

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

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

(For the purposes of this announcement, “USD” refers to United States Dollar and “RM” refers to Ringgit Malaysia. Unless otherwise stated, the exchange rate of USD1.00:RM4.7280, being the middle rate quoted by Bank Negara Malaysia (“BNM”) at 5:00 p.m. on 31 October 2022, being the latest practicable date prior to this announcement (“LPD”), is used throughout this announcement)

1. INTRODUCTION

On 20 October 2022, the Board of Directors of PIB (“**Board**”) announced that DPL, a 60%-owned indirect subsidiary of PIB, had on 20 October 2022 entered into a Business Transfer Agreement (“**BTA**”) with CTL II, a wholly-owned subsidiary of Leader Transmission Limited, in respect of the Proposed Disposal for a total consideration of USD118.00 million (equivalent to RM557.90 million).

On behalf of the Board, TA Securities Holdings Berhad (“**TA Securities**”) wishes to announce further details of the Proposed Disposal as set out in the ensuing sections of this announcement.

2. DETAILS OF THE PROPOSED DISPOSAL

The Proposed Disposal entails the disposal by DPL of the Project to CTL II for a total consideration of USD118.00 million (“**Disposal Consideration**”) subject to the terms and conditions set forth in the BTA, the salient terms of which are set out in Appendix I of this announcement.

The Disposal Consideration is to be satisfied entirely in cash by CTL II to DPL in the manner as set out in Section 2 of Appendix I of this announcement.

Pursuant to the BTA, DPL shall divest, assign, novate and substitute in favour of CTL II the contractual position of DPL under the Project Agreements (as defined in Section 2.1 of this announcement) which confer all obligations, rights, entitlements, interest and benefits of DPL in connection with the Project.

2.1 Information on the Project

The Project comprises the 125 kilometres (“**km**”) long 230kV double circuit transmission line from Kampong Cham substation to Kratie substation in the Kingdom of Cambodia, which was constructed, operated and maintained on Build-Operate-Transfer (BOT) basis in accordance with the terms and conditions of the following agreements:

(i) Power Transmission Agreement (“PTA”)

The PTA was entered into between Electricité du Cambodge (“**EDC**”), a wholly state-owned limited liability company established under Royal Decree No. CHS/RD/0396/10 dated 9 March 1996, and L.Y.P Group Co., Ltd (“**LYP**”) on 21 August 2013.

On 24 March 2015, a novation agreement was entered into between EDC, LYP and DPL for the novation of all the rights and obligations of LYP under the PTA to DPL as if DPL is a party to the PTA in lieu of LYP effective from 24 March 2015 (“**PTA Novation Agreement**”).

The salient terms of the PTA (including the PTA Novation Agreement and any amendment thereto) are, among others, as follows:

- (a) DPL to construct, test and commission the Project based on the specifications and conditions as set out in the PTA with a scheduled commercial operation date of 30 November 2017.

Subsequently, EDC has declared the commercial operation date on 1 January 2018 (“**COD**”) and the Project has been fully commissioned on 1 January 2018;

- (b) DPL shall construct, complete, operate and maintain the Project based on the requirements and conditions as set out in the PTA for a period of 25 years commencing from the COD until 31 December 2042 (“**Concession Period**”) unless terminated earlier in accordance with the provisions of the PTA and Implementation Agreement (as defined in Section 2.1(ii) of this announcement);
- (c) EDC shall have the exclusive right to use 100% of the Project's capacity that is available from time to time. In this regard, DPL will make available the Project's capacity to EDC throughout the Concession Period and shall not, among others, license or allow any third party to use the Project's capacity for the transmission of electrical energy;
- (d) DPL shall be entitled to receive from EDC an amount to be paid periodically by EDC (“**Power Transmission Charge**”) during the Concession Period as follows:
 - (i) For the first 3 years from the COD, USD12,250,000 per annum; and
 - (ii) From the 4th year from the COD until the end of the Concession Period, USD18,215,910 per annum.

The Power Transmission Charge is payable to DPL on a monthly basis which is computed as the annual charge being applicable as set out above divided by 12; and

- (e) DPL shall transfer the Project to EDC or its designee in good operational condition at the end of the Concession Period.

(ii) **Implementation Agreement**

The Implementation Agreement was entered into between the Royal Government of Cambodia (“**RGC**”), represented by the Minister, Ministry of Industry, Mines and Energy (“**MIME**”) (now known as Ministry of Mines and Energy (“**MME**”)), and LYP on 25 June 2013 in relation to, among others, certain incentives and assistance to be provided by RGC in relation to the Project.

On 20 March 2015, a novation agreement was entered into between MME (for and on behalf of RGC), LYP and DPL for the novation of all the rights and obligations of LYP under the Implementation Agreement to DPL as if DPL is a party to the Implementation Agreement in lieu of LYP effective from 20 March 2015 (“**IA Novation Agreement**”).

