



EXTRAORDINARY GENERAL MEETING

Wednesday | 27 July 2022

*Pre-Submitted Questions received
from Shareholders*

Question 1

With regards to the proposed RM1 billion special dividend, will it be paid in 1 single payment or split over 2 payments which is similar to current Gamuda's dividend payments?

Answer

- The company intends to pay the special dividend in one single payment after the proposed highway disposals are completed.
- The company's dividend reinvestment plan ("DRP") will also apply to this special dividend whereby shareholders can opt for the special dividend to be paid in cash or in new Gamuda shares. Each new Gamuda shares issued as special dividend will enjoy up to 10% discount to the prevailing share price.

Question 2

How is Cukai Makmur affecting the group?

Answer

- **The Government will impose a one-off cukai makmur (prosperity tax) on companies earnings in excess of RM100 million in 2022. In other words, earnings up to RM100 million will still be subject to the 24% standard tax rate while earnings in excess of RM100 million will be charged a 33% tax.**
- **A few companies within the Group are subject to this one-off cukai makmur; these few companies will incur a blended 30% tax on their earnings.**

Question 3

How is the Group earnings affected by the selling of the highway business?

Question 4

The expressway business consists of about 20% of Gamuda profit over the past 3 years. Is the company confident over covering this earning vacuum?

Answer

- **The Group's earnings are driven by 3 core engines namely construction, property and expressway businesses. The expressway business contributed about 20% of the Group's annual earnings and these earnings will be lost upon completion of expressway disposals.**
- **The Group is confident that the construction and property earnings will be able to step up to fill the 'earnings gap' left by the loss of the expressway earnings.**

Question 5

From page 25 of the Circular to the Shareholders, it is stated “resources for our Company to explore other viable investment and new market opportunities to expand our footprint and broaden our international market reach”. What are some of the new market opportunities that the company is looking at and to broaden international reach? Is Gamuda looking to new countries for new opportunities or to put more resources in developing its business in Australia and Singapore?

Answer

- **Gamuda is targeting RM20-25 billion worth of order book win by end of FY2023. The existing RM14.4 billion order book will provide earning visibility beyond FY2026. With the recent two wins in Australia* and current shortlist to bid for North-East Link project in Melbourne, we are gaining significant momentum in positioning Gamuda as a regional player in metro, rail and road projects in Australia, Singapore and Taiwan.**
- **Gamuda is aggressively growing property division’s presales by adopting ‘Quick Turnaround Projects’ strategy (short investment duration of not more than 5 years, investment cost of not more than USD100 million and high IRR), especially in Vietnam and UK for the next few years.**

* Sydney Metro West-Western Tunneling Package and Coffs Harbour Bypass



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QUESTIONS & ANSWERS

(25 Questions)

Question 1

Gamuda subsidiary Litrak will conduct its own EGM to approve the disposal. Litrak expects that over 90% of its disposal proceeds could be distributed to shareholders within 45 days upon completion.

Assume all necessary conditions are met, by around what date that Gamuda could reasonably expect to receive Litrak's special dividend?

Our Response

Assuming all necessary conditions are met and the completion date happens on 15 Aug 2022, Gamuda would expect to receive Litrak special dividends by end of Sep or early Oct 2022.

Question 2

It was mentioned in the press that rising interest rate environment could pose a difficulty for ALR to obtain financing at necessary rate to complete the deal.

Malaysia bond yield has since come down from its recent peak. Assuming current bond market condition persists, is the management confident that ALR could obtain its financing, and thereby the disposal could be completed?

Our Response

ALR is currently in the process of its Sukuk fundraising. Rating agencies RAM Rating and MARC Rating have both assigned a preliminary ratings of AAA with a stable outlook. The AAA rating is the highest possible credit rating. ALR's proposed Sukuk will also be the first highway in the sector with Sustainable and Responsible Investment (SRI) Sukuk in the domestic market with RAM Rating assigning Tier 1 for social benefit rating and Tier 1 for environmental benefit rating and MARC Rating assigning Silver Sustainability Sukuk assessment. The AAA and Sustainability Rating are the key drivers for ALR's successful fundraising.

Question 3

Page 36 of the Circular states that "Subsequent to the Valuation Date, all net cash and other economic benefit of each Expressway Concession Companies shall accrue to ALR and the compensation to maintain the current toll rates from the Government of Malaysia will reduce to zero from the same date onwards, provided that the Proposed Disposals are completed."

