

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

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

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**KUMPULAN POWERNET BERHAD**  
(Registration No: 199701003731 (419227-X))  
(Incorporated in Malaysia)

**CIRCULAR TO SHAREHOLDERS IN RELATION TO THE:-**

- (I) **PROPOSED PRIVATE PLACEMENT OF UP TO 29,317,727 NEW ORDINARY SHARES IN KUMPULAN POWERNET BERHAD (“KPOWER” OR “COMPANY”) (“KPOWER SHARE(S)”) (OR UP TO 58,635,454 NEW SUBDIVIDED SHARES (AS DEFINED HEREIN)), REPRESENTING UP TO 35% OF THE TOTAL NUMBER OF ISSUED SHARES OF OUR COMPANY;**
- (II) **PROPOSED SUBDIVISION OF EVERY 1 EXISTING KPOWER SHARE HELD ON AN ENTITLEMENT DATE TO BE DETERMINED BY OUR BOARD AND ANNOUNCED AT A LATER DATE INTO 2 KPOWER SHARES (“SUBDIVIDED SHARES”); AND**
- (III) **PROPOSED DIVERSIFICATION OF THE PRINCIPAL ACTIVITIES OF KPOWER AND ITS SUBSIDIARIES TO INCLUDE CONSTRUCTION BUSINESS AND CONSTRUCTION RELATED ACTIVITIES**

**(COLLECTIVELY REFERRED TO AS THE “PROPOSALS”)**

**AND**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

*Principal Adviser*



**AmInvestment Bank**

**AmInvestment Bank Berhad**

(Registration No: 197501002220 (23742-V))  
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of the Extraordinary General Meeting (“**EGM**”) of our Company to be conducted entirely through live streaming from the broadcast venue at Tricor Boardroom, Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur on Monday, 22 June 2020 at 3.00 pm using the Remote Participation and Voting facilities (“**RPV**”) provided by Tricor Investor & Issuing House Services Sdn Bhd via its TIIH Online website at <https://tjih.online> or at any adjournment thereof, for the purpose of considering the Proposals, together with the Proxy Form are enclosed in this Circular.

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 and 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 TIIH Online website at <http://tjih.online>, not less than 48 hours before the time set for holding the EGM or at any adjournment thereof.

Last date and time for lodging the Proxy Form : Saturday, 20 June 2020 at 3.00 pm.  
Date and time of the EGM : Monday, 22 June 2020 at 3.00 pm.

This Circular is dated 5 June 2020

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**DEFINITIONS**

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<b>Act</b>	:	Companies Act, 2016
<b>AmlInvestment Bank</b>	:	AmlInvestment Bank Berhad (Registration No: 197501002220 (23742-V))
<b>Amirul</b>	:	Amirul Afif bin Abd Aziz
<b>ASEAN</b>	:	Association of Southeast Asian Nations
<b>BNM Closing Exchange Rate</b>	:	Closing exchange rate as at 15 May 2020 of 1 USD = RM4.3480 as quoted on the website of Bank Negara Malaysia
<b>Board</b>	:	Board of Directors of KPower
<b>Bursa Securities</b>	:	Bursa Malaysia Securities Berhad (Registration No: 200301033577 (635998-W))
<b>Circular</b>	:	This circular dated 5 June 2020 in relation to the Proposals
<b>CMSA</b>	:	Capital Markets and Services Act 2007
<b>Controlling Shareholders or Interested Major Shareholders</b>	:	Collectively, Dato' Dr Ir. Ts. Karim, Grand Deal, Mustakim and Sarah
<b>Construction Awards</b>	:	Collectively, GBI Contract, Nam Samoy Contract, Kangsar Hidro Contract and Gaurishankar Contract
<b>Construction Business</b>	:	Construction business and construction related activities including but not limited to the construction of projects under the energy, utility, infrastructure and logistics sectors
<b>Dato' Dr Ir. Ts. Karim</b>	:	Dato Dr Ir. Ts. Mohd Abdul Karim bin Abdullah
<b>Director(s)</b>	:	A natural person who holds a directorship in our Company, whether in an executive or non-executive capacity, within the meaning of Section 2 of the Act and Section 2(1) of the Capital Markets and Services Act, 2007
<b>EGM</b>	:	Extraordinary general meeting
<b>Entitled Shareholder(s)</b>	:	Shareholders whose names appear in the Record of Depositors of our Company on the Entitlement Date
<b>Entitlement Date</b>	:	A date to be determined later by our Board and announced by our Company at a later date, as at the close of business on which the names of the Shareholders must appear in the Record of Depositors of our Company in order to be entitled to participate in the Proposed Share Split
<b>EPS</b>	:	Earnings per share
<b>FPE</b>	:	Financial period ended/ending, as the case may be
<b>FYE</b>	:	Financial year ended/ending, as the case may be

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**DEFINITIONS (CONT'D)**

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<b>Gaurishankar Contract</b>	:	Letter of award 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 22.9MW in Solukhumbhu, Federal Democratic Republic of Nepal for a contract sum of USD48.10 million (equivalent to approximately RM209.14 million based on the BNM Closing Exchange Rate)
<b>GBI Contract</b>	:	Letter of award by Signvest Sdn Bhd to undertake amongst others, the construction and completion of sewerage treatment facilities and upgrading works as well as the construction of a Green Building Index certified building of twelve (12) floors, all in Wilayah Persekutuan Kuala Lumpur, Malaysia for a contract sum of RM254.32 million
<b>Grand Deal</b>	:	Grand Deal Vision Sdn Bhd (Registration No. 201701010503 (1224668-M))
<b>Interested Directors</b>	:	Collectively, Dato' Dr Ir. Ts. Karim, Mustakim and Sarah
<b>Kangsar Hidro Contract</b>	:	Letter of award by Kangsar Hidro Sdn Bhd to undertake amongst others, the preliminary study, design, supply, construction, commissioning and completion of five (5) mini hydropower plants with total capacity of 32.47MW, in Perak Daruk Ridzuan, Malaysia for a contract sum of RM354.00 million
<b>KPower or Company</b>	:	Kumpulan Powernet Berhad (Registration No. 199701003731 (419227-X))
<b>KPower Group or Group</b>	:	Collectively, KPower and its subsidiaries
<b>KPower Share(s) or Share(s)</b>	:	Ordinary share(s) in KPower
<b>Laos</b>	:	Lao People's Democratic Republic
<b>LBT</b>	:	Loss before tax
<b>LPD</b>	:	29 May 2020, being the latest practicable date prior to the printing of this Circular
<b>LPS</b>	:	Loss per share
<b>Market Day(s)</b>	:	Any day(s) 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
<b>Mustakim</b>	:	Mustakim bin Mat Nun
<b>MW</b>	:	Megawatt
<b>NA</b>	:	Net assets

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**DEFINITIONS (CONT'D)**

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<b>Nam Samoy Contract</b>	:	Letter of award by Zhenghong Building Road & Bridge Construction Co., Ltd to undertake amongst others, the design, supply, construction, commissioning and completion of an eight (8) MW small hydropower plant at Nam Samoy, Kasi District in Vientiane Province of Laos for a contract sum of USD15.88 million (equivalent to approximately RM69.05 million based on the BNM Closing Exchange Rate)
<b>PBT</b>	:	Profit before tax
<b>PAC(s)</b>	:	Person acting in concert in accordance with Sections 216(2) and 216(3) of the CMSA for the purposes of the Rules
<b>Placement Share(s)</b>	:	New KPower Shares to be issued pursuant to the Proposed Private Placement
<b>Private Placement I</b>	:	The private placement announced on 21 January 2020 which was completed with the issuance of 7.61 million KPower Shares as announced on 21 February 2020
<b>Proposals</b>	:	Collectively, the Proposed Private Placement, Proposed Share Split and Proposed Diversification
<b>Proposed Diversification</b>	:	Proposed diversification of the principal activities of KPower Group to include the Construction Business
<b>Proposed Private Placement</b>	:	Proposed private placement of up to 29,317,727 Placement Shares (or up to 58,635,454 new Subdivided Shares after Proposed Share Split), representing up to 35% of the total number of issued shares of our Company
<b>Proposed Share Split</b>	:	Proposed subdivision of every 1 existing KPower Share held on an Entitlement Date into 2 Subdivided Shares
<b>Protégé</b>	:	Protégé Associates Sdn Bhd (Registration No: 200401037256 (675767-H))
<b>Record of Depositors</b>	:	A record of securities holders established and maintained by Bursa Malaysia Depository Sdn Bhd (Registration No: 198701006854 (165570-W)) pursuant to the Securities Industry (Central Depositories) Act, 1991
<b>RM and sen</b>	:	Ringgit Malaysia and sen respectively
<b>Rules</b>	:	The Rules on Take-overs, Mergers and Compulsory Acquisitions of the Securities Commission of Malaysia, as amended from time to time
<b>Sarah</b>	:	Sarah Azreen Binti Abdul Samat
<b>Sentul Project</b>	:	A property development project located in Sentul comprising two units of 6 storey shop-offices and four units of five storey shop offices on a parcel of commercial development land
<b>Shareholders</b>	:	Registered holders of KPower Shares
<b>Subdivided Share(s)</b>	:	Ordinary shares in KPower following the completion of the Proposed Share Split

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**DEFINITIONS (CONT'D)**

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<b>Syukri</b>	:	Muhammad Syukri bin Sulaiman
<b>Undertakings</b>	:	The written irrevocable and unconditional undertakings dated 18 May 2020 from Dato' Dr Ir. Ts. Karim and Grand Deal, respectively, to subscribe for up to 9,400,000 Placement Shares (or 18,800,000 Subdivided Shares) and up to 5,400,000 Placement Shares (or 10,800,000 Subdivided Shares), representing collectively up to 17.67% of the total number of issued shares of our Company
<b>Undertaking Shareholders</b>	:	Dato' Dr Ir. Ts. Karim and Grand Deal
<b>USD</b>	:	United States Dollar
<b>VWAP</b>	:	Volume weighted average market price

Unless specifically referred to, words denoting the singular shall include the plural and vice versa and words denoting the masculine gender shall include the feminine and neuter genders and vice versa. References to persons shall include corporations, unless otherwise specified.

All references to "you" in this Circular are to the Shareholders.

Any reference to time of day in this Circular is a reference to Malaysian time, unless otherwise stated.

Any reference in this Circular to the provisions of any statute, rules, regulation or rules of stock exchange shall (where the context admits) be construed as a reference to the provisions of such statute, rules, regulation or rules of stock exchange (as the case may be) as modified by any written law or (if applicable) amendments to the statute, rules, regulation or rules of stock exchange for the time being in force.

Certain statements in this Circular may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by our Board after due enquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Circular should not be regarded as a representation or warranty that KPower's plans and objectives will be achieved.

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**KUMPULAN POWERNET BERHAD**  
(Registration No: 199701003731 (419227-X))  
(Incorporated in Malaysia)

**Registered Office**  
Unit 30-01, Level 30, Tower A,  
Vertical Business Suite, Avenue 3,  
Bangsar South, No. 8, Jalan Kerinchi,  
59200 Kuala Lumpur  
Wilayah Persekutuan

5 June 2020

## **Board of Directors**

Dato' Dr Ir. Ts. Mohd Abdul Karim bin Abdullah (*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**

Dear Sir/Madam,

## **PROPOSALS**

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### **1. INTRODUCTION**

On 19 May 2020, AmlInvestment Bank, on behalf of our Board, announced that our Company proposes to undertake the following:

- (i) proposed private placement of up to 29,317,727 Placement Shares (or up to 58,635,454 Subdivided Shares, representing up to 35% of the total number of issued shares of our Company;
- (ii) proposed subdivision of shares of every 1 existing KPower Share held on an Entitlement Date into 2 KPower Shares; and
- (iii) proposed diversification of the principal activities of KPower Group to include Construction Business.

On 3 June 2020, AmlInvestment Bank, on behalf of our Board, announced that Bursa Securities, vide its letter dated 3 June 2020, granted its approval for the following:-

- (i) listing and quotation of up to 29,317,727 Placement Shares (or up to 58,635,454 new Subdivided Shares after the Proposed Share Split) pursuant to the Proposed Private Placement; and
- (ii) Proposed Share Split;

on the Main Market of Bursa Securities, subject to the conditions as disclosed in Section 9 of this Circular.

Further details of the Proposals are set out in the ensuing sections in this Circular.

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

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

## 2. DETAILS OF THE PROPOSED PRIVATE PLACEMENT

### 2.1 Details of the Proposed Private Placement

As at the LPD, the issued share capital of KPower is approximately RM42,319,902 comprising 83,764,935 KPower Shares. Our Company does not have any outstanding convertible securities.

The Proposed Private Placement entails the issuance of up to 29,317,727 Placement Shares (or up to 58,635,454 Subdivided Shares after the Proposed Share Split), representing up to approximately 35% of the total number of issued shares of our Company.