The Implementation Agreement (including the IA Novation Agreement and any amendment thereto) sets out, among others, the obligations and warranties of MIME to promote and support all applications by DPL in respect of the Project and grant of investment incentives by RGC to DPL for the purposes of development and operation of the Project which include, among others, a profit tax exemption period of 9 years commencing from the COD (i.e., expiring on 31 December 2026).

The Implementation Agreement is effective for as long as the PTA remains effective, until the expiry of the Concession Period or early termination of the Implementation Agreement or PTA.

(PTA and Implementation Agreement are collectively referred to as the “**Project Agreements**”)

2.2 Basis and justification for the Disposal Consideration

The Disposal Consideration was arrived at on a “willing-buyer willing-seller” basis between DPL and CTL II. In arriving at the Disposal Consideration, the Board has considered, among others, the following:

- (i) the original cost of investment by DPL in the Project of approximately USD101.29 million as set out in Section 2.6 of this announcement;
- (ii) the assessment of FHH Corporate Advisory Sdn Bhd (“**FHCA**”), being the Independent Business Valuer for the Proposed Disposal, which arrived at a range of indicative value of between USD114.20 million and USD121.65 million for the Project, using the discounted cash flow valuation method based on the projected free cash flows of the Project; and
- (iii) the rationale and benefits of the Proposed Disposal as set out in Section 4 of this announcement.

The indicative value for the Project appraised by FHCA was based on discounted cash flow valuation method which entails the projected free cash flows of the Project for the financial year ending 30 June 2023 to 30 June 2043 (i.e. until the expiry of the Concession Period) being discounted using the weighted average cost of capital of 9.71%. No terminal value is being considered by FHCA as the Project has a finite period as per the PTA.

Premised on the above, the Board is of the view that the Disposal Consideration is reasonable.

2.3 Information on DPL

DPL is a private limited company incorporated in Kingdom of Cambodia on 22 July 2015 under the Law on Commercial Enterprises of the Kingdom of Cambodia. DPL is principally a special purpose vehicle established by PESTECH Power Sdn Bhd (“**PPW**”), a wholly-owned subsidiary of PIB, and Diamond House Co., Ltd (“**DHCL**”) which owns, operates and maintains the Project.

As at the LPD, DPL’s registered share capital is USD21,000,000 comprising 21,000 ordinary shares of which USD20,500,000 comprising 20,500 ordinary shares are issued and fully paid-up, and the shareholders of DPL are as follows:

Name	Country of incorporation	Direct		Indirect	
		No. of shares	%	No. of shares	%
PPW	Malaysia	12,300	60.0	-	-
DHCL	Kingdom of Cambodia	8,200	40.0	-	-

As at the LPD, the directors of DPL are as follows:

Name	Designation	Nationality
Lim Ah Hock	Chairman	Malaysian
Lok Oknha Hout Chantho	Director ⁽¹⁾	Cambodian
Ir. Lim Pay Chuan	Director	Malaysian
Tan Pu Hooi	Director	Malaysian
Lok Oknha Vinh Huor	Director	Cambodian

Note:

- (1) Demised on 27 September 2022. As at the LPD, DHCL has yet to nominate a new director to replace Lok Oknha Hout Chantho on the board of directors of DPL.

A summary of the financial information of DPL is set out in Appendix II of this announcement.

2.4 Information on CTL II

CTL II is a private limited company incorporated in Kingdom of Cambodia on 17 October 2022 under the Law on Commercial Enterprises of the Kingdom of Cambodia. CTL II is currently dormant and is incorporated by Leader Transmission Limited as a special purpose vehicle to acquire the Project.

As at the LPD, CTL II's registered share capital is USD5,000 comprising 5,000 ordinary shares and is a wholly-owned subsidiary of Leader Transmission Limited, a private limited company incorporated in Labuan, Malaysia.

As at the LPD, the directors of CTL II are as follows:

Name	Designation	Nationality
Dato' Hng Chun Hsiang	Chairman	Malaysian
Datin Hng Hsieh Ling	Director	Malaysian
Ir. Gan Boon Hean	Director	Malaysian
Ng Woon Chiang	Director	Malaysian

2.5 Liabilities which will remain with the Company and its subsidiaries ("PIB Group" or "Group")

There is no liability, including contingent liability, (save for any liability arising from the giving of representations and warranties in the BTA by DPL and the undertaking and covenant to be provided by PPW in favour of CTL II as part of the conditions precedent of the BTA as set out in Section 3.1 of Appendix I of this announcement) in relation to the Proposed Disposal which will remain with PIB and/or DPL. Further, upon completion of the Proposed Disposal, DPL intends to use part of the Disposal Consideration to settle all its liabilities assumed for the Project as detailed in Section 3 of this announcement.

There is no other guarantee issued by DPL and/or PIB to CTL II in relation to the Proposed Disposal.

2.6 Original cost of investment

DPL has incurred a total of approximately USD101.29 million for the construction of the Project, which include costs incurred for, among others, acquisition of the concession right, materials, payments to contractors, engineers, consultants, land compensation and financing as well as insurances.

