



LINGKARAN TRANS KOTA HOLDINGS BERHAD
25TH ANNUAL GENERAL MEETING, 30 SEPTEMBER 2020

Reply to Minority Shareholder Watch Group (MSWG)'s Enquiries Dated 23 September 2020

Strategy & Financial Matters

Q1. LITRAK's performance was affected by the implementation of the Movement Control Order (MCO) during the financial year which started from 18 March 2020. Average weekday tollable traffic for Lebuhraya Damansara-Puchong (LDP) dropped from 460,000 vehicles recorded in the previous financial year to 447,000 vehicles this year. Similarly, average weekday tollable traffic on Western Kuala Lumpur Traffic Dispersal Scheme (SPRINT Highway) decreased around 5.0% from 210,000 vehicles recorded previously to 199,500 vehicles in the current year.

Since the relaxation of the MCO in May 2020, tollable traffic volumes on both highways has since rebounded albeit still below pre-MCO level.

- (a) What is the current average weekday tollable traffic for LDP and SPRINT Highway?**
- (b) How much is the reduction in profit resulting from the drop in tollable traffic volumes?**

A1. (a) The average weekday tollable traffic for the month of August 2020 is 435,000 for LDP and 174,000 for SPRINT Highway.

- (b) As reported in the 1st Quarter Report FY2021, the Group recorded lower profit after tax of RM27.2 million as compared to 4th Quarter FY2020. This is mainly due to lower revenue recorded of RM44.8 million as a result of average weekday tollable traffic on LDP dropping from 401,000 vehicles recorded in 4th Quarter FY2020 to 248,000 vehicles in 1st Quarter FY2021.**

Q2. For the financial year ended 31 March 2020 ("FY2020"), LITRAK's toll revenue is RM498,849,000, comprising the toll collection from the highway's users and compensation claim from the Government of Malaysia.

For FY2021,

- (a) What is the estimated overall growth rate in traffic volume?**
- (b) What is the projected traffic volume and toll collection?**
- (c) How much is the expected compensation from the Government of Malaysia?**

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- A2. Other than the factors affecting traffic growth for FY2021 as discussed in the Management Discussion and Analysis section in the Annual Report 2020, traffic volume recovery would be difficult to predict as Covid-19 and MCO are unprecedented material adverse impacts affecting businesses, communities and nations across the world. Furthermore, in Malaysia, road users are currently adopting to new norms of doing business and commuting for both work and leisure, at least until an effective vaccine is found.

Recently the Government has extended the RMCO ending date from 31 August 2020 to 31 December 2020. Whilst the Group envisage tollable traffic volumes to return to the pre-MCO level with the full lifting of the MCO by the Government in the near future, the estimated tollable traffic volume for the FY2021 would still be lower when compared with FY2020 due to the significant drop in traffic recorded in the 1st Quarter FY2021.

Government compensation arises whenever Government decides to defer any scheduled toll rate increases and are calculated based on prescribed formula contained within the Concession Agreement. Similar to the above, factors which will affect expected government compensation for FY2021 will depend on:

- (i) Actual tollable traffic volume recorded for FY2021.
- (ii) Government's decision on the scheduled toll rates increases for calendar year 2021 onwards.

- Q3. LITRAK's Maintenance Expenses fell RM11.1 million i.e. from RM26.1 million in the previous financial year to RM15.0 million in FY2020, due mainly to lower provision for resurfacing obligation (i.e. provision for heavy repair) made in the current financial year (page 15 of AR2020).**

Is the lower Maintenance Expenses sustainable? What is the estimated Maintenance Expenses for FY2021?

- A3. For tolled highway concessions, provisions for resurfacing obligation (i.e. provision for heavy repair) are required to be made in compliance with IC Interpretation 12 (Service Concession Arrangements) effective from 1 July 2010. This standard requires that whenever such provisions are made, corresponding charges shall be taken up in the Income Statement. These provisions would generally be required depending on the estimated future obligations of the concession company in relation to such periodic major pavement rehabilitation works. For the financial year ended 31 March 2020, the provision for heavy repair amounting to RM25.7 million was estimated to be sufficient for this purpose.

- Q4. Share of result of an associate in FY2020 was RM18.4 million as compared to RM1.5 million in FY2019 (page 65 of AR2020).**

What is the reason for the significant increase? From which associate company does the increase come from?

