employees of PESTECH and its subsidiaries (excluding dormant subsidiaries, if any) ("**Proposed ESOS**"); and

- b) allocation of ESOS options to the eligible Directors of PESTECH and persons connected with them pursuant to the Proposed ESOS.

The listing of and quotation for such number of new PESTECH Shares representing up to 5% of the total number of issued shares of PESTECH (excluding treasury shares) to be issued upon exercise of the ESOS options was approved by Bursa Securities vide its letter dated 11 September 2023.

The Proposed ESOS will only be implemented after completion of the Proposals and will not have any impact on the Proposals.

12. ESTIMATED TIMEFRAME FOR COMPLETION

Subject to all the relevant approvals being obtained and barring any unforeseen circumstances, the Proposals are expected to be completed by the fourth quarter of 2023.

13. EGM

The EGM will be conducted on a virtual basis through remote participation and online voting at the broadcast venue at No. 26, Jalan Utarid U5/14, Seksyen U5, 40150 Shah Alam, Selangor Darul Ehsan on Friday, 27 October 2023 at 10.00 a.m. or any adjournment thereof, 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.

14. 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
SHAREHOLDERS OF PESTECH IN RELATION TO THE
PROPOSED EXEMPTION**

EXECUTIVE SUMMARY

Unless otherwise stated, all defined terms and abbreviations used in this Executive Summary shall carry the same meanings 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 this IAL in its entirety, together with the letter from the Board as set out in Part A of the Circular, as well as the accompanying appendices in the Circular 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 letters before voting on the resolution pertaining to the Proposed Exemption to be tabled at PESTECH's forthcoming EGM.

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 24 July 2023, the Board had, through AIS, announced that PESTECH had on even date entered into the Subscription Agreement with IJM for the Proposed Restricted Issue.

As at the LPD, IJM does not hold any Shares nor Warrants. Upon completion of the Proposed Restricted Issue, IJM's shareholding in PESTECH will increase from nil (as at the LPD) to approximately 44.8%, assuming none of the Warrants are exercised, none of PESTECH's existing treasury Shares are resold or re-distributed in the open market and there are no buy back of the Shares by PESTECH from the open market.

In view that IJM's shareholding in PESTECH will increase to more than 33% after the Proposed Restricted Issue, IJM will be obliged to undertake the Mandatory Offer pursuant to subsection 218(2) of the CMSA and subparagraph 4.01(a) of the Rules.

However, as it is not the intention of IJM to undertake the Mandatory Offer as a result of the Proposed Restricted Issue, IJM 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 your approval for the Proposals at PESTECH's forthcoming EGM.

On 7 August 2023, the Board had appointed us, Mercury Securities, as the Independent Adviser to advise you and the Directors of PESTECH in respect of the Proposed Exemption.

The purpose of this IAL is to provide you with our independent evaluations on the fairness and reasonableness of the Proposed Exemption together with our recommendation on whether or not you should vote in favour of the Proposed Exemption, subject to the scope and limitations specified herein.

2. EVALUATION OF THE PROPOSED EXEMPTION

In arriving at our conclusion and recommendation, we have assessed and evaluated the Proposed Exemption on a holistic basis in accordance with Schedule 2: Part III of the Rules. Set out below is a summary of our evaluation of the Proposed Exemption.

Consideration factors	Our comments
<p>Section 5.1 Rationale and justifications for the Proposed Exemption</p>	<p>We are of the view that rationale for the Proposed Exemption are justifiable after taking into account the following:</p>

(i) The Group's current cash position is insufficient to meet the working capital needs of its secured projects

As at 30 June 2023, the Group has an unaudited free cash flows of RM16.2 million. Given its relatively large order book of RM1.23 billion as at 30 June 2023, the Group's current cash position is deemed insufficient to meet the working capital needs of its secured projects. In this regard, the Group would require additional funding to support the working capital requirements of its secured projects.

(ii) The Proposed Restricted Issue is deemed a certain and expedient fund raising proposal

As PESTECH had already secured IJM's investment interest *vide* the Subscription Agreement despite its current loss-making financial performance, the Proposed Restricted Issue is deemed a certain and expedient fund raising proposal as compared to other fund raising exercises such as rights issue and/or bank borrowings.

(iii) The Proposed Restricted Issue provides an opportunity for the Group to raise sizeable equity funding of RM124.0 million for its operational use

As set out in **Section 2.7, Part A** of the Circular, proceeds from the Proposed Restricted Issue are intended to be utilised in the following manner:

	RM'000
Repayment of the Credit Facility	35,000
Working capital	85,000
Estimated expenses for the Proposals	4,000
Total	124,000

The proposed utilisations of proceeds are appropriate in view of the following:

(a) Repayment of the Credit Facility

RM35.0 million have been earmarked for the full settlement of the Credit Facility, which was drawn down on 13 September 2023 as a bridging loan to fund the Group's working capital pending completion of the Proposed Restricted Issue.

The proposed repayment is acceptable in our view as it would enable the Group to meet such debt service obligation when it becomes due, whereby we note that such bridging loan will mature within 6 months from the drawdown date of 13 September 2023 or upon receipt of the proceeds from the Proposed Restricted Issue, whichever is earlier.

Consideration factors	Our comments
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(b) Working capital

RM85.0 million have been earmarked to fund the Group's working capital needs of its projects, which are to be utilised in the following manner:

	<u>RM'000</u>
Payment to suppliers, subcontractors and material costs	79,000
Other operating and administrative expenses	6,000
Total	<u>85,000</u>

The intended utilisation is appropriate as:

- (1) the funds are for the Group's current operational use; and
- (2) the successful completion of these secured projects would allow the Group to rollover its internally generated funds for other current operational use such as to defray the working capital of its other projects.

(iv) Reduction in PESTECH's weighted average cost of capital ("WACC")

The Proposed Restricted Issue is deemed a value accretive proposal as it would result in a marginal decrease in PESTECH's WACC from 6.34% (as at the LPD) to 6.31%.

(v) Potential synergies between PESTECH and IJM

We also note from IJM's announcement dated 24 July 2023 that the Proposed Restricted Issue presents an opportunity for IJM to collaborate with the Group and thereby, enhancing their combined competitiveness and participation for larger projects.

We also note from **Section 4.1, Part A** of the Circular that the Group intends to collaborate with IJM through amongst others the following:

- (1) expand PESTECH's capability to offer more holistic and integrated construction project management solutions and services as PESTECH and IJM may collaborate on potential electrical infrastructure concession projects of which PESTECH may be appointed as an EPMCC contractor; and
- (2) potential collaboration with IJM to tender for larger projects by offering comprehensive turnkey solutions for both local and international rail as well as other related projects.

<u>Consideration factors</u>	<u>Our comments</u>
	<p>The prospective collaborations between both parties are expected to bolster positively to the Group's future business performance as both parties are able to combine their respective core businesses and competency for future construction and infrastructure job tenders.</p>
	<p>(vi) Conditionality of the Proposals</p> <p>As the Proposals are inter-conditional upon each other, without the Proposed Exemption, PESTECH would not be able to proceed with the Proposed Restricted Issue.</p> <p>Thus, with the Proposed Exemption and assuming your approval for the Proposed Restricted Issue is also being obtained by PESTECH at the forthcoming EGM, PESTECH would be able to undertake the Proposals and thereby, to achieve the potential benefits under the Proposed Restricted Issue as set out in Section 4.1, Part A of the Circular.</p>
<p><u>Section 5.2</u> Basis and justifications for the Subscription price</p>	<p>The Subscription Price represents a discount of up to:</p> <ul style="list-style-type: none">(i) 49.0% to the 5-day, 1-month, 3-month, 6-month and 12-month of the VWAMP of PESTECH Shares up to the LTD; and(ii) 55.6% to the 5-day, 1-month and 3-month of the VWAMP of PESTECH Shares up to the LPD. <p>As the Subscription Price is at a discount to the prevailing market prices of the Shares, the Proposed Restricted Issue would result in a dilutive impact to the non-interested shareholders of PESTECH.</p> <p>For illustrative purposes, based on the Group's unaudited NA per Share of RM0.4175 as at 30 June 2023, the Proposed Restricted Issue would dilute the Group's unaudited NA per Share from RM0.4175 as at 30 June 2023 to RM0.2976, representing a dilution of RM0.1199 or 28.7%.</p> <p>Nevertheless, we are of the view that the benefits to be realised from the Proposed Restricted Issue (as summarised in Section 5.1 above) outweigh that of the dilutive impact to the non-interested shareholders of PESTECH.</p>
<p><u>Section 5.3</u> Salient terms of the Subscription Agreement</p>	<p>We have evaluated the salient terms of the Subscription Agreement and are of the view that the salient terms of the Subscription Agreement are appropriate and justifiable.</p>

<u>Consideration factors</u>	<u>Our comments</u>
<u>Section 5.4</u> Effects of the Proposals	<p>The Proposed Exemption will not have any effect on PESTECH's issued share capital, NA, NA per Share, gearing ratio, earnings, EPS, substantial shareholders' shareholdings and the Warrants.</p> <p>Set out below is a summary of the effects of the Proposed Restricted Issue:</p> <ul style="list-style-type: none">(i) the pro forma increase in PESTECH's share capital from RM232.9 million comprising 992,221,471 Shares (as at the LPD) to RM356.9 million comprising 1,792,221,471 Shares is due to the issuance of 800,000,000 Restricted Shares at the Subscription Price;(ii) the pro forma increase in the Group's NA from RM653.1 million as at 30 June 2022 to RM773.1 million is mainly due to the increase in PESTECH's issued share capital as mentioned above;(iii) the pro forma decrease in the Group's NA per Share from RM0.66 as at 30 June 2022 to RM0.43 is due to the dilutive impact arising from the Subscription Price being lower than the Group's NA per Share of RM0.66 as at 30 June 2022;(iv) the pro forma decrease in the Group's gearing ratio from 2.10 times as at 30 June 2022 to 1.78 times is mainly due to the resultant increase in PESTECH's issued share capital as mentioned above;(v) save for the one-off expenses to be incurred in relation to the Proposals of RM4.0 million, the Proposed Restricted Issue is not expected to have any immediate material impact on the Group's earnings for the FYE 30 June 2024. <p>However, there will be a corresponding dilution in the Group's EPS due to the resultant increase in the number of Shares in issue following the completion of the Proposed Restricted Issue.</p> <p>Notwithstanding the foregoing, the Proposed Restricted Issue would enable the Group to achieve the potential benefits as set out in Section 4.1, Part A of the Circular, which is envisaged to contribute positively to the future of its financial performance;</p> <ul style="list-style-type: none">(vi) the increase in IJM's shareholding in PESTECH from nil (as at the LPD) to approximately 44.8% is a consequential effect arising from its receipt of the 800,000,000 Restricted Shares pursuant to the Proposed Restricted Issue; and(vii) the Proposed Restricted Issue will not give rise to any adjustments to the exercise price and/or outstanding number of Warrants. <p>Premised on the above, we are of the view that the effects of the Proposed Restricted Issue are appropriate and justifiable.</p>

Consideration factors	Our comments
<u>Section 5.5</u> Future prospects of the Group	<p>We expect the Group's long-term prospects to be positive mainly underpinned by the positive effects to be generated from the Proposed Restricted Issue and the following:</p> <p>(i) Orderbook of RM1.23 billion as at 30 June 2023</p> <p>As at 30 June 2023, the Group has an orderbook of RM1.23 billion. The progressive execution and delivery of such secured projects would enable the Group to materialise the envisaged revenue streams and cash receipts therefrom, which in turn would enable the Group to rollover its internally-generated funds for its other current operational use such as repayment of its existing bank borrowings and/or funding the working capital of its future projects to be secured.</p> <p>(ii) Improved financial footing</p> <p>Upon completion of the Proposed Restricted Issue, the Group's NA will increase substantially from RM411.1 million as at 30 June 2023 (unaudited) to RM531.1 million, whilst its financial gearing will decline from 2.78 times as at 30 June 2023 (unaudited) to 2.15 times.</p> <p>With a stronger financial footing, the Group is envisaged to be able to better service its current financial obligations.</p> <p>(iii) Potential synergies between PESTECH and IJM</p> <p>As set out in the summary of Section 5.1(v) above, after the Proposed Restricted Issue, both PESTECH and IJM intend to collaborate together for electrical infrastructure concession project and/or to tender for larger projects.</p> <p>As both companies are already involved in the construction and infrastructure industries, the potential collaboration between both parties are expected to be synergistic which in turn would benefit their job tenders in the future.</p> <p>(iv) Positive market outlook</p> <p>The market outlook of the Malaysian and Cambodian economies as well as construction, infrastructure and electricity supply industries (as set out in Section 5, Part A of the Circular) appears to be positive.</p> <p>The positive market outlook is expected to contribute positively to the Group's future business undertakings in view that power generation and related infrastructure projects are key business activities for national growth.</p>

Consideration factors	Our comments
<p><u>Section 5.6</u> Implications arising from the voting outcome of the Proposed Exemption</p>	<p>If you vote in favour of the Proposed Exemption, the SC would be able to consider the application by IJM for the Proposed Exemption.</p> <p>If you vote against the Proposed Exemption, PESTECH will not be able to undertake the Proposed Restricted Issue in view of the inter-conditionality between the Proposals. 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 4.2, Part A of the Circular.</p>

3. CONCLUSION AND RECOMMENDATION

You should carefully consider the merits and demerits of the Proposed Exemption based on all relevant and pertinent factors, including those set out in this IAL as well as those highlighted by the Board in its letter to the shareholders of PESTECH as set out in **Part A** of the Circular, before voting on the resolution pertaining to the Proposed Exemption at PESTECH's forthcoming EGM.

In arriving at our conclusion and recommendation, we have assessed and evaluated the Proposed Exemption on a holistic basis in accordance with Schedule 2: Part III of the Rules. Set out below is a summary of the potential advantages and disadvantages of the Proposed Exemption:

Potential Advantages
<p>The Proposed Exemption, if approved and undertaken, would enable PESTECH to implement the Proposed Restricted Issue assuming your approval for the Proposed Restricted Issue is also being obtained by PESTECH at the forthcoming EGM.</p> <p>The undertaking of Proposed Restricted Issue is envisaged to accord the Group with the following benefits:</p> <p>(i) expeditiously raise sizeable equity funding of RM124.0 million for its current operational use despite its current loss-making financial performance;</p> <p>(ii) part of the funding amounting to RM85.0 million will be channeled towards funding the working capital requirements of the Group's projects especially those that require urgent funding.</p> <p>The timely completion of these projects would allow the Group to generate the envisaged revenue streams and cash receipts therefrom which in turn, would enable the Group to rollover its internally-generated funds for other current operational use such as to defray the working capital of its other existing projects.</p> <p>(iii) repay the Credit Facility which in turn would enable the Group to reduce its total borrowings;</p> <p>(iv) alleviate its current financial burdens as evidenced by the illustrative decrease in the Group's gearing ratio from 2.78 times as at 30 June 2023 (unaudited) to 2.15 times. The reduction in gearing ratio is to the benefits of the Group considering:</p> <p style="margin-left: 40px;">(a) the Group's relatively high gearing ratio of 2.78 times as at 30 June 2023 (unaudited); and</p> <p style="margin-left: 40px;">(b) the Group's is currently loss-making;</p>

Potential Advantages (cont'd)

- (v) a marginal decrease in its WACC from 6.34% (as at the LPD) to 6.31%; and
- (vi) Following the completion of the Proposed Restricted Issue, IJM will emerge as the single largest shareholder of PESTECH holding 44.8% equity interest in PESTECH.

Currently, IJM is a Main Market listed issuer with market capitalisation of RM6.6 billion and is principally involved in the business of construction, property development, manufacturing and quarrying, port operations as well as tollway operations.

The entry of IJM into PESTECH is envisaged to offer synergistic values to the Group considering that both parties intend to collaborate to undertake other infrastructure projects especially the following:

- (a) HV and EHV power transmission projects ranging from 33 kV to 500 kV;
- (b) rail electrification and related signaling projects; and
- (c) EPMCC works in the renewable energy sector especially solar farms.

As both PESTECH and IJM are already involved in the construction and infrastructure industries, the prospective collaborations between both parties are expected to be synergistic which in turn would benefit their job tenders in the future. This in turn would bolster positively to the Group's future business performance and sustainability moving forward.

Further, in view of IJM's major equity participation in PESTECH, it is envisaged that IJM would contribute positively to the future business activities of the Group as a shareholder of PESTECH in order to maximise its investment value in PESTECH.

Potential Disadvantages

- (i) As the Subscription Price of RM0.155 is lower than the Group's current unaudited NA per Share of RM0.4175 as at 30 June 2023, the Proposed Restricted Issue would result in a dilutive impact to the non-interested shareholders of PESTECH.

For illustrative purposes, based on the Group's unaudited NA per Share of RM0.4175 as at 30 June 2023, the Proposed Restricted Issue would dilute the Group's unaudited NA per Share from RM0.4175 as at 30 June 2023 to RM0.2976, representing a dilution of RM0.1199 or 28.7%.

Potential Disadvantages (cont'd)

- (ii) Upon completion of the Proposed Restricted Issue, IJM's shareholdings in PESTECH will increase from nil (as at the LPD) to 44.8%. With shareholding of close to 50%, IJM would be able to exercise significant influence over outcome of PESTECH's shareholders' resolutions, unless IJM and persons connected to it are required to abstain from voting on such resolutions.

Should the collective shareholdings of IJM and its PACs further increase to more than 50% after the Proposed Restricted Issue without triggering the creeping threshold, any further increase in their collective shareholdings in PESTECH would not trigger an obligation to undertake a mandatory offer provided that IJM and its PACs do not trigger such mandatory offer obligation on an individual basis.

In this regard, IJM and its PACs would be able to achieve statutory control (i.e. shareholding of more than 50%) in PESTECH without having to undertake a mandatory offer. Thus, unless IJM and its PACs are required to abstain from voting on proposals that involve their interests, including persons connected to them (e.g. related party transactions), IJM and its PACs would be 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).
- (iii) Your shareholding in PESTECH will be proportionately diluted upon completion of the Proposed Restricted Issue. For illustrative purposes, upon the completion of Proposed Restricted Issue, the collective shareholdings of PESTECH's existing shareholders in PESTECH will reduce from 100.0% as at the LPD to 55.2%.

However, assuming there is no additional purchase of Shares by the IJM and its PACs from the open market subsequent to the completion of the Proposals, the number of Shares currently held by PESTECH's non-interested shareholders would remain the same after the completion of Proposed Restricted Issue.

In this regard, the Proposals are not expected to result in an adverse effect on the trading liquidity of the Shares moving forward.

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** and that we recommend you to **vote in favour** of the resolution pertaining to the Proposed Exemption to be tabled at PESTECH's forthcoming EGM.

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Headquarters
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Wisma UMNO
Lorong Bagan Luar Dua
12000 Butterworth
Seberang Perai
Penang

12 October 2023

To: The 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 and all references to “you” and “your” in this IAL are references to PESTECH’s non-interested shareholders.

1. INTRODUCTION

On 24 July 2023, the Board had, through AIS, announced that PESTECH had on even date entered into the Subscription Agreement with IJM for the Proposed Restricted Issue.

Pursuant to the Subscription Agreement, IJM is to subscribe for 800,000,000 PESTECH Shares at the subscription price of RM0.155 each within 5 market days from the date the Subscription Agreement becomes unconditional.

As at the LPD, IJM does not hold any Shares nor Warrants. Upon completion of the Proposed Restricted Issue, IJM’s shareholding in PESTECH will increase from nil (as at the LPD) to approximately 44.8%, assuming none of the Warrants are exercised, none of PESTECH’s existing treasury Shares are resold or re-distributed in the open market and there are no buy back of the Shares by PESTECH from the open market.

Paragraph 4.01 of the Rules stipulates that “*unless otherwise exempted by the SC, a mandatory offer shall apply to an acquirer in the following situations:*

- (a) *when the acquirer has obtained control in the offeree (i.e. more than 33% of the voting shares or voting rights of the offeree); or*
- (b) *when the acquirer has triggered the creeping threshold (i.e. acquisition of more than 2% of the voting shares or voting rights of the offeree in any period of 6 months by the acquirer holding over 33% but not more than 50% of the voting shares or voting rights of the offeree),*

irrespective of how control has been effected or the creeping threshold has been triggered, including by way of a scheme.”

In view that IJM’s shareholding in PESTECH will increase to more than 33% after the Proposed Restricted Issue, IJM will be obliged to undertake the Mandatory Offer pursuant to subsection 218(2) of the CMSA and subparagraph 4.01(a) of the Rules.

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However, as it is not the intention of IJM to undertake the Mandatory Offer as a result of the Proposed Restricted Issue, IJM 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 your approval for the Proposals at PESTECH's forthcoming EGM.

On 7 August 2023, the Board had appointed us, Mercury Securities, as the Independent Adviser to advise you and the Directors of PESTECH in respect of the Proposed Exemption.