The construction of the Project was undertaken from May 2015 to November 2017 and commenced operation of the transmission system since 1 January 2018, being the COD of the Project.

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3. USE OF PROCEEDS

The Company intends to use the Disposal Consideration in the following manner:

Description	Note	USD'000	RM'000	Estimated timeframe for use of proceeds from completion of the Proposed Disposal
<u>In respect of DPL:</u>				
Repayment of bank borrowings	(1)	37,012	174,995	Within 3 months
Working capital	(2)	6,995	33,072	Within 18 months
Dividend distribution by DPL	(3)	24,728	116,913	Within 6 months
Estimated expenses for the Proposed Disposal	(5)	4,720	22,316	Immediately
<u>In respect of the Group (other than DPL):</u>				
Repayment of bank borrowings	(1)	14,921	70,545	Within 12 months
Working capital	(2)	25,275	119,501	Within 24 months
Dividend distribution by PIB	(4)	4,230	20,000	Within 6 months
Estimated expenses for the Proposed Disposal	(5)	119	562	Immediately
		118,000	557,904	

Notes:

(1) The Group intends to utilise up to USD51.93 million to repay its bank borrowings as follows:

(a) In respect of DPL:

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

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

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

(b) In respect of the Group (other than DPL):

The Group intends to utilise up to USD14.92 million (equivalent to RM70.54 million) to partly repay the bank borrowings of the Group (other than DPL), upon completion of the Proposed Disposal and the DPL Distribution (as defined in note (3) below).

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

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

- (2) The Group intends to utilise up to approximately USD32.27 million (equivalent to RM152.57 million) of the proceeds from the Proposed Disposal as follows:

(a) In respect of DPL:

Upon completion of the Proposed Disposal, DPL intends to settle all its liabilities, including the outstanding amount owing to PPW of USD12.64 million (equivalent to RM59.77 million) and PESTECH (Cambodia) PLC (“PCL”) of USD0.002 million (equivalent to RM0.01 million) due to advances from PPW and PCL to DPL (collectively, the “Advances”), and take the necessary steps to liquidate DPL which is expected to take approximately 18 months from the date of completion of the Proposed Disposal.

DPL also intends to utilise up to approximately USD7.00 million (equivalent to RM33.07 million) to meet its daily operational and administrative requirements until the liquidation of DPL, which include, among others, payments to its suppliers, directors’ remuneration, management fees, professional fees, rental of premises and utilities as well as the withholding tax in respect of DPL Distribution (as defined in note 3 below) attributable to PPW.

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

For information, the amount required for the settlement of the Advances is not included in the table above as PPW and PCL are wholly-owned and 94.7%-owned subsidiary of the Company, respectively. Such proceeds to be received by PPW and PCL from the settlement of the Advances will be used by the Group to partly fund its working capital requirements as detailed in item (b) below.

(b) In respect of the Group (other than DPL):

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

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

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

- (3) Upon completion of the Proposed Disposal and settlement of all DPL’s liabilities and estimated working capital amounting to USD51.46 million (equivalent to RM243.30 million) (as provided for in items (1) and (2) above) as well as the estimated capital gain tax of USD4.72 million (equivalent to RM22.32 million) payable to Cambodian tax authority, DPL intends to distribute the remaining Disposal Consideration of USD61.82 million (equivalent to RM292.28 million) to its shareholders, i.e., PPW and DHCL (“DPL Distribution”).

In this regard, approximately USD37.09 million (equivalent to RM175.37 million) and USD24.73 million (equivalent to RM116.91 million) will be distributed to PPW and DHCL, respectively, pursuant to the DPL Distribution based on the shareholdings of PPW and DHCL in DPL as set out in Section 2.3 of this announcement.

For information, the DPL Distribution attributable to PPW will be subject to withholding tax of 14%. Therefore, the estimated net amount to be received by PPW after deducting the withholding tax pursuant to the DPL Distribution is approximately USD31.90 million (equivalent to RM150.82 million).

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

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

- (5) The total estimated expenses relating to the Proposed Disposal of approximately USD4.84 million (equivalent to approximately RM22.88 million) consist of the following:

(a) In respect of DPL:

The Proposed Disposal is expected to result in an estimated capital gain tax of USD4.72 million (equivalent to RM22.32 million) payable to Cambodian tax authority. The actual capital gain tax is subject to the final assessment by a tax consultant to be appointed by DPL prior to the completion of the Proposed Disposal.

(b) In respect of the Group (other than DPL):

The expected expenses to be incurred by the Group (other than DPL) relating to the Proposed Disposal include, among others, professional fees, fees payable to the relevant authorities, costs of convening the extraordinary general meeting of PIB ("**EGM**"), as well as other miscellaneous expenses.

