

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

Bursa Malaysia Securities Berhad ("**Bursa Securites**") has perused the contents of Part C of this Circular on a limited review basis pursuant to the provisions of Practice Note 18 of Main Market Listing Requirements of Bursa Securities.

Bursa Securities takes no responsibility for the contents of this Circular, valuation certificate and report, if any, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.



RENEUCO BERHAD
(formerly known as KPower Berhad)
Registration No. 199701003731 (419227-X)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE:-

PART A

PROPOSED ACQUISITION BY RENEUCO RE SDN BHD, A WHOLLY OWNED SUBSIDIARY OF RENEUCO BERHAD ("RENEUCO" OR THE "COMPANY") OF 10,000 ORDINARY SHARES IN ADAT SANJUNG SDN BHD ("ASSB"), REPRESENTING THE ENTIRE EQUITY INTEREST IN ASSB FROM OHP VENTURES SDN BHD FOR A PURCHASE CONSIDERATION OF RM90,000,000, TO BE SATISFIED VIA A COMBINATION OF CASH PAYMENT OF RM20,000,000 AND THE ALLOTMENT AND ISSUANCE OF 318,181,819 NEW ORDINARY SHARES IN RENEUCO ("CONSIDERATION SHARES") AT AN ISSUE PRICE OF RM0.22 PER CONSIDERATION SHARE ("PROPOSED ACQUISITION")

PART B

INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF RENEUCO IN RELATION TO THE PROPOSED ACQUISITION

PART C

PROPOSED NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED NEW RRPT MANDATE")

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser for Part A

UOB Kay Hian

UOB Kay Hian Securities (M) Sdn Bhd
Registration No. 199001003423 (194990-K)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Independent Adviser for Part B

sierac
corporate advisers

Sierac Corporate Advisers Sdn Bhd
Registration No. 200001013247 (515853-A)

The Extraordinary General Meeting of Reneuco ("**EGM**") is scheduled to be conducted on a fully virtual basis through live streaming and online remote voting using Remote Participation and Voting facilities ("**RPV**") via Cloud AGM Platform operated by ARB WeMeet Sdn Bhd at <https://member.arbwemeet.com> (Domain registration numbers with MYNIC: D1A457700) on Thursday, 27 April 2023 at 10.30 a.m., or at any adjournment thereof. The Notice of the EGM together with the Proxy Form are enclosed in this Circular. The Proxy Form should be deposited with the Company's Registered Office at G-3AF-3, Level 3AF, Block G, Garden Office @ Encorp Strand, No. 12, Jalan PJU 5/1, Kota Damansara, 47810 Petaling Jaya, Selangor, Malaysia or email to admin@aldpro.com.my not less than forty-eight (48) hours before the time stipulated for holding the meeting.

Last date and time for lodging the Proxy Form : Tuesday, 25 April 2023 at 10.30 a.m.
Date and time of the EGM : Thursday, 27 April 2023 at 10.30 a.m.

This Circular is dated 12 April 2023

DEFINITIONS

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

"Act"	: Companies Act 2016
"AGM"	: Annual General Meeting of the Company
"Amirul"	: Amirul Afif bin Abd Aziz
"ASSB"	: Adat Sanjung Sdn Bhd (Registration No. 201301027117 (1056945-V))
"ASSB Group"	: Collectively, ASSB and its subsidiaries
"ASSB Share(s)"	: Ordinary share(s) in ASSB
"Board"	: The Board of Directors of Reneuco
"Bursa Depository"	: Bursa Malaysia Depository Sdn Bhd (Registration No. 198701006854 (165570-W))
"Bursa Securities"	: Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
"Cash Consideration"	: Cash payment of RM20,000,000 as part of the Purchase Consideration
"Circular"	: This circular dated 12 April 2023 in relation to the Proposed Acquisition and the Proposed New RRPT Mandate
"Consideration Shares"	: 318,181,819 new Reneuco Shares to be issued at an issue price of RM0.22 each, amounting to RM70,000,000, pursuant to the Proposed Acquisition
"Date of Opinion"	: 31 October 2022, being the date of opinion for the Valuation
"Datuk Mustakim"	: Datuk Mustakim bin Mat Nun
"DCF"	: Discounted cash flow
"Director(s)"	: The director(s) of Reneuco and shall have the meaning given in Section 2(1) of the Capital Markets and Services Act 2007 and includes any person who is or was within the preceding six (6) months of the date on which the terms of the transaction were agreed upon:- i. a director of the listed issuer, its subsidiary or holding company; or ii. a chief executive of the listed issuer, its subsidiary or holding company
"E&E"	: E&E Catalyst Sdn Bhd (Registration No. 201301013968 (1043806-U))
"EGM"	: Extraordinary General Meeting of Reneuco
"EPCC"	: Engineering, procurement, construction and commissioning
"EPS/ (LPS)"	: Earnings/ (Loss) per Share
"EV"	: Enterprise value
"FCFF"	: Future free cash flows to firm
"FIAH(s)"	: Feed-in approval holder(s)

DEFINITIONS (CONT'D)

"FPE"	:	Financial period ended/ ending
"FYE"	:	Financial year ended/ ending
"HOA"	:	The heads of agreement dated 25 April 2022 entered into between Reneuco RE and PFBSB
"Hydro Project"	:	The development for three (3) small hydro plants located in Kota Marudu, Sabah, Malaysia
"Interested Director"	:	Datuk Mustakim, who is deemed interested in the Proposed Acquisition and accordingly, has abstained and will continue to abstain from deliberating and voting at all relevant Board meetings of Reneuco in relation to the Proposed Acquisition
"Interested Parties"	:	Collectively, Datuk Mustakim and Amirul
"Interested Party(ies)"	Related	The Director(s), Major Shareholder(s) and/ or Person(s) Connected who are deemed interested in the RRPT
"Issue Price"	:	The issue price of RM0.22 per Consideration Share
"Listing Requirements"	:	Main Market Listing Requirements of Bursa Securities
"LPD"	:	31 March 2023, being the latest practicable date prior to the printing and despatch of this Circular
"LTD"	:	18 October 2022, being the last trading day of Reneuco Shares prior to the announcement on the Proposed Acquisition
"Major Shareholder(s)"	:	Any person who is or was within the preceding six (6) months of the date on which the terms of the transaction were agreed upon, a major shareholder of the Company (including its subsidiary or holding corporation) who has an interest or interests in one or more voting shares in the Company and the number, or the aggregate number of those shares, is: i. 10% or more of the total number of voting shares in the Company; or ii. 5% or more of the total number of voting shares in the Company where such person is the largest shareholder of the Company. For the purpose of this definition, "interests in shares" shall have the meaning given in Section 8 of the Act
"Market Day(s)"	:	Any day from Mondays to Fridays (inclusive of both days) which is not:- i. a public holiday; and ii. a surprise holiday, being a public holiday declared in the Federal Territory of Kuala Lumpur that has not been gazetted as a public holiday at the start of the calendar year, on which Bursa Securities is open for trading of securities
"Mercury Securities" or the "Independent Business Valuer"	:	Mercury Securities Sdn Bhd (Registration No. 198401000672 (113193-W))
"MW"	:	Megawatt

DEFINITIONS (CONT'D)

"NA"	:	Net assets attributable to the equity holders
"OHP"	:	OHP Capital Sdn Bhd (Registration No. 201801030466 (1292492-K))
"OHP Group"	:	OHP and its subsidiary and associated companies
"ORP"	:	One River Power Sdn Bhd (Registration No. 200901035206 (878322-T))
"OVSB" or the "Vendor"	:	OHP Ventures Sdn Bhd (Registration No. 201801002542 (1264555-M))
"PAC(s)"	:	The person(s) acting in concert with the Interested Parties
"PAT/ (LAT)"	:	Profit/ (Loss) after taxation
"PBT/ (LBT)"	:	Profit/ (Loss) before taxation
"Person(s) Connected"	:	Such person, in relation to the Director or Major Shareholder, who falls under any one of the following categories:- <ol style="list-style-type: none">i. a family member of the Director or Major Shareholder;ii. a trustee of a trust (other than a trustee for a share scheme for employees or pension scheme) under which the Director, Major Shareholder or a family member of the Director or Major Shareholder is the sole beneficiary;iii. a partner of the Director or Major Shareholder;iv. a person, or where the person is a body corporate, the body corporate or its directors, who is/are accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the Director or Major Shareholder;v. a person, or where the person is a body corporate, the body corporate or its directors, in accordance with whose directions, instructions or wishes the Director or Major Shareholder is accustomed or is under an obligation, whether formal or informal, to act;vi. a body corporate in which the said Director or Major Person are entitled to exercise, or control the exercise of, not less than 20% of the votes attached for voting shares in the body corporate; orvii. a body corporate which is related corporation of the said Director or Major Shareholder
"PFSB"	:	Pristine Falcon Sdn Bhd (Registration No. 201301016370 (1046203-W))
"Proposed Acquisition"	:	Proposed acquisition by Reneuco RE of 10,000 Sale Shares, representing the entire equity interest in ASSB, from the Vendor for the Purchase Consideration
"Proposed New Shareholders' Mandate"	:	Proposed new shareholders' mandate for RRPT to be entered into by Reneuco

DEFINITIONS (CONT'D)

"Proposed Acquisition"	RCCPS	: Proposed acquisition by OVSB through ASSB for the 10,000,000 RCCPS from E&E for a purchase consideration of RM19,285,714, to be satisfied via the allotment and issuance to E&E of 87,662,338 of the Consideration Shares as renounced by OVSB in favour of E&E pursuant to the SSA
"Purchase Consideration"		: RM90,000,000, being the consideration for the entire equity interest in ASSB to be satisfied via a combination of cash payment of RM20,000,000 and the allotment and issuance of 318,181,819 Consideration Shares at an issue price of RM0.22 per Consideration Share amounting to RM70,000,000
"RCCPS"		: 10,000,000 redeemable cumulative convertible securities in ORP
"RE"		: Renewable energy
"Related Party(ies)"		: Director(s), Major Shareholder(s) or Person(s) Connected
"Reneuco" or the "Company"		: Reneuco Berhad (formerly known as KPower Berhad) (Registration No. 199701003731 (419227-X))
"Reneuco Group" or the "Group"		: Collectively, Reneuco and its subsidiaries
"Reneuco RE" or the "Purchaser"		: Reneuco RE Sdn Bhd (formerly known as KPower RE Sdn Bhd) (Registration No. 202101030088 (1430388-D))
"Reneuco Share(s)" or the "Share(s)"		: Ordinary share(s) in Reneuco
"REPPA(s)"		: Renewable energy power purchase agreement
"RM" and "sen"		: Ringgit Malaysia and sen, respectively
"RNAV"		: Revalued net asset valuation
"RPT"		: A related party transaction under Paragraph 10.08 of the Listing Requirements
"RRPT"		: Recurrent Related Party Transactions of a revenue or trading nature which are necessary for the day-to-day operations of the Company and/or its subsidiaries in the ordinary course of business of Reneuco Group
"Sale Shares"		: 10,000 ASSB Shares, representing the entire equity interest in ASSB
"SCA" or the "Independent Adviser"		: Sierac Corporate Advisers Sdn Bhd (Registration No. 200001013247 (515853-A))
"SEDA"		: Sustainable Energy Development Authority of Malaysia
"SOPV"		: Sum of parts valuation
"SSA"		: Conditional share sale agreement dated 19 October 2022 entered into between Reneuco RE and the Vendor for the Proposed Acquisition
"UOBKH" or the "Principal Adviser"		: UOB Kay Hian Securities (M) Sdn Bhd (Registration No. 199001003423 (194990-K))
"USD"		: United States Dollar

DEFINITIONS (CONT'D)

"Valuation"	:	Valuation of the ASSB Group ranging from RM91.14 million to RM110.23 million, based on the SOPV methodology as at the Date of Opinion, prepared by the Independent Business Valuer
"Valuation Letter"	:	Independent valuation letter to appraise the fair market value of the entire equity interest in ASSB
"Vendor Advances"	:	Amount owing by the ASSB Group to the Vendor as at the Date of Opinion, amounting to approximately RM133.80 million
"VWAP"	:	Volume weighted average market price
"WACC"	:	Weighted average cost of capital
"Warrant(s)"	:	150,774,529 outstanding Warrants 2021/2026 in Reneuco as at the LPD as constituted by a deed poll dated 28 December 2020. Each Warrant provides the right to warrant holders to subscribe for 1 new Reneuco Share during the 5-year exercise period of the Warrants up to 24 January 2026 at an exercise price of RM2.50 per Warrant
"3p Capital"	:	3p Capital Advisers Sdn Bhd (Registration No. 201301025012 (1054841-V))

All references to the "Company" and "Reneuco" in this Circular are made to Reneuco Berhad (Registration No. 199701003731 (419227-X)) and references to the "Group" are made to the Company and its subsidiaries, collectively.

All references to "we", "us", "our" and "ourselves" are made to the Company, or where the context requires, shall include our subsidiaries.

All references to "you" and "your" in this Circular are made to our shareholders who are entitled to attend and vote at the EGM.

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

Any reference in this Circular to any law is a reference to that law as for the time being amended or re-enacted.

Any reference to a time of day and date in this Circular shall be a reference to Malaysian time and date, respectively, unless otherwise specified. Any discrepancy in the figures included in this Circular between the amounts stated, actual figures and the totals thereof are due to rounding adjustments.

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EXECUTIVE SUMMARY

All capitalised terms used in this Executive Summary have the same meaning as those provided in the "Definitions" section and Part A of the Circular, except where the context otherwise requires or where otherwise defined in this Executive Summary.

This Executive Summary highlights only the salient information of the Proposed Acquisition. Shareholders of the Company are advised to read the Circular in its entirety for further details and not to rely solely on this Executive Summary in forming a decision on the Proposed Acquisition before voting at the EGM.

Key information	Description	Reference to Circular
<p>Summary of the Proposed Acquisition</p>	<p>On 26 April 2022, Reneuco RE, a wholly owned subsidiary of Reneuco had on 25 April 2022 entered into a HOA with PFSB, for Reneuco to acquire up to 5,000,000 ordinary shares in ORP, representing 100% equity interest in ORP for a total consideration of up to RM130,000,000 to be satisfied via a combination of cash and issuance of new shares in Reneuco.</p> <p>Subsequent to the HOA, the Company was made aware that Inno Hydropower (B) Sdn Bhd, being the beneficial owner of 30% equity interest in ORP may not have the intention to participate in the acquisition exercise. Pursuant thereto, the Company had decided not to proceed with the acquisition of ORP and will instead acquire the direct holding company of PFSB, namely ASSB.</p> <p>On 19 October 2022, Reneuco RE had entered into a conditional SSA with the Vendor for the acquisition by Reneuco RE of 10,000 ordinary shares in ASSB, representing the entire equity interest in ASSB for a purchase consideration of RM90,000,000, to be satisfied via a combination of cash payment of RM20,000,000 and the allotment and issuance of 318,181,819 Reneuco Shares amounting to RM70,000,000 at an issue price of RM0.22 per Consideration Share, subject to the terms and conditions contained in the SSA.</p> <p>The Proposed Acquisition entails the indirect acquisition of 70% equity interest in ORP, a FiAH for the Hydro Project involving the development of three (3) small hydro plants located in Kota Marudu, Sabah, Malaysia.</p> <p>The Purchase Consideration was arrived at on a willing-buyer willing-seller basis between Reneuco RE and OVSF, after taking into consideration the Valuation of ASSB and its subsidiaries ("ASSB Group") as at the Date of Opinion, ranging from RM91.14 million to RM110.23 million, prepared by Mercury Securities, being the Independent Business Valuer for the Proposed Acquisition.</p>	<p>Sections 1 and 2</p>
<p>Rationale for the Proposed Acquisition</p>	<p>The Proposed Acquisition will enable the Company to build on its own capabilities in the renewable energy spectrum to fortify its position as a renewable energy company in the Association of Southeast Asian Nations (ASEAN) region. The Proposed Acquisition will result in the Group's asset ownership under the renewable energy spectrum to increase to approximately 120MW (including the 29.1MW Hydro Plants that will subsequently be owned by ORP after completion of construction), thus strengthening the Group's concession-based recurring income for a long-term sustainability, on top of its EPCC contracts. In addition, the Proposed Acquisition presents an opportunity for the Company to strategically position itself to participate in future schemes and projects relating to renewable energy.</p>	<p>Section 3</p>

EXECUTIVE SUMMARY

Key information	Description	Reference to Circular
Risk factors	<p>The potential risks that may have an impact on the enlarged Group, which may not be exhaustive pertaining to the Proposed Acquisition are as follows:-</p> <ul style="list-style-type: none"> ➤ Delay or non-completion of the Proposed Acquisition ➤ Acquisition risk ➤ Business and operational risks ➤ Construction risks ➤ Licensing and registration risks ➤ Valuation risk ➤ Financing and repayment of borrowings risk ➤ The Group may not be able to receive the insurance compensation for damages incurred for the Hydro Project <p>There can be no assurance that the Group will be able to manage or effectively mitigate the aforementioned risks. Accordingly, adverse development in any of the risk factors could have a material adverse effect on the Group's operations and financial performance.</p>	Section 5
Approvals required	<p>The Proposed Acquisition is subject to the following approvals being obtained:-</p> <ul style="list-style-type: none"> ➤ The approval from Bursa Securities for the listing and quotation of 318,181,819 Consideration Shares to be issued pursuant to the Proposed Acquisition on the Main Market of Bursa Securities, the approval of which has been obtained vide its letter dated 5 April 2023; ➤ The approval of the shareholders of Reneuco, at the forthcoming EGM; and ➤ Any other relevant authority and/ or third parties, if required. 	Section 9
Interests of Directors, major shareholders, chief executive and/ or persons connected with them	<p>Save for the interested parties as mentioned below, none of the Directors, major shareholders, chief executive of Reneuco and/ or persons connected with them have any interest, whether direct or indirect, in the Proposed Acquisition:-</p> <ul style="list-style-type: none"> ➤ Datuk Mustakim (Executive Chairman of Reneuco); and ➤ Amirul (Group Chief Executive Officer of Reneuco) 	Section 10
Directors' statement and recommendation	<p>The Board (save for the Interested Director), having considered all aspects of the Proposed Acquisition, including the rationale and justification for the Proposed Acquisition, the terms and conditions of the SSA, the effects of the Proposed Acquisition, the future prospects of ASSB and the enlarged Reneuco Group, and the view of the Independent Adviser, is of the opinion that the Proposed Acquisition is in the best interest of the Company and that the terms and conditions of the SSA are fair and reasonable.</p> <p>Accordingly, the Board (save for the Interested Director) recommends that you vote in favour of the ordinary resolution pertaining to the Proposed Acquisition at the EGM.</p>	Section 11

PART A

**CIRCULAR TO THE SHAREHOLDERS OF RENEUCO IN RELATION TO THE PROPOSED
ACQUISITION**



RENEUCO BERHAD
(formerly known as KPower Berhad)
Registration No. 199701003731 (419227-X)
(Incorporated in Malaysia)

Registered Office

Level G-3AF-3, Level 3AF, Block G
Garden Office @ Encorp Strand
No. 12, Jalan PJU 5/1, Kota Damansara
47810 Petaling Jaya, Selangor

12 April 2023

Board of Directors

Datuk Mustakim Bin Mat Nun (*Executive Chairman*)
Sarah Azreen Binti Abdul Samat (*Non-Independent Non-Executive Deputy Chairman*)
Tan Yee Hou (*Independent Non-Executive Director*)
Ahmad Riza Bin Mohd Saian (*Independent Non-Executive Director*)
Ir. Ts. Dr. Muhammad Mahadi Bin Mohamad (*Independent Non-Executive Director*)

To: The Shareholders of Reneuco

Dear Sir/ Madam,

PROPOSED ACQUISITION

1. INTRODUCTION

On 26 April 2022, the Board had announced that Reneuco RE, a wholly owned subsidiary of Reneuco had on 25 April 2022 entered into a HOA with PFSB, for Reneuco to acquire up to 5,000,000 ordinary shares in ORP, representing 100% equity interest in ORP for a total consideration of up to RM130,000,000 to be satisfied via a combination of cash and issuance of new shares in Reneuco.

Subsequent to the announcement of the HOA, the Company was made aware that Inno Hydropower (B) Sdn Bhd, being the beneficial owner of 30% equity interest in ORP may not have the intention to participate in the acquisition exercise. Pursuant thereto, the Company had decided not to proceed with the acquisition of ORP and will instead acquire the direct holding company of PFSB, namely ASSB. Further details of the group structure of ASSB Group are set out in **Section 2, Part A** of this Circular.

On 19 October 2022, UOBKH had on behalf of the Board, announced that Reneuco RE had on even date, entered into a conditional SSA with the Vendor for the acquisition by Reneuco RE of 10,000 ordinary shares in ASSB, representing the entire equity interest in ASSB for a purchase consideration of RM90,000,000, to be satisfied via a combination of cash payment of RM20,000,000 and the allotment and issuance of 318,181,819 Reneuco Shares amounting to RM70,000,000 at an issue price of RM0.22 per Consideration Share, subject to the terms and conditions contained in the SSA. Further details on the method on the settlement of the Purchase Consideration for the Proposed Acquisition are set out in **Section 2.8, Part A** of this Circular.

The Proposed Acquisition entails the indirect acquisition of 70% equity interest in ORP, a FiAH for the Hydro Project involving the development of three (3) small hydro plants located in Kota Marudu, Sabah, Malaysia. Further details of the Hydro Project are set out in **Section 2.2, Part A** of this Circular.

The Proposed Acquisition is deemed a RPT under Paragraph 10.08 of the Listing Requirements in view of the interests of Datuk Mustakim and Amirul in both Reneuco and OVSB, further details of which are set out in **Section 10, Part A** of this Circular.

The Board (save for the Interested Director), had on 19 October 2022 appointed Mercury Securities as the independent adviser to advise the Company's non-interested Directors and non-interested shareholders in relation of the Proposed Acquisition.

On 28 February 2023, the Company had announced that Mercury Securities had tendered its resignation on the grounds of mutual termination with the Company, and the Board (save for the Interested Director) had accepted Mercury Securities' resignation and appointed SCA as the new Independent Adviser to advise the Company's non-interested Directors and non-interested shareholders in respect of the Proposed Acquisition.

Subsequently, on 5 April 2023, UOBKH had, on behalf of the Board, announced that Bursa Securities had vide its letter dated 5 April 2023, resolved to approve the listing and quotation of the Consideration Shares on the Main Market of Bursa Securities, subject to the terms and conditions as set out in **Section 9, Part A** of this Circular.

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

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

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

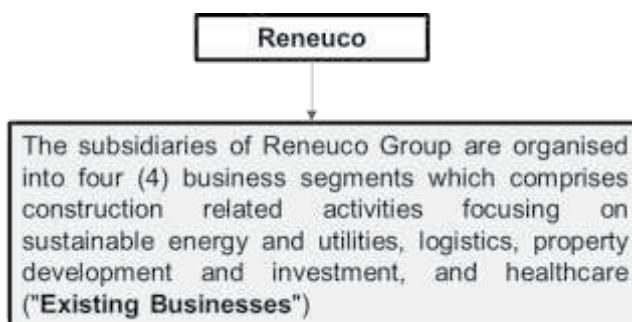
2. DETAILS OF THE PROPOSED ACQUISITION

The Vendor has agreed to sell and Reneuco RE has agreed to purchase the Sale Shares free from all encumbrances, together with all attached and accrued rights, for a purchase consideration of approximately RM90,000,000, based upon the terms and conditions contained in the SSA. Please refer to **Appendix II** of this Circular for the salient terms and conditions of the SSA.

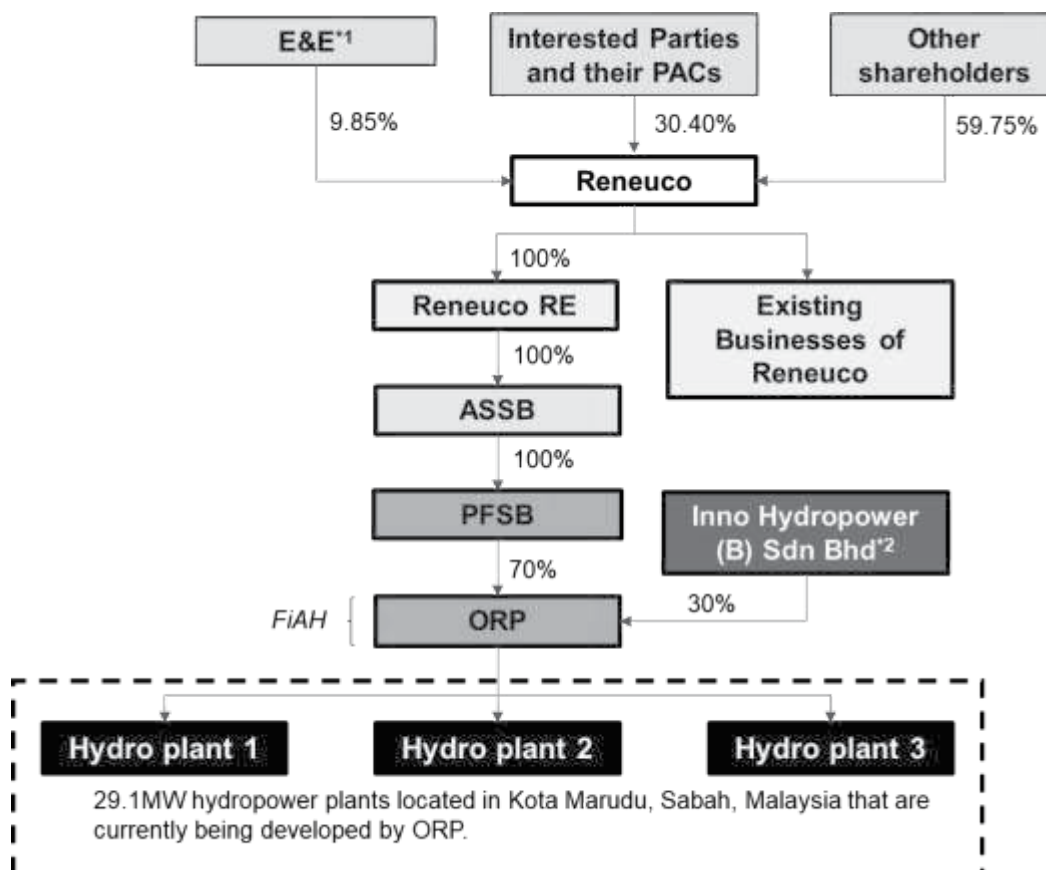
Subject to the SSA becoming unconditional and upon the completion of the Proposed Acquisition, ASSB will become a wholly-owned subsidiary of Reneuco RE.

For information purposes, the current structure of the Reneuco Group as at the LPD, and the structure of Reneuco Group upon completion of the Proposed Acquisition is as follows:-

Current structure of Reneuco Group as at the LPD



Structure of Reneuco Group upon the completion of the Proposed Acquisition



Notes:-

¹ E&E is a venture capital corporation registered with the Securities Commission Malaysia ("SC") to hold investments and a wholly-owned subsidiary of Kumpulan Modal Perdana Sdn Bhd ("KMP"), whereas KMP is 99.99%-owned by the Ministry of Finance, Incorporated, Malaysia ("MoF"), under the purview of Ministry of Science, Technology and Innovation (MOSTI), Malaysia. E&E is principally engaged in investments of high-growth and high technology start-up companies within the electronics and electrical industry. As at the LPD, E&E owns the 10,000,000 RCCPS in ORP, pursuant to an investment agreement dated 3 September 2015 ("RCCPS Investment Agreement"). Based on a letter dated 16 August 2022 by E&E to OVS, E&E has expressed its intention to exit from its investment in ORP, given that it has invested in ORP since 2015 and its investment horizon is typically five to seven years. Pursuant to the downstream restructuring of OVS and its subsidiaries ("OVS Group"), OVS, ASSB and E&E had on 19 October 2022 entered into a share sale agreement for OVS to indirectly acquire the 10,000,000 RCCPS held by E&E in ORP, through ASSB, for the Proposed RCCPS Acquisition ("RCCPS SSA"). Pursuant to the RCCPS SSA, the purchase consideration for the Proposed RCCPS Acquisition is to be satisfied via the allotment and issuance to E&E of 87,662,338 of the Consideration Shares as renounced by OVS in favour of E&E pursuant to the SSA ("E&E Portion"). Upon the allotment and issuance of the E&E Portion to E&E, E&E will emerge as a substantial shareholder of Reneuco with 9.85% shareholding in Reneuco. Please refer to **Section 2.6, Part A** of this Circular for further information on E&E.

² Inno Hydropower (B) Sdn Bhd is a wholly-owned subsidiary of Kumpulan Yayasan Sabah and it is the 30% beneficial owner of ORP pursuant to the share sale agreement dated 24 January 2019 entered with PFSB. As at the LPD, the share transfer has not been completed as ORP is currently in the midst of seeking exemption from its existing financiers for its shares to be transferred to Inno Hydropower (B) Sdn Bhd free from encumbrances. Please refer to **Section 2.7, Part A** of this Circular for further information on Inno Hydropower (B) Sdn Bhd.

On 19 October 2022, OVS, ASSB and E&E had entered into the RCCPS SSA for the Proposed RCCPS Acquisition. Pursuant to the RCCPS SSA, OVS will indirectly acquire the 10,000,000 RCCPS held by E&E in ORP, through ASSB, for a purchase consideration of RM19,285,714 ("RCCPS Purchase Consideration") to be settled via the allotment and issuance to E&E of 87,662,338 Consideration Shares as renounced by OVS in favour of E&E pursuant to the SSA. Please refer to **Appendix III** of this Circular for the salient terms and conditions of the RCCPS SSA.

For information purposes, the RCCPS Purchase Consideration was derived as follows:-

		RM
Value of 70% equity interest in ORP (based on the Purchase Consideration)	A	90,000,000
RCCPS Purchase Consideration (value of 15% equity interest in ORP^{*1})	A x $\frac{15}{70}$	19,285,714

Note:-

^{*1} *Based on the salient terms of the RCCPS as set out in **Section 10, Appendix I** of this Circular, the RCCPS shall be convertible, at the option of the RCCPS holder, at any time during the conversion period into such number of new ordinary shares in ORP representing 15% of the fully diluted issued share capital of ORP.*

For information purposes, the collective shareholding of the Interested Parties and their PACs will increase from 6.99% to 30.40% pursuant to the completion of the Proposed Acquisition. As such, pursuant to the Proposed Acquisition, the Interested Parties and their PACs will not trigger a mandatory take-over offer for all the remaining Shares not already owned by them pursuant to Paragraph 4.01 of the Rules on Take-overs, Mergers and Compulsory Acquisitions. Further details of the shareholding of the Interested Parties are set out in **Section 10, Part A** of this Circular.

Pursuant to Paragraph 8.02(1) of the Listing Requirements, the Company must ensure that at least 25% of the total listed Reneuco Shares (excluding treasury shares) are in the hands of public shareholders. For information purposes, the public shareholding spread of the Company is not expected to fall below 25% of the enlarged issued share capital of the Company after the completion of the Proposed Acquisition. Assuming that the Proposed Acquisition is completed as at the LPD, the public shareholding spread of the Company may reduce from 92.96% to 59.71% and, accordingly, the Company would still be in compliance with the public shareholding spread requirement.

2.1 Information on ASSB

ASSB was incorporated in Malaysia on 1 August 2013 under the Companies Act, 1965, as a private company limited by shares.

As at the LPD, the issued share capital of ASSB is RM10,010,000 comprising 10,000 ordinary shares and 10,000,000 RCCPS. For information purposes, the RCCPS was issued by ORP to E&E based on the RCCPS Investment Agreement and consolidated at ASSB Group level. Pursuant to the Proposed Acquisition and Proposed RCCPS Acquisition, the RCCPS will be eliminated at ASSB Group level in accordance with the Malaysian Financial Reporting Standard 3 – Business Combinations ("**MFRS 3**") and the Malaysian Financial Reporting Standard 10 – Consolidated Financial Statements ("**MFRS 10**") as issued by the Malaysian Accounting Standards Board ("**MASB**"), where intragroup liabilities are eliminated in full in the consolidated financial statements of the Group.

The salient terms of the RCCPS are set out in **Section 10, Appendix I** of this Circular.

ASSB is principally engaged in investment holding. ORP, an indirect 70%-owned subsidiary of ASSB, was incorporated as a special purpose vehicle ("**SPV**") to undertake the development of hydro power plants in Sabah, Malaysia. It is licensed by the SEDA, under the Feed-in-Tariff ("**FiT**") system. For information purposes, the FiT system in Malaysia obliges companies holding the license to distribute electricity ("**Distribution Licensees**") to buy from FiAHs the electricity produced from renewable resources at the FiT rate (fixed premium rate that is payable for each unit of renewable energy sold to Distribution Licensees) for a specific duration. For information purposes, save for the Hydro Project, there are no other contracts secured by ORP as at the LPD.

As at the LPD, the directors of ASSB and their shareholding in ASSB are as follows:-

Name	Designation	Nationality	<-Direct interest->		<-Indirect interest->	
			No. of shares	%	No. of shares	%
Datuk Mustakim	Director	Malaysian	-	-	10,000 ^{*1}	100
Amirul	Director	Malaysian	-	-	10,000 ^{*1}	100
Zainal Azwadi Bin Zainal Abidin	Director	Malaysian	-	-	-	-

Notes:-

^{*1} Deemed interest pursuant to Section 8 of the Act by virtue of his shareholding in OHP.

As at the LPD, the substantial shareholders of ASSB and their respective shareholding in ASSB are as follows:-

Name	Nationality/ Place of incorporation	<-----Direct interest----->		<--Indirect interest-->	
		No. of shares	%	No. of shares	%
OVS	Malaysia	10,000	100	-	-
OHP	Malaysia	-	-	10,000 ^{*1}	100
Datuk Mustakim	Malaysian	-	-	10,000 ^{*2}	100
Amirul	Malaysian	-	-	10,000 ^{*2}	100

Notes:-

^{*1} Deemed interest pursuant to Section 8 of the Act by virtue of its shareholding in OVS.

^{*2} Deemed interest pursuant to Section 8 of the Act by virtue of his shareholding in OHP.

As at the LPD, the subsidiaries of ASSB are as follows:-

Company	Country/ date of incorporation	Issued and paid-up share capital (RM)	Effective equity interest (%)	Principal activities
PFSB	Malaysia/ 15.05.2013	100	100.0	Investment holding company
ORP	Malaysia/ 09.11.2009	5,000,000	70.0	SPV incorporated for the development of hydro plants

As at the LPD, ASSB does not have any associate or joint venture companies.

A summary of the latest audited consolidated financial statements of ASSB for the past 3 financial years up to the FYE 31 December 2021 is set out below:-

	<-----FYE 31 December----->		
	2019	2020	2021
	RM'000	RM'000	RM'000
Revenue	-	-	1,663
Administrative expenses	(2,199)	(2,297)	(2,561)
Other operating expenses	(1,056)	(1,518)	(1,429)
Finance cost	-	(5,535)	(9,029)
LBT/ LAT	(3,255)	(9,350)	(11,356)
Share capital	10,010	10,010	10,010
NA	(10,190)	(19,841)	(31,198)
Cash and cash equivalents	5,841	3,725	3,805
Total borrowings	159,877	174,154	182,341
Dividend declared for the financial year	-	-	-
No. of shares in issue ('000)	10,010	10,010	10,010
LPS (RM)	(0.33)	(0.93)	(1.13)
NA per share (RM)	(1.02)	(1.98)	(3.12)
Gearing ratio (times)	N/A	N/A	N/A
Current ratio (times)	0.13	0.04	0.04
Cash flow from operating activities	1,994	(8,389)	(9,450)

Based on the past 3 financial years up to the FYE 31 December 2021, ASSB recorded a revenue of RM1.66 million in the FYE 31 December 2021 and did not generate any revenue in both the FYE 31 December 2020 and FYE 31 December 2019 as hydro plant 2 only commenced commercial operations in the FYE 31 December 2021 onwards. During the same financial years under review, ASSB recorded a LBT/ LAT of RM11.36 million, RM9.35 million and RM3.26 million, respectively.

Please refer to **Appendix I** of this Circular for further details on ASSB.

2.2 Details of the Hydro Project

On 23 September 2014, ORP had signed three (3) exclusive REPPAs with Sabah Electricity Sdn Bhd ("**SESB**") for the Hydro Project involving the development, design, financing, construction, installation, testing, operation, management and maintenance of three (3) small hydro power plants with a total combined power generation of 29.1MW, under the Build, Own and Operate (BOO) model.

ORP had been granted with a feed-in approval dated 15 May 2014 and a revised feed-in approval dated 25 March 2016 for each of the REPPAs by SEDA pursuant to Section 7 of the Renewable Energy Act 2011 and the terms for each hydro plant are as follows:-

	Location	Commencement date	Tenure Years	Capacity MW	Feed-in tariff rate RM/kilowatts per hour
Hydro plant 1	Upper Sungai Bengkoka, Kota Marudu, Sabah	30 June 2023 ^{*1}	21	10.0	0.25
Hydro plant 2	Lower Sungai Bengkoka, Kota Marudu, Sabah	9 July 2021	21	13.5	0.24
Hydro plant 3	Sungai Togohu, Kota Marudu, Sabah	30 June 2023 ^{*1}	21	5.6	0.25

(Hydro plant 1, hydro plant 2 and hydro plant 3 are collectively referred to as the "**Hydro Plants**".)

Note:-

*1 Based on the expected commencement date by the management of ASSB.

For the avoidance of doubt, ORP will own the Hydro Plants upon completion of construction works.

As a FIAH, ORP is regulated by the Renewable Energy Act 2011. SEDA, which issued the feed-in approvals to ORP, is a statutory body whose key role is to administer and manage the implementation of the feed-in tariff mechanism which is mandated under the Renewable Energy Act 2011. The REPPAs are valid from their respective effective dates and covers a period of 21 years from their respective commercial operation dates. As at the LPD, hydro plant 2 has commenced its commercial operations whereas hydro plants 1 and 3 are still in the construction phase. As at the LPD, the overall percentage of completion for hydro plants 1 and 3 are 70.14% and 63.31% respectively.

For information purposes, some parts of the Hydro Plants have sustained damages due to heavy and continuous rain in Kota Marudu, Sabah from end December 2021 to early January 2022. These damages include amongst others, damages to the Hydro Plants' cofferdam (i.e. temporary structure that is used to divert water or create a dry work environment to allow for the construction of the hydro plant), rebar installation (i.e. installation involves placing steel reinforcement bars in the concrete to increase its strength) and the pipeline support of hydro plant 2. As a result, ASSB Group had to incur additional costs of approximately RM50.00 million for repair works for these said damages. As at the LPD, the insurers for the Hydro Plants had appointed an adjuster to appraise the estimated losses and the assessment is still on-going. Nevertheless, these damages caused to the Hydro Plants are not expected to cause any material delay to the expected commercial operation date for hydro plants 1 and 3 (i.e. 30 June 2023), in view that the cumulative percentage of completion (including repair works) for the Hydro Project is 86.02% as at the LPD. The management of ASSB have been and will continue to follow-up closely with the contractors on the sourcing of construction materials and manpower supplies for the repair works until the completion of the Hydro Project.