On 11 August 2023, we had presented our evaluations and view with regards to the Proposed Exemption to the Board and we had on 11 October 2023 updated the Board on our evaluation and views prior to the issuance of this IAL.

On 11 October 2023, the SC had, *vide* its letter dated on even date, notified that it has no further comments to the contents of this IAL. However, such notification 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.

The purpose of this IAL is to provide you with our independent evaluations on the fairness and reasonableness of the Proposed Exemption together with our recommendation on whether or not you should vote in favour of the Proposed Exemption, subject to the scope and limitations specified herein.

Notwithstanding the foregoing, you should rely on your own evaluations of the merits and demerits of the Proposed Exemption before making a decision on the course of action to be taken at PESTECH's forthcoming EGM.

THIS IAL IS 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, THE LETTER FROM THE BOARD AS SET OUT IN PART A OF THE CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES, AND TO CONSIDER CAREFULLY THE RECOMMENDATIONS CONTAINED IN BOTH THIS IAL AND THE LETTER FROM THE BOARD BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED EXEMPTION TO BE TABLED AT PESTECH'S FORTHCOMING EGM.

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 TO THE EVALUATION OF THE PROPOSED EXEMPTION

We were not involved in the formulation, deliberation and negotiation of the terms and conditions of the Proposals. Our scope as the Independent Adviser is limited to expressing an independent opinion on the Proposed Exemption as to whether the Proposed Exemption is fair and reasonable insofar as you are concerned based on information and documents made available to us as follows:

- (i) information contained in **Part A of the Circular** and the accompanying appendices;
- (ii) other relevant information, documents, confirmations and/or representations furnished to us by the Board and management of PESTECH;
- (iii) other relevant information, documents, confirmations and/or representations furnished to us by IJM; and
- (iv) other publicly available information.

We have relied on the Board and management of PESTECH 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 and therefore, are of general concern to you. Notwithstanding the foregoing, we wish to highlight that in arriving at our evaluations, 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. We recommend that any of you who require 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 dispatch 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.

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. DETAILS OF THE PROPOSED EXEMPTION

Please refer to **Section 3, Part A** of the Circular for the details of the Proposed Exemption.

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

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

5. EVALUATION OF THE PROPOSED EXEMPTION

In arriving at our conclusion and recommendation, we have assessed and evaluated the Proposed Exemption on a holistic basis in accordance with Schedule 2: Part III of the Rules.

In our evaluation of the Proposed Exemption, we have considered the following key factors:

Factors	Section
• Rationale and justifications for the Proposed Exemption	5.1
• Basis and justifications for the Subscription Price	5.2
• Salient terms of the Subscription Agreement	5.3
• Effects of the Proposals	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 4.2, Part A** of the Circular.

Our comments

In evaluating the rationale and justifications for the Proposed Exemption, we have considered the following key factors:

(i) **The Group's current cash position is insufficient to meet the working capital needs of its secured projects**

The Group is principally involved in EPMCC of power substations, transmission lines and rail electrification systems with operations mainly in Malaysia and Cambodia. Set out below is a summary of the Group's financial performance over the past 2 FYEs:

	Audited	Unaudited
	FYE 30 Jun 2022	FYE 30 Jun 2023
	RM'000	RM'000
Revenue	715,090	468,377
Operating expenses	(678,648)	(633,403)
Gross operating profit/(loss)	36,442	(165,026)
▪ Other operating income and expenses (net)	10,435	6,897
▪ Share of profit of equity-accounted associate	344	(148)
▪ Fair value adjustment on a concession asset	-	(110,306)
Profit/(Loss) before interest and tax	47,221	(268,583)
▪ Finance income	58,539	42,579
▪ Finance costs	(64,086)	(84,231)
▪ Tax expense	(4,344)	(6,171)
Profit/(loss) after tax	37,330	(316,406)

As shown above, the Group was not profitable during the FYE 30 June 2023 whereby it recorded an unaudited net loss of RM316.4 million during the FYE 30 June 2023. The said losses were mainly due to the following:

- (a) lower revenue by RM246.7 million or 34.5% as compared to the FYE 30 June 2022, whereby the decrease in revenue was mainly due to lower revenue contribution from power substations and transmission lines segments as some of the projects are already at their end of completion cycles;
- (b) occurrence of one-off expenses totaling RM172.6 million, which were mainly due to the following:
 - (1) impairment loss of long overdue trade receivables totaling RM13.4 million;
 - (2) negative fair value adjustment of RM110.3 million and other operating expenses of RM28.9 million in respect of a concession asset disposed on 22 March 2023 (i.e. the Group's disposal of the 230 kilovolt ("kV") Kampong Cham-Kratie Transmission System in Cambodia which was announced on 20 October 2022 and approved for undertaking by PESTECH's shareholders on 28 December 2022); and
 - (3) out-of-court settlement of RM20.0 million in respect of the material litigation as set out in **Section 3(ii) of Appendix III** of the Circular; and
- (c) higher finance costs by RM20.1 million or 31.4% as compared to the FYE 30 June 2022, whereby the increase in finance cost was mainly due to higher interest rate of the Group's bank borrowings mainly as a result of the recent increase in overnight policy rate as well as secured overnight financing rate in Malaysia and overseas.

In the past, the Group has been relying heavily on bank borrowings to finance its working capital requirements. However, losses incurred during the FYE 30 June 2023 had reduced the Group's available financial resources as evidenced by the decrease in its current assets which leads to its current ratio decreasing from 1.35 times as at 30 June 2022 to 1.13 times as at 30 June 2023 (unaudited) as follows:

	<u>Audited</u>	<u>Unaudited</u>
	<u>FYE 30 Jun 2022</u>	<u>FYE 30 Jun 2023</u>
	<u>RM'000</u>	<u>RM'000</u>
Current assets	1,727,810	1,435,348
Current liabilities	1,279,856	1,275,161
Current ratio (times)	1.35	1.13

Further, losses incurred during the FYE 30 June 2023 had also resulted in a decrease in the Group's NA, and a corresponding increase in its gearing ratio as follows:

	<u>Audited</u>	<u>Unaudited</u>
	<u>FYE 30 Jun 2022</u>	<u>FYE 30 Jun 2023</u>
	<u>RM'000</u>	<u>RM'000</u>
NA	653,141	411,060
Total borrowing	1,374,340	1,143,966
Gearing ratio (times)	2.10	2.78

Thus, considering the Group's current high gearing ratio of 2.78 times as at 30 June 2023 (unaudited), lower current ratio of 1.13 times as at 30 June 2023 (unaudited), its current loss-making financial performance as well as the recent increase in its finance costs as elaborated above, we note that it is PESTECH's intention to fund the Group's on-going working capital needs through an equity funding proposal i.e. the Proposed Restricted Issue instead of bank borrowing.

We further note that as at 30 June 2023, the Group has:

- (a) an orderbook of RM1.23 billion comprising the following:

Customer	Project descriptions	RM'000
<u>Malaysia</u>		
• TNB	7 separate EPMCC projects for power substations, underground cables and transmission line, as well as supply of smart meters	94,987
• Dhaya Maju Infrastructure (Asia) Sdn Bhd	EPMCC for rail electrification	77,791
• Nur Energy Services Sdn Bhd	EPMCC for power substation	18,485
<u>Cambodia/Laos</u>		
• Schneitec Northern Co. Ltd	2 separate EPMCC projects for power transmission line	522,427
• Alex Corporation	EPMCC for power transmission line	95,771
• Electricite Du Cambodge	EPMCC for underground cables work	52,692
<u>Philippines</u>		
National Grid Corporation of the Philippines	5 separate EPMCC projects for power substations and transmission line	77,260
<u>Papua New Guinea</u>		
PNG Power Ltd	EPMCC for power substations and transmission line	26,162
<u>Singapore</u>		
RTS Operations Pte Ltd	EPMCC for rail electrification	49,554
<u>Iraq</u>		
Ministry of electricity, Iraq	EPMCC for power substations	166,070
Others		46,313
Total		1,227,512

(b) unaudited free cash flows of RM16.2 million as follows:

	<u>RM'000</u>
Total cash and bank balances	128,190
Less:	
▪ Bank overdrafts	(54,632)
▪ Debt service reserve accounts	(57,354)
Total/Free cash flows	<u>16,204</u>

Based on our discussions with PESTECH's management, given the Group's relatively large order book of RM1.23 billion as at 30 June 2023, the Group's current free cash flows of RM16.2 million as at 30 June 2023 (unaudited) are deemed insufficient to meet the working capital needs of its secured project.

In this regard, the Group would require additional capital to fund the current working capital needs of its secured projects.

(ii) The Proposed Restricted Issue is a certain and expedient fund raising proposal

The Proposed Restricted Issue, if approved and implemented, would provide the Group with additional funding for its operational use as further detailed in **Section 2.7, Part A** of this Circular.

We are of the view that the Proposed Restricted Issue is an acceptable funding proposal for your consideration in view that:

(a) There is no certainty that the Group would be able to raise sizeable funding of RM124.0 million considering its current loss-making financial performance

Given that PESTECH had already secured IJM's investment interest *vide* the Subscription Agreement despite its current loss-making financial performance, the Proposed Restricted Issue is deemed an expedient and certain fund raising proposal for the Group to embark on.

Furthermore, in the absence of the Proposed Restricted Issue and given the Group's current poor financial performance, there is no certainty that PESTECH would be able to raise the equivalent sizeable proceeds of RM124.0 million *via* other fund raising exercises such as rights issue and/or bank borrowings.

(b) Rights Issue is a lengthy and costly process and there is no certainty that the Group would be able to raise equivalent equity funding of RM124.0 million from a rights issue exercise

For your information, rights issue is a lengthy process which generally requires a longer period of time to implement i.e. typically around 6 months. In this regard, the Proposed Restricted Issue is deemed a more expedient funding proposal considering that the said proposal can be implemented quickly upon receiving your approvals for the Proposals at PESTECH's forthcoming EGM.

In addition, a rights issue exercise would also 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 to be issued in order to raise the desired amount of proceeds or alternatively, to procure underwriter(s) to achieve a minimum subscription level in which the later would incur additional costs to the issuer.

As such, rights issue can be a costly process as it may require underwriting arrangement(s) to be put in place in order to ensure that the issuer is able to raise its requisite minimum funding from the rights issue exercise. Further, there is no assurance that the Group would be able to secure underwriter(s) for the underwriting arrangement, if required.

As such, as compared to a rights issue exercise, the Proposed Restricted Issue is comparatively a more expedient, certain and cost-effective fund raising proposal.

(c) Obtaining additional bank borrowings to finance the Group's working capital requirements may not be a preferred option

Due to the Group's current loss-making financial performance, the Group may have difficulty to service any significant new borrowing. Further, obtaining additional bank borrowings to fund the Group's working capital can be a challenging option considering its relatively high gearing ratio of 2.78 times as at 30 June 2023 (unaudited).

In addition, the recent increase in overnight policy rate as well as secured overnight financing rate in Malaysia and overseas (as elaborated in **Section 5.1(i)** above) had resulted in the Group incurring higher finance cost of RM84.2 million (or an average financing rate of 6.8% p.a.) during the FYE 30 June 2023 (unaudited) as compared to the FYE 30 June 2022 of RM64.1 million (or an average financing rate of 4.9% p.a.).

Thus, in view of the current increased interest rate environment in Malaysia, any new borrowing to be incurred by the Group is expected to be subjected to the current higher interest rate. As such, considering the Group's current lacklustre financial performance, we are of the view that bank borrowing may not be a suitable funding option to the Group.

(iii) Utilisation of proceeds from the Proposed Restricted Issue

As set out in **Section 2.7, Part A** of the Circular, proceeds from the Proposed Restricted Issue are intended to be utilised in the following manner:

Purposes	RM'000
Repayment of the Credit Facility	35,000
Working capital	85,000
Estimated expenses for the Proposals	4,000
Total	124,000

We are of the view that the intended utilisations of proceeds are appropriate considering the funds raised are mainly for the Group's operational use as further detailed below:

(a) Repayment of the Credit Facility

As elaborated in **subsection (i)** above, substantial losses incurred during the FYE 30 June 2023 had significantly reduced the Group's financial resources. As at 30 June 2023, the Group's free cash flows merely stood at RM16.3 million (unaudited) which are deemed insufficient to meet the current working capital needs of its existing secured projects.

In order to meet the on-going working capital needs of its secured projects, the Group had on 13 September 2023 drawn down the Credit Facility as a bridging loan to fund the working capital needs of its secured projects pending completion of the Proposed Restricted Issue.

As set out in **Section 2.4, Part A** of the Circular, the Credit Facility will mature within 6 months from the drawdown date of 13 September 2023 or upon receipt of the proceeds from the Proposed Restricted Issue, whichever is earlier. In this regard, RM35.0 million of the proceeds to be raised from the Proposed Restricted Issue have been earmarked for the full settlement of this Credit Facility.

We are of the view that the proposed repayment is acceptable as it would enable the Group to timely meet such debt service obligation when it becomes due.

(b) Working Capital

RM85.0 million of the gross proceeds to be raised from the Proposed Restricted Issue have been earmarked to fund the Group's working capital requirements which will be utilised in the following manner:

	<u>RM'000</u>
Payment to suppliers, subcontractors and material costs	79,000
Other operating and administrative expenses	6,000
Total	<u>85,000</u>

As the majority of the funds raised (i.e. RM85.0 million or 68.5% of the total funds raised) are to finance the working capital of the Group's projects, we are of the view that such intended utilisation of proceeds is appropriate as it would enable the Group to have sufficient upfront cash to execute its projects.

Following thereto, the timely delivery of such secured projects would enable the Group to generate the envisaged revenue streams and cash receipts therefrom which in turn, would enable the Group to rollover its cash flows for other current operational use such as to finance the working capital of its other existing projects.

In addition to the above, we also note that the Proposed Restricted Issue would result in the Group achieving:

- (a) a substantial increase in its issued share capital by RM124.0 million, upon issuing 800,000,000 Restricted Shares to IJM at the Subscription Price; and
- (b) a corresponding decrease in the Group's gearing ratio (mainly due to the increase in its issued share capital as elaborated above) from 2.78 times as at 30 June 2023 (unaudited) to 2.15 times as follows:

	(Unaudited) As at 30 June 2023	After the Proposed Restricted Issue
	RM'000	RM'000
NA	411,060	⁽¹⁾ 531,060
Total borrowings	1,143,966	⁽²⁾ 1,143,966
Gearing ratio (times)	2.78	2.15

Notes:

- (1) The illustrative increase in total equity is due to the issuance of 800,000,000 Restricted Shares at the Subscription Price and after deducting the estimated expenses to be incurred for the Proposals of RM4.0 million.
- (2) As the Credit Facility was made after 30 June 2023, such repayment would not have any effect on the Group's total borrowings as at 30 June 2023.

Considering the above, we are of the view that the Proposed Restricted Issue is to the benefits of the Group as it would result in an improvement to the Group's financial footing as evidenced by the substantial decrease in its gearing ratio from 2.78 times as at 30 June 2023 (unaudited) to 2.15 times.

(iv) WACC

WACC is a commonly used financial indicator to assess the average cost of capital of a business. Generally, a business would be accorded with a higher financial value when its WACC is relatively low.

As part of our evaluation of the Proposed Exemption, we have assessed whether the Proposed Restricted Issue would result in a pro forma decrease in PESTECH's WACC. From a financial point of view, the Proposed Restricted Issue would be considered a value accretive proposal when it results in a decrease in PESTECH's WACC. We have derived PESTECH's WACC *vide* the following formula:

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

Where:

- E = Market value of PESTECH's issued Shares
- S = Market value of PESTECH's perpetual sukuk
- D = Market value of PESTECH's total bank borrowings
- Ke = PESTECH's cost of equity
- Ks = PESTECH's cost of perpetual sukuk
- Kd = PESTECH's pre-tax cost of bank borrowings
- t = Malaysian corporate income tax rate of 24.0%

Set out below is a summary of PESTECH's WACC before and after the Proposed Restricted Issue:

	Note	Formula	Before the Proposed Restricted Issue		After the Proposed Restricted Issue	
			RM'000	%	RM'000	%
Market value of:						
▪ issued Shares	(1)	(A)	349,517	21.9	473,517	27.6
▪ perpetual sukuk	(2)	(B)	100,000	6.3	100,000	5.8
▪ borrowings	(3)	(C)	1,143,966	71.8	1,143,966	66.6
			1,593,483	100.0	1,717,483	100.0
Cost of financing of:						
▪ issued Shares	(4)	(D)		10.55		9.34
▪ perpetual sukuk	(5)	(E)		6.00		6.00
▪ bank borrowings (net of tax)	(6)	(F)		5.08		5.08
Weighted average cost of financing of:						
▪ issued Shares		(G)=(A)*(D)		2.31		2.58
▪ perpetual sukuk		(H)=(B)*(E)		0.38		0.35
▪ bank borrowings (net of tax)		(I)=(C)*(F)		3.65		3.38
WACC		(G)+(H)+(I)		6.34		6.31

Notes:

- (1) Market value of PESTECH's issued Shares before the Proposed Restricted Issue is calculated based on PESTECH's market capitalisation of RM349.5 million as at the LPD, whilst market value of issued Shares after the Proposed Restricted Issue is calculated based on PESTECH's market capitalisation as at the LPD plus the issued value of the Restricted Shares totalling RM124.0 million.
- (2) Being the unaudited net book value of PESTECH's perpetual sukuk as at 30 June 2023.
- (3) Being the unaudited net book value of the Group's borrowings as at 30 June 2023.
- (4) Computed based on the capital asset pricing model ("**CAPM**"), whereby CAPM is a commonly used formula to estimate an investor's required rate of return of an investment after taking into consideration the rate of return of risk-free investment plus the relevant risk premiums in order to compensate the investor for taking risks over and above the risk-free investment.

The formula for CAPM is as follows:

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

Where:

K_e	=	Cost of equity
R_f	=	Risk-free rate
β	=	Beta
R_m	=	Expected market return

The following parameters were adopted in arriving at PESTECH's cost of equity:

Parameter	Details
Risk-free rate	<p>Risk-free rate is the expected rate of return from a risk-free asset. The risk-free rate compensates an investor for the time value of money and expected inflation rate over the investment period. The frequently adopted proxy for the risk-free rate is the Government bond rate of return.</p> <p>The risk-free rate adopted is 4.07%, derived based on the last traded yield of the 10-year Malaysian Government Investment Issues (Islamic) as at the LPD of 4.07% (Source: Bank Negara Malaysia).</p>
Beta	<p>Beta is a measure of systematic risk of a security relative to the equity market portfolio, which is a proxy for a well-diversified portfolio. A beta of more than 1 indicates that the asset is riskier than the market and vice versa.</p> <p>PESTECH's beta as at the LPD is 1.20, derived based on the 3 years weekly correlation between PESTECH Shares and the FTSE Bursa Malaysia KLCI Index up to the LPD (Source: Bloomberg).</p> <p>PESTECH's pro forma beta after the Proposed Restricted Issue is estimated to be 0.98, derived by un-levering its beta as the LPD of 1.20 and re-levering the said unlevered beta based on the Group's pro forma capital structure after the Proposed Restricted Issue (i.e. after the increase in PESTECH's issued share capital).</p>

Parameter	Details
Expected market return	<p>The expected market return is the return on the equity market portfolio and is usually the expected rate of return of a general index of listed securities.</p> <p>Given the volatility of the stock market and market cycles, we have adopted the 10-year average historical rate of return of the FTSE Bursa Malaysia Top 100 Index as at the LPD of approximately 9.47% (Source: Bloomberg) as the expected market return as it is a reasonable representative of a diversified market portfolio and the 10-year average return would reasonably normalise the year-on-year fluctuations of the stock market and mitigates market biases.</p>

Based on the above, PESTECH's cost of equity before and after the Proposed Restricted Issue is 10.6% and 9.3% respectively.

- (5) As at the LPD, the perpetual sukuk is subject to a yield or distribution rate of 6% p.a..
- (6) Computed as follows:

Parameters	Formula	Unaudited for the FYE 30 June 2023
		RM'000
Finance costs	(A)	84,231
Total borrowings	(B)	^(aa) 1,259,153
Pre-tax cost of borrowings	(C)=(A)/(B)	6.69%
After-tax cost of borrowings	(D)=(C)*(1-24%)	5.08%

Note:

(aa) Being the Group's average 2 years borrowings as at 30 June 2023.

As shown above, the Proposed Restricted Issue would result in a marginal decrease in **PESTECH's WACC from 6.34% (as at the LPD) to 6.31%** and therefore, from a financial point of view, the Proposed Restricted Issue is deemed a value accretive proposal.

For your information, the illustrative decrease in PESTECH's WACC after the Proposed Restricted Issue is mainly due to resultant decrease in the Group's gearing ratio after the Proposed Restricted Issue (whereby the said decrease was mainly due to the increase in PESTECH's issued share capital by RM124.0 million after the Proposed Restricted Issue), which in turn had resulted in a corresponding decrease in PESTECH's cost of equity.

