

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

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This Circular has been reviewed by M & A Securities Sdn Bhd, being the Adviser to Nestcon Berhad for the Proposed Diversification (as defined herein).



NESTCON BERHAD

(Registration No. 202001008684 (1365004-W))
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

PROPOSED DIVERSIFICATION OF THE EXISTING BUSINESS OPERATIONS OF NESTCON BERHAD AND ITS SUBSIDIARIES TO INCLUDE ENGINEERING, PROCUREMENT, CONSTRUCTION AND COMMISSIONING OF SOLAR PHOTOVOLTAIC SYSTEMS, PROJECT MANAGEMENT OF RENEWABLE ENERGY ACTIVITIES AS WELL AS OWNING AND OPERATING SOLAR PHOTOVOLTAIC ASSETS ("PROPOSED DIVERSIFICATION")

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Adviser



M & A SECURITIES SDN BHD

(Registration No. 197301001503 (15017-H))
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Extraordinary General Meeting ("**EGM**") of the Company will be conducted fully virtual through live streaming and online remote voting using Remote Participation and Voting facilities provide by Propoll Solutions Sdn Bhd ("**Propoll**") via its Propoll Online website at www.propollsolutions.com.my from the broadcast venue at S-4-04, The Gamuda Biz Suites, Jalan Anggerik Vanilla 31/99, 40460 Kota Kemuning, Shah Alam, Selangor ("**Broadcast Venue**"), on Thursday, 30 May 2024 at 11.00 a.m. or immediately following the conclusion of the Fourth Annual General Meeting ("**4th AGM**") of the Company which will be held at the Broadcast Venue on the same day at 10.00 a.m. The Notice of EGM and Proxy Form are enclosed together with this Circular.

A member entitled to attend, participate and vote remotely at the EGM is entitled to appoint not more than 2 proxies to attend, participate and vote remotely on his/her behalf. In such event, the completed and signed Proxy Form should be lodged at the poll administrator's office at S-4-04, The Gamuda Biz Suites, Jalan Anggerik Vanilla 31/99, 40460 Kota Kemuning, Shah Alam, Selangor not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Alternatively, the Proxy Form may also be electronically submitted via Propoll's Online website at www.propollsolutions.com.my. Please refer to the Administrative Guide for the EGM for further details. The lodging of the Proxy Form shall not preclude you from attending, participating and voting remotely in person at the EGM using the Remote Participation and Voting facilities, should you subsequently wish to do so.

Last date and time for lodging the Proxy Form : Tuesday, 28 May 2024 at 11.00 a.m.

Date and time of EGM : Thursday, 30 May 2024 at 11.00 a.m. or immediately following the conclusion of the 4th AGM of the Company which will be held at the Broadcast Venue on the same date at 10.00 a.m.

This Circular is dated 30 April 2024

DEFINITION

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

"ACE Market"	: ACE Market of Bursa Securities
"Act"	: The Companies Act, 2016, as amended from time to time, and any re-enactments thereof
"Announcement"	: Announcement dated 2 April 2024 pursuant to the Proposed Diversification
"Board"	: Board of Directors of Nestcon
"Bursa Securities"	: Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
"CGPP"	: Corporate Green Power Programme, a mechanism of virtual power purchase agreement which offers corporate consumers the opportunity to virtually purchase solar energy directly from solar developers
"Circular"	: This circular to shareholders of Nestcon dated 30 April 2024
"Director(s)"	: The director(s) of Nestcon and shall have the meaning given in Section 2(1) of the Act and Capital Markets and Services Act 2007
"EGM"	: Extraordinary general meeting
"Energy Commission"	: Energy Commission of Malaysia, the regulator for the energy industry in Peninsular Malaysia and Sabah
"EPCC"	: Engineering, procurement, construction and commissioning
"EPS"	: Earnings per Share
"FYE"	: Financial year ended/ending 31 December, as the case may be
"Government"	: Government of Malaysia
"LSS"	: Large scale solar
"Listing Requirements"	: ACE Market Listing Requirements of Bursa Securities, as may be amended from time to time
"LPD"	: 15 April 2024, being the latest practicable date prior to the date of printing of this Circular
"M&A Securities"	: M & A Securities Sdn Bhd (Registration No. 197301001503 (15017-H))
"MW"	: Megawatt
"MWp"	: Megawatt peak, the maximum possible output in direct current (refers to electric current that flows in one direction only) of a Solar PV system operating under standard conditions such as ambient temperature and irradiation angle
"NA"	: Net assets

DEFINITION (Cont'd)

"NEDA"	: New Enhanced Dispatch Arrangement under Energy Commission
"NEM"	: Net Energy Metering, a scheme whereby the energy produced from the Solar PV system installed will first be used by the consumers for their own consumption. Any surplus of energy produced will be exported to the grid and sold to the distribution licensees at an agreed rate
"Nestcon" or "Company"	: Nestcon Berhad (Registration No. 202001008684 (1365004-W))
"Nestcon Builders"	: Nestcon Builders Sdn Bhd (Registration No. 201301033505 (1063335-M))
"Nestcon Floatovoltaics"	: Nestcon Floatovoltaics Sdn Bhd (Registration No. 202301040579 (1534498-X))
"Nestcon Group" or "Group"	: Nestcon and its subsidiaries, collectively
"Nestcon Infra"	: Nestcon Infra Sdn Bhd (Registration No. 200101021201 (556959-W))
"Nestcon Share(s)" or "Share(s)"	: Ordinary share(s) in Nestcon
"Nestcon Solar"	: Nestcon Solar Sdn Bhd (Registration No. 201901041418 (1350748-V))
"Nestcon SS"	: Nestcon Sustainable Solutions Sdn Bhd (Registration No. 202101028866 (1429166-T))
"N1 Solar"	: N1 Solar Sdn Bhd (Registration No. 202101038532 (1438832-D))
"N2 Solar"	: N2 Solar Sdn Bhd (Registration No. 202101038536 (1438836-H))
"N3 Solar"	: N3 Solar Sdn Bhd (Registration No. 202301026729 (1520652-W))
"Official List"	: The list specifying all securities listed on the ACE Market of Bursa Securities
"Pristine Multi-Vision"	: Pristine Multi-Vision (M) Sdn Bhd (Registration No. 200601005566 (725315-K))
"Proposed Diversification"	: Proposed diversification of the existing business operations of Nestcon Group to include the Renewable Energy Business
"Protégé" or "Independent Market Researcher"	: Protégé Associates Sdn Bhd (Registration No. 200401037256 (675767-H)), being the independent market researcher
"PV"	: Photovoltaic
"Record of Depositors"	: A record of securities holders established and maintained by Bursa Malaysia Depository Sdn Bhd
"Renewable Energy Business"	: Comprising EPCC of Solar PV systems, project management of renewable energy activities, as well as owning and operating Solar PV assets

DEFINITION (Cont'd)

"RM" and "sen"	: Ringgit Malaysia and sen, respectively
"SEDA"	: Sustainable Energy Development Authority of Malaysia
"Solar PV"	: Solar photovoltaic
"TNB"	: Tenaga Nasional Berhad (Registration No. 199001009294 (200866-W))

Any discrepancy in the figures included in this Circular between the amounts listed, actual figures and the totals thereof are due to rounding.

Any reference in this Circular to any statutes, rules, regulations or rules of the stock exchange is a reference to such statutes, rules, regulations or rules of the stock exchange currently in force and as may be amended from time to time and any re-enactment thereof.

Words incorporating the singular shall, where applicable, include the plural and vice versa and words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include a corporation, unless otherwise specified. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise specified.

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EXECUTIVE SUMMARY

THIS EXECUTIVE SUMMARY HIGHLIGHTS THE SALIENT INFORMATION OF THE PROPOSED DIVERSIFICATION. SHAREHOLDERS OF NESTCON ARE ADVISED TO READ THE CIRCULAR AND ITS APPENDIX FOR FURTHER DETAILS AND NOT TO SOLELY RELY ON THIS EXECUTIVE SUMMARY IN FORMING A DECISION ON THE PROPOSED DIVERSIFICATION BEFORE VOTING AT THE FORTHCOMING EGM.

The Board is recommending shareholders of Nestcon to vote **IN FAVOUR** of the resolution in relation to the Proposed Diversification to be tabled at the forthcoming EGM.