As at the LPD, the total borrowings of ASSB Group stood at approximately RM183.60 million. ASSB Group expects to incur additional borrowings of approximately RM70.00 million for structural strengthening works as well as the remaining works for the completion of hydro plants 1 and 3. These construction costs are to be financed by ORP's unutilised credit facility of approximately RM28.00 million as well as by an expected increase its existing credit facility of RM49.00 million ("**ORP Additional Financing**"). The details and terms of repayment for ASSB Group's existing borrowings as at the LPD are as follows:-

Type of facilities	Tenure	Interest rate per annum	Outstanding amount as at the LPD RM'000
Term loan 1	144 months from date of the first utilisation inclusive of 24 months grace period.	6.75% subject to the bank's cost of funding at the time of disbursement	49,450
Term loan 2	15 years including 3 years moratorium period	<u>Year 1 – 3</u> Base Financing Rate + 1.75%	134,149
		<u>Year 4 -15</u> Base Financing Rate + 1.45%	
Total			183,599

The estimated total costs for the Hydro Project (including repair works) amounts to approximately RM327.27 million, of which are funded/ to be funded by ASSB Group's existing bank borrowings and the ORP Additional Financing. For the avoidance of doubt, the construction costs for the remaining construction works for hydro plants 1 and 3 (including repair works) will be borne by ORP. The breakdown of the total costs for the Hydro Project by major costs components are as follows:-

Type of costs	RM'000
Electromechanical package (e.g. hydro pumps and wiring)	111,674
Civil and structure works	136,994
Project-related consultancy services	29,359
Others (e.g. pre-construction costs and foreign exchange loss)	49,238
Total	327,265

For information purposes, the roles and responsibility of the shareholders of ORP for the Hydro Project include but are not limited to, the following:-

- i. to assist in securing all necessary licenses, permits and approvals in relation to the development of the Hydro Project and licences for the generation of electricity;
- ii. to assist ORP in entering into all commitments and contracts in relation to the development, construction and operation of the Hydro Project; and
- iii. to assist in securing all necessary funding required for the Hydro Project.

2.3 Basis and justification of arriving at the Purchase Consideration

The Purchase Consideration of RM90,000,000 is to be satisfied via a combination of cash payment of RM20,000,000 and the allotment and issuance of 318,181,819 Reneuco Shares amounting to RM70,000,000 at an issue price of RM0.22 per Consideration Share. The Board is of the view that Purchase Consideration based on the proportion of cash and Consideration Shares of 22.22% and 77.78%, respectively, is reasonable, after taking into consideration the Group's cash and bank balances of approximately RM20.77 million based on the latest unaudited financial statements of Reneuco Group for the 6-month FPE 31 December 2022. The partial settlement of the Purchase Consideration Shares via the issuance of the Consideration Shares will also allow the Group to converse its cash without any immediate material on its cash flow.

The Purchase Consideration was arrived at on a willing-buyer willing-seller basis between Reneuco RE and OVSB, after taking into consideration the following:-

- i. the Valuation of ASSB and its subsidiaries ("**ASSB Group**") as at the Date of Opinion, ranging from RM91.14 million to RM110.23 million, prepared by Mercury Securities, being the Independent Business Valuer for the Proposed Acquisition;
- ii. the rationale and future prospects of ASSB and the enlarged Reneuco Group, further details of which are set out in **Section 4.3, Part A** of this Circular; and
- iii. the rationale and benefits of the Proposed Acquisition as set out in **Section 3, Part A** of this Circular.

The Valuation of ASSB Group was ascribed by the Independent Business Valuer based on the SOPV methodology which comprises a mix of DCF valuation method for the Hydro Project held under ORP, NA valuation method for PFSB (company level) and RNAV valuation for ASSB (company level), as summarised below:-

i. Valuation of 70% equity interest in ORP

The Independent Business Valuer had applied the DCF method to arrive at the valuation of ORP in view of the nature of ORP's business which generates recurrent stream of revenue, whereby the future cash flows to be derived by ORP from the Hydro Project can be estimated. Under the DCF method, the Independent Business Valuer had assessed the FCFF of ORP from 1 November 2022 (being the latest practicable month as at the Date of Opinion) up to 30 April 2044 (being the estimated end of net cash flows to be derived from the Hydro Project) ("**Projection Period**") prepared by ASSB based on the following key bases and assumptions:-

- a. ORP will generate its revenue based on the terms and conditions as set out in the REPPAs;
- b. hydro plant 1 and hydro plant 3 will commence commercial operations by June 2023;
- c. ORP will repay its bank borrowings on a timely basis;
- d. there will not be any significant change to the prevailing interest rates of ORP's bank borrowings throughout the Projection Period;
- e. there will not be any significant change to the prevailing exchange rate of the RM to the USD as at the Date of Opinion of USD 1 : RM4.73 (*source: Bank Negara Malaysia*) throughout the Projection Period;
- f. total construction costs for the structural strengthening works and completion of the hydro plants (excluding financing costs) is RM70.00 million), which will be financed by the ORP Additional Financing;
- g. ORP would be able to obtain the ORP Additional Financing with a tenure of 13 years and an estimated interest rate of 8.4% p.a. to part finance the said construction costs of RM70.00 million;
- h. ORP would be able to receive an estimated insurance compensation of RM50.00 million for the Hydro Project by the end of 2023;
- i. ORP's operating costs mainly consist of operation and maintenance costs and there will not be any significant increase in operating costs throughout the Projection Period; and
- j. Pre-tax income is subject to Malaysian corporate income tax rate of 24%.

The estimated FCFF of ORP were then discounted to the present value using the estimated weighted average cost of capital of ORP as appraised by the Independent Business Valuer of between 9.0% to 10.2% to arrive at the enterprise value ("**EV**"), and the resultant EV is adjusted for the value of other securities in issue, i.e. the RCCPS, as well as ORP's net debts and working capital as at the Date of Opinion to arrive at its estimated equity value.

Based on the DCF method, the Independent Business Valuer had derived the fair value of 70% equity interest in ORP (including the novation of the Vendor Advances) as at the Date of Opinion to be between RM73.11 million to RM92.18 million.

ii. Valuation of PFSB (company level)

The Independent Business Valuer had applied the NA method to appraise PFSB's valuation in view that save for its investment in ORP, PFSB has no other operating activities nor material assets held for investment and the NA method is the most suitable valuation method to appraise PFSB's fair market value given such valuation method is commonly used to value company with no significant operations and/ or assets. As PFSB recorded a net liability as at the Date of Opinion, the Independent Adviser had assigned a nominal value of RM1 as its fair value.

iii. Valuation of ASSB (company level)

As set out in **Section 2, Part A** of this Circular, pursuant to the Proposed RCCPS Acquisition, ASSB will acquire the RCCPS in ORP from E&E, which will be satisfied by the Vendor through the renunciation of 87,662,338 of the Consideration Shares in favour of E&E for the RCCPS Purchase Consideration. In this regard, the Independent Business Valuer had applied the RNAV method to appraise ASSB's fair value in view that save for its investment in PFSB and the RCCPS to be acquired, ASSB has no other operating activities nor material assets held for investment.

In appraising ASSB's valuation, the Independent Business Valuer had conducted a valuation on the RCCPS using the dividend discount model ("**DDM**") whereby the RCCPS's fair value was established based on the present value of its future dividend income and estimated redemption price. The DDM valuation method is the most suitable valuation method to appraise the RCCPS' fair market value given that it is a commonly used valuation method for securities that generate fixed income stream.

The fair value of ASSB (company level) as at the Valuation Date is as follows:-

	Low range RM'000	High range RM'000
Unaudited NA as at the Date of Opinion (company level)	(20)	(20)
Add: Fair value of RCCPS	18,048	18,071
Total	18,028	18,051

Based on the SOPV methodology, the Independent Business Valuer was of the view that the fair market value of the ASSB Group is between RM91.14 million and RM110.23 million as follows:-

	Low range RM'000	High range RM'000
Fair value		
70% equity interest in ORP ^{*1}	73,114	92,181
100% equity interest in PFSB (company level)	_ ^{*2}	_ ^{*2}
100% equity interest in ASSB (company level)	18,028	18,051
Total	91,142	110,232

Notes:-

^{*1} The valuation of 70% equity interest in ORP is inclusive of the Vendor Advances.

^{*2} Being RM1.

Please refer to **Appendix IV** of this Circular for further details on the Valuation.

The Board deems the Purchase Consideration to be reasonable as it represents a slight discount of approximately 1.25% to the low range of the Valuation of RM91.14 million. The Board is also of the opinion that the Proposed Acquisition of ASSB will be beneficial to the Company considering the appraised value of the entire equity interest in ASSB which was arrived at using the SOPV methodology and the potential future earnings contribution by ASSB.

2.4 Basis and justification of the Issue Price of the Consideration Shares

The Issue Price of RM0.22 per Consideration Share was arrived at on a willing-buyer willing-seller basis, based on reference to the 1-month VWAP of Reneuco Shares of RM0.22 up to and including the LTD.

Further, the Board is of the view that the Issue Price is justifiable after taking into consideration the prevailing market prices of Reneuco Shares for the past 12 months up to the LTD:-

Price/ VWAPs up to and including the LTD	Share price	Discount	
	RM	RM	%
Last transacted price of Reneuco Shares as at the LTD	0.23	0.01	4.35
Up to and including the LTD:-			
5-day VWAP	0.22	-	-
1-month VWAP	0.22	-	-
3-month VWAP	0.26	0.04	15.38
6-month VWAP	0.31	0.11	29.03
12-month VWAP	0.42	0.20	47.62

(Source: Bloomberg)

Based on the above, the Issue Price is on par with the 5-day and 1-month VWAP of Reneuco Shares up to and including the LTD. It also represents a discount ranging from approximately 4.35% to approximately 47.62% to the last transacted price of Reneuco Shares as at the LTD and the 3-month, 6-month and 12-month VWAP of Reneuco Shares up to and including the LTD.

The Board is of the view that the Issue Price is justifiable after taking into consideration the following:-

- i. the historical market prices of Reneuco Shares;
- ii. the discount quantum of the Issue Price to the last transacted price of Reneuco Shares as at the LTD, and the 3-month, 6-month and 12-month VWAP of Reneuco Shares up to and including the LTD is reasonable in view of the willingness of OVSBS to forgo full cash payment and to hold the Group's shares as medium to long term investment despite current financial performance of the Group; and
- iii. the partial settlement of the Purchase Consideration via the issuance of the Consideration Shares will allow the Group to partly conserve cash without any immediate material impact on its cash flow as opposed to being fully settled in cash or via borrowings.

2.5 Information on the Vendor

OVSBS was incorporated on 18 January 2018 under the Act, as a private company limited by shares. OVSBS is an investment holding company.

As at the LPD, OVSBS has a total issued share capital of RM10,000,000 comprising 10,000,000 ordinary shares. As at the LPD, OVSBS does not have any convertible securities.

As at the LPD, the directors of OVSB and their shareholding in OVSB are as follows:-

Name	Designation	Nationality	<--Direct interest-->		<--Indirect interest-->	
			No. of shares	%	No. of shares	%
Datuk Mustakim	Director	Malaysian	-	-	10,000,000 ^{*1}	100
Amirul	Director	Malaysian	-	-	10,000,000 ^{*1}	100
Zainal Azwadi Bin Zainal Abidin	Director	Malaysian	-	-	-	-

Note:-

^{*1} Deemed interest pursuant to Section 8 of the Act by virtue of his shareholding in OHP.

As at the LPD, the substantial shareholders of OVSB and their shareholding in OVSB are as follows:-

Name	Nationality/ Place of incorporation	<--Direct interest-->		<--Indirect interest-->	
		No. of shares	%	No. of shares	%
OHP	Malaysia	10,000,000	100	-	-
Datuk Mustakim	Malaysian	-	-	10,000,000 ^{*1}	100
Amirul	Malaysian	-	-	10,000,000 ^{*1}	100

Note:-

^{*1} Deemed interest pursuant to Section 8 of the Act by virtue of his shareholding in OHP.

2.6 Information on E&E

E&E was incorporated on 24 April 2013 under the Companies Act 1965, as a private company limited by shares. E&E is a venture capital corporation registered with the SC that is principally engaged in investments of high-growth and high technology start-up companies within the electronics and electrical industry.

As at the LPD, E&E has a total issued share capital of RM100,000 comprising 100,000 ordinary shares. As at the LPD, E&E does not have any convertible securities.

As at the LPD, the directors of E&E and their shareholding in E&E are as follows:-

Name	Designation	Nationality	<--Direct interest-->		<--Indirect interest-->	
			No. of shares	%	No. of shares	%
Lee Hui-Ni	Director	Malaysian	-	-	-	-
Herman Syah Bin Abdul Rahim	Director	Malaysian	-	-	-	-

As at the LPD, the substantial shareholders of E&E and their shareholding in E&E are as follows:-

Name	Nationality/ Place of incorporation	<--Direct interest-->		<--Indirect interest-->	
		No. of shares	%	No. of shares	%
KMP	Malaysia	100,000	100	-	-
MoF	Malaysia	-	-	100,000 ^{*1}	100

Note:-

^{*1} Deemed interest pursuant to Section 8 of the Act by virtue of its shareholding in KMP.

2.7 Information on Inno Hydropower (B) Sdn Bhd

Inno Hydropower (B) Sdn Bhd was incorporated on 29 September 2017 under the Act, as a private company limited by shares. Inno Hydropower (B) Sdn Bhd is principally engaged in subscribing and investing in the equity of independent power plant companies.

As at the LPD, Inno Hydropower (B) Sdn Bhd has a total issued share capital of RM10,000 comprising 10,000 ordinary shares. As at the LPD, Inno Hydropower (B) Sdn Bhd does not have any convertible securities.

As at the LPD, the director of Inno Hydropower (B) Sdn Bhd and his shareholding in Inno Hydropower (B) Sdn Bhd is as follows:-

Name	Designation	Nationality	<--Direct interest-->		<--Indirect interest-->	
			No. of shares	%	No. of shares	%
Budirman Bin Daud	Director	Malaysian	-	-	-	-

As at the LPD, the substantial shareholders of Inno Hydropower (B) Sdn Bhd and its shareholding in Inno Hydropower (B) Sdn Bhd are as follows:-

Name	Nationality/ Place of incorporation	<--Direct interest-->		<--Indirect interest-->	
		No. of shares	%	No. of shares	%
Petrosabah Sdn Bhd	Malaysia	10,000	100	-	-
Innoprise Corporation Sdn Bhd	Malaysia	-	-	10,000 ^{*1}	100
Yayasan Sabah	Malaysia	-	-	10,000 ^{*2}	100

Notes:-

^{*1} Deemed interest pursuant to Section 8 of the Act by virtue of its shareholding in Petrosabah Sdn Bhd.

^{*2} Deemed interest pursuant to Section 8 of the Act by virtue of its shareholding in Innoprise Corporation Sdn Bhd.

2.8 Mode of settlement

Pursuant to the terms of the SSA, the Purchase Consideration will be satisfied via a combination of Cash Consideration and issuance of the Consideration Shares in the following manner:-

Payment terms	Timing of settlement	RM'000	%
Cash			
Deposit (refundable)	Payable within 3 months upon the execution of the SSA or any other date to be mutually agreed.	9,000	10.0
Balance payment	cash Upon the Completion Date.	11,000	12.2
Under the SSA, " Completion Date " is defined as a day not later than 7 days from the date when the last conditions precedent in the SSA is fulfilled (" Unconditional Date ") or any other date as mutually agreed by the Purchaser and Vendor.			
Shares			
Consideration Shares	Payable by way of issuance and allotment the Consideration Shares (i.e. 318,181,819 new Reneuco Shares) in accordance with the following manner:-	70,000	77.8
	i. 230,519,481 of the Consideration Shares to the Vendor; and		

Payment terms	Timing of settlement	RM'000	%
	ii. 87,662,338 of the Consideration Shares as renounced by the Vendor in favour of E&E ^{*1}		
	within 7 business days from the Completion Date.		
		Total	90,000 100.0

Note:-

^{*1} As set out in **Section 2, Part A** of this Circular, the purchase consideration for the Proposed RCCPS Acquisition is to be satisfied via the allotment and issuance to E&E of 87,662,338 of the Consideration Shares as renounced by OVS in favour of E&E pursuant to the SSA. As at the LPD, E&E is wholly-owned by KMP, whereas KMP is 99.99% owned by the MoF. As at the LPD, the directors of E&E are Herman Syah Bin Abdul Rahim and Lee Hui-Ni, both of whom do not hold shares in E&E.

As at the LPD, the deposit of RM9.00 million has yet to be paid by the Company to the Vendor as it was mutually agreed between both parties that the payment for the deposit should only be made as and when the Company has sufficient cash flow to meet their operational expenses. For information purposes, the Group's cash and bank balances stood at approximately RM20.77 million based on the latest unaudited financial statements of Reneuco Group for the 6-month FPE 31 December 2022. The Group intends to fund the cash portion of the Purchase Consideration via internally generated funds, bank borrowings and/or future fundraising exercises.

2.9 Source of funding

The Purchase Consideration shall be satisfied via a combination of (i) cash consideration of RM20.00 million and (ii) consideration shares of 318,181,819 new Reneuco Shares, details as set out in **Section 2.8, Part A** of this Circular.

Based on internal preliminary discussion at this juncture, Reneuco intends to fund the Cash Consideration portion amounting to RM20.00 million through internally generated funds, bank borrowings and/ or future fundraising exercises, the exact quantum of which will be determined by the Board at a later date upon obtaining all the necessary approvals.

For shareholders' information, the Group's cash and bank balances stood at approximately RM20.77 million based on the latest unaudited financial statements of Reneuco Group for the 6-month FPE 31 December 2022.

2.10 Ranking of the Consideration Shares

The Consideration Shares shall, upon allotment and issuance, rank *pari passu* in all respects with each other and with the existing Reneuco Shares, save and except that the Consideration Shares shall not be entitled to participate in any dividends, rights, allotment and/ or other distributions which are declared, made or paid to the shareholders of Reneuco for which the entitlement date for the said distributions precedes the date of allotment and issuance of the Consideration Shares.

2.11 Listing and quotation for the Consideration Shares

Approval has been obtained from Bursa Securities vide its letter dated 5 April 2023 for the listing and quotation of the Consideration Shares to be issued pursuant to the Proposed Acquisition on the Main Market of Bursa Securities.

2.12 Liabilities to be assumed

Save for the Purchase Consideration and the obligations and liabilities of Reneuco in and arising from the SSA as disclosed in **Sections 3 and 4, Appendix II** of this Circular, the Company is not expected to assume other liabilities, including contingent liabilities and/ or guarantees to the Proposed Acquisition.

2.13 Additional financial commitment required

Save for the ORP Additional Financing as disclosed in **Section 2.2, Part A** of this Circular, the Company does not expect to incur any additional material financial commitment to put ASSB's existing operations on-stream as ASSB's indirect wholly-owned subsidiary, ORP, would have commenced operation for the Hydro Project (i.e. for hydro plant 2) and would be generating income and cash flow. For information purposes, hydro plant 2 has commenced its commercial operations in July 2021 hydro plants 1 and 3 are expected to commence its commercial operations by 2023 respectively.

2.14 Original cost and date of investment in ASSB

The original cost of investment of OVSB in ASSB and the date of such investments are set out below:-

Date of investment	No. of ASSB Shares	Cost of investment RM
22 December 2020	7,000	7,000
07 March 2022	3,000	12,500,000

3. RATIONALE AND JUSTIFICATIONS FOR THE PROPOSED ACQUISITION

Reneuco Group is mainly involved in the sustainable energy and utilities business involving construction related activities in the renewable energy industry. Other than the construction related activities business segment, the Company operates in other business segments including logistics, healthcare, property development and property investment. The Proposed Acquisition is envisaged to provide an opportunity for Reneuco to expand its business and related activities of renewable energy in terms of geographical expansion in East Malaysia and asset ownership under the renewable energy spectrum.

The Proposed Acquisition will enable the Company to build on its own capabilities in the renewable energy spectrum to fortify its position as a renewable energy company in the Association of Southeast Asian Nations (ASEAN) region. The Proposed Acquisition will result in the Group's asset ownership under the renewable energy spectrum to increase to approximately 120MW (including the 29.1MW Hydro Plants that will subsequently be owned by ORP after completion of construction), thus strengthening the Group's concession-based recurring income for a long-term sustainability, on top of its EPCC contracts.

Given that the Government of Malaysia ("**GoM**") has a target to increase the share of renewable energy in Malaysia's generation mix to 31% by 2025, and a projection of 40% by 2035, renewable energy will continue to be one of the key focus areas for Malaysia with continued commitment by the GoM via the Energy Commission Malaysia ("**EC**") to develop renewable energy projects through various schemes such as Net Energy Metering (NEM), Large Scale Solar (LSS), Self-Consumption (SELCO) and Non-Solar Renewable Energy Projects. Additionally, the allocation of RM2.0 billion by the GoM for two (2) years up to 2022 as continuation of the Green Technology Financing Scheme could support Malaysia towards achieving the renewable energy target of 31% by 2025. As such, the Proposed Acquisition presents an opportunity for Reneuco to strategically position itself to participate in future schemes and projects relating to renewable energy.

In addition, part of the Purchase Consideration is to be satisfied via the issuance of Consideration Shares to the Vendor. Notwithstanding that the Proposed Acquisition may potentially result in a dilution to the existing shareholders' shareholding as a result of the issuance of the Consideration Shares to the Vendor, the partial settlement of the Purchase Consideration via the issuance of the Consideration Shares will allow the Group to partly conserve cash without any immediate material impact on its cash flow as opposed to being fully settled in cash or via borrowings.

Barring any unforeseen circumstances and based on the above, the Board believes that the Proposed Acquisition has the potential to augur well with the growth prospects of the Group in the medium to long-term, given that hydro plant 2 has already commenced commercial operations and hydro plants 1 and 3 are expected to commence its commercial operations by 2023. Based on the cash flow projection for the Hydro Project that was prepared by the management of ASSB, ASSB Group is expected to breakeven in the FYE 2023 and contribute profit to Reneuco Group in the FYE 2024, pursuant to the Proposed Acquisition.

4. INDUSTRY OVERVIEW AND OUTLOOK AND FUTURE PROSPECTS OF ASSB AND THE ENLARGED RENEUCO GROUP

4.1 Overview and outlook of the Malaysian economy

GDP moderated in the fourth quarter of 2022

The Malaysian economy registered a growth of 7.0% in the fourth quarter of 2022 compared to 14.2% in the third quarter, as support from the stimulus measures and low base effect waned. At 7.0%, the fourth quarter growth was still above the long-term average of 5.1%. On a quarter-to-quarter seasonally adjusted basis, the economy registered a decline of 2.6% (3Q 2022: 1.9%). For 2022 as a whole, the economy expanded by 8.7% (2021: 3.1%).

Continued expansion in domestic demand

Domestic demand grew by 6.8% (3Q 2022: 13.1%), mainly supported by private sector expenditure. Private consumption expanded by 7.4% (3Q 2022: 15.1%), supported by improving labour market conditions and policy measures.

Spending was driven by consumption of necessities, particularly for transport as well as housing and utilities, and selected discretionary components such as recreational services and culture.

Public consumption grew by 2.4% (3Q 2022: 4.5%), reflecting continued support from Government spending on emolument and supplies and services.

Headline inflation moderated during the quarter

Headline inflation, as measured by the annual percentage change in the Consumer Price Index (CPI), moderated to 3.9% during the quarter (3Q 2022: 4.5%). As expected, the lower headline inflation was largely due to the lapse in the base effect of electricity inflation. The moderation was also amid the easing of key global commodity prices which partly led to lower inflation in some CPI items, including fuel. Inflation for some key staple food items, such as fresh meat and eggs, also moderated during the quarter. However, the downward impact was partly offset by higher core inflation, which rose to 4.2% (3Q 2022: 3.7%). The increase reflected the continued strength in domestic demand. By components, the increase was driven mostly by core services and several discretionary spending categories. Correspondingly, price pressures remained pervasive during the quarter, although it has moderated. The share of CPI items recording monthly price increases remained above historical average (4Q 2022: 51.2%; 3Q 2022: 58.1%; 2011-2019 average: 45.6%).

(Source: Bank Negara Malaysia Quarterly Bulletin 4Q 2022)

4.2 Overview and outlook of the renewable energy industry in Malaysia

Renewable energy sources such as wind and solar emit little to no greenhouse gases and are readily available and in most cases cheaper than coal, oil or gas (IPCC, 2022). The National Renewable Energy Policy and Action Plan was launched in 2009 to spearhead renewable energy uptake in Malaysia. This is further strengthened by the National Energy Policy 2021-2040 launched in 2022, which aims to continue meeting the nation's growing energy demands, while ensuring a cleaner and more resilient economy to achieve a net zero pathway. Based on the energy mix in Malaysia, hydropower is currently the highest contributor to the total renewable energy use. However, large hydropower could be affected as river sources deplete as well as siltation and sedimentation increase. Therefore, changing climate and weather patterns must be taken into consideration when planning for the use of hydropower, to ensure the effectiveness and success of projects like the Bakun hydroelectric power plant as well as other hydropower plants.

On the other hand, solar power has the potential to contribute more to the energy mix. Being one of the main suppliers of solar-photovoltaic panels in the world, Malaysia's local uptake still needs to be further encouraged. With the introduction of the Net-Energy Metering (NEM) system, excess energy produced from solar panels fixed on private or commercial buildings can be sold back to the grid based on the Feed-In-Tariff (FIT) and Large-Scale Solar (LSS) systems, creating a new economic market ecosystem.

Furthermore, the sustainable waste management industry could offer a dynamic and profitable revenue stream to the economy, as well as a potential alternative energy source through biomass and biogas utilisation. Malaysia currently exports some of its waste products to other countries for this purpose, for example, used cooking oils exported to Singapore to be further processed into aircraft fuel; and palm oil mill effluents (POME) to Japan for biomass energy production. The advancements in the waste management industry, including recycling, upcycling and biofuel generation, as well as the push toward a circular economy and waste-to-wealth economy, will open new revenue streams for local businesses and create new job opportunities. Moving forward, the Government through relevant agencies with the support of public and private research institutions, is looking into other sources of potential alternative energy such as wind, thermal and wave.

Reducing energy consumption through energy efficiency measures is one of the most cost-effective options utilised by the Government in addressing the economic impacts of the rising fuel prices. The National Energy Efficiency Action Plan (NEEAP) outlines strategies to encourage efficient use of electricity and promote energy-efficient products among industries and consumers. Meanwhile, the Government Green Procurement (GGP) initiative has encouraged the utilisation of energy-efficient products as well as other green products and services in government buildings since 2013. In 2021, the GGP was valued at approximately RM616.8 million, involving 27 ministries.

(Source: Economic Outlook 2023, Ministry of Finance Malaysia)

Energy transition will remain as one of the key priorities as more corporates as well as utility players continue expanding their RE exposure.

Malaysia has a target of RE to grow to 31% of generation mix by 2025 and 40% by 2035. At the moment, RE contributes to 18% of Malaysia's energy mix, dominated by hydropower technologies, which account for 86 per cent of renewable capacity. By way of illustration, the installed capacity for RE is presently at 7,995MW. By the year 2035, the projected installed capacity for RE is approximately 18,000MW – which is more than double the present installed capacity.

The Ministry of Energy and Natural Resources ("**KeTSA**") has stated that with the above RE targets, the carbon emission intensity from the power sector is set to be reduced by 45% in 2030, and by 60% in 2035. This will be consistent with Malaysia's targets under the Paris Agreement. Solar energy has been identified as being the RE with the highest potential in sunny Malaysia. With that in mind, Malaysia intends to introduce battery energy storage systems with a total capacity of 500MW from 2030 to 2034. These battery energy storage systems will enable the storing of excess energy generated by solar panels for later use.

The announcement by Former Prime Minister Datuk Seri Ismail Sabri Yaakob that Malaysia will not construct any new coal power plants while delivering the 12th Malaysia Plan in parliament would also pave the way for non-hydropower renewables to meet an increasing power demand amid retiring thermal power plants. The introduced Green Electricity Tariff (GET) programme in November 2021 to replace the current myGreen+ scheme will also spur the growth of renewables as it gains interest from multinational companies. The main objective is to enable consumers to reduce their carbon emissions by purchasing renewable energy, with the target of 4,500GWh of renewable electricity to be distributed for the GET programme. TNB, HSBC, Nestle Malaysia and CIMB Bank are among the companies that showed interest towards the scheme and additionally, the Energy Commission, SEDA and MyPower Corp, all governmental bodies, have committed to purchase all their electricity from the GET programme.

On the corporate front, Nestle Malaysia for example, has stated that it would fully transition to RE across all its operations in Malaysia as of Jan 1, 2022, allowing it to reduce emissions by 75,000 tonnes of carbon dioxide equivalent every year.

TNB has stated that it planned to invest RM22 billion in 2022-2024 under the Incentive-Based Regulation (IBR) framework to continue developing the grid of the future into a key enabler of the energy transition, supporting the country's goal to shift from using fuel to 31 per cent of RE by 2025.

KeTSA Former Minister Datuk Seri Takiyuddin Hassan also expressed his ministry's commitment in pursuing its agenda to ensure that the country's natural resources are safeguarded and managed sustainably and responsibly for future generations. Takiyuddin said that in line with the agenda to address the country's climate change, KeTSA is also committed to increasing electricity generation from renewable energy sources through the Electricity Supply Generation Development Plan 2021-2039.

(Source: Media release entitled "Power sector boosted by better demand" dated 16 December 2021, TNB's website)

Policies such as Net Energy Metering ("**NEM**") 3.0, Smart Automation Grants ("**SAG**"), and Green Investment Tax ("**Gita**") have been helpful in allowing the clean energy industry in Malaysia to thrive.

The NEM allows electricity bill rebates with solar setups leading to attractive return on investment offers. The scheme's quota for businesses, NEM Net Offset Virtual Aggregation, was quickly oversubscribed proving its popularity. The Gita and capital allowance are great motivators for business owners as they are eligible for these tax allowances of up to 48%.

Bank Negara Malaysia also allocated RM1 billion to assist small medium enterprises (SME) in adopting sustainable and low carbon practices.

(Source: Media release entitled "Malaysia's renewable energy outlook 2022" dated 18 January 2022, The Sun Daily)

4.3 Prospects of ASSB and the enlarged Reneuco Group

Over the years, Reneuco Group has established itself as a company that is mainly involved in sustainable energy and utilities activities. Reneuco's sustainable energy and utilities business involves construction related activities covering EPCC as well as specialised engineering services that are spread over various projects locally and internationally. Other than the construction related activities business segment, the Company operates in other business segments including logistics, healthcare, property development and property investment.

A summary of the Group's revenue and PAT performance for the past 3 financial years up to the FYE 30 June 2022 is set out below:-

	<-----Audited FYE 30 June----->		
	2020	2021	2022
	RM'000	RM'000	RM'000
Revenue	95,843	386,091	140,376
Construction related activities for the RE sector	79,571	361,087	118,317
Property development and investment	15,616	9,250	3,274
Healthcare	656	5,513	946
Logistics	-	10,241	17,839
PBT	17,906	51,402	15,694
PAT attributable to owners of the Company	12,786	37,463	5,953

Based on the table above, the Group recorded a lower revenue of RM140.37 million for the audited FYE 30 June 2022, as compared to revenue of RM386.09 million in the preceding financial year, as a result of lower revenue generated from the Group's construction related activities segment. The Group also recorded a lower PBT and PAT attributable to the owners of the Company of RM15.69 million and RM5.95 million for the audited FYE 30 June 2022, as compared to PBT and PAT attributable to the owners of the Company of RM51.40 million and RM37.46 million in the preceding financial year, mainly due to lower PBT and PAT attributable to the owners of the Company arising from the Group's construction related activities segment.

The decreases in revenue, PBT and PAT attributable to owners of the Company for the audited FYE 30 June 2022 as compared to the preceding financial year were mainly due to lower construction contribution from on-going construction projects as a result of slower progress works. The delay in progress works were mainly caused by operational and supply chain disruptions, as well as labour shortages in the construction industry that had resulted from the two-year economic shutdown caused by the COVID-19 pandemic.

Despite the Group's financial performance for the FYE 30 June 2022, Reneuco remains focused towards ensuring the stability and growth of the Group. To achieve this, the Group will continue to focus on its core business which is in the sustainable economy. On 10 May 2022, Mikrogrid Lestari Sdn Bhd ("**MLSB**"), a 55%-owned subsidiary of Reneuco via Reneuco RE, had been selected as one of the successful bidders under the FiT e-bidding exercise conducted by SEDA for the development of small hydro power in Malaysia. Under the e-bidding exercise, MLSB shall develop small hydro power plants with a total capacity of 40.4MW in Gua Musang, Kelantan.

The Proposed Acquisition, together with MLSB's development of small hydro plants under the FiT Program and the Group's existing 50MW large-scale solar photovoltaic in its stable, will result in the Group's asset ownership under the renewable energy spectrum to increase to approximately 120MW, thus strengthening the Group's concession-based recurring income for a long-term sustainability on top of its existing EPCC contracts. At this juncture, the plan for ASSB Group is to direct its focus towards the Hydro Project that is currently being carried out by ORP. The Hydro Project is regarded as a long-term investment by ASSB Group, as it will enable them to generate a steady and recurring stream of income over a period of 21 years from the commercial operation date of each of the Hydro Plants.

The Proposed Acquisition will put Reneuco Group on a sustainable financial footing, hence improving its long-term prospects particularly to investors. Additionally, Reneuco Group has placed the right talents with the right competencies and diversity in place, equipping the Group with experienced professionals with a strong background in corporate governance and renewable energy sector.

Premised on the above and in view of the outlook of the renewable energy industry in Malaysia as set out in **Section 4.2, Part A** of this Circular, the Board, barring any unforeseen circumstances, is of the view that the Proposed Acquisition may potentially augur well for the growth prospects of the Group in the medium to long-term, given that the long-term outlook is bolstered by the market confidence in the renewable energy sector that is further supported by sound Government policies and increasing environmental, social and corporate governance (ESG) considerations.

Notwithstanding the foregoing, the Board intends to continue and make efforts in expanding other segments of the Group to diversify the Group's sources of revenue and earnings, instead of relying on a single business segment (i.e. construction related activities for the RE sector business segment) as set out below:-

Logistics segment

The Group, through its logistic arm, Chemtrax Sdn Bhd ("**Chemtrax**"), a 55%-owned subsidiary of Reneuco Logistics Sdn Bhd remains active in the Malaysia logistics industry and is confident in its long-term growth. Chemtrax is one of the leading transportation companies in Malaysia with more than 20 years of transporting hazardous chemicals and gas within Malaysia and Singapore. Chemtrax currently manages a fleet of 64 trucks, 16 international organization for standardisation tanks, and 7 other units consisting of barrels and trailers. The Group believes that Chemtrax's extensive experience and track record in the logistics industry with a strong clientele base will continue to contribute positively to the Group's earnings.

Chemtrax has been on an asset refresher programme and is reducing the average age of its fleet since 2021. Moving forward, the Group intends to expand the logistic segment via the acquisition of new businesses in other segments as well as shift its logistic fleet towards electric vehicles as an effort to further advance the Group's green and sustainable agenda.

Healthcare segment

The Group remains optimistic of its participation in the healthcare segment through the Group's 70%-owned subsidiary, Granulab (M) Sdn Bhd ("**Granulab**"). Granulab, a Bio-Nexus company, is the manufacturer of the Halal synthetic bone graft product, GranuMas, and Prosteomax, a Halal-certified synthetic bone cement.

By utilising Granulab's various patents, licenses, and certifications which complies with the international healthcare standards and backed by its technological capabilities, the Group is in line with the Malaysian Government's initiatives outlined under the Malaysia Healthcare Travel Industry Blueprint 2021-2025 by Malaysia Healthcare Travel Council (MHTC). The Malaysian Government plans to create the best Malaysia healthcare travel experience by 2025 based on three strategic pillars which are the Healthcare Travel Ecosystem, the Malaysia Healthcare Brand, and the Markets for Malaysia Healthcare.

Further, the Group would remain focused on the initial marketing efforts of the Halal-certified products in Muslim-majority countries and looks forward to strengthening its presence within the non-Muslim consumer market in the foreseeable future. The Group is confident that the healthcare segment has the potential to contribute to the Group's earnings in the long term by leveraging on its technical know-how, license, and certifications and it would emerge as a main driver for this segment.

Property development and investment segment

The Group had recently formed a joint venture in the property development segment with the Government of Terengganu ("**Terengganu State Government**") and Perbadanan Memajukan Iktisad Negeri Terengganu ("**PMINT**") through the development of affordable and mixed housing development at Kuala Nerus, Terengganu ("**Kuala Nerus Project**"). As part of the Group's commitment to promote sustainable development, the Group aims to integrate Reneuco's energy products specifically solar photovoltaic panels on each building to generate long term income under the net energy metering programme for the Kuala Nerus Project.

Kuala Nerus is in one of the Kuala Terengganu Growth Triangle of the East Coast Economic Region Development (ECER). Based on the ECER Master Plan 2.0, the Federal Government through the East Coast Economic Region Development Council (ECERDC) and the Terengganu State Government had indicated that the socio-economic growth in Terengganu will be driven by its existing key economic clusters, particularly manufacturing, tourism, agribusiness, and human capital development and attract a targeted RM26 billion in private investments by 2025. These private investments are projected to create 36,600 job opportunities and 15,550 new entrepreneurs among the locals.

Notwithstanding the above, the Group will remain cautious in growing its businesses in view of the current uncertainties in the overall global and local economies and it will take into consideration, amongst others, the financial requirements of the Group. With the right vision and strategies, the Group is confident that it can attain better earnings visibility, thus enhancing its long-term shareholders' value.

(Source: Management of Reneuco)

5. RISK FACTORS

ASSB is subject to risks inherent in the renewable energy industry, of which Reneuco Group is also subject to the similar known business and industry risks. Therefore, such risks factors associated with the Proposed Acquisition are already known and mitigating measures would have already been implemented and will continuously be implemented given Reneuco Group's experience in the renewable energy sector.

Nevertheless, the other potential risks that may have an impact on Reneuco Group, which may not be exhaustive pertaining to the Proposed Acquisition, are set out below:-

5.1 Delay or non-completion of the Proposed Acquisition

The Proposed Acquisition is subject to the fulfilment of the conditions precedent under the SSA and which include, amongst others, the approval of the shareholders of Reneuco and the approval of Bursa Securities for the listing of and quotation for the Consideration Shares on the Main Market of Bursa Securities. In the event that the conditions precedent are not satisfied and/or waived, or any of the termination events occur, the Proposed Acquisition will not be completed. The Proposed Acquisitions may also be delayed in the event that any of the dates for the fulfilment of the respective conditions precedent under the SSA is extended by mutual agreement of Reneuco and the Vendor. Nevertheless, Reneuco will take all necessary and reasonable steps to ensure the fulfilment of conditions precedent as set out in the SSA in a timely manner and to perform its obligations in accordance with the terms of the SSA to facilitate the completion of the Proposed Acquisition.

5.2 Acquisition risk

Although the Board believes that the Reneuco Group may derive benefits from the Proposed Acquisition, there is no assurance that the anticipated benefits of the Proposed Acquisition will be realised in the future or that the Reneuco Group will be able to generate sufficient returns arising from the Proposed Acquisition to offset the associated acquisition costs incurred.

Nevertheless, the Board has exercised due care in considering the potential risk and the benefits associated with the Proposed Acquisition which will be value accretive to Reneuco Group, after taking into consideration, inter alia, the prospects of ASSB and the experience and expertise of the management team of the Group in the renewable energy business.

5.3 Business and operational risks

The Proposed Acquisition is subject to business and operational risks inherent in the renewable energy industry which includes and is not limited to the following:-

- i. operational risks such as risk of degradation in the system's performance and/or unscheduled plant closure due to equipment damage or component failures where any unforeseen replacement of equipment or components which are not budgeted or covered by insurance and/or warranty claims may potentially impact the financial performance of the Reneuco Group;
- ii. increase in operational costs such as maintenance costs, labour costs, insurance premiums and administration costs due to exposure to inflationary pressures; and
- iii. changes in general economic and business conditions and the existence and/or development of other alternatives in the renewable energy industry.

