CEPATWAWASAN GROUP BERHAD

REPLY TO QUERY
PROPOSED DISPOSAL OF 40% EQUITY INTEREST IN CASH HORSE (M) SDN. BHD. BY CASH NEXUS (M) SDN. BHD., A WHOLLY-OWNED SUBSIDIARY OF CEPATWAWASAN GROUP BERHAD TO TIMAH RESOURCES LIMITED, A 69.80% SUBSIDIARY OF CASH NEXUS (M) SDN. BHD.

(Unless otherwise stated, the abbreviations and definitions used throughout this announcement shall have the same meanings as those previously defined in the previous announcement)

1) Financial information on Cash Horse

a) To provide summary of audited financial information of Cash Horse for the past 3 years (up until latest available unaudited results, if available) including but not limited to revenue, profit after tax, net assets and net tangible assets ("NTA").

Reply
A summary of the requested financial information is set out below. The increase in the net assets of Cash Horse (M) Sdn. Bhd. from FY23 to FY24 was mainly due to the capitalisation of capex loans from the holding company. This decision was part of the Group's long-term strategy to deliver greater shareholder value and to facilitate a better reflection of the Company's strong asset base in its share price. As loans were capitalised into share capital, there was a corresponding reduction in liabilities and an increase in equity, while providing a more accurate view of Cash Horse's underlying financial position as an operational power generation asset.

FYE 31 Dec	*2022 - audited*	*2023 - audited*	*2024 - audited*	*2025 - Unaudited*
Revenue (RM)	*34,120,135*	*34,735,981*	*31,822,144*	*31,906,906*
Profit After Tax (RM)	*5,171,961*	*3,366,729*	*2,334,139*	*5,474,348*
Net Assets / NTA (RM)	*13,210,899*	*16,577,628*	*77,411,767*	*82,886,115*
Total Assets (RM)	*81,005,954*	*92,616,157*	*96,668,595*	*102,083,151*
Total Liabilities (RM)	*67,795,055*	*76,038,529*	*77,411,767*	*19,197,035*

b) To tabulate the original cost of investment and the date of such investment in Cash Horse.

Reply
The details of the original cost of investment and the date of investment in Cash Horse by Cash nexus are as follows:

Date of Acquisition	*No. of Ordinary Shares of Cash Horse Acquired*	*Consideration Paid*
7 December 2009	*175,000*	*RM175,000*
19 December 2024	*58,500,000*	*RM58,500,000*

2) Basis and justification to the Disposal Consideration and Rationale of the Transaction

a) To specify the method of valuation adopted by the valuer (including the key bases and assumptions used in arriving at the valuation/ projection) and quantification of the value/ outcome of the valuation method/ report.

<u>Reply</u>

The independent valuation of the biomass power plant owned by Cash Horse (M) Sdn. Bhd. was conducted by Azmi & Co, a registered valuer in Malaysia, in their valuation report dated 18 February 2025.

The valuation was performed on a market value basis in accordance with the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents Malaysia.

The following valuation approaches were adopted:

(i) Comparison Approach – Land
The land component was valued based on comparable sales of agricultural land in the surrounding area, with adjustments made for location, site characteristics and market conditions.

(ii) Depreciated Replacement Cost Approach – Plant, Machinery and Equipment
For the plant, machinery and equipment, the valuer applied the depreciated replacement cost method, which estimates the current replacement cost of the assets and adjusts for depreciation based on age, condition, and economic useful life.

Based on the above approaches, the valuer derived the following market values:

Component	*Value (RM)*
Land	*3,650,000*
Buildings	*16,390,000*
Plant, Machinery & Equipment	*75,620,000*
Total Market Value	*95,660,000*

The valuation also reflects the inclusion of the proposed new boiler and turbine which are currently under installation as part of the expansion project.

The disposal consideration was determined based on the adjusted net tangible assets ("Adjusted NTA") of Cash Horse (M) Sdn. Bhd. as at 31 December 2024. The adjusted NTA was derived from the audited NTA with adjustments made to reflect the independent valuation of the biomass power plant assets. Based on the adjusted NTA of RM79,033,068, the purchase consideration for the 40% equity interest was calculated at RM31,613,227, on a willing-buyer willing-seller basis. The detailed computation of the Adjusted NTA and consideration is as shown below: -

Particulars	Number of shares	%	RM
Timah Resources Limited (TML) - Group level			
Total Ordinary Shares on Issue at 31 December 2024	88,759,761		
Audited Net Tangible Assets (NTA)			19,424,965
NTA ratio per share (RM/Share)			RM 0.2188
Proposed purchase consideration for the proposed acquisition of Cash Horse (M) Sdn Bhd			79,033,068
Total Consideration (40% of NTA)			31,613,227
TML will issue Cash Nexus a 50/50 split as below:			
a) 100% in cash			**31,613,227**
Shareholding Structure			
Existing TML Shares held by Cash Nexus (prior to acquisition)	61,952,811	69.798%	
Total Enlarged Share Capital Post-Acquisition	88,759,761		
Cash Nexus' Shareholding Post-Acquisition	**61,952,811**	**69.798%**	

b) Based on the outcome of the valuation and NTA of Cash Horse as of 31 December 2024, to provide further justification to the Disposal Consideration.