Key information	Description	Reference to Circular
Summary	: The Company proposes to undertake the diversification of the Group's existing business operations to include the Renewable Energy Business.	Section 2
Rationale	<p>: The Proposed Diversification is in line with the Group's new growth path to venture into the Renewable Energy Business that would enhance future earnings and expand its income stream of the Group.</p> <p>Accordingly, the Group is of the view that, moving forward, the Renewable Energy Business in Malaysia is expected to benefit from various factors driving demand for renewable energy through growing population, economic growth and increased urbanisation.</p>	Section 3
Risk factors	<p>: Pursuant to the Proposed Diversification, Nestcon Group will be exposed to new risks inherent in the renewable energy industry which include, but not limited, to the following:</p> <ul style="list-style-type: none">(a) business diversification risk;(b) competition risk;(c) dependency of key personnel; and(d) political, economic and regulatory risk.	Section 4
Approvals required	<p>: The Proposed Diversification is subject to the following approvals being obtained:</p> <ul style="list-style-type: none">(a) shareholders of Nestcon for the Proposed Diversification at the forthcoming EGM; and(b) any other relevant authority, if required. <p>The Proposed Diversification is not conditional on any other proposals undertaken or to be undertaken by the Company.</p>	Section 6



NESTCON BERHAD

(Registration No. 202001008684 (1365004-W))
(Incorporated in Malaysia)

Registered Office:

No. 7-1, Jalan 109F
Plaza Danau 2
Taman Danau Desa
58100 Kuala Lumpur
Wilayah Persekutuan

30 April 2024

Directors:

Mohd Noor bin Setapa (*Independent Non-Executive Chairman*)
Datuk Ir. Dr. Lim Jee Gin (*Group Managing Director*)
Ong Yong Chuan (*Executive Director*)
Lim Joo Seng (*Finance Director*)
Yeoh Sheong Lee (*Independent Non-Executive Director*)
Nor Azzam bin Abdul Jalil (*Independent Non-Executive Director*)
Roslinda binti Awang @ Mat Yazid (*Independent Non-Executive Director*)

To: Shareholders of Nestcon Berhad

Dear Sir/ Madam,

PROPOSED DIVERSIFICATION

1. INTRODUCTION

On 2 April 2024, M&A Securities had, on behalf of the Board, announced that the Company proposed to undertake the Proposed Diversification.

Further details on the Proposed Diversification are set out in the ensuing sections.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE DETAILS OF THE PROPOSED DIVERSIFICATION, TO SET OUT THE BOARD'S OPINION AND RECOMMENDATION IN RELATION TO THE PROPOSED DIVERSIFICATION AND TO SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSED DIVERSIFICATION TO BE TABLED AT THE FORTHCOMING EGM OF THE COMPANY. THE NOTICE OF EGM TOGETHER WITH THE PROXY FORM ARE ENCLOSED WITH THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDIX BEFORE VOTING ON THE RESOLUTION TO GIVE EFFECT TO THE PROPOSED DIVERSIFICATION AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED DIVERSIFICATION

2.1 Overview

The Company proposes to undertake the diversification of the Group's existing business operations to include the Renewable Energy Business.

Presently, Nestcon Group is principally involved in the provision of construction works throughout Malaysia, focusing on building construction works as well as civil engineering and infrastructure works. The Group is capable of constructing:

- (a) various types of buildings such as residential, commercial, industrial and leisure properties; and
- (b) various types of civil engineering and infrastructure works such as earthworks, roadworks and drainage works.

Driven by the Group's strategy to achieve continuous growth, the Group has identified the Renewable Energy Business as a new business segment for the Group to venture into with the aim of creating an additional source of income to the Group's existing core businesses. As such, the Group commenced venturing into the Renewable Energy Business (such as EPCC of Solar PV systems) since 2021 in conjunction with the incorporation of Nestcon SS on 7 September 2021.

Subsequently on 28 April 2022, Nestcon SS had completed the acquisition of the entire equity interest in Central Solar Sdn Bhd (now known as Nestcon Solar) from Main Way Venture Sdn Bhd via the following:

- Share consideration of RM1,127,049 via the issuance and allotment of 2,209,900 ordinary shares in Nestcon SS (representing 49.0% of the existing share capital of Nestcon SS) to Main Way Venture Sdn Bhd; and
- Cash consideration of RM1,872,951 to Main Way Venture Sdn Bhd.

Following the above, the Company's shareholdings in Nestcon SS was diluted to 51.0% effective equity interest in Nestcon SS.

As at LPD, the Group is involved in the Renewable Energy Business through the following subsidiaries:

Name	Commencement of business	Effective equity interest (%)	Principal activities
Held by the Company:			
Nestcon SS	November 2021	51.0	Renewable energy activities and maintenance works and investment holding
Nestcon Infra	Year 2010	100.0	Engaged in construction works
Held by Nestcon SS:			
N1 Solar	-	51.0	Dormant since incorporation, intended principal activities are provision of EPCC services for Solar PV systems and investment in Solar PV plant
N2 Solar	January 2023	51.0	Engaged in provision of EPCC services for Solar PV systems and investment in Solar PV plant

Name	Commencement of business	Effective equity interest (%)	Principal activities
N3 Solar	-	51.0	Dormant since incorporation, intended principal activities are provision of EPCC services for Solar PV systems and investment in Solar PV plant
Nestcon Solar	June 2022	51.0	Engaged in business of solar energy ^(a) , Solar PV and facility, EPCC and project management of all kind of renewable energy and any related business and services
Held by Nestcon Infra:			
Nestcon Floatovoltaics	-	80.0	Dormant since incorporation, intended principal activities are provision of EPCC services for Solar PV systems and investment in Solar PV plant

Note:

^(a) As at LPD, Nestcon Solar is mainly providing EPCC services for Solar PV systems under its business of solar energy.

The key financial performance of the Group for the past 4 financial years up to FYE 2023 are as follows:

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Revenue	344,479	100.0	358,261	100.0	461,518	100.0	775,146	100.0
- Construction works	344,479	100.0	358,261	100.0	454,869	98.56	759,205	97.94
- Renewable Energy Business	-	-	-	-	6,649	1.44	15,941	2.06
Profit/(Loss) after tax attributable to the owners of the Company	14,301	100.0	12,211	100.0	(15,348)	100.0	3,492	100.0
- Construction works	14,301	100.0	12,211	100.0	(15,090)	98.32	3,310	94.79
- Renewable Energy Business	-	-	-	-	(258)	1.68	182	5.21

Based on the above, the Group's financial performance in FYE 2022 was negatively affected, mainly due to the following:

- (a) higher cost of raw materials such as steel, concrete, cement and diesel arising from the supply chain disruptions and global inflationary pressures; and
- (b) higher labour cost arising from the implementation of Malaysia's revised minimum wage policy from RM1,200 to RM1,500 in 2022.

(Source: Nestcon annual report FYE 2022)

Subsequently, the Group's financial performance in FYE 2023 has improved, mainly due to the commencement of new construction projects and higher level of the Group's construction activities in FYE 2023.

(Source: Nestcon annual report FYE 2023)

Taking into consideration of the Group's financial performance as stated above, the Board anticipates that, barring any unforeseen circumstances, the Group's Renewable Energy Business may potentially contribute 25% or more of the net profits of the Group and/or result in a diversion of 25% or more of the Group's NA in the future as the Group will continue to identify and secure additional projects resulting in further expansion of the Renewable Energy Business in the long term.

As such, the Board proposes to seek the approval from the shareholders of Nestcon for the Proposed Diversification pursuant to Rule 10.13 of the Listing Requirements, at the forthcoming EGM to be convened.

Notwithstanding the Proposed Diversification, the Board will continue with the existing business operations of the Group in the same manner. The Board will continuously review the Group's business operations from time to time with the intention to improve the Group's financial performance and position.

2.2 Overview of the Group's Renewable Energy Business

Under the Renewable Energy Business, the Group focus mainly on EPCC of Solar PV systems as well as owning and operating Solar PV assets in Malaysia.