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(v) Potential Synergies between PESTECH and IJM

Upon completion of the Proposed Restricted Issue, IJM will emerge as a substantial shareholder of PESTECH. By way of background, IJM is currently a Main Market listed issuer in Malaysia with market capitalisation of RM6.6 billion as at the LPD.

As set out in **Attachment II** of this IAL, the IJM group of companies (“**IJM Group**”) is principally involved in the business of construction, property development, manufacturing and quarrying, port operations as well as tollway operations, and that the IJM Group has been profitable over the past 3 FYEs as follows:

	Audited		
	FYE 31 Mar 2021	FYE 31 Mar 2022	FYE 31 Mar 2023
	RM'000	RM'000	RM'000
Revenue	4,687,177	4,408,980	4,572,485
Profit before tax	511,149	317,871	483,028
Profit after tax	647,261	885,204	211,596

As set out in **Section 4.1, Part A** of the Circular, we note that IJM’s emergence as a new substantial shareholder of PESTECH is envisaged to pave the way for PESTECH to collaborate with IJM through the following:

- (a) expand PESTECH’s capability to offer more holistic and integrated construction project management solutions and services as PESTECH and IJM may collaborate on potential electrical infrastructure concession projects of which PESTECH may be appointed as an EPMCC contractor; and
- (b) potential collaboration with IJM to tender for larger projects by offering comprehensive turnkey solutions for both local and international rail as well as other related projects.

We also note from IJM’s announcement dated 24 July 2023 that the Proposed Restricted Issue presents an opportunity for IJM to collaborate with the Group and thereby, enhancing their combined competitiveness and participation for larger projects.

The prospective collaborations between both parties are expected to bolster positively to the Group’s future business performance as both parties are able to combine their respective core businesses and competency for future construction and infrastructure job tenders.

(vi) Conditionality of the Proposals

Upon completion of the Proposed Restricted Issue, IJM’s shareholding in PESTECH will increase from nil (as at the LPD) to approximately 44.8%. As a result, upon completion of the Proposed Restricted Issue, IJM will be obliged to extend a mandatory take-over offer to acquire all the remaining securities in PESTECH not already owned by them pursuant to subparagraph 4.01(a) of the Rules.

However, as it is not the intention of IJM to undertake the Mandatory Offer as a result of the Proposed Restricted Issue, IJM 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 your approval for the Proposals at PESTECH’s forthcoming EGM.

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 compliance with the Rules and obtaining the relevant approvals, which includes your prior approval for the Proposed Exemption.

As the Proposals are inter-conditional upon each other, without the Proposed Exemption, PESTECH would not be able to proceed with the Proposed Restricted Issue.

Thus, with the Proposed Exemption and assuming your approval for the Proposed Restricted Issue is also being obtained by PESTECH at the forthcoming EGM, PESTECH would be able to undertake the Proposals and thereby, to achieve the potential benefits under the Proposed Restricted Issue as set out in **Section 4.1, Part A** of the Circular.

5.2 Basis and justifications for the Subscription Price

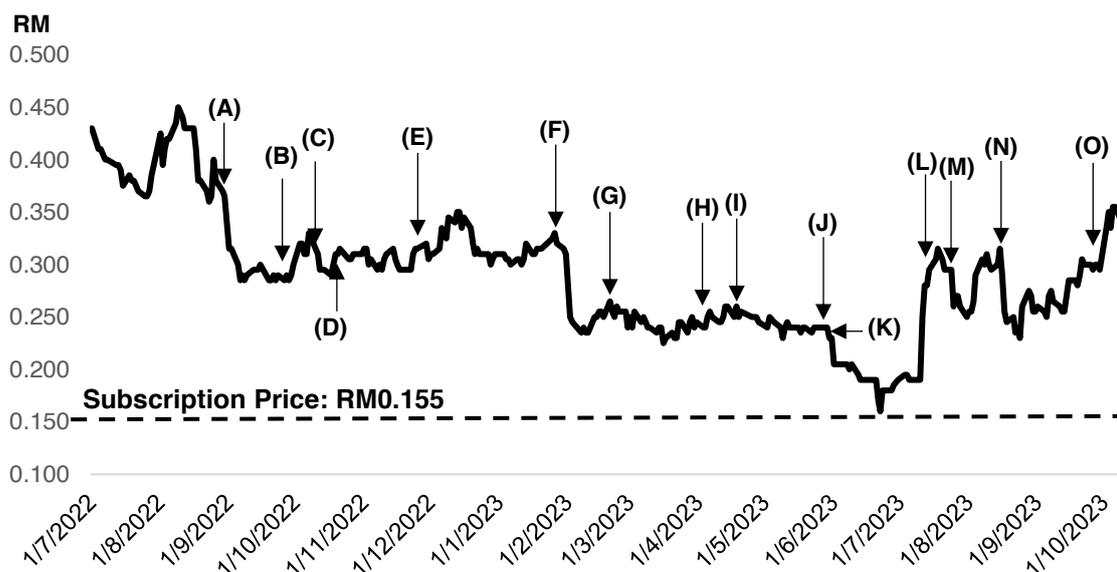
We took cognizance of the basis and justifications for the Subscription Price as set out in **Section 2.4, Part A** of the Circular.

Our comments

In arriving at our evaluation of the Subscription Price, we have considered the following key factors:

(i) Historical market price and trading volume of PESTECH Shares

Set out below is a summary of the closing market prices of PESTECH Shares for the past 12 months prior to the LTD and up to the LPD:



(Source: Bloomberg)

The significant events announced by PESTECH which may have a material effect on the market prices of PESTECH Shares during the period under review are as follows:

Annotation	Date	Significant Event
-	1 Aug 2022	PESTECH announced that Bursa Securities had resolved to grant the Company a further extension of time of up to 10 February 2023 to implement its private placement exercise of up to 10% of the total number of its issued Shares (" Placement ").

Annotation	Date	Significant Event
(A)	30 Aug 2022	PESTECH announced its 4 th quarter financial results for the FYE 30 June 2022, whereby the Group recorded a cumulative revenue and profit after tax of RM715.1 million and RM13.7 million respectively.
(B)	30 Sep 2022	PESTECH announced that its wholly-owned subsidiary had on event date accepted a letter of award from the National Grid Corporation of the Philippines for the supply of parts, materials, special tool and technical expertise for the maintaince of an existing subic substation for a total contract value of approximately RM32.5 million.
(C)	11 Oct 2022	PESTECH announced that its wholly-owned subsidiary had on even date accepted a letter of award from TNB for the supply and delivery of 60,000 units of Single Phase smart meter for Advanced Metering Infrastructure for a total value of RM11.1 million.
(D)	20 Oct 2022	PESTECH announced that Diamond Power Limited, a 60% indirect-owned subsidiary of PESTECH, had on even date entered into a business transfer agreement with Cambodian Transmission II Co. Ltd for the proposed disposal of 230kV Kampong Cham-Kratie Transmission System for a total cash consdieration of USD 118.0 million (" Disposal ").
-	27 Oct 2022	PESTECH announced its annual report for the FYE 30 June 2022.
(E)	29 Nov 2022	PESTECH announced its 1 st quarter financial results for the FYE 30 June 2023, whereby the Group recorded a revenue and loss after tax (" LAT ") of RM130.2 million and RM60.7 million respectively.
-	14 Dec 2022	PESTECH announced that its subsidiary had on 13 December 2022 entered into a memorandum of understanding (" MOU ") with Attwood Investment Group Co. Ltd in relation to a collaboration on the development of 2 feasibility studies pertaining to the construction or ownership and operation of clean enegy or solar based assets in Cambodia.
-	28 Dec 2022	PESTECH announced that it had obtained its shareholders' approval for the Disposal.
(F)	31 Jan 2022	PESTECH announced that Lim Ah Hock, Executive Chairman of PESTECH and Lim Pay Chuan, Managing Director and Group Chief Executive Officer of PESTECH were charged in the Sessions Court in Shah Alam, Selangor Darul Ehsan for allegedly committing offences under Section 109 read together with Section 403 of the Penal Code.
-	2 Feb 2023	PESTECH announced that it had decided not to seek a further extension of time from Bursa Securities to implement the Placement.

Annotation	Date	Significant Event
(G)	23 Feb 2023	PESTECH announced its 2 nd quarter financial results for the FYE 30 June 2023, whereby the Group recorded a cumulative revenue and LAT of RM232.1 million and RM71.4 million respectively.
-	27 Feb 2023	PESTECH announced that the MOU between PESTECH and Green Li-Ion Pte Ltd for the joint collaboration in the promulgation of lithium-ion batteries recycling businesses have been terminated.
-	22 Mar 2023	PESTECH announced that the Disposal has been completed.
(H)	5 Apr 2023	PESTECH announced that its wholly subsidiary had been awarded with a contract to engineer, procure, construct and commissioning the PNG Power Limited Arawa Mini Grid, Autonomous Region of Bougainville, Papua New Guinea, for the Economic and Social Infrastructure program for a total contract value of AUD 2.2 million.
(I)	20 Apr 2023	PESTECH announced that the joint venture between PESTECH Sdn Bhd, a wholly-owned subsidiary of PESTECH and Meha Linear Sdn Bhd had received a letter of acceptance from TNB for the asset replacement & refurbishment for primary and combined equipment including autotransformer at Cahaya Baru, Johor for a total contract value of RM34.8 million.
(J)	30 May 2023	PESTECH announced acceptance of a new gas insulated switchgear substations in Baghdad with a total contract value of USD81.8 million.
(K)	31 May 2023	PESTECH announced its 3 rd quarter financial results for the FYE 30 June 2023, whereby the Group recorded a cumulative revenue and LAT of RM232.1 million and RM71.4 million respectively.
(L)	17 July 2023	PESTECH announced that Lim Ah Hock, Executive Chairman of PESTECH and Lim Pay Chuan, Managing Director and Group Chief Executive Officer of PESTECH had been discharged and acquitted from all charges against them with immediate effect.
(M)	24 July 2023	PESTECH announced its proposed undertaking of the Proposals.
(N)	16 Aug 2023	PESTECH announced the KLIA Aerotrain Termination Notice.
-	29 Aug 2023	PESTECH announced its 4 th quarter financial results for the FYE 30 June 2023, whereby the Group recorded a cumulative revenue and LAT of RM468.4 million and RM316.4 million respectively.
-	1 Sep 2023	PESTECH announced its proposed undertaking of an employee share option scheme of up to 5% of its total issued Shares (excluding treasury shares)

Annotation	Date	Significant Event
(O)	2 Oct 2023	PESTECH announced that the Group received a Letter of Award from TNB for supply and delivery of smart meters with total contract value of RM21.2 million

(Source: PESTECH's announcements to Bursa Securities)

As set out above, we note that the Subscription Price is below the range of market prices of the Shares over the past 12 months prior to the LTD and up to the LPD of between RM0.16 to RM0.45.

(ii) Historical VWAMP of PESTECH Shares

Set out below is a summary of the VWAMP of PESTECH Shares over the past 12 months prior to the LTD and up to the LPD are as follows:

	VWAMP	Discount of the Subscription Price to the VWAMP	
	RM	RM	%
Up to the LTD:			
• 5-day VWAMP	0.3038	0.1488	49.0
• 1-month VWAMP	0.2570	0.1020	36.7
• 3-month VWAMP	0.2460	0.0910	37.0
• 6-month VWAMP	0.2495	0.0945	37.9
• 12-month VWAMP	0.2869	0.1319	46.0
Up to the LPD:			
• 5-day VWAMP	0.3487	0.1937	55.6
• 1-month VWAMP	0.3190	0.1640	51.4
• 3-month VWAMP	0.2865	0.1315	45.9

(Source: Bloomberg)

Based on above, we note that the Subscription Price represents a discount of:

- (i) up to 49.0% to the 5-day, 1-month, 3-month, 6-month and 12-month of the VWAMP of PESTECH Shares up to the LTD; and
- (ii) up to 55.6% to the 5-day, 1-month and 3-month of the VWAMP of PESTECH Shares up to the LPD.

As the Subscription Price is at a discount to the market prices of the Shares and lower than the Group's current NA per Share of RM0.4175 as at 30 June 2023 (unaudited), the Proposed Restricted Issue would result in a dilutive impact on the Group's NA per Share.

For illustrative purposes, based on the Group's unaudited NA per Share of RM0.4175 as at 30 June 2023, the Proposed Restricted Issue would dilute the Group's unaudited NA per Share from RM0.4175 as at 30 June 2023 to RM0.2976, representing a dilution of RM0.1199 or 28.7% as follows:

	Formula	RM
Unaudited NA per Share as at 30 Jun 2023	(A)	0.4175
Proforma NA per Share after Proposed Restricted Issue	(B)	^(a) 0.2976
Dilution	{(B) – (A)}/(A)	28.7%

Note:

- (a) Please refer to Section 6.2, Part A of the Circular for the detailed computation of the Group's pro forma NA per Share after the Proposed Restricted Issue.

Nevertheless, we are of the view that the benefits to be realised from the Proposed Restricted Issue (as elaborated in Section 5.1 above) outweigh that of the dilutive impact to the non-interested shareholders of PESTECH. In this regard, we are of the view that the illustrative dilution is acceptable as the dilutive effect on the Group's NA per Share may be alleviated in the future when the Group subsequently achieves improved financial performance leveraging on the potential benefits under the Proposed Restricted Issue as set out in Section 4.1, Part A of the Circular.

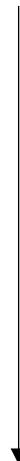
5.3 Salient terms of the Subscription Agreement

Set out below are our comments to the salient terms of the Subscription Agreement:

<u>No.</u>	<u>Salient terms</u>	<u>Our comments</u>
1.	<u>Conditions Precedent</u>	
	(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 3 months from the date of the Subscription Agreement unless extended further by mutual agreement between the Company and Subscriber (" Condition Period "): (1) 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;	This term is justifiable as it stipulates that the Proposals are subject to the requisite approvals to be obtained that are necessary to give effect to the Proposals. Notwithstanding the above, we wish to highlight that in the event the requisite approvals as obtained are subject to conditions, such conditional approval(s) shall be subject to the prior agreements of both PESTECH and IJM (collectively, the " Parties "), failing which such Condition Precedent shall be deemed not met, which in turn would render termination of the Subscription Agreement in accordance with Salient Term 1(ii) below.
	(2) 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.	As such, PESTECH's interest in the Proposed Restricted Issue is safeguarded as it allows the Company to implement the Proposed Restricted Issue only on terms and conditions that are acceptable to itself.
	(3) the approval of the SC for the Proposed Exemption.	
	(4) the approval of Bursa Securities for the listing of and quotation for the Restricted Shares on the Main Market of Bursa Securities.	For your information, as at the LPD, PESTECH is in the midst of discussions with the relevant financiers and counterparties in respect of the Salient Term (1)(i)(5) and (1)(i)(6) herein.

No.	Salient terms	Our comments
(5)	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;	
(6)	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	
(7)	the approval(s) or consent(s) of any relevant authority and/or parties, if required	
	(collectively, the " Conditions Precedent ").	
(ii)	if any of the Conditions Precedent has not been satisfied or fulfilled (or waived in accordance with Salient Term 1(iii) below) on or before the last day of the Condition Period (or such longer period as the parties may agree in writing):	This term is justifiable as the Proposed Restricted Issue will not be implemented in the event the requisite approvals for the Proposals, including your approval for the Proposals, are not obtained.
(a)	either party will be entitled to terminate the Subscription Agreement by giving a written notice of termination to the other party;	
(b)	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	
(c)	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 save and except for any Condition Precedent that is for the Subscriber to fulfil. Any Condition Precedent agreed to be waived by the Subscriber will be deemed as a satisfaction or fulfilment of that Condition Precedent.	This term is not detrimental to PESTECH's interests as any waiver(s) to be granted by IJM is only in respect of Condition Precedent that does not require IJM to fulfill.

No.	Salient terms	Our comments
2.	<u>Subscription Price</u>	
	(i) the Subscription Price shall be payable by the Subscriber in accordance with Salient Term 2(ii) below (" Subscription Monies ").	This term is justifiable as it sets out the administrative procedures to be performed by IJM to facilitate the issuance of the Restricted Shares pursuant to the Proposed Restricted Issue.
	(ii) the Subscriber shall, within 5 market days from the date the Subscription Agreement becomes unconditional in accordance with Salient Term 1(iii) above (" Unconditional Date "): <ul style="list-style-type: none"> (a) deposit the Subscription Monies with AIS by way of telegraphic transfer to the bank account nominated by the Placement Agent; and (b) provide all information as may be required for the Company to issue and allot the Restricted Shares to the Subscriber and for Bursa Malaysia Depository Sdn Bhd ("Bursa Depository") to make the appropriate entries in the securities account of the Subscriber maintained with Bursa Depository ("Subscriber CDS Account") in accordance with Salient Term 3(i) below. 	
	(iii) unless otherwise agreed by the parties in writing, the Company shall utilise the Subscription Monies in a manner consistent with the proposed utilisation as set out below and shall ensure that the proposed utilisation (as set out below or agreed otherwise by the parties in writing) is reflected accordingly in the circular to shareholders of the Company:	



Details	RM'000
Repayment of the Credit Facility	35,000
Working capital	85,000
Estimated expenses pursuant to the Proposals	4,000
Total	124,000

No.	Salient terms	Our comments
3.	<u>Completion</u>	
	(i) completion of the issuance and allotment of the Restricted Shares under the Subscription Agreement (“ Completion ”) shall take place on or before the 8 th 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:	This term is a general commercial term whereby it sets out the list of statutory documents of PESTECH that need to be delivered to the IJM to facilitate the Completion and thus, appropriate.
	(1) 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 in accordance with Salient Term 7 below; and	
	(2) a copy of the unaudited accounts for the Group for the period from the date immediately following the management accounts date (i.e. 31 March 2023) up to 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 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;	This term is appropriate as it stipulates that the Restricted Shares are only allotted and issued to IJM upon the Placement Agent receiving the Subscription Monies in full.
	(c) upon receipt of the written confirmation from the Subscriber that the Restricted Shares have been credited to the Subscriber CDS Account, the Placement Agent is authorised to release the Subscription Monies 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 of directors of the Company.	

No. Salient terms	Our comments
<p>(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.</p>	<p>This is a general commercial term for the Parties to observe and comply with the relevant survival provisions in the Subscription Agreement after Completion (for example, IJM's right to nominate Directors as set out in Salient Term 5 below which shall remain a continuing agreement between the Parties after Completion) and hence, appropriate.</p>
<p>4. <u>Representations and warranties</u></p>	
<p>(i) Notification</p>	
<p>(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.</p>	<p>This term is appropriate as it sets out the requisite obligations by IJM to notify PESTECH of any matter, event or circumstances that arose prior to Completion which constitute a material breach of, or is materially inconsistent with, the Subscriber's Warranties.</p> <p>As such, this term would safeguard the interest of PESTECH as it allows PESTECH to revisit the viability to the Proposed Restricted Issue in the event it becomes aware of such adverse circumstances prior to Completion, if any.</p>
<p>(b) If a disclosure is made under this Salient Term 4(i) prior to Completion, the party entitled to exercise the right to terminate under Salient Term 6 below 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 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.</p>	<p>This term is appropriate as it allows PESTECH to terminate the Subscription Agreement prior to Completion when it becomes aware of the following, if any:</p> <ul style="list-style-type: none"> (i) material breach of Subscriber's Warranties by IJM; and/or (ii) material inconsistencies of the Subscriber's Warranties.