Reply

Referring to the disposal consideration calculation working. The disposal consideration of RM31,613,227 for the disposal of 40% equity interest in Cash Horse was determined based on the adjusted net tangible assets ("Adjusted NTA") of Cash Horse as at 31 December 2024, after taking into account the independent valuation.

The Adjusted NTA was derived as follows:

Description	*RM*
Audited NTA as at 31 December 2024	*77,411,767*
Add: Net revaluation surplus arising from valuation	*1,621,301*
Adjusted NTA	*79,033,068*

The disposal consideration represents 40% of the Adjusted NTA, calculated as follows:

40% × RM79,033,068 = RM31,613,227

The revaluation surplus arises primarily from the difference between the valuation of the plant and machinery assets and their net book value recorded in the audited financial statements.

Accordingly, the Board is of the view that the disposal consideration is fair and reasonable as it reflects the underlying asset value of Cash Horse after incorporating the independent valuation.

c) To state the rationale for the Disposal Consideration being satisfied over 10 years period and whether the payment term is fair and reasonable and in the best interest of the Company. To also specify the risks it poses to the Company arising from such payment term together with mitigating factor or details of the Company's right of recourse in the event of default.

<u>Reply</u>

The Disposal Consideration was determined after taking into account the operational condition and financial performance of the Cash Horse biomass plant. The Cash Horse biomass plant has been in operation for more than a decade and is no longer operating optimally, with a number of its components approaching the end of their useful lives and pending replacement. The plant is also awaiting the commissioning of its new boiler and turbine, which has been delayed due to extenuating circumstances, before any refurbishment works can commence. Although the plant continues to remain healthily profitable, the Board is aware that the plant's wear and tear has had a considerable impact on its profitability.

In particular, the tenure of the loan was largely influenced by the projected payback period of the principal, based on the plant's most recent financial performance, which was used as an approximate break-even benchmark.

The terms of the Disposal Consideration were drafted with greater lenience and flexibility in mind, as the consideration is structured as an inter-company loan. This approach was adopted on the basis that the Company will continue to retain a majority stake in Cash Horse and that the purchaser, Timah, will not receive any performance or profitability guarantees.

As the Company is the majority shareholder of Timah, holding a 69.80% stake, it will also be impacted by Timah's financial performance and must therefore take into account how the terms of the Disposal Consideration may affect its subsidiary.

Based on the above, the Board of Directors considers the payment terms to be fair and reasonable and in the best interest of the Company and its shareholders.

d) To show how the pro forma gain from the Disposal Consideration of RM0.65 million at the Group level was derived.

<u>Reply</u>

The pro forma gain on disposal at the Group level of approximately RM0.65 million was derived based on the difference between:

- *the disposal consideration of RM31,613,227, and*
- *40% of the audited net assets of Cash Horse as at 31 December 2024.*

The calculation is as follows:

Description	*RM*
Disposal consideration	*31,613,227*
Less: 40% of audited NTA	*(30,964,707)*
Pro forma gain	*~0.65 million*

e) Based on the performance analysis of Cash Horse taking into consideration the pro forma gain of RM0.65 million, the eventual effective interest held by the Company and the cross shareholdings in Cash Horse, please provide further justification and elaboration as to how the Proposed Disposal would *"realise the value of the Group's renewable investments" and "provide greater liquidity through the trading of Timah Shares"*.

<u>Reply</u>

Over the past decade, the Company has invested significantly in growing its renewable energy assets. Although these assets are profitable, the Company's share price has not grown in tandem and has remained relatively flat. The Board acknowledges that it has no direct control over the movement of the Company's share price, as it is influenced by many external factors. However, the Board hopes that this exercise will help substantiate and justify the individual value of the Company's renewable energy assets, while also highlighting to the public the Company's intrinsic value as the parent company of these assets through a sum-of-the-parts approach.

This Proposed Disposal, together with the Company's decision to capitalise the loans extended to its renewable energy assets and to consistently pay an attractive annual dividend, represents part of the Board's broader initiatives to deliver greater shareholder value and facilitate positive momentum in the Company's share price.