There is no assurance that the abovementioned factors will not have any material adverse effect on the financial performance of ASSB. Reneuco will endeavour to manage the FiAH's business and operational risks inherent in the renewable energy industry by keeping abreast with the latest development in the renewable energy industry as well as employing measures including putting in place suitable policies (e.g. talent management and strategy policies).

5.4 Construction risks

The construction of the Hydro Project may be adversely affected by many factors including, inter alia, shortages of materials, equipment and labour, fluctuation of construction costs (higher raw materials and labour costs), labour disputes and adverse weather conditions. Construction delays, loss of revenue and cost over-runs are likely to result from such events, which could in turn materially and adversely affect the operations of the FiAH and in turn would affect the financial performance of Reneuco Group. Nonetheless, Reneuco has and will continue to make efforts to reduce its exposure to such inherent business risks. Amongst the key factors in reducing the risk of cost over-runs or project delays is the ability of Reneuco's experienced and hands-on project management team in planning for the avoidance of possible problems in the implementation stage, strong relationship with suppliers as well as the effective management of sub-contractors.

5.5 Licensing and registration risks

As a FiAH, ORP requires certain licenses and registrations to operate its business and must comply with all regulations applicable to the operation of its business in order to retain those licenses and registrations. In terms of the licenses and registrations required by a FiAH, ORP is required to submit the relevant applications to and obtain the approval from, amongst others, the following regulatory bodies for the Hydro Project:-

Type of licenses/ registrations	Authority/ regulatory body	Status of approval	Validity period
Feed-In Approval for Sungai Bengkoka Lower	SEDA	Obtained	21 years from 4 October 2018
Feed-In Approval for Sungai Bengkoka Upper	SEDA	Obtained	21 years from 4 October 2018
Feed-In Approval for Sungai Togohu	SEDA	Obtained	21 years from 4 October 2018
Pengecualian Cukai Pendapatan Bersamaan Elaun Cukai Pelaburan (" Letter of Exemption ")	Malaysian Investment Development Authority (" MIDA ")	Obtained	From 2 January 2018 to 31 December 2020 ^{*1}
Permit to Occupy Land in Forest Reserve	Forestry Department Sandakan, Sabah	Obtained	21 years from 1 July 2017
Licence for Public Installation – Sungai Bengkoka (Lower)	Energy Commission Malaysia	Obtained	21 years from 2 April 2020
Provisional Licence for Public Installation – Sungai Bengkoka (Upper)	Energy Commission Malaysia	Obtained	1 year from 9 March 2020 ^{*2}
Provisional Licence for Public Installation – Sungai Togohu	Energy Commission Malaysia	Obtained	1 year from 9 March 2020 ^{*2}

Notes:-

^{*1} The Letter of Exemption was issued by the MIDA to ORP to approve the exemption of income tax and investment tax allowance for Projek Teknologi Hijau ("**Exemption**") and had expired on 31 December 2020. As at the LPD, ORP is in the midst of applying for an extension of the Exemption from MIDA for capital expenditure incurred for the Hydro Project from 1 January 2021 onwards up until completion of the construction for the Hydro Plants.

^{*2} The Provisional Licence for Public Installation for Sungai Bengkoka (Upper) and Sungai Togohu ("**Provisional Licenses**") had expired on 9 March 2021. The Provisional Licences have not been applicable since 2022 and ORP is only required to pay for a permanent license after the completion of construction of the Hydro Plants.

If ORP fails to retain any of these licenses or registrations or obtain renewals thereof, in a timely manner or at all, the business of ORP could be adversely affected and in turn, the enlarged Reneuco Group may also be adversely affected. Notwithstanding, the Group seeks to limit these risks through the implementation of strict compliance procedures for the business operations of ORP.

5.6 Valuation risk

The valuation for the Proposed Acquisition is subject to certain terms of reference, assumptions and limitations. There is no assurance all amounts, rates and items used in the calculations will be achieved, be applicable or be appropriate as contemplated in the valuation, or that the future cash flow analysed will actually be realised and its benefits received by the Company after the Proposed Acquisition. In applying valuation principles, certain subjective judgement is involved in arriving at the valuation. If the risk considerations identified in the valuation for the Proposed Acquisition or other relevant risks become applicable, the fair valuation could be adversely affected.

5.7 Financing and repayment of borrowings risk

As highlighted in **Section 2.2, Part A** of this Circular, as at the LPD, ASSB Group's bank borrowings stood at approximately RM183.60 million and the Company expects to incur the ORP Additional Financing to finance the structural strengthening works as well as the remaining works for the completion of hydro plants 1 and 3 amounting to RM70.00 million. Pursuant to the Proposed Acquisition, the Group will assume the existing and future borrowings of ASSB Group. In view of the foregoing, any additional borrowings and/ or unexpected increase in interest rates may result in an increase in interest expense, which may affect the Group's profitability and debt repayment obligations. There can be no assurance that the Group will be able to meet its borrowing commitments imposed by the financial institutions in the event of any unexpected increase in interest rates in the future. In addition, the Group's credit facilities may also be subject to review by the financial institutions and contain certain covenants, which may limit the Group's operating and financing flexibility. Nonetheless, the Group will take all reasonable steps (i.e. monitor its debt levels and adopt cost-effective financing actions) to prevent the failure of the Group to fulfil its payment obligations and thereby mitigating the aforesaid risks.

5.8 The Group may not be able to receive the insurance compensation for damages incurred for the Hydro Project

As highlighted in **Section 2.2, Part A** of this Circular, some parts of the Hydro Plants have sustained damages caused by force majeure events, of which the estimated damages are approximately RM50.00 million. As at the LPD, the insurers for the Hydro Plants had appointed an adjuster to appraise the estimated losses and the assessment is still on-going. Notwithstanding this, there is no assurance that the damages suffered for the Hydro Plants will be sufficiently covered by insurance and as such, claims for such damages which are not adequately covered by the insurance coverage may have an adverse impact on the Group's financial condition or operations.

6. EFFECTS OF THE PROPOSED ACQUISITION

As at the LPD, the total issued share capital of Reneuco was RM162,991,954 comprising 571,546,777 Reneuco Shares. In addition, as at the LPD, the Company has a total of 150,774,529 Warrants.

For information purposes, on 12 January 2023, M&A Securities Sdn Bhd ("**M&A**") had, on behalf of the Board, announced that the Company proposed to undertake a private placement of up to 10% of the total number of issued Reneuco Shares ("**Private Placement**"). For the avoidance of doubt, the Company had at its last AGM convened on 7 December 2022, obtained the approval from its shareholders, whereby the Board had been authorised to issue and allot new Reneuco Shares pursuant to Sections 75 and 76 of the Act.

Subsequently, on 19 January 2023, M&A had, on behalf of the Board, announced that Bursa Securities had on even date, resolved to approve the listing and quotation of up to 54,279,600 new Shares ("**Placement Shares**"). On 14 March 2023, the Company had placed out 28,750,000 Placement Shares and as at the LPD, the Company may place out a remaining of 25,529,600 Placement Shares ("**Remaining Placement Share(s)**") pursuant to the Private Placement.

The effects of the Proposed Acquisition on the issued share capital, NA and gearing, earnings and EPS and substantial shareholdings structure are illustrated under the following scenarios:-

Minimum Scenario	: Assuming none of the Warrants are exercised and none of the Remaining Placement Shares are placed out prior to the implementation of the Proposed Acquisition
Maximum Scenario	: Assuming the full exercise of the Warrants and full issuance of the Remaining Placement Shares prior to the implementation of the Proposed Acquisition

6.1 Issued share capital

The pro forma effects of the Proposed Acquisition on the issued share capital of the Company are as follows:-

	<----Minimum Scenario---->		<----Maximum Scenario---->	
	No. of Shares '000	RM'000	No. of Shares '000	RM'000
Issued share capital as at the LPD	571,547	162,992	571,547	162,992
Assuming the full exercise of the Warrants	-	-	150,774	376,936 ^{*1}
	571,547	162,992	722,321	539,928
Assuming the full issuance of the Remaining Placement Shares	-	-	25,529	7,659 ^{*2}
	571,547	162,992	747,850	547,587
Issuance of Consideration Shares	318,181	70,000 ^{*3}	318,181	70,000 ^{*3}
Enlarged issued share capital	889,728	232,992	1,066,031	617,587

Notes:-

^{*1} Computed based on the exercise price of RM2.50 per Warrant.

^{*2} Computed based on the indicative issue price of RM0.30 per Placement Share.

^{*3} Computed based on the Issue Price of RM0.22 per Consideration Share.

6.2 Earnings and EPS

Upon completion of the Proposed Acquisition, ASSB will become a wholly-owned subsidiary of Reneuco RE and accordingly, the future net profits of ASSB will be consolidated into the Group's financial statements. For illustrative purpose only, assuming that the Proposed Acquisition had been effected at the beginning of the FYE 30 June 2022, the pro forma effects of the Proposed Acquisition on the earnings and EPS of the Group are as follows:-

Minimum Scenario

	Audited as at FYE 30 June 2022 RM'000	I Subsequent events up to the LPD ^{*1} RM'000	II After I and the Proposed Acquisition RM'000
PAT/ (LAT) attributable to owners of the Company	5,953	5,953	(5,903) ^{*1}
Number of Shares in issue ('000)	542,797	571,547	889,728
Basic EPS/ (LPS)^{*2} (sen)	1.10	1.04	(0.66)

Maximum Scenario

		I	II	III	IV
	Audited as at the 30 June 2022 RM'000	Subsequent events up to the LPD RM'000	After I and the full exercise of the Warrants RM'000	After II and the full issuance of the Remaining Placement Shares RM'000	After III and the Proposed Acquisition RM'000
PAT/ (LAT) attributable to owners of the Company	5,953	5,953	5,953	5,953	(5,903)* ¹
Number of Shares in issue ('000)	542,797	571,547	722,321	747,850	1,066,031
Basic EPS/ (LPS)*² (sen)	1.10	1.04	0.82	0.80	(0.55)

Notes:-

*¹ After accounting for the audited LAT of ASSB for the FYE 31 December 2021 represented by 100% equity interest in ASSB pursuant to the Proposed Acquisition of RM11.36 million, and after deducting the estimated expenses of approximately RM0.50 million in relation to the Proposed Acquisition.

*² Computed based on PAT/ (LAT) attributable to owners of the Company divided by the weighted average number of Shares.

The EPS and LPS of Reneuco Group will be correspondingly diluted as a result of the increase in number of Shares arising from the issuance of the Consideration Shares pursuant to the Proposed Acquisition. Notwithstanding that and barring any unforeseen circumstance, the Proposed Acquisition is expected to contribute positively to the Group's consolidated earnings for future financial years as and when the Hydro Project commences operations and generate a steady stream of revenue and cash flow.

6.3 NA and gearing

Based on the latest audited consolidated statements of financial position of the Group as at 30 June 2022, the pro forma effects of the Proposed Acquisition on the NA per Share and gearing of the Group are as follows:-

Minimum Scenario

	Audited as at FYE 30 June 2022 RM'000	I Subsequent events up to the LPD* ¹ RM'000	II After I and the Proposed Acquisition RM'000
Share capital	156,379	162,992	232,992* ²
Other reserves	84	84	84
Retained earnings	49,278	49,278	48,778* ³
Shareholders' funds/ NA	205,741	212,354	281,854
No. of Shares in issue ('000)	542,797	571,547	889,728* ²
NA per Share (RM)	0.38	0.37	0.32
Total borrowings (RM'000)	24,948	24,948	207,289* ⁴
Gearing ratio (times)	0.12	0.12	0.74

Notes:-

*¹ After taking into account the issuance of 28,750,000 Placement Shares at an issue price of RM0.23 per Placement Share pursuant to the Private Placement.

*² Computed based on 318,181,819 Consideration Shares to be issued pursuant to the Proposed Acquisition at an Issue Price of RM0.22 per Consideration Share.

*³ After deducting estimated expenses of RM0.50 million in relation to the Proposed Acquisition.

*⁴ After consolidating the total borrowings of ASSB amounting to RM182.34 million, based on its audited accounts as at 31 December 2021.

Maximum Scenario

		I	II	III	IV
	Audited as at the 30 June 2022 RM'000	Subsequent events up to the LPD ^{*1} RM'000	After I and the full exercise of the Warrants RM'000	After II and the full issuance of the Remaining Placement Shares RM'000	After III and the Proposed Acquisition RM'000
Share capital	156,379	162,992	539,928 ^{*2}	547,587 ^{*3}	617,587 ^{*4}
Other reserves	84	84	84	84	84
Retained earnings	49,278	49,278	49,278	49,278	48,778 ^{*5}
Shareholders' funds/ NA	205,741	212,354	589,290	596,949	666,449
No. of Shares in issue ('000)	542,797	571,547	722,321	747,850	1,066,031
NA per Share (RM)	0.38	0.37	0.82	0.80	0.63
Total borrowings (RM'000)	24,948	24,948	24,948	24,948	207,289 ^{*6}
Gearing ratio (times)	0.12	0.12	0.04	0.04	0.31

Notes:-

^{*1} After taking into account the issuance of 28,750,000 Placement Shares at an issue price of RM0.23 per Placement Share pursuant to the Private Placement.

^{*2} Assuming the Warrants are fully exercised at the exercise price of RM2.50.

^{*3} Assuming the issuance of the maximum of up to 25,529,600 Remaining Placement Shares issuable under the Private Placement at the indicative issue price of RM0.30 per Placement Share.

^{*4} Computed based on 318,181,819 Consideration Shares to be issued pursuant to the Proposed Acquisition at the Issue Price of RM0.22 per Consideration Share.

^{*5} After deducting estimated expenses of RM0.50 million in relation to the Proposed Acquisition.

^{*6} After consolidating the total borrowings of ASSB amounting to RM182.34 million, based on its audited accounts as at 31 December 2021.

6.4 Substantial shareholding structure

The pro forma effects of the Proposed Acquisition on the substantial shareholders' shareholding of the Company are set out below:-

Minimum Scenario

Substantial shareholders	Shareholdings as at the LPD				I After the Proposed Acquisition			
	<----- Direct ----->		<----- Indirect ----->		<----- Direct ----->		<----- Indirect ----->	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Datuk Mustakim	38,509,600	6.74	1,440,080 ^{*1}	0.25	38,509,600	4.33	231,959,561 ^{**2}	26.07
OVS ^{B4*5}	-	-	-	-	230,519,481	25.91	-	-
OHP ^{*4}	-	-	-	-	-	-	230,519,481 ^{*3}	25.91
Amirul ^{*4}	20	-*	-	-	20	-*	230,519,481 ^{*2}	25.91
E&E ^{*4}	-	-	-	-	87,662,338	9.85	-	-

Maximum Scenario

Substantial shareholders	Shareholdings as at the LPD				I Assuming full exercise of the Warrants			
	<----- Direct ----->		<----- Indirect ----->		<----- Direct ----->		<----- Indirect ----->	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Datuk Mustakim	38,509,600	6.74	1,440,080 ^{*1}	0.25	38,509,600	5.33	1,440,080 ^{*1}	0.20
OVS ^{B4*5}	-	-	-	-	-	-	-	-
OHP ^{*4}	-	-	-	-	-	-	-	-
Amirul ^{*4}	20	-*	-	-	20	-*	-	-
E&E ^{*4}	-	-	-	-	-	-	-	-

Substantial shareholders	II After I and the full issuance of the Remaining Placement Shares				III After II and the Proposed Acquisition			
	<----- Direct ----->		<----- Indirect ----->		<----- Direct ----->		<----- Indirect ----->	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Datuk Mustakim	38,509,600	5.15	1,440,080 ^{*1}	0.19	38,509,600	3.61	231,959,561 ^{**2}	21.76
OVS ^B	-	-	-	-	230,519,481	21.62	-	-
OHP	-	-	-	-	-	-	230,519,481 ^{*3}	21.62
Amirul	20	-*	-	-	20	-*	230,519,481 ^{*2}	21.62
E&E	-	-	-	-	87,662,338	8.22	-	-

Notes:-

* *Negligible.*

*1 *Deemed interest pursuant to Section 8 of the Act by virtue of his shareholding in Grand Deal Vision Sdn Bhd.*

*2 *Deemed interest pursuant to Section 8 of the Act by virtue of his shareholding in OHP.*

*3 *Deemed interest pursuant to Section 8 of the Act by virtue of its shareholding in OVSB.*

*4 *Upon the completion of the Proposed Acquisition, OVSB, OHP, Amirul and E&E will emerge as substantial shareholders of Reneuco.*

*5 *As at the LPD, OHP owns the entire equity interest in OVSB, whereas Datuk Mustakim, Amirul and Zainal Azwadi Bin Zainal Abidin has shareholdings of 51%, 30% and 19% in OHP respectively.*

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6.5 Convertible securities

As at the LPD, save for the Warrants, the Company does not have any other convertible securities.

The Proposed Acquisition is not expected to give rise to any adjustments on the Warrants.

7. HISTORICAL SHARE PRICE

The monthly highest and lowest market prices of Reneuco Shares as traded on Bursa Securities for the past 12 months from April 2022 to March 2023 are set out below:-

	High RM	Low RM
2022		
April	0.620	0.495
May	0.540	0.400
June	0.455	0.280
July	0.290	0.215
August	0.320	0.240
September	0.265	0.200
October	0.245	0.210
November	0.255	0.210
December	0.380	0.220
2023		
January	0.375	0.260
February	0.310	0.255
March	0.280	0.200

Last transacted market price of Reneuco Shares as at the LTD RM0.230

Last transacted market price of Reneuco Shares as at the LPD RM0.210

(Source: Bloomberg)

8. HIGHEST PERCENTAGE RATIO APPLICABLE

The highest percentage ratio applicable pursuant to Paragraph 10.02(g) of the Listing Requirements is approximately 92.53%, calculated based on the total assets of ASSB to be acquired under the Proposed Acquisition, over the latest audited total assets of Reneuco.

9. APPROVALS REQUIRED

The Proposed Acquisition is subject to the following approvals being obtained:-

- i. Bursa Securities, for which the approval was obtained vide its letter dated 5 April 2023 for the listing and quotation of 318,181,819 Consideration Shares to be issued pursuant to the Proposed Acquisition on the Main Market of Bursa Securities subject to the following conditions:-

Conditions	Status of Compliance
a. Reneuco and UOBKH must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Acquisition.	To be complied
b. Reneuco is required to provide a certified true copy of the resolution passed by shareholders in the EGM to be convened approving the Proposed Acquisition prior to the listing and quotation of the Consideration Shares.	To be complied
c. Reneuco and UOBKH are required to inform Bursa Securities upon completion of the Proposed Acquisition.	To be complied
d. Reneuco and UOBKH are required to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Acquisition is completed.	To be complied

- ii. the shareholders of Reneuco for the Proposed Acquisition and the waiver of their preemptive rights under Section 85(1) of the Act read together with clause 12(3) of the Constitution of the Company^{*1} to be offered new Reneuco Shares to be issued pursuant to the Proposed Acquisition at the forthcoming EGM of the Company, which will result in a dilution of their shareholding percentage in the Company; and
- iii. any other relevant authority and/ or party, if required.

The Proposed Acquisition is not conditional upon any other proposal undertaken or to be undertaken by the Company.

Note:-

^{*1} Section 85(1) of the Act provides that:-

"Subject to the constitution, where a company issues shares which rank equally to existing shares as to voting or distribution rights, those shares shall first be offered to the holders of existing shares in a manner which would, if the offer were accepted, maintain the relative voting and distribution rights of those shareholders."

Clause 12(3) of the Constitution of the Company states that:-

- (a) *Subject to the Act, the Listing Requirements and any direction to the contrary that may be given by the Company in general meeting, all new shares or other convertible securities shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled;*
- (b) *The offer shall be made by notice specifying the number of shares or securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the Directors may dispose of those shares or securities in such manner as they think most beneficial to the Company; and*
- (c) *The Directors may likewise also dispose of any new share or security which (by reason of the ratio which the new shares or securities bear to shares or securities held by persons entitled to an offer of new shares or securities) cannot, in the opinion of the Directors, be conveniently offered under this Constitution."*

By voting in favour of the ordinary resolution for the Proposed Acquisition, the shareholders of the Company are deemed to have waived their pre-emptive rights pursuant to Section 85(1) of the Act and Clause 12(3) of the Constitution of the Company to be first offered the Reneuco Shares which will result in a dilution of their shareholding percentage in the Company.

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

Save as disclosed below, none of the Directors, chief executives, major shareholders of Reneuco and/ or persons connected with them has any interests, whether direct or indirect in the Proposed Acquisition:-

- i. Datuk Mustakim is the Executive Chairman of Reneuco, and a director and major shareholder in OVSB. As at the LPD, he holds 6.74% direct equity interest in Reneuco and 0.25% indirect equity interest in Reneuco by virtue of his shareholding in Grand Deal Vision Sdn Bhd pursuant to Section 8 of the Act. He also has an indirect interest in OVSB; and
- ii. Amirul is the Group Chief Executive Officer of Reneuco, and a director and major shareholder in OVSB. As at the LPD, he holds <0.01% direct equity interest in Reneuco. He also has an indirect interest in OVSB.

In view of the above, Datuk Mustakim and Amirul are deemed interested in the Proposed Acquisition.

Accordingly, the Interested Director has abstained and will continue to abstain from deliberating and voting on the Proposed Acquisition at the relevant Board meetings. The Interested Parties will abstain from voting in respect of their respective direct and/ or indirect shareholding in Reneuco, if any, and have undertaken to ensure that persons connected with them will abstain from voting in respect of their respective direct and/ or indirect shareholding in Reneuco, if any, on the resolution pertaining to the Proposed Acquisition at the forthcoming EGM of the Company.

11. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board (save for the Interested Director), having considered all aspects of the Proposed Acquisition, including the rationale and justification for the Proposed Acquisition, the terms and conditions of the SSA, the effects of the Proposed Acquisition, the future prospects of ASSB and the enlarged Reneuco Group, and the view of the Independent Adviser, is of the opinion that the Proposed Acquisition is in the best interest of the Company and that the terms and conditions of the SSA are fair and reasonable.

Accordingly, the Board (save for the Interested Director) recommends that you **vote in favour** of the ordinary resolution pertaining to the Proposed Acquisition at the EGM.

12. AUDIT COMMITTEE'S RECOMMENDATION

The Audit Committee of the Company, after taking into consideration the views of the Independent Adviser, is of the opinion that the Proposed Acquisition is:-

- i. in the best interest of the Company;
- ii. fair, reasonable and on normal commercial terms; and
- iii. not detrimental to the interest of the minority shareholders of the Company.

In forming its view, the Audit Committee of Reneuco has taken into consideration, amongst others, the following:-

- i. the rationale and justification of the Proposed Acquisition;
- ii. the salient terms of the SSA;
- iii. the basis and justification of arriving at the Purchase Consideration; and
- iv. the financial effects of the Proposed Acquisition.

13. TRANSACTIONS WITH RELATED PARTY(IES) FOR THE PRECEDING 12 MONTHS

Save as disclosed below, there were no transactions entered into between Reneuco Group and the Interested Parties, the Vendor and/ or the persons connected to them during the 12 months preceding the date of this Circular:-

- i. the Proposed Acquisition (being the subject matter of Part A of this Circular);
- ii. the RRPT which have been tabled and approved by the shareholders of the Company at the Company's 24th AGM on 14 December 2021; and
- iii. the RRPT which have been tabled and not approved by the shareholders of the Company at the Company's 25th AGM on 7 December 2022.

14. ESTIMATED TIMEFRAME FOR COMPLETION AND TENTATIVE TIMETABLE FOR IMPLEMENTATION

Barring any unforeseen circumstances, the Proposed Acquisition is expected to be completed in the second quarter of 2023.

Date	Events
27 April 2023	<ul style="list-style-type: none">• Convening of the EGM to obtain approval for the Proposed Acquisition
Second quarter of 2023	<ul style="list-style-type: none">• Issuance and allotment of Consideration Shares• Listing of the Consideration Shares on the Main Market of Bursa Securities• Fulfilment of conditions precedent of the SSA

15. PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save for the Private Placement and the Proposed Acquisition (being the subject matter of Part A of this Circular), the Board is not aware of any other outstanding proposals which have been announced but not yet completed as at the date of this Circular.

16. ADVISERS

UOBKH has been appointed as the Principal Adviser for the Proposed Acquisition.

As the Proposed Acquisition is a RPT pursuant to Paragraph 10.08 of the Listing Requirements, SCA has been appointed to act as the Independent Adviser to advise the non-interested directors and non-interested shareholders of Reneuco on the Proposed Acquisition in accordance with the Listing Requirements, the opinion and details of which are set out in **Part B** of this Circular.

17. EGM

The Company's forthcoming EGM, the notice of which is enclosed in this Circular, will be conducted on a fully virtual basis through live streaming and online remote voting using the Remote Participation and Voting facilities ("**RPV**") via Cloud AGM Platform operated by ARB WeMeet Sdn Bhd at <https://member.arbwemeet.com> (Domain registration numbers with MYNIC: D1A457700), on Thursday, 27 April 2023, at 10.30 a.m., for the purpose of considering and, if thought fit, passing, inter alia, the ordinary resolution pertaining to the Proposed Acquisition, with or without modifications, the resolution to give effect to the Proposed Acquisition.

A member entitled to attend, participate and vote remotely at the EGM using RPV facilities via Cloud AGM Platform operated by ARB WeMeet Sdn Bhd at <https://member.arbwemeet.com> (Domain registration numbers with MYNIC: D1A457700). If you are unable to attend and vote remotely at the EGM, you are entitled to appoint proxy(ies) by completing and lodging the Proxy Form enclosed in this Circular in accordance with the instructions therein to the Company's Registered Office at G-3AF-3, Level 3AF, Block G, Garden Office @ Encorp Strand, No. 12, Jalan PJU 5/1, Kota Damansara, 47810 Petaling Jaya, Selangor, Malaysia or email to admin@aldpro.com.my not less than forty-eight (48) hours before the time set for holding the EGM or any adjournment thereof.

18. FURTHER INFORMATION

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

Yours faithfully,

For and on behalf of the Board

RENEUCO BERHAD (FORMERLY KNOWN AS KPOWER BERHAD)

SARAH AZREEN BINTI ABDUL SAMAT

Non-Independent Non-Executive Deputy Chairman

PART B

**INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF
RENEUCO IN RELATION TO THE PROPOSED ACQUISITION**

EXECUTIVE SUMMARY

All definitions used in the Executive Summary shall have the same meaning as the words and expressions as defined in the “Definitions” section as well as the relevant sections in Part A of the Circular except where the context otherwise requires or where otherwise defined in this Independent Advice Letter (“IAL”). All references to “you” are references to the non-interested shareholders of Reneuco, whilst references to “we, us or our” are references to SCA, being the Independent Adviser for the Proposed Acquisition.

This Executive Summary summarises this IAL. You are advised to read and understand this IAL in its entirety, together with the letter from the Board (save for the Interested Directors) as set out in Part A of the Circular together with the accompanying appendices for other relevant information and not to rely solely on the Executive Summary before forming an opinion on the Proposed Acquisition.

You are also advised to carefully consider the recommendations contained in both the letters before voting on the resolution to give effect to the Proposed Acquisition to be tabled at the forthcoming EGM of the Company. If you are in doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

1. INTRODUCTION

On 26 April 2022, the Board had announced that Reneuco RE, a wholly owned subsidiary of Reneuco had on 25 April 2022 entered into a HOA with PFSB, for Reneuco to acquire up to 5,000,000 ordinary shares in ORP, representing 100% equity interest in ORP for a total consideration of up to RM130,000,000 to be satisfied via a combination of cash and issuance of new shares in Reneuco.

Subsequent to the announcement of the HOA, the Company was made aware that Inno Hydropower (B) Sdn Bhd, being the beneficial owner of 30% equity interest in ORP may not have the intention to participate in the acquisition exercise. Pursuant thereto, the Company had decided not to proceed with the acquisition of ORP and will instead acquire the direct holding company of PFSB, namely ASSB. Further details of the group structure of ASSB Group are set out in **Section 2, Part A** of the Circular.

On 19 October 2022, UOBKH had on behalf of the Board, announced that Reneuco RE had on even date, entered into a conditional SSA with the Vendor for the acquisition by Reneuco RE of 10,000 ordinary shares in ASSB, representing the entire equity interest in ASSB for a purchase consideration of RM90,000,000, to be satisfied via a combination of cash payment of RM20,000,000 and the allotment and issuance of 318,181,819 Reneuco Shares amounting to RM70,000,000 at an issue price of RM0.22 per Consideration Share, subject to the terms and conditions contained in the SSA. Further details on the method of the settlement of the Purchase Consideration for the Proposed Acquisition are set out in **Section 2.8, Part A** of the Circular.

The Proposed Acquisition entails the indirect acquisition of 70% equity interest in ORP, a FIAH for the Hydro Project involving the development of three (3) small hydro plants located in Kota Marudu, Sabah, Malaysia. Further details of the Hydro Project are set out in **Section 2.2, Part A** of the Circular.

The Proposed Acquisition is deemed a RPT under Paragraph 10.08 of the Listing Requirements in view of the interests of Datuk Mustakim and Amirul in both Reneuco and OVSB, further details of which are set out in **Section 10, Part A** of the Circular.

The Board, save for the Interested Directors, had on 19 October 2022 appointed Mercury Securities as the independent adviser to advise the Company's non-interested Directors and non-interested shareholders in relation of the Proposed Acquisition.

EXECUTIVE SUMMARY (cont'd)

On 28 February 2023, the Company had announced that Mercury Securities had tendered its resignation on the grounds of mutual termination with the Company, and the Board (save for the Interested Directors) had accepted Mercury Securities' resignation and appointed SCA as the new Independent Adviser to advise the Company's non-interested Directors and non-interested shareholders in respect of the Proposed Acquisition.

Subsequently, on 5 April 2023, UOBKH had, on behalf of the Board, announced that Bursa Securities had vide its letter dated 5 April 2023, resolved to approve the listing of the Consideration Shares on the Main Market of Bursa Securities, subject to the terms and conditions as set out in **Section 9, Part A** of the Circular.

2. EVALUATION ON THE PROPOSED ACQUISITION

In evaluating the Proposed Acquisition, we have taken into consideration the following:-

Section in this IAL	Area of evaluation	SCA's comments
Section 6.1	Rationale and justification for the Proposed Acquisition	<p>We concur with the rationale set out in Section 3, Part A of the Circular and opine that the Proposed Acquisition would accord Reneuco Group the following benefits:</p> <ul style="list-style-type: none">(i) The Proposed Acquisition is in line with the Reneuco Group's strategy to expand its core business as it would allow the Reneuco Group to own and operate the Hydro Project and thereby increasing its renewable energy assets from 90.4MW to 119.5MW;(ii) The Proposed Acquisition would accelerate the Reneuco Group's expansion into the renewable energy business in view that hydro plant 2 has commenced operations whilst hydro plant 1 and hydro plant 3 are expected to commence operations by 30 June 2023;(iii) The Proposed Acquisition is earnings accretive by virtue of the concession-based recurring revenue of the Hydro Project as it entails the contractual sales of its renewable energy to Sabah Electricity Sdn Bhd ("SESB"), a subsidiary of Tenaga Nasional Berhad, over the concession period of 21 years from the respective commercial operation dates of the hydro plants;(iv) The Proposed Acquisition is expected to contribute positively to the enlarged Reneuco Group's future financial performance upon commencement of operations of the 3 hydro plants, thereby enhancing Reneuco's shareholders' value; and(v) The issuance of Consideration Shares would reduce the cash outlay required for the Proposed Acquisition and thereby, allowing the Reneuco Group to incur less finance cost and keep its gearing at a manageable level.

EXECUTIVE SUMMARY (cont'd)

Section in this IAL	Area of evaluation	SCA's comments
		<p>Hence, we are of the view that the rationale and justification for the Proposed Acquisition are reasonable and not detrimental to the interest of the non-interested shareholders.</p>
<p>Section 6.2</p>	<p>Basis and justification for the Purchase Consideration</p>	<p>The Company had appointed Mercury Securities to provide an opinion on the fair market value of the entire equity interest in ASSB. In assessing the basis and justification of arriving at the Purchase Consideration, we have considered the Valuation Letter as set out in Appendix IV of the Circular as part of our evaluation.</p> <p>We noted that Mercury Securities has adopted the SOPV methodology in determining the equity interest of ASSB Group which comprises a mix of DCF valuation method for the Hydro Project held under ORP, NA valuation method for PFSB (company level) and RNAV valuation for ASSB (company level), after taking into consideration the nature of assets, the business and the estimated future cash flows of ASSB Group.</p> <p>We have compared our valuation against Mercury Securities' valuation in arriving at our opinion on the fair market value of the entire equity interest in ASSB.</p> <p>We have evaluated and are satisfied with the results of the valuation based on the reasonableness of the methodologies, key assumptions made and risks highlighted in its valuation. We are of the view that the bases and assumptions of the Financial Projections (as defined in Section 6.2.1 (i) of this IAL) prepared by the Representatives of ASSB Group are reasonable and the valuation of the ASSB Group (including Vendor Advances) derived by Mercury Securities is approximate the estimated market value range derived by SCA and thus, it is fair.</p> <p>Based on the SOPV methodology, the Purchase Consideration is at a 1.25% to 18.35% discount to the valuation range of RM91.14 million to RM110.23 million, as appraised by Mercury Securities.</p> <p>Based on the SOPV methodology, the Purchase Consideration is at a 1.63% to 18.07% discount to the valuation range of RM91.47 million to RM109.85 million, as appraised by SCA.</p> <p>Premised on our evaluation in the IAL, we are of the view that the Purchase Consideration of RM90.0 million is fair and the basis for arriving at the Purchase Consideration is reasonable.</p>
<p>Section 6.3</p>	<p>Basis and justification of the Issue Price of the Consideration Shares</p>	<p>We are of the view that the Issue Price is reasonable as it is equivalent to the 5-day and 1-month VWAPs of Reneuco Shares up to LTD of RM0.22, being the recent market prices of Reneuco Shares.</p>

EXECUTIVE SUMMARY (cont'd)

Section in this IAL	Area of evaluation	SCA's comments
Section 6.4	Salient terms of the SSA	On an overall basis, the salient terms stated in the SSA are deemed reasonable and not detrimental to the non-interested shareholders of the Company.
Section 6.5	Effects of the Proposed Acquisition	<p>The effects of the Proposed Acquisition under the Minimum Scenario and Maximum Scenario, on a pro forma basis, are summarised as follows:</p> <p>(i) Issued share capital</p> <p>Under the Minimum Scenario, the Proposed Acquisition will increase the share capital of Reneuco from RM162.99 million comprising 571.55 million Reneuco Shares to RM232.99 million comprising 889.73 million Reneuco Shares, as the consequential effect arising from the issuance of the Consideration Shares.</p> <p>Under the Maximum Scenario, the Proposed Acquisition will increase the share capital of Reneuco from RM162.99 million comprising 571.55 million Reneuco Shares to RM617.59 million comprising 1,066.03 million Reneuco Shares, as the consequential effect arising from the full exercise of Warrants, the full issuance of the Remaining Placement Shares, and issuance of the Consideration Shares.</p> <p>(ii) Earnings and earnings per share</p> <p>Upon completion of the Proposed Acquisition:-</p> <p>(a) the financial results of Reneuco Group changed from PAT of RM5.95 million to LAT of RM5.90 million after consolidation of ASSB's audited LAT of RM11.36 million for the FYE 31 December 2021 and after deducting the estimated expenses of approximately RM0.50 million in relation to the Proposed Acquisition; and</p> <p>(b) the EPS of Reneuco Group will reduce from EPS of RM1.10 to LPS of RM0.66 under the Minimum Scenario while the Maximum Scenario will reduce the Group's EPS to a LPS of RM0.55, in line with the changes of financial results. Thus, EPS/ LPS will be correspondingly diluted as a result of the increase in number of Shares arising from the issuance of the Consideration Shares pursuant to the Proposed Acquisition. However, the Proposed Acquisition is expected to contribute positively to the Group's consolidated earnings for future years as and when the Hydro Project commences operations and generate a steady stream of revenue and cashflows.</p>

EXECUTIVE SUMMARY (cont'd)

Section in this IAL	Area of evaluation	SCA's comments
		<p>(iii) NA, NA per share and gearing</p> <p>The proforma effects of the Proposed Acquisition on the NA and gearing of the Reneuco Group based on the latest audited consolidated statements of financial position as at 30 June 2022 under the Minimum Scenario are as follows:</p> <p>(a) The pro forma NA as at 30 June 2022 will increase from RM205.74 million to RM281.85 million as a result of the increase in Reneuco's issued share capital following the subsequent events up to the LPD, which accounts for the issuance of 28,750,000 Placement Shares, and the issuance of Consideration Shares as part settlement of the Purchase Consideration;</p> <p>(b) the proforma NA per Share as at 30 June 2022 will decrease from RM0.38 to RM0.32 in view that the Issue Price of RM0.22 is lower than the Reneuco Group's NA per Share of RM0.38 as at 30 June 2022; and</p> <p>(c) the pro forma gearing of Reneuco Group as at 30 June 2022 will increase from 0.12 times to 0.74 times due to the consolidation of ASSB Group's existing bank borrowings.</p> <p>The proforma effects of the Proposed Acquisition on the NA and gearing of the Reneuco Group based on the latest audited consolidated statements of financial position as at 30 June 2022 under the Maximum Scenario are as follows:</p> <p>(a) The pro forma NA as at 30 June 2022 will increase from RM205.74 million to RM589.29 million after the issuance of 28,750,000 Placement Shares and the full exercise of the Warrants. Following that, the pro forma NA after the full issuance of the 25,529,600 Remaining Placement Shares and the Proposed Acquisition will further increase to RM666.45 million, as a result of the increase in Reneuco's issued share capital following the issuance of Consideration Shares as part settlement of the Purchase Consideration;</p> <p>(b) the proforma NA per Share as at 30 June 2022 will increase from RM0.38 to RM0.82 as a result of the issuance of 28,750,000 Placement Shares and the fully-exercised Warrants at its exercise price of RM2.50 per Warrant. Subsequently, the proforma NA per Share will decrease from RM0.82 to RM0.63 in view that the Issue Price of RM0.23 for the Remaining Placement Shares and RM0.22 for the issued Consideration Shares are lower than the Reneuco Group's NA per Share of RM0.82 following the full exercise of the Warrants; and</p>

EXECUTIVE SUMMARY (cont'd)

Section in this IAL	Area of evaluation	SCA's comments
		<p>(c) the pro forma gearing of Reneuco Group as at 30 June 2022 will decrease from 0.12 times to 0.04 times as a result of the increased proforma NA from RM205.74 million to RM589.29 million. Ensuing that and the full issuance of 28,750,000 Remaining Placement Shares, the Proposed Acquisition will result in an increase in gearing from 0.04 times to 0.31 times due to the consolidation of ASSB Group's existing bank borrowings.</p> <p>(iv) Substantial shareholding structure</p> <p>Upon completion of the Proposed Acquisition, OVSB, OHP, Amirul and E&E will emerge as new substantial shareholders of Reneuco, by virtue of their direct and/or indirect shareholdings, as a result of their respective receipt of the Consideration Shares pursuant to the Proposed Acquisition.</p> <p>(v) Convertible securities</p> <p>The Proposed Acquisition is not expected to give rise to any adjustments on the Warrants.</p> <p>We are of the view that the financial effects of the Proposed Acquisition are fair and not detrimental to the interest of the non-interested shareholders of Reneuco.</p>
<p>Section 6.6</p>	<p>Risk factors in relation to the Proposed Acquisition</p>	<p>The Proposed Acquisition is subject to the risk inherent in the RE industry, in which Reneuco Group is already involved and will be addressed as part of the Group's ordinary course of business.</p> <p>The non-interested Shareholders are also advised to give due and careful regard to other potential risk factors as mentioned in Section 5, Part A of the Circular.</p> <p>We also wish to highlight that although the Proposed Acquisition is expected to contribute positively to the future earnings of the Group as mentioned in Section 4.3, Part A of the Circular, there is no assurance that the expected benefits from the Proposed Acquisition will materialise or that Reneuco will be able to generate sufficient revenue and earnings therefrom to offset the associated costs incurred for the Proposed Acquisition.</p>
<p>Section 6.7</p>	<p>Industry overview and outlook and future prospects of ASSB and the enlarged Reneuco Group</p>	<p>After taking into consideration the industry overview of the RE industry as well as the prospects of ASSB and the enlarged Reneuco Group as mentioned in Section 4, Part A of the Circular, we are of the view that the Proposed Acquisition is reasonable to the Group and not detrimental to the interests of the non-interested shareholders of the Group.</p>

EXECUTIVE SUMMARY (cont'd)

Section in this IAL	Area of evaluation	SCA's comments
		Nonetheless, we wish to highlight that the RE industry is subject to uncertainties that are not within the Board's control which, amongst others, changes in policies of the Government of Malaysia and climate changes. The occurrence of any of such events may materially impact the RE industry and may adversely affect the Reneuco Group's financial performance.

