

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, solicitor, accountant, bank manager or other professional adviser immediately.

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**KPOWER BERHAD
(FORMERLY KNOWN AS KUMPULAN POWERNET BERHAD)**

Registration No.: 199701003731 (419227-X)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO

- (I) **PROPOSED SHARE SPLIT INVOLVING A SUBDIVISION OF EVERY 1 EXISTING ORDINARY SHARE IN KPOWER BERHAD (FORMERLY KNOWN AS KUMPULAN POWERNET BERHAD) ("KPOWER" OR THE "COMPANY") ("KPOWER SHARE(S)" OR "SHARE(S)") INTO 4 KPOWER SHARES ("SUBDIVIDED SHARES") ("PROPOSED SHARE SPLIT"); AND**
- (II) **PROPOSED ISSUANCE OF UP TO 150,776,882 FREE WARRANTS IN KPOWER ("WARRANT(S)") ON THE BASIS OF 1 WARRANT FOR EVERY 3 SUBDIVIDED SHARES HELD ON AN ENTITLEMENT DATE, WHICH WILL BE AFTER THE ENTITLEMENT DATE OF THE PROPOSED SHARE SPLIT ("PROPOSED ISSUANCE OF FREE WARRANTS")**

(COLLECTIVELY REFERRED TO AS THE "PROPOSALS")

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser

UOBKayHian

UOB Kay Hian Securities (M) Sdn Bhd

Registration No.: 199001003423 (194990-K)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of extraordinary general meeting of KPower ("**EGM**"), which will be conducted entirely through live streaming from the broadcast venue at Tricor Leadership Room, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur on Monday, 28 December 2020 at 10.00 a.m. using the Remote Participation and Voting facilities ("**RPV**") provided by Tricor Investor & Issuing House Sdn Bhd via its TIH Online website at <https://tiah.online> or at any adjournment thereof, for the purpose of considering the Proposals, and the Proxy Form are enclosed in this Circular. The Notice of the EGM and the Form of Proxy can be downloaded from the Company's website at <https://www.kpower.com.my/general-meeting/extraordinary-general-meeting>.

A member entitled to attend, participate, speak and vote remotely at the EGM via the RPV provided, is entitled to appoint a proxy or proxies to attend, participate, speak and vote on his/ her behalf. In such event, the completed and signed Proxy Form must be deposited with the Share Registrar of our Company at Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, alternatively, at the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, or by electronic lodgement via TIH Online website at <https://tiah.online>, not less than 48 hours before the time set for holding the EGM as indicated below or at any adjournment thereof.

Last date and time for lodging the Proxy Form : Saturday, 26 December 2020 at 10.00 a.m.
Date and time of the EGM : Monday, 28 December 2020 at 10.00 a.m.

This Circular is dated 11 December 2020

DEFINITIONS

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

Act	:	The Companies Act 2016
Apex Makalu Contract	:	Letter of award dated 26 August 2020 by Apex Makalu Hydro Power Pvt. Ltd. to undertake, amongst others, the EPCC and completion of 22 MW Mid Hongu Khola-A hydropower project located at Mahakulung VDC, Solukhumbu District, Federal Democratic Republic of Nepal
Board	:	The Board of Directors of KPower
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd [Registration No. 198701006854 (165570-W)]
Bursa Securities	:	Bursa Malaysia Securities Berhad [Registration No. 200301033577 (635998-W)]
Circular	:	This circular dated 11 December 2020
Depositories Act	:	Securities Industry (Central Depositories) Act 1991
Director(s)	:	The director(s) of KPower and shall have the meaning given in Section 2(1) of the Act and Section 2(1) of the Capital Markets and Services Act 2007
EGM	:	Extraordinary general meeting of KPower
Entitled Warrantholders	:	Shareholders of KPower whose names appear in the Record of Depositors of the Company on the Warrants Entitlement Date
EPCC	:	Engineering, procurement, construction and commissioning
EPS	:	Earnings per Share
FYE	:	Financial year ended/ ending
GBI	:	Green Building Index (GBI) which is Malaysia's industry recognised green rating tool for buildings to promote sustainability in the built environment and raise awareness among developers, architects, engineers, planners, designers, contractors and the public about environmental issues and our responsibility to the future generations
GBI Contract	:	Letter of award dated 28 November 2019 by Signvest Sdn. Bhd. to undertake amongst others, the construction and completion of the new sewerage treatment facilities as well as the construction of a GBI certified building of 12 floors located at Wilayah Persekutuan Kuala Lumpur, Malaysia
Gaurishankar Contract	:	Letter of award dated 13 May 2020 by Gaurishankar Power Development Pvt. Ltd. to undertake amongst others, the engineering, design, procurement, construction, commissioning and completion of a mini hydro power plant with a capacity of 22.9 MW in Solukhumbhu, Federal Democratic Republic of Nepal

DEFINITIONS (CONT'D)

Kangsar Contract	Hidro	:	Letter of award dated 31 March 2020 by Kangsar Hidro Sdn. Bhd. to undertake amongst others, the preliminary study, design, supply, construction, commissioning and completion of 5 mini hydropower plants with total capacity of 32.47 MW, in the state of Perak Darul Ridzuan, Malaysia
Klaai Contract		:	Letter of award dated 5 November 2020 by PT Klaai Dendan Lestari in relation to the provision of engineering, design, procurement, construction, commissioning and completion of a 2.6 MW mini hydropower plant in Sg. Klaai, Bengkulu Province, Sumatera, Republic of Indonesia
KPower or Company		:	KPower Berhad (formerly known as Kumpulan Powernet Berhad) [Registration No. 199701003731 (419227-X)]
KPower Group or Group		:	KPower and its subsidiaries, collectively
KPower Share(s) or Share(s)		:	Ordinary share(s) in KPower
Listing Requirements		:	Main Market Listing Requirements of Bursa Securities
LPD		:	30 November 2020, being the latest practicable date prior to the printing and despatch of this Circular
Market Day(s)		:	Any day from Mondays to Fridays (inclusive of both days), which is not a public holiday, and on which Bursa Securities is open for trading of securities
MW		:	Megawatts
NA		:	Net assets attributable to the owners of the Company
Nam Taep Contract		:	Letter of award dated 29 June 2020 by Zhenghong Building Road & Bridge Construction Co., Ltd. to undertake amongst others, the supply, construction, commissioning and completion of the civil works in relation to the development of 3x5 MW Nam Taep 1 and 3x5 MW Nam Taep 2 Hydropower Energy Generating Facilities at Ban Nam Taep and Ban Nam Nameuang, Xam Tai District in Houaphan Province of the Lao PDR
Nam Samoy Contract		:	Letter of award dated 11 February 2020 by Zhenghong Building Road & Bridge Construction Co., Ltd to undertake amongst others, the design, supply, construction, commissioning and completion of an 8 MW small hydropower plant at Nam Samoy, Kasi District in Vientiane Province of the Lao PDR
Petulai Contract		:	Letter of award dated 5 November 2020 by PT Pat Petulai Energi in relation to the EPCC and completion of a 3.1 MW mini hydropower plant in Sg. Simpang, Bengkulu Province, Sumatera, Republic of Indonesia
Proposed Share Split		:	Proposed share split involving a subdivision of every 1 KPower Share held on the Share Split Entitlement Date into 4 Subdivided Shares
Proposed Issuance of Free Warrants		:	Proposed issuance of up to 150,776,882 Warrants on the basis of 1 Warrant for every 3 Subdivided Shares held on the Warrants Entitlement Date

DEFINITIONS (CONT'D)

Proposals	:	Collectively, the Proposed Share Split and the Proposed Issuance of Free Warrants
Record of Depositors	:	A record of depositors established by Bursa Depository under the Rules of Bursa Depository
RM and sen	:	Ringgit Malaysia and sen, respectively
Rules of Bursa Depository	:	The Rules of Bursa Depository as issued pursuant to the Depositories Act
Sentul Project	:	A property development project located in Sentul comprising 2 units of 6 storey shop-offices and 4 units of 5-storey shop offices on a parcel of commercial development land
Share Split Entitlement Date	:	A date, to be determined and announced later by the Board, and on which the names of the shareholders of the Company must appear in the Record of Depositors of the Company as at 5.00 p.m. in order to participate in the Proposed Share Split
Subdivided Share(s)	:	Ordinary share(s) in KPower after the Proposed Share Split
UOB Kay Hian Principal Adviser	or	UOB Kay Hian Securities (M) Sdn Bhd [Registration No. 199001003423 (194990-K)]
VWAP	:	Volume weighted average market price
Warrant(s)	:	Up to 150,776,882 free warrants in KPower to be issued pursuant to the Proposed Issuance of Free Warrants
Warrants Entitlement Date	:	A date, which will be after the Share Split Entitlement Date, to be determined and announced later by the Board, and on which the names of the shareholders of the Company must appear in the Record of Depositors of the Company as at 5.00 p.m. in order to participate in the Proposed Issuance of Free Warrants

Unless otherwise stated and wherever applicable, the amount represented in this Circular has been rounded to the nearest whole sen, for ease of reference.

Words incorporating the singular shall, where applicable, include the plural and vice versa. Words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include a corporation, unless otherwise specified.

References to "**you**" or "**your(s)**" in this Circular are made to shareholders of KPower and references to "**KPower**" or "**the Company**" or "**we**" or "**us**" or "**our**" or "**ourselves**" are made to KPower, and where the context requires, KPower and our subsidiaries. Unless the context otherwise requires, references to "**Board**" are to our Board of Directors and "**Management**" are to our Executive Directors and key management personnel as at the LPD of this Circular.

Any reference in this Circular to any act or enactment is a reference to that act or enactment as for the time being amended or re-enacted. 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 only the salient information of the Proposals. The shareholders of KPower are advised to read the Circular in its entirety for further details and not to rely solely on this Executive Summary in forming a decision on the Proposals before voting at the EGM.

Key information	Description	Reference to Circular
Summary of the Proposals	<u>Proposed Share Split</u> The Proposed Share Split entails the subdivision of every 1 existing KPower Share held by the shareholders of KPower whose names appear in the Record of Depositors of the Company on the Share Split Entitlement Date, into 4 Subdivided Shares.	Section 2
	<u>Proposed Issuance of Free Warrants</u> The Proposed Issuance of Free Warrants entails the issuance of up to 150,776,882 Warrants on the basis of 1 Warrant for every 3 Subdivided Shares held by the Entitled Warrantholders on the Warrants Entitlement Date	Section 3
Rationale for the Proposals	<u>Proposed Share Split</u> <ul style="list-style-type: none">• To increase your number of KPower Shares held at no cost, while maintaining your percentage of equity shareholding held in KPower;• To potentially result in an improved trading liquidity of the Shares traded in the market at an affordable Share price without affecting the size of our market capitalisation; and• To encourage greater participation of new investors which may potentially widen our shareholders/ investor group.	Section 4
	<u>Proposed Issuance of Free Warrants</u> <ul style="list-style-type: none">• To reward you, as our shareholder, in the form of Warrants for your loyalty and continued support to our Group by enabling you to participate in a derivative of KPower without incurring any costs;• To provide you, as our shareholder, an alternative mean to participate and trade in the equity of KPower in addition to the mother Share. You may also benefit from potential capital gain in the event of Share price appreciation through the exercise of the Warrants;• To provide you, as our shareholder, with an opportunity to further increase your equity participation in KPower by exercising the Warrants at a pre-determined price over the tenure of the Warrants;• To further strengthen our capital base with the proceeds from the exercise of Warrants as and when the Warrants are exercised; and• To raise funds as and when the Warrants are exercised to fund our Group's working capital without the need of incurring interest cost in the case of bank borrowings.	