The Company is also the majority and controlling shareholder of ASX- listed Timah, with a 69.80% stake. The Board is of the view that it has a responsibility to ensure the growth and success of all its subsidiaries, both listed and unlisted. The success or failure of Timah will have a direct and material impact on the Company from both a financial and reputational perspective. In the event that the Group wishes to liquidate a portion of its holdings in its renewable assets, it can do so through its holdings in Timah without having to sacrifice a majority stake or control over these assets. The Board also acknowledges that it would be more challenging to sell a minority stake in an unlisted entity.

Looking ahead, the Board believes that the Company will continue to invest in its renewable energy businesses and that these businesses will play a much larger role as the main driver of the Group's future growth. Accordingly, it is important to ensure that the value of these businesses is clearly communicated to investors so that it can be appropriately reflected in the Company's share price.

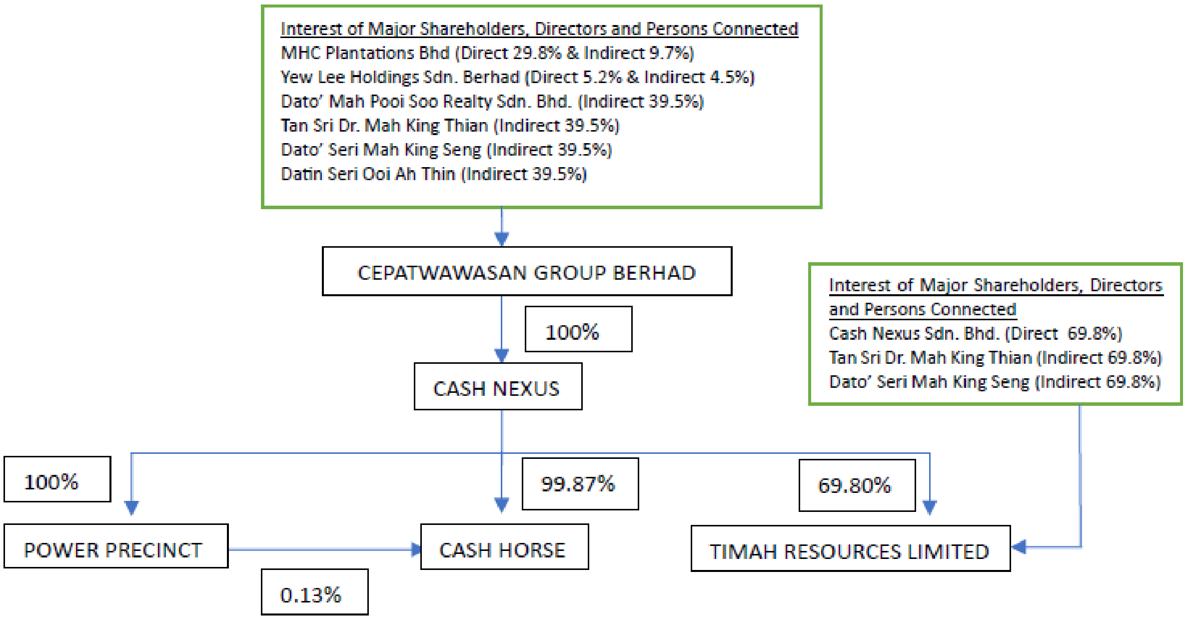
3) Information on the Proposed Disposal

a) To provide a diagram illustrating the Proposed Disposals (before and after the transaction), include shareholdings structure (in percentage) of the target company (Cash Horse), Purchaser and Vendor including percentage of direct and indirect shareholdings held by each related parties (directors, major shareholders and persons connected to them) in the companies.