### 2.2 Placement arrangement

The indicative allocations of the Placement Shares to the proposed placees are as follows:-

	No. of Placement Shares (or Subdivided Shares)	% Placement Shares to the total number of issued shares of our Company
<b>(i) Allocation to Undertaking Shareholders</b>		
Dato' Dr Ir. Ts. Karim	9,400,000 Placement Shares (or 18,800,000 Subdivided Shares)	11.22
Grand Deal	5,400,000 Placement Shares (or 10,800,000 Subdivided Shares)	6.45
<b>(ii) Allocation to Undertaking Key Personnel (as defined herein)</b>		
Amirul	300,000 Placement Shares (or 600,000 Subdivided Shares)	0.36
Syukri	300,000 Placement Shares (or 600,000 Subdivided Shares)	0.36
<b>(iii) Allocation to third party investor(s)</b>		
Third party investor(s)	13,917,727 Placement Shares (or 27,835,454 Subdivided Shares)	16.61
<b>Total</b>	<b>29,317,727 Placement Shares (or 58,635,454 Subdivided Shares)</b>	<b>35.00</b>



(i) **Allocation to the Undertaking Shareholders**

Dato' Dr Ir. Ts. Karim, is presently the Chairman and a major shareholder of KPower whilst Grand Deal is a major shareholder of KPower. The shareholdings of the Undertaking Shareholders in KPower as at the LPD are as follows:-

	Direct		Indirect	
	No. of KPower Shares	%	No. of KPower Shares	%
Dato' Dr Ir. Ts. Karim	29,055,078	34.69	-	-
Grand Deal	11,500,000	13.73	-	-
Mustakim	303,200	0.36	11,500,000 <sup>(i)</sup>	13.73
Sarah	-	-	11,500,000 <sup>(ii)</sup>	13.73

**Notes:-**

- (i) Deemed interested pursuant to Section 8 of the Act by virtue of his shareholdings in Grand Deal. He is currently the Deputy Chairman and Group Managing Director of KPower.
- (ii) Deemed interested pursuant to Section 8 of the Act by virtue of her shareholdings in Grand Deal. She is currently the Non Independent Non Executive Director of KPower.

Both Dato' Dr Ir. Ts. Karim and Grand Deal had on 18 May 2020 confirmed to KPower of their intentions to subscribe for up to 9,400,000 Placement Shares (or up to 18,800,000 Subdivided Shares) and up to 5,400,000 Placement Shares (or up to 10,800,000 Subdivided Shares) respectively, representing collectively up to 17.67% of the total number of issued shares of our Company and had via the Undertakings confirmed their sufficiency of financial resources in subscribing for their respective portion of the Placement Shares. They had also acknowledged vide the same letters that the subscription of the Placement Shares will be undertaken on the same terms accorded to third party investor(s).

(ii) **Allocation to key management personnel**

Subsequent to the announcement of the Proposals on 19 May 2020, KPower had offered certain key management personnel of our Company to participate in the Proposed Private Placement. In this respect, both Amirul and Syukri had on 20 May 2020 accepted the letter of offer by KPower ("**Placement Offer**") and confirmed to KPower of their intentions to subscribe for 300,000 Placement Shares (or 600,000 Subdivided Shares) each, representing collectively 0.72% of the total number of issued shares of our Company. They had also acknowledged vide the same offer letter that the subscription of the Placement Shares will be undertaken on the same terms accorded to third party investor(s).

(Amirul and Syukri are referred as the "**Undertaking Key Personnel**")

Amirul is presently the Group Chief Financial Officer of KPower and Syukri is the Senior Vice President/Head of Corporate Finance & Investors' Relations of KPower. The shareholdings of the Undertaking Key Personnel in KPower as at the LPD are as follows:-

	Direct		Indirect	
	No. of KPower Shares	%	No. of KPower Shares	%
Amirul	18,000	0.02	-	-
Syukri	120,000	0.14	-	-

For information purposes, Dato' Dr Ir. Ts. Karim, Grand Deal, Mustakim, Sarah and Amirul are PACs for purposes of the Rules. Accordingly, in the event the Placement Shares are issued and allotted to the Undertaking Shareholders and Amirul and none of the other third party investors subscribe for the Placement Shares, the Undertaking Shareholders and their PACs collectively as well as Dato' Dr Ir. Ts. Karim individually, will trigger the "creeping threshold" (as defined under the Rules) and hence will trigger a mandatory general offer.

However, it is not our Company's intention for any of the Undertaking Shareholders and/or their respective PACs to trigger the mandatory general offer under the Rules arising from their respective subscription of the Placement Shares. Taking into consideration the foregoing, the amount of Placement Shares to be allocated to the Undertaking Shareholders and Amirul will depend on the number of Placement Shares successfully placed out to third party investor(s) at each tranche, where applicable. Accordingly, the subscription by the Undertaking Shareholders and/or Amirul of the Placement Shares may be undertaken in one (1) single tranche or in multiple tranches, depending on the level of subscription of the other third party placees at each material point in time.

**(iii) Allocation to third party investor(s)**

The remaining portion of 13,917,727 Placement Shares (or 27,835,454 Subdivided Shares), representing 16.61% of the total number of issued shares of our Company, shall be placed out to third party investor(s) to be identified later. The placee(s) shall be person(s) or party(ies) who/which qualify under Schedules 6 and 7 of the Capital Markets and Services Act 2007.

Such remaining Placement Shares are not intended to be placed to the following persons:-

- (i) a director, major shareholder or chief executive of KPower ("**Interested Person**");
- (ii) a person connected with the Interested Person; or
- (iii) nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

Subject to prevailing market conditions and timing of identification of the placee(s), the Proposed Private Placement may be implemented in one (1) or a few tranches within six (6) months from the date of approval from Bursa Securities for the Proposed Private Placement or any extended period as may be approved by Bursa Securities. As such, there could potentially be several price fixing dates depending on the number of tranches and timing of implementation. The implementation of the Proposed Private Placement in multiple tranches would provide flexibility to our Company to procure interested investors to subscribe for the Placement Shares within the period as approved by Bursa Securities.

**2.3 Basis and justification of the issue price of the Placement Shares**

The issue price of the Placement Shares will be fixed and announced at a later date by our Board after receiving the relevant approvals for the Proposed Private Placement.

In this respect, KPower intends to fix the issue price at a discount of not more than 15% of the VWAP of KPower Shares for the five (5) market days immediately prior to the price-fixing date to be determined, to provide flexibility to our Company to implement the Proposed Private Placement efficiently. In determining such discount, our Company has taken into consideration inter-alia, the historical share price movement of KPower Shares wherein over the period of one (1) year up until the LPD, the share price has increased by 166% to RM1.98 on 29 May 2019 from the closing price of RM0.745 on 31 May 2019. For information purposes, notwithstanding the aforementioned maximum discount, the quantum of discount may vary for each tranche of the Proposed Private Placement as the final issue price of the Placement Shares (for each tranche) will be determined and fixed after taking into consideration the prevailing market conditions, share price performance of KPower as well as demand and feedback from investors vis-à-vis the Placement Shares. Arising therefrom, the discount for each placee can only be determined closer to the price fixing date to be determined.

For illustration purposes, assuming an indicative issue price of RM1.65 per Placement Share, representing approximately 15% discount to the 5-day VWAP of KPower Shares up to and including 18 May 2020, being the last traded market day prior to the date of the announcement of RM1.9453, the proceeds to be derived from the Proposed Private Placement at such indicative issue price will be approximately RM48.37 million (“**Indicative Placement Proceeds**”).

## 2.4 Utilisation of proceeds

The exact amount of proceeds to be raised from the Proposed Private Placement cannot be determined at this juncture as the amount would depend on, amongst others, the issue price and actual number of Placement Shares to be issued.

Based on the Indicative Placement Proceeds, the expected manner of utilisation of proceeds at this juncture are as follows:-

<b>Proposed utilisation of proceeds</b>	<b>Notes</b>	<b>Up to (RM'000)</b>	<b>Expected timeframe for utilisation (from the date of listing of Placement Shares)</b>
Working capital for Construction Business	(a)	41,349	Within 12 months
General working capital	(b)	5,825	Within 12 months
Estimated expenses in relation the Proposals	(c)	1,200	Within 1 month
<b>Total</b>		<b>48,374</b>	

### **Notes:-**

- (a) *The proceeds will be utilised to finance the construction costs of its Construction Business projects, including but not limited to the cost for design works, mechanical and electrical works, civil works and professional fees for our Group. For information purposes, the Construction Business projects currently being undertaken by our Group includes, inter-alia, the following:-*
- (i) *Our Company had on 28 November 2019 accepted a letter of award from Signvest Sdn Bhd to undertake amongst others, the construction and completion of the new sewerage treatment facilities as well as the construction of a Green Building Index certified building of twelve (12) floors, all in Wilayah Persekutuan Kuala Lumpur. The project value including additional purchase orders received subsequent to the letter of award amounts to an aggregate of approximately RM270.13 million. The expected gross development profit (“GDP”) for the project amounts to approximately RM51.33 million and had since commenced on 3 December 2019 and is expected to be completed within 36 months from the commencement date or such other extended period to be stipulated in the contract to be executed in due course. The construction is approximately 3.5% completed as at the LPD.*

- (ii) Our Company had on 11 February 2020 received a letter of award from Zhenghong Building Road & Bridge Construction Co., Ltd to undertake amongst others, the design, supply, construction, commissioning and completion of an eight (8) MW small hydropower plant at Nam Samoy, Kasi District in Vientiane Province of the Laos for a contract sum of USD15.88 million (equivalent to approximately RM69.05 million based on BNM Closing Exchange Rate). The expected GDP of the project amounts to approximately RM12.7 million and had since commenced on 18 February 2020 and is expected to be completed within 18 months from the commencement date or such other extended period to be mutually agreed between the parties. The construction is approximately 20.3% completed as at the LPD.
- (iii) Our Company had on 31 March 2020 received a letter of award from Kangsar Hidro Sdn Bhd to undertake amongst others, the preliminary study, design, supply, construction, commissioning and completion of five (5) mini hydropower plants with total capacity of 32.47MW, in the state of Perak Darul Ridzuan, Malaysia. The project value including additional purchase orders received subsequent to the letter of award amounts to an aggregate of approximately RM364.50 million. The expected GDP of the project amounts to approximately RM62.6 million and had since commenced on 15 April 2020 and is expected to be completed within 48 months from the commencement date or no later than 24 December 2024. The construction is approximately 5.67% completed as at the LPD.

The allocation to each projects will depend on the actual working capital requirement of the respective project at the relevant time, as such the actual breakdown to be allocated to each project cannot determined at this juncture. For avoidance of doubt, the management does not envisage to utilize the proceeds to fund the Gaurishankar Contract as the project is still in its initial stages.

- (b) The proceeds has been earmarked for general working capital, of which will be utilised as set out below:-

<b>Working capital for</b>	<b>Sub-notes</b>	<b>Up to (RM'000)</b>
Property development project	(i)	2,290
Manufacturing business	(ii)	3,535
<b>Total</b>		<b>5,825</b>

- (i) Financing the Sentul Project which had since commenced on 16 October 2018 and is slated to be completed in the current financial year. For information purposes, the movement control order which was implemented as a response to the Coronavirus Disease 2019 (“COVID-19”) pandemic is expected to cause a delay in the completion from June 2020 to October 2020. The total gross development cost (“GDC”) of the Sentul Project is approximately RM10.26 million, of which the remaining GDC of the project is approximately RM6.52 million as at the LPD. The expected GDP is RM31.4 million.
- (ii) Financing the the working capital of the manufacturing segment which includes purchasing of stocks and inventories as well as payment of outstanding debts to its trade creditors.

For information purposes, the revenue contribution for the FYE 30 June 2019 by the property development and manufacturing business are 74% and 20%, respectively. For FYE 30 June 2019, our Group recognised a PBT of RM0.5 million of which the property development segment contributed RM1.5 million which was offset by LBT from the manufacturing segment of RM2.7 million.

- (c) To defray expenses which include, amongst other, professional fees, placement fees and fees payable to the relevant authorities, printing cost of circular, advertising and miscellaneous expenses. Any shortfall or excess in funds allocated for estimated expenses will be funded from or used for our Group’s working capital requirements.

Pending full utilisation of the proceeds from the Proposed Private Placement, our Company intends to place these proceeds (including accrued interest, if any) or the balance thereof in interest-bearing deposit accounts with licensed financial institution(s) or in short term money market instruments. The interest derived from the deposits with financial institutions or any gains arising from the short-term money market instruments will be used as additional working capital of our Group.

## **2.5 Ranking of the Placement Shares**

The Placement Shares shall, upon allotment and issue, rank *pari passu* in all respects with the then existing issued KPower Shares, save and except that they shall not be entitled to any dividends, rights, entitlements, allotments and/or any other distributions, the entitlement date of which is prior to or on the date of allotment of the Placement Shares.

## **2.6 Listing of and quotation for the Placement Shares**

Bursa Securities had, vide its letter dated 3 June 2020, approved the listing of and quotation for up to 29,317,727 Placement Shares (or up to 58,635,454 Subdivided Shares after the Proposed Share Split) pursuant to the Proposed Private Placement subject to the conditions as disclosed in Section 9 of this Circular.

# **3. DETAILS OF THE PROPOSED SHARE SPLIT**

## **3.1 Details of the Proposed Share Split**

The Proposed Share Split entails the subdivision of every 1 existing KPower Share held by KPower's shareholders, whose name appear in our Company's Record of Depositors at the close of business on the Entitlement Date, into 2 Subdivided Shares.

Fractional entitlements arising from the Proposed Share Split, if any, shall be disregarded and/or dealt with by our Board in such manner at its absolute discretion as it may deem fit or expedient and in the best interest of our Company.

As at the LPD, the issued share capital of KPower is approximately RM42,319,902 comprising 83,764,935 KPower Shares. Assuming:-

- (i) the Proposed Share Split is implemented before the Proposed Private Placement, KPower's resultant issued share capital will comprise 167,529,870 Subdivided Shares; or
- (ii) the Proposed Share Split is implemented after the Proposed Private Placement, KPower's resultant issued share capital will comprise 226,165,324 Subdivided Shares.