As at LPD, the Group's Renewable Energy Business is depicted in the diagram below:

Business focus

- EPCC of Solar PV systems
- Own and operate Solar PV assets

Services offerings

- Design and engineering
- Application to relevant authorities
- Procurement
- Project management
- Construction
- Testing and commissioning
- Operation and maintenance

Customer segment

- Residential
- Commercial and industrial

(a) EPCC of Solar PV systems

The Group's EPCC of Solar PV systems provide various solutions to customers such as site assessment, system design, procurement, system installation, testing and commissioning. The Group's main scope of work in the EPCC of Solar PV systems are as follows:

Scope	Description
Engineering	<p>The engineering phase focuses on detailed planning and design of the project, which is mainly segregated into 2 stages.</p> <p>Firstly, is the conceptual design, which involved identification of customer needs (such as capacity requirement and location), followed by feasibility studies for the project (e.g. site survey and assessment). Once the conceptual design is finalised, a detailed engineering design will be prepared, which covers areas such as civil, mechanical, structural and electrical designs.</p>
Procurement	<p>The procurement phase involves acquiring all the required raw materials, equipment and related items as well as appointment of subcontractors (if required). There will be several options presented to customers for their choice of brands and materials.</p>
Construction	<p>The construction phase relates to the construction and installation of structures and systems according to the project plan and quality specifications. The construction activities are generally divided into earthworks and civil works, installation of Solar PV equipment and interconnection facilities. The Group focus on project management and stakeholder management, as well as manage and coordinate the installation and construction of the project. Whereas activities such as equipment erection, solar panels and structure installation, electrical and communication wiring are performed by the appointed subcontractors.</p>
Commissioning	<p>The commissioning phase is the final phase where it covers the implementation of activities to ensure the entire structure and system has achieved mechanical completion. In this phase, a comprehensive testing and evaluation will be conducted across all areas of the systems to ensure it meets with the technical requirements and quality standards as stated in the contract.</p> <p>Upon completion of the installation and assembly of the structures and equipment, a series of tests will also be conducted to assess the performance of the project plan. Once all tests are done with satisfactory results, the system will then be commissioned for live operations.</p>

The Group currently provides the EPCC of Solar PV systems to customers from the residential, commercial and industrial sectors. These are also the consumers that participate in the NEM scheme initiated by SEDA, whereby solar energy produced from the Solar PV systems installed at the NEM consumers' location will be consumed by the NEM consumers first, and any excess shall be exported to TNB at the prevailing displaced cost determined by SEDA.

Moving forward, the Group intends to provides EPCC of Solar PV systems to the public sector (such as office buildings owned by the Government) as well as Solar PV plants.

Nestcon Solar is currently the Company's main subsidiary focusing on providing EPCC of Solar PV systems under the Group's Renewable Energy Business. In FYE 2023, Nestcon Solar has completed a total of 25 EPCC of Solar PV systems projects with a total capacity of 5.55 MWp and contributed a total revenue of RM15.80 million to the Group in FYE 2023.

As at LPD, the Group has an unbilled order book value of approximately RM23.49 million for EPCC of Solar PV systems with a total capacity of 10.50 MWp, which are expected to be realised in FYE 2024 and 2025. In addition, as at LPD, Nestcon Solar has tendered for 13 EPCC of Solar PV systems projects with a total tender amount of RM185.71 million, which are still pending decision.

(b) Own and operate Solar PV assets

The Group via its subsidiary, N2 Solar, owns, operates and maintains Solar PV assets (Solar PV systems installed at the NEM consumers' building) that generate and sell electricity generated to the NEM consumers in Malaysia. This allows the Group to bill NEM consumers on electricity used from the Solar PV assets at an agreed rate on a monthly basis, resulting in a stable inflow of revenue to the Group.

The Group enters into a supply agreement with renewable energy ("**SARE**") in relation to the Group's Solar PV assets that generate and sell electricity to NEM consumers in Malaysia. SARE is a tripartite agreement between NEM programme consumer, distribution licensee (i.e. TNB and Sabah Electricity Sdn Bhd, being the holders of the licence to distribute electricity in Peninsular Malaysia and Sabah respectively, issued by the Energy Commission under Section 9 of the Electricity Supply Act 1990) and Solar PV asset owner (for e.g. the Group). SARE sets out details on the tenure of the agreement, the solar price (sen/ kilowatt-hour), the covenants and obligations of each party.

The Solar PV assets that the Group owns under SARE have a tenure of 21 years. After the tenure of the SARE, the NEM consumers shall own the Solar PV systems.

As at LPD, the Group owns 7 units of Solar PV assets with a total capacity of 1,543 kilowatt'peak (kWp) located in Kelantan (1 unit), Pahang (2 units) and Selangor (4 units). As at LPD, the said Solar PV assets contribute to an average monthly revenue of approximately RM41,000.

The Solar PV assets are installed on the NEM consumers buildings as follows:

No.	Locations	Types of building	Capacity (kWp)	Duration of SARE agreement
1.	Kelantan	Factory	226	October 2022 to October 2043
2.	Pahang	Factory	286	August 2022 to August 2043
3.	Pahang	Factory	286	August 2022 to August 2043
4.	Selangor	Factory	84	July 2022 to July 2043
5.	Selangor	Petrol station	64	October 2022 to October 2043
6.	Selangor	Warehouse	90	December 2022 to December 2043
7.	Selangor	Office building	506	June 2023 to June 2044

The Group's NEM customers consist of local corporations which are mainly involved in the business of manufacturing, petrol station operator and property investment.

(c) Venture into construct and own Solar PV plants

Moving forward, as part of the Group's strategy to expand its Renewable Energy Business segment, the Group intends to participate in more Solar PV projects as prospective owner under the Government's LSS programme and/or CGPP. Therefore, the Group will continue to explore various opportunities to construct and own Solar PV plants either on its own or with other business partners.

Leveraging on the Group's expertise and reputation in the construction industry, the Group (via Nestcon Infra) has formed a consortium partnership with Pristine Multi-Vision (a third-party company with the principal activity of property investment) ("**Consortium**") to tender for CGPP. In August 2023, the Consortium has secured a project from the Energy Commission, to construct and own a Solar PV plant in Selangor with an allocated export capacity of 10.0 MW under the CGPP ("**CGPP Project**").

Upon securing the CGPP Project by the Consortium, the Group incorporated Nestcon Floatovoltaics (a subsidiary of Nestcon Infra) on 13 October 2023, where Nestcon Infra and Pristine Multi-Vision holds 80.0% and 20.0% equity interest in Nestcon Floatovoltaics respectively. As such, Nestcon Floatovoltaics shall be the asset owner upon completion of the construction (including EPCC) of said Solar PV plant.

Under this Consortium arrangement, Pristine Multi-Vision's roles and responsibilities are mainly to rent out a land (which is owned by Pristine Multi-Vision) to Nestcon Floatovoltaics with an estimated land size of 50.0 acres in Selangor. The rental cost for the said land is estimated to be ranging from RM200 to RM300 per acre per month and shall be funded via the Group's internally generated funds. As at LPD, the Consortium has identified the location of the said land and is in the midst of finalising the tenancy agreement which is expected to be finalised by June 2024.

In addition, Pristine Multi-Vision is responsible to assist and to ensure Nestcon Floatovoltaics obtains the necessary approvals from the relevant authorities for the said land usage as Solar PV plant (including the construction of Solar PV plant) such as approvals from the Majlis Perbandaran Kuala Langat and Department of Irrigation and Drainage on the construction plan, Indah Water Konsortium on the sewerage design and Air Selangor on the water piping design. As at LPD, Nestcon Floatovoltaics has obtained the approval from the Majlis Perbandaran Kuala Langat and is in the midst of obtaining the remaining approvals from Department of Irrigation and Drainage, Indah Water Konsortium and Air Selangor.

Whereas, the Group's roles and responsibilities are mainly to oversee and manage the entire construction (including EPCC) and the day-to-day operations of said Solar PV plant. In addition, prior to the supply of electricity from the said Solar PV plant to the Group's corporate consumers, the Group needs to ensure that Nestcon Floatovoltaics is registered as a participant of NEDA scheme with Energy Commission by way of executing the NEDA Deed of Accession and NEDA Connection Agreement with Energy Commission as well as obtaining the NEDA Generation License from Energy Commission.