EXECUTIVE SUMMARY (CONT'D)

Key information	Description	Reference to Circular
Interested parties and any conflict of interest from the Proposals	<ul style="list-style-type: none">• None of the Directors, major shareholders and/ or chief executive of KPower and/ or persons connected with them has any interest, whether direct or indirect, in the Proposals, save for their respective entitlements as shareholders of the Company under the Proposals, which are also available to all other shareholders of KPower.• UOB Kay Hian is an independent party, which has no conflict of interest or potential conflicts of interest arising from its role as the Principal Adviser for the Proposals.	Section 10 and Appendix II
Approvals required	<p>The Proposals are subject to the following approvals being obtained:-</p> <ul style="list-style-type: none">(i) Bursa Securities, the approval of which was obtained on 1 December 2020, for the Proposed Share Split, admission of the Warrants to the Main Market of Bursa Securities, listing and quotation of the Warrants and new KPower Shares to be issued pursuant to the exercise of the Warrants on the Main Market of Bursa Securities;(ii) Our shareholders at the forthcoming EGM; and(iii) Any other relevant authority and/ or third parties, if required.	Section 9
Board's recommendation	<p>Our Board recommends that you VOTE IN FAVOUR for the resolutions pertaining to the Proposals, which will be tabled at the forthcoming EGM, the details of which are set out in the cover page of this Circular and the Notice of EGM as enclosed.</p>	Section 13

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KPOWER BERHAD
(FORMERLY KNOWN AS KUMPULAN POWERNET BERHAD)

Registration No.: 199701003731 (419227-X)
(Incorporated in Malaysia)

Corporate Office

C1-1-1, Solaris Dutamas
No. 1, Jalan Dutamas 1
50480 Kuala Lumpur
Wilayah Persekutuan

11 December 2020

Board of Directors

Dato' Dr Ir. Ts. Mohd Abdul Karim bin Abdullah (*Non-Independent Non-Executive Chairman*)
Mustakim bin Mat Nun (*Deputy Chairman and Group Managing Director*)
Sarah Azreen binti Abdul Samat (*Non-Independent Non-Executive Director*)
Dato' Arivalagan A/L Arujunan (*Non-Independent Non-Executive Director*)
Kok Pauline (*Independent Non-Executive Director*)
Tan Yee Hou (*Independent Non-Executive Director*)

To: The Shareholders of KPower

Dear Sir/ Madam,

- I. **PROPOSED SHARE SPLIT; AND**
- II. **PROPOSED ISSUANCE OF FREE WARRANTS**

1. INTRODUCTION

On 19 May 2020, KPower had proposed to undertake, amongst others, a proposed share split involving a subdivision of every 1 existing KPower Share into 2 KPower Shares ("**Previous Share Split Exercise**"). The chronology of events pertaining to the termination of the Previous Share Split Exercise is summarised as follows:-

Timeline	Key event
19 May 2020	Announcement of, amongst others, the Previous Share Split Exercise.
3 June 2020	Bursa Securities, vide its letter dated 3 June 2020, granted its approval for, amongst others, the Previous Share Split Exercise.
22 June 2020	We had obtained the approval from our shareholders for the Previous Share Split Exercise at our extraordinary general meeting (" Previous EGM ").
3 September 2020	Announcement on the update for the implementation of the Previous Share Split Exercise.
13 November 2020	Announcement on the termination of the Previous Share Split Exercise (" Termination ").

On 13 November 2020, the Company terminated the Previous Share Split Exercise after taking into consideration the recent increase in our Share prices, which had increased from RM2.25 on 22 June 2020 (being the date of our Previous EGM) to the highest of RM4.09 on 12 November 2020 (being the last trading day prior to the announcement of the Termination).

Accordingly, taking into consideration the aforementioned price movements of KPower Shares and the objectives of the share split exercise, which include, amongst others, to enhance the marketability and trading liquidity of the Shares, and to enable the affordability of our Share price thereby appealing to a wider group of public shareholders and investors, our Board had then decided to revise the basis of the share split exercise to meet the aforesaid rationale and objectives based on the then prevailing Share price performance. Following the Termination, the approval granted by Bursa Securities for the Previous Share Split Exercise is also no longer valid.

Pursuant to the above, on 13 November 2020, UOB Kay Hian had on behalf of our Board, announced that KPower proposes to undertake the following:-

- (i) share split involving a subdivision of every 1 KPower Share held on the Share Split Entitlement Date, into 4 Subdivided Shares; and
- (ii) issuance of up to 150,776,882 Warrants on the basis of 1 Warrant for every 3 Subdivided Shares held on the Warrants Entitlement Date.

On 1 December 2020, UOB Kay Hian had, on behalf of our Board, announced that Bursa Securities had vide its letter dated 1 December 2020, resolved to approve the following:-

- (a) admission of the Warrants to the Main Market of Bursa Securities;
- (b) listing and quotation of up to 150,776,882 Warrants and up to 150,776,882 new KPower Shares to be issued arising from the exercise of the Warrants on the Main Market of Bursa Securities; and
- (c) the Proposed Share Split,

subject to the terms and conditions as set out in **Section 9** of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSALS AS WELL AS TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE EGM. THE NOTICE OF EGM AND THE FORM OF PROXY ARE ENCLOSED TOGETHER WITH THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE EGM.

2. DETAILS OF THE PROPOSED SHARE SPLIT

The Proposed Share Split entails the subdivision of every 1 existing KPower Share held by the shareholders of KPower whose names appear in the Record of Depositors of our Company on the Share Split Entitlement Date, into 4 Subdivided Shares.

As at the LPD, our issued Share capital is approximately RM97.73 million comprising 113,082,662 KPower Shares. KPower does not have any outstanding convertible securities nor retain any treasury shares as at the LPD.

It is the intention of our Board to implement the Proposed Issuance of Free Warrants after the completion of the Proposed Share Split.

In determining entitlements under the Proposed Share Split, fractional entitlements, if any, shall be dealt with in such manner as our Board in its absolute discretion deems fit and expedient, and in the best interest of KPower.

2.1 Reference price to the Split Shares

The Proposed Share Split will result in an adjustment to the reference price of KPower Shares listed and quoted on the Main Market of Bursa Securities.

For illustration purposes, based on the last transacted market price of KPower Shares as at 9 December 2020 of RM5.22, the theoretical adjusted reference price ("**Ex-Price**") of KPower Shares upon completion of the Proposed Share Split is as follows:-

	Number of KPower Shares unit	Closing market price/ Ex-Price per KPower Share RM	Total value ^{*1} RM
As at 9 December 2020	113,082,662	5.220 ^{*2}	590,291,496
After the completion of the Proposed Share Split	452,330,648	1.305 ^{*3}	590,291,496

Notes:-

^{*1} The total value is calculated by multiplying the number of KPower Shares with the closing market price / Ex-Price per KPower Share

^{*2} Based on the last transacted market price of KPower Shares as at 9 December 2020

^{*3} For illustration purposes, the Ex-Price based on the Share price as at 9 December 2020 is arrived at based on the following formula:-

$$\begin{aligned}
 \text{Ex-Price} &= \frac{\text{Closing market price of KPower Share}}{\text{Assumed number of Shares before the Proposed Share Split}} \times \frac{\text{Number of Subdivided Shares after the Proposed Share Split}}{\text{Number of Subdivided Shares after the Proposed Share Split}} \\
 &= \text{RM5.220} \times \frac{113,082,662}{452,330,648} \\
 &= \text{RM1.305}
 \end{aligned}$$

Additionally, based on the lowest of 3-month daily VWAP of KPower Shares up to and including the LPD of RM3.0104, the Ex-Price of KPower Share is RM0.7526 pursuant to the Proposed Share Split.

Accordingly, the Proposed Share Split is in compliance with Paragraph 6.30(1A) of the Listing Requirements, which requires the adjusted price of a Share to be not less than RM0.50 based on the daily VWAP of the Shares during the 3-month period up to the LPD, pursuant to the provision under Paragraph 13.04(1) of the Listing Requirements.

Based on the above illustration, the Proposed Share Split will adjust the reference price of the Shares without affecting the total market value of these Shares held by shareholders of our Company.

2.2 Ranking of the Subdivided Shares

The Subdivided Shares will, upon allotment and issuance, rank equally in all respects with the existing KPower Shares, save and except that the Subdivided Shares will not be entitled to any dividends, rights, allotments and/ or any other forms of distribution that may be declared, made or paid before the Share Split Entitlement Date.

As the implementation of the Proposed Issuance of Free Warrants will be after the completion of the Proposed Share Split, the Subdivided Shares will be entitled to the Warrants.

The Proposed Share Split will not be implemented on a staggered basis.

2.3 Listing and quotation for the Subdivided Shares

Approval has been obtained from Bursa Securities vide its letter dated 1 December 2020 for the Proposed Share Split, the Subdivided Shares of which, will be listed on the Main Market of Bursa Securities. The Subdivided Shares shall be listed and quoted on the Main Market of Bursa Securities on the next market day following the Share Split Entitlement Date.

3. DETAILS OF THE PROPOSED ISSUANCE OF FREE WARRANTS

3.1 Basis and number of Warrants

The Proposed Issuance of Free Warrants entails the issuance of 150,776,882 Warrants on the basis of 1 Warrant for every 3 Subdivided Shares held by the Entitled Warranholders on the Warrants Entitlement Date, which will be after the Share Split Entitlement Date.

Based on the number of KPower Shares in issue as at the LPD and assuming that the Proposed Share Split has been completed, the enlarged number of issued Shares will be 452,330,648 Subdivided Shares. As such, a total of 150,776,882 Warrants will be issued pursuant to the Proposed Issuance of Free Warrants.

The entitlement basis for the Proposed Issuance of Free Warrants was determined after taking into consideration the following:-

- (i) amount of proceeds our Company could potentially raise as and when the Warrants are exercised during the exercise period of the Warrants;
- (ii) dilutive effects arising from the full exercise of Warrants on the consolidated EPS of our Company; and
- (iii) compliance with Paragraph 6.50 of the Listing Requirements, which states that the number of new KPower Shares arising from all outstanding Warrants, when exercised, shall not exceed 50% of the total number of issued Shares (excluding treasury shares and before the exercise of the Warrants) at all times.

In determining the entitlements under the Proposed Issuance of Free Warrants, fractional entitlements, if any, shall be dealt with in such manner as our Board in its absolute discretion deems fit and expedient, and in the best interest of our Company.

The Warrants will be issued in registered form and constituted by a deed poll to be executed by KPower ("**Deed Poll**"). The indicative salient terms of the Deed Poll are set out in **Appendix I** of this Circular.