For information purposes, it is the intention of our Company to implement the Proposed Share Split after the completion of the Proposed Private Placement taking into consideration the proceeds of the Proposed Private Placement are largely utilised towards funding the projects undertaken by the Construction Business as set out in Section 2.4 of the Circular. These projects are currently at various stages of construction, thus requiring immediate working capital to carry out the relevant works. Nonetheless, taking into consideration that the Proposed Private Placement may be implemented in a few tranches within six (6) months from the Approval Date, certain tranches of the Proposed Private Placement may possibly be implemented after the Proposed Share Split.

### 3.2 Theoretical adjusted reference price of the Subdivided Shares

The Proposed Share Split will result in an adjustment to the reference price of KPower Shares, as quoted on the Main Market of Bursa Securities, but will not have any impact on the total market value of KPower Shares held by our Company's shareholders.

For illustration purposes, based on the last closing market price of KPower Shares as at the LPD, the theoretical adjusted reference price of the Subdivided Shares upon the completion of the Proposed Share Split will be as follows:-

	Number of KPower Shares	Closing market price/Theoretical adjusted reference price per KPower Share	Total Value <sup>(iii)</sup>
As at the LPD	83,764,935	RM 1.98 <sup>(i)</sup>	RM 165,854,571
After the completion of the Proposed Private Placement	113,082,662	1.98 <sup>(i)</sup>	223,903,671
After the completion of the Proposed Share Split	226,165,324	0.99 <sup>(ii)</sup>	223,903,671

**Notes:-**

(i) Based on the last transacted market price of KPower Shares as at the LPD.

(ii) The theoretical adjusted reference price is calculated as follows:-

$$\text{Theoretical adjusted reference price} = \frac{\text{Closing market price of KPower Share} \times \text{Assumed number of Shares before the Proposed Share Split}}{\text{Number of Subdivided Shares after the Proposed Share Split}}$$

(iii) The total value was arrived at by multiplying the number of shares held with the market / theoretical adjusted reference price per Share.

### 3.3 Ranking of the Subdivided Shares

The Subdivided Shares shall, upon allotment and issuance, rank *pari passu* in all respects with each other.

### 3.4 Listing of and quotation of the Subdivided Shares

Bursa Securities had, vide its letter dated 3 June 2020, approved the listing and quotation of up to 226,165,324 Subdivided Shares subject to the conditions as disclosed in Section 9 of this Circular.

No suspension will be imposed on the trading of the KPower Shares on the Main Market of Bursa Securities for the purpose of implementing the Proposed Share Split. The Subdivided Shares shall be listed and quoted on the Main Market of Bursa Securities on the next market day following the Entitlement Date.

## 4. DETAILS OF THE PROPOSED DIVERSIFICATION

### 4.1 Details of the Proposed Diversification

Our Company wishes to diversify its principal activities to include Construction Business. KPower Group is principally focused on property development, property investment and textile manufacturing for the previous financial years up to FYE 30 June 2019. In this respect, our Company wishes to diversify its principal activities to include construction business and construction related activities, as our Board expects the Construction Business to contribute more than 25% or more of the net profits and/or net assets of KPower Group going forward.

Dato' Dr Ir. Ts. Karim, Grand Deal, Mustakim and Sarah have emerged as the Controlling Shareholders of KPower, holding collectively 48.78% equity interest in KPower as at LPD, after acquiring shares in KPower and completing a mandatory take-over offer on 14 November 2019.

The Proposed Diversification is in line with the Controlling Shareholders' plans to expand into construction and construction related activities including but not limited to projects in *inter-alia*, the energy, utility, infrastructure and logistic segments by leveraging on the business networks and track record of the Controlling Shareholders as well as the expertise of the key management personnel, as set out in Section 4.2 of this Circular.

The segmental financial performance of the KPower Group for the past two (2) FYE 30 June 2018 and 30 June 2019 as well as 9-month FPE 31 March 2020 are set out below:-

	FYE 30 June		FPE 31 March 2020
	2018 (RM'000)	2019 (RM'000)	(Unaudited) (RM'000)
<b>Revenue</b>			
Property development	-	9,802	14,192
Manufacturing	5,206	2,669	224
Property investment	519	746 <sup>(ii)</sup>	417
Construction Business	-	-	41,649
<b>Profit/(Loss) after tax<sup>(i)</sup></b>			
Property development	(8)	1,453	5,663
Manufacturing	(4,618)	(2,691)	(1,833)
Properties investment	(182)	1,719	(169)
Construction Business	-	-	4,137 <sup>(iii)</sup>

**Notes:-**

(i) The segmental result disclosed for the FPE 31 March 2020 was based on PBT/(LBT).

(ii) Management's adjustment after eliminating the management fees charged.

(iii) Mainly due to the contribution from the GBI Contract, Nam Samoy Contract and Kangsar Hidro Contract.

The property development division is the main contributor to the profitability of KPower Group for the last financial year and will continue to contribute to the earnings of our Group for FYE 2020. Such contribution is derived from the Sentul Project. Save for the Sentul Project, our Company does not have any other on-going development projects to be launched.

For the past two (2) FYEs up to 30 June 2019, our Group has been incurring losses for its manufacturing division largely due to operational inefficiencies, increasing competition from both local and overseas manufacturers as well as increasing cost of raw materials. Whilst our Company is in the midst of undertaking a rationalisation exercise for its manufacturing division, including upgrading its factory plants in an effort to streamline its costs and products, the impact arising therefrom may only be realised at a later point in time.

Our Group's property investment division derived rental income from student accommodation in Liverpool, United Kingdom for the FYE 30 June 2018 and FYE 30 June 2019. Our Company intends to dispose its Liverpool investment and is in the midst of identifying the potential buyers. The terms and conditions of the disposal has yet to be finalised at this juncture.

Whilst our Group continue with its current businesses in property development, manufacturing and property investment, our management expects that the Construction Business of KPower Group to contribute more than 25% or more of the net profits of KPower Group and/or may result in a diversion of 25% or more of KPower Group's net assets in the forthcoming FYE 30 June 2020 and future financial years after taking into consideration:-

- (i) the historical performance of its property and manufacturing sectors as described above;
- (ii) recently awarded contracts including GBI Contract, Nam Samoy Contract, Kangsar Hidro Contract and Gaurishankar Contract; and
- (iii) management's plans to continue to bid for construction and construction related contacts from third parties by leveraging on the business network and track record of controlling shareholders.

#### **4.2 Directors and Key Management Personnel**

KPower Group intends to capitalise on the expertise of the Controlling Shareholders and its key management personnel who have vast experience in the Construction Business.

In this respect, the Proposed Diversification will be spearheaded by Mustakim, who is a major shareholder and was appointed as the Managing Director on 28 June 2019, and re-designated to Deputy Chairman and Group Managing Director on 28 November 2019 together with Dato' Dr Ir. Ts. Karim who is a major shareholder and was appointed as Deputy Chairman on 28 June 2019, and re-designated to Chairman on 28 November 2019. Mustakim will be supported by Amirul, who was appointed as Group Chief Financial Officer on 29 August 2019 as well as Sarah, who is a major shareholder and was appointed as Non-Independent Non-Executive Director on 28 November 2019.

##### **(i) Dato' Dr Ir. Ts. Karim**

Dato' Dr Ir. Ts. Karim holds an Honorary Doctor of Philosophy in Industrial Engineering from InterAmerican University, United States of America and a Doctor of Philosophy in Entrepreneurship from the Golden State University, United States of America. He is also a member of the Institution of Engineers Malaysia, a registered member of the Board of Engineers, Malaysia and a member of the Asean Federation of Engineering Organisation.

Dato' Dr Ir. Ts. Karim started his career as an engineer by profession and has accumulated more than 30 years of working experience in engineering related operations. He also owns and holds directorship in several private limited companies in various sectors including, amongst others, engineering consultancies, food and beverages and medical services. Dato' Dr Ir. Ts. Karim is our Group Managing Director and Group Chief Executive Officer as well as a major shareholder of Serba Dinamik Holdings Berhad ("**Serba Dinamik**"), a public listed company on Main Market of Bursa Securities.



Dato' Dr Ir. Ts. Karim has been involved in the engineering, procurement, construction and commissioning (“**EPCC**”) projects over the past 27 years, in which he has accumulated extensive technical and project management experience within the EPCC segment. This has accorded him exposure in relation to the nature of business, technical know-how, management and execution capabilities as well as amassing a vast business network within the construction business circle.

For information purposes, a list of notable projects, in particular in the energy and utility sectors, undertaken by companies helmed by Dato' Dr Ir. Ts. Karim in recent years are summarised below:-

<b>No</b>	<b>Project Description</b>	<b>Location</b>	<b>Contract Sum</b>	<b>Completion Date</b>
1	Establishment and operation of a compressed natural gas plant	Muaro Jambi, Indonesia	USD 3.50 million, equivalent to approximately RM15.22 million	2018
2	Construction of 120 million litres per day (“ <b>MLD</b> ”) water treatment plant and 28MLD Membrane Water Treatment Plant	Terengganu, Malaysia	RM1,306.00 million	On-going
3	Establishment of a 45 MTPD Chlorine Chlor-Alkali Plant	Tanzania	USD 114.00 million, equivalent to approximately RM495.67 million	On-going
4	Construction of small hydro power plant under feed in tariff programme	Kota Marudu, Sabah, Malaysia	RM257.00 million	On-going
5	Construction of small hydro power plant	Houphan, Laos	USD 66.20 million, equivalent to approximately RM287.84 million	On-going

*(Based on the BNM Closing Exchange Rate)*

(ii) **Mustakim**

Mustakim holds a Bachelor Degree in Accounting and Finance from the South Bank University of London. He has more than 23 years of experience in finance, particularly in advising projects related to hydro and thermal power plant and other infrastructure projects both domestic and oversea.

Mustakim owns and holds directorship in several private limited companies in the business of renewable energy. For information purposes, Mustakim holds directorship and/or owns several private limited companies, of which are associated companies of Serba Dinamik. He has no directorship in any other public listed company.

In recent years, Mustakim has undertaken, amongst others, the following major construction projects, particularly in the energy and utility sectors:-

No	Project Description	Location	Contract Sum (RM' million)	Completion Year
1	Construction of water treatment plant	Kemaman, Terengganu, Malaysia	499.00	On-going
2	Pantai 2 sewage treatment plant	Kuala Lumpur, Malaysia	983.00	2017
3	Construction of small hydro power plant under feed in tariff programme	Kota Marudu, Sabah, Malaysia	257.00	On-going

(iii) **Amirul**

Amirul holds a Bachelor Degree in Commerce and Management (Accounting) from the Lincoln University of New Zealand. He has over 20 years of professional experience in investment banking and Islamic finance, particularly in advising projects related to power plants, water treatment plant and other infrastructure projects both domestic and oversea. He has vast experience in transactions involving equity issuance, mergers and acquisitions, corporate restructuring and structured & project financing.

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Amirul owns and holds directorship in several private limited companies in the business of renewable energy and water/waste water treatment plant. He has no directorship in any public listed company. Amirul has undertaken as well as acted in the advisory capacity, among others, the following major construction projects:-

No	Project Description	Location	Contract Sum (RM' million)	Completion Year
1	Development of UiTM Campus	Sarawak, Malaysia	330.00	2010
2	Development of religious schools	Johor, Malaysia	160.00	2011
3	Development of 25km toll-road	Selangor, Malaysia	330.00	2009
4	Development of 1400MW coal-fired power plant	Negeri Sembilan, Malaysia	6,300.00	2005
5	Construction of 120 MLD water treatment plant and 28 MLD Membrane Water Treatment Plant	Terengganu, Malaysia	1,306.00	On-going
6	Construction of small hydro power plant under feed in tariff programme	Kota Marudu, Sabah, Malaysia	257.00	On-going

**(iv) Sarah**

Sarah holds a Bachelor degree in Commerce (Accounting) from University of Canberra, Australia. She has more than 15 years of experience in corporate finance. She has vast experience in transactions involving equity issuance, mergers and acquisitions, corporate restructuring and corporate valuation.

Moving forward, KPower Group may recruit new personnel to further complement the key management of the construction business. Any potential recruitment in the future will be dependent on the size and requirements of the projects to be secured and also the availability of suitable candidates.

Accordingly, KPower wishes to seek its shareholders' approval for the Proposed Diversification pursuant to Paragraph 10.13(1) of the Main Market Listing Requirements of Bursa Securities at the forthcoming EGM as our management opines that the Construction Business Segment will continue to gain momentum and it is likely to be a significant contributor in FYE 30 June 2020 as well as the future financial years.

## 5. RATIONALE FOR THE PROPOSALS

### 5.1 Proposed Private Placement

The Proposed Private Placement is intended to raise proceeds to be utilised in the manner as set out in Section 2.4 of this Circular. After due consideration of the various options available, our Board is of the opinion that the Proposed Private Placement is the most appropriate means of fundraising based on the following:-

#### (i) Value creation to our Groups and our Shareholders

The Proposed Private Placement forms an integral part of our Group's fund raising strategy to defray its day-to-day working capital requirement for the existing businesses and the Construction Business.