Therefore, Nestcon Floatovoltaics had in February 2024 executed the NEDA Deed of Accession with Energy Commission. As at LPD, Nestcon Floatovoltaics is in the midst of finalising the NEDA Connection Agreement and expects to execute it by May 2024. Following, Nestcon Floatovoltaics shall submit its application to obtain the NEDA Generation License in May 2024 after the execution of NEDA Connection Agreement and expects to obtain the NEDA Generation License as well as be registered as a participant of the NEDA scheme with Energy Commission by August 2024.

The Group's corporate consumers under the CGPP Project are 2 local corporations which are mainly involved in the business of manufacturing located in Selangor and Johor.

As at LPD, the Group is in the midst of finalising the plan on the construction (including EPCC) of the said Solar PV plant with an estimated cost of RM45.00 million, which shall be borne by the Group and Pristine Multi-Vision in proportion to their equity interests in Nestcon Floatovoltaics. The construction costs of RM45.00 million shall be funded via the Group's internally generated funds and/or bank borrowings (the Group is unable to determine the exact breakdown at this juncture).

The breakdown of the estimated costs to construct (including EPCC) the said Solar PV plant are as follows:

Description	RM'000
Preliminaries costs (such as design fee, consultancy fee and management fee)	⁽¹⁾ 7,800
Material costs (such as solar PV panels, cables and inverters)	⁽¹⁾ 32,200
Labour cost for construction and installation works	⁽¹⁾ 5,000
Total	45,000

Note:

- ⁽¹⁾ Based on the Group's estimation at this current juncture. Figures may differ from the actual to be incurred as the construction plan is still being finalised.

The construction (including EPCC) of the said Solar PV plant is expected to commence in the third quarter of 2024 and completed in second half of 2025. As such, the operation of the said Solar PV plant is expected to commence in second half of 2025, upon completion of said Solar PV plant.

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2.3 Key management personnel for Renewable Energy Business

The Group has identified Datuk Ir. Dr. Lim Jee Gin, Group Managing Director and Lim Joo Seng, Finance Director, to oversee the operations of the Group's Renewable Energy Business. In addition, the Group has appointed Say Qui Ken, Project Director of Nestcon Solar, to spearhead the operations of the Group's Renewable Energy Business. Their qualifications and experiences are set out below:

Datuk Ir. Dr. Lim Jee Gin, a Malaysian male aged 50, is the Group Managing Director. He is responsible for charting the Group's business strategies and managing the Group's corporate development.

He obtained his Bachelor of Bachelor of Engineering (Civil) (Hons) and Master of Science (Project Management) from Universiti Putra Malaysia in 1999 and 2003 respectively. He also completed his Doctor of Philosophy (Business Administration) from City University of Science and Technology, Malaysia in 2016. He is a registered Professional Engineer with Practicing Certificate (P. Eng) and a Corporate Member of the Institution of Engineers Malaysia, both since 2006. He is also a Chartered Fellow of The Chartered Association of Building Engineers, United Kingdom since 2020.

Upon graduation in 1999, he started his career as a Project Engineer with Sunday PMI-Pile Construction Sdn Bhd and was responsible for implementing quality management system as well as coordinating and supervising construction activities. In May 2000, he was transferred to Sunway Precast Industries Sdn Bhd as Project Engineer and involved in pre-construction and planning activities from the initial design stage up to site implementation. During his tenure in Sunway Group, he was also involved in the construction of government quarters for teachers using full industrial building system (IBS) method and in scheduling of the precast components' plant production output, manpower and logistics to the project sites.

In October 2000, he left Sunway Group and joined Rekabina Jaya Sdn Bhd as a Project Engineer, where he was involved in various construction projects ranging from civil engineering to building construction works. During his tenure there, he was also responsible for project bids and tender submission, project planning and scheduling, preparation of project documents as well as liaising with relevant authorities, customers, project consultants and subcontractors.

In 2003, he left Rekabina Jaya Sdn Bhd and joined ABV Builders Sdn Bhd as a Construction Manager and was responsible for the overall planning and coordination of construction activities as well as contract administration and execution of building and infrastructure construction projects. In 2004, he joined Nagano Holdings Sdn Bhd as a Project Director, where he was responsible for the management of construction activities on project sites, including the planning and coordinating of project activities. He then joined Nestcon Infra in 2009 and served as a Director of the company, where he played an instrumental role in managing the business development and strategies of the company while overseeing its daily operations. In 2016, he was subsequently appointed as Managing Director of the company.

In 2013, he co-founded Nestcon Builders (a wholly owned subsidiary of the Company) to venture into the provision of building construction services. Since then, he has successfully completed a number of civil engineering, infrastructure and building construction projects in the Group.

Lim Joo Seng, a Malaysian female aged 50, is the Group's Finance Director.

She obtained her Bachelor of Commerce (Accounting) from Macquarie University in Sydney, Australia in 1998. She is a member of Certified Public Accountants of Australia and Malaysian Institute of Accountants, both since 2003.

Upon graduation, she started her career in 1999 as a Tax Assistant in Sekhar & Tan, where she was involved in preparation of tax returns for clients. In 2000, she joined Deloitte KassimChan as an Audit Senior, where she was involved in statutory audits for clients in various industries as well as special assignments relating to listing exercises and mergers and acquisitions. In 2004, she left the firm and joined Eversafe Engineering Sdn Bhd as Finance Manager and was responsible for the company's financial reporting and accounting matters.

In 2005, she left the company and joined Deloitte Touche Tohmatsu CPA Ltd as a Manager based in China and was responsible for leading, managing and coordinating audit engagements with clients from various industries. She was also involved in special assignments related to listing and financial due diligence. In 2010, she left and joined XinRen Aluminium Holdings Limited as a Chief Financial Officer, where she was responsible for overseeing its restructuring exercise and preparation of its listing in Singapore. She was also responsible for managing, coordinating and monitoring the company's projects from acquisitions of strategic companies to external funding exercises.

In 2017, she left XinRen Aluminium Holdings Limited and has since been providing financial advisory work on a freelance basis. In the same year, she was appointed as an Independent Non-Executive Director of Nexion Technologies Limited, a company listed on the Hong Kong Stock Exchange.

She had ceased providing financial advisory work on a freelance basis in 2019 prior to joining the Group in her current position in December 2019 and is mainly responsible for the Group's financial functions, which include financial planning, reviewing and reporting. In 2022, she was appointed as an Independent Non-Executive Director of KGW Group Berhad in conjunction with the initial public offering corporate exercise of KGW Group Berhad on the ACE Market of Bursa Securities.

As at LPD, she is the Independent Non-Executive Director for KGW Group Berhad and Nexion Technologies Limited (a company listed on the Hong Kong Stock Exchange).

Say Qui Ken, a Malaysia male aged 33, is the Group's Project Director for the Renewable Energy Business segment.

He obtained his Bachelor of Electrical and Electronic Engineering (Electrical Power) from University Putra Malaysia in 2014. He obtained his qualification as a Qualified Professional Technologist under Malaysia Board of Technologists in 2023. He also obtained the Grid-Connected Photovoltaic Systems Design certificate under SEDA in 2019.

Upon graduation in 2014, he began his career as a Project Engineer in Plus Solar Systems Sdn Bhd where he was involved in local authority's submission, overall engineering, project management, solar system design, installation, testing and commission supervision. In April 2017, he was promoted to Senior Project Engineer and assumed similar responsibilities. In 2018, he left the company and joined Mattan Engineering Sdn Bhd as a Project Manager, where he was responsible for LSS PV project involving in project management, overall engineering, installation and commissioning supervision.

He left in 2020 and joined Eco Solar Solutions Sdn Bhd as Business Division Manager where he was responsible in business development, project tender process, procurement, engineering, project management, solar system design, installation, testing, monitoring the system performance and commissioning supervision. He was also involved in business unit planning for growth, budget setting and marketing, as well as short term and long term strategy planning.

In 2022, he left Eco Solar Solutions Sdn Bhd and joined Nestcon Solar in his current position, where he is mainly responsible to spearhead the business operations as well as implementing business strategies for the Group's Renewable Energy Business segment.

Based on his academic background coupled with his experience in the Renewable Energy Business and technical knowledge in the renewable energy industry as set out above, Say Qui Ken's contribution is expected to be beneficial to the Group's Renewable Energy Business.