No.	Salient terms	Our comments
(ii)	Loss by Subscriber	
	<p>(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 Salient Term 4(ii)(b)(i) below 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 Salient Term 3(i)(a)(ii) above. 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.</p>	<p>This term is a general commercial term for IJM to safeguard its investment interest in PESTECH in the event there is any inaccuracy or breach of any of the Company's Warranties up to the Completion Date which results in a diminution in the Group's NA and therefore, justifiable.</p>
	<p>(b) for the purposes of this Salient Term 4(ii):</p> <p>(1) 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;</p> <p>(2) 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;</p> <p>(3) parties shall provide all information and assistance reasonably requested by the firm of chartered accountants;</p> <p>(4) the costs and expenses incurred shall be borne by the Company; and</p> <p>(5) the aggregate liability of the Company shall not exceed 50% of the Subscription Price paid by the Subscriber and any such claims must be notified within 1 year from Completion.</p>	<p>This term is justifiable as it sets out the requisite need to appoint an independent valuer to assess the diminution in the Group's NA arising from, if any, inaccuracy or breach of the Company's Warranties up to the Completion Date.</p> <p>As set out herein, the appointment of such independent valuer is subject to the mutual agreement of PESTECH and IJM.</p> <p>Thus, this term would safeguard the interest of PESTECH as any such losses that IJM claimed to have been incurred would need to be assessed by a professional independent party.</p>



No.	Salient terms	Our comments
5.	<u>Indemnity</u>	This term is appropriate as it is a normal commercial term to govern the rights of the non-defaulting party.
	<p>(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:</p> <p>(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;</p> <p>(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;</p> <p>(c) breach of any of the terms and conditions of the Subscription Agreement by the Indemnifying Party; and</p> <p>(d) the enforcement of any such settlement or judgment specified in Salient Term 5(i)(b) above.</p>	
	<p>(ii) Minimum claims</p> <p>(a) the Indemnifying Party shall not be liable under Salient Term 5(i) above 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); and</p> <p>(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).</p>	<p>This term stipulates that the Indemnifying Party shall not be liable for claims (individually or a series of claims arising from substantially identical facts or circumstances) that are below the threshold of RM1.2 million.</p> <p>We are of the view that the minimum claims threshold of RM1.2 million is acceptable as it constitutes less than 1% of the total proceeds to be raised from the Proposed Restricted Issue.</p>

No.	Salient terms	Our comments
6.	<p data-bbox="272 197 400 221"><u>Termination</u></p> <p data-bbox="272 232 959 421">(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:</p> <ul style="list-style-type: none"> <li data-bbox="344 468 959 546">(a) any matter which constitutes a material breach by the Subscriber of any of the provisions under the Subscription Agreement; <li data-bbox="344 593 959 672">(b) any matter which constitutes a material breach of any of the representations and warranties given by the Subscriber; <li data-bbox="344 719 959 826">(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; <li data-bbox="344 873 959 981">(d) service of a notice pursuant to section 466 of the Act on the Subscriber and notice remains unresolved at the expiry of 21 days from service of notice; <li data-bbox="344 1028 959 1088">(e) grant of an order or passing of a member's resolution for the winding up of the Subscriber; <li data-bbox="344 1135 959 1323">(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 <li data-bbox="344 1370 959 1453">(g) an event analogous to any of the Salient Terms 6(i)(d), (e) or (f) above has occurred in any jurisdiction, <p data-bbox="344 1496 959 1686">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.</p>	<p data-bbox="986 224 1396 360">This term is acceptable as it is a common clause to safeguard the interest of the non-defaulting party in the event any of the termination events were to take place.</p>

No.	Salient terms	Our comments
(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:	This term is acceptable as it is a common clause to safeguard the interest of the non-defaulting party in the event any of the termination events were to take place.
(a)	any matter which constitutes a material breach by the Company of any of the provisions under the Subscription Agreement;	We wish to highlight that subsequent to the date of entering into the Subscription Agreement, the Group had received a termination notice from Malaysia Airports (Sepang) Sdn Bhd 16 August 2023 whereby PESTECH Technology Sdn Bhd, a wholly-owned subsidiary of PESTECH, has been terminated as a contractor for the KLIA aerotrain project (“ KLIA Aerotrain Termination Notice ”).
(b)	any matter which constitutes a material breach of any of the representations and warranties given by the Company;	The KLIA Aerotrain Termination Notice is deemed a material adverse event.
(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;	However, based on our discussion with PESTECH’s management, as at the LPD, IJM had not issued any notice to PESTECH with regards to the KLIA Aerotrain Termination Notice being a termination event pursuant to this Subscription Agreement.
(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;	Notwithstanding the foregoing, we wish to highlight that, in the event the KLIA Aerotrain Termination Notice is regarded as a termination event:
(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;	(a) the Subscription Agreement will be terminated and that PESTECH would not be able to proceed with the Proposals; and
(f)	grant of an order or passing of a member’s resolution for the winding up of the Company;	(b) in the event the Parties wish to proceed with the Proposed Restricted Issue but subject to variation of certain clauses in the Subscription Agreement, PESTECH is required to make the necessary announcements to Bursa Securities for such variations and to seek your approvals for such variations in accordance with paragraph 8.22 of the Listing Requirements, where applicable.
(g)	resolution for the winding up of the Company;	

No.	Salient terms	Our comments
(h)	<p>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; or</p>	
(i)	<p>an event analogous to any of the Salient Terms 6(ii)(d), (e), (f) or (g) above has occurred in any jurisdiction,</p> <p>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.</p>	
(iii)	<p>all rights and obligations of the parties shall cease to have effect immediately upon termination of the Subscription Agreement save for the survival provisions as 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 the respective rights and liabilities of each of the parties accrued prior to such 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.</p>	<p>This term is appropriate as it stipulates that all rights and obligations of the Parties in the Subscription Agreement will be dispensed with upon termination of the Subscription Agreement, save for the survival provisions where applicable.</p>

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No.	Salient terms	Our comments
7.	<u>The Subscriber's right to nominate Directors</u>	
	<p>(i) the Subscriber may nominate 2 directors to the board of directors of the Company on Completion and subject always that the total number of directors shall not be more than 8, and at all times, the independent directors shall not be less than 50% of the board. The Subscriber is entitled to nominate to the board of directors of the Company to form not less than 25% of the board from time to time.</p> <p>(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.</p>	<p>We wish to note to you that:</p> <p>(i) it is a normal commercial term for a controlling investor (i.e. IJM) to have board representation in the investee company (i.e. PESTECH), whereby the allocated board seats are normally determined based on the investor's proportionate shareholdings in the investee company; and</p> <p>(ii) post-completion of the Proposed Restricted Issue, the composition of independent Directors of PESTECH shall continue to remain not be less than 50% of the Board.</p> <p>Thus, this term would ensure PESTECH's continued compliance with paragraph 5.2 of the Malaysian Code on Corporate Governance issued by the SC which stipulates that at least half of the board of Directors of a listed issuer shall comprise independent Directors.</p> <p>Considering the above, as IJM will have 44.8% shareholding in PESTECH post-completion of the Proposals, we are of the view that its right to nominate 2 Directors to the Board pursuant to this term is justifiable and appropriate.</p>

Premised on the above, on an overall basis, we are of the view that the salient terms of the Subscription Agreement are appropriate and justifiable.

5.4 Effects of the Proposals

We took cognizance of the effects of the Proposals as set out in **Section 6, Part A** of the Circular.

Our comments

The Proposed Exemption will not have any effect on PESTECH's issued share capital, NA, NA per Share, gearing ratio, earnings, EPS, substantial shareholders' shareholdings and the Warrants.

Our comments on the effects of the Proposed Restricted Issue on the Group are as follows:

<u>Effects</u>	<u>Our comments</u>
Issued share capital	The pro forma increase in PESTECH's issued share capital from RM232.9 million comprising 992,221,471 Shares (as at the LPD) to RM356.9 million comprising 1,792,221,471 Shares is a consequential effect arising from the issuance of 800,000,000 Restricted Shares at the Subscription Price.
NA, NA per Share and gearing	<p>(i) NA and NA per Share</p> <p>The pro forma increase in the Group's NA from RM653.1 million as at 30 June 2022 to RM773.1 million is mainly due to the resultant increase in PESTECH's issued share capital as elaborated above.</p> <p>The pro forma decrease in the Group's NA per Share from RM0.66 as at 30 June 2022 to RM0.43 is due to the dilutive impact arising from the Subscription Price being lower than the Group's NA per Share of RM0.66 as at 30 June 2022.</p> <p>(ii) Gearing</p> <p>The pro forma decrease in the Group's gearing ratio from 2.10 times as at 30 June 2022 to 1.73 times is mainly due to the resultant increase in the Group's NA as elaborated above.</p>
Earnings and EPS	<p>The Proposed Restricted Issue is not expected to have any immediate material impact on the Group's earnings for the FYE 30 June 2024 as the Proposed Restricted Issue is expected to be completed by the 4th quarter of 2023.</p> <p>However, there will be a corresponding dilution in the Group's EPS due to the resultant increase in the number of Shares in issue following the completion of the Proposed Restricted Issue.</p> <p>Notwithstanding the foregoing, the Proposed Restricted Issue would enable the Group to achieve the potential benefits as set out in Section 4.1, Part A of the Circular, which is envisaged to contribute positively to the its future financial performance.</p>
Substantial shareholders' shareholdings	<p>Following the completion of the Proposed Restricted Issue, IJM will emerge as a new substantial shareholder of PESTECH.</p> <p>The increase in IJM's shareholding in PESTECH from nil (as at the LPD) to approximately 44.8% is a consequential effect arising from its receipt of the 800,000,000 Restricted Shares pursuant to the Proposed Restricted Issue.</p>
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 on the Group are appropriate and justifiable as these effects reflect the consequential impacts to the Group arising from the issuance of 800,000,000 Restricted Shares at the Subscription Price.

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 5, Part A** of the Circular.

Our comments

We note from **Section 5.8, Part A** of the Circular that the Group continues to face multiple external challenges in 2023 mainly due to market risks such as inflation risk, volatile currency market and continuous hike in lending rates, which are beyond the Group's control. These market factors may affect the Group's future financial performance in the following manner:

- (i) increase in inflation rate would result in the Group incurring higher than expected operational costs which in turn will reduce the expected profitability of its secured projects;
- (ii) strengthening of RM would result in the Group experiencing foreign exchange losses when the Group repatriate its earnings from its foreign operation (e.g. Cambodia which contributed 40.5% of the Group's revenue during the FYE 30 June 2023) back to Malaysia; and
- (iii) increase in lending rates would increase the Group's finance costs and considering the Group's current high level of borrowings of RM1,144 million as at 30 June 2023 (unaudited), the increase in the Group's finance cost may be substantial.

Notwithstanding the above, we expect the Group's long-term prospects to be positive mainly underpinned by the positive effects to be generated from the Proposed Restricted Issue and the following:

(i) Orderbook of RM1.23 billion as at 30 June 2023

As set out in **Section 5.1(i)** of this IAL, as at 30 June 2023, the Group has an orderbook of RM1.23 billion. The progressive execution and delivery of such secured projects would enable the Group to materialise the envisaged revenue streams and cash receipts therefrom, which in turn would enable the Group to rollover its internally-generated funds for its other current operational use such as repayment of its existing bank borrowings and/or funding the working capital of its future projects to be secured.

(ii) Improved financial footing

Upon the completion of the Proposed Restricted Issue, the Group's NA will increase substantially from RM411.1 million as at 30 June 2023 (unaudited) to RM531.1 million, whilst its financial gearing will decline from 2.78 times as at 30 June 2023 (unaudited) to 2.15 times. With a stronger financial footing, the Group is envisaged to be able to better service its current financial obligations.

(iii) Potential synergistic benefits from IJM

As set out in the **Section 5.1(v)** of this IAL, after the Proposed Restricted Issue, both PESTECH and IJM intend to collaborate together for electrical infrastructure concession projects and/or to tender for larger turnkey solutions projects.

As both companies are already involved in the construction and infrastructure industries, the potential collaboration between both parties are expected to be synergistic which in turn would benefit their job tenders in the future.

(iv) Positive industry outlook

The Malaysian and Cambodian economies, both being the key markets where the Group operates in, have been growing at an average annual growth rate of 3.1% and 3.9% over the past 5 years of between 2018 to 2022.

Notwithstanding the market outlook of both countries are subject to various market vagaries (such as inflation risks, global commodity prices and financial market developments), we note from publications from the World Bank that the economies of both Malaysia and Cambodia are expected to grow further in 2023 at 4.0% and 5.5% respectively (Source: The World Bank).

The prospective economy growths of both countries are deemed favorable to the Group's future business undertakings as power supply and related infrastructure projects are key business activities to support national growth.

We also note that electricity demand in the SEA had grown by 5.5% in 2022 of which, the growth was mainly driven by economic recovery in the region after the COVID-19 pandemic having been progressively eased. We further note that the demand for electricity in the SEA region is expected to continue growing at between 4% to 6% p.a. until 2025 (Source: IEA Electricity Market Report 2023).

The continuing and increasing demand for electricity is expected to result in more capital spending for electricity infrastructure projects in the respective SEA countries. This in turn is expected to bolster positively to the Group's future business undertakings given its expertise in EPMCC of electrical power infrastructure projects and intentions to collaborate with IJM to tender for larger infrastructure projects.

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5.6 Implications arising from the voting outcome of the Proposed Exemption

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

- (i) 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 IJM and its PACs in the past 6 months prior to the announcement of the Proposals on 24 July 2023, but subsequent to the negotiations, discussions or the reaching of understandings or agreements with the Board in relation to the proposed issuance of the Restricted Shares until completion of the said subscription ("**Disqualifying Transaction**"); and
- (ii) 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 IJM and its PACs. The voting at the forthcoming EGM shall be conducted by way of poll.

Any exemption granted will be invalidated if IJM or its PACs have engaged or engage in a Disqualifying Transaction.

In addition, pursuant to paragraph 18.02 of the Rules, upon your approvals for the Proposals, IJM and its PACs shall not acquire any Shares within a period of 6 months after the date of EGM for the Proposals from a person who was a director or substantial shareholder of PESTECH at the time of the Proposed Exemption, as such acquisition will be deemed to be a favourable deal under Rule 18 of the Rules. The SC may consider granting a waiver to IJM and its PAC if such acquisition, if any, is *de minimis*.

The implications of your voting on the resolution to give effect to the Proposed Exemption to be tabled at the forthcoming EGM of PESTECH are as follows:

5.6.1 If you **VOTE IN FAVOUR** of the Proposed Exemption

- (i) The SC would be able to consider the application by IJM and its PACs for the Proposed Exemption. An approval from the SC for the Proposed Exemption would then exempt IJM and its PACs from the obligation to undertake the Mandatory Offer.
- (ii) Your approval of the Proposed Exemption will imply that you agree to waive your rights and exempt IJM and its PACs from the obligation to undertake the Mandatory Offer.

With regard to the above, as the Proposals are inter-conditional upon each other, if you vote against the resolution for the Proposed Exemption, PESTECH would not be able to undertake the Proposed Restricted Issue.

Therefore, notwithstanding waiver of your rights for the Mandatory Offer, voting in favour of the Proposed Exemption will allow PESTECH to undertake the Proposed Restricted Issue assuming the Proposed Restricted Issue is also approved by you. The Proposed Restricted Issue, if approved and undertaken, would enable PESTECH to realise the potential benefits of the Proposed Restricted Issue as set out in **Section 4.1, Part A** of the Circular.

- (iii) On a pro forma basis, upon completion of the Proposed Restricted Issue, IJM's shareholdings in PESTECH will increase from nil (as at the LPD) to 44.8%, assuming none of the Warrants are exercised, none of PESTECH's existing treasury Shares are resold or re-distributed in the open market and there are no buy back of the Shares by PESTECH from the open market.

As a result, upon completion of the Proposed Restricted Issue, IJM and its PACs will be able to obtain control in PESTECH at the Subscription Price which is:

- (a) at a discount of up to 49.0% to the 5-day, 1-month, 3-month, 6-month and 12-month VWAPs of the Shares up to the LTD;
- (b) at a discount of up to 55.6% to the 5-day, 1-month and 3-month of the VWAMP of PESTECH Shares up to the LPD; and
- (c) lower than the PESTECH Group's NA per Share of RM0.4175 as at 30 June 2023 (unaudited),

without having to undertake the Mandatory Offer.

With shareholding of close to 50%, IJM would be able to exercise significant influence over outcome of PESTECH's shareholders' resolutions, unless IJM and persons connected to it are required to abstain from voting on such resolutions.

Notwithstanding the above, in the event the collective shareholdings of IJM and its PACs further increase by more than 2% in any 6-month period after the Proposed Exemption ("**Creeping Threshold**"), an obligation to undertake a mandatory offer would be triggered pursuant to paragraph 4.01 of the Rules.

Should the collective shareholdings of IJM and its PACs further increase to more than 50% after the Proposed Restricted Issue without triggering the Creeping Threshold, any further increase in their collective shareholdings in PESTECH would not trigger an obligation to undertake a mandatory offer provided that IJM and its PACs do not trigger such mandatory offer obligation on an individual basis.

In this regard, IJM and its PACs would be able to achieve statutory control (i.e. shareholding of more than 50%) in PESTECH without having to undertake a mandatory offer. Thus, unless IJM and its PACs are required to abstain from voting on proposals that involve their interests, including persons connected to them (e.g. related party transactions), IJM and its PACs would be 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).
- (iv) Your shareholding in PESTECH will be proportionately diluted upon completion of the Proposed Restricted Issue. For illustrative purposes, upon the completion of Proposed Restricted Issue, the collective shareholdings of PESTECH's existing shareholders will reduce from 100.0% as at the LPD to 55.2%.

Nevertheless, notwithstanding the reduced collective shareholdings by PESTECH's shareholders in PESTECH, assuming there are no additional purchase of Shares by the IJM and its PACs from the open market subsequent to the completion of the Proposals, the number of Shares currently held by PESTECH's shareholders would remain the same after the completion of Proposed Restricted Issue. In this regard, the Proposals are not expected to result in an adverse effect on the trading liquidity of the Shares moving forward.

- (v) 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 IJM 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 that the Proposed Exemption is in line with the underlying principle of subparagraph 4.08(1)(a) of the Rules, which provide for exemption to persons from undertaking a mandatory offer, subject to compliance with the Rules and obtaining the relevant approvals, which includes your prior approval for the Proposed Exemption.

5.6.2 If you **VOTE AGAINST** the Proposed Exemption

- (i) The SC would not be able to consider the application by IJM and its PACs for the Proposed Exemption.
- (ii) In view of the conditionality of the Proposed Restricted Issue and Proposed Exemption as set out in **Section 8, Part A** of the Circular, in the event the Proposed Exemption is not approved, PESTECH will not be able to undertake the Proposed Restricted Issue. Consequently, PESTECH would not be able to achieve the potential benefits of the Proposed Restricted Issue as set out in **Section 4.1, 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 IJM**

- (i) IJM:
 - (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) IJM'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 IJM 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) IJM 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 IJM, as at the LPD, there has not been any material changes in the financial position or prospects of the Group since 30 June 2022, being PESTECH's latest audited consolidated financial statements presented to its shareholders in the annual general meeting held on 25 November 2022.

- (vi) IJM has not borrowed or lent any Shares and/or convertible securities in PESTECH.
- (vii) IJM has not dealt in the Shares and/or convertible securities in PESTECH during the period beginning 6 months prior to the announcement of the Proposals on 24 July 2023 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 Proposals 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 or proposed 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 Proposals on 24 July 2023 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) There is no agreement, arrangement or understanding that exists between IJM 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 IJM.

7. DIRECTORS' RESPONSIBILITY STATEMENT

The Board has seen and approved the contents of this IAL. 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 6.2(i)** of this IAL 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 IJM (as provided by IJM) 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 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

You should carefully consider the merits and demerits of the Proposed Exemption based on all relevant and pertinent factors, including those set out in this IAL as well as those highlighted by the Board in its letter to the shareholders of PESTECH as set out in **Part A** of the Circular, before voting on the resolution pertaining to the Proposed Exemption at PESTECH's forthcoming EGM.

In arriving at our conclusion and recommendation, we have assessed and evaluated the Proposed Exemption on a holistic basis in accordance with Schedule 2: Part III of the Rules. Set out below is a summary of the potential advantages and disadvantages of the Proposed Exemption:

Potential Advantages	
<p>The Proposed Exemption, if approved and undertaken, would enable PESTECH to implement the Proposed Restricted Issue assuming your approval for the Proposed Restricted Issue is also being obtained by PESTECH at the forthcoming EGM.</p>	
<p>The undertaking of Proposed Restricted Issue is envisaged to accord the Group with the following benefits:</p>	
(i)	<p>expeditiously raise sizeable equity funding of RM124.0 million for its current operational use despite its current loss-making financial performance;</p>
(ii)	<p>part of the funding amounting to RM85.0 million will be channeled towards funding the working capital requirements the Group's projects especially those that require urgent funding.</p> <p>The timely completion these projects would allow Group to generate the envisaged revenue streams and cash receipts therefrom which in turn, would enable the Group to rollover its internally-generated funds for other current operational use such as to defray the working capital of its other existing projects.</p>
(iii)	<p>repay the Credit Facility which in turn would enable the Group to reduce its total borrowings;</p>
(iv)	<p>alleviate its current financial burdens as evidenced by the illustrative decrease in the Group's gearing ratio from 2.78 times as at 30 June 2023 (unaudited) to 2.15 times. The reduction in gearing ratio is to the benefits of the Group considering:</p>
(a)	<p>the Group's relatively high gearing ratio of 2.78 times as at 30 June 2023 (unaudited); and</p>
(b)	<p>the Group's is currently loss-making.</p>

Potential Advantages (cont'd)

- (v) a marginal decrease in its WACC from 6.34% (as at the LPD) to 6.31%; and
- (vi) following the completion of the Proposed Restricted Issue, IJM will emerge the single largest shareholder of PESTECH holding 44.8% equity interest in PESTECH.

Currently, IJM is a Main Market listed issuer with market capitalisation of RM6.6 billion and is principally involved in the business of construction, property development, manufacturing and quarrying, port operations as well as tollway operations.

The entry of IJM into PESTECH is envisaged to offer synergistic values to the Group considering that both parties intend to collaborate to undertake other infrastructure projects especially the following:

- (a) HV and EHV power transmission projects ranging from 33 kV to 500 kV;
- (b) rail electrification and related signaling projects; and
- (c) EPMCC works in the renewable energy sector especially solar farms.