It should be noted that our Company had recently completed Private Placement I on 21 February 2020, raising total gross proceeds of RM13.33 million, which has been earmarked for business expansion and part financing the GBI Contract. As at the LPD, our Company had already utilized approximately RM1.50 million for business expansion activities, payment to contractors for the construction of the GBI Contract amounting to approximately RM0.44 million as well as payment for expenses arising from the Private Placement I amounting to approximately RM0.12 million. The balance of the proceeds arising from the Private Placement I is RM11.27 million and is expected to be utilised within 6 months from the completion of the Private Placement I.

Subsequent to the completion of the Private Placement I, our Company has been awarded with Nam Samoy Contract, Kangsar Hidro Contract and Gaurishankar Contract, with an aggregate contract sum of approximately RM632.19 million which are expected to last until 2024. Hence, our Company is now proposing a larger size private placement in view of the additional construction contracts secured to-date as well as taking into consideration the size of these contracts which necessitate a significantly larger working capital for our Group to carry out the relevant works.

In view of the aforementioned, our management is proposing to undertake the Proposed Private Placement to raise up to RM48.37 million to be utilised mainly for the working capital for the Construction Awards which are expected to contribute positively to the financial position of our Group in future.

#### (ii) Impact of the Proposed Private Placement to our Group and our Shareholders

The Proposed Private Placement will strengthen our Group's financial position by enlarging our Company's share capital and thereby our Group's shareholders' funds, which was gradually depleted from financial losses incurred in recent years. The financial position of our Group is expected to strengthen upon completion of the Proposed Private Placement as it will enable our management to raise fresh funds quickly to bolster KPower's working capital requirements.

In addition, the Proposed Private Placement will also enable our Group to enhance its cash flow position and better manage its gearing level as the Proposed Private Placement relieves our Group from having to rely solely on borrowings to raise its intended working capital requirements. Hence, the Proposed Private Placement represents an avenue for KPower to raise funds efficiently and expeditiously without having to incur interest expense or service principal repayments.

Nonetheless, the Proposed Private Placement is expected to have a dilutive impact on the shareholdings of our Company's existing shareholders (save for the Undertaking Shareholders and Undertaking Key Personnel) and the consolidated earnings per share of our Company, as illustrated in Section 8 below. However, the successful execution of the projects under the Construction Awards are expected to provide earnings visibility and bolster our Group's financial performance over the next few years up to 2024.

Our Board has considered other fund raising exercises such as a right issue and opined that a rights issue exercise may not be suitable due to the weak market sentiment and given that a rights issue exercise will require longer time to complete as compared to a private placement and hence will not achieve its intended fund raising objectives, whereby our Company requires funds expeditiously to carry out work for the Construction Awards.

Moreover, the Undertaking Shareholders have agreed to participate in the Proposed Private Placement with the objective of assisting our Company to raise the required funds in order to meet the immediate funding objectives as set out in Section 2.4 above. The allocation of Placement Shares to the key management personnel is intended to align the interests of key management personnel to our Group's strategic goals and to increase the level of commitment of the key personnel towards KPower Group.

**(iii) Adequacy of the Proposed Private Placement in addressing our Group's financial resources**

The Proposed Private Placement is an extension of KPower's equity fund raising initiatives following the completion of Proposed Private Placement I, in tandem with the award of additional sizeable construction contracts to our Group in recent months, which formed part of KPower Group's strategy to expand its Construction Business whilst at the same time address our Group's immediate working capital requirements to undertake the works under the Construction Awards.

The Proposed Private Placement will also serve as an interim measure to address our Group's immediate short-term working capital requirements to sustain our Group's operations.

The enlarged capital base upon the completion of the Proposed Private Placement will also further strengthen KPower Group's financial position and the benefits from the utilisation of proceeds therefrom are expected to improve our Group's future earnings.

Our Board is of the view that the Proposed Private Placement is the most appropriate avenue of fund raising at this juncture as it will enable our Company to raise funds expeditiously and efficiently to address its short-term operational financing needs; whilst our Company will continue to explore and evaluate other suitable funding proposals for our Group's longterm financial requirements. Our Company will also simultaneously explore other potential business opportunities and tender for further construction projects, as part of its continuing efforts to expand its revenue / cash flows stream to improve our Group's financial position and performance.

## **5.2 Proposed Share Split**

The Proposed Share Split is proposed to be undertaken to:-

- (i) enhance the marketability and trading liquidity of KPower shares on Bursa Securities as a result of the downward adjustment in share price of our Company following the increase in the number of KPower Shares in issue; and
- (ii) result in the Subdivided Shares being more affordable in order to appeal to a wider group of public shareholders and investors.

## **5.3 Proposed Diversification**

As set out in Section 4 of this Circular, the Proposed Diversification is sought as the Construction Business is expected to contribute more than 25% or more of the net profits of KPower Group and/or result in a diversion of 25% or more of KPower Group's net assets. The Proposed Diversification is in line with the future business strategy of our Company wherein moving forward, it is the intention of our management to diversify its core business into the Construction Business taking into consideration the performance of its existing business segments, existing sizeable construction order book pursuant to the Construction Awards as well as our management's optimism that it can continue to leverage on its track record, expertise and business network of the Controlling Shareholders to grow the Construction Business.

The Proposed Diversification is expected to expand the revenue stream and earning base of the KPower Group, which in turn is envisaged to contribute positively to our Group's earnings and strengthen its financial position in the long term. Additionally, our Group seeks to mitigate the risk of overdependence on its current businesses through the Proposed Diversification, with our Group's involvement in the Construction Awards initiating the move towards this effort.

KPower noted that notwithstanding the economic uncertainties and slow domestic growth, the construction sector is expected to remain relatively stable, mainly supported by government-led initiatives and spending on construction projects as well as the commitment of the Malaysian government for sustainable energy development, as detailed in Section 6.2 of this circular. In this respect, investment in infrastructure projects and new projects in the petrochemical and power plant segments could provide opportunities for construction companies moving forward.

## **6. INDUSTRY OVERVIEW AND PROSPECTS**

Information from Section 6.1 to Section 6.6 have been extracted from the the independent market research report dated 18 May 2020 prepared by Protégé and the most recent available government publications as well as other publicly available sources.

### **6.1 Malaysia Economic Overview**

The Malaysian economy expanded moderately by 4.3% in 2019 (2018: 4.7%), supported by resilient private sector spending. The services and manufacturing sectors remained as key contributors to growth. However, these sectors expanded at a moderate pace mainly due to weaker external demand and investment activities.

The on-going COVID-19 pandemic which began in December 2019 has caused a significant economic slowdown in many countries including Malaysia during the first quarter of 2020. The enforcement of a Movement Control Order (“MCO”) by the Malaysian Government to contain the spread of COVID-19, covering travel restriction, enforced non-essential business closures and religious and social gathering restriction, has dampened private sector activities in domestic-oriented and tourism-related sectors as well as the manufacturing sector.

*(Source: Independent market research report dated 18 May 2020 prepared by Protégé)*

As a result of the MCO, the Malaysian economy registered a lower growth of 0.7% in the first quarter of 2020, this was the lowest growth since 3Q 2009 (-1.1%). On the supply side, the services and manufacturing sectors moderated, while the other sectors contracted. From the expenditure side, domestic demand moderated, while exports of goods and services recorded a sharper decline. On a quarter-on-quarter seasonally-adjusted basis, the economy declined by 2.0% (4Q 2019: 0.6%).

Private investment growth registered its first contraction since the fourth quarter of 2010 (1Q 2020: -2.3%; 4Q 2019: 4.3%), as subdued external conditions and heightened uncertainty affected business sentiments and investment intentions. In addition, the MCO had resulted in some disruption to ongoing construction projects and delivery of machinery and equipment (M&E). Public investment recorded a larger decline of 11.3% (4Q 2019: -8.0%). This was due to a larger contraction in capital spending by both general government and public corporations during the quarter.

*(Source: BNM Quarterly Bulletin: Developments in the Malaysian Economy in the 1<sup>st</sup> - Quarter 2020, Bank Negara Malaysia)*

To mitigate the economic impact of the COVID-19 pandemic, the Malaysian Government has introduced the first economic stimulus package totalling RM20 billion on 27 February 2020, to ease the cash flow constraints for businesses, and the second economic stimulus package totalling RM250 billion announced on 27 March 2020 which include moratorium on loan payments and loan guarantees, and the third economic stimulus package totalling RM10 billion on 6 April 2020 which include special grant to small and medium enterprises, micro loan schemes and wage subsidies for employers. These measures will provide an economic buffer to deter a sharper contraction in economic activities for the year 2020. Malaysia’s Gross Domestic Product (“GDP”) is projected to grow by between -2.0% to 0.5% in 2020. The main downside risk is the uncertainties arising from the prolonged COVID-19 pandemic that may bring economic headwind for the Malaysian economy.

*(Source: Independent market research report dated 18 May 2020 prepared by Protégé)*

Currently, KPower Group operates in 4 business segments, namely property development, manufacturing, property investment and Construction Business. Under the Construction Business, KPower’s order book and strength lie in the renewable energy sector with a focus on hydro plant projects locally and within the South East Asian region. Pursuant thereto, the overview and outlook of the sectors of which KPower operates are set out in Section 6.2 to Section 6.5 below:-

## **6.2 Overview of the Construction Industry in Malaysia**

The Malaysian construction industry registered a very marginal growth in 2019. The industry was valued at RM66.25 billion during the year, a slight increase from RM66.22 billion in 2018, mainly supported by non-real estate activity. The size (revenue) of the construction industry in Malaysia is projected to reach RM79.50 billion in 2024. This represents a compound annual growth rate (“CAGR”) of 3.7% for the period from 2020 to 2024. Growth in the construction industry is expected to be subdued in 2020 due to the ongoing COVID-19 pandemic, as well as the corresponding MCO announced by the Malaysian Government to combat the spread of the virus. Growth is expected to pick up from 2021, supported by expansion in the infrastructure sub-segment.

The civil engineering market continued expanding in tandem with the continued progress of the Pengerang Integrated Petroleum Complex and other transportation related projects such as the Mass Rapid Transit (“MRT”) 2, the Light Rail Transit (“LRT”) 3 and the Pan Borneo Highway. The special trade work market also registered a steady progress on the back of sustained activity from projects in the early stages of construction such as land clearing and piling works. In the real estate construction market, the high number of unsold residential properties has led to the contraction in the residential buildings segment. The non-residential buildings segment also experienced contraction as the commercial sentiment remained weak against the backdrop of oversupply of office space and shopping complexes.

The development of infrastructures spurs the demand for more civil engineering and special trade work activities and is viewed by the Malaysian Government as being vital towards supporting economic growth and enhancing the wellbeing of the population. In 2019, the combined Malaysian Government’s and public corporation’s participation accounted for 76.1% of the total value of civil engineering works done with the remaining belonging to the private sector. The civil engineering and special trade works market in Malaysia was valued at RM36.66 billion in 2019, which was a 5.0% increase from RM34.91 billion in the previous year. Growth within the market was mainly driven by government-led infrastructure projects. Going forward, the local civil engineering and special trade works market is expected to expand between 1.4% and 5.8% during the period from 2020 to 2024. The size of the civil engineering and special trade works market in Malaysia is expected to reach RM45.32 billion in 2024.

*(Source: Independent market research report dated 18 May 2020 prepared by Protégé)*

### **6.2.1 Outlook and Prospects of the Construction Industry**

The outlook for the construction industry in Malaysia remains positive with growth projected throughout the forecast period from 2020 to 2024. Protégé Associates projects the size (revenue) of the construction industry in Malaysia to increase from RM66.25 billion in 2019 to RM79.50 billion in 2024, registering a CAGR of 3.7%. Of which, the local civil engineering and special trade works market is projected to increase from RM36.66 billion in 2019 to RM45.32 billion in 2024, representing a CAGR of 4.3% during the said period.

Factors boosting growth within the construction industry is likely to come from the government-led initiatives and spending particularly those relating to infrastructure and housing development, a favourable interest rate environment, a sustained economic growth boosting spending and investment in properties, more participation from the private sector via funding and investment structures and steady population growth.

In Budget 2020, the Malaysian Government remained committed towards fiscal consolidation. The budget allocated for construction projects is part of the total development expenditure of RM56.00 billion provided in Budget 2020. The economic sector encompassing agriculture and rural development, energy and public utilities, environment, trade and industry, and transport received the higher allocation of RM31.02 billion while the social sector, security sector and general administration accounted for the balance of the allocation. Moving forward, the Malaysian Government and public corporations are expected to continue being the main contributors to growth in the local infrastructure market. Notwithstanding, some of these projects are likely to face a postponement in execution as the Malaysia Government diverts financial resources to stimulus packages to boost consumption and keep the population in employment amid the COVID-19 pandemic.



Local construction industry players remain cautious due to the development of the COVID-19 global pandemic but can take heart from the timely efforts made by the Malaysian Government to ensure economic risks associated with the outbreak are effectively addressed with the 2020 Economic Stimulus Package that were announced on 27 February, 27 March and 6 April 2020. However, expansion in the local construction industry is expected to pick up in 2021, supported mainly by government-led infrastructure projects.

*(Source: Independent market research report dated 18 May 2020 prepared by Protégé)*

### **6.3 Overview of the Malaysia Renewable Energy Industry (Hydropower Sector)**

Malaysia is rich in both non-renewable and renewable sources of energy. Oil and gas, which is the largest source of non-renewable energy, is actively exploited. In its effort to protect economic growth and development factors from the impact of climate change and reduce the emission of greenhouse gas, the Malaysian Government has identified renewable energy as an alternative energy source to supplement the existing energy source – natural gas, oil, coal and hydropower.