Further to the above, as at LPD, the Group's key management personnel for the Renewable Energy Business are mainly assisted by 11 employees which consist of 2 design staffs, 3 project staffs, 5 administrative staffs and 1 business development staff.

Moving forward, the Group intends to continue recruiting more staff with the necessary technical expertise as and when required in tandem with the growth of the Renewable Energy Business.

3. RATIONALE FOR THE PROPOSED DIVERSIFICATION

The Proposed Diversification is in line with the Group's new growth path to venture into the Renewable Energy Business that would enhance future earnings and expand the income stream of the Group. Accordingly, the Group is of the view that, moving forward, the Renewable Energy Business in Malaysia is expected to benefit from various factors driving demand for renewable energy through growing population, economic growth and increased urbanisation as set out in Section 5.2.

Additionally, the Group seeks to reduce its dependency on its existing business operations through the Proposed Diversification. The Board believes that the diversification into the renewable energy industry will be beneficial to the Group's future prospects in view of the growing demand for renewable energy.

Further to the above, due to certain similarities in the nature of the Renewable Energy Business in particular, the EPCC of Solar PV systems and the Group's existing construction business, there may be synergies to be derived in the form of potential sharing of resources (e.g. manpower, machines and equipment) as well as technical knowledge and/or experience (e.g. in the building and construction field).

Barring any unforeseen circumstances, the Board believes that the Renewable Energy Business is expected to provide an alternative source of income to the Group. Notwithstanding the above, upon completion of the Proposed Diversification, the Group's existing business operations would remain and continue as part of the core business of the Group.

In the event that the Proposed Diversification is not approved by shareholders of Nestcon, the Board intends to continue with the Renewable Energy Business but at a lesser extent to ensure that the contribution of net profit from the Renewable Energy Business and/or diversion of the Group's NA to the Renewable Energy Business does not tantamount to a diversification of the Group's business activities pursuant to the Listing Requirements. In such event, the Group may be required to consider divesting part of its shareholdings in those subsidiaries which are undertaking the Renewable Energy Business to suitable joint venture partners or investors.

4. RISK FACTORS

Pursuant to the Proposed Diversification, Nestcon Group will be exposed to new risks inherent in the renewable energy industry which include, but not limited, to the following:

4.1 Business diversification risk

The Proposed Diversification may expose the Group to risks inherent in the renewable energy industry. These may include, among others, general economic downturn in the global, regional and/or national economies, competition from existing renewable energy players, socio-political instability, changes in the regulatory framework governing the renewable energy industry, availability of labour and technical expertise, as well as the ability to continually secure new projects and the fluctuation in the price of Solar PV panels.

Notwithstanding that, the Group will conduct periodical reviews of its business and operations and adopt prudent financial management and efficient operating procedures to limit the impact of the aforementioned risks. However, there can be no assurance that the Group may be able to successfully mitigate the various risks inherent in the renewable energy industry, and if unable to do so, the business operation and financial performance of the Group may be adversely affected.

4.2 Competition risk

The Group will face competition from existing competitors and/ or new entrants that also offer EPCC of Solar PV systems and project management of renewable energy activities. Nevertheless, the Group will endeavour to take proactive measures to remain competitive in this industry by among others, constantly keeping abreast with the latest market conditions, and continuing efforts in maintaining a competitive edge in terms of cost competitiveness, service quality and service reliability.

However, there can be no assurance that the Group will be able to compete effectively with existing competitors and new entrants which may materially impact the Group's future financial performance and financial position.

4.3 Dependency of key personnel

The success of the Renewable Energy Business would depend largely on the capabilities, skills, competencies and continued effort of its experienced personnel. Recognising the importance of the key personnel involved, Nestcon Group will adopt appropriate approaches, including incentives, remuneration packages as well as provide a good working environment to promote productivity. Further, the Group also endeavours to provide career advancement opportunities, requisite training as well as putting in place a reward and recognition system to retain its key personnel. Suitable professional(s) and/ or consultant(s) will be engaged in the areas necessary for the implementation and/ or execution of the Board's strategy for the Renewable Energy Business to manage the risk arising from dependency on key personnel. In addition, the Group plans to organise continuing training and development programs for other key personnel (including other directors/ senior management) of the Group in relation to the Group's Renewable Energy Business, as and when the Group deems necessary.

The Group will also continue to evaluate the scale of its Renewable Energy Business from time-to-time, and will recruit additional manpower as well as provide training to its personnel to support the growth of this business at the appropriate time, subject to the operating requirements at the material time. However, there is no assurance that the loss of any such key personnel will not adversely affect the Group's ability to succeed and compete in the renewable energy industry.

4.4 Political, economic and regulatory risk

The performance of the Group is dependent on the performance and growth of the economy and political conditions in Malaysia as well as countries where the Group may import the products for its distribution. Any adverse development and uncertainties in political, economic, market, interest rate, taxation, regulatory and social conditions could materially affect the Group's Renewable Energy Business. These include but is not limited to, amongst others, political instability, economic downturn and unfavourable changes in governmental policies such as changes in the methods of taxation, interest rates or introduction of new regulations, which are generally beyond the management's control and affect all the players in the renewable energy industry.

Notwithstanding that, the Group will constantly keep abreast with the political, economic and regulatory developments through various media, events and/ or seminars, and may also engage in discussion or meeting with the relevant stakeholders to evaluate, introduce and/ or undertake measures with the aim of mitigating impact of the aforementioned risks.

5. OUTLOOK AND PROSPECTS

5.1 Overview and outlook of the Malaysian economy

The Malaysian economy expanded by 3.0% in the fourth quarter of 2023 (3Q 2023: 3.3%). Growth remains moderate supported by resilient labour markets. Household spending remained supported by continued growth in employment and wages. Meanwhile, investment activity was underpinned by the progress of multi-year projects and capacity expansion by firms. Higher imports has outpaced exports with higher imports of capital and intermediate goods, despite exports having improved for non-E&E products and commodities.

On the supply side, the services, construction, mining and agriculture sectors expanded in the fourth quarter of 2023. This was partly offset by the decline in production in the manufacturing sector given the continued weakness in demand for electrical and electronic products in the midst of the tech downcycle. The growth outlook remains subject to downside risks from weaker than-expected external demand and declines in commodity production. Meanwhile, upside risks to domestic growth emanate from greater spill over from the tech upcycle, stronger-than-expected tourism activity and faster implementation of both existing and new projects. On a quarter-on-quarter seasonally adjusted basis, the economy contracted by 2.1% (3Q 2023: expansion by 2.6%).

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

Overall, the 2023 growth for the Malaysian economy normalised to 3.7%, following a strong growth registered in the previous year (2022: 8.7%). Growth moderated amid a challenging external environment. This was due mainly to slower global trade, the global tech downcycle, geopolitical tensions and tighter monetary policies. On the domestic front, despite the lapse of large policy support provided as the economy started to open up in 2022, the continued recovery in economic activity and labour market conditions supported growth in 2023.

(Source: Economic and Financial Developments in Malaysia in the Fourth Quarter of 2023, Bank Negara Malaysia)

For 2024, the economy is projected to grow within the range of 4% to 5%. The growth is envisaged to be broad-based, led by the services sector as intermediate and final services groups are anticipated to rise further driven by sustained domestic consumption and improved export activities. The retail trade, accommodation and restaurants as well as communication segments are expected to increase in line with consumption trend, while the wholesale trade segment and transport and storage subsector will benefit from higher trade-related activities.

(Source: Economic Outlook 2024, Ministry of Finance Malaysia)

5.2 Overview and outlook of the renewable energy industry in Malaysia

The National Energy Transition Roadmap ("**NETR**") outlines a significant increase in renewable energy ("**RE**") adoption in Malaysia, targeting a rise from 4.0% of Malaysia's total primary energy supply ("**TPES**") in 2023 to 23.0% by 2050. The transition will be driven by increasing the utilisation of RE while reducing reliance on non-renewable sources namely, natural gas, oil and coal in the energy mix. To bolster the growth of RE industry, the Government has introduced several initiatives such as the Green Investment Tax Allowance and Green Income Tax Exemption which provide tax incentives for the consumption and production of RE from 2024 to 2026. Additionally, the Green Technology Financing Scheme ("**GTFS**") under the National Green Technology Policy provides financing support to stakeholders within the green technology industry, including those in the Solar PV industry.