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A4. The increase relates to Sistem Penyuraian Trafik KL Barat Sdn Bhd (SPRINT), the concession holder for SPRINT Highway and a wholly owned subsidiary of Sistem Penyuraian Trafik KL Barat Holdings Sdn Bhd. As described in page 15 of the Annual Report 2020, the improved results is attributed to higher revenue arising from higher Government compensation accruals recognised for Penchala Link's Bukit Kiara Toll Plaza as the toll rates were scheduled to be increased in accordance with the Concession Agreement effective from 1 January 2019. For the previous financial year, the impact was only for a period of three months whilst for the current financial year, the impact was for the full twelve months.

Q5. For Other Intangible Assets and Accumulated Amortisation, there are write-offs amounting to RM171,000 in FY2020 (FY2019: RM10,000) and RM165,000 (FY2019: RM9,000) respectively.

Please provide more details on the write-off and reason for the substantial increase in this item compared to the preceding financial year.

A5. The Other Intangible Assets written off are mainly IT equipments and toll lanes collection systems which are obsolete and have been replaced with recent hardware and software systems. The total amount written off had a small carrying value of RM6,000.



LINGKARAN TRANS KOTA HOLDINGS BERHAD
25TH ANNUAL GENERAL MEETING, 30 SEPTEMBER 2020

Reply to Pre-Submitted Questions from Shareholders

CORPORATE & FINANCE

Q1. Consumer & Glove share prices are high. Now the only counter to invest in is Technology shares like XOX & MI, or United Plant & Press Metal. Can you allow some funds to invest in these counters?

A1. The Group's main principal activity is to operate and manage tolled highway concessions. The Group does not have the right internal expertise for investing into the equity markets. Furthermore, the Group's funds are mainly held at the concession company level whereby such funds are:

- regulated by the Sukuk borrowings' trust deed as to where such funds can be invested into; and
- reserved for Sukuk principals and interests repayments which amounted to more than RM200 million annually from now up until the end of Sukuk period.

Q2. Construction difficult to survive now. Better diversify to Glove, technology & fruit plantation.

A2. The Group is not involved in construction business.

Q3. Give e wallet or voucher to those participate in virtual meeting so as to encourage others to support. Company can save a lot of money.

A3. Our apologies, as stated in our Administrative Guide, there would not be any door gifts. We would continue to reward you for your support in the form of dividends.

Q4. The government acquisition is off the table now. However, LDP concession ends in 2030, and SPRINT between 2031 and 2034. The uncertainty on future outlook could weigh on the share price as we move closer to 2030. The board has a responsibility to plan ahead.

A4. Currently the Group is focused on operating and maintaining the tolled highway concessions of LDP and Sprint Highway. At the moment, there are no plans yet with regards to injection of new business to the Group that could operate beyond the concession period of 2034.

The Group's consistent dividend stream of 25 cents per annum offers a fairly decent yield of 6.25 based on current share price. This yield would be expected to increase in near future upon full repayment of the Group's Sukuk borrowings in 2023 barring any unforeseen circumstances beyond the Company's control.

Reply to Pre-Submitted Questions from Shareholders

Q5. Based on past deliberation by the board, what are the various options for the group after concessions end? What is the relative likelihood of each of these options?

A5. Same as A4.

Q6. Virtual AGM is convenient for shareholders who live far away or have limited time. It encourages shareholders' participation and is also environmentally friendly. Can the group offer an online participation option in the future AGMs?

A6. Based on our 2019's record, shareholders representing about 82.6% of the issued shares of the Company attended the AGM either in person or by proxy. Nevertheless, we will consider your suggestion for future meetings.

OPERATIONS

Q7. Pipes blockage happened everywhere, please produce transparent or opaque pipes to save time and cost of clearing the blockage.

A7. We do not frequently encounter pipe blockages. Most of the pipes used on the highway are concealed hence transparent or opaque pipes would not be helpful.



**LINGKARAN TRANS KOTA HOLDINGS BERHAD
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Reply to Questions Received During 25th Annual General Meeting (Live AGM Questions)