At present, renewable energy is dominated by hydropower in Malaysia, which has an installed capacity of 6,128MW and accounted for 75.1% of total installed capacity of renewable energy sources in 2018. This is followed by biomass with a share of 18.4% and an installed capacity of 1,499MW. While solar photovoltaic (“**PV**”) is ranked third in terms of installed capacity, the sector is gradually gaining popularity with the support of government initiatives. This is shown by the sector’s rapid growth, whereby installed capacity grew from a mere 1MW in 2011 to 438MW in 2018, and accounts for 5.4% of total installed capacity of renewable energy sources.

#### **6.3.1 Outlook and Prospect of the Malaysia Hydropower Industry**

Hydropower as the largest clean and renewable energy source has played an essential role in the country energy mix. There are 2 types of hydropower facilities in Malaysia, namely hydropower station and small hydropower plant.

Malaysia targets to achieve a total renewable energy installed capacity of 18.3 gigawatt (“**GW**”), of which 8.5GW is from hydropower. The remaining would be contributed by solar PV, wind, biofuels and geothermal sources.

The Malaysian Government is expected to step-up its efforts in promoting the hydropower industry, particularly the small hydropower market in the country. The total hydropower installed capacity in Malaysia reached 6,165MW in 2018 from 3,449MW in 2012. The Malaysian Government is committed to develop the local hydropower industry in the long term, whereby the country is slated to achieve a total hydropower installed capacity of 8.5GW by 2025 as per the renewable energy outlook for ASEAN.

Protégé Associates expects the outlook of the hydropower industry in Malaysia to remain positive. The total hydropower installed capacity in Malaysia stood at 6,165MW in 2018, and is projected to grow to 6,982MW by 2024, representing a CAGR of 2.1% throughout the said period. In particular, the small hydropower plants’ installed capacity (for commissioned and plant-in-progress) in Malaysia stood at 59.3MW in 2018, and is projected to grow to 225MW by 2024, representing a CAGR of 24.0% throughout the said period.

In line with the anticipated economic growth, per capita electricity consumption is expected to increase, thus driving demand for hydropower plant and small hydropower plant. Other factors priming the growth of the industry include (i) rising environmental awareness which is expected to lead to a growth in public demand for cleaner sources of energy going forward, (ii) the launching of the FiT mechanism which mandated utility companies to purchase the electricity generated from renewable sources at predetermined rates as well as (iii) the gradual removal of fuel subsidies which is likely to increase demand for hydropower energy moving forward. In addition, various tax incentives, such as investment tax allowance on qualifying capital expenditure and income tax exemption are also offered by Malaysia Investment Development Authority (“MIDA”) for companies in the renewable energy and green technology industries.

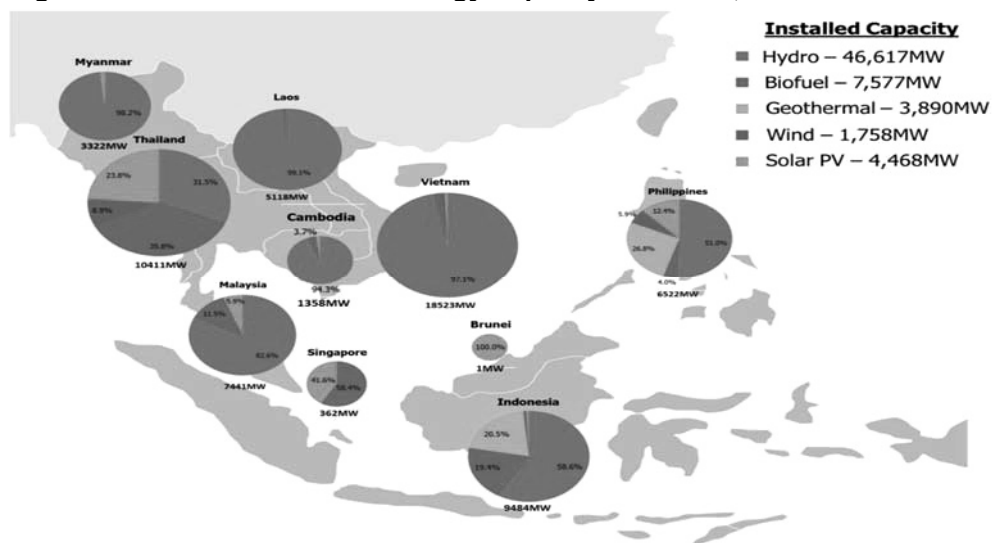
On the supply side, the rural electrification expansion undertaken by the Government under the Eleventh Malaysia Plan provide opportunity for development of alternative systems such as small hydropower plants to support the off-grid network in order to increase electricity coverage to rural areas. The hydropower industry is also further supported by Malaysia’s tropical climate and hilly topography that produces sufficient rainfall for the rivers that are viable for the installation of hydropower generation.

(Source: Independent market research report dated 18 May 2020 prepared by Protégé)

#### 6.4 Overview of the ASEAN Renewable Energy Industry (Hydropower Sector)

Southeast Asia’s energy generation mainly encompasses coal, oil and natural gas, as well as renewable energy sources such as hydropower, geothermal and biofuel, depending on domestic availability of such resources. The continued dependence on the energy consumption through coal, oil and natural gas creates concern over its fuel supply and associated rising cost as well as its long term environmental impact. In line with the region’s continued economic expansion, energy demand is expected to continue to grow through 2035. Therefore, the pursuit of diversified energy mix through investment in renewable energy sources offers a sustainable option for Southeast Asia’s socio-economic growth in long term. Countries in Southeast Asia have already taken steps in diversifying their energy mix and set national renewable energy targets. Collectively, the Member States of the ASEAN have set a regional target of securing 23% of their primary energy generation derived from renewable energy sources by 2025.

**Figure 1: Installed Renewable Energy Capacity in ASEAN, 2018**



Source: IRENA

#### **6.4.1 Outlook and Prospects of the ASEAN Hydropower Industry**

Hydropower accounted for more than 70% of the Southeast Asia region's renewable energy installed capacity. Protégé Associates expects the outlook of the ASEAN hydropower industry to remain positive. The total hydropower installed capacity in ASEAN stood at 46,617MW in 2018, and is projected to grow to 51,666MW by 2024, representing a CAGR of 1.7% throughout the said period.

Countries like Laos and Myanmar are a huge hydropower potential due to their unique geography. Hydropower projects come in different sizes from large hydropower plants to small hydropower plants. Large hydropower projects are normally undertaken by large IPPs and can take up to 10 years to plan and conduct necessary assessments before actual construction. Small hydro plants, on the hand can be developed with lower capital start-up costs. Indonesia is looking to utilise small hydropower plant to power off-grid systems in its rural areas which would help to increase its rural electrification rate.

Southeast Asia population stood at 660 million people as of 2019 and is projected to grow to 698 million by 2025 and 726 million by 2030. Its regional GDP is currently growing at 5% per year from 2015 to 2019. As population increases and economies expand, energy use is anticipated to grow in tandem, and is likely to prompt the regional and national push towards the diversification of energy mix to include more adoption of renewable energy include hydropower.

In terms of supply, ASEAN's Member States have put in place renewable energy national policies that will enable a robust renewable energy development. Cooperation between the ASEAN Member States such as the ASEAN Power Grid programmes have also help to accelerate the on-going adoption of renewable energy development including hydropower.

*(Source: Independent market research report dated 18 May 2020 prepared by Protégé)*

#### **6.5 Overview and Outlook of the Manufacturing Sector in Malaysia**

Latest indicators suggest that global growth in the first half of the year will be significantly weak. The Purchasing Managers' Indices ("PMIs") for manufacturing and exports, which were showing incipient signs of recovery towards end-2019, declined sharply in the first three months of 2020. The impact from PR China's extended production shutdown and quarantine between late January and March is evident in the marked decline in the PMI for emerging markets. As advanced economies affected by COVID-19 adopt similar containment measures in March, a similar trajectory is also observed. The pandemic is adversely impacting tourism-related and manufacturing sectors of Malaysia.

In the manufacturing sector, prolonged factory closures in key industrial hubs in the COVID-19 affected countries, is disrupting production activity across the global supply chain. As countries implement containment measures, firms are only able to operate at limited capacity amid labour and logistics constraints, resulting in domestic firms facing difficulty in procuring inputs from source countries. The production disruptions abroad would also lower demand for Malaysian manufactured products, which are often used as input in the affected economies' exports to the rest of the world. Overall, this would compound the effects of weaker final demand from affected countries, thus weighing further on Malaysia's manufacturing activity and exports performance.

On the external front, net exports of goods and services is expected to contract due mainly to a larger decline in exports. Gross merchandise exports are projected to register a larger negative growth, reflecting primarily weaker global demand conditions following the spread of COVID-19 across many major economies.

Nonetheless, the Malaysian economy is expected to benefit from the projected improvement in global demand towards the end of the year, which will aid to lift growth in the export-oriented sectors. As risks from the pandemic subside, consumer sentiments can also be expected to gradually improve when travel restrictions are eased and tourism activities resume. In addition, production in the mining and agriculture sectors are projected to improve in the second half of the year amid the expected recovery from the supply disruptions. Malaysia's domestic growth prospects is therefore projected to improve towards the end of the year and subsequently in 2021.

*(Source: Outlook and Policy in 2020, Bank Negara Malaysia)*

## **6.6 Overview and Outlook of the Property Sector in Malaysia**

In 2019, property market recorded a marginal improvement. Sectoral market activity performance improved marginally – residential (6.0%), commercial (7.2%), industrial (3.8%) and agricultural (2.0%) with the exception of development land sub-sector, which declined slightly by 1.2%.

The overall performance of office sub-sector was less promising as the overall occupancy rate declined to 80.6% in 2019, down from 82.4% in 2018. The private office buildings recorded average occupancy rate at 74.8%; WPKL and Penang secured higher occupancy rate at 76.9% and 76.5% respectively; whereas Selangor and Johor lower than national level at 70.0% and 65.7% respectively. Private office buildings in Putrajaya recorded the lowest occupancy rate at 37.6%.

There may be high near-term downside risks resulting from the unforeseeable outbreak of coronavirus (COVID-19) worldwide. This may dampen the anticipated economic growth, particularly for the first half year of 2020. The magnitude of the impact on the Malaysian economy would depend on the duration and spread of the outbreak not only in Malaysia but also in other countries, especially those that are Malaysia's major trading partners.

Many incentives are given by the government in the effort to cushion-off the impact on the property market. However, given the challenging market coupled with the downside in consumers and business community confidence, market activity and market absorption are likely to be slow.

Despite the economic headwinds, Malaysian property market is expected to remain resilient in the coming year. As Bank Negara Malaysia expects the Malaysian economy to rebound in 2021, in tandem with projected global recovery, the property market is anticipated to move in similar trajectory. JPPH Malaysia will continue to monitor and evaluate the expected impact of the pandemic on the Malaysian property market and provide advisory to the government in ensuring that the market remain sustainable.

*(Source: Property Market Report 2019 by Jabatan Pernilaian dan Perkhidmatan Harta Malaysia of Ministry of Finance)*

## **6.7 Prospect of KPower Group**

The recent global market uncertainties, weak market sentiments coupled with higher competition from both local and overseas as well as inefficiencies in plant operations had affected our Group's earnings for the past few years. Based on the financial performance of our Company, as set out in Section 4 of this Circular, it is noted that our Group managed to achieve a slight turnaround by recording a net profit of RM0.48 million for the FYE 30 June 2019, mainly due to the contribution from the property development segment. Nonetheless, our Company take cognisance that the Sentul Project is near completion and it will endeavour to continuously identify viable land banks and/or projects to strengthen its property development segment.

As part of our Group's strategy in strengthening the current business operations, our Group is currently undertaking a rationalisation exercise for its manufacturing business, including, amongst others, upgrading of machinery and equipment to increase its efficiency and production capacity while keeping the costs low. Whilst our Group is consolidating and improving its current businesses in property development, manufacturing and property investment, our Group is also continuously exploring new business segments to generate sustained revenue streams. As such, the Proposed Diversification is in-line with our Group's strategy to venture into Construction Business and represent an opportunity to provide an additional source of income for KPower Group in addition to the existing revenue stream.

Notwithstanding the uncertain economic outlook and the potential short-term impact on the prospects of our Group due to Covid-19 pandemic, our management expects the Construction Business to grow at a stronger pace compared to the other business segments as a result of government-led initiatives and infrastructure projects. The Construction Business is expected to remain relatively stable, supported by the prospect and outlook of energy consumption within Malaysia and ASEAN region, as set out in Section 6.3 and 6.4 of this circular.

Further, as at 15 May 2020, our Group has an outstanding order book of approximately RM918.95 million, which is expected to provide earnings visibility to our Group over the next 4 years. Moreover, our Group's construction project in Laos and Federal Democratic Republic of Nepal will diversify the geographical concentration risk while enhancing our Group's competitiveness, especially in Southeast Asian region.

With the emergence of the Controlling Shareholders and appointment of key management personnel, our Board believes that our Group has the capability and resources to execute the awarded construction projects as well as to continue growing the Construction Business by tendering and/or securing new contracts. Our management believes that under the Controlling Shareholders' leadership, it is capable of successfully delivering the projects within the required technical specifications and budgeted costs to ensure the projects are profitable and contribute to enhancing our Group's financial performance. Over time, our Board intends to build up a larger team with specialist experience as part of its succession planning to carry out its construction business.