Malaysia possesses abundant RE resources, with an estimated technical potential of nearly 290 gigawatts ("**GW**") nationwide. Notably, the technical potential for Solar PV alone stands at 269 GW, in comparison to hydro and bioenergy at 16.1 GW and 3.6 GW respectively. Currently, only a small fraction of Solar PV RE potential has been tapped, with just over 1.9 GW of installed capacity realised while hydro and bioenergy installed capacity stood at 6.2 GW and 0.9 GW (including biofuels) respectively as of 2022, indicating vast amount of untapped potential within the RE industry. According to the NETR, the total RE installed capacity in Malaysia is projected to expand to approximately 12.4 GW by 2025, with hydro, Solar PV and bioenergy (excluding biofuels) expanding to approximately 6.4 GW, 5.5 GW and 0.5 GW respectively. By 2050, RE is projected to make up the majority share of installed capacity with Solar PV taking lead at around 56 GW, followed by hydro (~10.7 GW) and bioenergy (excluding biofuels) (~1 GW). Given Malaysia's geographical location near the equator, the abundance of sunlight makes it an optimal location for harnessing solar energy. Going forward, Solar PV installation is expected to be the main contributor to the growth of RE share of installed capacity.

To achieve a higher share of Solar PV in the energy mix, the Government has launched initiatives that include the implementation of the NEM programme, LSS programme and the CGPP. According to the International Renewable Energy Agency, the cumulative Solar PV installed capacity in Malaysia grew at a compound annual growth rate ("**CAGR**") of 29.3% from 894 MW in 2019 to 1,933 MW in 2022. The growth of Solar PV installed capital in Malaysia from 2023 to the end of 2024 will be primarily driven by the remaining quotas from the NEM 3.0 and CGPP programme as well as commissioning of LSS4 projects. In January 2024, the Government announced that the Energy Commission aims to issue request for proposal documents for the LSS5 project from April 2024 onwards.

The Government is taking steps to liberalise the electricity market, which will further boost Solar PV development, through two key mechanisms; the Virtual Power Purchase Agreement ("**VPPA**") mechanism and the NEDA. The VPPA are essentially contracts where an independent power producer can directly sell electricity to a willing consumer (i.e. large company) at a predetermined price. This creates a wider market for solar power producers, not limited to selling to the national grid. It also allows companies to lock in energy prices (hedging) and make sustainability claims with Renewable Energy Certificates. The NEDA is a program that uses a bidding system to choose the most cost-effective way to generate electricity, which helps to ensure competitive pricing for Solar PV. Malaysia's commitment to the transition to RE, particularly solar energy, has cultivated a positive and promising outlook for the industry.

Looking ahead, the RE industry in Malaysia will continue to be driven by factors such as population and economic growth as well as increased urbanisation. Malaysia's population is projected to increase from 33.4 million in 2023 to an estimated 40 million by 2050 and, the urbanisation rate is expected to increase from 75.0% in 2020 to reach 85.0% by 2040. Meanwhile, Malaysia's gross domestic product growth in the long run is supported by the growing population and implementation of economic strategies led by the Government such as the New Industrial Master Plan 2030. Economic and population growth, along with rapid urbanisation, will drive a 2.0% annual increase in energy demand until 2050. As the demand for electricity increases, there is a growing focus on RE as a viable solution for power generation.

Going forward, Malaysia's focus on transitioning from a traditional fossil fuel-based economy to a high-value green economy is anticipated to significantly benefit the RE industry including the Solar PV industry. The Solar PV installed capacity is estimated to grow by 15.5% to reach 2,233 MW in 2023 and is forecast to further increase by 17.8% to 2,630 MW in 2024. Solar PV installed capacity in the country is expected to expand by a CAGR of 39.2% from 2,233 MW to 8,390 MW in 2027.

(Source: Protégé)

5.3 Prospects of the Group

The Group is principally involved in the provision of construction services throughout Malaysia focusing on building construction works as well as civil engineering and infrastructure works.

Notwithstanding that recently the construction industry in Malaysia was affected by the rising cost of construction materials and higher labour costs, the Group remains vigilant by undertaking prudent approaches and proactive steps to manage the risks and mitigate the impacts of rising construction costs, such as putting in place stringent cost control measures on the Group's operations and closely monitoring the prices of construction materials. Based on the Group's audited FYE 2023 financial results, the Group recorded a gross profit of RM28.31 million and profit after tax of RM3.90 million as compared to a gross loss of RM0.41 million and loss after tax of RM15.56 million in FYE 2022. Moving forward, the Group will continue to focus on the quality of services to their customers and improve the efficiencies of the Group's operations in order to maintain the Group's competitiveness in the construction industry.

In addition, the Group has been actively participating in tenders for construction projects and successfully secured 3 new contracts with a total contract value of RM439.00 million as at LPD. Further, the Group's unbilled order book as at LPD for its construction segment is approximately RM2.03 billion and is expected to be recognised in FYE 2024 and up to FYE 2027. Moving forward, the Group will continue to focus on the timely execution of on-going projects on hand as this is crucial in crystallising the value of these projects. In the meantime, the Group will proactively secure more new projects to replenish its current order book.

Separate from its construction business, the Group has taken the necessary efforts to further improve its revenue and profitability by venturing into the Renewable Energy Business to diversify the Group's income stream, as set out in Section 2.2 above. With the increasing emphasis on environmental, social and governance practices and compliance by companies globally, the Company is of the view that it has the capability to grow its Renewable Energy Business to expand its income stream while capitalising on the growing renewable energy industry as set out under Section 5.2 above.

The Group's renewable energy segment contributed revenue of RM6.65 million (representing 1.4% of the Group's total revenue) in FYE 31 December 2022 and RM15.94 million (representing 2.1% of the Group's total revenue) based on the audited FYE 2023 financial results. As at LPD, the Group's unbilled contract value for its EPCC of Solar PV systems projects is approximately RM23.49 million which is expected to be recognised in FYE 2024 and up to FYE 2025. Moving forward, the Group will proactively secure more contracts for EPCC of Solar PV systems as well as taking reasonable steps and efforts to build the reputation of Nestcon Group in the renewable energy industry in Malaysia.

Leveraging on the Group's experience and network in the construction industry, this is expected to be beneficial to the Group as it will provide various business opportunities for the Group's Renewable Energy Business. Such business opportunities include the further venture to construct and own Solar PV plants, as detailed in Section 2.2.

Premised on the above and after taking into consideration the overview and outlook as set out in Sections 5.1 and 5.2, the Board remains cautiously optimistic that, barring any unforeseen circumstances, the Group's existing construction business and the Renewable Energy Business will enable the Group to improve its profitability and enhance its shareholders' value in the future.

(Source: Management of Nestcon)

6. APPROVALS REQUIRED

The Proposed Diversification is subject to the following approvals being obtained:

- (a) shareholders of Nestcon for the Proposed Diversification at the Company's forthcoming EGM; and
- (b) any other relevant authority, if required.

The Proposed Diversification is not conditional on any other proposals undertaken or to be undertaken by the Company.

7. EFFECTS OF THE PROPOSED DIVERSIFICATION

7.1 Issued share capital

The Proposed Diversification will not have any effect on the issued share capital in the Company as it will not involve any issuance of new Nestcon Shares.

7.2 NA and gearing

Barring any unforeseen circumstances, the Proposed Diversification is not expected to have any immediate material effect on the NA and gearing of the Group. However, the future NA and/ or gearing of the Group will depend on the manner of funding for the expenditure involved in its Renewable Energy Business, as well as the future profit contribution arising from the Renewable Energy Business.

7.3 Earnings and EPS

The Proposed Diversification is not expected to have any immediate material effect on the earnings of the Group. However, the Board believes that the Proposed Diversification will contribute positively to the Group's future earnings and EPS as the Group expands its Renewable Energy Business in the future.

7.4 Substantial shareholders' shareholdings

The Proposed Diversification will not have any effect on the Company's substantial shareholders' shareholdings as it will not involve any issuance of new ordinary shares in Nestcon.

8. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

None of the Directors and/ or major shareholders of the Company and/ or persons connected with them have any interest, whether direct or indirect, in the Proposed Diversification.