- (1) What is the current compensation due to Gamuda still outstanding?**
- (2) Will this outstanding amount be paid before completion?**

Our Response

The compensation amount outstanding that we have not received as of 31 December 2021 is RM150 million, and it is unlikely for us to receive this amount before the completion. As soon as the Government pays the compensation to ALR, ALR will forward the money to the respective vendors.

Question 4

Once the sales of all highways under Gamuda to Amanah Lebuh raya Rakyat are completed, how much of the sales proceeds will be distributed to the shareholders?

Our Response

The company intends to distribute RM1bil via a special dividend once the transaction completes. The company's dividend reinvestment plan ("DRP") will also apply to this special dividend whereby shareholders can opt for the special dividend to be paid in cash or in new Gamuda shares.

Question 5

Highway concessions are cash cow, why want to dispose?

Our Response

We are able to monetise our investment and realise our gain. The gain will be distributed to the shareholders with the rest of the proceeds to be redeployed to many new projects that have been announced not only in Malaysia, but also overseas market. The Gamuda Green Plan would also require some capital for recurring future earnings.

Question 6

For Kesas & Sprint, when will the maintenance of these highways be handed over to ALR?

Our Response

On completion of the disposals for all highways.

Question 7

Page 55 of the Circular states that “Risk-free rate of return (Rf) is 3.56%”. Current Rf ranges from 4.0% - 4.5%. At what Rf will it be detrimental to the fund raising exercise of ALR? Does 5% still hold, as mentioned by En Mohammed Rashdan on The Edge dated 7 April 2022?

Our Response

To clarify, what En. Rashdan mentioned in the article was actually the estimated ALR's Weighted Average Cost of Capital (WACC). Not the threshold of which the funding will fail nor are we able to confirm the threshold for ALR. But for shareholder's information, the interest rates have stabilised. In fact, the 10-year MGS has decreased by 40bps from 4.37% as at end of April 2022 to 3.97% as of 26 July 2022.

Question 8

On Government decisions not to increase toll rates over the years, what are the total compensation received by Gamuda in respect to Kesas, Sprint & Smart?

Our Response

The amount is highly dependent on the traffic flow. For example, during the pandemic years, the amount of compensation would be lower. But on average for all four highways, we receive about RM200mil to RM300mil per annum.

Question 9

HLIB's presentation shows that SMART is expected to have a negative future cash flow and therefore the equity value is set at RM1 only.

With hindsight, was the original traffic assumption overly aggressive? Were there any factors not foreseen at the start of the SMART project?

Our Response

The main function of SMART tunnel is to divert flood water and protect residents and businesses of Kuala Lumpur. With increasing climate change that would not have been predicted at the time the tunnel was constructed, it increased the severity and frequency of flood and rainfall especially in recent years. Ironically, the more water SMART tunnel diverts, the less financial liquidity we have. That has impacted SMART over the last few years and that explains the losses.

Question 10

Can the board elaborate in more details about the use of proceeds for Gamuda Green Plan 2025? What are the assets / projects the company is eyeing to replace the toll concessions?

Our Response

Our capital will be allocated across our businesses and new market opportunities, for example, in our property development in overseas and locally. But specifically for our green aspirations, we are pursuing the development of some large renewable energy assets as a source of recurring income in the coming years. But we are also looking at strategic acquisitions to bolster our capabilities in this new vertical as well.

Question 11

The DCF derived for SMART is negative RM17 million. Please explain why is the DCF negative as SMART has the following positive factors in its concession agreement:

- (1) The Concession still has 20 years before expiry on 2040 which provides 20 years of future cash flows
- (2) The contracted toll rise of up to RM7 from 2030 provides a "buffer" for lower traffic projections.

Our Response

To clarify, the intrinsic EV (calculated using DCF valuation) for SMART is RM296mil. The negative RM17mil is the deficit between the intrinsic EV and current net debt position.

The revenue used in the DCF valuation has taken into account SMART's concession period until Dec 2042 as well as the concession agreement toll rate step up until RM7 from 2030 onwards.

Question 12

In the unlikely scenario where other minority shareholders of KESAS, SPRINT and SMART rejected the offer from ALR, will this derail the proposed disposal by Gamuda?

Our Response

Prior to this EGM, the boards of KESAS Holdings, SPRINT Holdings and SMART Holdings (ie the Vendors of the concession companies) have approved the disposal of KESAS, SPRINT and SMART respectively. Hence, such situation does not arise.

Question 13

LITRAK Holdings has announced that it will distribute RM2.721 Billion to its shareholders from the LITRAK & SPRINT. Based on Gamuda's 42.7% interest in LITRAK Holdings, Gamuda will receive RM1.162 Billion. Is this amount included in the RM2.35 Billion stated on page 24 of the Circular? If not, please advise on the proposed utilisation.