The Warrants Entitlement Date will be a date after the Share Split Entitlement Date, hence the Subdivided Shares will be entitled to the Warrants.

The Proposed Issuance of Free Warrants is not intended to be implemented in stages over a period of time.

3.2 Basis and justification of determining the issue price and exercise price of Warrants

The Warrants will be issued at no cost to the Entitled Warrantholders.

Our Board has fixed the exercise price at RM2.50 per Warrant after taking into consideration, amongst others, the following:-

- (i) the Ex-Price after the implementation of the Proposed Share Split;

For illustration purposes, as set out in **Section 2.1** of this Circular, the closing price of our Shares as at 9 December 2020 was RM5.220 per Share, hence the Ex-Price of KPower Share post-Proposed Share Split will be RM1.305 per Share. The exercise price of RM2.50 per Warrant represents a premium of approximately 91.57% to the aforesaid Ex-Price of KPower Share. We wish to highlight that the aforesaid premium is purely for illustrative purposes only and should not be taken as an indication of or reference to the actual premium to the exercise price of Warrants pertaining to the Proposed Issuance of Free Warrants, as the actual premium can only be determined based on the prevailing Share price on the Share Split Entitlement Date;

- (ii) the exercise price of RM2.50 per Warrant, which represents a premium of approximately 91.57% to the aforesaid Ex-Price of KPower Share, was determined by our Board with the anticipation of the potential financial performance of our Group moving forward, premised on the current contracts secured by KPower Group of approximately RM1.73 billion up to 10 December 2020, and is expected to provide sustainability to our business for the next 3 to 4 years.

Based on the above, our Board is of the view that the earnings and EPS are expected to increase moving forward, and may lead to the appreciation of Share price performance moving in tandem with the future performance of KPower Group during the tenure of the Warrants;

- (iii) Warrants are exercisable at any time for a tenure of 5 years from the date of issuance of the Warrants which may provide our shareholders an alternative to participate and trade in the equity derivative of KPower over the Warrants period and realise the capital gain in the event the Share price appreciation; and
- (iv) Warrants are issued at no cost.

Our Board is of the view that the exercise of the Warrants may raise additional funds for our Group in the future, as well as improve the trading liquidity of KPower Shares with the increase in the number of KPower Shares as and when the Warrants are exercised.

3.3 Ranking of the new KPower Shares to be issued arising from the exercise of Warrants

The new KPower Shares to be issued pursuant to the exercise of the Warrants will, upon allotment and issuance, rank equally in all respects with the existing KPower Shares, save and except that the new KPower Shares to be issued arising from the exercise of the Warrants will not be entitled to any dividends, rights, allotments and/ or any other forms of distribution that may be declared, made or paid before the exercise of Warrants.

3.4 Listing and quotation for the Warrants and new KPower Shares to be issued arising from the exercise of the Warrants

Bursa Securities had, via its letter dated 1 December 2020, approved the following, amongst others:-

- (i) admission of the Warrants to the Main Market of Bursa Securities;
- (ii) listing and quotation for Warrants; and
- (iii) listing and quotation of up to 150,776,882 new KPower Shares to be issued upon exercise of the Warrants,

subject to the conditions as set out in **Section 9** of this Circular.

3.5 Utilisation of proceeds

The Warrants will not raise any immediate funds for our Company when issued as the Warrants will be issued without any cost to the Entitled Warrantholders. The amount of proceeds to be raised from the exercise of Warrants would depend on the actual number of Warrants exercised during the exercise period of Warrants. As such, the exact quantum and timeframe for utilisation of the proceeds to be used cannot be determined at this juncture.

For illustration purposes, assuming that all Warrants are exercised at the exercise price of RM2.50 per Warrant, our Company will raise gross proceeds of up to approximately RM376.94 million.

Such proceeds to be raised, as and when the Warrants are exercised, are expected to fund the future working capital requirements of our Group. The proceeds to be used for each component of working capital are subject to the funding requirements of our Group, at the point of utilisation, and such allocation shall be determined at our Board's discretion.

The proceeds that are not immediately used will be placed as interest-bearing deposit(s) with licensed financial institution(s) and/ or short-term money market financial instrument(s) as our Board may deem fit. Any interest income earned from such deposit(s) and/ or instrument(s) will also be used to fund the working capital requirements of our Group.

4. RATIONALE AND JUSTIFICATIONS FOR THE PROPOSALS

4.1 Proposed Share Split

The Proposed Share Split is undertaken to:-

- (i) increase the number of KPower Shares held by our shareholders at no cost to be incurred by them, while maintaining their percentage of equity shareholding held in our Company. In this respect, notwithstanding that there will be no change to the total value of Shares held by our shareholders, the increase in the number of Shares after the implementation of the Proposed Share Split may provide an opportunity to our existing shareholders the flexibility to trade at lower Share price with an enlarged number of Shares traded on the market;
- (ii) potentially result in an improved trading liquidity of KPower Shares traded in the market at an affordable Share price i.e. lower trading price, without affecting the size of the market capitalisation of our Company; and

- (iii) encourage greater participation of new investors group from the spectrum of the retail investors, corporations, investment funds and/ or unit trusts, and new investors who prefer lower entry cost and affordable Share price to participate in our equity, which may widen our shareholders' base in addition to our current shareholders.

4.2 Proposed Issuance of Free Warrants

Our Board intends to undertake the Proposed Issuance of Free Warrants to reward you as our shareholders in the form of Warrants for your loyalty and continued support as the Proposed Issuance of Free Warrants:-

- (i) serves to reward our shareholders for the continuous support by enabling you to participate in a derivative of our Company without incurring any costs;
- (ii) provides our shareholders an alternative mean to participate and trade in the equity of our Company in addition to the mother share. Our shareholders may also benefit from potential capital gain in the event of Share price appreciation through the exercise of the Warrants;
- (iii) provides our shareholders an opportunity to further increase their equity participation in our Company by exercising the Warrants at a pre-determined price over the tenure of the Warrants;
- (iv) strengthen the capital base of our Company with the proceeds from the exercise of Warrants, as and when the Warrants are exercised; and
- (v) serves as an appropriate avenue to raise funds as opposed to other fund raising exercises in view that it will progressively raise proceeds as and when the Warrants are exercised to fund our Group's working capital as highlighted in **Section 3.5** of this Circular without the need of incurring interest cost as compared to bank borrowings.

5. FUND RAISING EXERCISES IN THE PAST 12 MONTHS

5.1 Private Placement I

Our Company had on 21 January 2020, announced a private placement of not more than 10% of the total number of issued shares of KPower in accordance with the general mandate pursuant to Sections 75 and 76 of the Act ("**Private Placement I**"). Pursuant to the Private Placement I, our Company had successfully placed out 7,614,994 Shares, which were issued at an issue price of RM1.75 per Share, raising a total gross proceeds of approximately RM13.33 million.

The status of the utilisation of the said gross proceeds as at the LPD is set out below:-

Details of utilisation	Expected timeframe for utilisation	Proposed utilisation RM'000	Amount utilised as at the LPD RM'000
Business expansion through investments and/or acquisitions	Within 6 months from the date of the listing of the Shares	6,000	5,750 ¹
Working capital	Within 6 months from the date of the listing of the Shares	7,176	7,176 ²

Details of utilisation	Expected timeframe for utilisation	Proposed utilisation RM'000	Amount utilised as at the LPD RM'000
Estimated expenses in relation to the Private Placement I	Immediately	150	150 ^{*3}
Total		13,326	13,076^{*3}

Notes:-

^{*1} Our Group had utilised RM5.75 million as at the LPD, to partially finance the cash consideration of an acquisition pertaining to the acquisition of 2,193,000 ordinary shares in Chemtrax Sdn Bhd ("Chemtrax"), representing 51.00% equity interest in Chemtrax, by KPower for a total cash consideration of RM10.00 million, from Sabaka Group Sdn Bhd ("Sabaka") ("Acquisition of Chemtrax"). Please refer to Section 12 of this Circular and/ or the announcement of KPower dated 21 October 2020 for further details of the Acquisition of Chemtrax.

^{*2} Our Group had fully utilised the proceeds, which was earmarked to fund the working capital requirement, for the construction and completion of sewerage treatment facilities and upgrading works as well as the construction of a GBI certified building of 12 floors located at Wilayah Persekutuan Kuala Lumpur. Please refer to the announcement of KPower dated 28 November 2019 for further details of the said project.

^{*3} The proposed estimated expenses in relation to the Private Placement I was RM150,000, of which RM118,000 was utilised for the intended purpose. As at the LPD, the remaining amount of RM32,000 has been channelled to finance the general working capital of our Group.

The Private Placement I was completed on 21 February 2020. Please refer to the announcement of KPower dated 21 January 2020 for further details of the Private Placement I.

5.2 Private Placement II

Our Company had on 19 May 2020, announced a private placement of up to 29,317,727 new KPower Shares, representing up to 35% of the total number of issued shares of KPower ("Private Placement II"). Our Company has placed out 29,317,727 Shares, which were issued at an issue price of RM1.89 per Share, raising total gross proceeds of approximately RM55.41 million.

The status of the utilisation of the said gross proceeds as at the LPD is set out below:-

Details of utilisation	Expected timeframe for utilisation	Proposed utilisation RM'000	Amount utilised as at the LPD RM'000
Working capital for construction business	Within 12 months from the date of the listing of the Shares	48,386	29,930 ^{*1}
General working capital	Within 12 months from the date of the listing of the Shares	5,825	2,066
Estimated expenses in relation to the Private Placement II together with other corporate exercises announced at the material time	Within 1 month from the date of the listing of the Shares	1,200	1,200
Total		55,411	33,196

Note:-

*1 Details of the amount utilised are set out below:-

Construction projects	Contract Period	Amount utilised as at the LPD RM'000
<i>Construction and completion of the new sewerage treatment facilities as well as the construction of a GBI certified building of 12 floors located at Wilayah Persekutuan Kuala Lumpur</i>	<i>December 2019 to December 2022, or such other extended period to be mutually agreed between the parties</i>	1,463
<i>Design, supply, construction, commissioning and completion of an 8 MW small hydropower plant at Nam Samoy, Kasi District in Vientiane Province of the Laos</i>	<i>February 2020 to August 2021, or such other extended period to be mutually agreed between the parties</i>	1,547
<i>Preliminary study, design, supply, construction, commissioning and completion of 5 mini hydropower plants with total capacity of 32.47MW, in the state of Perak Darul Ridzuan, Malaysia</i>	<i>April 2020 to April 2024, or no later than 24 December 2024</i>	26,920
TOTAL		29,930

The Private Placement II was completed on 30 June 2020. Please refer to the circular to the shareholders of KPower dated 5 June 2020 for further details of the Private Placement II.

Save for the Private Placement I and Private Placement II, our Company has not undertaken any other fund raising exercise in the past 12 months up to the LPD.

