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The Board of Directors
PROJEK LINTASAN KOTA HOLDINGS SDN BHD
Level 12, Menara PNB
201-A, Jalan Tun Razak
50400 Kuala Lumpur

5 September 2023

Dear Sirs

THIS INDICATIVE VALUATION LETTER IS PREPARED FOR INCLUSION IN THE PROSPECTUS OF THE INITIAL PUBLIC OFFERING OF UNITS IN PROLINTAS INFRA BUSINESS TRUST ("PROLINTAS INFRA BT")

INDICATIVE VALUATION OF PROJEK LINTASAN KOTA HOLDINGS SDN BHD'S HIGHWAY BUSINESS IN RELATION TO THE PRE-IPO ACQUISITION OF THE ENTIRE EQUITY INTEREST IN THE CONCESSION COMPANIES BY PROLINTAS MANAGERS SDN BHD ("PROLINTAS MANAGERS") ON BEHALF OF PROLINTAS INFRA BT

(The above valuation is hereinafter to be referred to as the "Indicative Valuation")

1.0 INTRODUCTION

- 1.1 In accordance with the terms of reference set out in our engagement letter dated 11 March 2022 ("**Engagement Letter**"), the Board of Directors of Projek Lintasan Kota Holdings Sdn Bhd ("**PLKH**" or "**Company**") has appointed KPMG Corporate Advisory Sdn Bhd ("**KPMG**") to perform an indicative valuation of PLKH's concession companies comprising Projek Lintasan Kota Sdn Bhd, Projek Lintasan Shah Alam Sdn Bhd, Prolintas Expressway Sdn Bhd and Sistem Lingkaran-Lebuhraya Kajang Sdn Bhd ("Collectively, "**Concession Companies**") in relation to the pre-IPO acquisition of the entire equity interest in the Concession Companies by Prolintas Managers Sdn Bhd ("**Prolintas Managers**") on behalf of Prolintas Infra BT.
- 1.2 This Indicative Valuation letter ("**this Valuation Letter**") has been prepared at your request for inclusion in the prospectus in connection with the initial public offering of units in Prolintas Infra BT through the listing on the main market of Bursa Securities ("**IPO**"). Save and except for this purpose, this Valuation Letter is not to be reproduced, quoted or referred to, in whole, or in part, in any public documents, submissions to any regulatory bodies or announcement without the prior written consent of KPMG in each specific instance. We are not responsible or liable for any form of losses however occasioned to any third party as a result of the circulation, publication, reproduction or use of, or reliance on this Valuation Letter, in whole or in part.
- 1.3 This Valuation Letter must be read in conjunction with the key bases and assumptions set out in Section 4.0 herein.



2.0 TRANSACTION BACKGROUND

- 2.1 PLKH is principally engaged in the design, construction, operation and maintenance of highways in Malaysia.
- 2.2 In connection with the IPO, Prolintas Managers (on behalf of Prolintas Infra BT) will enter into a sale of business agreement ("**SBA**") with PLKH to acquire the entire issued share capital of the Concession Companies for an aggregate purchase consideration of RM[●] ("**Pre-IPO Acquisition**").

Set out below are the highway concessions held by the respective Concession Companies:

Concession Companies	Highway Concessions
Projek Lintasan Kota Sdn Bhd (" AKLEH Co ")	Ampang Kuala Lumpur Elevated Highway (" AKLEH ")
Projek Lintasan Shah Alam Sdn Bhd (" LKSA Co ")	Lebuhraya Kemuning Shah Alam (" LKSA ")
Prolintas Expressway Sdn Bhd (" GCE Co ")	Guthrie Corridor Expressway (" GCE ")
Sistem Lingkaran-Lebuhraya Kajang Sdn Bhd (" SILK Co ")	Kajang Traffic Dispersal Ring Road (" SILK ")

(AKLEH, LKSA, GCE and SILK are collectively hereinafter to be referred to as "**Highways**" or "**Highway Concessions**")

- 2.3 Prolintas Infra BT is a business trust to be established for the purpose of the IPO and is to be managed by Prolintas Manager via a trust deed.

3.0 BASIS OF THE INDICATIVE VALUATION

3.1 Subject of the Indicative Valuation

This Indicative Valuation seeks to estimate a range of indicative values of the entire equity interest in the following Concession Companies, including their highway concessions:

- (i) Projek Lintasan Kota Sdn Bhd;
- (ii) Project Lintasan Shah Alam Sdn Bhd;
- (iii) Prolintas Expressway Sdn Bhd; and
- (iv) Sistem Lingkaran-Lebuhraya Kajang Sdn Bhd.