CORPORATE & FINANCE

A. Door Gift/e-Wallet/e-Voucher

- Q1. Please give e-Voucher.**
- Q2. Appreciate getting vouchers.**
- Q3. Very few companies give e-wallet or voucher this year. Shareholder going to die of hunger. All money had invested in shares. No more cash.**
- Q4. Please reward shareholders who participated with e-wallet or voucher so as to encourage others to support virtual meeting.**
- Q5. Hope you would provide some e-vouchers to the loyal shareholders participating today in this RPV.**
- Q6. Any door gift for shareholders who are present here?**
- Q7. Dear Board of Directors, hope you will give e-wallet to the Company's loyal shareholders, thanks.**
- Q8. Any e-voucher for shareholders?**
- Q9. I hope the Board would consider giving some e-vouchers or e-wallet top ups to all participants of this meeting to brighten up our day during this Covid-19 pandemic.**
- Q10. Please give e-voucher for refreshment.**
- Q11. Please consider giving e-voucher to participating shareholders in line with Bursa's practice.**
- Q12. Hope the Board will give us faithful shareholders shopping vouchers.**
- Q13. I humbly request the Board of Directors to consider giving e-Voucher and/or e-Wallet credit to shareholders as a token of appreciation.**
- Q14. Give e-wallet or voucher to shareholders who participated to get virtual meeting support. Physical meeting mostly proxy attend. Now mostly shareholder attend.**

A. Response to Q1 to Q14

Reply to Questions Received During 25th Annual General Meeting (Live AGM Questions)

Our apologies, as stated in our Administrative Guide, there would not be any door gifts. We would continue to reward you for your support in the form of dividends.

B. Directors' Fees

Q15. Should the Directors fees be reduced in tandem with the drop in profit? Kindly justify your Director fees!

Q16. For the increase in Directors fees, what will be the profit increase for us shareholders as dividend etc.?

A. Response to Q15 to Q16

Directors' fees are paid to the Group's Independent Non-Executive Directors and are based on the roles and responsibilities undertaken by them for the Group. Their fees commensurate with the experience and expertise they bring to the Group. Furthermore, the directors' fees are benchmarked against peer companies of similar/related industries and/or market capitalization. These benchmarking are performed on a periodic basis and affirmed by the Board's Remuneration Committee from time to time.

C. Dividends

Q17. Is the company looking to increase dividend after debts has been pared down over the years? Current payout ratio is 50% with much room for adjustment.

Q18. Any increase of dividends or bonus issue?

Q19. In addition to paying cash dividend as returns to shareholders, most listed issuers have embarked on share buyback to enhance shareholders' value. As the Company's cash reserves continue to grow, there is ample room for the Company to consider share buy-back to increase shareholders' value. Have the Board and Management consider implementing a Share Buyback Program to enhance shareholders' value? If no, please explain why.

Q20. The Group's free cash flow (FCF) in FY2021 is expected to exceed RM500 million (post-Covid-19) due to lower financing cost. Based on the current dividend payout of approximately RM133 million, this represent only a payout ratio of only approximately 26% of its FCF. In view of the increasing FCF and growing cash reserve, shareholders expect a higher dividend payout from FY2021. Appreciate the Board's response on this.

A. Response for Q17 to Q20

The Group's current practice is to distribute all available cash to shareholders after setting aside adequate funds for operation and maintenance expenses, planned capital expenses as well as sum set aside to comply with debt covenants.

Reply to Questions Received During 25th Annual General Meeting (Live AGM Questions)

For share buyback proposal, the Group views this as another form of instrument for distributing surplus cash back to shareholders similar to dividends which, likewise is also subject to the availability of surplus cash mentioned above.

D. Investment in Equity Markets and Diversify to Other Businesses

Q21. Please venture into technology share or healthcare like Harta & Supermax or food product like NESTLE or Perlis Plantation. Other business difficult to make profit.

Q22. Please diversify to glove & mask business.

Q23. Please allow some fund to invest in Glove & mask shares.

Q24. Please diversify to glove & mask business.

A. Response to Q21 to Q24

These questions are similar to Q1 of Pre-Submitted Questions (Appendix 2) which was answered during the AGM and are now published herewith along with the Live AGM Questions.

E. Takeover Offers from The Government

Q25. Will LITRAK be taken over by the Government and toll abolish?

Q26. Is there any update on the Government takeover of LDP highway from LITRAK concessionaire? Are we considering the takeover as lapsed or still giving more time for the Government to consider?

Q27. The previous Government's proposal to take over the LDP expressway, is this proposal still going on with the current Government?

**Q28. 1. Could you provide shareholders an update on the potential sale of LITRAK's highways to the Government?
2. If LITRAK's highways are sold to the Government, what's LITRAK's plan ahead such as acquisition of other highways or liquidation?**

A. Response to Q25 to Q28

As mentioned in our 4th Quarter Report FY2020 and our Annual Report FY2020, the offers are considered to have lapsed.