6. INDUSTRY OUTLOOK AND FUTURE PROSPECTS OF KPOWER GROUP

6.1 Overview and outlook for the Malaysian economy

In line with the reopening of the economy from earlier COVID-19 containment measures and improving external demand conditions, the Malaysian economy recorded a smaller contraction of 2.7% in the third quarter of 2020 (2Q 2020: -17.1%). This recovery is seen across most economic sectors, particularly the manufacturing sector, which turned positive on account of strong electrical and electronics (E&E) production activity. On the expenditure side, domestic demand contracted at a slower pace, while net exports rebounded. On a quarter-on-quarter seasonally adjusted basis, the economy turned around to register an expansion of 18.2% (2Q 2020: -16.5%).

Improvements in growth were recorded across most economic sectors, as the country transitioned from the Conditional Movement Control Order ("**MCO**") into the Recovery MCO.

Domestic demand recorded a smaller decline of 3.3% in the third quarter of 2020 (2Q 2020: -18.7%), driven by improvements in both consumption and investment activity. Household spending was mainly supported by gradual recovery in income conditions, while investment activity benefitted from the ease of containment measures. Net exports rebounded to record a positive growth of 21.9% (2Q 2020: -38.6%), driven by a larger improvement in exports vis-à-vis imports. Private consumption recovered significantly from the trough in the second quarter to record a smaller contraction of 2.1% (2Q 2020: -18.5%). Household spending improved with further loosening of movement restrictions, while broad income conditions gradually recovered amid resumption of economic activities. Public consumption registered a higher growth of 6.9% (2Q 2020: 2.3%), benefitting from increased Government spending on supplies and services and faster expansion in emoluments.

Going into 2021, growth is expected to improve further, benefitting from the recovery in global demand and spill overs onto the domestic sectors, continued policy support including the recent KITA PRIHATIN and 2021 Budget measures, as well as higher production from existing and new facilities. However, the pace of recovery will be uneven across sectors with some industries expected to remain below pre-pandemic levels, and a slower improvement in the labour market. The balance of risks is tilted to the downside, emanating mainly from ongoing uncertainties surrounding COVID-19 globally and domestically. However, the economy could benefit from a larger-than-expected positive impact from various policy measures, and better-than-expected recovery in global economy.

(Source: Developments in the Malaysian Economy, Economic and Financial Developments in the Malaysian Economy in the Third Quarter of 2020, Bank Negara Malaysia)

The Malaysian economy experienced the full impact of the COVID-19 pandemic in the second quarter of 2020, with the real gross domestic product ("**GDP**") contracting by 17.1%. The contraction was mainly attributed to the imposition of the MCO to contain the outbreak. Though affecting all sectors in the economy, the move was necessary to flatten the COVID-19 curve and save lives. Hence, the Government has announced several stimulus packages totalling RM305 billion to support both households and businesses.

Reinforced by the reopening of the economy in phases, growth is expected to improve gradually during the second half of the year, cushioning the significant contraction in the first half. Thus, Malaysia's GDP is expected to contract by 4.5% in 2020, before rebounding between 6.5% and 7.5% in 2021. With the bold and swift measures undertaken Malaysia has been recognised as one of the most successful countries in managing the socio-economic impact of the pandemic.

Domestic demand is expected to contract by 3% in 2020, with private and public sectors' spending declining by 3.2% and 2.1%, respectively. In the first half of 2020, domestic demand declined significantly by 7.7%, amid restricted movements to contain the COVID-19 pandemic. Nevertheless, the announcement of various stimulus packages and the gradual resumption of economic activities are expected to restore business and consumer confidence in the second half of the year. Hence, domestic demand is anticipated to turnaround to 1.5% during the period and expand further by 6.9% in 2021.

Private consumption declined by 6% during the first half of 2020, affected by the implementation of the MCO. However, household spending is anticipated to pick up during the second half of the year, on the back of various stimulus packages aimed at providing support to households and businesses. The measures include a moratorium on loan repayments, temporary optional reduction in employees' contributions to the Employees Provident Fund ("**EPF**") and discounts on electricity bill as well as low interest rates. As a result, private consumption is projected to rebound by 4.2% in the second half, cushioning overall consumption activities, which is expected to record a marginal decrease of 0.7% in 2020.

Private consumption is anticipated to increase by 7.1% in 2021, mainly supported by higher disposable income arising from buoyant domestic economic activities, stronger export earnings, accommodative financial stance, extension of tax relief on childcare and favourable stock market conditions. Better job prospects, following broader improvement in the economy and measures addressing employability, are also expected to contribute to household spending. Furthermore, the expected recovery in the tourism-related industries following tax incentives on domestic tourism expenses for households will also provide additional impetus to private sector spending. As the nation rapidly shifts towards adopting digitalisation, the broader availability of various e-commerce platforms and rollout of 5G technology will facilitate economic activities.

(Source: Economic Outlook 2021, Ministry of Finance Malaysia)

6.2 Overview and outlook of the construction industry in Malaysia

Activity in the construction sector improved, contracting by a smaller rate of 12.4% (2Q 2020: -44.5%). Activity resumed across all sub-sectors supported by on-going large transportation projects in the civil engineering sub-sector and affordable housing projects in the residential sub-sector.

(Source: Developments in the Malaysian Economy, Economic and Financial Developments in the Malaysian Economy in the Third Quarter of 2020, Bank Negara Malaysia)

The construction sector contracted by 25.9% in the first half of 2020 and is expected to shrink by 11.8% in the second half with all segments declining significantly. At the same time, prolonged property overhangs continue to weigh down the performance of the sector. However, civil engineering and specialised construction activities subsectors are expected to improve gradually, cushioned by various measures under the economic stimulus packages. Overall, for the year, the sector is projected to contract by 18.7%.

The construction sector is expected to rebound by 13.9% in 2021 on account of the acceleration and revival of major infrastructure projects, coupled with affordable housing projects. The civil engineering subsector will continue to be the main driver of the construction sector. Among the major infrastructure projects include Mass Rapid Transit 2 (MRT2), Light Rail Transit 3 (LRT3), West Coast Expressway (WCE) and Bayan Lepas Light Rail Transit (LRT) as well as Pan Borneo and Coastal Highways in Sarawak. Utility projects include the Langat 2 Water Treatment Plant, Baleh Hydroelectric Dam and Sarawak Water Supply Grid Programme (Phase 1).

The residential subsector is anticipated to improve, supported by various measures taken by the Government to address the property overhang situation. Among the measures include the extension of Home Ownership Campaign, exemption of Real Property Gain Tax, the introduction of Rent-to-Own scheme as well as reduction of foreign ownership threshold. The performance of the non-residential subsector is expected to recover marginally, supported by on-going commercial projects, including Bukit Bintang City Centre, Cyberjaya City Centre, Forest City and Malaysia Vision Valley 2.0.

(Source: Economic Outlook 2021, Ministry of Finance Malaysia)

6.2.1 Overview and outlook of the sustainable energy and utilities industry

Hydropower is an essential service now and in the future. Total global hydropower installed capacity reached 1,308 gigawatts ("GW") in 2019. This represents a rise of 1.2%, down on the five-year annual average of 2.1% and well below an estimated 2.0% annual growth required to meet Paris Agreement targets.

South and Central Asia

With diverse topography and hydrologic conditions, Central and South Asia's hydropower resources are unevenly distributed. While several arid countries have limited or no hydropower resources, it is the dominant source of electricity in Georgia, the Kyrgyz Republic, Tajikistan, Afghanistan, Nepal and Bhutan. In addition, with a combined installed capacity of 100 GW, hydropower plays an important role in the electricity systems of both Russia and India.

The majority of the region's overall electricity mix is supplied by natural gas, coal and oil, while hydropower contributes approximately 11% of annual generation, the largest renewable source. Over the past five years, annual hydropower capacity growth has averaged 2% in line with the global average. Much of the over 10 GW of capacity added during this period took place in India, Pakistan and Tajikistan.

Looking ahead, hydropower is key to the energy plans of many countries in the region as they seek to address energy poverty and increase access to reliable, affordable and cleaner electricity. This is particularly the case in Pakistan, Nepal, Tajikistan and the Kyrgyz Republic where the immense potential of hydropower has barely been tapped.

East Asia and Pacific

Home to 30% of the world's population, East Asia and Pacific is a dynamic region that has experienced rapid economic growth and soaring energy demand in recent years. While China is the region's largest economy, the Association of South East Asian Nations ("**ASEAN**") countries have seen electricity consumption growing at nearly 6% annually since 2000, double the world's average. The International Energy Agency ("**IEA**") estimates that Southeast Asia's rising income and increasing demand for air conditioning will double the region's electricity consumption by 2040.

Policy makers are, however, scaling-up renewable energy development. Over the past five years, the region has led the world in wind and solar capacity installations. Hydropower output in Southeast Asia has quadrupled since 2000. In 2019, there has been strong momentum for hybrid renewable energy projects as governments encourage deployment of floating solar PV at hydropower facilities. This enables hydropower and solar power to work in synergy while also making good use of existing infrastructure. Further plans for cross-border interconnection will also help integrate a greater share of renewable energy into the power system.

With new commissions totalling 1.89 GW, Laos was second-highest in new added capacity across the region. The growth includes two major projects; the 1,295 MW Xayaburi run-of-river power station and 270 MW Nam Ngiep 1 project. These will produce electricity for local use as well as export to Thailand. In addition, the new 260 MW Don Sahong project will supply electricity to Cambodia. The Laos government will continue to promote sustainable hydropower with the aim of reducing energy imports, as well as reducing electricity prices.

In Indonesia, the 46.6 MW Rajamandala project in Jakarta was commissioned last year, for Indonesia's state utility PT Perusahaan Listrik Negara (PLN). The government has announced plans to build the country's largest hydro project, the 1,350 MW Mentarang Hydroelectric Power Plant in North Kalimantan in 2020, with total costs of US\$2 billion. PLN also signed a power purchase agreement for the 145 MW Cirata floating PV project in West Java.

(Source: Hydropower Status Report 2020, International Hydropower Association)

According to the International Hydropower Association ("**IHA**"), the IEA's 2020 World Energy Outlook report recognizes the critical role of renewable and flexible hydropower in helping countries to meet their climate and sustainable development goals.

The global industry body said in a statement, hydropower will continue to have an important role as a major source of low-carbon electricity as well as vital flexibility and storage services.

The IHA Head of Policy Alex Campbell stated that "as the IEA notes, flexibility is rapidly becoming the cornerstone of electricity security. As conventional gas and coal-fired power stations are phased out, hydropower's system services will become even more important to the clean energy transition".

The hydropower sector is expected to generate more electricity than coal by 2030 under the IEA's Sustainable Development Scenario, involving a surge in clean energy policies and investment. By 2040, nearly 850 GW of additional hydropower capacity will have been commissioned, mostly in the Asia Pacific region.

(Source: Press article entitled " IEA's 2020 World Energy Outlook report buttresses hydro power's role: IHA", dated 13 October 2020, <https://energy.economictimes.indiatimes.com/news/renewable/ieas-2020-world-energy-outlook-report-buttresses-hydro-powers-role-ih/78643299>)

There are currently 20 gas-fired power plants in Malaysia, accounting for about half the power needs of the country, and making gas the main source of energy. Population growth and environmental considerations are likely to have a positive impact on gas demand for power generation in the future. Malaysia's population, at 32 million in 2017 is forecast to grow to 45 million in 2050, with almost 90% expected to live in cities. Rapid urbanisation will trigger increased demand for energy to sustain city dwellers and satisfy urban lifestyle needs. While cost remains a key consideration with regards to fuel choices – the removal of gas subsidies may make it a relatively costly option - countries are also mindful of their international commitments to reduce carbon emissions.