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

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

4. RATIONALE AND BENEFITS OF THE PROPOSED DISPOSAL

The Proposed Disposal represents a timely opportunity for the Group to realise the value of the Project at the Disposal Consideration. Notwithstanding that the Proposed Disposal is expected to result in an estimated loss on disposal attributable to the Group of approximately RM83.85 million, details of which are set out in Section 6.3 of this announcement, the Proposed Disposal enables the Group to immediately realise its investment in the Project at the Disposal Consideration which falls within the range of indicative value of between USD114.20 million and USD121.65 million for the Project as assessed by the Independent Business Valuer for the Proposed Disposal, as compared to the Group continuing to perform its obligations under the Project Agreements, such as to operate and maintain the Project, for the remaining Concession Period of approximately 20 years in return for the Power Transmission Charge amounting to USD18,215,910 per annum from EDC pursuant to the PTA.

In addition, the proceeds from the Proposed Disposal will allow the Group to repay or settle the bank borrowings and liabilities which were incurred by DPL for the Project as well as part of the Group's other bank borrowings. This will strengthen the financial position of the Group with its net gearing expected to decrease from 1.29 times as at 30 June 2022 (audited) to 0.88 times as detailed in Section 6.1 of this announcement. Furthermore, the lower net gearing together with the funds made available from the Disposal Consideration to finance the Group's working capital for its EPMCC projects, and provide flexibility to the Group to optimise its capital and funding structure for its business activities moving forward which is in line with the Group's capital management strategy to reduce its reliance on debt financing.

Furthermore, part of the proceeds from the Proposed Disposal is intended to be used for the Proposed Distribution to reward the shareholders of the Company for their investments in the Group.

5. RISK FACTORS

5.1 Contractual risk

DPL has given representations, warranties and undertakings as set out in the BTA in favour of CTL II. In this regard, DPL may be subject to claims in accordance with the terms and conditions of the BTA for the breach of representations, warranties and/or undertakings given by DPL.

Nevertheless, the Board and the management of DPL will endeavour to ensure compliance with its obligations under the BTA in order to minimise the risk of any breach of representations, warranties and/or undertakings committed by DPL.

5.2 Non-completion of the Proposed Disposal

The BTA is conditional upon fulfilment of the conditions precedent as disclosed in Appendix I of this announcement. There is no assurance that all the conditions precedent can be fulfilled and that the Proposed Disposal can be completed within the time period permitted under the BTA. In the event that any of the conditions precedent is/are not fulfilled and/or waived within the stipulated time period set out in the BTA, the Proposed Disposal may be delayed or terminated.

In this regard, the Board will take reasonable steps to ensure that the conditions precedent are met within the time period stipulated in the BTA in order to complete the Proposed Disposal.

5.3 Loss of contribution from the Project

The Project has contributed 3.15% and 159.24% of the Group's revenue and profit after tax ("PAT") for the financial year ended ("FYE") 30 June 2022, respectively. Further details of the Project's contribution to the Group's revenue and PAT are as follows:

	FYE 30 June 2022		Contribution from the Project
	The Project ⁽¹⁾	The Group	
	USD'000	RM'000 ⁽²⁾	
Revenue	5,321	22,533	715,090
PAT attributable to the owners of the company	5,161 ⁽³⁾	21,857	13,726
			3.15%
			159.24%

Notes:

- (1) The Power Transmission Charge of USD18,215,910 for the FYE 30 June 2022 billed to EDC is recognised in DPL's statement of profit or loss and comprehensive income for the FYE 30 June 2022 as follows:

	USD'000
Revenue	5,321
Finance income	10,784
Total	16,105

* The remaining amount of USD2.11 million is accounted for as a reduction in the carrying amount of the contract assets (i.e. a statement of financial position item) in relation to the Project.

- (2) Translated based on the average exchange rate of USD1:00:RM4.2347 for the FYE 30 June 2022.
- (3) The PAT from the Project for the FYE 30 June 2022 was USD8.60 million, of which USD5.16 million was attributable to the Company based on the equity interest of PPW in DPL of 60%.

For information, for the FYE 30 June 2021, the PAT from the Project was USD8.33 million, of which USD5.00 million was attributable to the Company (based on the equity interest of PPW in DPL of 60%) which in turn represents approximately 31.11% of the Group's PAT attributable to the owners of the Company of RM66.21 million.

The PAT attributable to the owners of the Company has decreased significantly from RM66.21 million for the FYE 30 June 2021 to RM13.73 million for the FYE 30 June 2022 mainly due to the decrease in operating profit margin from 14.05% for the FYE 30 June 2021 to 6.56% for the FYE 30 June 2022. This was mainly attributable to the decrease in the Group's revenue of RM174.27 million from RM889.36 million for the FYE 30 June 2021 to RM715.09 million for the FYE 30 June 2022 that was accompanied by a lower decrease of the Group's operating expenses of RM83.89 million from RM762.54 million for the FYE 31 June 2021 to RM678.65 million for the FYE 30 June 2022 which was partially made up of fixed overheads such as, among others, employee benefit expenses, depreciation and amortisation of assets and short-term leases.