As both PESTECH and IJM are already involved in the construction and infrastructure industries, the prospective collaborations between both parties are expected to be synergistic which in turn would benefit their job tenders in the future. This in turn would bolster positively to the Group's future business performance and sustainability moving forward.

Further, in view of IJM's major equity participation in PESTECH, it is envisaged that IJM would contribute positively to the future business activities of the Group as a shareholder of PESTECH in order to maximise its investment value in PESTECH.

Potential Disadvantages

- (i) As the Subscription Price of RM0.155 is lower than the Group's current unaudited NA per Share of RM0.4175 as at 30 June 2023, the Proposed Restricted Issue would result in a dilutive impact to the non-interested shareholders of PESTECH.

For illustrative purposes, based on the Group's unaudited NA per Share of RM0.4175 as at 30 June 2023, the Proposed Restricted Issue would dilute the Group's unaudited NA per Share from RM0.4175 as at 30 June 2023 to RM0.2976, representing a dilution of RM0.1199 or 28.7%.

- (ii) Upon completion of the Proposed Restricted Issue, IJM's shareholdings in PESTECH will increase from nil (as at the LPD) to 44.8%. With shareholding of close to 50%, IJM would be able to exercise significant influence over outcome of PESTECH's shareholders' resolutions, unless IJM and persons connected to it are required to abstain from voting on such resolutions.

Should the collective shareholdings of IJM and its PACs further increase to more than 50% after the Proposed Restricted Issue without triggering the Creeping Threshold, any further increase in their collective shareholdings in PESTECH would not trigger an obligation to undertake a mandatory offer provided that IJM and its PACs do not trigger such mandatory offer obligation on an individual basis.

Potential Disadvantages (cont'd)

In this regard, IJM and its PACs would be able to achieve statutory control (i.e. shareholding of more than 50%) in PESTECH without having to undertake a mandatory offer. Thus, unless IJM and its PACs are required to abstain from voting on proposals that involve their interests, including persons connected to them (e.g. related party transactions), IJM and its PACs would be 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).
- (iii) Your shareholding in PESTECH will be proportionately diluted upon completion of the Proposed Restricted Issue. For illustrative purposes, upon the completion of Proposed Restricted Issue, the collective shareholdings of PESTECH's existing shareholders in PESTECH will reduce from 100.0% as at the LPD to 55.2%.

However, assuming there is no additional purchase of Shares by the IJM and its PACs from the open market subsequent to the completion of the Proposals, the number of Shares currently held by PESTECH's non-interested shareholders would remain the same after the completion of Proposed Restricted Issue.

In this regard, the Proposals are not expected to result in an adverse effect on the trading liquidity of the Shares moving forward.

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** and that 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 BOTH THIS IAL AND PART A OF THE CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES AND CAREFULLY CONSIDER THE RECOMMENDATIONS CONTAINED HEREIN 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 since 30 May 2012.

The principal activity of PESTECH is investment holdings. The principal activities of its subsidiaries are set out in **Section 5** of this Attachment I.

2. SHARE CAPITAL

2.1 Issued Share Capital

As at the LPD, the issued share capital of PESTECH is as follows:

Issued share capital	No. of Shares	Amount
		RM
PESTECH Shares	992,221,471 PESTECH shares (including 7,666,100 treasury Shares)	232,941,897

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

2.2 Changes in Issued Share Capital

There are no changes in PESTECH's issued share capital since the end of the FYE 30 June 2022 up to the LPD.

2.3 Convertible Securities

Save for the 95,145,862 outstanding 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, its substantial shareholders and their respective shareholdings in PESTECH as at the LPD are as follows:

Name	Direct		Indirect	
	No. of Shares	(i)%	No. of Shares	(i)%
Lim Ah Hock	300,093,855	30.5	(ii)3,892,830	0.4
Lim Pay Chuan	190,221,870	19.3	(iii)1,320,080	0.1

Notes:

- (i) Computed based on 984,555,371 Shares in issue 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.

INFORMATION ON PESTECH (cont'd)

4. DIRECTORS

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

Name/Designation	Correspondence address	Direct		Indirect	
		No. of Shares	(i)%	No. of Shares	(i)%
Lim Ah Hock (Executive Chairman)	346, Jalan Yong Pak Kian, Ujong Pasir 75050, Melaka	300,093,855	30.5	⁽ⁱⁱ⁾ 3,892,830	0.4
Lim Pay Chuan (Managing Director and Group Chief Executive Officer)	27A, Jalan Permas 1/5 Bandar Baru Permas Jaya 81750 Masai, Johor	190,221,870	19.3	⁽ⁱⁱⁱ⁾ 1,320,080	0.1
Lim Peir Shenq (Executive Director)	Straits View Residences A09 2 Jalan Permas 13 Bandar Baru Permas Jaya 81750 Masai, Johor	-	-	^(iv) 2,572,750	0.3
Ir. Hj. Amir Bin Yahya (Senior Independent Non-Executive Director)	Parklane Residence No 8, Jalan Sri Klebang A/8 Bandar Baru Sri Klebang 31200 Chemor, Perak	-	-	-	-
Ng Chee Hoong (Independent Non-Executive Director)	22A, Jalan Putra Indah 9/23, Putra Heights 47650 Subang Jaya Selangor Darul Ehsan	-	-	-	-
Hoo Siew Lee (Independent Non-Executive Director)	13, Jalan Diamond 6 Diamond Residential 43500 Semenyih Selangor Darul Ehsan	-	-	-	-
Helen Tan Miang Kieng (Independent Non-Executive Director)	No. 6, Lorong 5G Richmond Hill Jalan Stampin Tengah 93350 Kuching, Sarawak	558,750	0.1	-	-

Notes:

- (i) Computed based on 984,555,371 Shares in issue 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.
- (iv) Deemed interested by virtue of his shareholdings in Kumpulan Liva Sdn Bhd pursuant to section 8 of the Act.

INFORMATION ON PESTECH (cont'd)
5. SUBSIDIARIES AND ASSOCIATED COMPANIES

As at the LPD:

(i) PESTECH's subsidiaries comprise the following:

Name	Country of incorporation	Effective equity interest (%)	Principal Activities
PESTECH Sdn Bhd ("PSB")	Malaysia	100	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 Engineering Technology China Co Ltd	People's Republic of China	100	Provision of project management, electrical substations and transmission line erection and installation, supervision of testing and commissioning and civil works.
PESTECH Power Sdn Bhd ("PPW")	Malaysia	100	Investment holding and provision of establishing electric power transmission concessions.
PESTECH (PNG) Ltd	Papua New Guinea	100	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	Provision of electrical mechanical and civil engineering, subcontracting and engineering services and its related products.
PESTECH Technology Sdn Bhd ("PTE")	Malaysia	100	Provision of design, engineering, supply and commissioning of plant systems for power plants and rail electrification projects.
PESTECH Transmission Sdn. Bhd ("PTR")	Malaysia	100	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	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	Inactive.
PESTECH Aerotrains Sdn Bhd	Malaysia	100	Inactive.

INFORMATION ON PESTECH (cont'd)

<u>Name</u>	<u>Country of incorporation</u>	<u>Effective equity interest (%)</u>	<u>Principal Activities</u>
Fornix Sdn Bhd ("FNX")	Malaysia	100	Investment holding company.
PEPECT Vietnam Company Limited	Vietnam	100	Inactive.
<u>Subsidiary of FNX</u>			
Forward Metal Works Sdn Bhd	Malaysia	100	Investment holding company.
<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	Undertake 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	Supplying, installing, maintaining, repairing and operating power substation and power transmission.
PESTECH Power One Sdn Bhd ("PP1")	Malaysia	100	Investment holding company.
Astoria Solar Farm Sdn Bhd ("ASF")	Malaysia	100	Investment holding company.
PESTECH REI Sdn Bhd	Malaysia	90	Inactive.
PESTECH Pluginfinite Sdn Bhd	Malaysia	100	Inactive.

INFORMATION ON PESTECH (cont'd)

<u>Name</u>	<u>Country of incorporation</u>	<u>Effective equity interest (%)</u>	<u>Principal Activities</u>
<u>Subsidiary of PP1</u>			
ODM Power Line Company Limited	Cambodia	70	Construction of electrical substation and transmission line.
<u>Subsidiary of ASF</u>			
Green Sustainable Ventures (Cambodia) Co Ltd	Cambodia	94	Establish the infrastructure of power sector such as electric power generation, power transmission, power distribution and operation in Cambodia.
<u>Subsidiaries of PSB</u>			
PESTECH (Brunei) Sdn Bhd	Brunei	90	Inactive.
PESTECH Transmission Limited	Ghana	100	Inactive.
PESTECH GTI Sdn Bhd	Malaysia	100	Inactive.
<u>Subsidiary of PTE</u>			
CRSE Sdn Bhd	Malaysia	100	Provision of project management, engineering, design, procurement, construction and related support services in relation to railway electrical and mechanical projects.
<u>Subsidiary of PTR</u>			
PESTECH Transmission CDI SARL	Africa	100	Construction services.

(ii) PESTECH's associated companies comprise the following:

<u>Name</u>	<u>Country of incorporation</u>	<u>Effective equity interest (%)</u>	<u>Principal Activities</u>
Pestech Corporation	Philippines	38	Provision of consultancy, testing, commissioning and construction.
Transmission Energy Inc.	Philippines	40	Provision of comprehensive power system and technical solutions for the procurement and installation of substations and transmission lines.

INFORMATION ON PESTECH (cont'd)

6. PROFIT AND DIVIDEND RECORD

A summary of the Group's financial results for the past 4 financial years up to the FYE 30 June 2023 are as follows:

	Audited			Unaudited
	FYE 30 Jun 2020	FYE 30 Jun 2021	FYE 30 Jun 2022	FYE 30 Jun 2023
	RM'000	RM'000	RM'000	RM'000
Revenue	797,683	889,363	715,090	468,377
Profit/(loss) before tax	84,186	113,650	41,674	(310,235)
Profit/(loss) after tax	64,516	102,680	37,330	(316,406)
Profit/(loss) attributable to:				
- Owners of PESTECH	51,451	66,213	13,726	(257,682)
- Perpetual Sukuk holders	-	-	-	5,915
- Non-controlling interests	13,065	36,467	23,604	(64,639)
	64,516	102,680	37,330	(316,406)
Weighted average number of Shares ('000)	763,979	761,625	961,229	984,555
Basic earnings/(loss) per Share (sen)	6.73	8.70	1.43	(26.17)
Net dividend per Share (sen)	-	1.5	-	-

Save for the following exceptional items during the FYE 30 June 2023, there are other material exceptional items being recorded during financial years/period under review:

- (i) impairment loss on long overdue trade receivables amounting to RM13.4 million;
- (ii) negative fair value adjustment on a concession asset (i.e. the Group's disposal of the 230 kV Kampong Cham-Kratie Transmission System in Cambodia which was announced on 20 October 2022) amounting to RM110.3 million; and
- (iii) out-of-court settlement of RM20.0 million in respect of a material litigation involving a wholly-owned subsidiary of PESTECH.

7. STATEMENT OF ASSETS AND LIABILITIES

The Group's assets and liabilities as at 30 June 2021, 30 June 2022 and 30 June 2023 are as follows:

	Audited		Unaudited
	As at 30 Jun 2021	As at 30 Jun 2022	As at 30 Jun 2023
	RM'000	RM'000	RM'000
Non-current assets			
Property, plant and equipment	201,133	248,988	245,675
Intangible assets	92,592	92,799	16,436
Investment in associates	886	1,230	1,082
Derivative financial assets	-	2,975	1,461
Contract assets	956,577	956,942	838,122
Total	1,251,188	1,302,934	1,102,776

INFORMATION ON PESTECH (cont'd)

	Audited		Unaudited
	As at 30 Jun 2021 RM'000	As at 30 Jun 2022 RM'000	As at 30 Jun 2023 RM'000
<u>Current assets</u>			
Contract assets	934,641	1,190,822	912,303
Inventories	21,635	28,570	29,049
Trade receivables	217,236	222,174	170,575
Other receivables	66,161	108,870	124,428
Amount due from associate	150	2,833	3,412
Tax recoverable	10,991	5,561	6,034
Cash and short-term deposits	202,330	168,980	189,547
Total	1,453,144	1,727,810	1,435,348
Total assets	2,704,332	3,030,744	2,538,124
<u>Equity</u>			
Share capital	212,672	232,942	232,942
Treasury shares	(2,345)	(4,183)	(4,183)
Reserves	(48,066)	(1,084)	14,517
Retained earnings	419,290	425,466	167,784
NA	581,551	653,141	411,060
Perpetual Sukuk	48,550	100,000	100,000
Non-controlling interests	131,611	174,342	40,057
Total equity	761,712	927,483	551,117
<u>Non-current liabilities</u>			
Derivative financial liabilities	27,805	6,264	2,492
Lease liabilities	10,964	10,579	10,400
Loans and borrowings	757,857	780,147	672,557
Deferred tax liabilities	3,573	4,693	6,380
Trade payables	4,045	21,722	20,017
Total	804,244	823,405	711,846
<u>Current liabilities</u>			
Contract liabilities	3,089	2,377	2,099
Trade payables	524,172	572,431	685,132
Other payables	105,046	117,661	121,291
Lease liabilities	2,033	2,256	1,607
Loans and borrowings	491,866	581,358	459,402
Derivative financial liabilities	-	535	1,540
Tax payable	12,170	3,238	4,090
Total	1,138,376	1,279,856	1,275,161
Total equity and liabilities	2,704,332	3,030,744	2,538,124

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

The Board confirmed that, save as those disclosed in PESTECH's latest unaudited consolidated financial statements for the FYE 30 June 2023, there is no known material change in the Group's financial position subsequent to PESTECH's latest audited consolidated financial statements for the FYE 30 June 2022.

9. ACCOUNTING POLICIES

The audited consolidated financial statements of PESTECH for the past 3 financial years up to the FYE 30 June 2022 have been prepared in accordance with the Act and approved accounting standards in Malaysia, and there was no audit qualification in PESTECH's financial statements for the respective financial years under review.

INFORMATION ON PESTECH (cont'd)

There is no change in the accounting standards adopted by PESTECH which would result in a material variation to the comparable figures for the past 3 financial years up to the FYE 30 June 2022.

10. BORROWINGS

As at 31 August 2023, which is not more than 3 months preceding the LPD, the Group has total borrowings of approximately RM1.10 billion comprising the following:

Borrowings	Current RM'000	Non-Current RM'000	Total RM'000
Term loans	88,300	653,704	742,004
Bank overdrafts	50,137	-	50,137
Bankers' acceptances	13,424	-	13,424
Trust receipts	105,657	-	105,657
Revolving credit	187,241	-	187,241
Total borrowings	444,759	653,704	1,098,463

11. MATERIAL CONTINGENT LIABILITIES

Please refer to **Section 5 of Appendix II** of the Circular for the details.

12. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

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

13. MATERIAL CONTRACTS

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

- (i) the Subscription Agreement; and
- (ii) 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 2022.

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INFORMATION ON PESTECH (cont'd)

14. HISTORICAL PRICES

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

	<u>High</u>	<u>Low</u>	<u>As at the end of the month</u>
	RM	RM	RM
2023			
April	0.260	0.240	0.245
May	0.250	0.230	0.230
June	0.205	0.160	0.190
July	0.315	0.190	0.250
August	0.315	0.230	0.255
September	0.305	0.250	0.295

The last traded market price of PESTECH Shares as at the LTD and LPD are RM0.295 and 0.355 respectively.

During the period under review:

- (i) the highest closing market price was RM0.315, which was transacted on 18 July 2023 and 15 August 2023; and
- (ii) the lowest closing market price was RM0.16, which was transacted on 22 June 2023.

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INFORMATION ON IJM

1. HISTORY AND PRINCIPAL ACTIVITIES

IJM (198301008880 (104131-A)) was incorporated in Malaysia on 16 July 1983 under the name of Solidstate (M) Sdn Bhd. On 15 March 1984, the said company changed its name to IJM Engineering & Construction Sdn Bhd. On 28 February 1986, the said company was converted into a public company and was renamed to IJM Engineering & Construction Berhad. IJM assumed its present name on 16 December 1989.

IJM was listed on the Main Board (now known as the Main Market) of Bursa Securities on 29 September 1986.

The principal activities of IJM are construction and investment holding, whilst its subsidiaries are primarily engaged in construction, property development, manufacturing and quarrying, port operations, tollway operations and investment holding.

2. SHARE CAPITAL

2.1 Issued Share Capital

As at the LPD, the issued share capital of IJM is as follows:

<u>Issued share capital</u>	<u>No. of shares</u>	<u>Amount</u>
		<u>RM</u>
Ordinary shares in IJM ("IJM Shares")	3,647,566,120 IJM Shares (including 141,400,000 treasury shares)	6,132,290,441

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

2.2 Changes in Issued Share Capital

There are no changes in IJM's issued share capital since the end of the FYE 31 March 2023 (i.e. IJM's latest audited financial year) up to the LPD.

2.3 Convertible Securities

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

3. SUBSTANTIAL SHAREHOLDERS

As at the LPD, the substantial shareholders of IJM and their respective shareholdings in IJM are set out below:

<u>Name</u>	<u>Direct</u>		<u>Indirect</u>	
	<u>No. of IJM Shares</u>	<u>(i)%</u>	<u>No of IJM Shares</u>	<u>(i)%</u>
Employees Provident Fund Board	588,458,518	16.8	-	-
Kumpulan Wang Persaraan (Diperbadankan)	323,271,000	9.2	-	-
AmanahRaya Trustees Berhad – Amanah Saham Bumiputera	254,300,000	7.3	-	-
Urusharta Jamaah Sdn Bhd	175,460,969	5.0	-	-

Notes:

(i) Computed based on 3,506,166,120 IJM Shares as at the LPD (excluding 141,400,000 treasury shares).

INFORMATION ON IJM (cont'd)

4. DIRECTORS

As at the LPD, the Directors of IJM and their respective shareholdings in IJM are as follows:

Name/Designation	Correspondence address	Direct		Indirect	
		No. of IJM shares	(i)%	No. of IJM shares	(i)%
Tan Sri Dato' Tan Boon Seng @ Krishnan (Non-Executive Chairman)	22 Leboh Tamarind Taman Selatan 41200 Klang Selangor Darul Ehsan	9,847,466	0.3	(ii)1,021,972	(iii)
Lee Chun Fai (Chief Executive Officer & Managing Director)	2A Lorong PJU 7/17B Mutiara Damansara 47810 Petaling Jaya Selangor Darul Ehsan	977,500	(iii)	(ii)250,000	(iii)
Dato' David Frederick Wilson (Independent Non-Executive Director)	30 Jalan Indah 7/14 Taman Bukit Indah 81200 Johor Bahru Johor Darul Takzim	-	-	-	-
Goh Tian Sui (Independent Non-Executive Director)	152-4-8 Villa Flora Jalan Burhanuddin Helmi Taman Tun Dr Ismail 60000 Kuala Lumpur	-	-	(ii)10,000	(iii)
Tunku Alina Binti Raja Muhd Alias (Independent Non-Executive Director)	A-38-5 Sentral Residences 8, Jalan Stesen Sentral 2 KL Sentral 50470 Kuala Lumpur	-	-	-	-
Tan Ting Min (Independent Non-Executive Director)	22A Jalan Bukit Seputeh 1 Seputeh Heights 58000 Kuala Lumpur	-	-	-	-
Dato' Ir. Tan Gim Foo (Independent Non-Executive Director)	22A Jalan Sungai Beranang 32/52 Bukit Rimau 40460 Shah Alam Selangor Darul Ehsan	-	-	-	-
Loh Lay Choon (Independent Non-Executive Director)	PH 140 Adiva 8 Persiaran Residen Desa Parkcity 52200 Kuala Lumpur	-	-	-	-
Datuk Ir. Ahmad 'Asri Bin Abdul Hamid (Independent Non-Executive Director)	No. 102, Jalan 14/27A Seksyen 5, Wangsa Maju 53300 Kuala Lumpur	-	-	-	-
Datuk Lee Teck Yuen (Non-Executive Director)	8 Jalan Madge 55000 Kuala Lumpur	11,764,692	0.3	-	-
Azhar Bin Ahmad (Non-Executive Director)	No 7 Jalan Seri Putra 2/5A Bandar Seri Putra Bangi 43000 Kajang Selangor Darul Ehsan	-	-	-	-

INFORMATION ON IJM (cont'd)

Notes:

- (i) Computed based on 3,506,166,120 IJM Shares as at the LPD (excluding 141,400,000 treasury shares).
- (ii) Through a family member.
- (iii) Less than 0.1%.