3.2 Date of the Indicative Valuation

The date of this Indicative Valuation is 31 December 2022 ("**Valuation Date**"). This Indicative Valuation is based on the audited financial statements of the Concession Companies as at 31 December 2022 and the Financial Projections set out in Section 4.1(iv).



3.3 Basis of Valuation

- (i) The standard of value that applies to this Indicative Valuation is the market value, defined as the estimated amount for which an asset should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing, and where the parties had each acted knowledgeably, prudently, and without compulsion.
- (ii) This indicative valuation is assessed on control basis, considering that Prolintas Managers (on behalf of Prolintas Infra BT) will acquire the entire equity interest of the Concession Companies in relation to the Pre-IPO Acquisition.
- (iii) This Indicative Valuation is assessed without taking into consideration the value of synergies of a particular buyer.
- (iv) The premise of valuation is for a going concern use.
- (v) It must be emphasised that the range of values estimated by us involves a high degree of subjectivity and an element of judgment. The final price of the business will reflect the specific circumstances of the buyer and seller, and their perceptions of business and market factors at the point of execution.

4.0 KEY BASES AND ASSUMPTIONS

4.1 This Indicative Valuation is prepared based on the key bases and assumptions as set out below. We wish to highlight that the Indicative Valuation may be materially or adversely affected should actual results or events differ from any of the bases and assumptions upon which the Indicative Valuation were based.

- (i) We have relied upon financial and non-financial information obtained from the management of PLKH ("**Management**") on or before 5 September 2023 in the form of audited accounts, management accounts, financial projections, agreements and supporting documents, data, work papers and/or oral representations in meetings and discussions, including the SBA that is in draft form ("**Information**"). We do not accept responsibility for such Information which remains the responsibility of the Management;
- (ii) Our scope of work does not include verifying or auditing the reliability of the Information. Additionally, the scope of our work is different from that required for an audit which is based on generally accepted auditing standards and for that reason, it does not provide the same level of assurance as an audit of financial statements. We will assume all such information provided to us is accurate, complete and reliable;
- (iii) The conditions precedent as set out in Clause 4 of the respective Highway Concessions' Supplemental Concession Agreement dated 12 October 2022 ("**SCA 2022**") are assumed will be fulfilled and the SCA 2022 will be effective;



- (iv) For the purpose of the Indicative Valuation, Management has prepared the financial projections of the Concession Companies which have been updated as at 5 September 2023 for the projection periods from FY2023 to the end of the concession period of the respective highway concessions of the Concession Companies ("**Financial Projections**"). We have reviewed the said Financial Projections prepared by Management in particular the toll rates applied based on the applicable concession agreements, traffic volume forecasts, and cost assumptions taking into consideration the historical actual performance of the Concession Companies. Notwithstanding, the Board of Directors of the Company ("**Board**") remains ultimately responsible for the Financial Projections including the bases and assumptions underlying the Financial Projections. The Board represented that to their best knowledge, the Financial Projections are reasonable and are not misleading;
- (v) In the Financial Projections, Management has adopted the traffic forecasts prepared by the traffic consultant commissioned by Management, namely Perunding Trafik Klasik Sdn Bhd ("**PTK**" or "**Traffic Consultant**"). PTK's traffic forecasts cover the period from 1 January 2023 up to the end of the respective concession periods ("**Traffic Forecasts**"), as set out in PTK's report dated 6 January 2023 ("**Traffic Consultant Report**"). Whilst we have carried out discussions with PTK to understand the bases and assumptions of the Traffic Forecasts, we have placed reliance on the Traffic Forecasts in our valuation analysis as which we understand PTK is a professional expert in traffic study and traffic survey;
- (vi) The contingent liability pertaining to the outstanding legal suit against GCE Co with a potential claim liability amounting to RM80million against GCE Co has not been adjusted in this Indicative Valuation. We understand that PLKH will indemnify Prolintas Infra BT under Clause 11.5 of the draft SBA;
- (vii) All legal titles to the assets of the Concession Companies are assumed to be valid;
- (viii) There will be no material changes in the present legislation, government regulations, inflation rates and rates of taxation which will affect the operations of the Concession Companies;
- (ix) Unless otherwise stated in this Valuation Letter, there are no undisclosed actual or contingent assets or liabilities, including but not limited to, any contracts and/or off-balance sheet financial instruments, no unusual obligations or commitments other than in the ordinary course of business, nor any pending litigation which would have a material effect on the financial position or business of the Concession Companies; and
- (x) The Board of Directors of the Company represented that as at 5 September 2023, there are no material events subsequent to the Valuation Date of 31 December 2022 which would have a material impact on the Concession Companies and the Indicative Valuation.