3. CONCLUSION AND RECOMMENDATION

We have assessed and evaluated the Proposed Acquisition. Based on our evaluation in Section 6 of this IAL, we are of the opinion that, on the basis of the information available to us, the Proposed Acquisition is **fair** and **reasonable** insofar as you are concerned.

In the absence of unforeseen circumstances, the Proposed Acquisition is deemed to be in the best interest of the Group and **not detrimental** to the interests of the non-interested shareholders of Reneuco.

Accordingly, we recommend that you should **vote in favour** of the resolution to give effect to the Proposed Acquisition to be tabled at the forthcoming EGM of the Company.

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Registered Office

Suite 12-07,
Menara 1MK Kompleks 1 Mont Kiara,
No. 1 Jalan Kiara, Mont Kiara,
50480 Kuala Lumpur, Malaysia

12 April 2023

To: The Non-Interested Shareholders of Reneuco Berhad (formerly known as KPower Berhad)

Dear Sir/Madam,

INDEPENDENT ADVICE LETTER IN RELATION TO THE PROPOSED ACQUISITION (“IAL”)

This IAL is prepared for inclusion in Part B of the Circular. All the definitions used in this IAL shall have the same meaning as the words and expressions defined in the “Definitions” section of the Circular, except where the context otherwise requires or where otherwise defined in this IAL. All references to “we”, “us” or “our” are references to SCA, being the Independent Adviser for the Proposed Acquisition. All references to “you” and “your” are to Reneuco’s non-interested shareholders.

1. INTRODUCTION

On 26 April 2022, the Board had announced that Reneuco RE, a wholly owned subsidiary of Reneuco had on 25 April 2022 entered into a HOA with PFSB, for Reneuco to acquire up to 5,000,000 ordinary shares in ORP, representing 100% equity interest in ORP for a total consideration of up to RM130,000,000 to be satisfied via a combination of cash and issuance of new shares in Reneuco.

Subsequent to the announcement of the HOA, the Company was made aware that Inno Hydropower (B) Sdn Bhd, being the beneficial owner of 30% equity interest in ORP may not have the intention to participate in the acquisition exercise. Pursuant thereto, the Company had decided not to proceed with the acquisition of ORP and will instead acquire the direct holding company of PFSB, namely ASSB. Further details of the group structure of ASSB Group are set out in **Section 2, Part A** of the Circular.

On 19 October 2022, UOBKH had on behalf of the Board, announced that Reneuco RE had on even date, entered into a conditional SSA with the Vendor for the acquisition by Reneuco RE of 10,000 ordinary shares in ASSB, representing the entire equity interest in ASSB for a purchase consideration of RM90,000,000, to be satisfied via a combination of cash payment of RM20,000,000 and the allotment and issuance of 318,181,819 Reneuco Shares amounting to RM70,000,000 at an issue price of RM0.22 per Consideration Share, subject to the terms and conditions contained in the SSA. Further details on the method of the settlement of the Purchase Consideration for the Proposed Acquisition are set out in **Section 2.8, Part A** of the Circular.

The Proposed Acquisition entails the indirect acquisition of 70% equity interest in ORP, a FiAH for the Hydro Project involving the development of three (3) small hydro plants located in Kota Marudu, Sabah, Malaysia. Further details of the Hydro Project are set out in **Section 2.2, Part A** of the Circular.

The Proposed Acquisition is deemed a RPT under Paragraph 10.08 of the Listing Requirements in view of the interests of Datuk Mustakim and Amirul in both Reneuco and OVSB, further details of which are set out in **Section 10, Part A** of the Circular.

The Board, save for the Interested Directors, had on 19 October 2022 appointed Mercury Securities as the independent adviser to advise the Company's non-interested Directors and non-interested shareholders in relation of the Proposed Acquisition.

On 28 February 2023, the Company had announced that Mercury Securities had tendered its resignation on the grounds of mutual termination with the Company, and the Board (save for the Interested Directors) had accepted Mercury Securities' resignation and appointed SCA as the new Independent Adviser to advise the Company's non-interested Directors and non-interested shareholders in respect of the Proposed Acquisition.

The purpose of this IAL is to provide the non-interested shareholders of Reneuco with an independent evaluation as to:-

- (i) whether the Proposed Acquisition is fair and reasonable insofar as the non-interested shareholders are concerned;
- (ii) whether the Proposed Acquisition is detrimental to the non-interested shareholders; and
- (iii) our recommendation, subject to the scope and limitations of our role specified in this IAL, on whether the non-interested shareholders should vote in favour or against the resolution pertaining to the Proposed Acquisition to be tabled in the Company's forthcoming EGM.

Nonetheless, the non-interested shareholders of Reneuco should rely on their own evaluation of the merits of the Proposed Acquisition before making a decision on the course of action to be taken at the forthcoming EGM of the Company.

Subsequently, on 5 April 2023, UOBKH had, on behalf of the Board, announced that Bursa Securities had vide its letter dated 5 April 2023, resolved to approve the listing of the Consideration Shares on the Main Market of Bursa Securities, subject to the terms and conditions as set out in **Section 9, Part A** of the Circular.

Further details of the Proposed Acquisition are set out in the ensuing sections of the Circular.

THIS IAL IS PREPARED SOLELY FOR THE USE OF THE NON-INTERESTED SHAREHOLDERS OF RENEUCO TO CONSIDER THE PROPOSED ACQUISITION AND SHOULD NOT BE USED OR RELIED UPON BY ANY OTHER PARTY FOR ANY OTHER PURPOSE WHATSOEVER.

YOU ARE ADVISED TO READ AND UNDERSTAND BOTH THIS IAL AND THE LETTER FROM THE BOARD (SAVE FOR THE INTERESTED DIRECTORS) AS SET OUT IN PART A OF THE CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES, AND TO CAREFULLY CONSIDER THE RECOMMENDATIONS CONTAINED IN BOTH THE LETTERS BEFORE VOTING ON THE RESOLUTION TO GIVE EFFECT TO THE PROPOSED ACQUISITION TO BE TABLED AT THE FORTHCOMING EGM OF THE COMPANY.

IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, ACCOUNTANT, SOLICITOR OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

2. LIMITATIONS TO THE EVALUATION OF THE PROPOSED ACQUISITION

SCA was not involved in any formulation of or any deliberations and negotiations on the terms and conditions pertaining to the Proposed Acquisition. The terms of reference of our appointment as the Independent Adviser are in accordance with the requirements relating to Independent Adviser as set out in the Best Practice Guide in relation to IALs ("**IAL Guide**") issued by Bursa Securities.

Our terms of reference as the Independent Adviser are limited to expressing an independent opinion on the fairness and reasonableness of the Proposed Acquisition insofar as the non-

interested shareholders of the Company are concerned based on information and documents made available to us as set out below:-

- (i) information contained in Part A of the Circular and the accompanying appendices;
- (ii) the SSA dated 19 October 2022 entered into between Reneuco RE and the Vendor;
- (iii) the Valuation of ASSB Group as at 31 October 2022, being the Date of Opinion, prepared by Mercury Securities, being the Independent Valuer for the Proposed Acquisition, in its evaluation of the fairness of the Purchase Consideration;
- (iv) audited financial statements of ASSB Group for the FYE 31 December 2020 and FYE 31 December 2021;
- (v) management accounts of the ASSB Group for the 10-month FPE 31 October 2022;
- (vi) audited accounts of Reneuco for FYE 30 June 2021 and FYE 30 June 2022 and latest quarter unaudited accounts FYE 31 December 2022;
- (vii) other information, documents, confirmations and representations furnished to us by the Board (save for the Interested Directors), management and/or representatives of the Reneuco Group ("**Representatives of Reneuco**");
- (viii) the cash flow projections from 1 January 2022 to 31 December 2044 together with the underlying key bases and assumptions prepared by the management of ASSB ("**Financial Projections**"), other information, documents, confirmations and representations furnished to us by the directors, management and/or representatives of ASSB Group ("**Representatives of ASSB Group**");
- (ix) REPPA, Operation and Maintenance ("**O&M**") agreement, other relevant agreements regarding the operations of the Hydro Project;
- (x) other relevant information, documents, confirmations and/or representations provided by the Board and management of Reneuco; and
- (xi) other publicly available information which we deem relevant.

We have made all reasonable enquiries, performed reasonableness checks, and corroborated relevant information with independent sources, where possible. We are also guided by the Best Practice Guide in relation to Independent Advice Letters issued by Bursa Securities and we have relied on Reneuco Group and the Vendor as well as its Directors, management and/or representatives to take due care in ensuring that all information, documents and/or representations provided to us to facilitate our evaluation and which have been used, referred to and/or relied upon in this IAL have been fully disclosed to us, and are accurate, valid and complete in all material aspects and free from material omission.

The Board (save for the Interested Directors) has confirmed in writing to us that:

- (i) after making all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts, the omission of which would make any statement herein inaccurate, incomplete or misleading in any respect;
- (ii) all material facts and information required for the purpose of our evaluation of the Proposed Acquisition have indeed been disclosed to SCA, and there are no facts or information, the omission of which would make any information, confirmation and documents supplied to us misleading, or would materially affect the evaluation, view and recommendations of SCA in this IAL; and

- (iii) they have seen, reviewed and accepted this IAL and they individually and collectively accept full responsibility for the accuracy and correctness of the information contained herein.

After having made all reasonable enquiries and to the best of our knowledge and belief, the information used is reasonable, accurate, complete and free from material omission. We are satisfied that sufficient information has been disclosed to us in enabling us to formulate our recommendation. SCA shall not undertake any responsibility or liability for any misstatement of fact or any omissions herein.

The scope of our responsibilities regarding the evaluation and recommendation contained herein is confined to the assessment of the fairness, reasonableness and other implications of the Proposed Acquisition and whether the Proposed Acquisition is detrimental to the non-interested shareholders of Reneuco.

In rendering our advice, we have taken note of the pertinent matters, which we believe are necessary and of importance to an assessment of the implication of the Proposed Acquisition and therefore are of general concern to the non-interested shareholders of Reneuco to consider and form their views thereon.

Notwithstanding the foregoing, we:-

- (i) do not express any opinion on the commercial risks or commercial merits of the Proposed Acquisition which remains the sole responsibility of the Board, and where comments or points of consideration are included in certain pertinent matters which may be commercially oriented, these are incidental to our overall evaluation and matters of concern which may be deemed material for disclosure;
- (ii) do not express an opinion on legal, accounting and taxation issues relating to the Proposed Acquisition; and
- (iii) have not given consideration to the specific investment objective, risk profile, financial situation or particular needs of any individual shareholder or any specific group of shareholders. We recommend that any individual shareholder or group of shareholders who is/are in doubt as to the action to be taken or require advice in relation to the Proposed Acquisition in the context of their individual investment objectives, risk profiles, financial situations and particular needs to consult their respective stockbrokers, bank managers, solicitors, accountants or other professional advisers immediately. We will not be able to take responsibility for any damages or losses of any kind sustained or suffered by any individual shareholder or group of shareholders in reliance on the opinion stated herein for any purpose whatsoever.

Our views expressed in this IAL are, amongst others, based on economic, market and other conditions prevailing and the information and/or documents made available to us as at the LPD or such other period as specified herein. It is also based on the assumption that the parties to the SSA are able to fulfill their respective obligations thereto. Such conditions may change significantly over a short period of time. In addition, it should be noted that our evaluation and opinion expressed in this IAL do not take into account the information, events or conditions arising after the LPD or such other period as specified herein, as the case may be.

3. DECLARATION OF CONFLICT OF INTEREST AND OUR CREDENTIALS, EXPERIENCE AND EXPERTISE

Save for our current appointment as the Independent Adviser for the Proposed Acquisition, we have not had any professional relationship with Reneuco in the past 2 years prior to the LPD. Premised on the foregoing, we confirm that we are not aware of any conflict of interest that exists or likely to exist in relation to our role as the Independent Adviser for the Proposed Acquisition.

We are a holder of a Capital Markets Services License issued by the Securities Commission ("SC") as a Corporate Finance Adviser who is permitted to carry on the regulated activity of

advising on corporate finance under the Capital Market Services Act 2007. We provide a wide range of corporate finance services which includes advising on initial public offerings, IALs, fairness opinions, mergers and acquisitions, valuation exercises and transactions services.

Pursuant to Paragraph 6.2 of the Best Practice Guide in relation to Independent Advice Letter, there may be occasions where after the despatch of the main circular and IAL, we will notify the Shareholders if we become aware of the following:-

- (i) significant change affecting the information containing in the IAL;
- (ii) there is a false, misleading / deceptive statement provided in the IAL; and
- (iii) there is a material omission in the IAL.

Our credentials and experiences as an Independent Adviser include amongst others, the following:-

(i) IAL dated 14 May 2020 included in the circular of Dolphin International Berhad (“Dolphin”)

Independent advice to the non-interested shareholders of Dolphin in relation to the following:-

- (a) proposed disposal by Dolphin of its 80% equity interest in Dolphin Biogas Sdn Bhd to Asia Poly Green Energy Sdn Bhd for approximately RM2.1 million cash; and
- (b) proposed acquisition of 6,000,000 ordinary shares in Asia Poly Food and Beverage Sdn Bhd, representing its entire equity interest, by Dolphin from Uncle Don’s Holding Sdn Bhd and Asia Poly Holdings Berhad for a purchase consideration of RM22.0 million to be satisfied via issuance of 131,578,947 new Dolphin shares at an issue price of RM0.076 each and RM12.0 million cash.

(ii) IAL dated 15 June 2020 included in the circular of YKGI Holdings Berhad (“YKGI”)

Independent advice to the non-interested shareholders of YKGI in relation to the proposed repayment of the amount owing by YKGI to Marubeni-Itochu Steel Inc, who is a major shareholder of YKGI, in cash and the other terms and conditions of which are as contained in the repayment agreement.

(iii) IAL dated 11 September 2020 included in the circular of Annum Berhad (formerly known as Cymao Holdings Berhad) (“Cymao”)

Independent advice to the non-interested shareholders of Cymao in relation to the proposed disposal by Cymao of its entire equity interest in Poly-ply Industries Sdn Bhd to Zinton for a cash consideration of RM9.1 million.

(iv) IAL dated 19 November 2020 included in the circular of Vertice Berhad (“Vertice”)

Independent advice to the non-interested shareholders of Vertice in relation to the proposed disposal of 60% equity interest in Kumpulan Voir Sdn Bhd for a total cash consideration of approximately RM16.41 million.

(v) IAL dated 30 November 2020 included in the circular of Anzo Holdings Berhad (“Anzo”)

Independent advice to the non-interested shareholders of Anzo in relation to the supply agreement, proposed ratification and proposed diversification.

(vi) IAL dated 29 July 2021 included in the circular of Green Packet Berhad (“GPB”)

Independent advice to the non-interested shareholders of GPB in relation to the proposed disposal of up to 612,570,900 ordinary shares of G3 Global Berhad to Puan Chan Cheong for a cash consideration of up to RM91,885,635.

(vii) IAL dated 10 June 2022 included in the circular of Dolphin

Independent advice to the non-interested shareholders of Dolphin in relation to the proposed acquisition of 5,008,148 ordinary shares in High Reserve F&B Sdn Bhd (“**High Reserve**”), representing the entire enlarged equity interest in High Reserve, for a purchase consideration of RM36 million to be satisfied via the allotment and issuance of 282,874,617 new ordinary shares in Dolphin at an issue price of RM0.0654 each and RM17.5 million in cash.

(viii) IAL dated 30 August 2022 included in the circular of Eonmetall Group Berhad (“Eonmetall”)

Independent advice to the non-interested shareholders of Eonmetall in relation to the following:-

- (a) proposed disposal of up to 15,300,000 ordinary shares of Lienteh Technology Sdn Bhd to Envy Venture Sdn Bhd, EMT Systems Sdn Bhd, Medical Spring International Health Management (Hong Kong) Co. Limited and Elogistic and Industrial Estate Developer Sdn Bhd (collectively, the “**Lienteh Shareholders**”) for a cash consideration of RM35.7 million; and
- (b) proposed rescission of the profit guarantee and call option granted by the Lienteh Shareholders to Eonmetall.

(ix) IAL dated 6 October 2022 included in the circular of Minda Global Berhad (“Minda Global”)

Independent advice to the non-interested shareholders of Minda Global in relation to the proposed acquisition of the land and buildings by UOC Sdn Bhd from Persada Mewah Sdn Bhd for a total consideration of RM180.0 million.

(x) IAL dated 30 November 2022 included in the circular of Meridian Berhad (“Meridian”)

Independent advice to the non-interested shareholders of Meridian in relation to the proposed collaboration between Meridian and M101 Holdings Sdn Bhd to facilitate the license agreement for Meridian’s development and operation of a water park.

Premised on the foregoing, SCA has the capability and competency to carry out its role as the Independent Adviser of Reneuco to advise the non-interested shareholders in relation to the Proposed Acquisition and is able to discharge its duties and responsibilities.

4. DETAILS OF THE PROPOSED ACQUISITION

The full details of the Proposed Acquisition are set out in **Section 2, Part A** of the Circular and should be read and fully understood in its entirety by the non-interested shareholders of Reneuco.

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

As set out in **Section 10, Part A** of the Circular, save for as disclosed below, none of the Directors, chief executives, Major Shareholders of Reneuco and/or persons connected to them has any interest, whether direct or indirect in the Proposed Acquisition:-

- (i) Datuk Mustakim is the Executive Chairman of Reneuco, and a director and major shareholder in OVSB. As at the LPD, he holds 6.74% direct equity interest in Reneuco and 0.25% indirect equity interest in Reneuco by virtue of his shareholding in Grand Deal Vision Sdn Bhd pursuant to Section 8 of the Act. He also has an indirect interest in OVSB; and
- (ii) Amirul is the Group Chief Executive Officer of Reneuco, and a director and major shareholder in OVSB. As at the LPD, he holds <0.01% direct equity interest in Reneuco. He also has an indirect interest in OVSB.

In view of the above, Datuk Mustakim and Amirul are deemed interested in the Proposed Acquisition.

Accordingly, the Interested Directors have abstained and will continue to abstain from deliberating and voting on the Proposed Acquisition at the relevant Board meetings. The Interested Parties will abstain from voting in respect of their respective direct and/ or indirect shareholding in Reneuco, if any, and have undertaken to ensure that persons connected with them will abstain from voting in respect of their respective direct and/ or indirect shareholding in Reneuco, if any, on the resolution pertaining to the Proposed Acquisition at the forthcoming EGM of the Company.

6. EVALUATION OF THE PROPOSED ACQUISITION

In arriving at our conclusion and recommendation for the Proposed Acquisition, we have taken into consideration the following pertinent factors: -

		Section
(a)	Rationale and justification for the Proposed Acquisition	6.1
(b)	Basis and justification for the Purchase Consideration	6.2
(c)	Basis and justification of the Issue Price of the Consideration Shares	6.3
(d)	Salient terms of the SSA	6.4
(e)	Effects of the Proposed Acquisition	6.5
(f)	Risk factors in relation to the Proposed Acquisition	6.6
(g)	Industry overview and outlook and future prospects of ASSB and the enlarged Reneuco Group	6.7

6.1 Rationale and justification for the Proposed Acquisition

We take cognisance of the rationale and justifications for the Proposed Acquisition as set out in **Section 3, Part A** of the Circular.

SCA's comments:-

In arriving at our evaluation of the rationale and justifications for the Proposed Acquisition, we have evaluated the following key factors:-

- (i) **The Proposed Acquisition is in line with the Reneuco Group's strategy to expand its core business**

We noted that the Reneuco Group is mainly involved in the sustainable energy and utilities business involving construction related activities in the renewable energy industry. Other than the construction related activities business segment, the Company operates in other business segments including logistics, healthcare, property development and property investment.

A summary of the Reneuco Group's segmental revenue and PBT for FYE 30 June 2020 to FYE 30 June 2022, 6-month FPE 31 December 2021 and 6-month FPE 31 December 2022 is set out below:

	Audited FYE 30 June			Unaudited 6-month FPE 31 December	
	2020 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000
Revenue	95,843	386,091	140,376	102,367	29,924
Construction related activities in RE sector	79,571	361,087	118,317	93,390	12,005
Property development and investment	15,616	9,250	3,274	409	10,304
Healthcare	656	5,513	946	403	116
Logistics	-	10,241	17,839	8,165	7,499
PBT	17,906	51,402	15,694	9,338	3,012
PAT	12,786	37,463	5,953	4,239	(158)

6-month FPE 31 December 2021 vs 6-month FPE 31 December 2022

For the 6-month FPE 31 December 2022, the Reneuco Group recorded a revenue of RM29.29 million compared to RM102.37 million for the 6-month FPE 31 December 2021. This is mainly due to an 87% decrease in revenue from the construction related activities segment, whereby the decrease is attributable to lower progress works recognised during the financial period. The lower progress works were mainly caused by operational and supply chain disruptions, as well as labour shortages in the construction industry that had resulted from the two-year economic shutdown caused by the COVID-19 pandemic.

FYE 30 June 2021 vs FYE 30 June 2022

Based on the table above, the Group recorded a lower revenue of RM140.37 million for the audited FYE 30 June 2022, as compared to revenue of RM386.09 million in the preceding financial year, as a result of lower revenue generated from the Group's construction related activities segment. The Group also recorded a lower PBT and PAT attributable to the owners of the Company of RM15.69 million and RM5.95 million for the audited FYE 30 June 2022, as compared to PBT and PAT attributable to the owners of the Company of RM51.40 million and RM37.46 million in the preceding financial year, mainly due to lower PBT and PAT attributable to the owners of the Company arising from the Group's construction related activities segment.

The decreases in revenue, PBT and PAT attributable to owners of the Company for the audited FYE 30 June 2022 as compared to the preceding financial year were mainly due to lower construction contribution from on-going construction projects as a result of slower progress works. The delay in progress works were mainly caused by operational and supply chain disruptions, as well as labour shortages in the construction industry that had resulted from the two-year economic shutdown caused by the COVID-19 pandemic.

Despite the Group's financial performance for the FYE 30 June 2022, Reneuco remains focused towards ensuring the stability and growth of the Group. To achieve this, the Group will continue to focus on its core business which is in the sustainable economy. On 10 May 2022, MLSB, a 55%-owned subsidiary of Reneuco via Reneuco RE, had been selected as one of the successful bidders under the FiT e-bidding exercise conducted by SEDA for the development of small hydro power in Malaysia. Under the e-bidding exercise, MLSB shall develop small hydro power plants with a total capacity of 40.4MW in Gua Musang, Kelantan.

The Proposed Acquisition, together with MLSB's development of small hydro plants under the FiT Program and the Group's existing 50MW large-scale solar photovoltaic in its stable, will result in the Group's asset ownership under the renewable energy spectrum to increase to approximately 120MW, thus strengthening the Group's concession-based recurring income for a long-term sustainability on top of its existing EPCC contracts. Furthermore, the Hydro Project that is undertaken by ORP will allow ASSB Group to generate a steady and recurring stream of income over a period of 21 years from the commercial commencement date of each of the Hydro Plants.

The Proposed Acquisition will put Reneuco Group on a sustainable financial footing, hence improving its long-term prospects particularly to investors. Additionally, Reneuco Group has placed the right talents with the right competencies and diversity in place, equipping the Group with experienced professionals with a strong background in corporate governance and renewable energy sector.

Premised on the above and in view of the outlook of the renewable energy industry in Malaysia as set out in **Section 4.2, Part A** of the Circular, the Board, barring any unforeseen circumstances, is of the view that the Proposed Acquisition may potentially augur well for the growth prospects of the Group in the medium to long-term, given that the long-term outlook is bolstered by the market confidence in the renewable energy sector that is further supported by sound Government policies and increasing environmental, social and corporate governance (ESG) considerations.

Notwithstanding the foregoing, The Board intends to continue and make efforts in expanding other segments of the Group to diversify the Group's sources of revenue and earnings, instead of relying on a single business segment (i.e. construction related activities for the RE sector business segment) as set out below:-

Logistics segment

The Group, through its logistic arm, Chemtrax, a 55%-owned subsidiary of Reneuco Logistics Sdn Bhd remains active in the Malaysia logistics industry and is confident in its long-term growth. Chemtrax is one of the leading transportation companies in Malaysia with more than 20 years of transporting hazardous chemicals and gas within Malaysia and Singapore. Chemtrax currently manages a fleet of 64 trucks, 16 international organization for standardisation tanks, and 7 other units consisting of barrels and trailers. The Group believes that Chemtrax's extensive experience and track record in the logistics industry with a strong clientele base will continue to contribute positively to the Group's earnings.

Chemtrax has been on an asset refresher programme and is reducing the average age of its fleet since 2021. Moving forward, the Group intends to expand the logistic segment via the acquisition of new businesses in other segments as well as shift its logistic fleet towards electric vehicles as an effort to further advance the Group's green and sustainable agenda.

Healthcare segment

The Group remains optimistic of its participation in the healthcare segment through the Group's 70%-owned subsidiary, Granulab. Granulab, a Bio-Nexus company, is the manufacturer of the Halal synthetic bone graft product, GranuMas, and Prosteomax, a Halal-certified synthetic bone cement.

By utilising Granulab's various patents, licenses, and certifications which complies with the international healthcare standards and backed by its technological capabilities, the Group is in line with the Malaysian Government's initiatives outlined under the Malaysia Healthcare Travel Industry Blueprint 2021-2025 by Malaysia Healthcare Travel Council (MHTC). The Malaysian Government plans to create the best Malaysia healthcare travel experience by 2025 based on three strategic pillars which are the Healthcare Travel Ecosystem, the Malaysia Healthcare Brand, and the Markets for Malaysia Healthcare.

Further, the Group would remain focused on the initial marketing efforts of the Halal-certified products in Muslim-majority countries and looks forward to strengthening its presence within the non-Muslim consumer market in the foreseeable future. The Group is confident that the healthcare segment has the potential to contribute to the Group's earnings in the long term by leveraging on its technical know-how, license, and certifications and it would emerge as a main driver for this segment.

Property development and investment segment

The Group had recently formed a joint venture in the property development segment with Terengganu State Government and PMINT through the Kuala Nerus Project. As part of the Group's commitment to promote sustainable development, the Group aims to integrate Reneuco's energy products specifically solar photovoltaic panels on each building to generate long term income under the net energy metering programme for the Kuala Nerus Project.

Kuala Nerus is in one of the Kuala Terengganu Growth Triangle of the East Coast Economic Region Development (ECER). Based on the ECER Master Plan 2.0, the Federal Government through the East Coast Economic Region Development Council (ECERDC) and the Terengganu State Government had indicated that the socio-economic growth in Terengganu will be driven by its existing key economic clusters, particularly manufacturing, tourism, agribusiness, and human capital development and attract a targeted RM26 billion in private investments by 2025. These private investments are projected to create 36,600 job opportunities and 15,550 new entrepreneurs among the locals.

Notwithstanding the above, the Group will remain cautious in growing its businesses in view of the current uncertainties in the overall global and local economies and it will take into consideration, amongst others, the financial requirements of the Group. With the right vision and strategies, the Group is confident that it can attain better earnings visibility, thus enhancing its long-term shareholders' value.

(Source: Management of Reneuco)

Premised on the foregoing, we are of the view that the Proposed Acquisition is in line with the Reneuco Group's expansion plans as it would:-

- (i) allow the Reneuco Group to own and operate the Hydro Project and thereby increasing its renewable energy assets from 90.4MW to 119.5MW;
- (ii) accelerate the Reneuco Group's expansion into the renewable energy business in view that hydro plant 2 has commenced operations whilst hydro plant 1 and hydro plant 3 are expected to commence operations by 30 June 2023;
- (iii) strengthen the Reneuco Group's concession-based recurring income for long-term sustainability on top of its existing EPCC contracts; and
- (iv) provide an opportunity for Reneuco to expand its business and related activities in RE with regard to its geographical presence in East Malaysia.

Moreover, upon completion of the Proposed Acquisition, the enlarged Reneuco Group is expected to emerge as a larger market participant in the renewable energy industry given the resultant increase in its renewable energy assets, operation scale, and product offering. Thus, this would augur well for the enlarged Reneuco Group in its pursuit of other future projects relating to renewable energy.

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(ii) The Proposed Acquisition is envisaged to be earnings accretive

The Proposed Acquisition will eliminate any business competition between the Reneuco Group and the ASSB Group due to the similarity of their nature of business, i.e. sustainable energy and utilities business. Upon completion of the Proposed Acquisition, the conflict of interest arising from the involvement of the Interested Parties can also be eliminated and Reneuco will no longer require to seek shareholders' mandate for related party transactions with ASSB Group.

We opine that the acquisition of the Hydro Project via the Proposed Acquisition is fair and reasonable due to the following:

- (a) the Proposed Acquisition is expected to be earnings accretive by virtue of the concession-based recurring revenue of the Hydro Project as it entails the contractual sales of its renewable energy to SESB, a subsidiary of Tenaga Nasional Berhad, over the concession period of 21 years from their respective commercial operation dates. In addition, we note that the concession period of 21 years is within the typical concession period of a commercial power purchase agreement; and
- (b) the Proposed Acquisition has the potential to augur well with the growth prospects of the Group in the medium to long-term and is expected to contribute positively to the enlarged Reneuco Group's future financial performance, given that the hydro plant 2 has already commenced commercial operations and hydro plants 1 and 3 are expected to commence its commercial operations by 30 June 2023, thereby enhancing Reneuco's shareholders' value. Based on the cash flow projection for the Hydro Project that was prepared by the management of ASSB, ASSB Group is expected to breakeven in the FYE 2023 and contribute profit to Reneuco Group in the FYE 2024, pursuant to the Proposed Acquisition.

(iii) Issuance of Consideration Shares would reduce the cash outlay required for the Proposed Acquisition

We note that the Purchase Consideration of RM90,000,000 is to be satisfied via a combination of cash payment of RM20,000,000 and the balance of RM70,000,000 or 77.8% via the issuance of Consideration Shares.

With the issuance of the Consideration Shares, the Reneuco Group would not be required to seek funding for this portion of the Purchase Consideration which amounts to RM70 million. If the RM70 million Purchase Consideration were to be satisfied in cash and funded through bank borrowings, the Reneuco Group's total borrowings will increase to RM277.3 million after the Proposed Acquisition, which translate to a gearing ratio of 1.01 times as compared to 0.75 times under the Minimum Scenario or 0.32 times under the Maximum Scenario. In addition, the Reneuco Group would also incur an additional annual finance cost of approximately RM2.9 million based on its average cost of borrowing of 4.1% per annum.

Pursuant thereto, we are of the view that the issuance of Consideration Shares as part settlement for the Proposed Acquisition is not detrimental to the non-interested shareholders of Reneuco as it allows the Reneuco Group to incur less finance cost, keep its gearing ratio at a manageable level, reduces the cash outlay required for the Proposed Acquisition and enables Reneuco Group to manage its cash flows to maintain sufficient headroom for any future cash acquisitions.

Further, the issuance of Consideration Shares would also enable the Reneuco Group to align the Vendor's interests with that of the enlarged Reneuco Group as the Vendor would also be able to continue participating in the equity growth of the enlarged Reneuco Group moving forward.

Based on internal preliminary discussion at this juncture, Reneuco intends to fund the Cash Consideration portion amounting to RM20.00 million through internally generated funds,

bank borrowings and/ or future fundraising exercises, the exact quantum of which will be determined by the Board at a later date upon obtaining all the necessary approvals. We are cognisant of the fact that this Cash Consideration portion will prevent the further dilution to the existing shareholders' shareholding as a result of the issuance of the Consideration Shares. For information purposes, the Group's cash and bank balances stood at approximately RM20.77 million for the latest unaudited 6-month FPE 31 December 2022. As at the LPD, the deposit of RM9.00 million has yet to be paid by the Company to the Vendor as it was mutually agreed between both parties that the payment for the deposit should only be made as and when the Company has sufficient cash flow to meet their operational expenses.

We take note and concur with the financing and repayment of borrowings risk factor in relation to the Proposed Acquisition, as set out in **Section 5.7, Part A** of the Circular. Reneuco Group's ability to arrange for external financing and the cost of such financing are dependent on numerous factors such as macroeconomic and capital market conditions, prevailing interest rates, credit availability from banks or other lenders, or any restrictions imposed by the Government of Malaysia as well as political, social and economic stability in Malaysia. There is no guarantee that the necessary financing will be available in amounts or on conditions that Reneuco Group will accept. Nevertheless, Reneuco Group will actively review its debt position taking into consideration its gearing level, financing costs, as well as cash flows to arrive at the most cost-effective financing options.

Premised on the above, on an overall basis, we are of the view that the rationale and justifications for the Proposed Acquisition are **reasonable**.

6.2 Basis and justification for the Purchase Consideration

As set out in **Section 2.3, Part A** of the Circular, we noted the Purchase Consideration for the Proposed Acquisition was arrived at on a willing buyer-willing seller basis, after taking into consideration the following:

- (i) the Valuation of ASSB Group as at the Date of Opinion, ranging from RM91.14 million to RM110.23 million, prepared by Mercury Securities, being the Independent Valuer for the Proposed Acquisition;
- (ii) the rationale and future prospects of ASSB and the enlarged Reneuco Group, further details of which are set out in **Section 4.3, Part A** of the Circular; and
- (iii) the rationale and justifications of the Proposed Acquisition as set out in **Section 3, Part A** of the Circular.

SCA's comments:-

In evaluating the fairness of the Purchase Consideration, we have considered the Valuation Letter as set out in Appendix IV of the Circular as part of our evaluation.

We noted that Mercury Securities has adopted the SOPV methodology in determining the equity interest of ASSB Group which comprises a mix of DCF valuation method for the Hydro Project held under ORP, NA valuation method for PFSB (company level) and RNAV valuation for ASSB (company level).

We further note that, in determining the most appropriate method of equity valuation, Mercury Securities has taken into consideration the following:

- (i) the estimated future cash flows to be generated by ORP from the Hydro Project by virtue of 3 exclusive REPPAs with SESB that covers a period of 21 years from their respective commercial operation dates;
- (ii) the nature of business of PFSB and ASSB, i.e. investment holding;

- (iii) PFSB and ASSB recorded nil profit for the period from 1 January 2022 up to the Date of Opinion and net liabilities as at the Date of Opinion;
- (iv) the asset composition of PFSB as it has no operating activities other than investment holding and that it has no material asset held for investment other than its investment in ORP; and
- (v) the asset composition of ASSB as it has no operating activities other than investment holding as well as the RCCPS to be held by ASSB pursuant to the Proposed Acquisition.

Based on the foregoing, we have also considered the other valuation methodologies and found that the following methodologies are not suitable in the assessment of the fair market value of the equity interest based on the following reasons:

Valuation Methodologies	SCA's comments
Relative Valuation Analysis ("RVA")	<p>The RVA seeks to compare a company's implied trading multiple to that of comparable companies to determine the firm's financial worth. The most common relative valuation multiples are the Price-to-Earnings Ratio ("PER") method and the Enterprise Value-to-Earnings before interest, taxes, depreciation and amortisation Ratio ("EV/EBITDA") method. The PER method uses earnings multiplied by the Price-to-Earnings ratio. EV/EBITDA method is an earnings-based method of valuation that does not take into account the capital structure of a company as well as its interest, taxation, depreciation and amortization charges. It is important to select an earnings base that would best reflect the estimate.</p> <p>We are of the opinion that it is not appropriate to adopt the RVA in determining the equity interest of ASSB Group as this method does not take into account the RCCPS to be held by ASSB pursuant to the Proposed Acquisition and ASSB Group historically recorded nil profit.</p>
Comparable Transaction Analysis ("CTA")	<p>CTA is a valuation method that seeks to compare against other recent comparable transactions undertaken by companies listed on local stock exchanges that had entered into acquisitions and/or disposal of similar assets. It also reflects a reasonable estimate of multiples or premiums that others have paid for similar companies in the past.</p> <p>We have considered the comparable transaction analysis, however, we noted that there are no recent comparable transactions of the same size and industry as per ASSB Group. As such, the comparable transaction analysis was not adopted for this analysis.</p>

Given the above, we are of the opinion that the SOPV methodology is appropriate for determining the ASSB Group's estimated market value.

6.2.1 Valuation of 70% equity interest in ORP

We note that Mercury Securities has applied the DCF method to arrive at the valuation of ORP as the underlying value of ORP is likely to be derived from its future business operations. The DCF method is a commonly used investment appraisal technique which takes into consideration, amongst others, the time value of money as well as future cash flows to be derived from the business over a specific period of time.

Based on the DCF method, Mercury Securities has derived the enterprise value (“EV”) of ORP by discounting its estimated FCFFs for the Projection Period at a specific discount rate. The resultant EV is then adjusted for ORP’s preference shares, net debts as well as net working capital as at the Date of Opinion in order to arrive at its equity value as per the formula below:

$$\text{Equity Value} = \text{EV} - \text{Preference Shares} - \text{Net debts} + \text{Net working capital}$$

We wish to highlight that both the equity valuations of ORP conducted by Mercury Securities and SCA were determined based on the present value of ORP’s projected free cash flows on an on-going normal business circumstance.

From the Valuation Letter, we note that it has adopted the following criteria in selecting ORP’s comparable companies:

- (i) more than 50% of the comparable company’s revenue is derived from sales of hydropower;
- (ii) profitable for the past 2 financial years; and
- (iii) listed and predominantly operates in Malaysia, Thailand, Singapore and Indonesia.

Further, Mercury Securities has also highlighted in **Appendix IV** of the Circular that: “our list of comparable companies is for the regional market in order to obtain a more meaningful number of comparable companies as there is only 1 listed company in Malaysia which meet the criteria (1) and (2) above. Please note that the list of comparable companies is by no means exhaustive and there may not be any listed company that is directly comparable to ORP in terms of location, business activities, customer base, size of operations, geographical spread of activities and markets, financial leverage, future prospects, accounting policies, risk profile and other relevant criteria. As such, any comparison made to the comparable companies is necessarily limited.”

Hence, any difference between Mercury Securities and SCA’s selected comparable companies would serve to provide readers with a more comprehensive selection of comparable companies.