Reply to Questions Received During 25th Annual General Meeting (Live AGM Questions)

F. Government's Proposal of 1 Trust

- Q29.** 1. If the proposal by the Government to put all the tolled highways under 1 trust go through, how will it impact the revenue/profits /dividends to the shareholders Will it also impact the share price of LITRAK and to what extent?
2. Has the Covid-19 pandemic affect the toll collections of LITRAK, if so, approximately by how many %?

A29. The Board has not received any information from the Government on this matter. It is too early to comment on this as the Government is still studying the proposal.

Please refer to the response to Q30 to Q34 on the impact of MCO.

G. MCO impact to the Group

Q30. What is the future plan onwards if Covid-19 pandemic still continues as we don't have the firmed target when this will end?

- Q31.** 1. After the MCO, has your expressway's income went back to normal or less than pre-MCO?
2. The previous Government's proposal to take over the LDP expressway, is it still going on with this current Government?

Q32. What is the effect of Covid-19 on the Company's profitability?

- Q33.** 1. By how many percent is the current traffic volume below pre-MCO levels?
2. Barring any threat of second wave outbreak that affects traffic volume, can shareholders expect a dividend of 25 cents for financial year ending 2021 and 2022?
3. Is it worthwhile to call back sukuk Musyarakah and issue new sukuk at a lower interest rate?

Q34. Has LDP highway's toll collection reduced during the RMCO? Can the Board share the tolls ridership during the last 3 months?

A. Response to Q30 to Q34

As per the Group's reply to the MSWG's Q1 and Q2 (Appendix 1) as well as the Group's financial presentations, the Group recorded lower profit after tax of RM27.2 million in the 1st Quarter of FY2021 as compared to the 4th Quarter of FY2020. This is mainly due to lower revenue recorded of RM44.8 million as a result of average weekday tollable traffic on LDP dropping from 401,000 vehicles recorded in the 4th Quarter of FY2020 to 248,000 vehicles in the 1st Quarter of FY2021. However, as presented in the Group's financial presentation, average weekday tollable traffic has recovered significantly in July and August 2020 to -19% and -5% below pre-MCO level respectively.

Please refer to:

Reply to Questions Received During 25th Annual General Meeting (Live AGM Questions)

- Q17 to Q20 for Dividends
- Q35 for refinancing.

H. Sukuk Musyarakah

Q35. Considering the interest rate are low now, for the remaining Sukuk, is there a chance that we can early redeem it and refinance with lower interest cost?

A35. Although there may be some interest savings through a redemption and reissuance of the existing Sukuk borrowings (i.e. refinancing exercise), existing bondholders would usually demand for a redemption premium for any early redemption which would eventually add on to the costs of such refinancing exercise. Nonetheless, the Group is constantly looking at opportunities to enhance shareholders' value should any opportunities arise.

I. Others Financial Matters

Q36. What is LITRAK's ownership of LDP and SPRINT in percentage? What are the revenues of LDP and SPRINT respectively?

A36. Lingkaran Trans Kota Holdings Berhad owns 100% and 50% of the concession holders for LDP and SPRINT Highway respectively. For FY2020, revenue for LDP is RM504 million at company level and for SPRINT Highway is RM245 million at company level.

Q37. Good morning to Board of Directors and management team. What is the Company's future plan after the respective concessions ended?

A37. This question is similar to Q4 of Pre-Submitted Questions (Appendix 2) which was answered during the AGM and is now published herewith along with the Live AGM Questions.

Q38. The statement of financial position shows there are RM183 million of deferred tax liabilities or about one-fifth of total liabilities. They are mostly attributed to the highway development expenditure (HDE), which is the largest item on the asset side. Can you explain the unique nature of this business which gives rise to such large deferred tax liabilities?

A38. Deferred tax is the timing difference between tax accounting and income tax computation. The Group's deferred tax liabilities arise mainly from timing differences on the amount of tax deduction claimed and the amortisation for HDE resulting in differences between the carrying amount of HDE in the accounts and its tax base value. This difference was recognized as deferred tax liabilities in accordance with MFRS 112 Income Taxes, and had been accumulating up to FY2013. Since then, the deferred tax liabilities have been gradually reversing and currently stands at RM183 million as at FY2020.

Reply to Questions Received During 25th Annual General Meeting (Live AGM Questions)

Q39. For the compensation from Government due to the delay toll rates hike of LDP since 2016, is the amount being paid in full every year? Will there be interest incurred if the payment is delayed?