5.0 VALUATION METHOD AND ANALYSIS

5.1 In our valuation of the Concession Companies, we have applied the Income Approach which is commonly known as the Discounted Cash Flow ("DCF") Method.

5.2 The principal business of the Concession Companies is the design, construction, operation and maintenance of the respective highway concessions which are governed by the relevant concession agreements (including supplemental agreements) entered into between the Concession Companies and the Government of Malaysia ("**Government**").

The operations of the Concession Companies are governed by the respective concession agreements such as concession period, toll rates, schedules for toll rate hike, etc. and the highways are to be handed over to the Government upon expiry of the concession period. The underlying value of the Concession Companies is the concession cashflow from toll collection to be generated during the concession period under the respective concession agreements. Accordingly, the DCF method which takes into consideration the present value of the future net cash flows to be derived from the highway concessions business, is the appropriate valuation method.

5.3 The DCF method, is an investment appraisal technique that takes into consideration both the time value of money and the future cash flows of the asset/business over a fixed period of time. Under this approach, the future net cash flows of the Concession Companies are discounted at a specified discount rate to arrive at the net present value.

5.4 For the purpose of the Indicative Valuation, the Financial Projections for the period from 1 January 2023 until the end of the concession period of the respective highway concessions provided by Management is applied in the DCF valuation analysis. Set out below are the key assumptions adopted by Management in the Financial Projections:

Item	Management's assumptions			
	AKLEH	GCE	LKSA	SILK
Concession end date	15 May 2037	31 May 2062	31 Jul 2062	31 Jul 2062
Remaining concession period from the Valuation Date / financial projection period	14.4 years	39.4 years	39.6 years	39.6 years
Toll rates	Based on the agreed toll rates as stipulated in the SCA 2022 of the respective Highways.			
Traffic volume	Based on the Traffic Forecasts as set out in Traffic Consultant Report.			
Operational expenditure	Based on Management's experience in the historical operational trends of the respective Highways to remain in a well-maintained and operational condition throughout their respective concession periods.			
Capital expenditure	Based on Management's experience in the historical capital expenditure incurred, future capital expenditure plan and construction contracts awarded for the respective Highways.			
Inflation rate	Inflation rate of 3.5% per annum is applied on the projected operational expenses and capital expenditure.			



- 5.5 A key assumption for the DCF valuation analysis is the choice of the discount rate. In our analysis of the appropriate discount rate, we apply the Capital Asset Pricing Model ("CAPM") and Weighted Average Cost of Capital ("WACC") approach that takes into account, amongst others, the risk free rate based on Malaysia Government Securities corresponding to the remaining concession period of the respective Concession Companies, Malaysia market equity risk premium, capital structure taking into consideration the capital structure of the Concession Companies and peer group, cost of debt taking into consideration the cost of debt and debt tenure of the Concession Companies and yield of corporate bonds in Malaysia, and the business and financial risks relating to the subject business/asset.

Set out below is the range of discount rates adopted for the respective Concession Companies in our DCF valuation analysis. Please refer to Appendix I of this Valuation Letter for details of the WACC analysis.

Concession Companies	Discount rate applied in DCF	
	Lower range valuation	Higher range valuation
AKLEH Co	8.1%	7.8%
GCE Co	8.4%	8.1%
LKSA Co	8.4%	8.1%
SILK Co	8.4%	8.1%

- 5.6 In our DCF evaluation, we present value the future free net cash flows of the Concession Companies by applying the above-mentioned range of discount rates to arrive at the net present value which reflects the business value (Enterprise Value), and thereafter adjusted for the cash and debt position as at the Valuation Date to arrive at the range of Equity Value of the Concession Companies.
- 5.7 In addition, we have performed sensitivity analysis of the impact on the valuation of the Concession Companies based on changes in the Traffic Forecast. Please refer to Appendix II of this Valuation Letter for details of the sensitivity analysis.
- 5.8 We consider the Market Approach valuation method based on comparative pricing multiples of similar companies and precedent transactions to be not an appropriate valuation method for the valuation of the Concession Companies. Each highway concession is unique according to its concession agreement and thus would have different features, such as concession period, road length, toll rate, toll rate hike schedule, etc., which are key factors that drive the value of a highway concession business. In our view, there is a lack of highway concession companies with concession terms that are closely comparable to the respective highway concessions of the Concession Companies and accordingly the Market Approach is inappropriate for the valuation of the Concession Companies.