The comparable companies that SCA has selected are as follows:

Comparable Company	Listing Exchange	Principal Activities
Mega First Corporation Berhad	Malaysia	Mega First Corporation Berhad is a diversified group of companies with three main divisions – Renewable Energy, Resources and Packaging. The Renewable Energy Division builds and operates a 260 MW run-of-river hydropower plant in Laos as well as undertakes solar photovoltaic investment business activities. The Resources Division is engaged in quarrying of limestone, manufacturing and trading of lime products, calcium carbonate powder and bricks. The Packaging Division manufactures a wide range of printed labels and stickers, paper bags and flexible packaging products for multiple industries. The Company was incorporated on 25 April 1966 and is headquartered in Petaling Jaya, Selangor, Malaysia.

Comparable Company	Listing Exchange	Principal Activities
PT Kencana Energy Lestari TBK	Indonesia	PT Kencana Energi Lestari Tbk is an Indonesia-based renewable energy company. The Company operates through its subsidiaries, PT Bangun Tirta Lestari and PT Energi Sakti Sentosa, which produces new and renewable energy for the needs of Indonesian industries and households. The Company operates PLTA Pakkat, an 18-megawatt (MW) hydropower plant in North Sumatra, and PLTA Air Putih, a 21 MW hydropower plant in Bengkulu, both covering an area of approximately 23.7 hectares.
CK Power PCL	Thailand	CK Power Public Company Limited is a Thailand-based holding company focused on investments in the production and distribution of electricity generated from various types of energy sources. The Company and its subsidiaries operate in three business segments, generation of electricity from hydroelectric power; generation of electricity from solar power, and generation of electricity from thermal power. Its geographic areas include Thailand and the Lao People's Democratic Republic. The Company invests in companies operating the business of production and distribution of electricity in three types of power plants, namely, hydroelectric power plant, cogeneration power plant, and solar power plant.
PT Arkora Hydro TBK	Indonesia	PT Arkora Hydro Tbk operates as an infrastructure development company. The Company develops and manages hydropower projects. Arkora Hydro serves customers in Indonesia.

(Source: Reuters.com)

A summary of the details of comparable companies as extracted from the Valuation Letter is as follows:

Comparable Company	Listing Exchange	*Market Capitalisation	^Levered Beta	Debt-to-Equity (D/E) Ratio	Unlevered Beta
		RM' million			
BCPG Public Company Limited	Thailand	3,440	1.12	1.07	0.61
Mega First Corporation Berhad	Malaysia	3,101	0.99	0.26	0.83
PT Kencana Energi Lestari TBK	Indonesia	778	0.45	0.54	0.32
Average				0.62	0.58

(Source: Valuation Letter)

A summary of the details of comparable companies as selected by SCA is as follows:

Comparable Company	Listing Exchange	*Market Capitalisation	^Levered Beta	D/E Ratio	Unlevered Beta
		RM' million			
Mega First Corporation Berhad	Malaysia	3,101	0.99	0.29	0.81
PT Kencana Energy Lestari TBK	Indonesia	779	0.45	0.53	0.32
CK Power PCL	Thailand	5,003	1.01	0.87	0.59
PT Arkora Hydro TBK	Indonesia	502	1.36	1.87	0.63
Average				1.08	0.59

(Source: Bloomberg and latest Annual Report of the Comparable Companies)

Notes:

* As at 31 October 2022, being the Date of Opinion.

^ Computed based on the 3-year weekly correlation between the comparable company's last traded market prices against the last traded price of the market index of their respective listing exchange up to the Date of Opinion.

(i) FCFFs

The computation of ORP's EV entails discounting its estimated future FCFFs that are derived from the financial projections of ORP prepared by ASSB's management, at its estimated weighted average cost of capital ("WACC").

The bases and assumptions adopted in the preparation of the financial projections of ORP by ASSB's management which, subsequently adopted by Mercury Securities in the Valuation Letter, together with SCA's comments are set out below:

No.	Bases and assumptions	SCA's Comments
	Key bases and assumptions	
(i)	Hydro plants 1 and 3 will commence commercial operations by 30 June 2023.	We note that the Vendor has represented that the expected commencement dates of hydro plants 1 and 3 are 30 June 2023.
(ii)	ORP will receive revenue based on the terms and conditions as set out in the REPPAs.	ORP's revenue is mainly from the Hydro Project pursuant to the REPPAs. The entitlements and obligations of ORP have been stipulated in the REPPAs and thus, this assumption appears reasonable as ORP has the legally binding right to receive income upon satisfying its obligations under the REPPAs.
(iii)	ORP will repay the bank borrowings on a timely basis.	We noted that ORP has no historical record of default or delay in repayment of its bank borrowings.
(iv)	Term loan 2 as well as the ORP Additional Financing will bear an interest rate of 8.4% p.a. throughout the Projection Period. The increase in interest rate is	We noted from the bank offer letter of Term Loan 2 that the interest rate, after taking into account the bank's recent increase in its base lending rate to 6.9%, will be at 8.4% p.a.

No.	Bases and assumptions	SCA's Comments
	mainly due to the recent increase in the lending bank's base lending rate.	
(v)	The exchange rate of RM/USD is assumed to remain constant at RM4.73 throughout the Projection Period. The increase in exchange rate is mainly due to the recent depreciation in the RM against the USD.	<p>We noted that ORP has a USD-denominated bank borrowing.</p> <p>We note that the exchange rate of RM/USD is ranging from RM4.15 to RM4.74, with an average of RM4.35 for the past 12 months including the Date of Opinion. Further, the exchange rate of RM/USD as at the Date of Opinion is RM4.73. Subsequent to the Date of Opinion, the exchange rate of RM/USD up to and including the LPD is ranging from RM4.25 to RM4.75, with an average of RM4.45. (Source: Bank Negara Malaysia)</p> <p>Therefore, the assumption for the exchange rate of RM4.73 appears reasonable after taking into consideration that it is within the range of movement subsequent to the Date of Opinion.</p>
(vi)	The ORP's operating costs mainly comprise operation and maintenance costs, and there will not be any significant increase in operating costs throughout the Projection Period.	Taking into consideration the business nature of ORP, this assumption appears reasonable as the costs incurred by ORP for the Hydro Project are significantly attributed to the construction of hydro power plants. Subsequent to the completion of hydro power plants, ORP only requires to maintain the working condition of the hydro power plants.
(vii)	ORP will incur an additional capital expenditure (excluding financing costs) of RM70.00 million for the structural strengthening works and completion of its hydro plants, which will be financed by ORP's unutilised credit facility of approximately RM28.00 million as well as an increase in its credit facilities with its existing financier by RM49.00 million (" ORP Additional Financing ").	We are of the view that the additional capital expenditure of RM70.00 million is reasonable as it is based on the estimation given by the contractor.
(viii)	ORP would be able to obtain the ORP Additional Financing with a tenure of 13 years and an estimated interest rate of 8.4% p.a. to part finance the said additional capital expenditure of RM70.00 million.	We note that the terms of the ORP Additional Financing are tentative, based on the indicative term sheet submitted to the financier which is still under negotiation.

No.	Bases and assumptions	SCA's Comments
		Please refer to Section 6.6.2 of this IAL for the associated risk factor that may have an impact on Reneuco Group.
(ix)	ORP would be able to receive an estimated insurance compensation of RM50.00 million by the end of 2023 for the insured damages to its hydro plants.	<p>We understand that a claim for insurance compensation on damages suffered by the Hydro Plants due to heavy and continuous rain in Kota Marudu was submitted by ORP. ASSB Group had to incur additional costs of approximately RM50.00 million to repair said damages. As at the LPD, the insurers for the Hydro Plants had appointed an adjuster to appraise the estimated losses and the assessment is still on-going. Hence, there is no assurance that the amount of compensation can be received or that the amount to be received is RM50.00 million. Please refer to Section 2.2, Part A of the Circular for details of the damages to the Hydro Plants.</p> <p>We note from our discussions with ORP's management that ORP is presently evaluating its plan to source funding for the repair works of its damaged hydro plants. ORP is currently in the midst of completing an additional drawdown from Bank Pembangunan Malaysia Berhad, on top of remaining drawdowns from its unutilised credit facility of approximately RM28.00 million. These drawdowns are intended to cover the remaining work for the Hydro Plants.</p> <p>Nevertheless, these damages caused to the Hydro Plants are not expected to cause any material delay to the expected commencement date for hydro plant 1 and hydro plant 3 (i.e. 30 June 2023), in view that the cumulative percentage of completion (including repair works) for the Hydro Project is 86.02% as at the LPD.</p> <p>Please refer to Section 5.8, Part A of the Circular for the associated risk factor that may have an impact on Reneuco Group.</p>
(x)	ORP will generate interest income of 2% per annum on its cash and bank balances.	We opine that the interest rate of 2% per annum is reasonable, taking into consideration Malaysia's Overnight Policy Rate of 2.5% effective from 8 September 2022 (<i>Source: Bank Negara Malaysia</i>) and potential movement in cash and bank balances.

No.	Bases and assumptions	SCA's Comments
(xi)	Pre-tax income is subject to the Malaysian corporate income tax rate of 24%.	We opine that the corporate tax rate of 24% is reasonable as it follows the statutory corporate tax requirement in Malaysia.
	<p data-bbox="507 353 911 409"><u>General bases and assumptions</u></p> <p data-bbox="432 443 491 477">(a) There will not be any significant change in ORP's principal activities.</p> <p data-bbox="432 600 491 633">(b) There will not be any significant change to the agreements, approvals, licenses, permits and/or regulations governing ORP's business activities.</p> <p data-bbox="432 779 491 813">(c) Save for the structural strengthening works as well as the normal maintenance fees to be incurred for the general upkeep and maintenance of the hydropower plants, there will not be any other significant capital expenditures to be incurred by ORP over the Projection Period.</p> <p data-bbox="432 1093 491 1126">(d) ORP will be able to obtain the necessary financing and working capital as and when needed which will not result in any material adverse effect on its financial results, cash flows and business prospects.</p> <p data-bbox="432 1339 491 1373">(e) All debt financing will be available in accordance with the Financial Projections and all debts repayment and servicing obligations will be met in accordance with the terms of financing of the respective debt facilities.</p> <p data-bbox="432 1619 491 1653">(f) The current accounting policies adopted by ORP will remain relevant and there will not be any significant change in ORP's accounting policies which may have a material impact on its financial performance and financial position.</p>	<p data-bbox="927 443 1398 533">We are of the view that the general bases and assumptions appear reasonable in view of the following:</p> <p data-bbox="927 566 1398 869">(a) The financial projections of ORP prepared by ASSB's management are for the period from 1 January 2022 to 31 December 2044, which includes the tenure of REPPAs entered between ORP and SESB of 21 years from the respective commercial operation dates of the hydro power plants;</p> <p data-bbox="927 902 1398 1115">(b) ASSB's management has exercised due care in preparing the financial projections of ORP by taking into consideration all aspects that are expected to affect ORP's financial results, cash flows and business; and</p> <p data-bbox="927 1149 1398 1205">(c) Our comments on key bases and assumptions.</p>

No.	Bases and assumptions	SCA's Comments
(g)	There will not be any significant change in the existing political, social and economic conditions, monetary and fiscal policies, inflation and regulatory requirements.	

From the above evaluation, the bases and assumptions used in arriving at the financial projections of ORP, on an overall basis, appear reasonable but subject to the risk factor that may have an impact on Reneuco Group as set out in Section 6.6.2 of this IAL. In this regard, both Mercury Securities and SCA have adopted the said financial projections to derive the FCFs for the purpose of computing the EV of ORP.

(ii) WACC

We noted that the discount rate adopted by Mercury Securities in the DCF method is ORP's WACC, which is derived vide the formula below:

$$WACC = W_e * (K_e) + W_d * (K_d)$$

where:

WACC = Weighted average cost of capital
W_e = Weightage of equity financing
K_e = Cost of equity
W_d = Weightage of debt financing
K_d = After tax cost of debt

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The said WACC was derived based on the following key parameters:

Parameters	Applied by Mercury Securities		Applied by SCA		SCA's comments
	Low Range	High Range	Low Range	High Range	
<p>Risk-free rate ("R_f")</p> <p>R_f rate is the expected rate of return from a risk-free asset. The risk-free rate compensates an investor for the time value of money and expected inflation rate over the investment period.</p>	4.5%	4.5%	4.5%	4.5%	<p>We noted that Mercury Securities has applied the last traded yield of the 10-year Malaysian Government Investment Issues (Islamic) as at 31 October 2022, being the Date of Opinion (Source: Bank Negara Malaysia) as a proxy for the R_f.</p> <p>We concur that the Malaysian Government bond rate of return, being a frequently adopted proxy for the R_f, is a suitable proxy.</p>
<p>Expected market return ("R_m")</p> <p>The expected market return is the return on the equity market portfolio and is usually the expected rate of return of a general index of listed securities.</p>	9.4%	9.4%	9.4%	9.4%	<p>Mercury Securities has adopted the 10-year average historical expected rate of return of the FTSE Bursa Malaysia Top 100 Index as at the Date of Opinion (Source: Bloomberg) as the expected market return and we take note and concur with the adoption as it reasonably represents a diversified market portfolio and the 10-year average return would reasonably normalise the year-on-year fluctuations of the stock market and mitigate market biases.</p>
<p>Beta ("β")</p> <p>Beta is a measure of systematic risk of a security relative to the equity market portfolio, which is a proxy for a well-diversified portfolio. A beta of</p>	0.86	0.86	0.90	0.90	<p>We noted that Mercury Securities have appraised its beta based on the average 3-year weekly unlevered beta of its comparable companies of 0.58 (Source: Bloomberg) and subsequently re-levered it based on</p>

Parameters	Applied by Mercury Securities		Applied by SCA		SCA's comments
	Low Range	High Range	Low Range	High Range	
<p>more than 1 indicates that the asset is riskier than the market and vice versa.</p>					<p>the average D/E ratio of the comparable companies of 0.62 and the Malaysian corporate income tax rate of 24%.</p> <p>We concur to the adoption of the average 3-year weekly unlevered beta of its comparable companies as ORP is not a listed company, SCA has extracted the unlevered β of SCA's comparable companies and adopted the average 3-year weekly unlevered beta as a proxy for the unlevered β of ORP which is equivalent to 0.59. The relevered β is 1.08.</p>
<p>K_e</p> <p>The K_e was derived using the capital asset pricing model ("CAPM"), as per the formula below:</p> $K_e = R_f + \beta \times (R_m - R_f) + \alpha$ <p>where:</p> <p>K_e = Cost of equity R_f = Risk-free rate β = Beta R_m = Expected market return α = Additional risk premium.</p>	12.7% (Based on α at 4%)	10.7% (Based on α at 2%)	12.9% (Based on α at 4%)	10.9% (Based on α at 2%)	<p>We noted that Mercury Securities included an additional risk premium to arrive at the K_e to account for the specific risks inherent in ORP and the Hydro Project.</p> <p>Based on "Investment Valuation: Tools and Techniques for Determining the Value of Any Assets" by Aswath Damodaran, a factor which may have an impact on the valuation is the liquidity of the asset, i.e. the extent in which the asset can be freely bought or sold.</p> <p>We are of the view that it is reasonable to include the additional risk premium as ORP is a private company that is less liquid than public</p>

Parameters	Applied by Mercury Securities		Applied by SCA		SCA's comments
	Low Range	High Range	Low Range	High Range	
K_d	6.1%	6.1%	6.1%	6.1%	listed companies and taking into consideration the uncertainties inherent in the financial projections which will affect the materialisation of ORP's expected benefits from the Hydro Project. We noted that Mercury Securities has derived the K_d based on ORP's weighted average after tax cost of debt.
W_e and W_d	$W_e = 0.62$ and $W_d = 0.38$	$W_e = 0.62$ and $W_d = 0.38$	$W_e = 0.59$ and $W_d = 0.41$	$W_e = 0.59$ and $W_d = 0.41$	We noted that Mercury Securities has derived the W_e and W_d based on the comparable companies' average D/E ratio of 0.62 times, which translates into 60% : 40% proportion of equity and debt financings.
WACC	10.2%	9.0%	10.1%	9.0%	We are cognisant of Mercury Securities' parameters used for the input to derive the WACC as being in accordance with typical commercial practice and accounting for ORP's nature as a private company. As such, we opine that the discount rate of between 9.0% to 10.2% adopted by Mercury Securities in arriving at the valuation of ORP is <u>reasonable</u> .

(Source: Valuation Letter)

(iii) Sensitivity analysis

We noted that Mercury Securities has performed a sensitivity analysis on the following parameters:

- (i) The hydropower plants in Sungai Bengkoka (Upper) and Sungai Togohu will commence commercial operations by 30 June 2023;
- (ii) the total cost for the strengthening works is 10% higher than estimated;
- (iii) total operating cost is 10% higher than estimated;
- (iv) the insurance compensation is 10% lower than estimated;
- (v) the interest rates of all bank borrowings increase by the quantum of 1% in the immediate future; or
- (vi) the RM depreciates by 10% against the USD over the Projection Period i.e. RM4.73.

We are of the view that the selection of the parameters for the sensitivity analysis is reasonable as they will materially affect the FCFF which will, in turn, affect the value of ORP.

(iv) EV

By discounting ORP's estimated FCFFs for the Projection Period at ORP's WACC, the EV derived by Mercury Securities and SCA are as below:

EV	Low Range RM' million	High Range RM' million
By Mercury Securities	265.54	293.20
By SCA	266.39	293.14

We are cognisant that the range of ORP's EV, which is derived using the DCF method, as ascribed by Mercury Securities is similar to SCA's. Based on our evaluation on the estimated FCFFs and WACC above, we are of the view that the EV derived is **fair**.

(v) Net debts

We noted that Mercury Securities has determined the net debts of ORP as at the Date of Opinion as follows:

	RM'000
<u>Bank borrowings</u>	
Term loan 1	67,514
Term loan 2	131,450
<u>Shareholders' advances</u>	
Vendor Advances	133,796
Net debts	332,760

We take note that, as stipulated in the SSA, the Vendor Advances will be novated to Reneuco RE and deemed as fully satisfied by Reneuco RE on behalf of ASSB Group pursuant to the Proposed Acquisition. In this regard, we take note and concur with Mercury Securities that the advances from OVSB should be included in deriving the equity value of ORP.

(vi) **RCCPS**

We take note of the salient terms of the RCCPS included in **Section 10, Appendix I** of the Circular. There are 10 million RCCPS in issue in ORP as at the Date of Opinion and is held by E&E. As set out in **Section 2, Part A** of the Circular, the RCCPS will be transferred from E&E to ASSB pursuant to the Proposed Acquisition and the Proposed RCCPS Acquisition, via the allotment and issuance to E&E of 87,662,338 of the Consideration Shares as renounced by OVSB in favour of E&E and thus, resulting an amount owing by ASSB to the Vendor. The RCCPS Amount Owing will be novated to Reneuco RE and deemed as fully satisfied by Reneuco RE on behalf of ASSB Group pursuant to the Proposed Acquisition.

As equity value is concerned with what is available to equity shareholders, we concur with Mercury Securities that the fair value of RCCPS should be excluded from EV when determining the equity value of ORP pursuant to the Proposed Acquisition.

We note that Mercury Securities has adopted the Dividend Discount Model (“**DDM**”) in arriving at the fair value of the RCCPS and has applied the following key assumptions:

- (i) ASSB will not exercise the Conversion Option in view that the Conversion Option is currently out of the money as Mercury Securities’ estimation of ORP’s EV of between RM265.54 million to RM293.21 million is lower than ORP’s net debts of RM333.09 million;
- (ii) at RCCPS’ maturity, ASSB will exercise its redemption right by requiring ORP to fully redeem its RCCPS and ASSB will only exercise its redemption right when ORP has sufficient cash flows to redeem the RCCPS; and
- (iii) ASSB will extend the RCCPS’ maturity date until such time ORP has sufficient cash flows to redeem the RCCPS. Based on the Financial Projections, Mercury Securities note that ORP would have sufficient cash flows to redeem the RCCPS by end of year 2023. In this regard, Mercury Securities has assumed that the RCCPS will be fully redeemed by ORP by 31 December 2023.

The fair value of RCCPS derived by Mercury Securities and SCA are as follows:

	By Mercury Securities		By SCA	
	Low Range	High Range	Low Range	High Range
	RM’000	RM’000	RM’000	RM’000
Issue Price	10,000	10,000	10,000	10,000
Total dividend payable up to 31 December 2021	6,013	6,013	6,013	6,013
PV of dividend payable up to 31 December 2023	2,035	2,058	2,032	2,055
Fair Value of RCCPS	18,048	18,071	18,045	18,068
Discount rate	12.7%	10.7%	12.9%	10.9%

The present value of above-mentioned future dividend is computed based on the non-compounding dividend yield of 11.0% and discount rates of between 10.9% to 12.9%, i.e. the estimated K_e of ORP.

Both Mercury Securities and SCA have arrived at similar fair values of the RCCPS using the DDM, which is a common method applied in practice.

As set out in Section 2 of the Circular, the RCCPS Purchase Consideration was derived as follows:-

		RM
Value of 70% equity interest in ORP (based on the Purchase Consideration)	A	90,000,000
RCCPS Purchase Consideration (value of 15% equity interest in ORP^{*1})	A x $\frac{15}{70}$	19,285,714

Note:-

^{*1} Based on the salient terms of the RCCPS as set out in **Section 10, Appendix I** of this Circular, the RCCPS shall be convertible, at the option of the RCCPS holder, at any time during the conversion period into such number of new ordinary shares in ORP representing 15% of the fully diluted issued share capital of ORP.

As compared to the fair values of RCCPS derived based on DDM, the RCCPS Purchase Consideration is at a premium of 6.3% to 6.4%. Nevertheless, regardless that the Conversion Option is currently out of the money, given the RCCPS is convertible, at the option of the RCCPS holder, at any time during the conversion period into such number of new ordinary shares in ORP representing 15% of the fully diluted issued share capital ORP, the basis of deriving the RCCPS Purchase Consideration is **reasonable**.

(vii) Equity value of ORP

The estimated market value of 70% equity interest in ORP (including the Vendor Advances) arrived by Mercury Securities and SCA are set out below:

	By Mercury Securities		By SCA	
	Low Range RM'000	High Range RM'000	Low Range RM'000	High Range RM'000
EV	265,539	293,203	266,398	293,141
Less: Fair value of RCCPS	(18,048)	(18,071)	(18,045)	(18,068)
Less: Net debt	(332,760)	(332,760)	(332,760)	(332,760)
Add: Net working capital	(1,420)	(1,822)	(1,817)	(2,306)
Total net cash outflows to equity holder	(86,689)	(59,450)	(86,224)	(59,993)
70% share	(60,682)	(41,615)	(60,356)	(41,995)
Add: Vendor Advances	133,796	133,796	133,796	133,796
Estimated market value of 70% equity interest in ORP (including Vendor Advances)	73,114	92,181	73,440	91,801

We note that the range of ORP's estimated market value of 70% equity interest in ORP (including the Vendor Advances) derived by Mercury Securities is within the range derived by SCA. As such, we are of the view that it is **fair** premised on our evaluation in Section 6.2.1(i) to (vi) of the IAL above on the parameters/valuations adopted by Mercury Securities.

6.2.2 Valuation of PFSB

We take note that PFSB has recorded nil profit for the 10-month FPE 31 October 2022 and a net liability of RM3.6 million as at 31 October 2022. PFSB has no other operating activities nor material property assets held for investment, except for its investment in ORP.

In this regard, Mercury Securities has adopted NA method to evaluate the estimated market value of PFSB. We take note and concur that this is an appropriate method and the nominal value of RM1 assigned by Mercury Securities as the estimated market value of PFSB is fair, as PFSB recorded a net liability as at the Date of Opinion and there are no material property assets held for investment.

6.2.3 Valuation of ASSB

We take note that ASSB has recorded nil profit for the 10-month FPE 31 October 2022 and a net liability of RM0.02 million as at 31 October 2022. ASSB has no other operating activities nor material property assets held for investment, except for its investment in PFSB.

The statements of financial position of ASSB as at 31 December 2021 and 31 October 2022 are set out as below:

	31 Dec 2021 RM'000	31 Oct 2022 RM'000
Non current asset		
Investment in subsidiary	*	*
Current assets		
Other receivables	8	8
Amount due from directors	2,000	*
Amount due from subsidiaries	-	142,414
Cash and bank balances	3	3
Total Assets	2,011	142,425
Equity and Liabilities		
Equity		
Share capital	10	10
Accumulated losses	(29)	(29)
Total equity / NA	(20)	(20)
Current liabilities		
Other payables and accruals	31	31
Amount due to directors	1,999	-
Amount due to holding company	-	142,414
Total liabilities	2,031	142,445
Total equity and liabilities	2,011	142,425

Note:

* Denotes amount less than RM1,000.

In this regard, Mercury Securities has adopted RNAV method to evaluate the estimated market value of ASSB. We take note and concur that this is an appropriate method, taking into consideration the RCCPS to be held by ASSB pursuant to the Proposed Acquisition and the Proposed RCCPS Acquisition as well as given ASSB recorded a net liability as at the Date of Opinion and there are no material property assets held for investment.

The estimated market value of the entire equity interest in ASSB arrived by Mercury Securities and SCA are set out below:

	By Mercury Securities		By SCA	
	Low Range	High Range	Low Range	High Range
	RM'000	RM'000	RM'000	RM'000
Audited NA as at 31 December 2021	(20)	(20)	(20)	(20)
Add: Fair value of RCCPS	18,048	18,071	18,045	18,068
RNAV	18,028	18,051	18,025	18,048

From above, we note that the estimated market value range of the entire equity interest in ASSB derived by Mercury Securities based on the RNAV method is in accordance with commercial practice and within the estimated market value range derived by SCA. Thus, we opine that it is **fair**.

6.2.4 Valuation of the ASSB Group (including Vendor Advances)

Premised on Sections 6.2.1, 6.2.2 and 6.2.3 of this IAL above, the estimated market value of ASSB Group (including Vendor Advances) as at the Date of Opinion is set out below:

	By Mercury Securities		By SCA	
	Low Range	High Range	Low Range	High Range
	RM'000	RM'000	RM'000	RM'000
Estimated market value of:				
70% equity interest in ORP (including Vendor Advance)	73,114	92,181	73,440	91,801
100% equity interest in PFSSB	*	*	*	*
100% equity interest in ASSB	18,028	18,051	18,025	18,048
Total	91,142	110,232	91,465	109,849

Note:

* Being RM1.

We take cognisance of our evaluations in Sections 6.2.1, 6.2.2, and 6.2.3 of this IAL, and thus are of the opinion that the estimated market value range of ASSB Group is **fair**.

Premised on our evaluation of the Purchase Consideration, we are of the view that the basis in arriving at the Purchase Consideration is **reasonable** and the Purchase Consideration is **fair**, taking into consideration the following:

- (i) the Purchase Consideration is at a 1.25 % to 18.35 % discount from the estimated market value range of ASSB Group (including Vendor Advances) derived by Mercury Securities of RM91.14 million to RM110.23 million;
- (ii) the Purchase Consideration is at a 1.63% to 18.07 % discount from the estimated market value range of ASSB Group (including Vendor Advances) derived by SCA of RM91.46 million to RM109.85 million; and
- (iii) the prospects of ASSB and the enlarged Reneuco Group as discussed in Section 6.7 of this IAL.

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6.3 Basis and justification of the Issue Price of the Consideration Shares

We take summary of the basis and justification of the Issue Price of the Consideration Shares as detailed in **Section 2.4, Part A** of the Circular.

In summary, the Issue Price was determined by the Board based on the 1-month VWAP of Reneuco Shares up to the LTD of RM0.22.

SCA's comments:-

In assessing the fairness and reasonableness of the issue price, we have primarily made reference to the historical price performance of Reneuco Shares. We have compared the Issue Price of RM0.22 against:

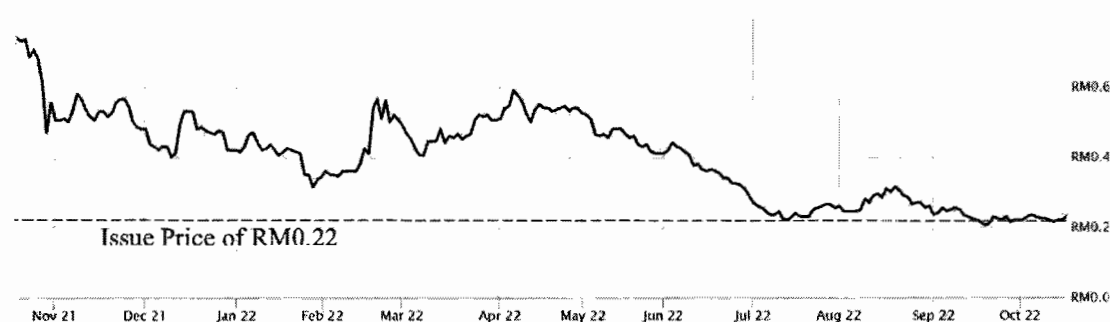
- (i) Closing price of Reneuco Shares on the LTD of RM0.23;
- (ii) Closing price of Reneuco Shares as at the LPD of RM0.21;
- (iii) 5-day VWAP of Reneuco Shares up to and including LTD;
- (iv) 12-month daily closing prices of Reneuco Shares up to and including LTD; and
- (v) Respective VWAPs as set out in the table below.

Basis of comparison based on	VWAP/ Closing price RM	Premium/ (Discount) of the Issue Price of RM0.22 RM	%
Closing market price on the LTD	0.23	(0.01)	(4.35)
5-day VWAP up to and including the LTD	0.22	-	-
VWAP for the 1-month up to and including the LTD	0.22	-	-
VWAP for the 3-month up to and including the LTD	0.26	(0.04)	(15.38)
VWAP for the 6-month up to and including the LTD	0.31	(0.11)	(29.03)
VWAP for the 12-month up to and including the LTD	0.42	(0.20)	(47.62)
Closing market price as at the LPD	0.21	0.01	4.76%

(Source: Bloomberg)

As illustrated above, the Issue Price:

- (i) represents a discount of 4.35% to the closing market price on the LTD;
- (ii) is on par with the 5-day VWAP up to and including the LTD and VWAP for the 1-month up to and including the LTD;
- (iii) represents a discount ranging from 15.38% to 47.62% to the VWAP for the 3-month, 6-month and 12-month up to and including the LTD; and
- (iv) represents a premium of 4.76% to the closing market price as at the LPD.



(Source: Wall Street Journal)

We also noted that the traded market prices of Reneuco Shares for the past twelve (12) months prior to the LTD ranged from RM0.21 to RM0.74 with an average closing price of RM0.40. Thus, the Issue Price of RM0.22 is within the highest and lowest traded market prices of Reneuco Shares 12 months prior to the LTD. Further, the Issue Price represents a premium of 4.76% to the lowest closing price of RM0.21 and a discount of 70.07% and 44.95% to the highest closing price of RM0.74 and the average closing price of RM0.40 respectively.

From the analysis above, we note that it is reasonable to adopt the 1-month VWAP of Reneuco Shares of RM0.22 up to and including the LTD as the reference for Issue Price as it is more reflective of the downward price movements of Reneuco Shares over the past 12 months.

In addition, we note that Reneuco Share has not traded above the NA per Reneuco Share of RM0.38 based on the latest audited financial statements of Reneuco as at 30 June 2022 since 15 June 2022 up to the LPD. Although the issue price of RM0.22 per Consideration Share is at a 42.11% discount to the audited NA per Share of RM0.38 as at 30 June 2022, we are of the view that the Issue Price is justifiable as there is no assurance that Reneuco may be able to realise the NA per Reneuco Share at its full value.

Having considered the above, on an overall basis, we are of the view that the Issue Price is **reasonable** as:

- (i) the Issue Price was determined *vide* a market-based approach, i.e., after taking into consideration the 1-month VWAP of Reneuco Shares;
- (ii) the Issue Price is equivalent to the 5-day and 1-month VWAPs of Reneuco Shares of RM0.22, being the recent market prices of Reneuco Shares; and
- (iii) although the Issue Price represents discounts of between 15.4% to 47.6% to the 3-month, 6-month and 12-month VWAPs of Reneuco Shares up to the LTD, we are of the view that the market prices of Reneuco Shares for the past 5 days and 1 month up to the LTD would be a more reflective period to evaluate the reasonableness of the Issue Price as such market prices reflect current market sentiments towards the Reneuco Shares, especially when there is a decline in the Reneuco Group's financial performance.

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6.4 Salient terms of the SSA

We have considered the salient terms as set out in Appendix II, Part A of the Circular and our comments are as follows:-

Reference in the Circular	Salient terms of the SSA	SCA's comments
Appendix II, Section 1	<p>Agreement for the sale and purchase of the Sale Shares in ASSB</p> <p>The Vendor has agreed to sell and the Purchaser has agreed to purchase the Sale Shares free from all encumbrances, together with all attached and accrued rights, for a purchase consideration of approximately RM90 million.</p>	<p>This term is to clarify that the Sale Shares are sold free of any impediments or encumbrances with all their rights attached, and is in line with common practice and is a general commercial term.</p> <p>Please refer to our evaluation on the Purchase Consideration in Section 6.2 of this IAL for the fairness of the Purchase Consideration.</p> <p>We are of the view that this term is fair and reasonable.</p>
Appendix II, Section 2	<p>Purchase Consideration</p> <p>The Purchase Consideration shall be fully satisfied via a combination of a Cash Consideration and the allotment and issuance of the Consideration Shares to the Vendor in the following manner:</p> <p>(i) Cash Consideration:</p> <p>a) RM9 million only to be paid to the Vendor as refundable deposit within 3 months upon execution of the SSA or any other date to be mutually agreed by Reneuco RE and the Vendor (collectively, the "Parties"); and</p> <p>b) RM11 million only to be paid in cash to the Vendor on the Completion Date.</p> <p>(ii) Consideration Shares: allotment and issuance of the Consideration Shares to the Vendor within 7 business days from the Completion Date.</p> <p>a) 230,519,481 Consideration Shares to the Vendor; and</p>	<p>This clause sets out the mode and timing of satisfaction of the Purchase Consideration, which is to be fully satisfied via a combination of cash consideration and the allotment and issuance of Consideration Shares.</p> <p>We are of the view that this clause is reasonable and not detrimental to the non-interested shareholders of Reneuco.</p>

Reference in the Circular	Salient terms of the SSA	SCA's comments
	<p>b) 87,662,338 Consideration Shares as renounced by the Vendor in favour of E&E.</p>	
<p>Appendix II, Section 3</p>	<p>Renunciation Right over the Consideration Shares</p> <p>(i) The Vendor has agreed to renounce the E&E Portion (as defined in Section 2, Part A of the Circular) in favour of E&E pursuant to the Proposed RCCPS Acquisition (as defined in Section 2, Part A of the Circular). Not later than 7 days prior to the Completion Date, the Vendor shall issue to the Purchaser or Reneuco the duly executed form of renunciation for the E&E Portion.</p> <p>(ii) With the Vendor effecting the renunciation of the E&E Portion in satisfying the RCCPS purchase consideration (i.e. RM19,285,714.00) ("RCCPS Purchase Consideration") pursuant to the Proposed RCCPS Acquisition on behalf of ASSB, there will be an amount owing by ASSB to the Vendor equal to the RCCPS Purchase Consideration ("RCCPS Amount Owing").</p>	<p>We opine that this term is <u>reasonable</u> and <u>not detrimental</u> to the non-interested shareholders of Reneuco as it serves to facilitate the renunciation of 87,662,338 Consideration Shares by the Vendor in favour of E&E to satisfy the RCCPS Purchase Consideration.</p> <p>Subsequent to the Proposed Acquisition and Proposed RCCPS Acquisition, the RCCPS will be held by ASSB.</p> <p>Please refer to Section 6.2.1(vi) of this IAL for our evaluation of the RCCPS Purchase Consideration.</p>
<p>Appendix II, Section 4</p>	<p>The Satisfaction of All Amount Owing to the Vendor</p> <p>(i) Upon the payment of the Purchase Consideration being made in accordance with subsection 2 above by the Purchaser, the Vendor acknowledges and agrees that:</p> <p>a) the payment of the RCCPS Amount Owing to the Vendor by ASSB; and</p> <p>b) all other amount owing by ASSB and its subsidiaries to the Vendor in the account of ASSB and in the account of the Vendor as at the Completion Date ("Vendor Advances").</p>	<p>We have taken into consideration All Amount Owing in evaluating the fairness of the Purchase Consideration. Please refer to our evaluation on the Purchase Consideration in Section 6.2 of this IAL.</p> <p>This term clearly lays out the Purchaser's obligation to satisfy the All Amount Owing.</p> <p>Hence, we are of the view that this term is <u>fair</u> and <u>reasonable</u>, and is <u>not detrimental</u> to the non-interested shareholders of Reneuco.</p>

Reference in the Circular	Salient terms of the SSA	SCA's comments
	<p>(collectively, "All Amount Owing") shall be novated to the Purchaser and deemed as fully satisfied by the Purchaser on behalf of ASSB and its subsidiaries.</p> <p>(ii) The Vendor shall deliver a letter to ASSB on the Completion Date acknowledging the full settlement of the All Amount Owing and releasing ASSB and all its subsidiaries of any claims, liabilities, demands and obligations related to the satisfaction of the All Amount Owing.</p>	
Appendix II, Section 5	<p>Conditions Precedent</p> <p>The Proposed Acquisition is conditional upon the satisfaction of the following conditions within 6 months from the date of the SSA ("CP Period"):</p> <p>(i) the approvals of the shareholders and the board of directors of the Purchaser approving the entry into the sale and purchase of the Sale Shares as contemplated under the SSA;</p> <p>(ii) the approvals of the shareholders and the board of directors of Reneuco for the issuance and allotment of the Consideration Shares to the Vendor (and to E&E) on the terms and conditions as set out in the SSA;</p> <p>(iii) Reneuco obtaining the approval in-principle of Bursa Securities in relation to the listing of and quotation for the Consideration Shares on the Main Market of Bursa Securities;</p> <p>(iv) the approvals of the shareholders (if applicable) and the board of directors of the Vendor approving the entry into the sale and purchase of the Sale Shares as contemplated under the SSA;</p> <p>(v) the Purchaser is satisfied with the outcome of the due diligence to be conducted by the Purchaser (and/or its advisers) on the technical, financial and legal matters in relation to the ASSB Group and the technical and commercial viability of the Hydro Project;</p> <p>the authorisations from the government and/or the relevant authorities including SEDA and the EC (wherever applicable) and together with conditions, if any,</p>	<p>The conditions precedent sets out the prerequisite conditions, approvals and authorisation required to be obtained, procured and/or fulfilled to give effect to the Proposed Acquisition. It serves to ensure compliance with the necessary rules and regulations and/or requirements imposed by relevant authorities or relevant parties in relation to the enforceability of the SSA.</p> <p>The condition precedent in relation to the due diligence review is also favourable to Reneuco as Reneuco RE is not bound to proceed with the Proposed Acquisition if the due diligence review does not show a favourable outcome. Reneuco RE is also given an opportunity to re-negotiate the Purchase Consideration (subject to the mutual agreement of the Parties).</p> <p>In the event of the termination of the SSA due to the non-fulfilment of any or all of the Conditions Precedent, all monies paid by Reneuco RE to the Vendor shall be returned to Reneuco RE within 7 days from such termination.</p>