Upon completion of the Proposed Disposal, the Group will lose the income from the Project, i.e. the Power Transmission Charge, which is available to DPL until the expiry of the Concession Period pursuant to the PTA. Nevertheless, the Proposed Disposal provides an opportunity for the Group to monetise and unlock the value of the Project as detailed in Section 4 of this announcement.

Moving forward, the Group will focus on growing its existing EPMCC segment specialising in power substations, transmission lines and rail electrifications, which has an outstanding order book of approximately RM1.70 billion as at 31 August 2022. In addition, the Proposed Disposal is expected to strengthen the Group's financial position with lower net gearing which will improve the Group's financial headroom to pursue more EPMCC projects around the Southeast Asia region in order to replenish the loss of income from the Project and create value to shareholders of the Company.

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6. EFFECTS OF THE PROPOSED DISPOSAL

The Proposed Disposal will not have any effect on the Company's issued share capital and substantial shareholders' shareholdings as it does not involve any change to the number of issued PIB Shares.

6.1 Net assets ("NA"), NA per PIB Share and gearing

For illustration purposes only, based on the audited consolidated statement of financial position of PIB as at 30 June 2022 and assuming that the Proposed Disposal had been effected on that date, the pro forma effects of the Proposed Disposal on the NA, NA per PIB Share and gearing of the PIB Group are as follows:

	Audited as at 30 June 2022	After the Proposed Disposal
	RM'000	RM'000⁽¹⁾
Share capital	232,942	232,942
Treasury shares	(4,183)	(4,183)
Reserves	(1,084)	(2,869)
Retained earnings	425,466	341,619 ⁽²⁾
NA attributable to the owners of the Company	653,141	567,509
Perpetual SUKUK	100,000	100,000
Non-controlling interests	174,342	117,604
Total equity	927,483	785,113
No. of PIB Shares in issue ⁽³⁾ ('000)	984,555	984,555
NA per PIB Share ⁽⁴⁾ (RM)	0.66	0.58
Total borrowings (RM'000)	1,361,505	1,132,584
Cash and short-term deposits (RM'000)	168,980	438,873
Net gearing ⁽⁵⁾ (times)	1.29	0.88

Notes:

- (1) Based on an exchange rate of USD1.00:RM4.4080, being the middle rate quoted by BNM at 5:00 p.m. on 30 June 2022.
- (2) After taking into consideration the pro forma net loss on disposal attributable to the Group of approximately RM83.85 million (including the estimated expenses for the Proposed Disposal of approximately RM21.33 million) as set out in Section 6.3 of this announcement.
- (3) Excluding 7,666,100 treasury shares held by the Company.
- (4) Computed based on NA attributable to the owners of the Company divided by the number of PIB Shares in issue.
- (5) Computed based on total net borrowings, after excluding cash and short-term deposits, divided by total equity.

6.2 Earnings and earnings per share (“EPS”)

For illustration purposes only, based on the audited consolidated financial statements of the Company for the FYE 30 June 2022 and assuming that the Proposed Disposal had been effected on 1 July 2021, the pro forma effects of the Proposed Disposal on the consolidated earnings of the Company and EPS are as follows:

	(Audited) FYE 30 June 2022	After the Proposed Disposal ⁽¹⁾
PAT/(Loss after tax) attributable to owners of the Company (RM'000)	13,726	(92,582) ⁽²⁾
Weighted average number of PIB Shares in issue ⁽³⁾ ('000)	961,229	961,229
EPS/(Loss per Share) ⁽⁴⁾ (sen)	1.43	(9.63)

Notes:

- (1) Based on the average exchange rate of USD1.00:RM4.2347 for the FYE 30 June 2022.
- (2) After taking into consideration the following:
- (a) the deconsolidation of the PAT deriving from the Project of RM21.86 million;
 - (b) the estimated interest savings from the repayment of bank borrowings of the Group (other than DPL) of approximately RM3.21 million (as detailed in Note (1) of Section 3 of this announcement); and
 - (c) pro forma net loss on disposal of approximately RM87.14 million. For avoidance of doubt, the quantum of pro forma net loss on disposal differs from the amount as set out in Section 6.3 of this announcement as the illustration in Section 6.3 of this announcement is based on the assumption that the Proposed Disposal had been effected on 30 June 2022 instead of 1 July 2021.
- (3) After adjusted for movement in treasury shares during the financial year.
- (4) Computed based on audited PAT attributable to owners of the Company divided by weighted average number of PIB Shares in issue.

6.3 Expected loss to the Group arising from the Proposed Disposal

Based on the latest audited consolidated financial statements of the Company for the FYE 30 June 2022, the Proposed Disposal is expected to result in a pro forma net loss on disposal attributable to the Group of approximately RM83.85 million, as follows:

	RM'000 ⁽¹⁾
Disposal Consideration	520,144
Less: Net carrying amount as at 30 June 2022	
- Contract asset from a customer on concession agreement	(555,979)
- Intangible asset	(72,292)
- Insurance prepayment	(9,938)
Less: Estimated expenses for the Proposed Disposal	(21,330)
Pro forma net loss on disposal	(139,395)
Pro forma net loss on disposal attributable to:	
- Owners of the Company	(83,847)
- Non-controlling interests	(55,548)

Note:

- (1) Based on an exchange rate of USD1.00:RM4.4080, being the middle rate quoted by BNM at 5:00 p.m. on 30 June 2022.