*(Source: Management of KPower)*

## **7. RISK FACTORS RELATING TO THE PROPOSED DIVERSIFICATION**

Save as disclosed below, which are by no means exhaustive, our Board does not foresee any other additional risks arising from the Proposed Diversification.

### **7.1 Business diversification risk**

KPower Group is principally involved in manufacturing of textiles. Subsequently, our Group had on 28 September 2016 diversified its existing business to include property development and property investment. As the Proposed Diversification would result in the diversification of our Group's business to include the Construction Business, our Group will be subject to new challenges and certain risks inherent in the industry, to which our Group has not been significantly exposed to thus far.

These may include, amongst others, timely commencement or completion of projects, obtaining timely approvals from the regulatory, authorities, satisfactory performance of contractors, availability of labour and construction materials, fluctuations in the price of construction materials, general economic downturn, and changes in the legal and environmental framework within which the construction industry operate. Adverse changes in political, economic and regulatory conditions, including risk of war, change in political leadership, change in government policies, labour and environmental regulations and change in credit conditions / monetary policies, could materially affect the prospects of the construction industry. For information purposes, our Group possessed the necessary licences and/or approvals required for us to undertake the relevant construction activities under our Construction Business segment.

In addition, the Proposed Diversification may also result in diversion of financial resources from its existing operations. Based on the existing construction order book of our Group, our Group is required to commit its financial resources towards such construction activities. For information purposes, the capital outlay or estimated GDC of its Construction Awards amounts to approximately RM748.36 million. In view of such substantial outlay, in addition to relying on internally generated funds as well as equity financing, our Group also intends to obtain debt financing for its projects.

Hence, our Group's maximum funding capacity for its Construction Business will be dependent on the ability of our Group to secure both debt and equity financing which in turn is dependent on inter-alia, the viability of the construction contracts and the performance of our Group. Nonetheless, there can be no assurance that KPower is able to recover its committed resources in a timely manner, in the event its construction projects are delayed or terminated.

Our Group seeks to limit its exposure to these risks through, amongst others, implementing effective human resource development strategies, conducting market research and feasibility studies, keeping abreast with the latest developments in this industry, as well as carrying out careful planning, continuous review and close supervision on the progress as well as quality and cost control of the projects.

Although our Board believes that our Group may derive significant benefits from the Proposed Diversification and steps will be taken to mitigate these business risks, no assurance can be given that any changes in certain factors, such as adverse economic conditions and/or changes in government policies which are beyond the control of our Company, will not have any material adverse effect on our Group's business and financial performance.

## **7.2 Competition risk**

Pursuant to the Proposed Diversification, KPower Group will face stiff competition from both new entrants and existing players in Construction Business. Our Group may also be disadvantaged being a new entrant in Construction Business due to the perceived lack of relevant track record and brand name as an entity as compared to existing and more established players.

Nonetheless, our Group seeks to mitigate this risk by leveraging on the experience, network and expertise of the Controlling Shareholders and key management personnel, as set out in Section 4.2 of this Circular. Our Group will also endeavour to be competitive by implementing effective risk management and cost control policies, providing quality products at competitive pricing and actively seeking new opportunities through intense marketing efforts. However, there can be no assurance that these efforts will enable our Group to compete successfully and effectively with the current players as well as new entrants in the industry.

### **7.3 Risk of impact from the COVID-19**

The ripple effects of COVID-19 are still unfolding on a global scale and the true impact of this pandemic can only be measured once the situation stabilizes. Additionally, the Government of Malaysia had imposed the MCO from 18 March 2020 to 12 May 2020 and conditional MCO from 12 May 2020 to 9 June 2020 as a result of COVID-19 outbreak in Malaysia. As such, COVID-19 and the MCO had also caused disruption to construction works nationwide and may inevitably cause delays to construction works, potential cost overrun, prolongation of costs and costs of idling resources. Until such time whereby the pandemic subsides and the economy stabilizes, businesses are challenged to manage, amongst others, their cash flow positions and limited resources. Left unmanaged, businesses can become unsustainable if cash and resource management controls are weak and visibility over cash pipeline is limited.

Our Group will proactively engage with our client and various stakeholders and will constantly review and monitor the impact of COVID-19 / MCO on our businesses and introduce measures to counter the impact of COVID-19 / MCO, following such review. However, there can be no assurance that any prolonged adverse development arising from MCO, COVID-19 and/or any other external factors will not adversely affect the financial performance and operations of our Group.

### **7.4 Dependency on key management personnel**

As in any other business, KPower Group's involvement in the Construction Business depends largely on the abilities, skills, experience, competency and continued efforts of our key management personnel. The loss of any key management personnel without suitable and timely replacement, or the inability to attract and retain qualified personnel could adversely affect our Group's Construction Business and consequently, its revenue and profitability.

Recognising the importance of its key personnel, our Group will continuously adopt appropriate approaches to retain the key management personnel. As part of our Group's effort in retaining the key management personnel, our Company had subsequent to the announcement of the Proposals on 19 May 2020 offered certain key management personnel to participate in the Proposed Private Placement. Further, to avoid overdependence on any key management personnel, our Group will strive to attract qualified and experienced employees as well as implement the succession planning programme by grooming junior employees to support and complement our management team. This will in turn help to ensure continuity and competency of our management team.

### **7.5 Dependency on the proceeds from the Proposed Private Placement**

The Construction Awards undertaken under our Group's Construction division are capital intensive and typically require substantial capital outlays during their construction periods. Proceeds from the Proposed Private Placement will be an important source of funds for KPower Group to finance its operations and future growth. Any delay in implementation or shortfall in funds raised from the Proposed Private Placement may affect our Group's operations and cash flow positions. To limit such risk, KPower will closely monitor its funding needs and take reasonable steps to ensure that sufficient funding alternatives are in place such that the progress of the Construction Awards are not impeded or delayed should the Proposed Private Placement be delayed and/or the placement size be reduced.

## 8. EFFECTS OF THE PROPOSALS

The Proposed Diversification will not have any effect on the share capital and substantial shareholder's shareholding in our Company.

However, the profit contributions arising from the Construction Business is expected to have a positive impact on the future earnings, EPS and NA of our Group whilst the gearing of the KPower Group will depend on, amongst others, the level of borrowings obtained to execute the construction projects.

### 8.1 Share Capital

The proforma effects of Proposed Private Placement and the Proposed Share Split on the issued share capital of KPower are as follows:-

	No. of KPower Shares ('000)	RM ('000)
Issued share capital as at the LPD	83,765	42,320
To be issued pursuant to the Proposed Private Placement (up to)	29,318	48,375 <sup>(i)</sup>
After completion of the Proposed Private Placement (up to)	<b>113,083</b>	<b>90,695</b>
After the Proposed Share Split	226,166	90,695

**Note:-**

(i) Computed based on the indicative issue price of RM1.65 per Placement Share.

### 8.2 Earnings and EPS

The Proposed Private Placement and Proposed Share Split will not have any effect on the earnings of the KPower Group for the FYE 30 June 2020 as it is expected to be completed in the 3<sup>rd</sup> quarter of calendar year 2020. The Proposed Private Placement and Proposed Share Split is not expected to have material effect for the FYE 30 June 2021, except for the potential dilution in the EPS of KPower Group as a result of the increase in the number of KPower Shares in issue arising from the Proposed Private Placement and Proposed Share Split. The impact of the dilution will depend on the final number of Placement Shares to be issued. Nevertheless, the utilisation of the proceeds from the Proposed Private Placement is expected to contribute positively to the future earnings of KPower Group.

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### 8.3 NA and Gearing

Based on the latest audited consolidated financial statements of the KPower Group for the FYE 30 June 2019, the proforma effects of the Proposed Private Placement and the Proposed Share Split on the NA and gearing of the KPower Group are as follows:-

	<b>Audited as at 30 June 2019</b>	<b>(I) Adjusted for subsequent event<sup>(i)</sup></b>	<b>(II) After (I) and Proposed Private Placement</b>	<b>(III) After (II) and Proposed Share Split</b>
	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>
Share capital (Accumulated losses)	28,994 (4,472)	42,320 (4,472)	90,695 <sup>(ii)</sup> (5,672) <sup>(iii)</sup>	90,695 (5,672)
<b>NA attributable to owners of the Company</b>	<b>24,522</b>	<b>37,848</b>	<b>85,023</b>	<b>85,023</b>
Number of ordinary shares (‘000)	76,150	83,765	113,083	226,166
NA attributable to owners of the Company per share (RM)	0.32	0.45	0.75	0.38
Net borrowings	3,305	3,305	3,305	3,305
Net gearing ratio (times)	0.13	0.09	0.04	0.04

**Notes:-**

- (i) Adjusted for the issuance of 7,614,994 new KPower Shares at an issue price of RM1.75 per KPower Shares.
- (ii) Assuming the Placement Shares are issued on the indicative issue price of RM1.65 per Placement Share.
- (iii) After deducting the estimated expenses incidental to the Proposals of RM1.20 million.

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#### 8.4 Substantial shareholders' shareholdings

The proforma effects of Proposed Private Placement and Proposed Share Split on KPower's substantial shareholders' shareholdings are as follows:-

Name	As at LPD			(I) After the Proposed Private Placement				(II) After (I) and Proposed Share Split				
	Direct		Indirect	Direct		Indirect	Direct		Indirect	Direct		Indirect
	No. of KPower Shares	%	No. of KPower Shares	%	No. of KPower Shares	%	No. of KPower Shares	%	No. of KPower Shares	%	No. of KPower Shares	%
Dato' Dr Ir. Ts. Karim	29,055,078	34.69	-	-	38,455,078	34.01	-	-	76,910,156	34.01	-	-
Grand Deal	11,500,000	13.73	-	-	16,900,000	14.94	-	-	33,800,000	14.94	-	-
Mustakim	303,200	0.36	11,500,000 <sup>(i)</sup>	13.73	303,200	0.27	16,900,000 <sup>(i)</sup>	14.94	606,400	0.27	33,800,000 <sup>(i)</sup>	14.94
Sarah Placee	-	-	11,500,000 <sup>(i)</sup>	13.73	-	-	16,900,000 <sup>(i)</sup>	14.94	-	-	33,800,000 <sup>(i)</sup>	14.94
	-	-	-	-	13,917,727	12.31	-	-	27,835,454	12.31	-	-

#### Notes:-

(i) Deemed interested pursuant to Section 8 of the Act by virtue of their shareholdings in Grand Deal.

#### 8.5 Convertible Securities

Our Company does not have any outstanding convertible securities as at the LPD.

## 9. APPROVALS REQUIRED

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

- (i) Bursa Securities, which was obtained vide its letter dated on 3 June 2020 for the following:-
  - (a) listing of and quotation for up to 29,317,727 Placement Shares (or up to 58,635,454 new Subdivided Shares after the Proposed Share Split) pursuant to the Proposed Private Placement; and
  - (b) Proposed Share Split;

on the Main Market of Bursa Securities, subject inter-alia to, the following conditions:-

No.	Condition	Status of Compliance
1.	KPower and AmInvestment Bank, the adviser for the Proposals must fully comply with the relevant provisions under the Main Market Listing Requirements ("LR");	To be complied
2.	KPower or AmInvestment Bank is required to make the relevant announcements pursuant to Paragraphs 6.35(2)(a) & (b) and 6.35(4), of the LR pertaining to the Proposed Share Split;	To be complied
3.	KPower and AmInvestment Bank to inform Bursa Securities upon the completion of the Proposals;	To be complied
4.	KPower and AmInvestment Bank 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; and	To be complied
5.	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 and Placement Shares.	To be complied

- (a) the approval of the Shareholders at an EGM to be convened for the Proposals; and
- (b) the other relevant authorities and/or parties, if required.

## 10. INTER-CONDITIONALITY

The Proposals are not inter-conditional upon each other and are not conditional upon any other corporate exercise undertaken or to be undertaken by our Company.

It is the intention of our Company to implement the Proposed Share Split upon completion of the Proposed Private Placement taking into consideration the proceeds of the Proposed Private Placement are largely utilised towards funding the projects undertaken by the Construction Business as set out in Section 2.4 of the Circular. These projects are currently at various stages of construction, thus requiring immediate working capital to carry out the relevant works. Nonetheless, taking into consideration that the Proposed Private Placement may be implemented in a few tranches within six (6) months from the Approval Date, certain tranches of the Proposed Private Placement may possibly be implemented after the Proposed Share Split.

## 11. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

Save as disclosed below, none of the Directors and/or major shareholders and/or persons connected with them have any interest, directly or indirectly, in the Proposals:-

- (i) Proposed Private Placement, in which Dato' Dr Ir. Ts. Karim and Grand Deal will be allocated a portion of the Placement Shares:-
- (a) Dato' Dr Ir. Ts. Karim, being the proposed placee, is the Chairman and major shareholder of KPower via his direct shareholdings in KPower,
  - (b) Grand Deal, being the proposed placee, is a major shareholder of KPower via its direct shareholdings in KPower,
  - (c) Mustakim, being the director and major shareholder of Grand Deal as well as the Deputy Chairman, Group Managing Director and major shareholder of KPower via his direct shareholdings in Grand Deal and his direct shareholdings in KPower; and
  - (d) Sarah, being the director and major shareholder of Grand Deal as well as the major shareholder of KPower via her direct shareholdings in Grand Deal.

For information purposes, Amirul, being one the Undertaking Key Personnel who is also the Group Chief Financial Officer of KPower, is deemed as a PAC of the Undertaking Shareholders.