Reference in the Circular	Salient terms of the SSA	SCA's comments
	<p>acceptable to the Purchaser and for registration of the Purchaser as the registered owners of the Sale Shares;</p> <p>(vi) the Purchaser is satisfied that all the authorisations, as required for the development and operation of the Project have been duly obtained, all of which shall remain in full force and effect;</p> <p>(vii) the Purchaser is satisfied that there is no amendment or variation to any of the authorisations and there is no event or circumstance, the occurrence or effect of which shall cause any of the authorisations to be withdrawn or be subject to conditions imposed, which in the reasonable opinion of the Purchaser, has a material effect on the business and/or operation of ASSB and/or the Hydro Project; and</p> <p>(viii) the approvals from the financiers of ORP on the change of the shareholders in ASSB, and the change of any directors in the board of directors of the ASSB Group (wherever applicable) arising from the sale and purchase of the Sale Shares, in accordance with the terms of all financing agreements related to the Hydro Project.</p>	<p>Hence, these terms are reasonable and not detrimental to the non-interested shareholders of Reneuco.</p>
Appendix II, Section 6	<p>Due Diligence</p> <p>(i) The Vendor agrees to procure ASSB to permit the Purchaser or persons authorised by the Purchaser to carry out the financial, technical and legal due diligence exercise within the CP Period and the Vendor agrees to cause the duly authorised advisers and/or representatives of the Purchaser to enter into any of the immovable properties of the ASSB Group, inspect all documents of title as may be available and obtain all such statements, information, explanations and data as the Purchaser may reasonably require ("Due Diligence Exercise").</p> <p>(ii) If the Purchaser is not satisfied with the results of the Due Diligence Exercise, the Purchaser shall notify the Vendor within 7 days from the result of the Due Diligence Exercise and discuss with the Vendor any adverse findings with a view of reaching acceptable solution to the issue(s) identified and the Purchaser may propose to the Vendor that the Purchase Consideration to be adjusted and the Parties may</p>	<p>This term is reasonable as it set out Reneuco RE's right pursuant to the Due Diligence Exercise. Such Due Diligence Exercise provides an opportunity for Reneuco to assess the merits and demerits of the Proposed Acquisition.</p> <p>This term is favourable to Reneuco RE as it allows Reneuco RE to re-negotiate the Purchase Consideration in the event the Due Diligence findings on ASSB Group are deemed unsatisfactory. In the event the</p>

Reference in the Circular	Salient terms of the SSA	SCA's comments
	<p>discuss with each other with a view of reaching the adjusted amount as acceptable to the Parties, failing which the Conditions Precedent shall be deemed not fulfilled and the SSA shall be terminated.</p>	<p>Parties are not agreeable to the adjusted Purchase Consideration, the Conditions Precedent shall be deemed not fulfilled. As such, the SSA shall be terminated and all monies paid by Reneuco RE to the Vendor shall be returned 7 days from therefrom.</p> <p>Hence, we are of the view that these terms are <u>reasonable</u> and <u>not detrimental</u> to the non-interested shareholders of Reneuco.</p>
<p>Appendix II, Section 7</p>	<p>Right to Terminate</p> <p>(a) Purchaser's right to terminate in the event of any of the following occurring:</p> <ul style="list-style-type: none"> (i) the Vendor failing or refusing to observe or perform any of its obligations under the SSA and failing or refusing to rectify the same within 30 days after a written notice has been delivered by the Purchaser requiring the rectification of the said breach; (ii) the Vendor becoming insolvent or bankrupt, as the case may be, or making an assignment for the benefit of its creditors or enters into any general arrangements or composition with or for the benefit of its creditors; (iii) a receiver, liquidator, trustee, judicial manager or similar officer being appointed in respect of the properties, assets or undertaking or any part thereof of the ASSB Group; (iv) an application or order is made for the winding up or bankruptcy of the Vendor and/or the ASSB Group or a resolution is passed or any steps are taken to pass a resolution for the winding up of the ASSB Group otherwise than for the purpose of an amalgamation or reconstruction (subject that such amalgamation or reconstruction shall not affect the ASSB Group); 	<p>This clause is a normal commercial term which sets out the basis on which an event or outcome can be deemed grounds for termination.</p> <p>The termination clause serves to protect the interest of each party in the event there is any defaulting event or material breach of any of the obligations of the other party under the SSA which is incapable of remedy or if capable of remedy, is not remedied within 30 days of it being given notice to do so. This clause also provides a reasonable time for the defaulting party to remedy the breach.</p> <p>Hence, this clause is <u>reasonable</u> and <u>not detrimental</u> to the non-interested shareholders of Reneuco as it governs the process for the termination and protects the interest of the non-defaulting party.</p>

Reference in the Circular	Salient terms of the SSA	SCA's comments
	<p>(v) the Purchaser becoming aware that any of the Vendor's warranties is or becomes false, misleading or incorrect when made or regarded as made under the SSA;</p> <p>(vi) any consent, approval or authorisation necessary for any of the Parties to enter into and perform the SSA is refused, withdrawn, modified, terminated or expired or is not renewed or otherwise is not in full force and effect and as a result thereof that Party shall not be able to perform its obligations;</p> <p>(vii) the Vendor and/or the ASSB Group is stopping or threatening to stop payment of its debts or cease to carry on the whole or any substantial part of its business other than for the purpose of an amalgamation or reconstruction (subject that such amalgamation or reconstruction shall not affect the ASSB Group), the terms of which shall previously have been approved in writing by the Purchaser; or</p> <p>(viii) where the Vendor and/or the ASSB Group is generally unable to pay all of its debts.</p> <p>(b) Vendor's right to terminate in the event of any of the following occurring:</p> <p>(i) the Purchaser failing or refusing to observe or perform any of its obligations under the SSA and failing or refusing to rectify the same within 30 days after a written notice has been delivered by the Vendor requiring rectification of the said breach;</p> <p>(ii) the Purchaser becoming insolvent or making an assignment for the benefit of its creditors or enters into any general arrangements or composition with or for the benefit of its creditors;</p> <p>(iii) a receiver, liquidator, trustee, judicial manager or similar officer being appointed in respect of the property, assets or undertaking or any part thereof of the Purchaser; or</p> <p>(iv) an application or order is made for the winding up or dissolution of the Purchaser or a resolution is passed or any steps are taken to pass a resolution</p>	

Reference in the Circular	Salient terms of the SSA	SCA's comments
Appendix II, Section 8	<p>for the winding up or dissolution of the Purchaser otherwise than for the purpose of an amalgamation or reconstruction (subject that such amalgamation or reconstruction shall not affect ASSB).</p> <p>Consequence of termination</p> <p>(a) The Parties agree that the Vendor shall return to the Purchaser the deposit and any monies paid by the Purchaser to the Vendor and the Purchaser shall return, or cause to be returned, to the Vendor all documents and items forwarded to the Purchaser by the Vendor in relation to the Sale Shares within 14 days from the termination date and, upon such return, neither Party shall have any claims or cause of action of whatsoever nature against the other save and except for any other antecedent breach and any rights of the Purchasers under the laws and equity, and thereafter the SSA shall cease to have any further force or effect.</p> <p>(b) In the event of the termination of the SSA due to the non-fulfilment and/or waiver of any or all of the Conditions Precedent, the Vendor shall refund the deposit, and repay any other monies paid, to the Purchaser within 7 days from the date of such termination and thereafter, the SSA shall lapse and be of no further effect and no Party shall have any further claims whatsoever against the other pursuant to the SSA save for any antecedent breach.</p>	<p>These terms detail the procedures and consequences in the event the SSA is terminated by either party prior to the Completion Date and are normal commercial terms that set out the obligations of the Parties in respect of the termination.</p> <p>We are of the view that these terms are reasonable and non-detrimental to the non-interested shareholders of Reneuco.</p>

Based on the above, we are of the opinion that the salient terms of the SSA are **reasonable**, and **not detrimental** to the non-interested shareholders of Reneuco.

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6.5 Effects of the Proposed Acquisition

We take cognisance of the effects of the Proposed Acquisition as set out in **Section 6, Part A** of the Circular.

The effects of the Proposed Acquisition are illustrated under the following scenarios:

Minimum Scenario: Assuming none of the Warrants are exercised and none of the Remaining Placement Shares are placed out prior to the implementation of the Proposed Acquisition

Maximum Scenario: Assuming the full exercise of the Warrants and full issuance of the Remaining Placement Shares prior to the implementation of the Proposed Acquisition

SCA's comments

Each Warrant gives warrant holders the right to subscribe for 1 new Reneuco share during the 5-year exercise period of the Warrants up to 24 January 2026 at an exercise price of RM2.50 per Warrant.

We have provided analysis and comments on the effects of the Proposed Acquisition under the Minimum Scenario and Maximum Scenario despite the Warrants are currently out-of-the-money given that the exercise period of the Warrants will only be expiring on 24 January 2026.

Subsequently, on 19 January 2023, M&A Securities Sdn Bhd had, on behalf of the Board, announced that Bursa Securities had on even date, resolved to approve the listing and quotation of up to 54,279,600 new Shares ("**Placement Shares**"). On 14 March 2023, the Company had placed out 28,750,000 Placement Shares and as at the LPD, the Company may place out a remaining of 25,529,600 Placement Shares ("**Remaining Placement Share(s)**") pursuant to the Private Placement.

We have commented on the effects of the full issuance of the Remaining Placement Shares which is assumed under the Maximum Scenario. Please refer to **Section 6, Part A** of the Circular for further details of the Private Placement.

Based on our evaluations, we are of the view that the effects of the Proposed Acquisition are **not detrimental** to the non-interested shareholders in view of the following:

6.5.1 Issued share capital

Under the Minimum Scenario, the Proposed Acquisition will increase the share capital of Reneuco from RM162.99 million comprising 571.55 million Reneuco Shares to RM232.99 million comprising 889.73 million Reneuco Shares, as the consequential effect arising from the issuance of the Consideration Shares.

Under the Maximum Scenario, the Proposed Acquisition will increase the share capital of Reneuco from RM162.99 million comprising 571.55 million Reneuco Shares to RM617.59 million comprising 1,066.03 million Reneuco Shares, as the consequential effect arising from the full exercise of Warrants, the full issuance of the Remaining Placement Shares, and issuance of the Consideration Shares.

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6.5.2 Earnings and EPS

Upon completion of the Proposed Acquisition, ASSB will become a wholly-owned subsidiary of Reneuco and accordingly, the future net profits of ASSB will be consolidated into the Group's financial statements. For illustrative purpose only, assuming that the Proposed Acquisition had been effected at the beginning of the FYE 30 June 2022, the pro forma effects of the Proposed Acquisition on the earnings and EPS of the Group are as follows:-

Minimum Scenario

	Audited as at FYE 30 June 2022 RM'000	I Subsequent events up to the LPD ^{*1} RM'000	II After I and the Proposed Acquisition RM'000
PAT/ (LAT) attributable to owners of the Company	5,953	5,953	(5,903) ^{*1}
Number of Shares in issue ('000)	542,797	571,547	889,728
Basic EPS/ (LPS)^{*2} (sen)	1.10	1.04	(0.66)

Maximum Scenario

	Audited as at the 30 June 2022 RM'000	I Subsequent events up to the LPD RM'000	II After I and the full exercise of the Warrants RM'000	III After II and the full issuance of the Remaining Placement Shares RM'000	IV After III and the Proposed Acquisition RM'000
PAT/ (LAT) attributable to owners of the Company	5,953	5,953	5,953	5,953	(5,903) ^{*1}
Number of Shares in issue ('000)	542,797	571,547	722,321	747,850	1,066,031
Basic EPS/ (LPS)^{*2} (sen)	1.10	1.04	0.82	0.80	(0.55)

Notes:-

^{*1} After accounting for the audited LAT of ASSB for the FYE 31 December 2021 represented by 100% equity interest in ASSB pursuant to the Proposed Acquisition of RM11.36 million, and after deducting the estimated expenses of approximately RM0.50 million in relation to the Proposed Acquisition.

^{*2} Computed based on PAT/ (LAT) attributable to owners of the Company divided by the weighted average number of Shares.

Upon completion of the Proposed Acquisition: -

- (i) the financial results of Reneuco Group changed from PAT of RM5.95 million to LAT of RM5.90 million after consolidation of ASSB's audited LAT of RM11.36 million for the FYE 31 December 2021 and after deducting the estimated expenses of approximately RM0.50 million in relation to the Proposed Acquisition.

- (ii) the EPS of Reneuco Group will reduce from EPS of RM1.10 to LPS of RM0.66 under the Minimum Scenario while the Maximum Scenario will reduce the Group's EPS to a LPS of RM0.55, in line with the changes of financial results. Thus, EPS/ LPS will be correspondingly diluted as a result of the increase in number of Shares arising from the issuance of the Consideration Shares pursuant to the Proposed Acquisition. However, the Proposed Acquisition is expected to contribute positively to the Group's consolidated earnings for future years as and when the Hydro Project commences operations and generate a steady stream of revenue and cashflows.

6.5.3 NA, NA per share and gearing

The proforma effects of the Proposed Acquisition on the NA and gearing of the Reneuco Group based on the latest audited consolidated statements of financial position as at 30 June 2022 under the Minimum Scenario are as follows:

- (i) The pro forma NA as at 30 June 2022 will increase from RM205.74 million to RM281.85 million as a result of the increase in Reneuco's issued share capital following the subsequent events up to the LPD, which accounts for the issuance of 28,750,000 Placement Shares, and the issuance of Consideration Shares as part settlement of the Purchase Consideration;
- (ii) the proforma NA per Share as at 30 June 2022 will decrease from RM0.38 to RM0.32 in view that the Issue Price of RM0.22 is lower than the Reneuco Group's NA per Share of RM0.38 as at 30 June 2022; and
- (iii) the pro forma gearing of Reneuco Group as at 30 June 2022 will increase from 0.12 times to 0.74 times due to the consolidation of ASSB Group's existing bank borrowings.

The proforma effects of the Proposed Acquisition on the NA and gearing of the Reneuco Group based on the latest audited consolidated statements of financial position as at 30 June 2022 under the Maximum Scenario are as follows:

- (i) The pro forma NA as at 30 June 2022 will increase from RM205.74 million to RM589.29 million after the issuance of 28,750,000 Placement Shares and the full exercise of the Warrants. Following that, the pro forma NA after the full issuance of the 25,529,600 Remaining Placement Shares and the Proposed Acquisition will further increase to RM666.45 million, as a result of the increase in Reneuco's issued share capital following the issuance of Consideration Shares as part settlement of the Purchase Consideration;
- (ii) the proforma NA per Share as at 30 June 2022 will increase from RM0.38 to RM0.82 as a result of the issuance of 28,750,000 Placement Shares and the fully-exercised Warrants at its exercise price of RM2.50 per Warrant. Subsequently, the proforma NA per Share will decrease from RM0.82 to RM0.63 in view that the Issue Price of RM0.23 for the Remaining Placement Shares and RM0.22 for the issued Consideration Shares are lower than the Reneuco Group's NA per Share of RM0.82 following the full exercise of the Warrants; and
- (iii) the pro forma gearing of Reneuco Group as at 30 June 2022 will decrease from 0.12 times to 0.04 times as a result of the increased NA from RM205.74 million to RM589.29 million as a result of the issuance of 28,750,000 Placement Shares and the full exercise of the Warrants. Ensuing that and the full issuance of 28,750,000 Remaining Placement Shares, the Proposed Acquisition will result in an increase in gearing from 0.04 times to 0.31 times due to the consolidation of ASSB Group's existing bank borrowings.

6.5.4 Substantial shareholding structure

Under both the Minimum Scenario and Maximum Scenario, the issuance of Consideration Shares will result in an immediate dilution effect on the substantial shareholder, Datuk Mustakim's, direct shareholding in Reneuco, but significantly increase Datuk Mustakim's indirect shareholding by virtue of his shareholding in OHP which owns the entire equity interest in OVSB. Under the Minimum Scenario, Datuk Mustakim's indirect shareholding will be 26.07% while the Maximum Scenario illustrates his indirect shareholdings at 21.76%.

Upon completion of the Proposed Acquisition, OVSB, OHP, Amirul and E&E will emerge as new substantial shareholders of Reneuco. Under the Minimum Scenario, the OVSB and E&E will hold 25.91% and 9.85% direct equity interest respectively in Reneuco as a result of their respective receipt of the Consideration Shares pursuant to the Proposed Acquisition. OHP and Amirul will have indirect interests of 25.91% each via their respective shareholdings in OVSB and OHP.

Under the Maximum Scenario, the full exercise of the Warrants will result in a slight dilution in the Datuk Mustakim's shareholding in Reneuco, where direct shareholdings will decrease from 6.74% to 5.33% while indirect shareholdings will decrease from 0.25% to 0.20%.

Subsequently, following the full issuance of the Remaining Placement Shares and the completion of the Proposed Acquisition, OVSB, OHP, Amirul and E&E will emerge as new substantial shareholders of Reneuco. Under the Maximum Scenario, the OVSB and E&E will hold 21.62% and 8.22% equity interest respectively in Reneuco (under the Maximum Scenario) as a result of their respective receipt of the Consideration Shares pursuant to the Proposed Acquisition. OHP and Amirul will have indirect interests of 21.62% each via their respective shareholdings in OVSB and OHP.

6.5.5 Convertible securities

As at the LPD, save for the Warrants, the Company does not have any other convertible securities.

The Proposed Acquisition is not expected to give rise to any adjustments on the Warrants.

Premised on the above, we are of the view that the financial effects of the Proposed Acquisition are **not detrimental** to the interest of the non-interested shareholders of Reneuco.

6.6 Risk Factors in relation to the Proposed Acquisition

In appraising the Proposed Acquisition, the non-interested shareholders of the Company are advised to give careful consideration to the risk factors as set out in **Section 5, Part A** of the Circular.

SCA's comments

We take note and concur with the risk factors in relation to the Proposed Acquisition, as set out in **Section 5, Part A** of the Circular. Notwithstanding, the non-interested shareholders should also take note of additional risk factors in relation to the Proposed Acquisition below:

6.6.1 Impairment of goodwill

Reneuco Group will summarise goodwill arising from the Proposed Acquisition where the amount of which will depend on the fair value of identifiable assets and liabilities acquired as at the Completion Date. Goodwill is required to be tested for impairment periodically after its initial recognition. Any downward fair value adjustments to the identifiable assets and liabilities or impairment of goodwill will have an adverse impact on the enlarged Reneuco Group's financial position and financial performance.

6.6.2 Financing and interest rate risk

We note that the Proposed Acquisition is intended to be funded by a mixture of new equity capital and borrowings. The use of a combination of equity and borrowings is expected to allow Reneuco Group to maintain its gearing at a manageable level and at the same time enable Reneuco to manage its cash flows to maintain sufficient headroom for any future cash acquisitions.

Reneuco Group's ability to arrange for external financing and the cost of such financing are dependent on numerous factors such as macroeconomic and capital market conditions, prevailing interest rates, credit availability from banks or other lenders, or any restrictions imposed by the Government of Malaysia as well as political, social and economic stability in Malaysia. There is no guarantee that the necessary financing will be available in amounts or on conditions that Reneuco Group will accept. In addition, Reneuco Group may also be exposed to fluctuations in interest rate movements on such external financing obtained. Besides increasing the gearing level, new bank borrowings could result in operating and financial covenants being imposed that may affect Reneuco Group's ability to pay dividends to shareholders. Nevertheless, Reneuco Group will actively review its debt position taking into consideration its gearing level, financing costs, as well as cash flows to arrive at the most cost-effective financing options.

Based on internal preliminary discussion at this juncture, Reneuco intends to fund the Cash Consideration portion amounting to RM20.00 million through internally generated funds and/ or borrowings, the exact quantum of which will be determined by the Board at a later date upon obtaining all the necessary approvals. For information purposes, the Group's cash and bank balances stood at approximately RM20.77 million for the latest unaudited 6-month FPE 31 December 2022.

Additionally, as set out in Section 6.2.1(i) of this IAL, we note that ORP is seeking additional financing for the structural strengthening works and completion of its hydro plants. Failing to obtain the additional financing will cause delay or non-completion of the construction of the Hydro Project and then, cause a delay in generating the expected concession income.

In addition, ORP's additional financing is subject to the risk of increased interest rates which will result in higher borrowing costs that could adversely affect ORP's earnings. These could, in turn, adversely affect the financial performance of ASSB Group which will be consolidated by Reneuco upon completing the Proposed Acquisition.

There is no assurance that ORP will be able to obtain sufficient borrowings at reasonable financing costs to fund the construction of the Hydro Project. Nevertheless, ORP will actively review its debt position taking into consideration its gearing level, financing costs, as well as cash flows to arrive at the most cost-effective financing options.

The risk factors set out in **Section 5, Part A** of the Circular and mentioned herein are not meant to be exhaustive.

In evaluating the Proposed Acquisition, the non-interested shareholders of Reneuco should carefully consider the said risk factors and their respective mitigating factors prior to voting on the resolution pertaining to the Proposed Acquisition at the forthcoming EGM of the Company.

We wish to highlight that although efforts and measures would be taken by the Reneuco Group to mitigate the aforementioned risks in relation to the Proposed Acquisition, no assurance can be given that one or a combination of the risk factors as stated above will not occur and give rise to material adverse impact on the business operations of the Reneuco Group, its financial performance, financial position or prospects thereon after the Proposed Acquisition.

6.7 Industry overview and outlook and future prospects of ASSB and the enlarged Reneuco Group

We refer to the industry overview and outlook and future prospects of ASSB and the enlarged Reneuco Group as set out in **Section 4, Part A** of the Circular. We also wish to draw out the attention of the Board (save for the Interested Directors) and non-interested shareholders to the following additional industry overview and outlook associated with the Proposed Acquisition, which were not mentioned in **Section 4, Part A** of the Circular.

6.7.1 Overview and outlook of the global economy

Global growth is forecast to slow from 6.0 percent in 2021 to 3.2 percent in 2022 and 2.7 percent in 2023. Global inflation is forecast to rise from 4.7 percent in 2021 to 8.8 percent in 2022 but decline to 6.5 % in 2023 and to 4.1 percent in 2024. Upside inflation surprises have been most widespread among advanced economies, with greater variability in emerging market and developing economies.

(Source: World Economic Outlook: Countering the Cost-of-living Crisis; Full Report, October 2022)

6.7.2 Overview and outlook of the Malaysian economy

All economic sectors registered growth in the fourth quarter of 2022. The services sector expanded by 8.9% (3Q 2022: 16.7%), supported by consumer-related subsectors amid better labour market conditions and the continued recovery in tourism activities. The sector also benefitted from improvements in real estate and business services activities. The construction sector expanded by 10.1% (3Q 2022: 15.3%). Of significance, civil engineering and non-residential subsectors were lifted by continued progress of large infrastructure, commercial and industrial projects.

For 2023, the Malaysian economy is expected to expand at a more moderate pace, amid a challenging external environment. Growth will be driven by domestic demand, supported by the continued recovery in labour market and realisation of multi-year investment projects. The services and manufacturing sectors will continue to drive the economy. Meanwhile, the slowdown in exports following weaker global demand will be partially cushioned by higher tourism activity.

(Source: Quarterly Bulletin for Q4 of 2022, Bank Negara Malaysia)

6.7.3 Overview and outlook of the hydro power industry and Renewable Energy in Malaysia

Total RE installed capacity in Malaysia as of December 2020 was 8,450 MW, corresponding to a share of RE in total installed capacity mix of 23%. Large hydro accounts for most of the installed capacity with 5,692 MW; 2,240 MW of large hydro is installed in Peninsular Malaysia and 3,452 MW in Sarawak. This is due to Sarawak's continuous effort to leverage the abundance of large river basins as a source of clean power generation.

For hydro, the long gestation periods have hampered the growth of installed capacity. Small hydro projects typically take up to five years to achieve commercial operation after obtaining approval for a FIT quota. Large hydro RE capacity increased by 12.6% on a year-on-year basis from 2012 to 2020, plateauing in 2016 at 5.7 GW ("Gigawatts").

Moving forward, Malaysia aims to achieve a higher RE growth, from the existing 23% or 8.45 GW RE in its power installed capacity. Malaysia Renewable Energy Roadmap (“MyRER”) projected to increase the share of RE to 31% or 12.9 GW in 2025, and 40% or 18.0 GW in 2035.

The RE Initiatives under this roadmap are expected to support Malaysia’s commitment to greenhouse gas (“GHG”) emission reduction under the Paris Agreement led by the United Nations Framework Convention on Climate Change (“UNFCCC”). Malaysia’s global climate commitment is to reduce its economy-wide carbon intensity (against GDP) of 45% in 2030 compared to 2005 level.

(Source: Malaysia Renewable Energy Roadmap, SEDA)

6.7.4 Overview and outlook of renewable energy trends in Southeast Asia

In Southeast Asia (“SEA”), RE installed power capacity reached 26% in 2020. Hydropower contributes 56% of total RE installed capacity in the region. Variable Renewable Energy (“VRE”) such as solar PV and wind remain marginal, at 29%, despite the region’s rich availability of these resources. Policies and incentives to promote variable RE were implemented in SEA much later than in other geographies with higher income levels, as variable RE were still expensive at the time.

However, major Association of Southeast Asian Nations member (“ASEAN”) countries have developed aggressive RE share targets. In the long term, most ASEAN countries aim to increase RE share in their installed capacity or generation mix to 30-40% between horizon years of 2030-2050.

(Source: Malaysia Renewable Energy Roadmap, SEDA)

SCA’s comments

We note that the Malaysian economy is projected to continue its growth trajectory for the foreseeable future, driven by rising domestic demand. This increase will offset the dampening of external demand.

In addition, the Government of Malaysia has committed to the further decarbonisation of the country’s energy grid, thus facilitating further investments in renewable energy which includes hydro power. This commitment will ensure a shift in demand towards renewable energy power plants for the foreseeable future as the government intends to reduce the number of coal-fired plants.

Taking into consideration the above, we are of the opinion that the prospects of the Reneuco Group are expected to be encouraging in the long term given the Group’s focus towards ensuring its stability and growth. This will be done via focusing on its core business, which is the RE sector. As set out in **Section 4.3, Part A** of the Circular, Reneuco Group has, via its subsidiary, been selected as one of the successful bidders for the development of small hydro power plants with a total capacity of 40.4MW in Gua Musang, Kelantan. Along with the Proposed Acquisition, the Group will be financially sustainable, thus ensuring its long-term prospects especially for investors. In addition, Reneuco Group has equipped itself with an experienced and diverse workforce, who are well-versed in the renewable energy sector and corporate governance.

Accordingly, we are of the view that the Proposed Acquisition is **reasonable** and **not detrimental** as the Proposed Acquisition will enhance Reneuco’s footing in the hydro power industry. Nonetheless, we wish to highlight that the hydro power industry is subject to uncertainties which are not within the Board’s control, such as, amongst others, changes in policies of the Government of Malaysia and changes in climate. The occurrence of any of such events may materially impact the hydro power industry and may adversely affect Reneuco Group’s financial performance.

7. CONCLUSION AND RECOMMENDATION

We have assessed and evaluated the Proposed Acquisition after taking into consideration the various factors as set out in Section 6 of this IAL. In arriving at our conclusion and recommendation, we have considered and summarised the following pertinent factors, which the non-interested shareholders should consider when forming their views on the Proposed Acquisition.

A summary of our evaluations is as follows:-

Consideration factors		Our evaluation
(a)	Rationale for the Proposed Acquisition	<p>We concur with the rationale set out in Section 3, Part A of the Circular and opine that the Proposed Acquisition would accord Reneuco Group the following benefits:</p> <ul style="list-style-type: none"> (i) The Proposed Acquisition is in line with the Reneuco Group's strategy to expand its core business as it would allow the Reneuco Group to own and operate the Hydro Project and thereby increasing its renewable energy assets from 90.4MW to 119.5MW; (ii) The Proposed Acquisition would accelerate the Reneuco Group's expansion into the renewable energy business in view that hydro plant 2 has commenced operations whilst hydro plant 1 and hydro plant 3 are expected to commence operations by 30 June 2023; (iii) The Proposed Acquisition is earnings accretive by virtue of the concession-based recurring revenue of the Hydro Project as it entails the contractual sales of its renewable energy to SESB, a subsidiary of Tenaga Nasional Berhad, over the concession period of 21 years from the respective commercial operation dates of the hydro plants; (iv) The Proposed Acquisition is expected to contribute positively to the enlarged Reneuco Group's future financial performance upon commencement of operations of the 3 hydro plants, thereby enhancing Reneuco's shareholders' value; and (v) The issuance of Consideration Shares would reduce the cash outlay required for the Proposed Acquisition and thereby, allowing the Reneuco Group to incur less finance cost and keep its gearing at a manageable level. <p>Hence, we are of the view that the rationale and justification for the Proposed Acquisition are reasonable and not detrimental to the interest of the non-interested shareholders.</p>
(b)	Basis and justification for the Purchase Consideration	<p>The Company had appointed Mercury Securities to provide an opinion on the fair market value of the entire equity interest in ASSB. In assessing the basis and justification of arriving at the Purchase Consideration, we have considered the Valuation Letter as set out in Appendix IV of the Circular as part of our evaluation.</p>

Consideration factors	Our evaluation
	<p>We noted that Mercury Securities has adopted the SOPV methodology in determining the equity interest of ASSB Group which comprises a mix of DCF valuation method for the Hydro Project held under ORP, NA valuation method for PFSB (company level) and RNAV valuation for ASSB (company level), after taking into consideration the nature of assets, the business and the estimated future cash flows of ASSB Group.</p> <p>We have compared our valuation against Mercury Securities' valuation in arriving at our opinion on the fair market value of the entire equity interest in ASSB. We have evaluated and are satisfied with the results of the valuation based on the reasonableness of the methodologies, key assumptions made and risks highlighted in its valuation. We are of the view that the bases and assumptions of the Financial Projections prepared by the Representatives of ASSB Group are reasonable and the valuation of the ASSB Group (including Vendor Advances) derived by Mercury Securities is within the estimated market value range derived by SCA and thus, it is fair.</p> <p>Based on the SOPV methodology, the Purchase Consideration is at a 1.25% to 18.35% discount to the valuation range of RM91.14 million to RM110.23 million, as appraised by Mercury Securities.</p> <p>Based on the SOPV methodology, the Purchase Consideration is at a 1.63% to 18.07% discount to the valuation range of RM91.47 million to RM109.85 million, as appraised by SCA.</p> <p>Premised on our evaluation in the IAL, we are of the view that the Purchase Consideration of RM90.0 million is fair and the basis for arriving at the Purchase Consideration is reasonable.</p>
(c) Basis and justification for the Issue Price of the Consideration Shares	<p>We are of the view that the Issue Price is reasonable as it is equivalent to the 5-day and 1-month VWAPs of Reneuco Shares up to LTD of RM0.22, being the recent market prices of Reneuco Shares.</p>
(d) Salient terms of the SSA	<p>On an overall basis, the salient terms stated in the SSA are deemed reasonable and not detrimental to the non-interested shareholders of the Company.</p>
(e) Effects of the Proposed Acquisition	<p>The effects of the Proposed Acquisition under the Minimum Scenario and Maximum Scenario, on a pro forma basis, are summarised as follows:</p> <p>(i) Issued share capital</p> <p>Under the Minimum Scenario, the Proposed Acquisition will increase the share capital of Reneuco from RM162.99 million comprising 571.54 million Reneuco Shares to RM232.99 million comprising 889.73 million</p>

Consideration factors	Our evaluation
	<p>Reneuco Shares, as the consequential effect arising from the issuance of the Consideration Shares.</p> <p>Under the Maximum Scenario, the Proposed Acquisition will increase the share capital of Reneuco from RM162.99 million comprising 571.55 million Reneuco Shares to RM617.59 million comprising 1,066.03 million Reneuco Shares, as the consequential effect arising from the full exercise of Warrants, the full issuance of the Remaining Placement Shares, and issuance of the Consideration Shares.</p> <p>(ii) Earnings and earnings per share</p> <p>Upon completion of the Proposed Acquisition:-</p> <p>(a) the financial results of Reneuco Group changed from PAT of RM5.95 million to LAT of RM5.90 million after consolidation of ASSB's audited LAT of RM11.36 million for the FYE 31 December 2021 and after deducting the estimated expenses of approximately RM0.50 million in relation to the Proposed Acquisition; and</p> <p>(b) the EPS of Reneuco Group will reduce from EPS of RM1.10 to LPS of RM0.66 under the Minimum Scenario while the Maximum Scenario will reduce the Group's EPS to a LPS of RM0.55, in line with the changes of financial results. Thus, EPS/ LPS will be correspondingly diluted as a result of the increase in number of Shares arising from the issuance of the Consideration Shares pursuant to the Proposed Acquisition. However, the Proposed Acquisition is expected to contribute positively to the Group's consolidated earnings for future years as and when the Hydro Project commences operations and generate a steady stream of revenue and cashflows.</p> <p>(iii) NA, NA per share and gearing</p> <p>The proforma effects of the Proposed Acquisition on the NA and gearing of the Reneuco Group based on the latest audited consolidated statements of financial position as at 30 June 2022 under the Minimum Scenario are as follows:</p> <p>(a) The pro forma NA as at 30 June 2022 will increase from RM205.74 million to RM281.85 million as a result of the increase in Reneuco's issued share capital following the subsequent events up to the LPD, which accounts for the issuance of 28,750,000 Placement Shares, and the issuance of Consideration Shares as part settlement of the Purchase Consideration;</p> <p>(b) the proforma NA per Share as at 30 June 2022 will decrease from RM0.38 to RM0.32 in view that the Issue Price of RM0.22 is lower than the Reneuco</p>

Consideration factors	Our evaluation
	<p>Group's NA per Share of RM0.38 as at 30 June 2022; and</p> <p>(c) the pro forma gearing of Reneuco Group as at 30 June 2022 will increase from 0.12 times to 0.74 times due to the consolidation of ASSB Group's existing bank borrowings.</p> <p>The proforma effects of the Proposed Acquisition on the NA and gearing of the Reneuco Group based on the latest audited consolidated statements of financial position as at 30 June 2022 under the Maximum Scenario are as follows:</p> <p>(a) The pro forma NA as at 30 June 2022 will increase from RM205.74 million to RM589.29 million after the issuance of 28,750,000 Placement Shares and the full exercise of the Warrants. Following that, the pro forma NA after the full issuance of the 25,529,600 Remaining Placement Shares and the Proposed Acquisition will further increase to RM666.45 million, as a result of the increase in Reneuco's issued share capital following the issuance of Consideration Shares as part settlement of the Purchase Consideration;</p> <p>(b) the proforma NA per Share as at 30 June 2022 will increase from RM0.38 to RM0.82 as a result of the issuance of 28,750,000 Placement Shares and the fully-exercised Warrants at its exercise price of RM2.50 per Warrant. Subsequently, the proforma NA per Share will decrease from RM0.82 to RM0.63 in view that the Issue Price of RM0.23 for the Remaining Placement Shares and RM0.22 for the issued Consideration Shares are lower than the Reneuco Group's NA per Share of RM0.82 following the full exercise of the Warrants; and</p> <p>(c) the pro forma gearing of Reneuco Group as at 30 June 2022 will decrease from 0.12 times to 0.04 times as a result of the increased proforma NA from RM205.74 million to RM589.29 million. Ensuing that and the full issuance of 28,750,000 Remaining Placement Shares, the Proposed Acquisition will result in an increase in gearing from 0.04 times to 0.31 times due to the consolidation of ASSB Group's existing bank borrowings.</p> <p>(iv) Substantial shareholding structure</p> <p>Upon completion of the Proposed Acquisition, OVSB, OHP, Amirul and E&E will emerge as new substantial shareholders of Reneuco by virtue of their direct and/or indirect shareholdings, as a result of their respective receipt of the Consideration Shares pursuant to the Proposed Acquisition.</p>

Consideration factors		Our evaluation
		<p>(v) Convertible securities</p> <p>The Proposed Acquisition is not expected to give rise to any adjustments on the Warrants.</p> <p>We are of the view that the financial effects of the Proposed Acquisition are fair and not detrimental to the interest of the non-interested shareholders of Reneuco.</p>
(f)	Risk factors in relation to the Proposed Acquisition	<p>The Proposed Acquisition is subject to the risk inherent in the RE industry, in which Reneuco Group is already involved and will be addressed as part of the Group's ordinary course of business. The non-interested Shareholders are also advised to give due and careful regard to other potential risk factors as mentioned in Section 5, Part A of the Circular.</p> <p>We also wish to highlight that although the Proposed Acquisition is expected to contribute positively to the future earnings of the Group as mentioned in Section 4.3, Part A of the Circular, there is no assurance that the expected benefits from the Proposed Acquisition will materialise or that Reneuco will be able to generate sufficient revenue and earnings therefrom to offset the associated costs incurred for the Proposed Acquisition.</p>
(g)	Industry overview and outlook	<p>After taking into consideration the industry overview of the RE industry as well as the prospects of ASSB and the enlarged Reneuco Group as mentioned in Section 4, Part A of the Circular, we are of the view that the Proposed Acquisition is reasonable to the Group and not detrimental to the interests of the non-interested shareholders of the Group.</p> <p>Nonetheless, we wish to highlight that the RE industry is subject to uncertainties that are not within the Board's control which, amongst others, changes in policies of the Government of Malaysia and climate changes. The occurrence of any of such events may materially impact the RE industry and may adversely affect the Reneuco Group's financial performance.</p>

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Based on our evaluation as set out in this IAL and summarised in the above section, we are of the opinion that the Proposed Acquisition is **fair** and **reasonable** insofar as you are concerned.

Therefore, in the absence of unforeseen circumstances, the Proposed Acquisitions deemed to be in the **best interest** of the Group and not detrimental to the interests of the non-interested shareholders of Reneuco.

Accordingly, we recommend that you should **vote in favour** of the resolution to give effect to the Proposed Acquisition to be tabled at the forthcoming EGM of the Company.

Yours faithfully,
for and on behalf of
SIERAC CORPORATE ADVISERS SDN BHD

TEH SEW HONG
Executive Director

MELANIE TAN HOOI WEN
Associate Director, Corporate Finance

PART C

**CIRCULAR TO THE SHAREHOLDERS OF RENEUCO IN RELATION TO THE
PROPOSED NEW RRPT MANDATE**



RENEUCO BERHAD
(formerly known as KPower Berhad)
Registration No.: 199701003731 (419227-X)
(Incorporated in Malaysia)

Registered Office
Level G-3AF-3, Level 3AF, Block G
Garden Office @ Encorp Strand
No. 12, Jalan PJU 5/1, Kota Damansara
47810 Petaling Jaya, Selangor

12 April 2023

Board of Directors

Datuk Mustakim bin Mat Nun (*Executive Chairman*)
Sarah Azreen binti Abdul Samat (*Non-Independent Non-Executive Deputy Chairman*)
Tan Yee Hou (*Independent Non-Executive Director*)
Ahmad Riza bin Mohd Saian (*Independent Non-Executive Director*)
Ir. Ts. Dr. Muhammad Mahadi bin Mohamad (*Independent Non-Executive Director*)

To: **The Shareholders of Reneuco**

Dear Sir/Madam,

PROPOSED NEW RRPT MANDATE

1. INTRODUCTION

On 2 March 2023, the Board had announced that the Company proposed to seek shareholders' approval on the Proposed New RRPT Mandate to be tabled at the forthcoming EGM of the Company. The purpose of this Circular is to provide you the details of the Proposed New RRPT Mandate and to seek your approval for the ordinary resolution in respect thereof to be tabled at the EGM of the Company.

Further details of the Proposed New RRPT Mandate are set out in the ensuing sections of this Circular.