7. APPROVALS REQUIRED

The Proposed Disposal is subject to the following being obtained:

- (i) approval of the shareholders of PIB at an EGM to be convened;
- (ii) consents from the EDC and MME for the novation in favour of CTL II in respect of the Project; and
- (iii) approvals/consents from any other relevant authorities and/or parties, if required.

The written requests to the EDC and MME for their consents in relation to the novation in favour of CTL II in respect of the Project have been made on 24 October 2022 and 7 November 2022, respectively. As at the LPD, DPL has yet to receive the said consents from the EDC and MME.

The Proposed Disposal is not conditional upon any other corporate exercise/scheme undertaken or to be undertaken by the Company.

8. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable for the Proposed Disposal pursuant to Paragraph 10.02(g)(ii) of the Listing Requirements, being the net profit of the Project represented by the equity interest of PPW in DPL compared to the net profit attributable to the owners of the PIB Group for the FYE 30 June 2022 is more than 100%.

9. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED

None of the Directors, major shareholders of the Company or persons connected with them has any interest, direct or indirect, in the Proposed Disposal.

10. DIRECTORS' STATEMENT

The Board, after having considered all aspects of the Proposed Disposal including but not limited to the salient terms of the BTA, the assessment of the Independent Business Valuer for the Proposed Disposal, the rationale and benefits of the Proposed Disposal as well as the effects of the Proposed Disposal, is of the opinion that the Proposed Disposal is in the best interests of the Company.

11. ESTIMATED TIMEFRAME FOR THE COMPLETION

Barring any unforeseen circumstances and subject to all relevant approvals set out in Section 7 of this announcement being obtained and the fulfilment of all the conditions precedent set out in the BTA, the Board expects the Proposed Disposal to be completed in the 4th quarter of 2022.

12. ADVISER

TA Securities has been appointed as the Principal Adviser to PIB for the Proposed Disposal.

13. DOCUMENTS AVAILABLE FOR INSPECTION

The BTA is made available for inspection at the registered office of PIB at No. 26, Jalan Utarid U5/14, Section U5, 40150 Shah Alam, Selangor Darul Ehsan during normal business hours from Monday to Friday (except public holidays) for a period of 3 months from the date of this announcement.

This announcement is dated 8 November 2022.

SALIENT TERMS OF BTA

The salient terms of the BTA are as follows:

1. Transaction

1.1 DPL agrees to divest, assign, novate and substitute in favour of the Purchaser the contractual position of DPL under the Project Agreements as well as various entitlements in connection with the Project, as a going concern, and free from all encumbrances (“**Transaction**”).

1.2 “**Project Agreements**” means:

- (i) Implementation Agreement dated 25 June 2013 pertaining to the Project between the RGC (as represented by the Ministry of Mines and Energy) and LYP, as novated to DPL on 20 March 2015 and amended on 6 April 2015 (“**Implementation Agreement**”);
- (ii) Power Transmission Agreement dated 21 August 2013, pertaining to the development of the Project between EDC and LYP, as novated to DPL on 24 March 2015 and amended on 8 April 2015;
- (iii) any document conferring rights, entitlements and/or benefits over any immovable property(ies) necessary for the Project,

and all schedules, exhibits, attachments and ancillary documents thereto, as the same may from time to time be amended, modified, novated, restated, replaced or supplemented.

1.3 The Purchaser shall only assume the liabilities in respect of the Project that actually accrue after the completion date of the BTA, being five (5) business days failing immediately following the Stop Date or Long Stop Date (as defined in paragraph 3.2 below) (“**Completion Date**”).

2. Consideration

2.1 The net consideration for the divestment, assignment, novation and/or substitution of the Project shall be United States Dollar One Hundred and Eighteen Million (USD118,000,000) (“**Consideration**”).

2.2 The Purchaser shall issue a bank guarantee in the amount of United States Dollar Two Million (USD2,000,000) in favour of DPL, which may be called upon by DPL if the financial closing under paragraph 3.1(iii) below does not occur within the Long Stop Date (as defined in paragraph 3.2 below).

2.3 If, for any reason, the completion of the Transaction (“**Completion**”) does not take place by the Stop Date (as defined in paragraph 3.2 below), the Purchaser shall be entitled to (save where the delay is caused by the financial closing as described in paragraph 3.1(iii) below) reduce the Consideration in the amount of United States Dollar Fifty Thousand (USD50,000) per day, for each day the Completion does not occur after the Stop Date (inclusive of the Stop Date).