5. SUBSIDIARIES AND ASSOCIATED COMPANIES

As at the LPD:

- (i) IJM's subsidiaries comprise the following:

Name of the company	Country of incorporation	Effective equity interest (%)	Principal activities
CIDB Inventures Sdn Bhd	Malaysia	100	Dormant
Emcee Corporation Sdn Bhd	Malaysia	100	Dormant
Globalcomm Solutions Sdn Bhd	Malaysia	60	Provision of telecommunication and surveillance systems
IJM Construction Sdn Bhd	Malaysia	100	Civil and building construction and investment holding
IJM Construction (Middle East) LLC	United Arab Emirates ("UAE")	100	Construction
IJM Highway Services Sdn Bhd	Malaysia	100	Provision of toll operation and maintenance services
IJM Investments (L) Limited	Malaysia (Labuan)	100	Investment holding
IJM Investments (M) Limited	Republic of Mauritius	100	Investment holding
IJM Land Berhad	Malaysia	100	Investment holding
IJM RE Sdn Bhd	Malaysia	100	Investment holding
IJM Treasury Management Sdn Bhd	Malaysia	100	Provision of financing and related management services
Industrial Concrete Products Sdn Bhd	Malaysia	100	Production and sale of concrete products and investment holding
Kamad Quarry Sdn Bhd	Malaysia	100	Under member's voluntary liquidation
IJM Shared Services Sdn Bhd	Malaysia	100	Provision of management services and investment holding
RB Manufacturing Sdn Bhd	Malaysia	100	Dormant
Road Builder (M) Holdings Bhd	Malaysia	100	Investment holding
Subsidiary of Globalcomm Solutions Sdn Bhd			
Globalcomm Telecommunications Sdn Bhd	Malaysia	37	Telecommunication tower sharing operator

INFORMATION ON IJM (cont'd)

<u>Name of the company</u>	<u>Country of incorporation</u>	<u>Effective equity interest (%)</u>	<u>Principal activities</u>
<u>Subsidiaries of IJM Construction Sdn Bhd</u>			
Commerce House Sdn Bhd	Malaysia	100	Trading in construction materials and providing insurance agency services
IJM Construction Vietnam Co Ltd	Vietnam	100	Provision of construction services, consulting service and installation of electrical system and mechanical system
IJM Investments J.A. Limited	UAE	100	Investment holding
IJM-Norwest JV	Unincorporated titles	100	Civil and building construction
Jurutama Sdn Bhd	Malaysia	100	Construction contract
Prebore Piling & Engineering Sdn Bhd	Malaysia	100	Piling, engineering and other construction works
Road Builder (M) Sdn Bhd	Malaysia	100	Civil and building construction
<u>Subsidiaries of IJM Investments J.A. Limited</u>			
IJM Construction (Pakistan) (Private) Limited	Pakistan	100	Civil and building construction
IM Technologies Pakistan (Private) Limited	Pakistan	60	Civil, building construction and property development
<u>Subsidiary of Road Builder (M) Sdn Bhd</u>			
RBM-PATI JV	Unincorporated titles	100	Construction
<u>Subsidiaries of IJM Investments (M) Limited</u>			
IEMCEE Infra (Mauritius) Limited	Republic of Mauritius	100	Investment holding
IJM Dewas (Mauritius) Limited	Republic of Mauritius	100	Investment holding
IJM Engineering (Mauritius) Limited	Republic of Mauritius	100	Investment holding
IJMII (Mauritius) Limited	Republic of Mauritius	100	Investment holding
IJM Rajasthan (Mauritius) Limited	Republic of Mauritius	100	Investment holding
IJM Realty (Mauritius) Limited	Republic of Mauritius	100	Investment holding
IJM Rewa (Mauritius) Limited	Republic of Mauritius	100	Investment holding
IJM Trichy (Mauritius) Ltd	Republic of Mauritius	100	Investment holding
IJM Vijayawada (Mauritius) Limited	Republic of Mauritius	100	Investment holding

INFORMATION ON IJM (cont'd)

<u>Name of the company</u>	<u>Country of incorporation</u>	<u>Effective equity interest (%)</u>	<u>Principal activities</u>
<u>Subsidiary of IJM Dewas (Mauritius) Limited</u>			
Dewas Bypass Tollway Private Limited	India	100	Highway development
<u>Subsidiary of IJM Engineering (Mauritius) Limited</u>			
Team Universal Infratech Private Limited	India	80	Construction
<u>Subsidiary of IJMII (Mauritius) Limited</u>			
IJM (India) Infrastructure Limited	India	99.9	Construction
<u>Subsidiaries of IJM (India) Infrastructure Limited</u>			
IJM (India) Geotechniques Private Limited	India	99.9	Soil investigation & testing, foundation laying & treatment & piling
IJM Lingamaneni Township Private Limited	India	99.8	Property development
Swarnandhra-IJMII Integrated Township Development Company Private Limited	India	51	Property development
Swarnandhra RoadCare Private Limited	India	99.9	Road maintenance
<u>Subsidiary of IJM Realty (Mauritius) Limited</u>			
Nagpur Integrated Township Private Limited	India	95	Property development
<u>Subsidiaries of IJM Rewa (Mauritius) Limited</u>			
Rewa Tollway Private Limited	India	100	Infrastructure development
Vijayapura Tollway Private Limited	India	100	Highway development

INFORMATION ON IJM (cont'd)

<u>Name of the company</u>	<u>Country of incorporation</u>	<u>Effective equity interest (%)</u>	<u>Principal activities</u>
<u>Subsidiary of IJM Vijayawada (Mauritius) Limited</u>			
Vijayawada Tollway Private Limited	India	99.9	Highway development
<u>Subsidiaries of IJM Land Berhad</u>			
Asas Panorama Sdn Bhd	Malaysia	60	Property development
Emko Properties Sdn Bhd	Malaysia	100	Property development
ERMS Berhad	Malaysia	100	Dormant
IJM Land Management Services Sdn Bhd	Malaysia	100	Provision of management services
IJM Properties Sdn Bhd	Malaysia	100	Property development and investment holding
Mintle Limited	Jersey	51	Property investment
RB Development Sdn Bhd	Malaysia	100	Property development
RB Land Sdn Bhd	Malaysia	100	Property development and construction activities
Sova Holdings Sdn Bhd	Malaysia	70	Property development
<u>Subsidiary of Emko Properties Sdn Bhd</u>			
Emko Management Services Sdn Bhd	Malaysia	100	Property management
<u>Subsidiary of ERMS Berhad</u>			
Holiday Villa Management Sdn Bhd	Malaysia	100	Dormant
<u>Subsidiaries of IJM Properties Sdn Bhd</u>			
Aqua Aspect Sdn Bhd	Malaysia	80	Property development
Chen Yu Land Sdn Bhd	Malaysia	100	Property development
Cypress Potential Sdn Bhd	Malaysia	70	Property development activities and property investment
Era Moden Hartanah Sdn Bhd	Malaysia	55	Dormant
Ever Mark (M) Sdn Bhd	Malaysia	100	Dormant
IJM Management Services Sdn Bhd	Malaysia	100	Providing project and construction management services and sales and marketing services
IJMP-MK Joint Venture	Unincorporated titles	100	Property development
Jalanan Masyhur Sdn Bhd	Malaysia	51	Dormant
Jelutong Development Sdn Bhd	Malaysia	80	Property development

INFORMATION ON IJM (cont'd)

<u>Name of the company</u>	<u>Country of incorporation</u>	<u>Effective equity interest (%)</u>	<u>Principal activities</u>
Larut Leisure Enterprise (Hong Kong) Limited	Hong Kong	99	Investment holding
Liberty Heritage (M) Sdn Bhd	Malaysia	100	Under member's voluntary liquidation
Manda'rina Sdn Bhd	Malaysia	100	Property development
Maxharta Sdn Bhd	Malaysia	100	Investment holding and property development
NS Central Market Sdn Bhd	Malaysia	70	Dormant
Preferred Accomplishment Sdn Bhd	Malaysia	100	Sale of electricity
Radiant Pillar Sdn Bhd	Malaysia	100	Property development and investment holding
Sinaran Intisari (M) Sdn Bhd	Malaysia	100	Dormant
Suria Bistari Development Sdn Bhd	Malaysia	51	Property development
The Light Waterfront Sdn Bhd	Malaysia	100	Dormant
Valencia Terrace Sdn Bhd	Malaysia	100	Property development
Worldwide Ventures Sdn Bhd	Malaysia	86	Property development and investment
Sierra Ukay Sdn Bhd	Malaysia	100	Property development
<u>Subsidiary of Cypress Potential Sdn Bhd</u>			
Sebana Golf & Marina Resort Berhad	Malaysia	70	Resort, marina and golf course operator
<u>Subsidiary of Larut Leisure Enterprise (Hong Kong) Limited</u>			
Jilin Dingtai Enterprise Development Co Ltd	People's Republic of China	99	Property development
<u>Subsidiaries of Maxharta Sdn Bhd</u>			
Eksplorasi Cemerlang Sdn Bhd	Malaysia	100	Selling and processing of vouchers related to the sale of property development units
Jelita Kasturi Sdn Bhd	Malaysia	100	Property development
Panorama Jelita Sdn Bhd	Malaysia	100	Property development
<u>Subsidiaries of Radiant Pillar Sdn Bhd</u>			
Bandar Rimbayu Sdn Bhd	Malaysia	100	Property development

INFORMATION ON IJM (cont'd)

<u>Name of the company</u>	<u>Country of incorporation</u>	<u>Effective equity interest (%)</u>	<u>Principal activities</u>
IJMP-RPSB Joint Venture	Unincorporated titles	100	Dormant
<u>Subsidiary of Worldwide Ventures Sdn Bhd</u>			
Island Golf View Sdn Bhd	Malaysia	86	Property development
<u>Subsidiary of Mintle Limited</u>			
RMS (England) Limited	England and Wales	51	Property development
<u>Subsidiaries of RMS (England) Limited</u>			
RMS (England) 1 Limited	England and Wales	51	Dormant
RMS (England) 2 Limited	England and Wales	51	Dormant
RMG Residential Management Limited	England and Wales	51	Dormant
RMS (England) Rentals Limited	England and Wales	51	Letting and operating of own real estate
<u>Subsidiaries of RB Land Sdn Bhd</u>			
Aras Varia Sdn Bhd	Malaysia	100	Property development and clubhouse operations
Casa Warna Sdn Bhd	Malaysia	100	Under member's voluntary liquidation
Dian Warna Sdn Bhd	Malaysia	100	Property development
Ikatan Flora Sdn Bhd	Malaysia	100	Property development
Murni Lapisan Sdn Bhd	Malaysia	100	Property development and construction activities
RB Property Management Sdn Bhd	Malaysia	100	Property development
Seremban Two Holdings Sdn Bhd	Malaysia	100	Property development
Seremban Two Property Management Sdn Bhd	Malaysia	100	Under member's voluntary liquidation
Seremban Two Properties Sdn Bhd	Malaysia	100	Property development
Shah Alam 2 Sdn Bhd	Malaysia	100	Property development
Tarikan Abadi Sdn Bhd	Malaysia	100	Property development
Titian Tegas Sdn Bhd	Malaysia	100	Property development
Unggul Senja Sdn Bhd	Malaysia	100	Property development
<u>Subsidiary of IJM RE Sdn Bhd</u>			
IJM RE Commercial Sdn Bhd	Malaysia	100	Investment holding

INFORMATION ON IJM (cont'd)

<u>Name of the company</u>	<u>Country of incorporation</u>	<u>Effective equity interest (%)</u>	<u>Principal activities</u>
<u>Subsidiary of IJM RE Commercial Sdn Bhd</u>			
Fairview Valley Sdn Bhd	Malaysia	100	Property investment and investment holding
<u>Subsidiaries of Industrial Concrete Products Sdn Bhd</u>			
Durabon Sdn Bhd	Malaysia	100	Processing and sales of steel bars
ICP Marketing Sdn Bhd	Malaysia	100	Dormant
IJM Building Systems Sdn Bhd	Malaysia	100	Construction contracts, trading and rental of aluminium formworks
IJM IBS Sdn Bhd	Malaysia	100	Manufacturing of industrialised building system and provision of technical services related thereto
Malaysian Rock Products Sdn Bhd	Malaysia	100	Quarrying, sale of rock products and investment holding
ICPB (Mauritius) Limited	Mauritius	100	Investment holding
<u>Subsidiary of ICPB (Mauritius) Limited</u>			
IJM Concrete Products Private Limited	India	100	Production and supply of ready-mixed concrete
<u>Subsidiary of IJM Concrete Products Private Limited</u>			
IJM-AIKYA Joint Venture	India	100	Ceased operations
<u>Subsidiaries of Malaysian Rock Products Sdn Bhd</u>			
Azam Ekuiti Sdn Bhd	Malaysia	100	Leaseholder of quarry land
IJM Concrete (Private) Limited	UAE	60	Dormant
IJM Concrete Products Pakistan (Private) Limited	Pakistan	100	Dormant
IJM Minerals Sdn Bhd (formerly known as ICP Precast Products Sdn Bhd)	Malaysia	100	Quarrying, sale of limestone products and investment holding
Kuang Rock Products Sdn Bhd	Malaysia	100	Quarrying and sale of rock products
Oriental Empire Sdn Bhd	Malaysia	100	Leaseholder of quarry land
Scaffold Master Sdn Bhd	Malaysia	100	Sale and rental of steel scaffolding
Strong Mixed Concrete Sdn Bhd	Malaysia	100	Production and supply of ready-mixed concrete
Warga Sepakat Sdn Bhd	Malaysia	100	Leaseholder of quarry land

INFORMATION ON IJM (cont'd)

<u>Name of the company</u>	<u>Country of incorporation</u>	<u>Effective equity interest (%)</u>	<u>Principal activities</u>
<u>Subsidiary of Strong Mixed Concrete Sdn Bhd</u>			
SMC Islamabad (Private) Limited	Pakistan	60	Dormant
<u>Subsidiary of RB Manufacturing Sdn Bhd</u>			
Kuching Riverine Resort Management Sdn Bhd	Malaysia	100	Property management
<u>Subsidiaries of Road Builder (M) Holdings Bhd</u>			
Besraya (M) Sdn Bhd	Malaysia	100	Toll road operation
Essmarine Terminal Sdn Bhd	Malaysia	100	Investment holding
Gagah Garuda Sdn Bhd	Malaysia	100	Investment holding
HMS Resource Sdn Bhd	Malaysia	100	Investment holding
ITD Media & Advertising Sdn Bhd	Malaysia	100	Advertising services
Kuantan Port Consortium Sdn Bhd	Malaysia	60	Port management
New Pantai Expressway Sdn Bhd	Malaysia	100	Design, construction, Sdn Bhd management, operation and maintenance of New Pantai Highway
NPE Property Development Sdn Bhd	Malaysia	100	Property development
<u>Subsidiary of Kuantan Port Consortium Sdn Bhd</u>			
KP Port Services Sdn Bhd	Malaysia	60	Port supporting services, stevedorage, storage handling and providing nitrogen purging and pigging services

(ii) IJM's associated companies comprise the following:

<u>Name of the company</u>	<u>Country of incorporation</u>	<u>Effective equity interest (%)</u>	<u>Principal activities</u>
Bionic Land Berhad	Malaysia	20	Investment holding and provision of management services
Emas Utilities Corporation Sdn Bhd	Malaysia	40	Investment holding
Grupo Concesionario del Oeste SA	Argentina	20.1	Construction, renovation, repair, conservation and operation of Acceso Oeste highway
Inversiones E Inmobiliaria Sur-Sur SA	Chile	25	Dormant
WCE Holdings Berhad	Malaysia	26.7	Investment holding

INFORMATION ON IJM (cont'd)

<u>Name of the company</u>	<u>Country of incorporation</u>	<u>Effective equity interest (%)</u>	<u>Principal activities</u>
<u>Associate company held through IEMCEE Infra (Mauritius) Limited</u>			
GVK Gautami Power Limited	India	20	Power generation
<u>Associate companies held through IJM Construction Sdn Bhd</u>			
Hexacon Construction Pte Limited	Singapore	45.5	Civil and building construction
Highway Master Sdn Bhd	Malaysia	50	Road pavement construction
Integrated Water Services (M) Sdn Bhd	Malaysia	35	Operation and maintenance of a water treatment plant
<u>Associate company held through IJM Investments (L) Limited</u>			
Earning Edge Sdn Bhd	Malaysia	22	Dormant
<u>Associate companies held through IJM Land Berhad</u>			
Kuantan Pahang Holding Sdn Bhd	Malaysia	40	Investment holding
Urban Reach Sdn Bhd	Malaysia	45	Investment holding, investment in properties, leasing and management of properties and property development
<u>Associate company held through Asas Panorama Sdn Bhd</u>			
MCKILP Development Sdn Bhd	Malaysia	29	Property development
<u>Associate company held through IJM Properties Sdn Bhd</u>			
MASSCORP-Vietnam Sdn Bhd	Malaysia	20	Investment holding
<u>Associate company held through KP Port Services Sdn Bhd</u>			
KP Depot Services Sdn Bhd	Malaysia	18	Provision of container depot services
<u>Associate company held through Road Builder (M) Holdings Bhd</u>			
West Coast Expressway Sdn Bhd	Malaysia	41	Design, construction and development of the West Coast Expressway Project and managing its toll operations

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INFORMATION ON IJM (cont'd)

6. PROFIT AND DIVIDEND RECORD

A summary of the IJM Group's financial results for the past 3 financial years up to the FYE 31 March 2023 and during the latest 3-month FPE 30 June 2023 are as follows:

	Audited			Unaudited
	FYE	FYE	FYE	3-month FPE
	31 Mar 2021	31 Mar 2022	31 Mar 2023	30 Jun 2023
	RM'000	RM'000	RM'000	RM'000
Revenue	4,687,177	4,408,980	4,572,485	1,225,826
Profit before tax	511,149	317,871	483,028	180,122
Profit after tax	647,261	885,204	211,596	114,859
Profit attributable to				
- Owners of IJM	433,879	794,890	158,275	100,642
- Perpetual Sukuk	46,534	46,544	46,555	11,557
- Non-controlling interests	166,848	43,770	6,766	2,660
	647,261	885,204	211,596	114,859
Weighted average number of Shares ('000)	3,624,605	3,581,465	3,521,221	3,512,413
Basic EPS (sen)	12.0	22.2	4.5	2.87
Net dividend per Share (sen)	6.0	21.0	8.0	-

Save for the gain on disposal of a subsidiary of IJM during the FYE 31 March 2022 totalling RM633.8 million, there are no other material exceptional items being recorded during financial years/period under review.

7. STATEMENT OF ASSETS AND LIABILITIES

The IJM Group's assets and liabilities as at 31 March 2022, 31 March 2023 and 30 June 2023 are as follows:

	Audited		Unaudited
	As at	As at	As at
	31 Mar 2022	31 Mar 2023	30 Jun 2023
	RM'000	RM'000	RM'000
<u>Non-current assets</u>			
Property, plant and equipment	1,045,004	979,189	975,736
Right-of-use assets	195,456	233,370	229,170
Investment properties	618,106	612,246	610,055
Concession assets	4,142,307	3,994,564	4,027,194
Associates	898,773	941,181	939,630
Joint ventures	530,635	550,382	566,366
Financial assets at fair value through other comprehensive income	3,665	3,665	3,665
Long term receivables	151,397	235,221	234,912
Intangible assets	93,565	125,414	117,573
Deferred tax assets	458,456	463,512	456,884
Inventories	515,781	537,397	550,083
Total	8,653,145	8,676,141	8,711,268

INFORMATION ON IJM (cont'd)

	Audited		Unaudited
	As at	As at	As at
	31 Mar 2022	31 Mar 2023	30 Jun 2023
	RM'000	RM'000	RM'000
<u>Current assets</u>			
Inventories	7,037,290	6,672,599	6,669,141
Trade and other receivables	1,301,946	1,261,800	1,444,928
Contract assets	390,755	432,016	446,702
Financial assets at fair value through profit or loss	611,279	541,934	635,738
Tax recoverable	99,443	98,904	106,991
Deposits, cash and bank balances	2,908,655	2,825,163	2,518,243
Assets held for sale	9,535	2,038	2,038
Total	12,358,903	11,834,454	11,823,781
Total assets	21,012,048	20,510,595	20,535,049
<u>Equity</u>			
Share capital	6,127,731	6,132,406	6,132,406
Treasury shares	(189,939)	(224,912)	(230,829)
Shares held under trust	(1,263)	(1,263)	(1,263)
Exchange translation reserve	(91,059)	(87,990)	(69,229)
Share-based payment reserve	91,075	-	-
Other reserves	952	952	952
Retained profits	4,000,050	4,024,571	3,914,670
NA	9,937,547	9,843,764	9,746,707
Perpetual Sukuk of a subsidiary	847,924	847,817	859,374
Non-controlling interests	675,263	269,489	269,044
Total	11,460,734	10,961,070	10,875,125
<u>Non-current liabilities</u>			
Bonds	2,557,333	2,572,025	2,472,238
Term loans	1,304,618	1,057,825	1,085,941
Government support loans	37,319	21,129	11,461
Lease liabilities	21,178	52,440	51,218
Deferred tax liabilities	509,400	491,158	489,891
Trade and other payables	284,701	293,503	324,224
Retirement benefits	1,717	1,877	1,877
Deferred income	272,557	258,778	267,916
Total	4,988,823	4,748,735	4,704,766
<u>Current liabilities</u>			
Contract liabilities	226,901	309,089	325,651
Trade and other payables	2,676,140	2,679,845	2,850,346
Lease liabilities	10,366	18,410	16,206
Current tax liabilities	25,624	86,521	64,042
Derivative financial instruments	337	-	-
Provisions	2,714	2,992	4,087
Borrowings	1,620,409	1,703,933	1,694,826
Total	4,562,491	4,800,790	4,955,158
Total liabilities and equity	21,012,048	20,510,595	20,535,049

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

Save as those disclosed in IJM's latest unaudited consolidated financial statements for the 3-month FPE 30 June 2023, there is no known material change in the IJM Group's financial position subsequent to IJM's latest audited consolidated financial statements for the FYE 31 March 2023.