THE PURPOSE OF PART C OF THIS CIRCULAR IS TO PROVIDE YOU WITH RELEVANT INFORMATION ON THE PROPOSED NEW RRPT MANDATE AS WELL AS TO SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSED NEW RRPT MANDATE TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF EGM AND THE PROXY FORM ARE ENCLOSED TOGETHER WITH THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDIX CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED NEW RRPT MANDATE TO BE TABLED AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED NEW RRPT MANDATE

2.1 Listing Requirements

Pursuant to Paragraph 10.09 of the Listing Requirements, a listed issuer may seek a shareholders' mandate in respect of related party transactions involving recurrent transactions of a revenue or trading nature which are necessary for its day-to-day operations subject to the following:-

- i. the transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public;
- ii. the shareholders' mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year where;
 - a. the consideration, value of the assets, capital outlay or costs of the aggregated transaction is RM1.0 million or more; or
 - b. any one of the percentage ratios of such aggregated transactions is 1% or more,whichever is the higher;
- iii. the listed issuer to issue circular to shareholders in relation to the shareholders' mandate;
- iv. in a meeting to obtain the shareholders' mandate, the interested director, interested major shareholder or interested person connected with a director or major shareholder; and where it involves the interest of an interested person connected with a director or major shareholder, such director or major shareholder, must not vote on the resolution approving the transactions. An interested director or interested major shareholder must ensure that persons connected with him abstain from voting on the resolution approving the transactions; and
- v. an immediate announcement is made to Bursa Securities when the actual value of a recurrent related party transaction entered into by the listed issuer, exceeds the estimated value of the recurrent related party transaction disclosed in the circular by 10% or more and the announcement must include the information as may be prescribed by Bursa Securities.

Where a listed issuer has procured shareholders' mandate pursuant to the above, the provisions of Paragraph 10.08 of the Listing Requirements shall not apply during the validity period of the shareholders' mandate.

Accordingly, the Board proposes to seek shareholders' approval for the Proposed New RRPT Mandate.

2.2 Information on the RRPT

It is anticipated that in the normal course of the Group's business, RRPT between Reneuco Group and the Related Parties are likely to occur at any time and with some degree of frequency.

In this respect, the Directors are seeking approval from shareholders for the Proposed New RRPT Mandate which will allow the Group to enter into RRPT referred to in **Section 2.2.3, Part C** of this Circular with the Related Parties, provided such transactions are made at arm's length, Reneuco Group's normal commercial terms and on terms not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders of Reneuco.

2.2.1 Principal Activities of Reneuco Group

The principal activity of the Company is that of investment holding. The principal activities of the subsidiary companies of Reneuco are as follows:

Company	Effective equity interest (%)	Principal Activities
<u>Direct subsidiaries of Reneuco</u>		
Reneuco Engineering Sdn Bhd (" RenEng ") (formerly known as KPower Engineering Sdn Bhd)	100.00	Real estate, investment holding, construction business and construction related activities, general trading and services
Reneuco International (L) Ltd. (" RenIL ") (formerly known as KPower International (L) Ltd.)	100.00	Construction related activities
Reneuco Energy FZCO (" Reneuco Energy ")	100.00	Investment in energy enterprises and management
Reneuco Digital Sdn Bhd (" RenDi ") (formerly known as KPower Digital Sdn Bhd)	100.00	Other information technology service activities and research and development on information communication technology
Reneuco Development Sdn Bhd (" RenDev ") (formerly known as KPower Development Sdn Bhd)	100.00	Property development
Reneuco Ventures Ltd. (" RenVen ") (formerly known as KPower Ventures Ltd.)	100.00	Investment holding
Reneuco Healthcare & Technologies Sdn Bhd (" RenHealth ") (formerly known as KPower Healthcare & Technologies Sdn Bhd)	100.00	Investment holding and trading of healthcare related products
Reneuco Logistics Sdn Bhd (" RenLog ") (formerly known as KPower Logistics Sdn Bhd)	100.00	Investment holding and logistics
Reneuco RE Sdn Bhd (" RenRE ") (formerly known as KPower RE Sdn Bhd)	100.00	Activities of holding companies, installation of non-electric solar energy collectors and operation of the energy industry
Powernet Industries Sdn Bhd (" PISB ")	100.00	Manufacture of warp-knitted fabrics
PKNP Reneuco Suria Sdn Bhd (" PRSB ") (formerly known as PKNP KPower Suria Sdn Bhd)	95.00 ^{*1}	Operation of the energy industry
Granulab (M) Sdn Bhd (" Granulab ")	70.00 ^{*2}	Manufacturing and selling of Granumas, a granular synthetic bone graft

Company	Effective equity interest (%)	Principal Activities
Indirect subsidiaries of Reneuco		
Chemtrax Sdn Bhd (" Chemtrax ") (subsidiary of Reneuco Logistics)	51.00 ^{*3}	Providing chemical and gas transportation and forwarding services
Sabaka Logistik (M) Sdn Bhd (" Sabaka Logistik ") (subsidiary of Chemtrax)	100.00	Chemical logistic services
Mikrogrid Lestari Sdn Bhd (" MLSB ") (subsidiary of Reneuco RE)	55.00 ^{*4}	Operation of generation facilities that produce electric energy

Notes:-

^{*1} As at the LPD, the remaining 5.00% equity interest in PRSB is held by RT Development and Engineering Sdn Bhd.

^{*2} As at the LPD, the remaining 30.00% of equity interest in Granulab is held by SIRIM Tech Venture Sdn Bhd.

^{*3} As at the LPD, the remaining equity interest in Chemtrax is held by the following:-

Name of Shareholder	Effective equity interest (%)
OVSB	29.00
Sabaka Group Sdn Bhd	17.00
Hairul Bin Anuar	3.00
Total	49.00

^{*4} As at the LPD, the remaining 45.00% equity interest in MLSB is held by Terang Hijau Sdn Bhd.

2.2.2 Related Parties to which the Proposed New RRPT Mandate applies

The Related Parties to which the Proposed New RRPT Mandate applies and their respective shareholdings are as follows:-

Related Parties	Relationship
OHP Group	<p>OHP is a private limited company of which 51.00% of its equity interest is held by Datuk Mustakim and 30.00% of its equity interest is held by Amirul as at the LPD.</p> <p>Datuk Mustakim is the Executive Chairman and Major Shareholder of Reneuco. He is also the Director of RenRE, RenIL, Reneuco Energy, RenDi, RenDev, RenVen, PRSB and MLSB. Datuk Mustakim currently holds 0.25% indirect interest in Reneuco via Grand Deal Vision Sdn Bhd ("GDVSB") as at the LPD and 6.74% direct interest in Reneuco.</p> <p>Amirul is currently the Group Chief Executive Officer of Reneuco as well as the Director of RenRE, RenEng, RenIL, Reneuco Energy, RenDi, RenLog, RenHealth, RenDev, RenVen, PISB, PRSB, Chemtrax and MLSB. He currently holds <0.01% direct interest in Reneuco as at the LPD.</p>
3p Capital	<p>3p Capital is a wholly owned subsidiary of GDVSB, of which 51.00% of its equity interest held by Sarah Azreen binti Abdul Samat ("Sarah") and 49.00% of its equity interest held by Datuk Mustakim. Sarah is currently the Non-Independent Non-Executive Deputy Chairman of Reneuco, as well as the Director of RenVen, Reneuco Energy and Granulab. She currently holds 0.25% indirect interest in Reneuco via GDVSB.</p>

2.2.3 Classes of Related Parties and Nature of Transactions

The Related Parties having interest in the RRPT for which the shareholders' approval on the Proposed New RRPT Mandate is sought in respect of transactions to be entered into by companies within Reneuco Group are as follows:-

i. Proposed New RRPT Mandate

Transacting Company	Transacting Related Party	Interested Major Shareholder/ Director	Nature of Transactions	Actual value transacted from 7 December 2022 up to LPD ^{*1} RM'000	Estimated aggregate value of the RRPT to be entered into from the forthcoming EGM to the next AGM ^{*2} RM'000
Reneuco	OHP Group	(a) Datuk Mustakim (b) Amirul	Provision of construction and project management services by Reneuco for projects owned by OHP Group under the infrastructure, utility, energy and logistic sectors.	3,533	300,000
			Provision of operating and maintenance services by OHP Group for the assets owned by the Reneuco Group under the infrastructure, utility and energy sectors.	-	5,000
Reneuco	3p Capital	(a) Datuk Mustakim (b) Sarah	Provision of advisory services related to corporate finance by 3p Capital to Reneuco Group.	326	5,000

Notes:-

^{*1} The date the shareholders' approval was not obtained on the 25th AGM.

^{*2} The values are merely indicative estimates for the period from the forthcoming EGM to the next AGM based on progress of the project. Due to the nature of the transactions, the actual values of the transactions may vary significantly from the estimated values disclosed.

The Company is seeking its shareholders' mandate for the new RRPT to be undertaken from the date of the forthcoming EGM to the date of the next AGM.

As at the LPD, there is no amount owing by the Related Parties pursuant to the Recurrent Transactions that have exceeded the credit terms.

2.2.4 Review and Disclosure Procedures

Reneuco Group has established procedures to ensure that the RRPT are conducted at arm's length and on normal commercial terms consistent with the Group's usual business practices and policies and undertaken on transaction prices and terms not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders.

The review and approval procedures are as follows:-

- i. the terms and conditions of the transactions will be determined by the usual commercial terms or in accordance with applicable industry norm.
- ii. records will be maintained by the Group to record all the RRPT entered into to ensure that relevant approvals have been obtained and review procedures in respect of such transactions are adhered to.
- iii. to ensure that such RRPT are conducted at arm's length and on normal commercial terms consistent with Reneuco Group's usual business practices and policies and will not be prejudicial to the shareholders of the Company, the transaction with the Related Parties will only be entered into after taking into account factors such as pricing, quality, delivery schedules and where applicable, preferential rates, rebates or discounts accorded for bulk purchases, the terms offered are fair and reasonable and in the commercial interest.
- iv. ensure that the terms offered to the Group are comparable with those offered by other unrelated parties for the same or substantially similar type of services in respect of provision and/or supply and/or receipt of services.
- v. wherever practicable and/or feasible, at least two (2) other contemporaneous transactions with unrelated third parties for similar products and/or services and/or quantities will be used as comparison, wherever possible for determining whether the price and terms offered to/by the Related Parties are fair and reasonable and comparable to those offered to/by other unrelated third parties for the same or substantially similar type of products and/or services and/or quantities.
- vi. in the event that the quotation or comparative pricing from unrelated third parties cannot be obtained as the products or services are proprietary in nature or where the end customer has specified the requirements for the Group to source from related parties or if there are no unrelated third party vendors/customers of similar products or services, then the Group will determine the price and terms based on market knowledge of prevailing industry norm on normal commercial terms in accordance with the Group's relevant procurement processes, normal business practices, policies and commercial terms in line with the industry practices for the same or substantially similar type of transactions made by the Group with unrelated third parties to ensure that the RRPT(s) are not detrimental to the Group.
- vii. there are no specific threshold for approval of RRPT with the Group. However, all RRPT are subject to the approval of the Audit Committee and the Board, provided always that such personnel have no interest in the transaction and the said transaction has been approved pursuant to a shareholders' mandate obtained at an EGM/AGM for RRPT.
- viii. if a member of the Board and/or Audit Committee has an interest (direct or indirect) in particular transaction, as the case may be, the Director concerned shall abstain from deliberation and any decision making in respect of the RRPT.
- ix. disclosure will be made in the Company's annual report of the breakdown of the aggregate value of RRPT transactions conducted, types of transactions made, name of the related parties involved and their relationship with the Group pursuant to the Proposed New RRPT Mandate during the financial year, and in the annual reports for subsequent financial years in which the Proposed New RRPT Mandate continues to be in force.

- x. in addition to the aforesaid procedures, the Audit Committee will undertake:-
 - a. to periodically reviews the procedures set by Reneuco Group to monitor related party transactions to ascertain that they have been complied with. In its review, the Audit Committee may, as it deems fit, request for additional information pertaining to the transactions from independent sources or professionals;
 - b. to review from time to time, status reports on contracted works being performed by Reneuco Group which are RRPT to ascertain the progress of works; and
 - c. to consider from time to time whether the established guidelines and procedures for the RRPT have become inappropriate, and are unable to ensure that transactions will be on normal commercial terms, and will prejudice the interest of shareholders generally.

The Board may at its discretion, adopt new review and disclosure procedures and/or amend the existing procedures to ensure that the RRPT are at all times on terms consistent with the Group's usual business practices and policies.

2.2.5 Statement by Audit Committee

The Audit Committee is satisfied that the review procedures for RRPT as set out in **Section 2.2.4, Part C** of this Circular are sufficient to ensure that such RRPT will be carried out on normal commercial terms which are not prejudicial to the interest of shareholders, and that the terms of the RRPT are not more favourable to the Related Parties than those generally available to the public and are not detrimental to the minority shareholders of Reneuco.

The Audit Committee is of the view that the Group has in place adequate procedures and processes to monitor, track and identify RRPT in a timely and orderly manner, and such procedures and processes are reviewed on a yearly basis or such frequencies as the Audit Committee considers appropriate having regard to the value and the frequency of the RRPT.

2.2.6 Disclosure

The Group will make the required disclosure in the annual report for the subsequent financial year during which the Proposed New RRPT Mandate is in force, providing amongst others, the following information:-

- i. the type of RRPT made;
- ii. the names of the Related Parties involved in each type of RRPT, and their relationship with the Company; and
- iii. the value of the transactions.

3 RATIONALE AND BENEFITS FOR THE PROPOSED NEW RRPT MANDATE

The Proposed New RRPT Mandate to be entered into by Reneuco Group are necessary for the Group's business and are intended to meet the Group's business needs at the best possible terms. Reneuco Group should be able to have access to all available markets, products and services provided by Related Parties and to provide products and services to all persons including the Related Parties. This will enhance Reneuco Group's ability to explore beneficial opportunities as well as to promote cross-selling which will be beneficial to Reneuco Group.

The RRPTs are recurring transactions of a revenue or a trading nature which are likely to occur with some degree of frequency. These RRPT may be time sensitive by nature, making it impractical to seek shareholders' approval on a case to case basis before entering into such RRPTs. As such the Board is seeking the RRPT Mandate under Paragraph 10.09 of the Listing Requirements for these RRPT so as to facilitate the efficiency with which these transactions are carried out.

By obtaining the Proposed New RRPT Mandate, the necessity to announce and/or convene separate general meetings to seek shareholders' approval as and when such RRPT occur would not arise. This would substantially reduce the administrative time, inconvenience and expenses associated with the convening of general meetings on an ad hoc basis, without compromising the corporate objectives of the Group or adversely affecting the business opportunities available therein.

4. EFFECTS OF THE PROPOSED NEW RRPT MANDATE

The Proposed New RRPT Mandate will not have any impact on the share capital, shareholding structure, gearing and NA of Reneuco Group. The Proposed New RRPT Mandate is expected to contribute positively to Reneuco Group's earnings for the FYE 30 June 2023.

5. VALIDITY PERIOD FOR THE PROPOSED NEW RRPT MANDATE

If approved at the EGM, the Proposed New RRPT Mandate of the Company will take effect from the date of the passing of the ordinary resolution relating thereto at the EGM and will continue in force until:-

- i the conclusion of the next AGM of the Company following the EGM, at which time the said mandate will lapse, unless by a resolution passed at the meeting, the mandate is renewed; or
 - ii the expiration of the period within which the next AGM of Reneuco is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
 - iii revoked or varied by a resolution passed by the shareholders in a general meeting,
- whichever is the earlier.

The Board will seek your approval for the Proposed New RRPT Mandate at the EGM of the Company and at each subsequent AGM, subject to satisfactory review by the Audit Committee of its continued application to the related parties' transactions.

6. APPROVAL REQUIRED

The Proposed New RRPT Mandate is subject to the approval of the shareholders of Reneuco at the EGM to be convened.

7. INTERESTS OF DIRECTORS AND MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED

The direct and indirect interest of the Directors and Major Shareholders and/or Persons Connected with them who are interested in the Proposed New RRPT Mandate as at LPD are as follows:-

Interested Directors and Interested Major Shareholders

	<-----Direct Interest----->		<-----Indirect Interest----->	
	No. of Shares	%	No. of Shares	%
Datuk Mustakim	38,509,600	6.74	1,440,080 ^{*1}	0.25
Sarah	-	-	1,440,080 ^{*1}	0.25
Amirul	20	- ^{*2}	-	-

Interested Persons Connected with the Directors and/or Major Shareholders

	<-----Direct Interest----->		<-----Indirect Interest----->	
	No. of Shares	%	No. of Shares	%
GDVSB	1,440,080	0.25	-	-

Notes:-

^{*1} Deemed interest pursuant to Section 8 of the Act by virtue of his/ her shareholding in GDVSB.

^{*2} Negligible.

The abovementioned interested Directors and interested Major Shareholders, namely Datuk Mustakim, Sarah and Amirul, have abstained and will continue to abstain from the Board's deliberations and voting, and will also abstain from voting in respect of their direct and/or indirect shareholdings in Reneuco, on the resolution approving the Proposed New RRPT Mandate at the EGM.

The aforementioned interested Directors and interested Major Shareholders of the Company have also undertaken to ensure that their Persons Connected (if any) will abstain from deliberating and/or voting in respect of their direct and/or indirect shareholdings on the resolution approving the Proposed New RRPT Mandate at the EGM.

Save as disclosed above, none of the other director and Major Shareholder of Reneuco and/or Persons Connected, has any interest, direct or indirect in the Proposed New RRPT Mandate.

8. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board of Directors (with the exception of Datuk Mustakim, Sarah and Amirul) having considered all aspects of the Proposed New RRPT Mandate is of the opinion that the Proposed New RRPT Mandate is in the best interest of the Company. Accordingly, the Board (with the exception of Datuk Mustakim, Sarah and Amirul) recommends that you vote in favour of the ordinary resolution pertaining to the Proposed New RRPT Mandate to be tabled at the EGM.

9. EGM

The Company's forthcoming EGM, the notice of which is enclosed in this Circular, will be conducted on a fully virtual basis through live streaming and online remote voting using the Remote Participation and Voting facilities ("RPV") via Cloud AGM Platform operated by ARB WeMeet Sdn Bhd at <https://member.arbwemeet.com> (Domain registration numbers with MYNIC: D1A457700) on Thursday, 27 April 2023, at 10:30 a.m., for the purpose of considering and, if thought fit, passing, inter alia, the ordinary resolution pertaining to the Proposed New RRPT Mandate, with or without modifications, to approve the Proposed New RRPT Mandate.

The broadcast venue is strictly for the purpose of complying with Section 327(2) of the Act which requires the Chairperson of the meeting to be present at the main venue of the meeting. Shareholders will not be allowed to be physically present at the broadcast venue.

A member entitled to attend, participate and vote remotely at the EGM using RPV facilities via Cloud AGM Platform operated by ARB WeMeet Sdn Bhd at <https://member.arbwemeet.com> (Domain registration numbers with MYNIC: D1A457700). If you are unable to attend and vote remotely at the EGM, you are entitled to appoint proxy(ies) by completing and lodging the Proxy Form enclosed in this Circular in accordance with the instructions therein to the Company's Registered Office at G-3AF-3, Level 3AF, Block G, Garden Office @ Encorp Strand, No. 12, Jalan PJU 5/1, Kota Damansara, 47810 Petaling Jaya, Selangor, Malaysia or email to admin@aldpro.com.my not less than forty-eight (48) hours before the time set for holding the EGM or any adjournment thereof.

10. FURTHER INFORMATION

Shareholders of Reneuco are advised to refer to **Appendix VI** of this Circular for further information.

Yours faithfully

For and on behalf of the Board

RENEUCO BERHAD (FORMERLY KNOWN AS KPOWER BERHAD)

TAN YEE HOU

Independent Non-Executive Director

APPENDIX I – INFORMATION ON ASSB

1. HISTORY AND BUSINESS

ASSB was incorporated in Malaysia on 1 August 2013 under the Companies Act, 1965, as a private company limited by shares.

ASSB is principally engaged in investment holding. ORP, an indirect 70%-owned subsidiary of ASSB, was incorporated as a SPV to undertake the development of hydro power plants in Sabah, Malaysia. It is licensed by the SEDA, under the FiT. For information purposes, the FiT system in Malaysia obliges Distribution Licensees to buy from FIAHs the electricity produced from renewable resources at the FiT rate (fixed premium rate that is payable for each unit of renewable energy sold to Distribution Licensees) for a specific duration. For information purposes, save for the Hydro Project, there are no other contracts secured by ORP as at the LPD.

On 23 September 2014, ORP had signed three (3) exclusive REPPA with SESB for the Hydro Project involving the development, design, financing, construction, installation, testing, operation, management and maintenance of three (3) small hydro power plants with a total combined power generation of 29.1MW.

ORP had been granted with a feed-in approval dated 15 May 2014 and a revised feed-in approval dated 25 March 2016 for each of the REPPAs by SEDA pursuant to Section 7 of the Renewable Energy Act 2011 and the terms for each hydro plant are as follows:-

	Location	Commencement date	Tenure	Capacity	Feed-in tariff rate
			Years	MW	RM/kilowatts per hour
Hydro plant 1	Upper Sungai Bengkoka, Kota Marudu, Sabah	30 June 2023 ^{*1}	21	10.0	0.25
Hydro plant 2	Lower Sungai Bengkoka, Kota Marudu, Sabah	9 July 2021	21	13.5	0.24
Hydro plant 3	Sungai Togohu, Kota Marudu, Sabah	30 June 2023 ^{*1}	21	5.6	0.25

Note:-

^{*1} Based on the expected commencement date by the management of ASSB.

As a FIAH, ORP is regulated by the Renewable Energy Act 2011. SEDA, which issued the feed-in approvals to ORP, is a statutory body whose key role is to administer and manage the implementation of the feed-in tariff mechanism which is mandated under the Renewable Energy Act 2011. The REPPAs are valid from their respective effective dates and covers a period of 21 years from their respective commercial operation dates. As at the LPD, hydro plant 2 has commenced its commercial operations whereas hydro plants 1 and 3 are still in the construction phase.

2. ISSUED SHARE CAPITAL AND CONVERTIBLE SECURITIES

As at the LPD, the issued share capital of ASSB is RM10,010,000 comprising 10,000 ordinary shares and 10,000,000 RCCPS. For information purposes, the RCCPS was issued by ORP to E&E based on the RCCPS Investment Agreement and consolidated at ASSB Group level. Pursuant to the Proposed Acquisition and Proposed RCCPS Acquisition, the RCCPS will be eliminated at ASSB Group level in accordance with the MFRS 3 as issued by the MASB.

APPENDIX I – INFORMATION ON ASSB (CONT'D)

3. DIRECTORS AND SHAREHOLDERS

As at the LPD, the directors of ASSB and their shareholding in ASSB are as follows:-

Name	Designation	Nationality	<----Direct interest---->		<---Indirect interest--->	
			No. of shares	%	No. of shares	%
Datuk Mustakim	Director	Malaysian	-	-	10,000 ^{*1}	100
Amirul	Director	Malaysian	-	-	10,000 ^{*1}	100
Zainal Azwadi Bin Zainal Abidin	Director	Malaysian	-	-	-	-

Note:-

^{*1} Deemed interest pursuant to Section 8 of the Act by virtue of his shareholding in OHP.

As at the LPD, the substantial shareholder of ASSB and its shareholding in ASSB are as follows:-

Name	Nationality/ Place of incorporation	<----Direct interest---->		<---Indirect interest--->	
		No. of shares	%	No. of shares	%
OVSB	Malaysia	10,000	100	-	-
OHP	Malaysia	-	-	10,000 ^{*1}	100
Datuk Mustakim	Malaysian	-	-	10,000 ^{*2}	100
Amirul	Malaysian	-	-	10,000 ^{*2}	100

Notes:-

^{*1} Deemed interest pursuant to Section 8 of the Act by virtue of its shareholding in OVSB.

^{*2} Deemed interest pursuant to Section 8 of the Act by virtue of his shareholding in OHP.

4. SUBSIDIARIES AND ASSOCIATE COMPANIES

As at the LPD, the subsidiaries of ASSB are as follows:-

Company	Country/ date of incorporation	Issued and paid-up share capital (RM)	Effective equity interest (%)	Principal activities
PFSB	Malaysia/ 15.05.2013	100	100.0	Investment holding company
ORP	Malaysia/ 09.11.2009	5,000,000	70.0	SPV incorporated for the development of hydro plants

As at the LPD, ASSB does not have any associate or joint venture companies.

5. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, ASSB is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the board of directors of ASSB is not aware and does not have any knowledge of any proceedings pending or threatened against ASSB, or of any facts likely to give rise to any proceedings, which might materially or adversely affect the financial position or business of ASSB.

6. MATERIAL CONTRACTS

ASSB has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within the past 2 years immediately preceding the LPD.

APPENDIX I – INFORMATION ON ASSB (CONT'D)

7. MATERIAL COMMITMENTS

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

8. CONTINGENT LIABILITIES

As at the LPD, the board of directors of ASSB is not aware of any contingent liabilities incurred or known to be incurred by ASSB, which upon becoming enforceable, may have a material impact on the financial results/ position of ASSB.

9. SUMMARY OF FINANCIAL POSITION

A summary of the latest audited consolidated financial statements of ASSB for the past 3 financial years up to the FYE 31 December 2021 is set out below:-

	<-----FYE 31 December----->		
	2019	2020	2021
	RM'000	RM'000	RM'000
Revenue	-	-	1,663
Administrative expenses	(2,199)	(2,297)	(2,561)
Other operating expenses	(1,056)	(1,518)	(1,429)
Finance cost	-	(5,535)	(9,029)
LBT/ LAT	(3,255)	(9,350)	(11,356)
Share capital	10,010	10,010	10,010
NA	(10,190)	(19,841)	(31,198)
Cash and cash equivalents	5,841	3,725	3,805
Total borrowings	159,877	174,154	182,341
Dividend declared for the financial year	-	-	-
No. of shares in issue ('000)	10,010	10,010	10,010
LPS (RM)	(0.33)	(0.93)	(1.13)
NA per share (RM)	(1.02)	(1.98)	(3.12)
Gearing ratio (times)	N/A	N/A	N/A
Current ratio (times)	0.13	0.04	0.04
Cash flow from operating activities	1,994	(8,389)	(9,450)

For the FYE 31 December 2019 to FYE 31 December 2021, there was no:-

- i. exceptional or extraordinary item during the financial years under review;
- ii. accounting policy adopted by ASSB which are peculiar to ASSB because of the nature of its business or the industry it is involved in; and
- iii. audit qualification of the financial statements of ASSB for the financial years under review.

Commentary on past performance:-***FYE 31 December 2020***

For the FYE 31 December 2019 and FYE 31 December 2020, ASSB did not record any revenue as hydro plant 2 only commenced commercial operations in the FYE 31 December 2021 onwards.

ASSB recorded a LBT of RM9.35 million for the FYE 31 December 2020, which represents an increase of loss of RM6.09 million or more than 100% as compared to the LBT for the preceding financial year of RM3.26 million, mainly due to higher administrative expenses and other operating expenses, as well as increase in finance cost which is in tandem with ASSB's increase in bank borrowings during the year.

For the FYE 31 December 2020, ASSB recorded total borrowings amounting to RM174.15 million, which represents an increase of RM14.27 million or 8.93% as compared to the preceding financial year of RM159.88 million, mainly due to the recognition of ORP's total borrowings, which consists of term loans to part finance its assets over the period of construction for the Hydro Project during the financial year.

FYE 31 December 2021

For the FYE 31 December 2021, ASSB recorded a revenue of RM1.66 million as hydro plant 2 in Lower Sungai Bengkoka, Sabah has commenced commercial operations in July 2021.

ASSB recorded a LBT of RM11.36 million for the FYE 31 December 2021, which represents an increase of loss of RM2.01 million or 21.50% as compared to the LBT for the preceding financial year of RM9.35 million, mainly due to higher administrative expenses and increase in finance cost which is in tandem with ASSB's increase in bank borrowings during the year.

For the FYE 31 December 2021, ASSB recorded total borrowings amounting to RM182.34 million, which represents an increase of RM8.19 million or 4.70% as compared to the preceding financial year of RM174.15 million, mainly due to the recognition of ORP's total borrowings, which consists of term to part finance its assets over the period of construction for the Hydro Project during the financial year.

10. SALIENT TERMS OF THE RCCPS

As at the LPD, E&E is the sole holder of the RCCPS in ORP. As set out in **Section 2, Part A** of this Circular, the RCCPS will be transferred from E&E to ASSB pursuant to the Proposed Acquisition and the Proposed RCCPS Acquisition, via the allotment and issuance to E&E of 87,662,338 of the Consideration Shares as renounced by OVSB in favour of E&E.

The salient terms of the RCCPS are as follows:-

Issue price	:	RM1.00 per RCCPS
Issue date	:	5,000,000 of the RCCPS was issued on 6 October 2015 and 5,000,000 of the RCCPS was issued on 28 April 2016
Maturity date	:	31 December 2023 or any extended date to be determined by the RCCPS holder
Coupon rate	:	Non-compounding cumulative coupon of:- i. 8.5% per annum of the issue price from the issue date until the day immediately prior to the 2nd anniversary of the issue date; and ii. 11.0% per annum of the issue price thereafter up to and including the maturity date.

APPENDIX I – INFORMATION ON ASSB (CONT'D)

- Voting rights** : No voting right in ORP's general meeting except for the following matters:-
- i. declaration and distribution of dividend by ORP or dividend policy of ORP;
 - ii. reduction of ORP's share capital;
 - iii. disposal of or the whole of ORP's property, business and undertaking;
 - iv. proposal that affects the rights attached to the RCCPS;
 - v. winding up of ORP;
 - vi. proposals undertaken during the winding up of ORP; and
 - vii. transaction, arrangement or agreement with or for the benefit of any promoter or director of ORP or any person connected with them
- Redemption right** : On the maturity date, each RCCPS shall confer on the RCCPS holder the right to require ORP to redeem any or all outstanding RCCPS at the redemption price
- Redemption price** : An amount equivalent to the Agreed Return^{*1}
- Conversion right** : The RCCPS shall be convertible, at the option of the RCCPS holder, at any time during the conversion period into such number of new ordinary shares in ORP representing 15% of the fully diluted issued share capital of ORP
- Conversion period** : The period commencing from the issue date and expiring on the maturity date

Note:-

^{*1} The Agreed Return is an amount equal to the agreed return expected by E&E for its investment in the ORP determined according to the following formula:-

$$P = [z*(1+r)^{(n/365)} - C]$$

Where:-

- P* = Agreed Return
z = subscription price paid by E&E for the RCCPS
r = internal rate of return fixed at 20% per annum
n = number of days from the issue date to the date of all the outstanding RCCPS are redeemed
C = Coupon in arrears and/ or paid to-date to the RCCPS holder

11. AUDITED FINANCIAL STATEMENTS OF ASSB FOR THE FYE 31 DECEMBER 2021

Registration No.: 201301027117 (1056945-V)

ADAT SANJUNG SDN BHD
(Incorporated in Malaysia)

**REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

AZMAN AHMAD & CO (AF 1117)
CHARTERED ACCOUNTANTS (MALAYSIA)

Registration No.: 201301027117 (1056945-V)

**ADAT SANJUNG SDN BHD
(Incorporated in Malaysia)**

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

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APPENDIX I – INFORMATION ON ASSB (CONT'D)

Registration No.: 201301027117 (1056945-V)

ADAT SANJUNG SDN BHD
(Incorporated in Malaysia)

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mustakim Bin Mat Nun	
Fariz Azman Bin Zainul Azman	(Resigned w.e.f 19/2/2021)
Amirul Afif Bin Abd Aziz	(Appointed w.e.f 19/2/2021)
Zainal Azwadi Bin Zainal Abidin	(Appointed w.e.f 19/2/2021)

SECRETARY

Ahmad Rahmanizam Bin Romainor (MIA33677)	(Appointed w.e.f 30/5/2022)
Zariq Falina Binti Md Othman (LS0010172)	(Appointed w.e.f 28/2/2022)
Angela Yip Suk Foong (MAICSA7045990)	(Resigned w.e.f 28/2/2022)

REGISTERED OFFICE

C1-305C Lorong Perak,
Melawati Square,
Pusat Bandar Melawati,
53100 Kuala Lumpur,
W.P. Kuala Lumpur.

PRINCIPAL PLACE OF BUSINESS

Unit 9-3,
Pusat Dagangan UMNO, Lot 8,
Persiaran Damai, Seksyen 11,
40100 Shah Alam,
Selangor Darul Ehsan.

AUDITORS

Azman Ahmad & Co (AF 1117)
Chartered Accountants (Malaysia)

BANKERS

CIMB Bank Berhad

APPENDIX I – INFORMATION ON ASSB (CONT'D)

Registration No.: 201301027117 (1056945-V)

ADAT SANJUNG SDN BHD
(Incorporated in Malaysia)

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

The directors hereby submit their report together with the audited financial statements of the Company for the year ended 31 December 2021.

PRINCIPAL ACTIVITY

The principal activity of the Company is mainly involved in business of investment holding company. There have been no significant changes in the nature of the activities during the year.

RESULTS

	Group RM	Company RM
Loss for the year after tax	<u>(11,356,178)</u>	<u>(3,000)</u>

In the opinion of the directors, the results of the operations of the Company during the year have not been substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

No dividends have been paid or declared since the date of the last report. The directors do not recommend that a dividend to be paid in respect of the current year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions except as disclosed in the financial statements.

SHARES AND DEBENTURES

The Company did not issue any new shares or debentures during the year.

SHARE OPTIONS

No options have been granted by the Company to any parties during the year to take up unissued shares of the Company.

No shares have been issued during the year by virtue of the exercise of any option to take up unissued shares of the Company. As of the end of the year, there were no unissued shares of the Company under options.

APPENDIX I – INFORMATION ON ASSB (CONT'D)

Registration No.: 201301027117 (1056945-V)

DIRECTORS

The directors who held office since the date of the last report are:

Mustakim Bin Mat Nun	
Fariz Azman Bin Zainul Azman	(Resigned w.e.f 19/2/2021)
Datuk Mohd Abdul Karim Bin Abdullah	(Resigned w.e.f 15/3/2022)
Dato' Awang Daud Bin Awang Putera	(Resigned w.e.f 15/3/2022)
Amirul Afif Bin Abd Aziz	(Appointed w.e.f 19/2/2021)
Zainal Azwadi Bin Zainal Abidin	(Appointed w.e.f 19/2/2021)

DIRECTORS' BENEFITS

During and at the end of the year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the date of the last report, no director has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors shown in the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

DIRECTORS' INTERESTS

According to the register of directors' shareholding, none of the other directors in office at the end of the year have interest in shares of the Company or its related corporations during the year ended 31 December 2021.

OTHER STATUTORY INFORMATION

Before the statement of comprehensive income and the statement of financial position of the Company were made out, the directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing-off of bad debts and the making of allowance for doubtful debts, and have satisfied themselves that all known bad debts had been written-off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to be realised at their book values in the ordinary course of business have been written down to their estimated realisable values.

As of the date of this report, the directors are not aware of any circumstances:

- (a) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts inadequate to any substantial extent in the financial statements of the Company; or
- (b) which would render the values attributed to current assets in the financial statements of the Company misleading; or

APPENDIX I – INFORMATION ON ASSB (CONT'D)

Registration No.: 201301027117 (1056945-V)

- (a) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate; or
- (b) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Company misleading.

As of the date of this report, there does not exist:

- (a) any charge on the assets of the Company which has arisen since the end of the year and secures the liability of any other person; or
- (b) any contingent liability of the Company which has arisen since the end of the year.

No contingent or other liability has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the year which, in the opinion of the directors, will or may substantially affect the ability of the Company to meet its obligations as and when they fall due.

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the year and the date of this report which is likely to affect substantially the results of the operations of the Company for the succeeding year.


AUDITOR

The retiring auditor, Messrs. Azman Ahmad & Co, have indicated their willingness to be re-appointed in accordance with Section 252(2)(b) of the Companies Act, 2016.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors,



Amirul Afif Bin Abd Aziz
Director



Mustakim Bin Mat Nun
Director

Bangi
Dated: - 3 JUN 2022

APPENDIX I – INFORMATION ON ASSB (CONT'D)

Registration No.: 201301027117 (1056945-V)

ADAT SANJUNG SDN BHD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
Pursuant to Section 251 (2) of the Companies Act, 2016

The directors of Adat Sanjung Sdn Bhd state that, in their opinion, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act, 2016 in Malaysia so as to give a true and fair view of the state of affairs of the Company as at 31 December 2021 and of the results of its business and the cash flows of the Company for the year ended on that date.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors,



Amirul Afif Bin Abd Aziz
Director



Mustakim Bin Mat Nun
Director

Bangi
Dated: - 3 JUN 2022

STATUTORY DECLARATION
Pursuant to Section 251 (2) of the Companies Act, 2016

I, Amirul Afif Bin Abd Aziz, the director primarily responsible for the financial management of Adat Sanjung Sdn Bhd, do solemnly and sincerely declare that the accompanying financial statements are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above-named Amirul Afif Bin Abd Aziz at Bangi in the state of Selangor on this

- 3 JUN 2022



AMIRUL AFIF BIN ABD AZIZ

Before me,

COMMISSIONER FOR OATHS



NO. 29-2, JALAN 9/9C,
SEKSYEN 9,
43850 BANDAR BARU BANGI,
SELANGOR DARUL EHSAN. 5

Azman Ahmad & Co. (AF : 1117)
Chartered Accountants
Lof 03-17B, Tingkat 3
Kompleks PKNS
40000 Shah Alam
Selangor Darul Ehsan

Phone : +603-5513 3007
Fax : +603-5511 3537
azman1117@gmail.com



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
ADAT SANJUNG SDN. BHD. (Registration No.: 201301027177 [105945 - V])
(Incorporated in Malaysia)**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **ADAT SANJUNG SDN. BHD.**, which comprise the statement of financial position as at 31 December 2021 of the Group and of the Company, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 10 to 27.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our report which arose from the audit of the financial statements of the Company.