As such, the Interested Directors have abstained and will continue to abstain from all deliberations and voting at the relevant Board meetings in respect of the Proposed Private Placement and allocations of Placement Shares to the Interested Directors, Interested Major Shareholders and Amirul.

In addition, the Interested Directors and Interested Major Shareholders as well as Amirul will also abstain from voting and undertake to ensure that persons connected with them, if any, to abstain from voting in respect of their direct and/or indirect shareholdings in KPower, if any, on the resolution(s) pertaining to the Proposed Private Placement and allocations of the Placement Shares to the Interested Directors, Interested Major Shareholders and Amirul, to be tabled at the EGM to be convened.

The shareholdings of the Interested Directors, the Interested Major Shareholders and their PAC in KPower as at the LPD are as follows:-

	Direct		Indirect	
	No. of KPower Shares	%	No. of KPower Shares	%
<b><u>Interested Directors/Interested Major Shareholders</u></b>				
Dato' Dr Ir. Ts. Karim	29,055,078	34.69	-	-
Grand Deal	11,500,000	13.73	-	-
Mustakim	303,200	0.36	11,500,000 <sup>(i)</sup>	13.73
Sarah	-	-	11,500,000 <sup>(i)</sup>	13.73
<b><u>PAC of the Interested Directors/Interested Major Shareholders</u></b>				
Amirul	18,000	0.02	-	-

**Note:-**

- (i) Deemed interested pursuant to Section 8 of the Act by virtue of their shareholdings in Grand Deal.

## 12. DIRECTORS' STATEMENT AND RECOMMENDATION

### (i) Proposed Private Placement

Our Board (save for the Interested Directors), after having considered and deliberated on all aspects of the Proposed Private Placement including but not limited to the rationale of the Proposed Private Placement, is of the opinion that the Proposed Private Placement is in the best interest of KPower Group.

Accordingly, our Board (save for the Interested Directors) recommends that you vote in favour of the resolution(s) pertaining to the Proposed Private Placement at the forthcoming EGM.

### (ii) Proposed Share Split and Proposed Diversification

Our Board, after having considered and deliberated on all aspects of the Proposed Share Split and Proposed Diversification, is of the opinion that the Proposed Share Split and Proposed Diversification are in the best interest of KPower Group.

Accordingly, our Board recommends that you vote in favour of the resolutions pertaining to the Proposed Share Split and Proposed Diversification at the forthcoming EGM.

## 13. CORPORATE PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save for the Proposals, which is the subject matter of this Circular, our Board confirms that there are no other outstanding corporate proposals that have been announced but yet to be completed prior to the printing of this Circular.

## 14. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances, and subject to the receipt of all required approvals from the relevant parties and authorities, the Proposals are expected to be completed by the 3<sup>rd</sup> quarter of calendar year of 2020.

The tentative timeline in relation to the implementation of the Proposed Private Placement and Proposed Share Split are as follows:-

Date	Events
22 June 2020	<ul style="list-style-type: none"><li>• EGM for the Proposals</li><li>• Completion of the Proposed Diversification</li></ul>
End June 2020	<ul style="list-style-type: none"><li>• Completion of the Proposed Private Placement</li></ul>
Mid July 2020	<ul style="list-style-type: none"><li>• Completion of the Proposed Share Split</li></ul>

\* *The implementation of the Proposed Private Placement is subject to, amongst others, prevailing market conditions and hence may be undertaken in a few tranches.*

## **15. EGM**

The EGM, the notice of which is enclosed with this Circular, will be conducted entirely through live streaming from the broadcast venue at Tricor Boardroom, Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, on Monday, 22 June 2020, at 3.00 pm or at any adjournment thereof, to consider and, if thought fit, to pass 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 Proxy Form in accordance with the instructions contained therein, to 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 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.

## **16. FURTHER INFORMATION**

You are requested to refer to the enclosed appendices in this Circular for further information.

Yours faithfully

For and on behalf of the Board of  
**KUMPULAN POWERNET BERHAD**

**TAN YEE HOU**

Independent Non Executive Director

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**FINANCIAL INFORMATION OF OUR GROUP**


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The summary of the financial information of our Group for the past three (3) audited FYE 30 June 2017, 30 June 2018 and 30 June 2019 and for the unaudited 9-months FPE 31 March 2020 are as follows:-

	FYE 30 June			FPE 31 March
	2017 (RM'000)	2018 (RM'000)	2019 (RM'000)	2020 (RM'000)
Revenue	3,924	5,725	13,217	56,482
(Loss)/ PBT	(7,251)	(5,001)	940	7,798
(Loss)/ Profit after tax attributable to owners of the Company	(7,187)	(4,979)	486	5,474
NA attributable to owners of the Company	17,035	24,033	24,522	43,215
Borrowings	3,692	4,196	3,305	2,926
No. of Shares ('000)	56,375	76,150	76,150	83,765
NA per Share (sen)	30	32	32	51
Gearing (times)	0.22	0.17	0.13	0.07
Current ratio (times)	0.78	1.60	1.44	1.45
Basic (Loss)/Earnings per share (sen)	(12.75)	(6.54)	0.62	6.53

**(i) Financial commentary for the FYE 30 June 2017**

KPower recorded a revenue of RM3.92 million representing a decrease of 41.84% or RM2.82 million as compared to the revenue of RM6.74 million for the FYE 30 June 2016. The lower revenue recorded during the financial year was due to the change in financial year from 18-month period to a normalised 12-month period. KPower's loss before tax ("**LBT**") decreased by 14.50% or RM1.23 million from RM8.48 million for the FYE 30 June 2016 to RM7.25 million for the FYE 30 June 2017 due to a one-off impairment of machinery and write-off of bad debt.

NA attributable to owners of the Company decrease by RM7.12 million, representing approximately 29.46% of decrease as compared to FYE 30 June 2016 due to lower retained earnings recorded during the year.

**(ii) Financial commentary for the FYE 30 June 2018**

KPower recorded a revenue of RM5.73 million representing an increase of 45.90% or RM1.80 million as compared to FYE 30 June 2017. The higher revenue recorded during the financial year end was due to higher revenue contribution from the manufacturing segment, mainly attributable to higher demand in textile products. The improved loss after tax attributable to owners of the Company was due to higher operating profit from the manufacturing segment.

NA attributable to owners of the Company increase by approximately RM7.00 million, representing 41.08% of increment as compared to FYE 30 June 2017 due to issuance of RM12.09 million new KPower Shares in respect of the private placement exercise during the financial year. KPower also recorded a higher current ratio during the financial year end due to higher cash and bank balances

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**FINANCIAL INFORMATION OF OUR GROUP (CONT'D)**

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**(iii) Financial commentary for the FYE 30 June 2019**

KPower recorded revenue of RM24.80 million representing an increase of 130.86% or RM7.49 million as compared to FYE 30 June 2018. The higher revenue recorded during the financial year was mainly attributable to the sale of all six units of the commercial development located in Sentul, Kuala Lumpur. The improved profit after tax attributable to owners of the Company was due to higher operating profit from the property segment.

**(iv) Financial commentary for the FPE 31 March 2020**

For the nine (9) months FPE 31 March 2020, KPower Group has recorded revenue of RM56.48 million representing an increase of RM55.21 million as compared to RM1.27 million of revenue for the corresponding FPE 31 March 2019. The higher revenue recorded during the financial year was mainly due to the contribution from the GBI Contract, Nam Samoy Contract and Kangsar Hidro Contract. The improved profit after tax attributable to owners of the Company was due to higher operating profit from the Construction Business.

NA attributable to owners of the Company as at FPE 31 March 2020 increase by RM13.33 million, representing approximately 45.96% as compared to FYE 30 June 2016 due to higher retained earnings.



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**FURTHER INFORMATION**

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**1. DIRECTORS RESPONSIBILITY STATEMENT**

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

**2. CONSENT AND CONFLICT OF INTEREST****2.1 AmInvestment Bank**

AmInvestment Bank has given and has not subsequently withdrawn its consent to the inclusion in this Circular of its name and all references thereto in the form and context in which it appears in this Circular.

AmInvestment Bank is a wholly-owned subsidiary of AMMB Holdings Berhad. AMMB Holdings Berhad and its group of companies (collectively, “**AmBank Group**”) form a diversified financial group and are engaged in a wide range of transactions relating to amongst others, investment banking, commercial banking, private banking, brokerage, securities trading, asset and funds management and credit transaction services businesses. AmBank Group’s securities business is primarily in the areas of securities underwriting, trading and brokerage activities, foreign exchange, commodities and derivatives trade.

In the ordinary course of their businesses, any member of AmBank Group may at any time extend services to any company as well as hold long or short positions, and trade or otherwise effect transactions, for its own account or the account of its other clients, in debt or equity securities or senior loans of any company. Accordingly, there may be situations where parts of the AmBank Group and/or its clients now have or in the future, may have interests or take actions that may conflict with the interests of KPower Group.

As at the LPD, KPower Group does not maintain any facilities with AmBank Group. However, AmBank Group may extend credit facilities to the Undertaking Shareholders and/or Undertaking Key Personnel to fund the subscription of the Placement Shares pursuant to the Undertakings. Nonetheless, any such credit facilities to be extended to the Undertaking Shareholders and/or Undertaking Key Personnel by AmBank Group are in the ordinary course of its banking business and are not conditional upon AmInvestment Bank being appointed as the Principal Advisers for the Proposals and Placement Agent for the Proposed Private Placement.

Pursuant to the above, AmInvestment Bank is of the opinion that its role as the Principal Adviser for the Proposals and Placement Agent for the Proposed Private Placement does not give rise to a conflict of interest or any other potential conflict of interest situation.

**2.2 Protégé**

Protégé has given and has not subsequently withdrawn its consent to the inclusion in this Circular of its name, the extracts of the independent market research report referred in Section 6 of this Circular and all references thereto in the form and context in which they appear in this Circular.

Protégé is not aware of any existing conflict of interest nor of any circumstances which would or is likely to give rise to a possible conflict of interest by virtue of its appointment as the independent market researcher for the Proposed Private Placement and Proposed Diversification.

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**FURTHER INFORMATION (CONT'D)**

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**3. MATERIAL LITIGATION, CLAIMS AND ARBITRATION**

As at the LPD, our Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, which may have a material effect on the financial position or business of our Group and our Board is not aware and does not have any knowledge of any proceedings pending or threatened against our Group, or of any facts likely to give rise to any proceedings which may materially and adversely affect the financial position or business of our Group.

**4. OTHER MATTERS**

- (i) On 18 March 2019, PISB received a writ of summons from Golden Wheel Credit Sdn Bhd ("**GWCSB**") whereby GWCSB had claimed an amount of RM526,809.58 which was purportedly 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 amongst others, that the moneylending agreement entered into by the parties was unenforceable by virtue 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 and the High Court allowed PISB's appeal with costs and struck out GWCSB's claim with leave to GWCSB to file a fresh claim against PISB. Further to the decision of the High Court, on 24 December 2019, PISB appealed to the Court of Appeal against part of the decision of the High Court granting leave to GWCSB to make a fresh application against PISB.

As at the LPD, the Court of Appeal had initially fixed for hearing of the appeal application on 8 April 2020 however it has been adjourned to 10 June 2020 due to the MCO ("**Appeal Case**"). Subsequently on 11 December 2019, GWCSB filed a fresh claim against PISB with the Sessions Court, by virtue of the High Court's decision (as mentioned above), 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. Thereafter, on 6 January 2020, PISB filed an application in the Sessions Court for a stay of proceedings pending the disposal of the Court of Appeal's decision in the Appeal Case, which was allowed by the Sessions Court with costs. Subsequently the Sessions Court fixed the trial dates on 11, 12 and 15 June 2020 and directed the parties to file in the trial documents by 22 May 2020.

The solicitors acting for PISB is of the view that, it is likely that the Court of Appeal would allow the appeal and reverse the decision of the High Court granting leave to GWCSB to file a fresh claim against PISB in the Appeal Case. In the event the Court of Appeal allows PISB's appeal, GWCSB would have to withdraw the fresh claim or alternatively, PISB's Solicitors will apply to strike out the above said fresh claim. Our Board is of the view that PISB has a fair chance in its defence against the abovementioned claim. In addition, 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 full amount of amount due (including interest) has been recognised in the financial statements of our Group. As such, the disclosure above is for shareholders' information purposes.

- (ii) On 22 March 2019, Powernet Industries Sdn Bhd ("**PISB**") received a Writ of Summons from Woo Wai Mun ("**WWM**"), a former director of PISB, suing on behalf of himself, whereby 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. Subsequently PISB repaid a sum of RM980,968.07 to WWM and as at the date of the suit, WWM claimed for the balance in the amount of RM4,690,000 and interest at 5% per annum of the sums claimed from the date of the suit until the date of full payment.

**FURTHER INFORMATION (CONT'D)**

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 payment 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 by WWM and/or his wife, Nicole Wong Yuet Wan, who was the managing director and/or the director primarily responsible for the financial management of PISB at all material times.

As at LPD, the High Court has fixed the case for a full trial on 3 to 6 August 2020. Our Board is of the view that PISB has a fair chance in its defence against the abovementioned claim. In addition, 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.