Malaysia is a signatory to the 2016 Paris Agreement that commits countries to reducing their carbon emissions. With this, renewable energy has gained traction as the fuel of the future. In Malaysia, the target is for renewable energy to make up 20% of the capacity mix by 2025. The preferred renewable source is solar energy that is infinite.

(Source: Energy Malaysia, Volume 20, 2020, Energy Commission)

Since 2018, the government policy is for a fuel mix with 20% renewable energy by 2025. On 20th November, ASEAN energy ministers agreed to increase the target for renewable energy installed power capacity to 35% by 2025. This upward revision in installed capacity will take place under the ASEAN Plan of Action for Energy Cooperation (APAEC) Phase 2 which will be implemented during the period of 2021 until 2025. The focus is on solar energy, to be generated by large scale solar farms while domestic and commercial consumers are being incentivised to install rooftop solar energy installations and become consumers and producers of energy at the same time.

Other renewable energy sources include hydro, wind, biomass, and biogas.

Beyond 2050, although Malaysia will still be relying on coal and natural gas for power generation, renewable energy is expected to play a bigger role in the mix.

As at mid-2019, Malaysia has 69 power plants – 8 coal fired/combined gas coal plants, 20 hydroelectric dams, 22 gas fired plants, 5 oil-fired plants, nine biomass plants and five large scale solar farms. There are also several small-scale hybrid power stations using diesel generators, solar panels and wind turbines on the islands off the East Coast of Peninsular Malaysia. Under construction now are two more hydroelectric plants in Hulu Terengganu and Ulu Jelai, Pahang, and a co-generation plant in Pengerang, Johor.

(Source: Energy Malaysia, Volume 19, 2020, Energy Commission)

According to the IEA's annual report on renewables, which was released in October 2018, the installed capacity of renewable energy could exceed more than one trillion watts over the next five years. One scenario forecasts a capacity of 1.3 terawatt ("TW") by 2023, while the more conservative estimate predicts it will rise to 1 TW.

The IEA has identified several factors behind this rise. These include increased Government support for renewables worldwide, and a drop in the prices of solar, wind and hydro technologies. The report also stated that hydropower will grow by 12% over the next five years and wind power by 66 percent. The biggest winner however is solar power, which is expected to reach a capacity of 600 GW by 2023, accounting for 60% of the forecast total.

Driving this increase will be China, which has become the world's largest users of renewable energy over the past few years. It is forecast that installed renewable generation capacity in China will reach 430 GW or more than 40% of the world's total by 2023.

(Source: Energy Malaysia, Volume 18, 2020, Energy Commission)

To support the Nationally Determined Contribution, the 11th Malaysia Plan (2016-2020) established more pathways for green growth in the country. In 2017, the Green Technology Master Plan created the framework for mainstreaming green technologies into planned developments. It called for green technologies to be embedded in six carbon-intensive sectors, and by doing so, change the trajectory of the nation's growth. One of these sectors is energy.

(Source: Peninsular Malaysia Electricity Supply Industry Outlook 2019, Energy Commission)

6.3 Impact of the COVID-19 outbreak to the performance of KPower Group

The recent ongoing COVID-19 outbreak has caused global economic slowdown since early 2020. As the Malaysian Government enforced MCO that started on 18 March 2020, any travel and social gathering had been restricted as well as the closures of non-essential businesses.

Pursuant to the MCO, our manufacturing and property developments ("**Affected Businesses**") have not been spared from the MCO leading to the closure of our textile factory and suspension of our sole property development project, namely Sentul Project, during the MCO. Notwithstanding the aforesaid, the impact of COVID-19 on our Group's performance for the FYE 30 June 2020 was marginal as our construction related activities in sustainable energy and utilities segments which contributed approximately 83.0% to our Group's revenue for the FYE 30 June 2020, are considered as essential services and were able to continue with minimal disruption.

Our Affected Businesses have, since the lifting of travel restriction and recovery MCO period, resumed the respective operations and continued to contribute earnings to our Group. Operationally, we have and will continue to keep our COVID-19 procedures onsite and continue our practice as per the standards required.

Moving forward, we expect to face some challenges as a result from the implementation of local governments' new rules and requirements arising from the COVID-19 pandemic situation. Nevertheless, our Group expects the projects under the sustainable energy and utilities segments that are currently ongoing, will continue to proceed on schedule.

The textile manufacturing segment remains to be challenging for our Group. As a result of slowdown in our supply chain, operations and worldwide demand pursuant to the MCO, we experienced a decline in the demand from our existing clients. In this respect, we are currently exploring other products within the textile industry in order to improve the segment's performance.

Notwithstanding the above, we have been relying on our pre-existing relationships with our stakeholders to secure new projects and business opportunities. With the positive development of vaccines, lifting of travel restriction, opening up cross-border travel and normalisation of business, we would be able to secure projects in a more effective and efficient manner.

Based on the above, we do not foresee that our Group's future financial performance would be adversely affected by the COVID-19 pandemic. However, there can be no assurance that any prolonged adverse development arising from MCO, COVID-19 and/ or any other external factors (including the imposition of stop work orders on our projects) will not adversely affect the financial performance and operations of our Group.

6.4 Future prospects of our Group

As set out in **Section 6.1** of this Circular, Malaysia's economy in the third quarter of 2020 registered 2.7% contraction as a result of the transitioned enforcement of MCO from conditional MCO into recovery MCO to counter the COVID-19 outbreak. The recent positive news of the progress of vaccine is expected to enable the normalisation of our business operations as before. In addition, the signing of Regional Comprehensive Economic Partnership ("**RCEP**") which had taken place on 15 November 2020 indicated that the pandemic is not a hindrance to regional cooperation, business and overall growth for regional development.

In an effort to enhance the financial performance of KPower Group, KPower Group had, during FYE 30 June 2020, ventured and diversified its principal activities to include construction related activities and specialised engineering mainly in the sustainable energy and utilities activities, in which the new management team has the experience and technical skillset, and has contributed to the highest percentage of Group's revenue and earnings during the latest financial year.

Presently, KPower Group is principally involved in the following business segments:-

- (i) Construction related activities - The provision of EPCC of sustainable energy and utilities projects;
- (ii) Property - The development and construction of commercial properties;
- (iii) Manufacturing - The manufacture and sale of warp-knitted fabrics; and
- (iv) Investment - Investment in land and buildings that are held for long term rental yields and/ or capital appreciation.

For the latest audited FYE 30 June 2020, KPower Group's revenue and earnings contributions were mainly from the construction related activities business segment mainly in the sustainable energy and utilities activities, as set out below:-

Revenue	Audited FYE 30 June 2020	
	RM'000	%
Construction related activities	79,571	83.02
Property	15,010	15.66
Manufacturing	656	0.69
Investment	606	0.63
Total revenue	95,843	100.00

Segment results	Audited FYE 30 June 2020	
	RM'000	%
Construction related activities	14,720	82.21
Property	6,470	36.13
Manufacturing	(2,698)	(15.07)
Investment	(586)	(3.27)
Total	17,906	100.00

As at the LPD, KPower Group has successfully secured several projects, mainly on the provision of EPCC of hydropower plants and sewerage treatment facilities located in Malaysia, Laos, Nepal and Indonesia with total contract value of approximately RM1.43 billion. Subsequently on 9 December 2020, our Group had successfully secured a letter of award from Kangsar Hidro Sdn Bhd to undertake the EPCC of a mini hydro power plant based in Perak, Malaysia for an aggregate contract value of RM296 million. The addition of this new contract has increased our Group's total contract value to approximately RM1.73 billion. With the current contracts in hand, the management of KPower believes that these contracts will provide earnings visibility to KPower Group moving forward.

The summary of the current contracts secured by KPower Group as at the LPD is set out as follows:-

Contract/ Project Title	Contract Period	Estimated percentage of completion as at the LPD %	Indicative time frame of profit recognition to KPower Group FYE
GBI Contract	December 2019 to December 2022, or such other extended period to be mutually agreed between the parties	Less than 5%	30 June 2020 – 30 June 2023* ¹
Nam Samoy Contract	February 2020 to August 2021, or such other extended period to be mutually agreed between the parties	Less than 50%	30 June 2020 – 30 June 2022* ¹
Kangsar Contract	Hidro April 2020 to April 2024, or no later than 24 December 2024	Less than 20%	30 June 2020 – 30 June 2024* ¹
Nam Taep Contract	July 2020 to July 2022, or such other extended period to be mutually agreed between the parties	Less than 20%	30 June 2021 – 30 June 2023* ¹
Gaurishankar Contract	Within 36 months from the commencement date or no later than 12 May 2023	Less than 5%	30 June 2021 – 30 June 2023* ¹

Contract/ Project Title	Contract Period	Estimated percentage of completion as at the LPD	Indicative time frame of profit recognition to KPower Group
		%	FYE
Apex Makalu Contract	Within 36 months from the commencement date or no later than 31 August 2023	- ^{*2}	30 June 2021 – 30 June 2024 ^{*1}
Petulai Contract	Within 24 months from the commencement date	- ^{*2}	30 June 2021 – 30 June 2023 ^{*1}
Klaai Contract	Within 24 months from the commencement date	- ^{*2}	30 June 2021 – 30 June 2023 ^{*1}

Notes:-

^{*1} Assuming that the contract period will not be extended.

^{*2} The contract has yet to commence as at the LPD.

In respect to KPower Group's property business segment, KPower Group via its wholly-owned subsidiary namely, KPower Development Sdn Bhd (formerly known as Powernet Properties Sdn Bhd), is currently developing 2 units of 6-storey shop-offices and 4 units of 5-storey shop-offices on a parcel of commercial land at Sentul, Kuala Lumpur (Sentul Project). As of November 2020, KPower Group has successfully sold all development units. As at the LPD, the completion of the development and construction of the Sentul Project is at approximately 73% and is expected to be completed by FYE 30 June 2021. For information purposes, KPower Group has not undertaken any new property development project at this juncture.

Premised on the above and barring any unforeseen circumstances, our Board remains optimistic of the future prospects of KPower Group.