9. DIRECTORS' STATEMENT AND RECOMMENDATION

After having considered all aspects of the Proposed Diversification, the Board is of the opinion that the Proposed Diversification is in the best interest of the Company, and accordingly recommends that the shareholders vote in favour of the resolution pertaining to the Proposed Diversification to be tabled at the forthcoming EGM of the Company.

10. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposed Diversification is expected to be completed by the second quarter of 2024. For the shareholders' information purpose, the Proposed Diversification shall take immediate effect upon obtaining the approval of the shareholders of the Company at the Company's forthcoming EGM.

11. OUTSTANDING CORPORATE EXERCISE ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed Diversification, there are no other corporate exercise announced but pending completion as at LPD.

12. EGM

The EGM, the Notice of which is enclosed with this Circular, will be conducted fully virtual through live streaming and online remote voting using Remote Participation and Voting ("RPV") facilities provided by Propoll Solutions Sdn Bhd ("Propoll") via its Propoll Online website at www.propollsolutions.com.my from the broadcast venue at S-4-04, The Gamuda Biz Suites, Jalan Anggerik Vanilla 31/99, 40460 Kota Kemuning, Shah Alam, Selangor ("Broadcast Venue"), on Thursday, 30 May 2024 at 11.00 a.m. or immediately following the conclusion of the Fourth Annual General Meeting of the Company which will be held at the same Broadcast Venue on the same day at 10.00 a.m, for the purpose of considering the Proposed Diversification contained herein and if thought fit, passing the resolution so as to give effect to the Proposed Diversification.

You may complete and return the enclosed Proxy Form in accordance with the instructions printed thereon as soon as possible and in any event, to arrive at the office of the poll administrator at S-4-04, The Gamuda Biz Suites, Jalan Anggerik Vanilla 31/99, 40460 Kota Kemuning, Shah Alam, Selangor, not less than forty-eight (48) hours before the date and time stipulated for the EGM, or any adjournment thereof. Alternatively, the Proxy Form may also be electronically submitted via Propoll's Online website at www.propollsolutions.com.my. Please refer to the Administrative Guide for the EGM for further details. The lodging of the Proxy Form does not preclude you from attending the EGM and voting in person should you subsequently decide to do so.

13. FURTHER INFORMATION

Please refer to the attached appendix for further information.

Yours faithfully,
for and on behalf of the Board of Directors of
NESTCON BERHAD

DATUK IR. DR. LIM JEE GIN
GROUP MANAGING DIRECTOR

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

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

2. CONSENT AND DECLARATION**2.1 M&A Securities**

M&A Securities has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereon in the form and context in which they appear in this Circular.

M&A Securities has given its confirmation that no conflict of interest exists or is likely to exist in relation to its role as the Adviser in relation to the Proposed Diversification.

2.2 Protégé

Protégé, being the Independent Market Researcher for the Proposed Diversification has given and has not subsequently withdrawn its written consent to the inclusion of its name, extracts of the IMR Report and all references thereon in the form and context in which they appear in this Circular.

Protégé confirms that there is no conflict of interest that exists or is likely to exist in its capacity as Independent Market Researcher for the Proposed Diversification.

3. MATERIAL COMMITMENT

As at LPD, save as disclosed below, the Board is not aware of any material commitment, incurred or known to be incurred, which may have a material impact on the results or financial position of the Nestcon Group:

Capital Commitment	As at LPD RM '000
Property, plant and equipment: - authorised and contracted for	2,779

4. CONTINGENT LIABILITIES

As at LPD, save as disclosed below, the Board is not aware of any contingent liabilities, incurred or known to be incurred, which upon becoming enforceable, may have a substantial impact in the ability of the Group to meet its obligations as and when they fall due:

	RM'000
Performance guarantee for construction contracts customer	69,728
Bank guarantee given by licenced banks to the Group's construction contracts customers as security for performance bond	32,067
	101,795

FURTHER INFORMATION (*Cont'd*)

5. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Registered Office of the Company at No. 7-1, Jalan 109F, Plaza Danau 2, Taman Danau Desa, 58100 Kuala Lumpur, Wilayah Persekutuan during normal office hours from Mondays to Fridays (except public holidays) from the date of this Circular up to and including the date of the EGM:

- (a) Constitution of Nestcon;
- (b) Audited consolidated financial statements of Nestcon for FYE 2022 and FYE 2023;
- (c) Independent market research report on the renewable energy industry of Malaysia dated 25 April 2024 as prepared by Protégé as referred to in Section 5; and
- (d) Consent letters and declarations of conflict of interest as referred to in Section 2 of Appendix I above.

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NESTCON BERHAD

(Registration No. 202001008684 (1365004-W))
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting ("**EGM**") of Nestcon Berhad ("**Nestcon**" or the "**Company**") will be conducted fully virtual through live streaming and online remote voting using Remote Participation and Voting ("**RPV**") facilities provide by Propoll Solutions Sdn Bhd ("**Propoll**") via its Propoll Online website at www.propollsolutions.com.my from the broadcast venue at S-4-04, The Gamuda Biz Suites, Jalan Anggerik Vanilla 31/99, 40460 Kota Kemuning, Shah Alam, Selangor ("**Broadcast Venue**"), on Thursday, 30 May 2024 at 11.00 a.m., or immediately following the conclusion of the Fourth Annual General Meeting of the Company which will be held at the Broadcast Venue on the same day at 10.00 a.m, for the purpose of considering and, if thought fit, passing the following resolution:

ORDINARY RESOLUTION

PROPOSED DIVERSIFICATION OF THE EXISTING BUSINESS OPERATIONS OF NESTCON BERHAD AND ITS SUBSIDIARIES TO INCLUDE ENGINEERING, PROCUREMENT, CONSTRUCTION AND COMMISSIONING OF SOLAR PHOTOVOLTAIC SYSTEMS, PROJECT MANAGEMENT OF RENEWABLE ENERGY ACTIVITIES AS WELL AS OWNING AND OPERATING SOLAR PHOTOVOLATAIC ASSETS ("PROPOSED DIVERSIFICATION")

"**THAT**, subject to the provisions of the Constitution of Nestcon and its subsidiaries ("**Nestcon Group**"), the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**Listing Requirements**") and the approvals of all authorities (if required), approval be and is hereby granted to Nestcon Group to diversify the existing business operations of Nestcon Group to include engineering, procurement, construction and commissioning of solar photovoltaic systems, project management of renewable energy activities as well as owning and operating solar photovoltaic assets.

AND THAT the Board of Directors of the Company ("**Board**") be and is hereby authorised and empowered to do all acts, deeds and things, to enter into any arrangements, transactions, agreements and/or undertakings and to sign and execute, deliver and cause to be delivered for and on behalf of the Company all such documents as may be necessary to give effect to and to complete the Proposed Diversification with full power to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or permitted or imposed by the relevant authorities and to deal with all matters relating thereto and to take all such steps and do all such acts, deeds and things for and on behalf of the Company in any manner as the Board may deem fit, necessary and/or expedient to implement, finalise and give full effect to the Proposed Diversification."