2.4 The payment schedule for the Consideration is as set out below:

(i) Payment of Initial Payment

Within fifteen (15) business days from the Completion Date, or such other date as may be notified by the Purchaser to DPL, and subject always to fulfilment of all completion obligations by DPL, paragraph 2.3 and paragraphs 2.4(ii) and (iii) below, the Purchaser shall initiate the transfer of United States Dollar One Hundred Eight Million Five Hundred and Sixty Thousand (USD108,560,000) (“**Initial Payment**”), being the Consideration minus the retention sum of United States Dollar Nine Million Four Hundred and Forty Thousand (USD9,440,000) (“**Retention Sum**”) to DPL.

SALIENT TERMS OF BTA (Cont'd)

(ii) Set-Off

If, at Completion Date, an amount is payable by DPL to the Purchaser in respect of a Purchaser's claim, the Purchaser shall be entitled (at its sole discretion) to satisfy all or part of DPL's liability to pay the Purchaser's claim by way of set-off against the Initial Payment then payable, and to treat its obligation to make such Purchaser's claim as being reduced correspondingly with the amount so set-off.

(iii) Retention of Consideration

The Purchaser shall be entitled to retain the Retention Sum for a period of twelve (12) months from the Completion Date ("**Retention Period**"). Such sum or any balance thereof shall be released to DPL upon the expiry of the Retention Period so long as there is no outstanding indemnity claim.

3. Conditions precedent to Completion

3.1 The conditions precedent to the completion (each a "**Condition**", collectively referred to as the "**Conditions**") are as follows:

- (i) completion, on or before the Completion Date, of a due diligence exercise on the Project by the Purchaser with the results of the due diligence review being satisfactory to the Purchaser, and subject always to DPL rectifying and undertakes to rectify, all and any issues as the Purchaser may, at the Purchaser's sole discretion, direct and/or require DPL to rectify, provided that DPL is given at least thirty (30) days prior to the Stop Date, to rectify the relevant issues to the satisfaction of the Purchaser;
- (ii) the delivery by the Purchaser to DPL of the certified copy of its corporate approvals for the entry into the BTA and other relevant documents and do all such acts as may be required for the consummation of the Transaction;
- (iii) the delivery by the Purchaser to DPL of a written confirmation of the achievement of financial closing by the Purchaser to finance and undertake the Transaction;
- (iv) all licences, authorisations, orders, grants, confirmations, permissions, registrations and other approvals necessary to be obtained for the Purchaser to carry out the Project in continuing going concern immediately succeeding DPL having been obtained and issued in the name of the Purchaser in no less favourable terms obtained by DPL prior to the Completion Date;
- (v) the delivery by DPL to the Purchaser:
 - (a) certified copy of DPL's corporate approvals for the entry into the BTA and other relevant documents and do all such acts as may be required for the consummation of the Transaction;
 - (b) certified copy of PIB's shareholders' approval at the extraordinary general meeting;
 - (c) possession and custody of the relevant immovable properties in condition satisfactory to the Purchaser; and
 - (d) written confirmation on the discharge of all existing financial obligations;
- (vi) due execution and delivery by PPW, a shareholder of DPL, of the undertaking and covenant (in agreed form);

SALIENT TERMS OF BTA (Cont'd)

- (vii) due execution of an agreement between the RGC, DPL and the Purchaser for the novation, assignment and/or substitution of DPL in favour of the Purchaser in the Implementation Agreement, in such form, substance and terms satisfactory to the Purchaser;
 - (viii) due execution of an agreement between EDC, DPL and the Purchaser for the novation, assignment and/or substitution of DPL in favour of the Purchaser in the Power Transmission Agreement, in such form, substance and terms satisfactory to the Purchaser;
 - (ix) due termination of all and any direct agreements that has been entered into by DPL in relation to the Project;
 - (x) all required consents being obtained and remaining in full force and effect; and
 - (xi) there being no material adverse change in the terms and conditions of the Project Agreements, regulatory regime, administrative policies or business environment in the period between the date of the BTA and Completion affecting the Project, which in the opinion of the Purchaser results in or is likely to result in a reduction in the value of the Project or the receivables.
- 3.2 DPL shall ensure the satisfaction of the Conditions set out in paragraphs 3.1(iv) to (x) as soon as practicable on or before 31 December 2022 or such other date as may be mutually agreed by the parties (“**Stop Date**”). If any of these Conditions are not fulfilled before the Stop Date due to no fault or omission on the part of DPL, the Purchaser may (but is not obliged to), extend the timeline for the satisfaction of the relevant Conditions to such date as may be fixed by the Purchaser (“**Long Stop Date**”).
- 3.3 The parties shall (among others) co-operate in the preparation of the relevant applications to the government authorities regarding the Transaction and other matters contemplated under the BTA, deal with all requests and enquiries from the governmental authorities in respect of the parties’ obligations under the BTA, and provide the necessary information and assistance reasonably required by the relevant governmental authority.
- 3.4 If any of the Conditions is not fulfilled or waived on or before the Stop Date or Long Stop Date (as applicable), the Purchaser may elect to void, invalidate and rescind the BTA, to effect the Completion so far as practicable or to fix a new date for the Completion.
- 3.5 Subject to paragraph 3.4 above, DPL shall have the right to void, invalidate and rescind the BTA if and only if paragraph 3.1(iii) above is not fulfilled by the Purchaser on or before the Long Stop Date and following the rescission, there shall not be any liability, claim, reimbursements or damages claimable by any of the parties.
- 4. Representations and Warranties**
- 4.1 DPL has provided various representations and warranties in relation to, among others, its authority and capacity to enter into the BTA, the accuracy and adequacy of information disclosed to the Purchaser, compliance with applicable laws, authority to carry on the Project as well as various representations and warranties in relation to the Project Agreements and Entitlements, and the effects of the Transaction.
- 5. Termination**
- 5.1 On the occurrence of any of the following events, the Purchaser shall give notice to DPL specifying the default or breach and requiring DPL to remedy the said default or breach within thirty (30) days of the date of such notice:
- (i) DPL breaches any terms or conditions of the BTA or if it fails to perform or observe any undertaking, covenant, obligations or agreement under the BTA;
 - (ii) any of the warranties were, when given, or will be or would be, at Completion not complied with or otherwise untrue or misleading;