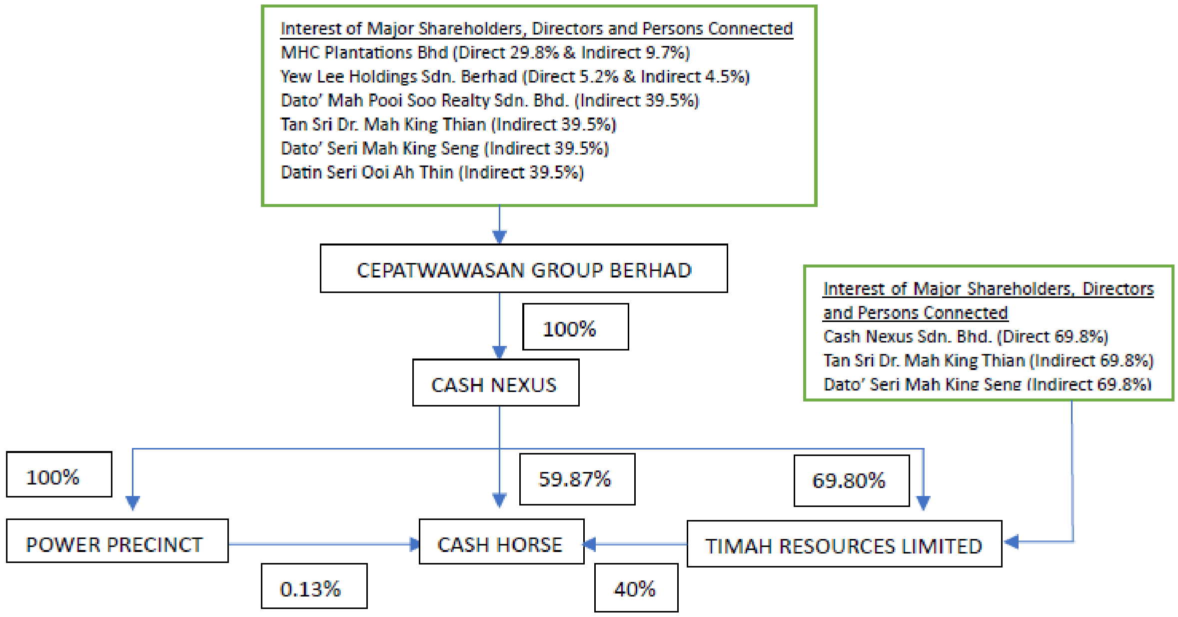
Reply

The following diagrams illustrate the equity structure of Cash Horse and Timah before and after the Proposed Disposal:-

Before the Proposed Disposal



After the Proposed Disposal



b) To quantify the effective interest (in percentage) that the Company would hold in Cash Horse after the Proposed Disposal.

Reply

The effective interest that Cash Nexus would hold in Cash Horse after the Proposal Disposal is 87.92%.

Cash Nexus is a 100% owned subsidiary of the Company, accordingly, the effective interest of the Company in Cash Horse after the Proposed Disposal is also 87.92%.

c) To provide salient terms of the SSA including but not limited to condition precedent, events of default and termination clauses.

Reply
The salient terms of the SSA are:

Conditions Precedent
The SSA is conditional upon the following conditions precedent being fulfilled, procured, waived or obtained by the parties by the Cut-Off Date, i.e. a date falling 6 months from the date of the SSA, or such other date as may be agreed upon between the parties as the last date by which the following conditions must be fulfilled:

i) Timah having obtained the approval of the shareholders of Timah at a properly convened general meeting of Timah in respect of the transaction contemplated in the SSA.
ii) Cash Nexus having obtained the approval of its directors for the sale of Sale Shares to Timah including approval for the execution of the SSA and the transfer of the Sale Shares.

Completion
i) Cash Nexus shall deliver to Timah the share transfer forms for the transfer of the Sale Shares from Cash Nexus to Timah, duly completed and executed by Cash Nexus in favour of Timah, together with the relevant original share certificates in respect of the Sale Shares;
ii) a certified true copy of the resolutions of the board of directors of Cash Nexus approving the entry of Cash Nexus into the SSA and the transactions contemplated by it;
iii) Cash Nexus must procure a certified true copy of the Board's resolutions approving the share transfer forms are approved and registered in the Company's books and the issue of new share certificates in respect of the Sale Shares (including cancellation of the existing share certificates).
iv) in exchange for the delivery of the documents referred above, Timah shall deliver or procure to be delivered to Cash Nexus a certified true copy of an extract of a meeting or circulating resolution of the board of directors of Timah resolving to approve the entry of Timah into the SSA and the transactions contemplated by it.

Completion Simultaneous
After the completion, the parties to the SSA must, where necessary, promptly execute such documents and take such steps as the other parties to the SSA may reasonably require to give full effect to the transfer of full legal and beneficial title to the Sale Shares to Timah and to the Disposal Consideration to Cash Nexus.

Termination

i) Either Cash Nexus or Timah may terminate the SSA by written notice if the other party commits an unremedied material breach (after 14 days' written notice where the breach is capable of remedy), becomes insolvent, or if Completion becomes unlawful or prohibited by law or court order.

ii) Upon termination, the SSA ceases to have effect, any consideration paid must be returned within 14 days, and accrued rights and liabilities are preserved.

d) Whether any liabilities, including contingent liabilities, in relation to the Proposed Disposal which remain with the Company, together with the details and justification for such arrangements.

Reply

The Proposed Disposal does not result in any liabilities, including contingent liabilities, remaining with the Company arising from the transaction.

Cash Horse (M) Sdn. Bhd. will continue to retain all of its existing assets and liabilities as part of its normal business operations. The Proposed Disposal only involves the transfer of equity interest representing a minority stake in Cash Horse and does not involve the transfer or assumption of any liabilities by the Company.