

Malaysia Airports Holdings Berhad (“MAHB” or “the Company”)

Termination of Contract for “Design, Supply, Installation, Testing, and Commissioning for Automated People Mover (“APM”) And Associated Works at KL International Airport including Financing, Operation & Maintenance”

1. INTRODUCTION

Malaysia Airports (Sepang) Sdn Bhd (“MA Sepang”), a wholly owned subsidiary of the Company, awarded a contract for “Design, Supply, Installation, Testing, and Commissioning for Automated People Mover (“APM”) and Associated Works at KL International Airport including Financing, Operation & Maintenance” until 11 February 2034 (“the Contract”) on 14 December 2021 to PESTECH Technology Sdn Bhd (“PTSB”).

The Board of Directors (“Board”) of MAHB wishes to announce that MA Sepang had, on 16 August 2023, issued a Notice of Termination to PTSB to terminate the Contract (“Termination”).

2. DETAILS OF THE CONTRACT

The Contract was entered in December 2021 between MA Sepang and PTSB. The Design and Build (“D&B”) part of the Contract was for three (3) years from the commencement date of 14 March 2022 until 13 March 2025 (“D&B Completion Date”).

3. INFORMATION ON THE PARTIES

The details of the parties are as follows: -

3.1 MA Sepang, as the Employer in the Contract, is a company incorporated under the laws of Malaysia, with a business address at 3rd & 4th Floor, Airport Management Centre, Kuala Lumpur International Airport, KLIA, 64000 Sepang, Selangor.

3.2 PTSB, as the Contractor in the Contract, is a company incorporated under the laws of Malaysia, with a business address at B2-8-01, Block B2, Meritus @ Oasis Square, No.2A, Jalan PJU 1A/2, Ara Damansara, 47301 Petaling Jaya, Selangor.

4. SALIENT TERMS OF THE TERMINATION

As advised by the Company’s external solicitors, MA Sepang is entitled to terminate the Contract in accordance with Clause 58.1(a) and (b) of the Conditions of Contract due to PTSB’s material breaches of its obligations under the Contract and/or under common law.

Immediately upon issuing the Notice of Termination, MA Sepang can, among others, enter and repossess the site, recommence works and complete the works on its own or employ any other person to complete the same, and be entitled to claim against PTSB for any losses and damages suffered as a result of the termination of the Contract.

5. RATIONALE OF THE TERMINATION

MA Sepang is invoking its rights under the Contract and/or common law to terminate the Contract due to various material breaches on PTSB's part under the Contract.

6. FINANCIAL EFFECTS

The Termination will not have any material effect on the gearing, earnings per share and net assets of MAHB for the financial year ending 31 December 2023.

Subsequent to the Termination, MA Sepang has the right to pursue its claims against PTSB via the dispute resolution process as prescribed in the Contract i.e., Arbitration under Asian International Arbitration Centre in Kuala Lumpur, Malaysia.

7. RISK FACTORS

As advised by the Company's external solicitors and consultants, MA Sepang has an immediate right to legally and contractually terminate the Contract as PTSB is in material breach of its obligations under the Contract. Post Termination, in exercising its rights to pursue its claims against PTSB via arbitration, MA Sepang will face litigation risks including a possible counterclaim from PTSB. However, the Company is of the considered opinion that MA Sepang will have a good case to defend PTSB's possible counterclaim.

In the meantime, and pursuant to MA Sepang's contractual right under the Contract, MA Sepang is presently communicating with the existing subcontractors who are presently involved in the APM project and identifying new suitable and experienced third-party contractors to take over the APM project from PTSB expeditiously and to minimise any potential delays on the APM project.

8. APPROVALS REQUIRED

The Termination is not subject to the approvals of any authority and/or the shareholders of the Company.

9. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

None of the Directors and major shareholders of the Company and/or persons connected to them have any interest, direct or indirect, in the Termination.

10. STATEMENT BY DIRECTORS

The Board, having taken into consideration all aspects of the Termination, is of the opinion that the issuance of the Notice of Termination is in the best interest of the Company.

11. DOCUMENTS FOR INSPECTION

The Notice of Termination dated 16 August 2023 is available for inspection at the Registered Office of the Company at Malaysia Airports Corporate Office, Persiaran Korporat KLIA, 64000 KLIA, Sepang Selangor Darul Ehsan for a period of seven (7) business days from the date of this announcement.

This announcement is dated 16 August 2023.