BY ORDER OF THE BOARD

TEO SOON MEI (SSM PC NO. 201908000235) (MAICSA 7018590)
Company Secretary

Kuala Lumpur
30 April 2024

Notes:

- (1) *The EGM of the Company will be held as a virtual meeting through live streaming and online remote voting using the RPV facilities via Propoll Online website at www.propollsolutions.com.my. Please refer to the Administrative Guide for the EGM for the procedures to register, participate and vote remotely at the EGM through the RPV facilities.*
- (2) *In compliance with Section 327(2) of the Companies Act 2016, the Chairman shall be present at the main venue of the meeting in Malaysia and in line with the Securities Commission Malaysia's revised Guidance Note and FAQs on the Conduct of General Meetings for Listed Issuers, the Broadcast Venue is strictly limited to only essential individuals for organising and conducting the virtual EGM. No member(s) and/or proxy(ies) and/or corporate representative(s) and/or attorney(s) will be allowed to be physically present nor enter the Broadcast Venue on the day of the EGM.*
- (3) *A member who is entitled to attend and vote at the EGM shall be entitled to appoint not more than two (2) proxies to attend, participate and vote on his/her behalf at the EGM. A proxy may but need not be a member of the Company, and need also not be an advocate, an approved company auditor or a person approved by the registrar of the Company. Where a member appoints two (2) proxies to attend the EGM, the member shall specify the proportion of his/her shareholding to be represented by each proxy, failing which the appointment shall be invalid.*
- (4) *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, he/she may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. The appointment of two (2) proxies in respect of any particular securities account shall be invalid unless the authorised nominee specifies the proportion of its shareholding to be represented by each proxy.*
- (5) *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("**Omnibus Account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds. The appointment of 2 or more proxies in respect of any particular Omnibus Account shall be invalid unless the exempt authorised nominee specifies the proportion of its shareholding to be represented by each proxy.*
- (6) *The instrument appointing a proxy and the power of attorney or other authority, if any, shall be in writing under the hand of appointer or of his attorney duly authorised in writing or a copy of that power of attorney, certified by an advocate and solicitor, or where the appointer is a corporation, either under the corporation's common seal or under the hand of an officer or attorney duly authorised. Any alteration in the proxy form must be initialled.*
- (7) *The instrument appointing a proxy may be made via hardcopy or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the EGM or at any adjournment thereof:*
 - (i) *In Hardcopy Form*

The Proxy Form shall be deposited at S-4-04, The Gamuda Biz Suites, Jalan Anggerik Vanilla 31/99, 40460 Kota Kemuning, Shah Alam, Selangor.
 - (ii) *By Electronic Means*

The Proxy Form shall be electronically submitted via Propoll's Online website at www.propollsolutions.com.my. Please refer to the Administrative Guide for the EGM for further information on the electronic submission.
- (8) *Pursuant to Rule 8.31A(1) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolution set out in this Notice of EGM will be put to vote by poll.*
- (9) *In respect of deposited securities, only members whose names appear in the Record of Depositors on 23 May 2024 (General Meeting Record of Depositors) shall be entitled to attend, participate and vote at the EGM, or to appoint proxy(ies) to attend, participate and vote on their behalf.*
- (10) *Those proxy forms which are indicated with "✓" in the spaces provided to show how the votes are to be cast will also be accepted.*

Personal data privacy:

By submitting an instrument appointing proxy(ies) and/or representative(s) to attend, participate and vote at the EGM and/or any adjournment thereof, a member of the Company:

- (i) consents to the collection, use and disclose of the member's personal data by the Company (or its agents) for the purpose of processing and the administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agent) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**");
- (ii) warrants that the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclose of the proxy(ies) and/or representative(s) personal data by the Company for the Purposes; and
- (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses, and damages as a result of the member's breach of warranty.



NESTCON BERHAD
(Registration No. 202001008684 (1365004-W))
(Incorporated in Malaysia)

PROXY FORM

CDS Account No.	Number of Shares Held

*I/We _____ NRIC No./Passport No./Company No. _____
(FULL NAME IN BLOCK LETTER)

of _____
(FULL ADDRESS)

with email: _____ and mobile phone no. _____

, being a *member/members of **Nestcon Berhad**, hereby appoint(s):-

Full Name (in Block) [Proxy 1]	NRIC/Passport No.	Proportion of shareholding	
		No of shares	%
Address:			
Email Address:			
Mobile Phone No.:			

and

Full Name (in Block) [Proxy 2]	NRIC/Passport No.	Proportion of shareholding	
		No of shares	%
Address:			
Email Address:			
Mobile Phone No.:			

or failing whom, the CHAIRMAN OF THE MEETING as *my/our proxy to vote for *me/us on *my/our behalf at the Extraordinary General Meeting ("EGM") of the Company to be conducted fully virtual through live streaming and online remote voting using Remote Participation and Voting ("RPV") facilities provide by Propoll Solutions Sdn Bhd ("Propoll") via its Propoll Online website at www.propollsolutions.com.my from the broadcast venue at S-4-04, The Gamuda Biz Suites, Jalan Anggerik Vanilla 31/99, 40460 Kota Kemuning, Shah Alam, Selangor ("Broadcast Venue") , on Thursday, 30 May 2024 at 11:00 a.m. or immediately following the conclusion of the Fourth Annual General Meeting of the Company which will be held at the Broadcast Venue on the same day at 10:00 a.m, or at any adjournment thereof and to vote as indicated below:

RESOLUTION		FOR	AGAINST
ORDINARY RESOLUTION	PROPOSED DIVERSIFICATION		

Please indicate with an "X" in the above columns how you wish your vote to be cast. In the absence of specific direction, your proxy(ies) may vote or abstain at his/her discretion.

* Strike out if not applicable.

Dated this _____ day of _____ 2024

Signature/Common Seal of member

Notes:

- (1) The EGM of the Company will be held as a virtual meeting through live streaming and online remote voting using the RPV facilities via Propoll Online website at www.propollsolutions.com.my. Please refer to the Administrative Guide for the EGM for the procedures to register, participate and vote remotely at the EGM through the RPV facilities.
- (2) In compliance with Section 327(2) of the Companies Act 2016, the Chairman shall be present at the main venue of the meeting in Malaysia and in line with the Securities Commission Malaysia's revised Guidance Note and FAQs on the Conduct of General Meetings for Listed Issuers, the Broadcast Venue is strictly limited to only essential individuals for organising and conducting the virtual EGM. No member(s) and/or proxy(ies) and/or corporate representative(s) and/or attorney(s) will be allowed to be physically present nor enter the Broadcast Venue on the day of the EGM.
- (3) A member who is entitled to attend and vote at the EGM shall be entitled to appoint not more than two (2) proxies to attend, participate and vote on his/her behalf at the EGM. A proxy may but need not be a member of the Company, and need also not be an advocate, an approved company auditor or a person approved by the registrar of the Company. Where a member appoints two (2) proxies to attend the EGM, the member shall specify the proportion of his/her shareholding to be represented by each proxy, failing which the appointment shall be invalid.
- (4) Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, he/she may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. The appointment of two (2) proxies in respect of any particular securities account shall be invalid unless the authorised nominee specifies the proportion of his/her shareholding to be represented by each proxy.
- (5) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("**Omnibus Account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds. The appointment of 2 or more proxies in respect of any particular Omnibus Account shall be invalid unless the exempt authorised nominee specifies the proportion of its shareholding to be represented by each proxy.
- (6) The instrument appointing a proxy and the power of attorney or other authority, if any, shall be in writing under the hand of appointer or of his attorney duly authorised in writing or a copy of that power of attorney, certified by an advocate and solicitor, or where the appointer is a corporation, either under the corporation's common seal or under the hand of an officer or attorney duly authorised. Any alteration in the proxy form must be initialled.
- (7) The instrument appointing a proxy may be made via hardcopy or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the EGM or at any adjournment thereof:
 - (i) In Hardcopy Form

The Proxy Form shall be deposited at S-4-04, The Gamuda Biz Suites, Jalan Anggerik Vanilla 31/99, 40460 Kota Kemuning, Shah Alam, Selangor.
 - (ii) By Electronic Means

The Proxy Form shall be electronically submitted via Propoll's Online website at www.propollsolutions.com.my. Please refer to the Administrative Guide for the EGM for further information on the electronic submission.
- (8) Pursuant to Rule 8.31A(1) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolution set out in this Notice of EGM will be put to vote by poll.
- (9) In respect of deposited securities, only members whose names appear in the Record of Depositors on 23 May 2024 (General Meeting Record of Depositors) shall be entitled to attend, participate and vote at the EGM, or to appoint proxy(ies) to attend, participate and vote on their behalf.
- (10) Those proxy forms which are indicated with "v" in the spaces provided to show how the votes are to be cast will also be accepted.

Personal data privacy:

By submitting an instrument appointing proxy(ies) and/or representative(s) to attend, participate and vote at the EGM and/or any adjournment thereof, the member of the Company accepts and agrees to the personal data privacy terms set out in the Notice of EGM dated 30 April 2024.

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Affix
Stamp

THE POLL ADMINISTRATOR OF
NESTCON BERHAD (Registration No. (202001008684 (1365004-W))
c/o: PROPOLL SOLUTIONS SDN BHD
S-4-04, The Gamuda Biz Suites,
Jalan Anggerik Vanilla 31/99,
40460 Kota Kemuning,
Shah Alam, Selangor.

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