SALIENT TERMS OF BTA (Cont'd)

- (iii) the entitlements or any part of the Project is defective, deficient, damaged or rendered invalid, by any cause occurred or occurring prior to and as at the Completion Date; and/or
 - (iv) there is a material adverse change in the Project after the date of the BTA and prior to the Completion Date or there is an occurrence of any event or circumstance which affects or is likely to affect in a materially adverse manner the business/operations, financial position or prospects of DPL which has an effect on the Project and/or entitlements.
- 5.2 If DPL fails to remedy the relevant default or breach within the said thirty (30) days (or such other agreed period), the BTA may be terminated by the Purchaser upon written notice to DPL. DPL shall indemnify the Purchaser for all damages, costs, charges and expenses incurred by the Purchaser in connection with the negotiation and preparation, breach or non-compliance with the BTA and termination or rescission of the BTA and all matters connected therewith.
- 6. Governing law and dispute resolution**
- 6.1 The BTA shall be governed by and be construed in accordance with the laws of the Kingdom of Cambodia.
- 6.2 The parties shall attempt, for a period of thirty (30) days after receipt of the relevant notification, to settle amicably any disputes or differences of any kind arising between the parties in connection with the BTA.
- 6.3 In the event the parties are unable to resolve any dispute in the manner described in paragraph 6.2 above, such dispute shall be referred to and finally settled by arbitration in accordance with the arbitration rules of the National Commercial Arbitration Centre of the Kingdom of Cambodia applicable at the time of submission of the said dispute.
- 6.4 Nothing in the dispute resolution provisions contained in the BTA shall be construed as preventing any party from seeking conservatory or similar interim measures in the court of competent jurisdiction of the Kingdom of Cambodia.

Undertaking and covenant to be provided by PPW in favour of the Purchaser (“Undertaking and Covenant”)

Based on the agreed form of the Undertaking and Covenant as required under paragraph 3.1(vi) above, the salient terms of the Undertaking and Covenant, among others, are as follows:

1. PPW unconditionally, continuously, and irrevocably guarantee and undertake to the Purchaser, as a primary obligor, full and complete performance of all obligations and undertakings of DPL under the BTA and all anticipated transactions under the BTA;
2. if the Purchaser terminates the BTA pursuant to the provisions of the BTA, the Undertaking and Covenant shall continue to bind PPW and remain in full force and effect until all terms and conditions of the BTA on the part of DPL have been performed and observed to the satisfaction of the Purchaser;
3. the Undertaking and Covenant shall be unconditional, irrevocable and shall survive and remain valid and enforceable at all times until the expiration or termination of the Project Agreements; and
4. the Undertaking and Covenant shall be governed by and interpreted in accordance with the laws of Malaysia and PPW agrees to submit to the exclusive jurisdiction of the courts in Malaysia.

SUMMARY FINANCIAL INFORMATION OF DPL

A summary of the financial information of DPL, being the special purpose company holding the Project, based on its audited financial statements for the past 3 FYEs 30 June 2020 to 30 June 2022 is set out below:

	(Restated)		
	FYE 30 June 2020	FYE 30 June 2021	FYE 30 June 2022
	USD'000	USD'000	USD'000
Revenue	5,282	5,301	5,321
Operating profit/(loss)	(296)	870	620
Profit before tax	6,464	8,333	8,602
Profit after tax	6,464	8,333	8,602
 Total assets	 155,285	 156,284	 153,961
Total liabilities	82,999	74,146	60,396
Total equity / NA	72,286	82,139	93,565
 Total borrowings	 58,527	 53,159	 43,612
Gearing (times)	0.81	0.65	0.47

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