Our Response

Yes, the amount to be distributed by LITRAK Holdings is already included in the RM2.35bil utilisation of proceeds by Gamuda.

Question 14

2022 started with optimism about economic reopening. But given the subsequent rising inflation, and the hike in OPR, does the Group expect lower housing sales target in Malaysia as compared to the beginning of the year? If yes by how much?

How about the housing markets overseas?

Our Response

At the beginning of financial year, the sales target was RM3.5 billion. Due to strong sales from local and oversea market, we have revised our sales target from RM3.5 billion to RM4.0 billion in Mar 2022. As of today, we have achieved RM3.8 billion sales with RM200 million booking to be converted in the coming days. Hence, we are on track to achieve RM4.0bil sales target.

Question 15

What is the magnitude of construction material cost increase since early this year, in both domestic and overseas markets? How much do they contribute to the overall cost for typical housing and infrastructure projects? Do major construction projects such those in Australia and the upcoming MTR3 tender have clauses to protect against escalating material cost?

Our Response

On the concern of material cost escalations, our ongoing tenders like MRT3 and future tenders will reflect prevailing material prices. MRT3 will not have contractual cost escalation clauses. Gamuda will make considered assumptions in our tender pricing strategy.

Most of our ongoing major projects locally have passed their peak, most notably MRT2, which is over 90% complete. So although it is a fixed lump sum contract, Gamuda's exposure is almost nil given that the escalations occurred at the tail end of the project.

Other projects in Malaysia such as Pan Borneo have escalation clauses in their contracts.

Our Response to Q15 (cont'd)

Similarly, Gamuda's ongoing overseas projects in Singapore and Taiwan also have contractual provisions for escalation clauses.

Gamuda's two recent wins in Australia are Government-funded projects with the bulk of the increases in material prices already factored into our tender prices. Coffs Harbour, in particular, also has escalation clauses for most of the main construction materials.

All in all, our exposure to this risk is not particularly significant but this is something that we will keep a close eye on and manage proactively in the coming months.

Question 16

Company's major core business are in construction and infrastructure segment. How would material prices and foreign exchange ringgit affect profit or revenue of the Company?

Does the Company, within Asian, trade in RMB, THB and MYR?

Our Response

On foreign exchange strategy, Gamuda has entered into forex hedges and bought forward foreign currency denominated procurement for big assets such as tunnel boring machines and others. In essence, we are trying to fix the costs of our foreign procurement. With the weakening ringgit, we can also look forward to some upside from the progress payments for our overseas projects which constitute quite a big part of our current order book given that they are denominated in overseas currencies. We will continue to monitor the situation and see how it goes.

Question 17

The SMART tunnel soon no longer belong to the Company. Does Government has intention to build similar technology in other states since there were flooding and flash flood in many states of Malaysia in the past years?

Our Response

Some of the details of the SMART2 proposal have been discussed in local newspapers, which is a flood mitigation solution in the western part of Klang Valley. This SMART2 proposal builds on Gamuda's experience and expertise from constructing the first SMART tunnel. This proposal has been submitted to Government of Malaysia and its various ministries. In March 2022, the Government announced an additional RM15bil allocation for flood mitigation projects across Malaysia to take place between 2023 and 2030. This is an area that Gamuda will continue to monitor for future opportunities.

Question 18

How is Gamuda growing its expertise in the engineering segment? Is Gamuda involved in any Hong Kong projects?

Our Response

On the engineering front, Gamuda is already a regional player with projects in Australia, Taiwan, Singapore and locally in Malaysia. Gamuda has done reasonably well in the past, particularly on leveraging Gamuda's local track record to secure contracts in overseas markets. There are strategic reasons as to why Gamuda is in these markets as they generally have open and fair infrastructure markets and represent level playing fields which welcome international contractors. These markets also have clear and significant project pipelines in the coming years that are well suited for Gamuda's capabilities. Hong Kong is currently not on our radar as our 4 target markets already have sufficient pipelines to enable Gamuda to achieve our target growth and keep us busy in the coming years. However, Gamuda remains open to any good opportunities.

Question 19

Are any projects expected to be delayed as the industry faces labor shortages?

Our Response

In recent months, we have not seen any delay in the rollout of Government procurement for infrastructure projects in the markets that Gamuda are operating in. Most Governments are generally trying their best to mitigate these labour shortage issues and we will continue to monitor this in the coming months. We do not foresee any notable delays in rollouts and project progress due to labour shortages. For local projects, most have passed their peak while for overseas projects, in general, Gamuda is managing the labour issue reasonably well with active engagement with local supply chain and labour providers.