9. ACCOUNTING POLICIES

The audited consolidated financial statements of IJM for the past 3 financial years up to the FYE 31 March 2023 have been prepared in accordance with the Act and approved accounting standards in Malaysia, and there was no audit qualification in IJM's financial statements for the respective financial years under review.

There is also no change in the accounting standards adopted by IJM which would result in a material variation to the comparable figures for the past 3 financial years up to the FYE 31 March 2023 except for the adoption of the IFRIC Agenda Decision on IAS 23 'Borrowing Costs' and the effect was disclosed in Note 56 to the financial statements for FYE 31 March 2022.

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FURTHER INFORMATION

1. DISCLOSURE OF INTERESTS AND DEALINGS IN SHARES AND CONVERTIBLE SECURITIES
1.1 By PESTECH
(i) Disclosure of interests in IJM

As at the LPD, PESTECH does not have any interest, direct or indirect, in any voting shares and/or convertible securities of IJM.

(ii) Dealings in the securities of IJM

PESTECH has not dealt, directly or indirectly, in any voting shares and/or convertible securities of IJM 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 this Attachment I**, 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 and ending on the LPD:

<u>Name</u>	<u>Date of transaction</u>	<u>Nature of transaction</u>	<u>No. of Shares transacted</u>		<u>Transacted price</u>
				(a)%	RM
Lim Ah Hock	20 Jan 2023	Disposal of Shares via direct business transaction	260,000	(b)	0.310
	2 Aug 2023	Disposal of Shares via direct business transaction	20,000,000	2.0	0.225

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 IJM

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 IJM.

FURTHER INFORMATION (cont'd)

(iv) Dealings in the securities of IJM

The Directors of PESTECH have not dealt, directly or indirectly, in any voting shares and/or convertible securities in IJM during the period beginning 6 months prior to the Announcement and ending on the LPD.

1.3 By IJM**(i) Disclosure of interests in PESTECH**

As at the LPD, IJM 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

IJM 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 IJM

Save as disclosed below, IJM has not dealt, directly or indirectly, in any voting shares and/or convertible securities of IJM during the period beginning 6 months prior to the Announcement and ending on the LPD:

Date of transaction	Nature of transaction	No. of IJM Shares transacted		Transacted price
			(a)%	
				RM
9 Jun 2023	Share buy-back	420,800	(b)	1.58 – 1.60
16 Jun 2023	Share buy-back	550,000	(b)	1.56 – 1.58
19 Jun 2023	Share buy-back	500,000	(b)	1.56 – 1.57
20 Jun 2023	Share buy-back	520,000	(b)	1.53
21 Jun 2023	Share buy-back	535,000	(b)	1.50
22 Jun 2023	Share buy-back	520,000	(b)	1.49 – 1.50
23 Jun 2023	Share buy-back	400,000	(b)	1.49
26 Jun 2023	Share buy-back	400,000	(b)	1.50
3 Jul 2023	Share buy-back	50,000	(b)	1.49
4 Jul 2023	Share buy-back	530,000	(b)	1.47 – 1.49
5 Jul 2023	Share buy-back	450,000	(b)	1.45 – 1.47
7 Jul 2023	Share buy-back	360,000	(b)	1.48
11 Jul 2023	Share buy-back	400,000	(b)	1.46
12 Jul 2023	Share buy-back	400,000	(b)	1.46 – 1.47
20 Jul 2023	Share buy-back	400,000	(b)	1.48
24 Jul 2023	Share buy-back	300,000	(b)	1.47

Notes:

(a) Computed based on total number of IJM Shares in issue as at the prevailing transaction date.

(b) Less than 1%.

FURTHER INFORMATION *(Cont'd)*

1.4 By the Directors of IJM**(i) Disclosure of interests in PESTECH**

The Directors of IJM 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 IJM 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.

1.5 By persons who have irrevocably committed themselves to vote in favour of or against the Proposed Exemption

Save as disclosed in **Section 2.10, 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.

1.6 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.

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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 unless extended further by mutual agreement between the Company and Subscriber ("**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 of the SC for the Proposed Exemption.
 - d. the approval of Bursa Securities for the listing of 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
 - g. the approval(s) or consent(s) of any relevant authority and/or parties, if required(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) below) 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. 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
 - c. 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.

APPENDIX I - SALIENT TERMS OF THE SUBSCRIPTION AGREEMENT (CONT'D)

- 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 save and except for any Condition Precedent that is for the Subscriber to fulfil. 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) below ("**Subscription Monies**").
- ii. the Subscriber shall, within five (5) Market Days from the date the Subscription Agreement becomes unconditional in accordance with Section 1(iii) above ("**Unconditional Date**"):-
- a. deposit the Subscription Monies with AIS by way of telegraphic transfer to the bank account nominated by the Placement Agent; and
- b. provide all information as may be 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) below.
- iii. unless otherwise agreed by the parties in writing, the Company shall utilise the Subscription Monies in a manner consistent with the proposed utilisation as set out below and shall ensure that the proposed utilisation (as set out below or agreed otherwise by the parties in writing) is reflected accordingly in the circular to shareholders of the Company:-

Details	RM (RM'000)
Repayment of bank borrowings	35,000
Working Capital	85,000
Estimated expenses in relation to the Proposals by the Company	4,000
Total	124,000

3. Completion

- i. completion of the issuance and allotment of the Restricted Shares under the Subscription Agreement ("**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 in accordance with Section 7 below; and

APPENDIX I - SALIENT TERMS OF THE SUBSCRIPTION AGREEMENT (CONT'D)

- 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 (i.e. 31 March 2023) 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 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 CDS Account, the Placement Agent is authorised to release the Subscription Monies 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 of directors of the Company.
- 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 and warranties

- i. 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(i) prior to Completion, the party entitled to exercise the right to terminate under Section 6 below 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.

APPENDIX I - SALIENT TERMS OF THE SUBSCRIPTION AGREEMENT (CONT'D)

ii. 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(ii)(b)(i) below 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) above. 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(ii):-

- 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 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. 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;

APPENDIX I - SALIENT TERMS OF THE SUBSCRIPTION AGREEMENT (CONT'D)

- 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) above.
- ii. **Minimum Claims**
- a. the Indemnifying Party shall not be liable under Section 5(i) above 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) above shall not exceed 50% of the Subscription Price paid by the Subscriber.

6. Termination

- 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;

APPENDIX I - SALIENT TERMS OF THE SUBSCRIPTION AGREEMENT (CONT'D)

- 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) above 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;

APPENDIX I - SALIENT TERMS OF THE SUBSCRIPTION AGREEMENT (CONT'D)

- 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; or
- h. an event analogous to any of the Sections 6(ii)(d), (e), (f) or (g) above 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. all rights and obligations of the parties shall cease to have effect immediately upon termination of the Subscription Agreement save for the survival provisions as 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 the respective rights and liabilities of each of the parties accrued prior to such 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.

7. The Subscriber's right to nominate directors

- i. the Subscriber may nominate two (2) directors to the board of directors of the Company on Completion and subject always that the total number of directors shall not be more than eight (8), and at all times, the independent directors shall not be less than 50% of the board. The Subscriber is entitled to nominate to the board of directors of the Company to form not less than 25% of the board from time to time.
- 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.

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APPENDIX II - FINANCIAL INFORMATION

The following table sets out a summary of the audited consolidated financial statements of PESTECH Group for the past three (3) financial years up to the FYE 30 June 2022 and the latest unaudited consolidated financial statements of the Group for the FYE 30 June 2023:-

	<-----Audited----->			<--Unaudited-->
	<-----FYE 30 June----->			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Revenue	797,683	889,363	715,090	468,377
PBT/ (LBT)	84,186	113,650	41,674	(310,235)
PAT/ (LAT)	64,516	102,680	37,330	(316,406)
PAT/ (LAT) attributable to:-				
- Owners of the company	51,451	64,846	9,982	(257,682)
- Non-controlling interest	13,065	36,467	23,604	(64,639)
- Perpetual Sukuk holders	-	1,367	3,744	5,915
Shareholders' equity/ NA	515,680	581,551	653,141	411,060
Borrowings (interest-bearing)	1,207,840	1,262,720	1,374,340	1,143,966
Gearing ratio (times)	2.34	2.17	2.10	2.78
No. of Shares (excluding treasury shares) ('000)	763,130	761,172	984,555	984,555
EPS/ (LPS) (sen) ^{*1}	6.74	8.52	1.01	(26.17)
NA per Share (RM)	0.68	0.76	0.66	0.42
Current ratio (times)	1.08	1.28	1.35	1.13

Note:-

*1 Based on the PAT/ (LAT) attributable to owners of the Company

Commentary on past performance

FYE 30 June 2021 vs FYE 30 June 2020

For the FYE 30 June 2021, the Group's revenue increased by RM91.68 million or approximately 11.49% to RM889.36 million mainly due to higher revenue contribution from the power substations, transmission lines, and rail electrification and signalling segments.

The Group recorded a PBT of RM113.65 million representing a significant increase of RM29.46 million or 35.00% as compared to the PBT for the previous financial year. The increase in PBT was in tandem with the higher revenue and also due to additional interest income derived from the completed projects with deferred payment scheme during the financial year under review. Correspondingly, the PAT attributable to the equity holders of the Company increased by RM13.40 million or 26.03% to RM64.85 million.

In addition, the borrowings increased by RM54.88 million or 4.54% to RM1.26 billion mainly attributable to two new term loans of RM109.66 million and RM37.88 million drawdowns for a transmission lines related project and to finance the construction of a solar power plant in Cambodia, respectively.

APPENDIX II - FINANCIAL INFORMATION (CONT'D)

FYE 30 June 2022 vs FYE 30 June 2021

For the FYE 30 June 2022, the Group recorded a revenue of RM715.09 million representing a decrease of RM174.27 million or 19.60% as compared to the revenue of the previous financial year. This 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 PBT of RM41.67 million representing a significant decrease of RM71.98 million or 63.33% as compared to the PBT for the previous financial year. The decline in PBT was also 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. Correspondingly, the Group's PAT attributable to the equity holders of the Company decreased by RM54.86 million or approximately 84.61% to RM9.98 million during the financial year under review.

The Group incurred borrowings totalling to RM1.37 billion representing an increase of RM111.62 million or 8.84% as compared to the previous financial year. The increase was mainly attributable to the further drawdown of term loans to finance a transmission lines related project and construction of the solar power plant in Cambodia.

Unaudited FYE 30 June 2023 vs FYE 30 June 2022

For the FYE 30 June 2023, the Group recorded an unaudited revenue of RM468.38 million representing a decrease of RM246.71 million or 34.50%. The decline 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.

The Group recorded a LBT of approximately RM310.24 million as compared to the PBT of RM41.67 million recorded in the previous financial year. This was mainly due to the following:-

- i. a one-off fair value adjustment of RM110.31 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 goodwill from the acquisition of a subsidiary of RM2.58 million;
- iv. impairment of property, plant and equipment of RM1.00 million;
- v. impairment of receivables amounting to RM13.37 million; and
- vi. interest hikes and threats of an approaching inflation.

Correspondingly, the Group recorded a LAT attributable to the equity holders of the Company of RM257.68 million as compared to a PAT attributable to the equity holders of the Company of RM9.98 million during the financial year under review.

The Group's borrowings decreased by RM230.37 million or 16.76% to RM1.14 billion mainly due to repayment of borrowings.

APPENDIX III - FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board, and they collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts, the omission of which would make any statement in this Circular false or misleading.

2. CONSENT AND DECLARATION OF CONFLICT OF INTEREST

i. 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 and its subsidiaries ("**ABMB Group**") have extended credit facilities to PESTECH Group in the ordinary course of its business. Notwithstanding the above, AIS is of the opinion that the financial relationship between ABMB Group and PESTECH 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 2023 of RM6.75 billion;
- 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. AIS is a registered person permitted to carry on the regulated activity of advising on corporate finance under the CMSA and its appointment as the Principal Adviser for the Proposals and Placement Agent for the Proposed Restricted Issue is in the ordinary course of its business.

For information purpose, RM35.00 million of the proceeds raised from the Proposed Restricted Issue is earmarked for the repayment of the Credit Facility.

ii. Financial adviser

Newfields Advisors Sdn Bhd, being the financial adviser 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.

Newfields Advisors Sdn Bhd 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 financial adviser for the Proposed Restricted Issue.

iii. 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.

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**Shah Alam High Court, Civil Suit No. BA-22NCVC-85-02/2021, PESTECH Technology Sdn Bhd (“PTE”) vs Lion Pacific Sdn Bhd (“LPSB”)**

On 2 March 2021, LPSB initiated a suit in the High Court against PTE, raising allegations arising out of the systems package works 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 judgment, wherein both parties agreed to proceed with the High Court Suit at the High Court.

The next case management is fixed on 25 October 2023.

The instructing solicitors acting for PTE are unable to determine the financial outcome at this juncture.

ii. Transgrid Ventures Sdn Bhd**Court of Appeal, Civil Appeal Nos. W-02(C)(A)-278-02/2021, W-02(C)(A)-279-02/2021 and W-02(C)(A)-1669-12/2020, TGV vs CRSE**

On 18 December 2017, TGV commenced arbitration proceedings against CRSE, a wholly-owned subsidiary of PTE, for an alleged outstanding sum of RM29,362,000 under the subcontract entered into between both parties vide a letter of award dated 10 January 2017 (“**Impugned LOA**”) (“**Original Claims**”).

APPENDIX III - FURTHER INFORMATION (CONT'D)

On 31 October 2019, CRSE obtained the arbitration award with costs totalling RM383,414.79 granted in their favour ("**CRSE Arbitration Award**").

However, TGV commenced two (2) applications in the High Court to claim for the Original Claims ("**Section 42 Application**") and to vary and set aside the CRSE Arbitration Award ("**Section 37 Application**"). Concurrently, CRSE filed an application to the High Court to enforce and recognise the CRSE Arbitration Award against TGV ("**CRSE Enforcement Application**").

In respect of the Section 42 Application, the High Court dismissed TGV's application on 6 October 2020 and TGV filed an appeal to the Court of Appeal on 2 November 2020 ("**TGV COA Appeal 1**").

In respect of the Section 37 Application, the High Court dismissed TGV's application on 11 January 2021 and TGV filed an appeal to the Court of Appeal on 8 February 2021 ("**TGV COA Appeal 2**").

In respect of the CRSE Enforcement Application, the High Court allowed CRSE's application on 11 January 2021 ("**CRSE High Court Order**"). On 8 February 2021, TGV filed an appeal to the Court of Appeal being dissatisfied with the CRSE High Court Order ("**TGV COA Appeal 3**").

The TGV COA Appeal 1, TGV COA Appeal 2 and TGV COA Appeal 3 were fixed for case managements on 12 January 2023, 25 January 2023 and 22 February 2023. During the case management on 22 February 2023, the Court of Appeal fixed the TGV COA Appeal 1, TGV COA Appeal 2 and TGV COA Appeal 3 for hearing on 27 October 2023.

On 1 March 2023, TGV and CRSE entered into a settlement agreement. Based on the settlement agreement, TGV agreed to accept the sum of RM20,000,000 from CRSE ("**Settlement Sum**") as a global settlement for the Court of Appeal Civil Appeal Nos. W-02(C)(A)-278-02/2021 and W-02(C)(A)-279-02/2021 ("**COA Appeals**") on the terms and conditions as set out in the settlement agreement.

Other salient terms of the settlement agreement are set out below:-

- i. In consideration of the Settlement Sum, TGV shall withdraw, discontinue or cause to be withdrawn or discontinued forthwith the COA Appeals filed and/ or commenced by TGV and/ or its representative(s) against CRSE and/ or its director(s) and/ or shareholder(s) with no liberty to file afresh or be set aside for any reason whatsoever and without any costs whatsoever;
- ii. Upon payment of the Settlement Sum, TGV does not have any past, present or future rights and obligations whatsoever in respect of the Impugned LOA except if any of the terms of the settlement agreement were in breach by any parties;
- iii. TGV will not institute any fresh or new legal suit or take any other suit, proceeding and/ or arbitration proceeding(s) or action(s) whatsoever against CRSE or any of its related companies in respect of the Impugned LOA and/ or the subject matter or cause of action of the COA Appeals;
- iv. TGV shall have no past, future or present claims whatsoever and/ or any recourse howsoever against CRSE in respect of the Impugned LOA, the subject matter or cause of action of the COA Appeals except if any of the terms of the settlement agreement were in breach by any parties; and

APPENDIX III - FURTHER INFORMATION (CONT'D)

- v. TGV and CRSE agree that nothing contained in the settlement agreement is intended or should be interpreted as an admission of fault, guilt, liability and/ or any form of wrongdoing whatsoever by CRSE, each of which expressly denies any fault, guilt, liability and/ or any form of wrongdoing whatsoever.

The Settlement Sum was fully paid by CRSE to TGV on 7 August 2023.

Both parties have agreed to withdraw the three (3) aforementioned appeals by way of consent orders to be recorded before the Court of Appeal. The next case management (e-Review) is fixed on 13 October 2023 and the hearing is fixed on 27 October 2023.

iii. **Cu-bera Jaya Sdn Bhd**

Kuala Lumpur High Court Civil Suit No. WA-22C-89-12/2022, Cu-bera Jaya Sdn Bhd (“Cu-bera”) vs Pembinaan Tajri Sdn Bhd and CRSE

On 30 December 2022, Cu-bera served its Statement of Claim dated 16 December 2022, claiming for damages arising from alleged unlawful interference and inducement, for the sum of RM3,235,587.34 in the Kuala Lumpur High Court against CRSE (as the 2nd Defendant).

CRSE had filed its Memorandum of Appearance dated 10 January 2023, Statement of Defence and Counterclaim dated 10 February 2023, and Reply to Plaintiff's Amended Reply to 2nd Defendant's Defence and 2nd Defendant's Counterclaim dated 25 April 2023.

Both parties are required to update the Court on the outcome of the mediation fixed on 6 November 2023 and the next case management is fixed on 17 November 2023. The trials dates are fixed on 11-15 March 2024, 18-22 March 2024 and 25-27 March 2024.

The instructing solicitors acting for CRSE are unable to determine the financial outcome at this juncture.

iv. **Syarikat Pembinaan Yeoh Tiong Lay Sdn Bhd**

Kuala Lumpur High Court, Originating Summons No. WA-24C-92-06/2023, PTE (Plaintiff) vs Maybank Islamic Berhad (“MIB”) (1st Defendant) and SPYTL (2nd Defendant)

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 (“**Project**”). On 18 December 2018, SPYTL and PTE entered into the sub-contracting agreement for the Project (“**Sub-contracting Agreement**”).

On 10 May 2023, PTE received a Notice of Termination for Default from SPYTL terminating PTE as the subcontractor for the Project. Further thereto, SPYTL attempted to call on the performance bond dated 24 October 2018 (“**Performance Bond**”).

On 10 June 2023, PTE filed an originating summons (“**OS**”) at the Kuala Lumpur High Court together with an Ex-Parte Notice of Application (“**Application**”) against MIB and SPYTL to:-

- i. injunct MIB from making payment of RM39,900,000 under the Performance Bond; and

APPENDIX III - FURTHER INFORMATION (CONT'D)

- ii. injunct SPYTL from receiving and/ or utilising any monies that may have been received by SPYTL from MIB under the Performance Bond.

On 13 June 2023, PTE obtained an ex-parte injunction order and subsequently obtained an ad interim injunction order on 23 June 2023 which will continue until the disposal of the OS and the Application.

Both parties' oral submissions concluded on 5 October 2023 and the matter is fixed for decision (or clarification, if required) on 20 November 2023.

The instructing solicitors acting for PTE are unable to determine the financial outcome at this juncture.

Kuala Lumpur High Court, Civil Suit No. WA-22C-44-06/2023, PSB (Plaintiff) vs SPYTL (Defendant)

PSB filed a writ on 20 June 2023 ("**Writ**") at the Kuala Lumpur High Court together with an Ex-Parte Notice of Application on 22 June 2023 ("**Application**") against SPYTL to:-

- 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.