**5. HISTORICAL SHARE PRICES**

The monthly highest and lowest closing market price of KPower Shares traded on the Main Market of Bursa Securities for the past 12 months preceding the date of the Circular are set out as below:-

	<b>Highest RM</b>	<b>Lowest RM</b>
<b>2019</b>		
June	0.98	0.74
July	0.88	0.74
August	0.85	0.75
September	0.97	0.80
October	1.26	0.88
November	1.70	1.20
December	1.54	1.35
<b>2020</b>		
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
Last transacted market price on 18 May 2020 (being the last Market Day prior to the announcement of the Proposals)		1.95
Last transacted market price as at the LPD		1.98

(Source: Bloomberg)

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**FURTHER INFORMATION (CONT'D)**

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**6. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES****6.1 Material commitments**

As at the LPD, our Board is not aware of any material commitments incurred or known to be incurred which upon becoming enforceable may have a material impact on the financial position of the business of KPower Group.

**6.2 Contingent liabilities**

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

**7. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the registered office of our Company 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 normal business hours from Monday to Friday (except public holidays) following the date of this Circular, up to and including the date of the EGM:-

- (i) the constitution of KPower;
- (ii) the audited consolidated financial statements of KPower for the past two (2) FYEs 30 June 2018 and 30 June 2019 and the latest unaudited quarterly results of KPower for the FPE 31 March 2020;
- (iii) the letter of consent referred to in Section 2 of Appendix II of this Circular;
- (iv) the independent market research report prepared by Protégé dated 18 May 2020; and
- (v) the relevant cause papers in respect to Section 4 of Appendix II of this Circular.



**KUMPULAN POWERNET BERHAD**  
**[199701003731 (419227-X)]**  
(Incorporated in Malaysia)

**NOTICE IS HEREBY GIVEN** that an Extraordinary General Meeting (“**EGM**”) of Kumpulan Powernet Berhad (“**KPower**” or the “**Company**”) will be conducted entirely through live streaming from the broadcast venue at Tricor Boardroom, Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur (“**Broadcast Venue**”) on Monday, 22 June 2020 at 3.00 pm or at any adjournment thereof for the purpose of considering and, if thought fit, passing the following resolutions with or without any modifications:-

**ORDINARY RESOLUTION 1**

**PROPOSED PRIVATE PLACEMENT OF UP TO 29,317,727 NEW ORDINARY SHARES IN KPOWER (“KPOWER SHARE(S)”) (“PLACEMENT SHARES”) OR UP TO 58,635,454 NEW SUBDIVIDED SHARES (AS DEFINED HEREIN), REPRESENTING UP TO 35% OF THE TOTAL NUMBER OF ISSUED SHARES OF THE COMPANY (“PROPOSED PRIVATE PLACEMENT”)**

“**THAT** subject to the approvals being obtained from the relevant authorities, approval be and is hereby given to the Board of Directors of the Company (“**Board**” or “**Directors**”) to allot and issue up to 29,317,727 new Placement Shares or up to 58,635,454 new Subdivided Shares (as defined herein), representing up to 35% of the total number of issued shares of the Company;

**THAT** the issue price of the Placement Shares will be determined based on a discount of not more than 15% to the 5-day volume weighted average market price (“**VWAP**”) of KPower Shares immediately preceding the price-fixing date;

**THAT** the Board be and is hereby authorised to utilise the proceeds to be derived from the Proposed Private Placement for such purposes and in such manner as set out in the Circular and the Board be and is hereby authorised with full power to vary the manner and/or purpose of the utilisation of such proceeds from the Proposed Private Placement in the 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;

**THAT** such Placement Shares shall, upon allotment and issue, rank *pari passu* in all respects with the existing issued KPower Shares, save and except that the holders of such Placement Shares shall not be entitled to any dividends, rights, entitlements, allotment and/or other distributions which may be declared, made or paid to the Shareholders, the entitlement date of which is prior to or on the date of allotment of the Placement Shares;

**THAT** the Board be and is hereby empowered and authorised to do all acts, deeds and things and to execute, sign, deliver and cause to be delivered on behalf of the Company all such documents and/or arrangements as may be necessary to give effect and complete the Proposed Private Placement and to assent to any conditions, modifications, variations and/or amendments in any manner as may be required by the relevant authorities or as the Directors may deem necessary in the interest of the Company and to take such steps as they may deem necessary or expedient in order to implement, finalise, give full effect and to complete the Proposed Private Placement;

**AND THAT** this resolution constitutes a specific approval for the issuance of securities in the Company contemplated herein which is made pursuant to an offer, agreement or option and shall continue in full force and effect until all Placement Shares to be issued pursuant to or in connection with the Proposed Private Placement have been duly allotted and issued in accordance with the terms of the Proposed Private Placement.”

## **ORDINARY RESOLUTION 2**

**PROPOSED ALLOCATION OF UP TO 9,400,000 PLACEMENT SHARES (OR 18,800,000 SUBDIVIDED SHARES (AS DEFINED HEREIN)), REPRESENTING UP TO 11.22% OF THE TOTAL NUMBER OF ISSUED SHARES OF THE COMPANY TO DATO DR IR. TS. MOHD ABDUL KARIM BIN ABDULLAH (“DATO’ DR IR. TS. KARIM”) (“PROPOSED ALLOCATION TO DATO’ DR IR. TS. KARIM”)**

“**THAT** subject to the passing of Ordinary Resolution 1, and approvals being obtained from all relevant authorities and/or parties (where required), approval and authority are hereby given to the Board (save for the Interested Directors) at any time and from time to time to allot and issue up to 9,400,000 Placement Shares (or 18,800,000 Subdivided Shares), representing 11.22% of the total number of issued shares of the Company to Dato Dr Ir. Ts. Karim, being the Chairman and a major shareholder of KPower, at an issue price of not more than 15% discount to the five (5)-day VWAP of KPower Shares immediately preceding the price-fixing date.”

## **ORDINARY RESOLUTION 3**

**PROPOSED ALLOCATION OF UP TO 5,400,000 PLACEMENT SHARES (OR 10,800,000 SUBDIVIDED SHARES (AS DEFINED HEREIN)), REPRESENTING UP TO 6.45% OF THE TOTAL NUMBER OF ISSUED SHARES OF THE COMPANY TO GRAND DEAL VISION SDN BHD (“GRAND DEAL”) (“PROPOSED ALLOCATION TO GRAND DEAL”)**

“**THAT** subject to the passing of Ordinary Resolution 1, and approvals being obtained from all relevant authorities and/or parties (where required), approval and authority are hereby given to the Board (save for the Interested Directors) at any time and from time to time to allot and issue up to 5,400,000 Placement Shares (or 10,800,000 Subdivided Shares (as defined herein)), representing 6.45% of the total number of issued shares of the Company to Grand Deal, being a major shareholder of KPower, at an issue price of not more than 15% discount to the five (5)-day VWAP of KPower Shares immediately preceding the price-fixing date.”

## **ORDINARY RESOLUTION 4**

**PROPOSED ALLOCATION OF UP TO 300,000 PLACEMENT SHARES (OR 600,000 SUBDIVIDED SHARES (AS DEFINED HEREIN)), REPRESENTING UP TO 0.36% OF THE TOTAL NUMBER OF ISSUED SHARES OF THE COMPANY TO AMIRUL AFIF BIN ABD AZIZ (“AMIRUL”) (“PROPOSED ALLOCATION TO AMIRUL”)**

“**THAT** subject to the passing of Ordinary Resolution 1, and approvals being obtained from all relevant authorities and/or parties (where required), approval and authority are hereby given to the Board (save for the Interested Directors) at any time and from time to time to allot and issue up to 300,000 Placement Shares (or 600,000 Subdivided Shares (as defined herein)), representing 0.36% of the total number of issued shares of the Company to Amirul, who is deemed as the person acting with concert with Grand Deal, Mustakim bin Mat Nun, Sarah Azreen binti Abdul Samat and Dato Dr Ir. Ts. Karim, at an issue price of not more than 15% discount to the five (5)-day VWAP of KPower Shares immediately preceding the price-fixing date.”

## **ORDINARY RESOLUTION 5**

**PROPOSED SUBDIVISION OF EVERY ONE EXISTING KPOWER SHARE HELD ON AN ENTITLEMENT DATE TO BE DETERMINED BY THE BOARD AND ANNOUNCED AT A LATER DATE (“ENTITLEMENT DATE”) INTO TWO KPOWER SHARES (“SUBDIVIDED SHARES”) (“PROPOSED SHARE SPLIT”)**

“**THAT** subject to the approvals being obtained from the relevant authorities and/or parties (if required), approval be and is hereby given to the Board to subdivide every one existing KPower Share in the Company held by all entitled shareholders of the Company whose name appear in the Record of Depositors of the Company as at the close of business day on the Entitlement Date into two Subdivided Shares;

**THAT** the fractional entitlements arising from the Proposed Share Split, if any, shall be disregarded and/or dealt with by the Board in such manner at its absolute discretion as it may deem fit or expedient and in the best interest of the Company;

**THAT** the Subdivided Shares shall, upon allotment and issuance, rank *pari passu* in all respects with one another;

**AND THAT** the Board be and is hereby empowered and authorised with full power to do all acts, deeds and things and to execute and deliver on behalf of the Company all such documents and/or agreements as the Board may deem fit, necessary or expedient or appropriate in the best interest of the Company, in order to finalise, implement and/or give effect to the Proposed Share Split with full power to assent to any terms, conditions, modifications, variations and/or amendments as may be imposed or required by the relevant authorities or deemed necessary or desirable by the Board.”

#### **ORDINARY RESOLUTION 6**

#### **PROPOSED DIVERSIFICATION OF THE PRINCIPAL ACTIVITIES OF KPOWER AND ITS SUBSIDIARIES (“KPOWER GROUP” OR THE “GROUP”) TO INCLUDE CONSTRUCTION BUSINESS AND CONSTRUCTION RELATED ACTIVITIES (“PROPOSED DIVERSIFICATION”)**

“**THAT** subject to the approvals being obtained from the relevant authorities, if required, approval be and is hereby given to KPower Group to diversify their principal activities to include construction business and construction related activities including but not limited to the construction of projects under the energy, utility, infrastructure and logistics sectors;

**AND THAT** the Board be and is hereby empowered and authorised to do all acts, deeds and things as may be required to give full effect to the Proposed Diversification with full power to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or imposed by the relevant authorities and to deal with all matters relating thereto and to take all such steps and to do all acts and things in any manner and as the Board may deem necessary or expedient to implement, finalise and give full effect to the Proposed Diversification.”

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)**

Company Secretaries

Kuala Lumpur  
5 June 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 Chairman of the meeting to be present at the main venue of the meeting.

**Please note that no shareholders from the public should be physically present or admitted at the Broadcast Venue on the day of the EGM.**

Shareholders are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "participate") remotely at this EGM via the Remote Participation and Voting facilities ("RPV") provided by Tricor Investor & Issuing House Services Sdn. Bhd. ("Tricor") 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 who shall be entitled to participate in this 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 15 June 2020**. Only a member whose name appears on this Record of Depositors shall be entitled to participate in this EGM via RPV.
3. A member who is entitled to participate in 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 in his/her place. 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.
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 in 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 in 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 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 the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.
8. Where a member 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.
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 not less than forty-eight (48) hours before the time appointed for holding the EGM or adjourned general meeting at which the person named in the appointment proposes to vote:



(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., 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 at <https://tiih.online>. Kindly 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, 20 June 2020 at 3.00 pm.
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., 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 forty-eight (48) hours before the time appointed for holding the EGM or adjourned general meeting at which the person 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., 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 member 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 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.

# POWERNET

**KUMPULAN POWERNET BERHAD**  
**[Company No. 199701003731 (419227-X)]**  
(Incorporated in Malaysia)

## PROXY FORM

CDS Account No.
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No. of shares held
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I/We \_\_\_\_\_ Tel: \_\_\_\_\_  
[Full name in block, and as per NRIC/Passport/Company No.]  
of \_\_\_\_\_

being member(s) of 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

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 of the Company which will be conducted entirely through live streaming from the broadcast venue at Tricor Boardroom, Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur ("**Broadcast Venue**") on Monday, 22 June 2020 at 3.00 pm or any adjournment thereof, and to vote as indicated below:-

Ordinary Resolution	Description of Resolution	For	Against
1	Proposed Private Placement		
2	Proposed Allocation to Dato Dr Ir. Ts. Karim		
3	Proposed Allocation to Grand Deal		
4	Proposed Allocation to Amirul		
5	Proposed Share Split		
6	Proposed Diversification		

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/she thinks fit.



Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2020

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Signature\*

Member

\* *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 Chairman of the meeting to be present at the main venue of the meeting.

**Please note that no shareholders from the public should be physically present or admitted at the Broadcast Venue on the day of the EGM.**

Shareholders are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "participate") remotely at this EGM via the Remote Participation and Voting ("RPV") provided by Tricor Investor & Issuing House Services Sdn. Bhd. ("Tricor") via its TIH Online website at <https://tiah.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 who shall be entitled to participate in this 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 15 June 2020**. Only a member whose name appears on this Record of Depositors shall be entitled to participate in this EGM via RPV.
3. A member who is entitled to participate in 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 in his/her place. 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.
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 in 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 in 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 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 the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.

8. Where a member 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.
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 not less than forty-eight (48) hours before the time appointed for holding the EGM or adjourned general meeting at which the person named in the appointment proposes to vote:
- (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., 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 at <https://tiih.online>. Kindly 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, 20 June 2020 at 3.00 pm**.
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., 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 forty-eight (48) hours before the time appointed for holding the EGM or adjourned general meeting at which the person 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., 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:
- (iii) If the corporate member 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.
- (iv) 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:
- (c) at least two (2) authorised officers, of whom one shall be a director; or
- (d) 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  
STAMP

**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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