(Source: Management of KPower)

7. EFFECTS OF THE PROPOSALS

The effects of the Proposals on the issued Share capital, NA per Share and gearing ratio of KPower Group, earnings and EPS of KPower Group, convertible securities of KPower (if any) and substantial shareholders' shareholdings in KPower, are set out below:-

7.1 Issued share capital

The pro forma effects of the Proposals on our issued Share capital are set out below:-

	No. of Shares	RM
Issued Share capital as at the LPD	113,082,662	97,730,406
No. of Shares to be issued pursuant to the Proposed Share Split	339,247,986	-
	452,330,648	97,730,406
No. of Shares to be issued pursuant to the full exercise of Warrants	150,776,882	376,942,205 ^{*1}
Enlarged issued Share capital	603,107,530	474,672,611

Note:-

^{*1} Assuming that all Entitled Warrant holders exercise their Warrants at the exercise price of RM2.50 per Warrant

7.2 NA per Share and gearing ratio

Based on the latest audited consolidated statements of financial position of our Group as at latest audited FYE 30 June 2020, the pro forma effects of the Proposed Share Split and the Proposed Issuance of Free Warrants on the NA per Share and gearing ratio of our Group are set out as follows:-

	Audited as at FYE 30 June 2020 RM'000	I After Proposed Share Split RM'000	II After I and assuming full exercise of the Warrants RM'000
Share capital	97,730	97,730	474,673 ²
Reserve	4,676	4,676	4,676
Retained earnings	3,506	3,106 ¹	3,106
Shareholders' fund/ NA	105,912	105,512	482,455
No. of Shares in issue ('000)	113,083	452,331	603,108
NA per Share (RM)	0.94	0.23	0.80
Total borrowings (RM'000)	1,985	1,985	1,985
Gearing ratio (times)	0.02	0.02	0.004

Notes:-

¹ After deducting the estimated expenses of approximately RM0.40 million in relation to the Proposals

² Assuming that all Entitled Warrantheolders exercise their Warrants at the exercise price of RM2.50 per Warrant

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7.3 Substantial shareholders' shareholdings

The Proposed Share Split will not have any effect on the shareholdings of the substantial shareholders of KPower as the Subdivided Shares will be allotted on a pro-rata basis to all the shareholders of KPower. However, the number of KPower Shares held by all the shareholders of KPower will increase proportionately as a result of the Proposed Share Split.

The Proposed Issuance of Free Warrants will not have any immediate effect on the shareholdings of the substantial shareholders of KPower assuming all Entitled Warrantheolders exercise their respective Warrants during the exercise period of the Warrants. The number of KPower Shares held by all the shareholders, who are the Entitled Warrantheolders, will increase proportionately arising from the exercise of the Warrants into new KPower Shares.

For illustration purposes, the pro forma effects of the Proposals on the shareholdings of the substantial shareholders of KPower are as follows:-

Substantial shareholder:	I				II			
	Shareholdings as at the LPD		After the Proposed Share Split		After I and assuming full exercise of the Warrants		After I and assuming full exercise of the Warrants	
	Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect
	No. of Shares	% ¹	No. of Shares	% ²	No. of Shares	% ²	No. of Shares	% ³
Dato' Dr. Ir. Ts. Mohd Abdul Karim Bin Abdullah	37,735,278	33.37	150,941,112	33.37	201,254,816	33.37	-	-
Grand Deal Vision Sdn Bhd	16,900,000	14.94	67,600,000	14.94	90,133,333	14.94	-	-
Mustakim bin Mat Nun	569,700	0.50	2,278,800	0.50	3,038,400	0.50	90,133,333 ⁴	14.94
Sarah Azreen binti Abdul Samat	-	-	-	-	-	-	-	90,133,333 ⁴

Notes:-

¹ Based on the issued Shares of 113,082,662

² Based on the enlarged issued Shares of 452,330,648

³ Based on the enlarged issued Shares of 603,107,530

⁴ Deemed interested by virtue of his/ her substantial shareholdings in Grand Deal Vision Sdn Bhd pursuant to Section 8 of the Act

7.4 Earnings and EPS

The Proposals are not expected to have any material effect on the earnings of KPower Group for the FYE 30 June 2021. However, assuming that the earnings of our Group remain unchanged, the EPS of our Company will be proportionately diluted as a result of the increase in the number of KPower Shares in issue pursuant to the Proposed Share Split, and as and when the Warrants are exercised into new KPower Shares.

The potential effects of the exercise of the Warrants on the future earnings of our Group and EPS of our Company will depend upon, amongst others, the number of Warrants exercised at any point in time and the benefits to be accrued to our Group from the utilisation of proceeds raised from the exercise of the Warrants.

7.5 Convertible securities

As at the LPD, KPower does not have any existing convertible securities.

8. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of KPower Shares traded on Bursa Securities for the past 12 months from December 2019 to November 2020 are set out below:-

	High RM	Low RM
2019		
December	1.54	1.35
2020		
January	1.94	1.40
February	3.11	1.74
March	2.77	0.85
April	1.94	1.50
May	2.18	1.54
June	2.50	1.91
July	3.07	2.28
August	3.45	2.39
September	3.64	2.90
October	3.60	3.02
November	5.15	3.15
Last transacted market price of KPower Shares as at 12 November 2020 (being the latest trading day prior to the announcement on the Proposals)		4.09
Last transacted market price on the LPD Last transacted market price on 9 December 2020		4.84 5.22

(Source: Bloomberg)

9. APPROVALS REQUIRED/ OBTAINED

The Proposals are subject to the following approvals being obtained:-

- (i) Bursa Securities, for the following:-
 - (a) admission of the Warrants to the Main Market of Bursa Securities;
 - (b) listing and quotation of the Warrants and new KPower Shares to be issued pursuant to the exercise of the Warrants on the Main Market of Bursa Securities; and
 - (c) the Proposed Share Split;

on the Main Market of Bursa Securities, the approval of which has been obtained vide its letter dated 1 December 2020 subject to the following conditions:-

- a. KPower and UOB Kay Hian, being the adviser, must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposals;
 - b. KPower and UOB Kay Hian to inform Bursa Securities upon the completion of the Proposals;
 - c. KPower to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposals are completed;
 - d. KPower and UOB Kay Hian are required to make the relevant announcements pursuant to Paragraphs 6.35(2)(a)&(b) and 6.35(4) of the Listing Requirements pertaining to the Proposed Share Split; and
 - e. KPower to furnish Bursa Securities with a certified true copy of the resolution passed by the shareholders in general meeting approving the Proposals prior to the listing and quotation of the Subdivided Shares;
- (ii) the approval of our shareholders at the EGM; and
- (iii) any other relevant authority, if required.

Save for the completion of the Proposed Share Split, the Proposed Issuance of Free Warrants is not conditional upon any other proposals undertaken or to be undertaken by our Company.

The Proposed Share Split is not conditional upon the implementation of the Proposed Issuance of Free Warrants and any other proposals undertaken or to be undertaken by our Company.

10. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/ OR PERSONS CONNECTED WITH THEM

None of our Directors, major shareholders and/ or chief executive of KPower and/ or persons connected with them has any interest, whether direct or indirect, in the Proposals, save for their respective entitlements as shareholders of our Company under the Proposals, which are also available to all other shareholders of our Company.

11. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all required approvals being obtained, our Board expects that the Proposals will complete in the first quarter of calendar year 2021.

The tentative timetable in relation to the Proposals are set out below:-

Timeline	Events
End December 2020	<ul style="list-style-type: none"> • Convening of EGM • Announcement of Share Split Entitlement Date
Early – Mid January 2021	<ul style="list-style-type: none"> • Share Split Entitlement Date • Listing and quotation for the Subdivided Shares on the Main Market of Bursa Securities • Completion of the Proposed Share Split • Announcement of Warrants Entitlement Date
End January 2021 - Early February 2021	<ul style="list-style-type: none"> • Warrants Entitlement Date • Listing and quotation for the Warrants on the Main Market of Bursa Securities • Completion of the Proposed Issuance of Free Warrants

12. PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save as disclosed below and the Proposals, which are the subject matters of this Circular, our Board is not aware of any other outstanding proposals, which have been announced but not yet completed as at the LPD:-

- (i) On 21 October 2020, KPower had entered into a share sale agreement with Sabaka for the acquisition of 2,193,000 ordinary shares in Chemtrax, representing 51.00% equity interest in Chemtrax, by KPower for a total cash consideration of RM10.00 million. As at the LPD, the Acquisition of Chemtrax is currently pending its completion.

13. DIRECTORS' STATEMENT AND RECOMMENDATION

Our Board, after having considered all aspects of the Proposals, which include, but are not limited to, the basis and number of Subdivided Shares and Warrants to be issued, the rationale and justifications, and the pro forma effects of the Proposals on KPower, is of the opinion that the Proposals are in the best interest of KPower. Accordingly, our Board recommends that you **VOTE IN FAVOUR** for the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM.

14. EGM

Our EGM, the notice of which is enclosed in this Circular, will be conducted entirely through live streaming from the broadcast venue at Tricor Leadership Room, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur on Monday, 28 December 2020 at 10.00 a.m., or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modification, the resolutions to give effect to the Proposals.

A member entitled to attend, participate, speak and vote remotely at the EGM via the Remote Participation and Voting facilities provided, is entitled to appoint a proxy or proxies to attend, participate, speak and vote on his/ her behalf. As such, you are requested to complete, sign and return the enclosed Form of Proxy in accordance with the instructions contained therein, and be deposited with the Share Registrar of our Company at Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, alternatively, at the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, not less than 48 hours before the time set for holding the EGM or any adjournment thereof. In the case of electronic appointment, the Proxy Form must be deposited via TIIH Online at <http://tiih.online> not less than 48 hours before the time set for holding the EGM or any adjournment thereof.

15. FURTHER INFORMATION

Shareholders are advised to refer to the appendices set out in this Circular for further information.

Yours faithfully,

For and on behalf of the Board

KPOWER BERHAD (FORMERLY KNOWN AS KUMPULAN POWERNET BERHAD)