On 27 June 2023, PSB obtained an ex-parte injunction order to restrain SPYTL from trespassing, utilising and/ or otherwise tampering with machineries belonging to PSB until the disposal of PSB's Writ. PSB also subsequently obtained an ad interim injunction order on 6 July 2023 to allow the ex-parte injunction order to have effect until the disposal of the Application.

The hearing for the Application was fixed on 14 July 2023 and the decision for the Application was fixed on 20 July 2023.

On 20 July 2023, the Court dismissed PSB's Application with costs in the cause subject to the express undertaking to be provided by SPYTL within 48 hours from 20 July 2023 that:-

- i. SPYTL is not to transfer, sell and/ or dispose of the machines/ equipment;
- ii. SPYTL will not move the said machines from the project site in anyway whatsoever until the case before the Court is disposed of; and/ or
- iii. SPYTL will reasonably maintain the machines/ equipment, fair wear and tear excepted, and that the same are to be safely kept and stored in a reasonable manner until the case before the Court is disposed of.

SPYTL has duly complied with the terms above vide a letter of undertaking dated 20 July 2023.

In light of the dismissal of PSB's Application, PSB has filed an application for an appeal to the Court of Appeal against the Court's decision in relation to the Application and an Erinford injunction, as detailed below.

The next case management is fixed on 4 December 2023.

The instructing solicitors acting for PSB are unable to determine the financial outcome at this juncture.

Court of Appeal, Civil Appeal No. W-02(IM)(C)-1192-07/2023 (Kuala Lumpur High Court Civil Suit No. WA-22C-44-06/2023), PSB (Appellant) vs SPYTL (Respondent)

On 26 July 2023, PSB filed a Notice of Appeal to appeal against the High Court's decision rendered on 20 July 2023 in respect of the Application filed on 22 June 2023 ("**Appeal**").

Both parties are in the midst of preparing the Record of Appeal. A case management before the Court of Appeal is fixed on 24 October 2023.

On 15 September 2023, PSB filed a Notice of Motion pursuant to Section 44 of the Courts of Judicature Act 1964 to the Court of Appeal for interim relief pending the disposal of the Appeal. The next case management is fixed on 13 October 2023 and the hearing for the interim relief is fixed on 27 October 2023.

The instructing solicitors acting for PSB are unable to determine the financial outcome at this juncture.

Kuala Lumpur High Court, Civil Suit No. WA-22C-44-06/2023, PSB (Plaintiff) vs SPYTL (Defendant)

On 31 July 2023, PSB filed a Notice of Application ("**Erinford Injunction Application**") against SPYTL for an Erinford injunction to:-

- i. direct SPYTL to deliver the machineries to sites which are sufficiently secure to retain the machineries until final disposal of PSB's Appeal against the Court Order dated 20 July 2023; and
- ii. restrain YTL from trespassing, using and/ or tampering with machineries belonging to PSB until the disposal of PSB's Appeal.

On 6 September 2023, PSB and SPYTL appeared before the High Court for the continued hearing and decision of the Erinford Injunction Application. After hearing submissions from the counsels for PSB and SPYTL, the Court dismissed the Erinford Injunction Application with costs in the cause.

PSB will continue to pursue the Appeal and will take all other legal remedies available to protect its interest.

Arbitration Proceedings, AIAC/D/ADM-1225-2023, SPYTL (Claimant) vs PTE (Respondent)

On 11 September 2023, SPYTL issued a Notice of Arbitration to PTE in relation to the following disputes ("**Notice of Arbitration**"):-

- i. SPYTL's purported termination of the Sub-contracting Agreement; and
- ii. SPYTL's demand on the Performance Bond.

On 18 September 2023, the arbitration matter was registered with the Asian International Arbitration Centre pursuant to Rule 2 of the AIAC Arbitration Rules 2023.

On 5 October 2023, PTE served the Response to Notice of Arbitration on SPYTL. As at the LPD, both parties are in the midst of appointing the arbitral tribunal.

APPENDIX III - FURTHER INFORMATION (CONT'D)

The instructing solicitors acting for PTE are unable to determine the financial outcome at this juncture.

Potential Arbitration Proceedings, SPYTL vs PESTECH

Pursuant to the Sub-contracting Agreement, PTE had procured a parent company guarantee ("**Parent Company Guarantee**") from PESTECH in favour of SPYTL.

On 21 August 2023, SPYTL issued a notice pursuant to the Parent Company Guarantee and Sub-contracting Agreement to PESTECH to refer the disputes arising from the Parent Company Guarantee to mutual consultation.

On 1 September 2023, SPYTL invoked the next stage of the dispute resolution mechanism by issuing a notice to refer the dispute to the management committee. However, the management committee failed to provide an opinion pursuant to the Sub-contracting Agreement and/ or reach a unanimous decision pursuant to the Sub-contracting Agreement within 20 days.

On 26 September 2023, SPYTL issued a notice of referral of dispute pursuant to the Sub-contracting Agreement informing that the disputes continue to exist, and they intend to refer the disputes to arbitration ("**Notice**").

Both parties are required to further consult within a period of 20 days from the date of the Notice pursuant to the Sub-contracting Agreement.

As at the LPD, both parties are in the midst of attending to the further consultation required under the Sub-contracting Agreement.

The instructing solicitors acting for PESTECH are unable to determine the financial outcome at this juncture.

4. MATERIAL COMMITMENTS

Save as disclosed below, as at the LPD, there are no material commitments incurred or known to be incurred by the Group, which have not been provided for, which upon becoming enforceable may have a material impact on the financial position of the Group.

	RM'000
Approved and contracted for:-	
- Acquisition of a land	2,491

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 PESTECH 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 past two (2) financial years up to the FYE 30 June 2022 and the latest unaudited consolidated financial statements of the Group for the FYE 30 June 2023;
- iii. Subscription Agreement;
- iv. the letters of undertaking provided by the Undertaking Shareholders as set in Section 2.10 of Part A of this Circular;
- v. the letters of consent and declaration of conflict of interest referred to in Section 2 above; and
- vi. the relevant cause papers in respect of the material litigation referred to in Section 3 above.

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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 the “**Company**”) will be conducted on a virtual basis through remote participation and online voting at the broadcast venue at No. 26, Jalan Utarid U5/14, Seksyen U5, 40150 Shah Alam, Selangor Darul Ehsan on Friday, 27 October 2023 at 10.00 a.m., or any adjournment thereof, for the purpose of considering and, if thought fit, passing with or without modifications, the following resolutions:-

ORDINARY RESOLUTION 1

PROPOSED RESTRICTED ISSUE OF 800,000,000 NEW ORDINARY SHARES IN PESTECH INTERNATIONAL BERHAD (“PESTECH” OR THE “COMPANY”) (“PESTECH SHARE(S)” OR “SHARE(S)”) (“RESTRICTED SHARE(S)”) REPRESENTING APPROXIMATELY 81.25% OF THE EXISTING TOTAL NUMBER OF ISSUED SHARES OF PESTECH (EXCLUDING TREASURY SHARES) TO IJM CORPORATION BERHAD (“IJM”) AT AN ISSUE PRICE OF RM0.155 PER RESTRICTED SHARE (“PROPOSED RESTRICTED ISSUE”)

“**THAT**, subject to the passing of Ordinary Resolution 2 and the approvals of all relevant authorities being obtained, approval be and is hereby given to the Board of Directors of the Company (“**Board**”) to issue and allot 800,000,000 Restricted Shares at an issue price of RM0.155 per Restricted Share to IJM in a single tranche subject always to the terms and conditions of the subscription agreement dated 24 July 2023;

THAT the Restricted Shares shall, upon allotment and issuance, rank equally in all respects with the then existing PESTECH 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 Section 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 IJM 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 12 October 2023 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 EXEMPTION UNDER SUBPARAGRAPH 4.08(1)(B) OF THE RULES ON TAKE-OVERS, MERGERS AND COMPULSORY ACQUISITIONS FOR IJM AND ITS PERSONS ACTING IN CONCERT FROM THE OBLIGATION TO UNDERTAKE A MANDATORY TAKE-OVER OFFER TO ACQUIRE ALL THE REMAINING PESTECH SHARES AND OUTSTANDING WARRANTS IN PESTECH NOT ALREADY OWNED BY THEM UPON COMPLETION OF THE PROPOSED RESTRICTED ISSUE (“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 IJM and its persons acting in concert to be exempted from the obligation to undertake a mandatory take-over offer to acquire all the remaining PESTECH 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

PAN SENG WEE (SSM PC No. 202008003688) (MAICSA 7034299)
TEH BEE CHOO (SSM PC No. 202008002493) (MIA 7562)
CHUA SIEW CHUAN (SSM PC No. 201908002648) (MAICSA 0777689)
Company Secretaries

Shah Alam
12 October 2023

Notes:-

1. *In respect of deposited securities, only members whose names appear in the Record of Depositors on 20 October 2023 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 virtually at the broadcast venue. 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 2.8 of Part A of the Circular for the explanation in relation to Section 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)

ADMINISTRATIVE GUIDE FOR THE EXTRAORDINARY GENERAL MEETING (“EGM”)

Meeting date : Friday, 27 October 2023
Time : 10.00 a.m. or any adjournment thereof
Meeting platform : Securities Services e-Portal (“**SS e-Portal**”) at <https://sshsb.net.my/>

SS e-Portal is an online platform that will allow both individual shareholders and body corporate shareholders through their appointed representatives to:-

- Submit Form of Proxy electronically- paperless submission
- Register for remote participation and voting at meetings
- Participate in meetings remotely via live streaming
- Vote online remotely on resolution(s) tabled at meetings

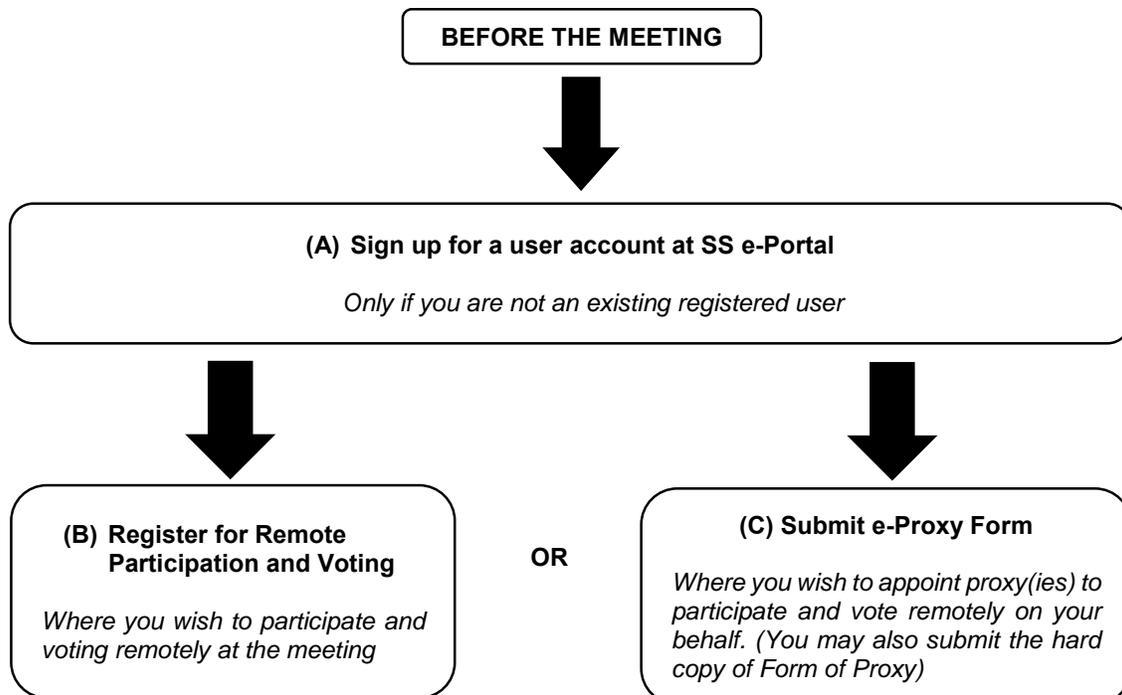
(referred to as “**e-Services**”).

The usage of the SS e-Portal is dependent on the engagement of the relevant e-Services by PESTECH International Berhad and is by no means a guarantee of availability of use, unless we are so engaged to provide. **All users are to read, agree and abide to all the Terms and Conditions of Use and Privacy Policy as required throughout the SS e-Portal.**

Please note that the SS e-Portal is best viewed on the latest versions of Chrome, Firefox, Edge and Safari.

REQUIRE ASSISTANCE?

Please contact the Poll Administrators at our general line (DID: +603 2084 9000) to request for e-Services Assistance during our office hours on Monday to Friday from 8:30 a.m. to 12:15 p.m. and from 1:15 p.m. to 5:30 p.m. Alternatively, you may email us at eservices@sshsb.com.my.



ON THE DAY OF THE MEETING



(D) Join the Live Stream Meeting (eLive)

AND

(E) Vote Online Remotely during the Meeting (eVoting)

BEFORE THE MEETING

(A) Sign up for a user account at SS e-Portal

Step 1 Visit <https://sshsb.net.my/>.

Step 2 Sign up for a user account.

Step 3 Wait for our notification email that will be sent within one (1) working day.

Step 4 Verify your user account within seven (7) days of the notification email and log in.

- We require one (1) working day to process all user sign-ups. If you do not have a user account with the SS e-Portal, you will need to sign up for a user account by the deadlines stipulated below.
- Your registered email address is your User ID.

To register for the meeting under (B) below, please sign up for a user account by **Wednesday, 25 October 2023**.

To submit e-Proxy Form under (C) below, please sign up for a user account by **Monday, 23 October 2023**, failing which you may only be able to submit the hard copy of Form of Proxy.

This is a ONE-TIME sign up only. If you already have a user account, please proceed to either (B) or (C) below.

(B) Register for Remote Participation and Voting

- Log in to <https://sshsb.net.my/> with your registered email and password.
- Look for **PESTECH International Berhad** under Company Name and **EGM 1 on Friday, 27 October 2023 at 10.00 a.m. – Registration for Remote Participation and Voting** under Corporate Exercise/ Event and click ">" to register for remote participation and voting at the meeting by Wednesday, 25 October 2023.

Step 1 Check if you are attending as:-

- Individual shareholder; or
- Corporate or authorised representative of a body corporate.

For body corporates, the appointed corporate/ authorised representative has to upload the evidence of authority (e.g. certificate of appointment of corporate representative, power of attorney, letter of authority or other documents proving authority). All documents that are not in English or Bahasa Malaysia have to be accompanied by a certified translation in English in one (1) file. The original evidence of authority and translation thereof, if required, have to be submitted at the office of share registrar, Securities Services (Holdings) Sdn Bhd at Level 7, Menara Milenium, Jalan Damanela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur for verification before the registration closing date and time above.

Step 2 Submit your registration.

- All shareholders must register for remote participation and voting at the meeting and are highly encouraged to register as early as possible and before the eLive access date and time (see (D) below) in order to ensure timely access to the meeting. Access shall be granted only to eligible shareholders in accordance with the General Meeting Record of Depositors as at 20 October 2023.
- A copy of your e-Registration for remote participation and voting can be accessed via **My Records** (refer to the left navigation panel).
- Your registration will apply to **all the CDS account(s)** of each individual shareholder/ body corporate shareholder that you represent. If you are both an individual shareholder and representative of body corporate(s), you need to register as an individual and also as a representative for each body corporate.
- As the meeting will be conducted on a virtual basis, we highly encourage all shareholders to remotely participate and vote at the meeting, failing which, please appoint the Chairman of the meeting as proxy or your own proxy(ies) to represent you.

(C) Submit e-Proxy Form

Meeting date and time	e-Proxy Form submission closing date and Time
Friday, 27 October 2023 at 10.00 a.m.	Wednesday, 25 October 2023 at 10.00 a.m.

- Log in to <https://sshsb.net.my/> with your registered email and password.
- Look for **PESTECH International Berhad** under Company Name and **EGM 1 on Friday, 27 October 2023 at 10.00 a.m. – Submission of e-Proxy Form** under Corporate Exercise/ Event and click ">" to submit your e-Proxy Form online for the meeting by the submission closing date and time above.

Step 1 Check if you are submitting the proxy form as:-

- Individual shareholder; or
- Corporate or authorised representative of a body corporate.

For body corporates, the appointed corporate/ authorised representative has to upload the evidence of authority (e.g. certificate of appointment of corporate representative, power of attorney, letter of authority or other documents proving authority). All documents that are not in English or Bahasa Malaysia have to be accompanied by a certified translation in English in one (1) file. The original evidence of authority and translation thereof, if required, have to be submitted at the office of share registrar, Securities Services (Holdings) Sdn Bhd at Level 7, Menara Milenium, Jalan Damanela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur for verification before the e-Proxy Form submission closing date and time above.

Step 2 Enter your CDS account number or the body corporate's CDS account number. Then enter the information of your proxy(ies) and the proportion of your securities to be represented by your proxy(ies).

You may appoint the Chairman of the meeting as your proxy where you are not able to participate remotely.

Step 3 Proceed to indicate how your votes are to be casted against each resolution.

Step 4 Review and confirm your e-Proxy Form details before submission.

- A copy of your submitted e-Proxy Form can be accessed via **My Records** (refer to the left navigation panel).
- You need to submit your e-Proxy Form for **every CDS account(s)** you have or represent.

PROXIES

All appointed proxies need not register for remote participation and voting under (B) above but if they are not registered users of the SS e-Portal, they will need to sign up as users of the SS e-Portal under (A) above by Monday, 23 October 2023. PLEASE NOTIFY YOUR PROXY(IES) ACCORDINGLY. Upon processing the proxy forms, we will grant the proxy access to Remote Participation and Voting at the meeting to which he/she is appointed for instead of the shareholder, provided the proxy must be a registered user of the SS e-Portal, failing which, the proxy will not be able to participate at the meeting as the meeting will be conducted on a virtual basis.

ON THE DAY OF THE MEETING

Log in to <https://sshsb.net.my/> with your registered email and password.

(D) Join the live stream meeting (eLive)

Meeting date and time	eLive access date and time
Friday, 27 October 2023 at 10.00 a.m.	Friday, 27 October 2023 at 09.30 a.m.

➤ Look for **PESTECH International Berhad** under Company Name and **EGM 1 on Friday, 27 October 2023 at 10.00 a.m. – Live Stream Meeting** under Corporate Exercise/ Event and click “>” to join the meeting.

- The access to the live stream meeting will open on the abovementioned date and time.
- If you have any questions to raise, you may use the text box to transmit your question. The Chairman/ Board/ Management/ relevant adviser(s) will endeavour to broadcast your question and their answer during the meeting. Do take note that the quality of the live streaming is dependent on the stability of the internet connection at the location of the user.

(E) Vote Online Remotely during the Meeting (eVoting)

Meeting date and time	eVoting access date and time
Friday, 27 October 2023 at 10.00 a.m.	Friday, 27 October 2023 at 10.00 a.m.

- If you are already accessing the Live Stream Meeting, click **Proceed to Vote** under the live stream player.
OR
- If you are not accessing from the Live Stream Meeting and have just logged in to the SS e-Portal, look for **PESTECH International Berhad** under Company Name and **EGM 1 on Friday, 27 October 2023 at 10.00 a.m. – Remote Voting** under Corporate Exercise/ Event and click “>” to remotely cast and submit the votes online for the resolutions tabled at the meeting.

Step 1 Cast your votes by clicking on the radio buttons against each resolution.

Step 2 Review your casted votes and confirm and submit the votes.

- The access to eVoting will open on the abovementioned date and time.
- Your votes casted will apply throughout all the CDS accounts you represent as an individual shareholder, corporate/ authorised representative and proxy. Where you are attending as a proxy, and the shareholder who appointed you has indicated how the votes are to be casted, we will take the shareholder's indicated votes in the proxy form.
- The access to eVoting will close as directed by the Chairman of the meeting.
- A copy of your submitted eVoting can be accessed via **My Records** (refer to the left navigation panel).

PESTECH

PESTECH INTERNATIONAL BERHAD

(Registration No. 201101019901 (948035-U))
(Incorporated in Malaysia)

FORM OF PROXY

Number of ordinary 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 conducted on a virtual basis through remote participation and online voting at the broadcast venue at No. 26, Jalan Utarid U5/14, Seksyen U5, 40150 Shah Alam, Selangor Darul Ehsan on Friday, 27 October 2023 at 10.00 a.m. or any adjournment thereof.

My/ Our proxy/ proxies is/ are to vote as indicated below:-

ORDINARY RESOLUTIONS		FOR	AGAINST
1	Proposed Restricted Issue		
2	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:

	<u>No. of shares</u>	<u>Percentage</u>
Proxy 1		%
Proxy 2		%
Total		<u>100%</u>

* Delete if inapplicable.



Notes:-

1. *In respect of deposited securities, only members whose names appear in the Record of Depositors on 20 October 2023 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 virtually at the broadcast venue. 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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