Question 20

What is the actual progress of Penang Transformation Master Plan (PTMP)?

Our Response

On PTMP, Penang Government has initiated the pre-qualification process for the Bayan Lepas Light Rail Transit which will be extended until Aug 2022 after which selected tenderers will be invited to submit their proposals during the Request for Proposal phase. On the Penang South Reclamation, the final EIA report has been submitted after receiving comments from the Technical Review Committee. We expect positive news soon to enable construction work to commence.

Question 21

Any proposal/plan by Gamuda to build another tolled highways in Malaysia?

Our Response

In short, the answer is no. Gamuda has no plans to build more tolled highways in the short to medium term.

Question 22

What's your view on the Government austerity measures and their impact on Government expenditure to the construction sector?

Our Response

In the coming years, we can expect little Government headroom for spending on large scale infrastructure development. To a large extent, Gamuda has anticipated this but perhaps it has happened slightly earlier than anticipated with the economic impacts of the pandemic. In view of this, we started making inroads in overseas markets 3 to 4 years ago and we have already managed to capitalise on these effort with our recent overseas wins. As such, we are shielded from significant impact locally due to our diversification strategy to overseas markets. However, there are still major projects locally such as MRT3 which Gamuda is looking forward to.

Question 23

For the upcoming KVMRT3 project, winning contractor/consortium needs to finance the initial 2 years of construction works.

What is the expected upfront capital cost needed by Gamuda?

What is the ratio of equity and debt funding?

Our Response

Gamuda is looking at financing circa 15% to 20% of the construction costs in the initial 2 years of construction works.

Question 24

Will the company be doing bonus issue to reward long term shareholders, but not to dilute share's value? What other financial effort can be done to reward the shareholders?

Our Response

We understand the phenomenon of bonus issue affecting the share price. But by and large, bonus issue is an accounting mechanism to modify the number of issued shares of a particular company. In substance, a bonus issue does not modify the value of the company. For Gamuda, we prefer to reward our shareholders in a more substantive way. Last year, we suspended our annual dividend payout. This year, we have resumed the normal dividend payout amounting to 12 sen. On top of this, once Gamuda complete the highway sale, Gamuda will pay RM1bil worth of special dividend. By and large, shareholders can expect a bountiful dividend payout this year.

Question 25

As interest rates increase, what percentage of debt is affected and how much will interest expense increase?

Our Response

Currently on our books, we have about RM6bil worth of borrowings out of which two-third (ie RM4bil) is on fixed rate basis. For this fixed tranche, we have fixed the rates for the next 5 years. Hence, any change in interest rate will not affect this tranche. The remaining one-third of borrowings (ie RM2bil) is on variable rates basis and used for working capital for projects and short term requirement. Assuming interest rate increased by 1% on the RM2bil borrowing, this will result in increase of interest expense by RM20mil a year.

APPENDIX B

GAMUDA BERHAD

(29579-T)

Extraordinary General MeetingOnline Meeting Platform via TIIH Online website at <https://tiih.online>

On 27-July-2022 at 10:00AM

Result On Voting By Poll

Resolution(s)	Vote For				Vote Against				Total Votes			
	No of Units	%	No of P/S	%	No of Units	%	No of P/S	%	No of Units	%	No of P/S	%
Ordinary Resolution 1	2,030,554,598	99.9986	653	93.0199	28,303	0.0014	49	6.9801	2,030,582,901	100.0000	702	100.0000
Ordinary Resolution 2	2,030,554,698	99.9986	654	93.1624	28,203	0.0014	48	6.8376	2,030,582,901	100.0000	702	100.0000
Ordinary Resolution 3	2,030,559,598	99.9989	657	93.5897	23,303	0.0011	45	6.4103	2,030,582,901	100.0000	702	100.0000



Resolution(s)	Pre-determined Abstain *		Abstain / Spoilt #	
	No of Units	No of P/S	No of Units	No of P/S
Ordinary Resolution 1	0	0	15,782	9
Ordinary Resolution 2	0	0	15,782	9
Ordinary Resolution 3	0	0	15,782	9

* These votes refer to holders who have pre-determined abstain from voting in proxy forms or holders refrained from voting due to conflict of interest.

These refer to:

- 1) Holders who have chosen not to vote (e-voting) or
- 2) Abstain / Spoilt votes as reflected in poll slips (poll slip voting)