DATO' DR. IR. TS. MOHD ABDUL KARIM BIN ABDULLAH

Non-Independent Non-Executive Chairman

APPENDIX I - INDICATIVE SALIENT TERMS OF THE DEED POLL

The indicative salient terms of the Deed Poll are as follows:-

Issue size	Up to 150,776,882 Warrants
Form and denomination	The Warrants will be issued in registered form and constituted by the Deed Poll
Tenure	5 years commencing from and inclusive of the date of issuance of the Warrants
Exercise period	The Warrants may be exercised at any time within 5 years commencing on and including the date of issuance of the Warrants not later than 5.00 p.m. on the last day of the exercise period. Warrants not exercised during the exercise period will thereafter lapse and cease to be valid
Exercise price	RM2.50 only payable in respect of the exercise rights for each KPower Share or such other exercise price, as may be adjusted in accordance with the Fourth Schedule (if applicable) of the Deed Poll
Exercise rights	Each Warrant carries the entitlement, at any time during the Exercise Period, to subscribe for 1 KPower Share at the exercise price of the Warrants, subject to adjustment in accordance with the provisions of the Deed Poll
Expiry date	The last day of a period of 5 years commencing from and including the date of issue of the Warrants (but if that day is not any day between Monday and Friday (inclusive of both days) which is not a public holiday and on which Bursa Securities is open for trading of securities, it shall be the immediately preceding Market Day)
Mode of exercise	The Entitled Warranholders must complete and sign the exercise form (which shall be irrevocable) and deliver the duly completed exercise form to the Company or the Company's share registrar together with a remittance of the exercise money by way of cashier's order or banker's draft or money order or postal order in Ringgit Malaysia drawn on a bank or post office operating in Malaysia in accordance with the provisions of the Deed Poll
Participating rights of the holders of Warrant	The Entitled Warranholders are not entitled to vote in any general meeting of KPower and/ or to participate in any distribution other than on winding-up, compromise or arrangement of KPower and/ or offer of further securities in KPower unless and until the Entitled Warranholder becomes a shareholder of KPower by exercising his/ her Warrants into new KPower Shares or unless otherwise resolved by KPower in a general meeting
Adjustments in the exercise price and/or number of Warrants	The exercise price and/ or the number of Warrants held by each Entitled Warranholder shall from time to time be adjusted in accordance with the provisions of the Deed Poll by the Directors in consultation with an approved adviser appointed by the Company and certified by the auditors to be in accordance with the provisions of the Deed Poll
Transferability	The transfer of Warrants shall be subject to and be carried out in accordance with the provisions of the Deed Poll, the provisions of the Depositories Act and the Rules of Bursa Depository. Subject to the provisions of the Depositories Act and the Rules of Bursa Depository, no person shall be recognised by the Company as having title to the Warrants entitling the holder to subscribe for a fractional part of a new Share
Board lot	For the purposes of trading on the Bursa Securities, board lot for the Warrants shall be 100 Warrants each carrying the right to subscribe for 100 new Shares at any time during the exercise period or in such other denominations permitted by Bursa Securities from time to time
Rights on winding up, liquidation, compromise and/or arrangement	The rights of the Entitled Warranholders on the winding-up, compromise or arrangement of the Company is as set out under the Third Schedule of the Deed Poll
Modification of rights of the holders of Warrant	The Company may, without the consent of the Entitled Warranholders, make any modifications to the Warrants in accordance with the provisions as set out in the Third Schedule of the Deed Poll

APPENDIX I - INDICATIVE SALIENT TERMS OF THE DEED POLL (CONT'D)

Listing status

The Warrants will be listed and quoted on the Main Market of Bursa Securities

Governing law

The Warrants and the Deed Poll shall be governed by the applicable laws and regulations of Malaysia

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APPENDIX II - FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by our Board, and our Directors collectively and individually accept full responsibility for the accuracy of the information contained herein 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

UOB Kay Hian, being the Principal Adviser for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

3. DECLARATION OF CONFLICT OF INTERESTS

UOB Kay Hian has given its written confirmation that there is no situation of conflict of interests that exists or is likely to exist in relation to its role as the Principal Adviser to KPower for the Proposals.

4. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, our Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and our Board is not aware and has no knowledge of any proceedings pending or threatened against our Group, or of any facts likely to give rise to any proceedings, which might materially or adversely affect our Group's financial position or business.

5. OTHER MATTERS

- (i) On 18 March 2019, Powernet Industries Sdn Bhd ("**PISB**") received a writ of summons from Golden Wheel Credit Sdn Bhd ("**GWCSB**") which claimed for an amount of RM526,809.58 due and owing by PISB to GWCSB under the terms of the moneylending agreement dated 29 December 2017 entered into by both parties.

On 28 May 2019, PISB made an application to the Sessions Court to strike out GWCSB's claim on the grounds that, amongst others, the moneylending agreement entered into by the parties was unenforceable for breach of Sections 16, 21, 23 and 27 of the Moneylenders Act 1951. However, such application to strike out GWCSB's claim was dismissed with costs by the Sessions Court. Subsequently on 2 October 2019, PISB appealed to the High Court against the decision of the Sessions Court. On 3 December 2019, the High Court allowed PISB's appeal with costs and struck out GWCSB's claim with leave to GWCSB to file a fresh its claim against PISB. Pursuant to the leave granted by the High Court, on 11 December 2019, GWCSB filed a fresh suit against PISB in the Sessions Court for an amount of RM539,056.11 and interest at the rate of 8% per annum on the amount claimed from the date of the suit until the date of full payment of the same.

On 24 December 2019, PISB appealed to the Court of Appeal against part of the decision of the High Court dated 3 December 2019 granting leave to GWCSB to file its claim afresh against PISB. On 10 June 2020, the Court of Appeal allowed PISB's appeal and set aside the leave to GWCSB file afresh granted by the High Court. Accordingly, on 11 June 2020, the Sessions Court struck out the new suit filed by GWCSB.

APPENDIX II - FURTHER INFORMATION (CONT'D)

By a notice of motion dated 10 August 2020, GWCSB applied to the Court of Appeal to review its decision on 10 June 2020. The motion has been fixed for hearing on 8 December 2020. Subsequently on 19 November 2020, GWCSB has withdrawn its review application.

- (ii) On 22 March 2019, PISB received a Writ of Summons from Woo Wai Mun ("**WWM**"), a former director of PISB, suing in his personal capacity. WWM claimed that between the year 2016 to 2018, WWM had purportedly lent an amount of RM5,670,968.07 to PISB at PISB's request and that PISB had repaid a sum of RM980,968.07 to WWM. As at the date of the suit, WWM claimed for the balance in the amount of RM4,690,000 and interest at the rate of 5% per annum of the sums claimed from the date of the suit until the date of full payment.

On 23 April 2019, PISB filed its defence to the claim and counterclaimed against WWM for breach of his duty as a director of PISB by amongst others, failing to prepare or cause to be prepared and/or keep accurate and true accounts and financial statements of PISB and approving or causing PISB to make payments or enter in its books and accounts unsubstantiated and/or unauthorised payments, claims and/or expenses. Additionally, PISB in its defence stated that the alleged amount owing by PISB to WWM comprises of unsubstantiated and/or unauthorised payments, claims and/or expenses made by WWM and/or his wife, Nicole Wong Yuet Wan which was wrongly approved by WWM, who was the managing director and/or the director primarily responsible for the financial management of PISB at all material times.

The Court proceeded with the full trial on 3 to 6 August 2020 and after hearing the evidence from the witnesses, the Court had on 4 November 2020 allowed WWM's claim amounting to RM3,217,141.10 and disallowed WWM's other claims amounting to RM1,472,858.90. Subsequently on 30 November 2020, PISB filed an appeal to the Court of Appeal appealing against part of the decision of the High Court in allowing WWM's claim of RM3,217,141.10 with interest and costs of RM35,000. As at the LPD, the Court of Appeal has fixed the appeal for case management on 14 January 2021.

In addition to the above, WWM has also appealed with the Court of Appeal against part of the decision of the High Court in disallowing his claim of RM1,472,858.90. As at the LPD, the Court has fixed the appeal for case management on 11 February 2021.

PISB's solicitors are of the view that PISB has an arguable case for the following reasons (1) the RM1,000,000 claim is in relation to the loan extended in 2015, which is not within WWM's pleaded case as per his statement of claim and WWM pleaded that his claim is for loans provided to PISB from 2016-2018, (2) the sum of RM400,000 ought to be disallowed as WWM failed to prove that the payments were made by WWM, and (3) the sum of RM8,109.17 ought to be disallowed as its nexus with WWM's purported loans to PISB is not established.

In respect of WWM's appeal, PISB's solicitors are of the view that there is no merit in WWM's appeal for the following reasons (1) the sum of RM244,391.62 and RM937,548.86 being claims or advancements made by Nicole Wong respectively were correctly disallowed, (2) the sum of RM188,060.54 being a claim unsupported by any supporting documents was correctly disallowed, (3) the sum of RM2,857.88 being claims and not loans by WWM was correctly dismissed and (4) the sum of RM100,000 being capital injection and not loan was correctly being dismissed.

APPENDIX II - FURTHER INFORMATION (CONT'D)

Notwithstanding the above, our Board is of the view that this matter does not materially and adversely affect the financial position or business of our Group as the sum of RM4,690,000 claimed by WWM has already been provided in the financial statements of our Group. As such, the disclosure above is for shareholders' information purposes.

6. MATERIAL COMMITMENTS

As at the LPD, our Board is not aware of any material commitments incurred or known to be incurred by our Group that has not been provided for which, upon becoming enforceable, may have a material impact on our Group's financial results/ position.

7. CONTINGENT LIABILITIES

As at the LPD, our Board is not aware of any contingent liabilities incurred or known to be incurred which, upon becoming enforceable, may have a material impact on our Group's financial results/ position.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at our registered office at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3 Bangsar South, No. 8, Jalan Kerinchi 59200 Kuala Lumpur Wilayah Persekutuan during the normal business hours from Monday to Friday (except public holidays) from the date hereof up to the time stipulated for the holding of the EGM:-

- (i) Constitution of KPower;
- (ii) Audited consolidated financial statements of our Group for the past 2 financial years up to the FYE 30 June 2020 and the latest unaudited results for the 3-month financial period ended 30 September 2020;
- (iii) The draft Deed Poll;
- (iv) Cause papers referred to in **Section 5, Appendix II** of this Circular above; and
- (v) The letter of consent and declaration of conflict of interests referred to in **Sections 2 and 3, Appendix II** of this Circular, respectively.

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KPOWER BERHAD
(FORMERLY KNOWN AS KUMPULAN POWERNET BERHAD)

Registration No.: 199701003731 (419227-X)
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of KPower Berhad (formerly known as Kumpulan Powernet Berhad) ("**KPower**" or the "**Company**") ("**EGM**") will be conducted on a fully virtual basis through live streaming from the broadcast venue at Tricor Leadership Room, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur ("**Broadcast Venue**") using the Remote Participation and Voting facilities ("**RPV**") provided by Tricor Investor & Issuing House Sdn Bhd via its TIIH Online website at <https://tiih.online> on Monday, 28 December 2020 at 10.00 a.m., or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modifications the following resolutions:-

ORDINARY RESOLUTION 1

PROPOSED SHARE SPLIT INVOLVING A SUBDIVISION OF EVERY 1 EXISTING ORDINARY SHARE IN KPOWER ("KPOWER SHARE(S)" OR "SHARE(S)") INTO 4 KPOWER SHARES ("SUBDIVIDED SHARES") ("PROPOSED SHARE SPLIT")

"THAT subject to the approvals of all relevant authorities and/ or parties (where applicable), authority be and is hereby given to the Board of Directors of KPower ("**Board**") to subdivide 1 existing Share held by the entitled shareholders of KPower whose names appear in the Record of Depositors of the Company at the close of business on an entitlement date to be determined and announced later by the Board ("**Share Split Entitlement Date**"), into 4 KPower Shares;

THAT the Board be and is hereby authorised to deal with any fractional entitlements from the Proposed Share Split, if any, in such a manner at its absolute discretion as the Board may deem fit and expedient and in the best interest of the Company;

THAT the Subdivided Shares will, upon allotment and issuance, rank equally in all respects with the existing KPower Shares, save and except that the Subdivided Shares will not be entitled to any dividends, rights, allotments and/ or any other forms of distribution that may be declared, made or paid before the Share Split Entitlement Date;

AND THAT the Board be and is hereby authorised to sign and execute all documents, do all acts, deeds and things as may be required to give effect to and to complete the Proposed Share Split with full power to assent to any conditions, variations, modifications and/ or amendments in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take all such steps and do all acts, deeds and things for and on behalf of the Company in any manner as they may deem fit or necessary or expedient to implement, finalise and give full effect to the Proposed Share Split."