A39. Government compensations (including those before CY2016) due to the Group have been paid according to the terms of the Concession Agreement.

Q40. Referring to LDP concession (a) Based on the concession agreement, what will happen when LDP concession ended in year 2030? (b) Will there be any additional compensation from Government, additional expenses to transfer concession, or chances of extension? (c) Will there be a significant write off of concession asset in our book? Or will it be amortized to zero value over the remaining years?

A40. LDP was built based on the Government's privatization policy on Build, Operate & Transfer (BOT) basis. At the end of the concession in year 2030, LDP would be handed over to the Government in accordance with the terms of Concession Agreement (CA). So far, as both parties have been adhering to the Concession Agreement, we do not expect any additional compensation or any extension of the concession period. The carrying value of HDE of RM1.1 billion as at 31/3/20 would continue to reduce annually through systematic amortization charges being taken up in the income statement in accordance with prevailing accounting standards such as IC Interpretation 12 (Service Concession Arrangements) and would finally be fully amortized at the end of the concession period in 2030.

Q41. The cash and bank balances of the Company is expected to increase further due to the lower interest servicing payment from lower overall borrowings. In view of the lower effective interest/profits rates due to the reduction in interest rates in 2020 (page 99 of AR), what are the steps taken by management to maximise its returns from its increasing cash and bank balances?

A41 The Management always strive to maximise the interest return with regards to the available cash within the confines of the Sukuk covenants. However, as mentioned in our response to Q1 of the Pre-Submitted Questions (Appendix 2), most of the Group's funds are mainly held at the concession company level whereby such funds are regulated by the Sukuk borrowings' trust deed as to where such funds can be invested into.

OPERATIONS

Q42. Toll Gate sure make profit. As a "cash cow" build more road at traffic jam location to collect toll.

A42. We are unable to respond to this question as the award of any new tolled highway concessions are strictly the prerogative of the Government and the relevant authorities.

Reply to Questions Received During 25th Annual General Meeting (Live AGM Questions)

Q43. There has been an increase in seamless toll payment via new touchless system such as RFID etc. What are the fees/commission paid to the proprietor of such payment system in FY2020?

A43. Touch 'n Go Sdn Bhd is currently the operator for all ETC payment mode systems on LDP & SPRINT Highway which comprise Touch 'n Go and SmartTAG as well as the newest RFID toll payment system. Current commission rate for operating all ETC payment modes on all tolled highways including LDP and SPRINT Highway is 1.3% of toll collection.

Q44. Tollable traffic volume has declined every year from FY2017 to FY2020. LDP traffic has declined from 166.9 million in FY2017 to 155.6 million, whereas SPRINT from 75.2 million to 66.8 million. This seems like a structural decline that can't be attributed to one-off events like public transport fare discount or toll hike. What are the main causes of this decline? Is such a decline common to other local operators? What can be done to reverse the trend?

A44. Both LDP and SPRINT Highway are considered brown-field highway projects having been in operations for 20 years and 18 years respectively. As mentioned in our Annual Report FY2020, moving forward both highways can only expect marginal traffic growth due to various demand issues as follows:

- Alternative modes of transportation such as public transportation or motorcycles usage due to either cost-related or convenience motivations. These are further compounded by prevailing Government's policy of encouraging public transportation usage through subsidized fees e.g. MY100 in 2019 and recently introduced MY30 monthly rail pass for LRTs, BRTs and MRTs in 2020.
- Competing alignments such as Federal Highway (toll free), DUKE 2 Extension, and NVKE etc. due to either cost-related or convenience motivations. These include Batu Tiga Toll Plaza on Federal Highway abolished by the Government on 1/1/18, DUKE 2 Extension started operations on 23/10/17 and recently PLUS (including NKVE and ELITE) reduced toll rates by 18%.
- Protracted impact of Covid-19 pandemic which necessitates new norm practices and SOPs in our way of living, socializing and conducting business e.g. more online meetings, staff working from home and/or rotation basis, more online shopping/schooling etc. amongst others.

Apart from measures as discussed in the Management Discussion & Analysis section of our Annual Report FY2020 such as contra flow systems, signalized junctions enhancements and toll collection systems upgrades, the Group is monitoring closely the impacts of the above as well as new developments and/or alignments which may contribute positively to the traffic volumes plying on our highways e.g. the ongoing Lebuhraya Damansara-Shah Alam (DASH) and Lebuhraya Setiawangsa-Pantai Expressway (SPE), which are expected to be completed in 2021.