6.0 CONCLUSION OF VALUE

Premised on the key bases and assumptions underlying the Indicative Valuation as set out in Section 4.0, and the basis of valuation and valuation approach explained in Sections 3.0 and 5.0 respectively above, we arrive at an indicative value of the entire equity interest of the Concession Companies for the purpose of the Pre-IPO Acquisition, in the range of RM1,140million to RM1,286million as at the valuation date of 31 December 2022.



7.0 RESTRICTION

This Valuation Letter pertaining to the Pre-IPO Acquisition has been prepared strictly for the exclusive use of PLKH for inclusion in the prospectus to be issued in relation to the IPO of units in Prolintas Infra BT and is not intended for general circulation or publication and not to be reproduced, quoted or referred to, in whole or in part, in any public documents, submissions to any regulatory bodies or announcement without the prior written consent of KPMG in each specific instance. We are not responsible or liable for any form of losses however occasioned to any third party as a result of the circulation, publication, reproduction or use of, or reliance on this Valuation Letter, in whole or in part.

Neither KPMG nor any of its members or employees undertakes responsibility arising in any way whatsoever to any person in respect of this Valuation Letter, including any error or omission therein, however caused.

Yours faithfully,

For and on behalf of
KPMG Corporate Advisory Sdn Bhd

A handwritten signature in black ink, appearing to read 'Emily', written over a faint horizontal line.

Choo Soke Yee (Emily)
Executive Director, Advisory
Corporate Finance

19. VALUATION LETTER IN RELATION TO THE PRE-IPO ACQUISITION (Cont'd)



Appendix I – Discount Rate (WACC) Analysis

Set out below is the WACC analysis as at valuation date of 31 December 2022:

WACC Analysis	Higher Range Valuation		Lower Range Valuation		Source and Description
	AKLEH Co	GCE Co, LKSA Co, & GCE Co	AKLEH Co	GCE Co, LKSA Co, & GCE Co	
Risk free rate (Rf)	4.2%	4.6%	4.2%	4.6%	Yield for Malaysia Government Securities as at 30 December 2022 corresponding to the remaining concession period for the respective Highway Concessions.
Levered / Regeared beta (β)	0.75	0.75	0.75	0.75	KPMG's analysis derived from peer group (Source: Capital IQ)
Equity Risk Premium (ERP)	8.07%	8.07%	8.07%	8.07%	KPMG's analysis taking into consideration developed country risk premium, Malaysia country default spread and Malaysia market equity risk premium.
Specific Premium Risk (α)	0.0%	0.0%	0.5%	0.5%	KPMG's analysis for additional risk premium taking into consideration the projection risk of the Concession Companies.
Cost of Equity (K_e)	10.3%	10.6%	10.8%	11.1%	$K_e = R_f + [\beta \times ERP] + \alpha$
Cost of Debt (K_d)	5.3%	5.6%	5.3%	5.6%	KPMG's analysis taking into consideration the cost of debt of the Concession Companies and yield of corporate bonds in Malaysia with AA ratings range (i.e., AA+, AA and AA-) as at 30 December 2022 corresponding to the debt tenure of the respective Concession Companies.
Tax rate (t)	24.0%	24.0%	24.0%	24.0%	Statutory tax rate of Malaysia.
After-tax K_d (K_d^{AT})	4.0%	4.3%	4.0%	4.3%	$K_d^{AT} = K_d (1 - t)$
% Debt ($D\%$)	40.0%	40.0%	40.0%	40.0%	KPMG's analysis taking into consideration the capital structure of the Concession Companies and peer group.
% Equity ($E\%$)	60.0%	60.0%	60.0%	60.0%	
Adopted WACC range	7.8%	8.1%	8.1%	8.4%	$WACC = (K_e \times E\%) + (K_d^{AT} \times D\%)$



Appendix II – Sensitivity Analysis

Set out below is the sensitivity analysis of the impact on the Equity Value of the Concession Companies based on assumptions of yearly changes in the Traffic Forecast applied throughout the respective concession period of the Concession Companies:

Yearly change in Traffic Forecast	Discount rate (Higher range valuation): AKLEH Co: 7.8% GCE Co, SILK Co & LKSA Co: 8.1%	
	Equity Value (RM'million)	% change in Equity Value
0%	1,286	n.a.
Yearly decrease in Traffic Forecast		
-1%	1,237	-4%
-2%	1,188	-8%
-3%	1,138	-11%
Yearly increase in Traffic Forecast		
+3%	1,433	+11%
+2%	1,384	+8%
+1%	1,335	+4%