ORDINARY RESOLUTION 2

PROPOSED ISSUANCE OF UP TO 150,776,882 FREE WARRANTS IN KPOWER ("WARRANT(S)") ON THE BASIS OF 1 WARRANT FOR EVERY 3 SUBDIVIDED SHARES HELD ON AN ENTITLEMENT DATE, WHICH WILL BE AFTER THE SHARE SPLIT ENTITLEMENT DATE ("WARRANTS ENTITLEMENT DATE") ("PROPOSED ISSUANCE OF FREE WARRANTS")

"**THAT** subject to the passing of Ordinary Resolution 1 and the approvals of all relevant authorities and/ or parties (where applicable), authority be and is hereby given to the Board to issue and allot 150,776,882 Warrants (at the exercise price of RM2.50 per Warrant) in the share capital of the Company credited to the entitled shareholders whose names appear in the Record of Depositors of the Company as at the close of business on the Warrants Entitlement Date on the basis of 1 Warrant for every 3 Subdivided Shares held;

THAT the Board be and is hereby authorised to enter into and execute a deed poll constituting the Warrants ("**Deed Poll**") with full powers to assent to any condition, modification, variation and/ or amendment in any manner as may be required or imposed by the relevant authorities or as the Board may deem necessary or expedient in the best interest of the Company, and with full powers for the Board to implement, finalise and give full effect to the Deed Poll;

THAT the Board be and is hereby authorised to issue and allot such appropriate number of Warrants in accordance with the provisions of the Deed Poll and where required, to adjust the exercise price and/ or the number of Warrants to be issued (including, without limitation, any additional Warrants as may be required or permitted to be issued) in consequence of the adjustments pursuant to the provisions of the Deed Poll;

THAT the Board be and is hereby authorised to issue and allot such appropriate number of new Shares pursuant to the exercise of the Warrants by the holders of the Warrants in accordance with the provisions of the Deed Poll;

THAT the Board be and is hereby authorised to deal with any fractional entitlements from the Proposed Issuance of Free Warrants, if any, in such a manner at its absolute discretion as the Board may deem fit and expedient and in the best interest of the Company;

THAT the new KPower Shares to be issued pursuant to the exercise of the Warrants will, upon allotment and issuance, rank equally in all respects with the existing KPower Shares, save and except that the new KPower Shares to be issued arising from the exercise of the Warrants will not be entitled to any dividends, rights, allotments and/ or any other forms of distribution that may be declared, made or paid before the date of exercise of Warrants;

THAT the Board be and is hereby authorised to use the proceeds to be raised from the exercise of the Warrants for such purposes and in such manner as set out in **Section 3.5** of the Circular to shareholders of the Company dated 11 December 2020, and the Board be authorised with full powers to vary the manner and/ or purpose of the use of such proceeds in such manner as the Board may deem fit, necessary and/ or expedient, subject to the approval of the relevant authorities (where required) and in the best interest of the Company;

AND THAT the Board be and is hereby authorised to sign and execute all documents, do all acts, deeds and things as may be required to give effect to and to complete the Proposed Issuance of Free Warrants with full power to assent to any conditions, variations, modifications and/ or amendments in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take all such steps and do all acts, deeds and things for and on behalf of the Company in any manner as they may deem fit or necessary or expedient to implement, finalise and give full effect to the Proposed Issuance of Free Warrants."

By Order of the Board

WONG WAI FOONG (MAICSA 7001358) (SSM Practicing Certificate No. 202008001472)
YAP SIT LEE (MAICSA 7028098) (SSM Practicing Certificate No. 202008001865)
Companies Secretaries

Kuala Lumpur
11 December 2020

Notes:

1) **IMPORTANT NOTICE**

The Broadcast Venue is **strictly for the purpose of complying with Section 327(2) of the Companies Act 2016**, which requires the Chairperson of the meeting to be present at the main venue of the EGM.

Member(s), proxy(ies), attorney(s) or authorised representative(s) **WILL NOT BE ALLOWED** to be physically present at the Broadcast Venue on the day of the EGM.

Members are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "**participate**") remotely at the EGM via the Remote Participation and Voting facilities ("**RPV**") provided by Tricor Investor & Issuing House Services Sdn Bhd via its TIIH Online website at <https://tiih.online>.

Please read these Notes carefully and follow the procedures in the Administrative Guide for the EGM in order to participate remotely via RPV.

- 2) For the purpose of determining a member who shall be entitled to participate at the EGM via RPV, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, the **Record of Depositors as at 21 December 2020**. Only a member whose name appears on the Record of Depositors shall be entitled to participate the EGM or appoint proxy(ies) to participate on his/her behalf via RPV.
- 3) A member who is entitled to participate at this EGM via RPV is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate on his/her behalf. A proxy may but need not be a member of the Company.
- 4) A member of the Company who is entitled to attend and vote at a general meeting of the Company may appoint not more than two (2) proxies to participate instead of the member at the EGM via RPV.
- 5) If two (2) proxies are appointed, the entitlement of those proxies to vote on a show of hands shall be in accordance with the listing requirements of the stock exchange
- 6) Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("**Central Depositories Act**"), it may appoint 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.
- 7) 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. An exempt authorised nominee refers to an authorised nominee defined under Central Depositories Act which is exempted from compliance with the provisions of subsection 25A(1) of Central Depositories Act.
- 8) Where a member of the Company appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, otherwise the appointment shall not be valid.
- 9) A member who has appointed a proxy or attorney or authorised representative to participate at the EGM via RPV **must request his/her proxy or attorney or authorised representative to register himself/herself for RPV via TIIH Online website at <https://tiih.online>**. Procedures for RPV can be found in the Administrative Guide for the EGM.
- 10) The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company at least 48 hours before the time appointed for holding the EGM or any adjournment thereof:
 - i) In hard copy form
In the case of an appointment made in hard copy form, the proxy form must be deposited with the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.
 - ii) By electronic means
The proxy form can be electronically lodged with the Share Registrar of the Company via TIIH Online website at <https://tiih.online>. Please refer to the Administrative Guide for the EGM on the procedures for electronic lodgement of Proxy Form via TIIH Online.
- 11) Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly.

12) Last date and time for lodging the proxy form is **Saturday, 26 December 2020 at 10.00 a.m.**

13) Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than 48 hours before the time appointed for holding the EGM or adjourned EGM at which the persons named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/ or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.

14) For a corporate member who has appointed an authorised representative, please deposit the **ORIGINAL** certificate of appointment of authorised representative with the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia. The certificate of appointment of authorised representative should be executed in the following manner:-

- (i) If the corporate has a common seal, the certificate of appointment of authorised representative should be executed under seal in accordance with the constitution of the corporate member.
- (ii) If the corporate member does not have a common seal, the certificate of appointment of authorised representative should be affixed with the rubber stamp of the corporate member (if any) and executed by:-
 - (a) at least two (2) authorised officers, of whom one (1) shall be a director; or
 - (b) any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.

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KPOWER BERHAD
(FORMERLY KNOWN AS KUMPULAN POWERNET BERHAD)
Registration No. 199701003731 (419227-X)
(Incorporated in Malaysia)

PROXY FORM

CDS Account No.

No. of shares held

I/We _____ Tel: _____
[Full name in block and as per NRIC/Passport/Company No.]
of _____

being member(s) of KPower Berhad (formerly known as Kumpulan Powernet Berhad), hereby appoint:

Full Name (in Block and as per NRIC/Passport)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and / or^

Full Name (in Block and as per NRIC/Passport)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her, the Chairperson of the Meeting, as ^my/our proxy/proxies to vote for ^me/us and on ^my/our behalf at the Extraordinary General Meeting ("**EGM**") of the Company which will be conducted on a fully virtual basis through live streaming from the broadcast venue at Tricor Leadership Room, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur ("**Broadcast Venue**") using the Remote Participation and Voting facilities provided by Tricor Investor & Issuing House Services Sdn Bhd via TIIH Online website at <https://tiih.online> on Monday, 28 December 2020 at 10.00 a.m. or any adjournment thereof, and to vote as indicated below:

Ordinary Resolutions	Description of Resolutions	For	Against
1	Proposed Share Split		
2	Proposed Issuance of Free Warrants		

Please indicate with an "X" in the space provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific direction, your proxy will vote or abstain as he thinks fit.

Signed this _____ day of _____ 2020

Signature*
Member

^ Delete whichever is inapplicable

* Manner of execution:

- (a) If you are an individual member, please sign where indicated.
- (b) If you are a corporate member which has a common seal, this proxy form should be executed under seal in accordance with the constitution of your corporation.



- (c) If you are a corporate member which does not have a common seal, this proxy form should be affixed with the rubber stamp of your company (if any) and executed by:
- (i) at least two (2) authorised officers, of whom one shall be a director; or
 - (ii) any director and/or authorised officers in accordance with the laws of the country under which your corporation is incorporated.

Notes:

1) IMPORTANT NOTICE

The Broadcast Venue is **strictly for the purpose of complying with Section 327(2) of the Companies Act 2016**, which requires the Chairperson of the meeting to be present at the main venue of the EGM.

Member(s), proxy(ies), attorney(s) or authorised representative(s) **WILL NOT BE ALLOWED** to be physically present at the Broadcast Venue on the day of the EGM.

Members are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "**participate**") remotely at the EGM via the Remote Participation and Voting facilities ("**RPV**") provided by Tricor Investor & Issuing House Services Sdn Bhd via its TIIH Online website at <https://tiih.online>.

Please read these Notes carefully and follow the procedures in the Administrative Guide for the EGM in order to participate remotely via RPV.

- 2) For the purpose of determining a member who shall be entitled to participate at the EGM via RPV, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, the **Record of Depositors as at 21 December 2020**. Only a member whose name appears on the Record of Depositors shall be entitled to participate the EGM or appoint proxy(ies) to participate on his/her behalf via RPV.
- 3) A member who is entitled to participate at this EGM via RPV is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate on his/her behalf. A proxy may but need not be a member of the Company.
- 4) A member of the Company who is entitled to attend and vote at a general meeting of the Company may appoint not more than two (2) proxies to participate instead of the member at the EGM via RPV.
- 5) If two (2) proxies are appointed, the entitlement of those proxies to vote on a show of hands shall be in accordance with the listing requirements of the stock exchange
- 6) Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("**Central Depositories Act**"), it may appoint 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.
- 7) 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. An exempt authorised nominee refers to an authorised nominee defined under Central Depositories Act which is exempted from compliance with the provisions of subsection 25A(1) of Central Depositories Act.
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 - (a) at least two (2) authorised officers, of whom one (1) shall be a director; or
 - (b) any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.

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AFFIX
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**KPOWER BERHAD (FORMERLY KNOWN AS KUMPULAN POWERNET
BERHAD) [199701003731 (419227-X)]
c/o TRICOR INVESTOR & ISSUING HOUSE SERVICES SDN. BHD.
[197101000970 (11324-H)]
Unit 32-01, Level 32 Tower A, Vertical Business Suite
Avenue 3, Bangsar South No. 8, Jalan Kerinchi
59200 Kuala Lumpur, Malaysia**

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