Azman Ahmad & Co. (AF: 1117)
Chartered Accountants
Lot 03-17B, Tingkat 3
Kompleks PKNS
40000 Shah Alam
Selangor Darul Ehsan

Phone : +603-5513 3007
Fax : +603-5511 3537
azman1117@gmail.com



(Cont'd)

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
ADAT SANJUNG SDN. BHD. (Registration No.: 201301027177 [105945 - V])
(Incorporated in Malaysia)**

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the Directors' Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Azman Ahmad & Co. (AF : 1117)
Chartered Accountants
Lot 03-17B, Tingkat 3
Kompleks PKNS
40000 Shah Alam
Selangor Darul Ehsan

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Fax : +603-5511 3537
azman1117@gmail.com



(Cont'd)

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
ADAT SANJUNG SDN. BHD. (Registration No.: 201301027177 [105945 - V])
(Incorporated in Malaysia)**

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Azman Ahmad & Co. (AF : 1117)
Chartered Accountants
Lot 03-17B, Tingkat 3
Kompleks PKNS
40000 Shah Alam
Selangor Darul Ehsan

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Fax : +603-5511 3537
azman1117@gmail.com

**Azman
Ahmad**

(Cont'd)

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
ADAT SANJUNG SDN. BHD. (Registration No.: 201301027177 [105945 - V])
(Incorporated in Malaysia)**

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we also report the following:

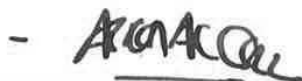
- a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- b) We are satisfied that the financial statements of the subsidiaries companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- c) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 266 (3) of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



AZMAN AHMAD & CO.
AF: 1117
Chartered Accountants



DATUK DR. HJ. NORAZMAN BIN HJ. AHMAD
No. 01761/12/2023 J
Chartered Accountant
Partner of the Firm

Shah Alam, Selangor Darul Ehsan

Dated: 03 JUN 2022

APPENDIX I – INFORMATION ON ASSB (CONT'D)

Registration No.: 201301027117 (1056945-V)

ADAT SANJUNG SDN BHD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

		Group		Company	
	Note	2021 RM	2020 RM	2021 RM	2020 RM
ASSETS					
NON-CURRENT ASSET					
Property, plant, and equipment	3	312,761,290	288,668,459	-	-
Investment in subsidiary	4	-	-	100	100
CURRENT ASSETS					
Trade receivables	5	266,550	-	-	-
Other receivables, deposits and prepayments	6	302,724	346,784	8,321	8,321
Amount due from directors	7	2,000,000	2,000,000	2,000,000	2,000,000
Cash and bank balances	8	3,804,726	3,724,556	2,538	2,538
		<u>6,374,000</u>	<u>6,071,340</u>	<u>2,010,859</u>	<u>2,010,859</u>
TOTAL ASSETS		<u>319,135,290</u>	<u>294,739,799</u>	<u>2,010,959</u>	<u>2,010,859</u>
EQUITY AND LIABILITIES					
CAPITAL AND RESERVES					
Share capital	9	10,010,000	10,010,000	10,000	10,000
Accumulated losses		<u>(41,207,600)</u>	<u>(29,851,422)</u>	<u>(29,684)</u>	<u>(26,684)</u>
CAPITAL DEFICIENCY		<u>(31,197,600)</u>	<u>(19,841,422)</u>	<u>(19,684)</u>	<u>(16,684)</u>
NON-CURRENT LIABILITIES					
Term financing	10	182,341,157	174,153,930	-	-
CURRENT LIABILITIES					
Trade payables	11	9,290,059	9,290,059	-	-
Other payables and accruals	12	25,925,316	23,836,159	30,971	27,971
Amount due to directors	13	10,592,344	10,601,344	1,999,672	1,999,672
Amount due to holding company	14	122,184,014	96,699,729	-	-
		<u>167,991,733</u>	<u>140,427,291</u>	<u>2,030,643</u>	<u>2,027,643</u>
TOTAL LIABILITIES		<u>350,332,890</u>	<u>314,581,221</u>	<u>2,030,643</u>	<u>2,027,643</u>
TOTAL EQUITY AND LIABILITIES		<u>319,135,290</u>	<u>294,739,799</u>	<u>2,010,959</u>	<u>2,010,959</u>

The accompanying notes form an integral part of the financial statements.

APPENDIX I – INFORMATION ON ASSB (CONT'D)

Registration No.: 201301027117 (1056945-V)

ADAT SANJUNG SDN BHD
*(Incorporated in Malaysia)***INCOME STATEMENT**
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	Group		Company	
		2021 RM	2020 RM	2021 RM	2020 RM
Revenue	15	1,663,023	-	-	-
Cost of sales		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Gross profit		1,663,023	-	-	-
Administration expenses		(2,560,876)	(2,297,467)	-	-
Other operating expenses		<u>(1,429,065)</u>	<u>(1,518,316)</u>	<u>(3,000)</u>	<u>(3,000)</u>
Loss from operations		(2,326,918)	(3,815,783)	(3,000)	(3,000)
Finance cost		<u>(9,029,260)</u>	<u>(5,534,702)</u>	<u>-</u>	<u>-</u>
Loss before tax	16	(11,356,178)	(9,350,485)	(3,000)	(3,000)
Income tax expense	17	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Loss for the year after tax		<u>(11,356,178)</u>	<u>(9,350,485)</u>	<u>(3,000)</u>	<u>(3,000)</u>

The accompanying notes form an integral part of the financial statements.

APPENDIX I – INFORMATION ON ASSB (CONT'D)

Registration No.: 201301027117 (1056945-V)

ADAT SANJUNG SDN BHD
*(Incorporated in Malaysia)***STATEMENT OF CHANGES IN EQUITY**
FOR THE YEAR ENDED 31 DECEMBER 2021

Group	Note	Share capital RM	(Loss)/ Profit RM	Minority interest RM	Total RM
As at 31 December 2020		10,010,000	(29,851,422)	-	(19,841,422)
Loss for the year		<u>-</u>	<u>(11,356,178)</u>	<u>-</u>	<u>(11,356,178)</u>
As at 31 December 2021	9	<u>10,010,000</u>	<u>(41,207,600)</u>	<u>-</u>	<u>(31,197,600)</u>

Company	Note	Share capital RM	(Loss)/ Profit RM	Minority interest RM	Total RM
As at 31 December 2020		10,000	(26,684)	-	(16,684)
Loss for the year		<u>-</u>	<u>(3,000)</u>	<u>-</u>	<u>(3,000)</u>
As at 31 December 2021	9	<u>10,000</u>	<u>(29,684)</u>	<u>-</u>	<u>(19,684)</u>

The accompanying notes form an integral part of the financial statements.

APPENDIX I – INFORMATION ON ASSB (CONT'D)

Registration No.: 201301027117 (1056945-V)

ADAT SANJUNG SDN BHD
*(Incorporated in Malaysia)***STATEMENT OF CASH FLOWS**
FOR THE YEAR ENDED 31 DECEMBER 2021

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before tax	(11,356,178)	(9,350,485)	(3,000)	(3,000)
Depreciation of property, plant, and equipment	39,821	86,203	-	-
(Increase)/Decrease in receivables	(222,490)	9,319,702	-	(8,321)
Increase/(Decrease) in payables	2,089,157	(8,444,806)	3,000	7,663
Net cash (used in) operating activities	<u>(9,449,690)</u>	<u>(8,389,386)</u>	<u>-</u>	<u>(3,658)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant, and equipment	<u>(24,132,652)</u>	<u>(19,993,773)</u>	<u>-</u>	<u>-</u>
Net cash used in investing activities	<u>(24,132,652)</u>	<u>(19,993,773)</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITY				
Proceeds from holding company	25,484,285	96,699,729	-	-
Repayment to directors	(9,000)	(84,709,345)	-	-
Drawdown of term financing	<u>8,187,227</u>	<u>14,276,740</u>	<u>-</u>	<u>-</u>
Net cash from financing activity	<u>33,662,512</u>	<u>26,267,124</u>	<u>-</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	80,170	(2,116,035)	-	(3,658)
Cash and cash equivalents at beginning of the year	<u>3,724,556</u>	<u>5,840,591</u>	<u>2,538</u>	<u>6,196</u>
Cash and cash equivalents at end of the year	<u><u>3,804,726</u></u>	<u><u>3,724,556</u></u>	<u><u>2,538</u></u>	<u><u>2,538</u></u>

The accompanying notes form an integral part of the financial statements.

APPENDIX I – INFORMATION ON ASSB (CONT'D)

Registration No.: 201301027117 (1056945-V)

ADAT SANJUNG SDN BHD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

1 GENERAL INFORMATION

The Company is a private limited company incorporated and domiciled in Malaysia.

The registered office is located at C1-305C Lorong Perak, Melawati Square, Pusat Bandar Melawati, 53100 Kuala Lumpur, W.P. Kuala Lumpur.

The principal place of business is located at Unit 9-3, Pusat Dagangan UMNO, Lot 8, Persiaran Damai, Seksyen 11, 40100 Shah Alam, Selangor Darul Ehsan.

The principal activity of the Company is mainly involved in the business of investment holding company. There have been no significant changes in the nature of the activities during the year.

The Company is a subsidiary of OHP Ventures Sdn Bhd, a company incorporated in Malaysia, which is also regarded by the directors as the immediate holding company.

The financial statements of the Company are presented in the functional currency, which is the currency of the primary economic environment in which the entity operates. The functional currency of the Company is Ringgit Malaysia as the sales and purchases are mainly denominated in Ringgit Malaysia and receipts from operations are usually retained in Ringgit Malaysia and funds from financing activities are generated in Ringgit Malaysia.

2 SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards and the requirements of the Companies Act, 2016.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain assets and liabilities.

The principal accounting policies adopted are set out below:

2.1 PROPERTY, PLANT AND EQUIPMENT

The cost of an item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. After recognition as an asset, an item of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses, except for freehold land and buildings.

APPENDIX I – INFORMATION ON ASSB (CONT'D)

Registration No.: 201301027117 (1056945-V)

After recognition as an asset, freehold land and buildings are carried at their revalued amount, being their fair value at the date of the revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that carrying amounts do not differ materially from that which would be determined using fair value at the end of the reporting period.

A revaluation increase arising from a revaluation is recognised in other comprehensive income and accumulated in equity under the heading of property revaluation surplus, except when the increase is recognised in the profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A revaluation decrease arising from a revaluation is recognised in profit or loss, except when the decrease is recognised in other comprehensive income to the extent of any credit balance existing in the property revaluation surplus in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in equity under the heading of property revaluation surplus.

Except for freehold land and properties under construction which are not depreciated, depreciation is provided on a straight-line method so as to write off the depreciable amount of the following assets over their estimated useful lives, as follows:

	<u>Rate</u>
Furniture and fittings	10%
Office equipment	10%
Motor vehicles	10%
Renovation	20%

Depreciation of an asset begins when it is ready for its intended use.

If there is an indication of a significant change in factors affecting the residual value, useful life or asset consumption pattern since the last annual reporting date, the residual values, depreciation method and useful lives of depreciable assets are reviewed and adjusted prospectively.

The carrying amounts of items of property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Any gain or loss arising from the derecognition of items of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amounts of the item, is recognised in profit or loss. Neither the sale proceeds nor any gain on disposal is classified as revenue.

2.2 IMPAIRMENT OF ASSETS, OTHER THAN INVENTORIES AND FINANCIAL ASSETS

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated.

When there is an indication that an asset may be impaired but it is not possible to estimate the recoverable amount of the individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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The recoverable amount of an asset and a cash-generating unit is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or a cash-generating unit is less than the carrying amount, an impairment loss is recognised to reduce the carrying amount to its recoverable amount. An impairment loss for a cash-generating unit is firstly allocated to reduce the carrying amount of any goodwill allocated to the cash-generating unit, and then, to the other non-current assets of the unit pro rata on the basis of the carrying amount of each appropriate asset in the cash-generating unit. Impairment loss is recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which case it is treated as a revaluation decrease.

The recoverable amount is the higher of an asset's or cash-generating unit's fair value less to sell, value in use and zero.

An impairment loss recognised in prior periods for an asset or the appropriate assets of a cash-generating unit is reversed when there has been a change in the estimates used to determine the asset's recoverable amount. An impairment loss is reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised in prior periods. A reversal of an impairment loss is recognised immediately in profit or loss, unless the asset is carried at revalued amount, in which case it is treated as a revaluation increase.

2.3 FINANCIAL ASSETS

Financial assets are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

On initial recognition, financial assets are measured at transaction price, include transaction costs for financial assets not measured at fair value through profit or loss, unless the arrangement constitutes, in effect, a financing transaction for the counterparty to the arrangement.

After initial recognition, financial assets are classified into one of three categories: financial assets measured at fair value through profit or loss, financial assets that are debt instruments measured at amortised cost, and financial assets that are equity instruments measured at cost less impairment.

i) Financial Assets At Fair Value Through Profit Or Loss

Financial assets are classified as at fair value through profit or loss when the financial assets are within the scope of the financial assets are publicly traded or their fair value can otherwise be measured reliably without undue cost or effort.

Changes in fair value are recognised in profit or loss.

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If a reliable measure of fair value is no longer available for an equity instrument that is not publicly traded but is measured at fair value through profit or loss, its fair value at the last date that instrument was reliably measurable is treated as the cost of the instrument, and it is measured at this cost amount less impairment until a reliable measure of fair value becomes available.

ii) *Financial Assets That Are Debt Instruments Measured At Amortised Cost*

After initial recognition, debt instruments are measured at amortised cost using the effective interest method. Debt instruments that are classified as current assets are measured at the undiscounted amount of the cash or other consideration expected to be received.

Effective interest method is a method of calculating the amortised cost of financial assets and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimate future cash receipts through the expected life of the financial assets or, when appropriate, a shorter period, to the carrying amount of the financial assets.

iii) *Financial Assets That Are Equity Instruments Measured At Cost Less Impairment*

Equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably without undue cost or effort, and contracts linked to such instruments that, if exercised, will result in delivery of such instruments, are measured at cost less impairment.

iv) *Impairment Of Financial Assets*

At the end of each reporting period, the Company assesses whether there is any objective evidence that financial assets that are measured at cost or amortised cost, are impaired.

Objective evidence could include:

- significant financial difficulty of the issuer; or
- a breach of contract; or
- the lender granting to the borrower a concession that the lender would not otherwise consider; or
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from the financial assets since the initial recognition of those assets.

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For certain category of financial assets, such as trade receivables, if it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the assets are included in a group with similar credit risk characteristics and collectively assessed for impairment.

Impairment losses, in respect of financial assets measured at amortised cost, are measured as the differences between the assets' carrying amounts and the present values of their estimated cash flows discounted at the assets' original effective interest rate.

If there is objective evidence that impairment losses have been incurred on financial assets measured at cost less impairment, the amount of impairment losses are measured as the difference between the asset's carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

The carrying amounts of the financial assets are reduced directly, except for the carrying amounts of trade receivables which are reduced through the use of an allowance account. Any impairment loss is recognised in profit or loss immediately. If, in subsequent period, the amount of an impairment loss decreases, the previously recognised impairment losses are reversed directly, except for the amounts related to trade receivables which are reversed to write back the amount previously provided in the allowance account. The reversal is recognised in profit or loss immediately.

v) ***Derecognition Of Financial Assets***

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire, or are settled, or the Company transfers to another party substantially all of the risks and rewards of ownership of the financial assets.

On derecognition of financial assets in their entirety, the differences between the carrying amounts and the sum of the consideration received and any cumulative gains or losses are recognised in profit or loss in the period of the transfer.

2.4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statement of cash flows comprise cash and bank balances, short-term bank deposits and other short-term, highly liquid investments that have a short maturity of three months or less from the date of acquisition, net of bank overdrafts.

2.5 LIABILITIES AND EQUITY

i) ***Classification Of Liabilities And Equity***

Financial liabilities and equity instruments are classified in accordance with the substance of the contractual arrangement, not merely its legal form, and in accordance with the definitions of a financial liability and an equity instrument.

ii) ***Equity Instruments***

Ordinary shares are classified as equity.

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Equity instruments are any contracts that evidence a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company, other than those issued as part of a business combination or those accounted for, are measured at the fair value of the cash or other resources received or receivable, net of transaction costs. If payment is deferred and the time value of money is material, the initial measurement shall be on a present value basis.

The Company accounts for the transaction costs of an equity as a deduction from equity. Income tax relating to the transaction costs is accounted for in accordance with MFRS 112.

Distributions to owners are deducted from the equity. Related income tax is accounted for in accordance with MFRS 112.

2.6 FINANCIAL LIABILITIES

Financial liabilities are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

On initial recognition, financial liabilities are measured at transaction price, include transaction costs for financial liabilities not measured at fair value through profit or loss, unless the arrangement constitutes, in effect, a financing transaction for the Company to the arrangement.

After initial recognition, financial liabilities are classified into one of three categories: financial liabilities measured at fair value through profit or loss, financial liabilities measured at amortised cost, or loan commitments measured at cost less impairment.

i) Financial Liabilities Measured At Fair Value Through Profit Or Loss

Financial liabilities are classified as at fair value through profit or loss when the financial liabilities are within the scope of the MFRS 139 or if the financial liabilities are publicly traded or their fair value can otherwise be measured reliably without undue cost or effort.

If a reliable measure of fair value is no longer available for an equity instrument that is not publicly traded but is measured at fair value through profit or loss, its fair value at the last date that instrument was reliably measurable is treated as the cost of the instrument, and it is measured at this cost amount less impairment until a reliable measure of fair value becomes available.

ii) Financial Liabilities Measured At Amortised Cost

After initial recognition, financial liabilities other than financial liabilities at fair value through profit or loss are measured at amortised cost using the effective interest method. Gains or losses are recognised in profit or loss when the financial liabilities are derecognised or impaired.

Effective interest method is a method of calculating the amortised cost of financial liabilities and of allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimate future cash payments through the expected life of the financial liabilities or, when appropriate, a shorter period, to the carrying amount of the financial liabilities.

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iii) *Loan Commitments Measured At Cost Less Impairment*

Commitments to receive loan that meet the conditions of the MFRS 139 are measured at cost less impairment.

iv) *Derecognition Of Financial Liabilities*

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Any difference between the carrying amounts of the financial liabilities derecognised and the consideration paid is recognised in profit or loss.

2.7 PROVISIONS

A provision is recognised when the Company has an obligation at the reporting date as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The risks and uncertainties are taken into account in reaching the best estimate of a provision. When the effect of the time value of money is material, the amount recognised in respect of the provision is the present value of the expenditure expected to be required to settle the obligation.

2.8 REVENUE

i) *Sales Of Goods*

Revenue from sales of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue is measured at the fair value of the consideration received or receivable, net of discounts and taxes applicable to the revenue.

ii) *Rendering Of Services*

Revenue from rendering of services is measured by reference to the stage of completion of the transaction at the reporting date.

iii) *Interest Income*

Interest income is recognised using the effective interest method, and accrued on a time basis.

iv) *Royalty Income / Licence Fee Income / Property Rental Income*

Royalty income, licence fee income and property rental income are recognised on an accrual basis in accordance with the substance of the relevant agreement.

v) *Dividend Income*

Dividend income is recognised when the shareholder's rights to receive payment is established.

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vi) Construction Contracts

When the outcome of a construction contract activity can be estimated reliably, contract revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period. Stage of completion is determined based on the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

When the outcome of a construction contract cannot be estimated reliably, contract revenue are recognised only to the extent of contract costs incurred that it is probable will be recoverable and contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately, with a corresponding provision for an onerous contract.

2.9 EMPLOYMENT BENEFITS

i) Short-Term Employment Benefits

Short-term employment benefits, such as wages, salaries and other benefits, are recognised at the undiscounted amount as a liability and an expense when the employees have rendered services to the Company.

The expected cost of accumulating compensated absences are recognised when the employees render services that increase their entitlement to future compensated absences. The expected cost of non-accumulating compensated absences, such as sick and medical leaves, are recognised when the absences occur.

The expected cost of accumulating compensated absences are measured at the undiscounted additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

The expected cost of profit-sharing and bonus payments are recognised when the Company has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the Company has no realistic alternative but to make the payments.

ii) Defined Contribution Plan

Contributions payable to the defined contribution plan are recognised as a liability and an expense when the employees have rendered services to the Company.

iii) Defined Benefit Plan

The Company operates a funded Retirement Benefit Plan ('the Plan') for its eligible employees. Contributions to the Plan are made quarterly and are charged to profit or loss so as to spread the cost of the Plan over the employees' working lives in the Company.

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The Company's obligations under the Plan are determined based on triennial actuarial valuations where the amounts of benefits that the employees have earned in return for their services in the current and prior periods are estimated. The present values of the Plan's obligations and the related current service and any past service cost are determined using the Projected Unit Credit Method.

Actuarial gains and losses are recognised as income or expense in profit or loss in the period in which they arise.

The Plan recognised in the statement of financial position the net amount of the present value of the Plan adjusted for unrecognised past service cost, minus the fair value of the Plan assets at the reporting date. Any asset resulting from the computation is stated at the lower of the amount determined or the total of any cumulative past service cost, and the present value of available refunds and reductions in future contribution to the Plan.

Gains or losses on the curtailment or settlement of the Plan are recognised in the profit or loss in the period when the curtailment or settlement occurs.

2.10 INCOME TAX

Tax expense is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised in other comprehensive income.

Tax payable on taxable profit for current and past periods is recognised as a current tax liability to the extent unpaid. If the amount paid in respect of the current and past periods exceeds the amount payable for those periods, the excess is recognised as a current tax asset.

Current tax assets and liabilities are measured at the amounts expected to be paid or recovered, using the tax rates and laws that have been enacted or substantially enacted by the reporting date.

Current tax liabilities and assets are offset if, and only if the Company has a legally enforceable right to set off the amounts and plan either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax is provided in full on temporary differences which are the differences between the carrying amounts in the financial statements and the corresponding tax base of an asset or liability at the end of the reporting period.

Deferred tax liabilities are recognised for all taxable temporary differences that are expected to increase taxable profit in the future. Deferred tax assets are recognised for all deductible temporary differences that are expected to reduce taxable profit in the future and the carryforward of unused tax losses and unused tax credits.

Deferred tax liabilities and assets are not recognised in respect of the temporary differences associated with the initial recognition of an asset or a liability in a transaction that is not a business combination and at the time of the transactions, affects neither accounting profit nor taxable profit. Deferred tax liabilities are also not recognised for temporary difference associated with the initial recognition of goodwill.

APPENDIX I – INFORMATION ON ASSB (CONT'D)

Registration No.: 201301027117 (1056945-V)

Deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the Company expects to recover or settle the carrying amounts of their assets and liabilities and are measured at the tax rates and laws that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantially enacted by the reporting date.

3 PROPERTY, PLANT AND EQUIPMENT

Group	As at 01.01.2021 RM	Additions RM	Disposals RM	As at 31.12.2021 RM
<u>Cost</u>				
Furniture and fittings	19,006	-	-	19,006
Office equipment	89,883	429	-	90,312
Motor vehicles	110,000	-	-	110,000
Plant in construction	288,507,148	24,132,223	-	312,639,371
Renovation	321,544	-	-	321,544
	<u>289,047,581</u>	<u>24,132,652</u>	<u>-</u>	<u>313,180,233</u>
	As at 01.01.2021 RM	Charges for the period RM	Disposals RM	As at 31.12.2021 RM
<u>Accumulated Depreciation</u>				
Furniture and fittings	9,848	1,906	-	11,754
Office equipment	21,654	8,992	-	30,646
Motor vehicles	44,000	11,000	-	55,000
Plant in construction	-	-	-	-
Renovation	303,620	17,923	-	321,543
	<u>379,122</u>	<u>39,821</u>	<u>-</u>	<u>418,943</u>
			Group 2021 RM	Group 2020 RM
<u>Carrying Amounts</u>				
Furniture and fittings			7,252	9,158
Office equipment			59,666	68,229
Motor vehicles			55,000	66,000
Plant in construction			312,639,371	288,507,148
Renovation			1	17,924
			<u>312,761,290</u>	<u>288,668,459</u>

APPENDIX I – INFORMATION ON ASSB (CONT'D)

Registration No.: 201301027117 (1056945-V)

4 INVESTMENT IN SUBSIDIARY

	Group 2021 RM	Group 2020 RM	Company 2021 RM	Company 2020 RM
Pristine Falcon Sdn Bhd (100%)	-	-	100	100
	<u>-</u>	<u>-</u>	<u>100</u>	<u>100</u>

5 TRADE RECEIVABLES

The Company's normal trade credit terms ranges from 30 to 90 days. Other credit terms are assessed and approved on a case by case basis.

6 OTHER RECEIVABLES, DEPOSITS, AND PREPAYMENTS

	Group 2021 RM	Group 2020 RM	Company 2021 RM	Company 2020 RM
Deposits	283,411	294,130	8,321	8,321
Other receivables	19,300	52,610	-	-
GST claimable	13	44	-	-
	<u>302,724</u>	<u>346,784</u>	<u>8,321</u>	<u>8,321</u>

7 AMOUNT DUE (FROM)/TO DIRECTORS

This amount due to the directors is unsecured, interest-free and has no fixed terms of repayments.

8 CASH AND BANK BALANCES

	Group 2021 RM	Group 2020 RM	Company 2021 RM	Company 2020 RM
Cash in hand	4,892	4,892	-	-
Cash at bank	<u>3,799,834</u>	<u>3,719,664</u>	<u>2,538</u>	<u>2,538</u>
	<u>3,804,726</u>	<u>3,724,556</u>	<u>2,538</u>	<u>2,538</u>

APPENDIX I – INFORMATION ON ASSB (CONT'D)

Registration No.: 201301027117 (1056945-V)

9 SHARE CAPITAL

Group and Company	2021 Units	2020 Units	2021 RM	2020 RM
Issued and fully paid:				
Ordinary shares of RM1 each	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
Redeemable convertible cumulative preference shares	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>
Total paid capital			<u>10,010,000</u>	<u>10,010,000</u>

10 TERM FINANCING

Group	2021 RM	2020 RM
Term financing (a)	49,785,650	50,000,000
Term financing (b)	<u>132,555,507</u>	<u>124,153,930</u>
	<u>182,341,157</u>	<u>174,153,930</u>

Term Financing (a)

A Tawaruq financing facility granted by local financial institution with a financing tenure of 16 years including 3 years moratorium period. The facility is to part finance the assets for the period of construction of mini hydropower project. The profit is charged at the rate of BFR plus 1.75% for the year 1 to 3 and BFR plus 1.45% for the year 4 to 15.

Term Financing (b)

An Al Murabahah financing facility granted by a foreign financial institution under club deal financing package arrange by a local financial institution. The financing tenure of 144 months including 24 months moratorium period. The facility is to finance 70% of the total assets for the construction of mini hydropower project. The profit is charged at the rate of 6.75% per annum.

11 TRADE PAYABLES

The Company's normal trade credit terms ranges from 30 to 90 days. Other credit terms are assessed and approved on a case by case basis.

APPENDIX I – INFORMATION ON ASSB (CONT'D)

Registration No.: 201301027117 (1056945-V)

12 OTHER PAYABLES AND ACCRUALS

	Group 2021 RM	Group 2020 RM	Company 2021 RM	Company 2020 RM
Advances from related companies	279,040	320,896	-	-
Advances from shareholders	4,479,329	4,479,329	-	-
Unrealised foreign exchange	12,622,824	12,449,683	-	-
Preference shares dividend payable	6,012,945	4,912,945	-	-
Accruals	<u>2,531,178</u>	<u>1,673,306</u>	<u>30,971</u>	<u>27,971</u>
	<u>25,925,316</u>	<u>23,836,159</u>	<u>30,971</u>	<u>27,971</u>

13 AMOUNT DUE TO DIRECTORS

This amount due to directors is non-trade in nature, unsecured, interest-free and has no fixed terms of repayments.

14 AMOUNT DUE TO HOLDING COMPANY

This amount due to holding company is non-trade in nature, unsecured, interest-free and has no fixed terms of repayments.

15 REVENUE

Revenue from the sale of goods or services in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

APPENDIX I – INFORMATION ON ASSB (CONT'D)

Registration No.: 201301027117 (1056945-V)

16 PROFIT/(LOSS) BEFORE TAX**16.1 DISCLOSURE ITEMS**

	Group 2021 RM	Group 2020 RM	Company 2021 RM	Company 2020 RM
This is stated after charging:				
Audit fee	26,000	21,000	3,000	3,000
Depreciation of property, plant, and equipment	39,821	86,203	-	-
Director's remuneration	300,000	300,000	-	-
Management fees	304,452	349,200	-	-
Rental of motor vehicles	-	172,905	-	-
Salaries, allowances, and bonus	<u>2,010,050</u>	<u>1,771,147</u>	<u>-</u>	<u>-</u>

17 INCOME TAX EXPENSE

There are no provisions made during the financial year. However, this is subject to the Inland Board Revenue (IRB) approval.

18 SIGNIFICANT EVENT

The outbreak of COVID-19 in early 2020 has affected the business and economic environments of the Company. The governments and various private corporations have taken different measures to prevent the spread of the virus such as travel bans, quarantines, closures of non-essential services, social distancing and home quarantine requirements which impacted businesses, our customers and the Company's operations directly and indirectly.

Given the widespread nature of the outbreak and the unpredictability of future development of COVID-19, it is challenging to determine the duration of the impact on the business.

As of the date of this report, the management of the company is actively monitoring and managing its operations to minimize any impact that may arise from COVID-19. However, the management is unable to estimate and predict the full financial impact of COVID-19 on the Company's financial results for the year ending 31 December 2022 as the pandemic has yet to run its full course. The Directors shall continuously and vigilantly assess the impact of the COVID-9 crisis on its operations as well as the financial position for the year ending 31 December 2022.

19 AUTHORISATION FOR ISSUE OF THE FINANCIAL STATEMENTS

The financial statements of the Company were authorised for issue by the Board of Directors on **03 JUN 2022** .

APPENDIX I – INFORMATION ON ASSB (CONT'D)

Registration No.: 201301027117 (1056945-V)

ADAT SANJUNG SDN BHD
(Incorporated in Malaysia)

DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020
	RM	RM
LESS: OPERATING EXPENSES	<u>(3,000)</u>	<u>(3,000)</u>
PROFIT BEFORE TAX	<u><u>(3,000)</u></u>	<u><u>(3,000)</u></u>

This Statement is prepared for the purpose of the Management's use only and does not form part of the statutory audited financial statements.

APPENDIX I – INFORMATION ON ASSB (CONT'D)

Registration No.: 201301027117 (1056945-V)

ADAT SANJUNG SDN BHD
(Incorporated in Malaysia)

OPERATING EXPENSES
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020
	RM	RM
OTHER OPERATING EXPENSES		
Audit fee	<u>3,000</u>	<u>3,000</u>
	<u>3,000</u>	<u>3,000</u>

This Statement is prepared for the purpose of the Management's use only and does not form part of the statutory audited financial statements.

APPENDIX II – SALIENT TERMS OF THE SSA

The salient terms of the SSA are as follows:-

1. Agreement for the sale and purchase of the Sale Shares in ASSB

The Vendor has agreed to sell and the Purchaser has agreed to purchase the Sale Shares free from all encumbrances, together with all attached and accrued rights, for a purchase consideration of approximately RM90,000,000.

2. Purchase Consideration

The Purchase Consideration shall be fully satisfied via a combination of a Cash Consideration and the allotment and issuance of the Consideration Shares to the Vendor in the following manner:

i. Cash Consideration:

- a. RM9,000,000 only to be paid to the Vendor as refundable deposit within 3 months upon execution of the SSA or any other date to be mutually agreed by the Parties; and
- b. RM11,000,000 only to be paid in cash to the Vendor on the Completion Date.

ii. Consideration Shares: allotment and issuance of the Consideration Shares to the Vendor within 7 business days from the Completion Date.

- a. 230,519,481 of the Consideration Shares to the Vendor; and
- b. 87,662,338 of the Consideration Shares as renounced by the Vendor in favour of E&E.

3. Renunciation Right over the Consideration Shares

- i. The Vendor has agreed to renounce the E&E Portion (as defined in **Section 2, Part A** of this Circular) in favour of E&E pursuant to the Proposed RCCPS Acquisition (as defined in **Section 2, Part A** of this Circular). Not later than 7 days prior to the Completion Date, the Vendor shall issue to the Purchaser or Reneuco the duly executed form of renunciation for the E&E Portion.
- ii. With the Vendor effecting the renunciation of the E&E Portion in satisfying the RCCPS purchase consideration (i.e. RM19,285,714.00) ("**RCCPS Purchase Consideration**") pursuant to the Proposed RCCPS Acquisition on behalf of ASSB, there will be an amount owing by ASSB to the Vendor equal to the RCCPS Purchase Consideration ("**RCCPS Amount Owing**"). The RCCPS Amount Owing shall be treated in accordance with item 4 below.

4. The Satisfaction of All Amount Owing to the Vendor

- i. Upon the payment of the Purchase Consideration being made in accordance with item 2 above by the Purchaser, the Vendor acknowledges and agrees that:
 - a. the payment of the RCCPS Amount Owing to the Vendor by ASSB; and
 - b. all other amount owing by ASSB and its subsidiaries to the Vendor in the account of ASSB and in the account of the Vendor as at the Completion Date ("**Vendor Advances**"),

APPENDIX II – SALIENT TERMS OF THE SSA (CONT'D)

(collectively, "**All Amount Owing**") shall be novated to the Purchaser and deemed as fully satisfied by the Purchaser on the behalf of ASSB and its subsidiaries.

- ii. The Vendor shall deliver a letter to ASSB on the Completion Date acknowledging the full settlement of the All Amount Owing and releasing ASSB and all its subsidiaries of any claims, liabilities, demands and obligations related to the satisfaction of the All Amount Owing.

5. Conditions Precedent

The Proposed Acquisition is conditional upon the satisfaction of the following conditions within 6 months from the date of the SSA or any other extended period as may be agreed in writing between the Vendor and the Purchaser ("**CP Period**"):

- i. the approvals of the shareholders and the board of directors of the Purchaser approving the entry into the sale and purchase of the Sale Shares as contemplated under the SSA;
- ii. the approvals of the shareholders and the board of directors of Reneuco for the issuance and allotment of the Consideration Shares to the Vendor (and to E&E) on the terms and conditions as set out in the SSA;
- iii. Reneuco obtaining the approval in-principle of Bursa Securities in relation to the listing of and quotation for the Consideration Shares on the Main Market of Bursa Securities;
- iv. the approvals of the shareholders (if applicable) and the board of directors of the Vendor approving the entry into the sale and purchase of the Sale Shares as contemplated under the SSA;
- v. the Purchaser is satisfied with the outcome of the due diligence to be conducted by the Purchaser (and/or its advisers) on the technical, financial and legal matters in relation to the ASSB, PFSB and ORP (collectively, "**Group Companies**") and the technical and commercial viability of the Hydro Project;
- vi. the authorisations from the government and/or the relevant authorities including SEDA and the EC (wherever applicable) and together with conditions, if any, acceptable to the Purchaser and for registration of the Purchaser as the registered owners of the Sale Shares;
- vii. the Purchaser is satisfied that all the authorisations, as required for the development and operation of the Project have been duly obtained, all of which shall remain in full force and effect;
- viii. the Purchaser is satisfied that there is no amendment or variation to any of the authorisations and there is no event or circumstance, the occurrence or effect of which shall cause any of the authorisations to be withdrawn or be subject to conditions imposed, which in the reasonable opinion of the Purchaser, has a material effect on the business and/or operation of ASSB and/or the Hydro Project; and
- ix. the approvals from the financiers of ORP on the change of the shareholders in ASSB, and the change of any directors in the Board of the Group Companies (wherever applicable) arising from the sale and purchase of the Sale Shares, in accordance with the terms of all financing agreements related to the Hydro Project.

APPENDIX II – SALIENT TERMS OF THE SSA (CONT'D)

6. Due Diligence

- i. The Vendor agrees to procure ASSB to permit the Purchaser or persons authorised by the Purchaser to carry out the financial, technical and legal due diligence exercise within the CP Period and the Vendor agrees to cause the duly authorised advisers and/or representatives of the Purchaser to enter into any of the immovable properties of the Group Companies, inspect all documents of title as may be available and obtain all such statements, information, explanations and data as the Purchaser may reasonably require ("**Due Diligence Exercise**").
- ii. If the Purchaser is not satisfied with the results of the Due Diligence Exercise, the Purchaser shall notify the Vendor within 7 days from the result of the Due Diligence Exercise and discuss with the Vendor any adverse findings with a view of reaching acceptable solution to the issue(s) identified and the Purchaser may propose to the Vendor that the Purchase Consideration to be adjusted and the Parties may discuss with each other with a view of reaching the adjusted amount as acceptable to the Parties, failing which the Conditions Precedent shall be deemed not fulfilled and the SSA shall be terminated.

7. Right to terminate

Purchaser's right to terminate in the event of any of the following occurring:

- i. the Vendor failing or refusing to observe or perform any of its obligations under the SSA and failing or refusing to rectify the same within 30 days after a written notice has been delivered by the Purchaser requiring the rectification of the said breach;
- ii. the Vendor becoming insolvent or bankrupt, as the case may be, or making an assignment for the benefit of its creditors or enters into any general arrangements or composition with or for the benefit of its creditors;
- iii. a receiver, liquidator, trustee, judicial manager or similar officer being appointed in respect of the properties, assets or undertaking or any part thereof of the Group Companies;
- iv. an application or order is made for the winding up or bankruptcy of the Vendor and/or the Group Companies or a resolution is passed or any steps are taken to pass a resolution for the winding up of the Group Companies otherwise than for the purpose of an amalgamation or reconstruction (subject that such amalgamation or reconstruction shall not affect the Group Companies);
- v. the Purchaser becoming aware that any of the Vendor's warranties is or becomes false, misleading or incorrect when made or regarded as made under the SSA;
- vi. any consent, approval or authorisation necessary for any of the Parties to enter into and perform the SSA is refused, withdrawn, modified, terminated or expired or is not renewed or otherwise is not in full force and effect and as a result thereof that Party shall not be able to perform its obligations;
- vii. the Vendor and/or the Group Companies is stopping or threatening to stop payment of its debts or cease to carry on the whole or any substantial part of its business other than for the purpose of an amalgamation or reconstruction (subject that such amalgamation or reconstruction shall not affect the Group Companies), the terms of which shall previously have been approved in writing by the Purchaser; or
- viii. where the Vendor and/or the Group Companies is generally unable to pay all of its debts.

APPENDIX II – SALIENT TERMS OF THE SSA (CONT'D)

Vendor's right to terminate in the event of any of the following occurring:

- i. the Purchaser failing or refusing to observe or perform any of its obligations under the SSA and failing or refusing to rectify the same within 30 days after a written notice has been delivered by the Vendor requiring rectification of the said breach;
- ii. the Purchaser becoming insolvent or making an assignment for the benefit of its creditors or enters into any general arrangements or composition with or for the benefit of its creditors;
- iii. a receiver, liquidator, trustee, judicial manager or similar officer being appointed in respect of the property, assets or undertaking or any part thereof of the Purchaser; or
- iv. an application or order is made for the winding up or dissolution of the Purchaser or a resolution is passed or any steps are taken to pass a resolution for the winding up or dissolution of the Purchaser otherwise than for the purpose of an amalgamation or reconstruction (subject that such amalgamation or reconstruction shall not affect ASSB).

8. Consequence of termination

- i. The Parties agree that the Vendor shall return to the Purchaser the Deposit and any monies paid by the Purchaser to the Vendor and the Purchaser shall return, or cause to be returned, to the Vendor all documents and items forwarded to the Purchaser by the Vendor in relation to the Sale Shares within 14 days from the termination date and, upon such return, neither Party shall have any claims or cause of action of whatsoever nature against the other save and except for any other antecedent breach and any rights of the Purchasers under the laws and equity, and thereafter the SSA shall cease to have any further force or effect.
- ii. In the event of the termination of the SSA due to the non-fulfilment and/or waiver of any or all of the Conditions Precedent, the Vendor shall refund the Deposit, and repay any other monies paid, to the Purchaser within 7 days from the date of such termination and thereafter, the SSA shall lapse and be of no further effect and no Party shall have any further claims whatsoever against the other pursuant to the SSA save for any antecedent breach.

APPENDIX III – SALIENT TERMS OF THE RCCPS SSA

The salient terms of the RCCPS SSA are as follows:-

1. Agreement for the sale and purchase of the RCCPS held by E&E in ORP

E&E has agreed to sell and ASSB has agreed to purchase the RCCPS free from any encumbrances, together with all its present rights or attaching thereto, for a purchase consideration of approximately RM19,285,714.

2. RCCPS Purchase Consideration

The consideration for the RCCPS is RM19,285,714 which shall be satisfied by OVSB on behalf of ASSB by way of renouncing 87,662,338 of the Consideration Shares to be received by OVSB under the SSA and which will be issued and credited as fully paid-up under the name of E&E, on the same date as the completion date of the SSA.

3. Delivery of Information

Upon the execution of RCCPS SSA and prior to the Completion Date (as defined in item 4 below):

- i. E&E shall deliver the particulars of E&E's CDS Account to OVSB into which 87,662,338 of the Consideration Shares are to be credited in accordance with the terms and conditions of the RCCPS SSA; and
- ii. OVSB shall deliver a letter of undertaking issued by Reneuco to E&E for the fulfilment of its obligations under the SSA in relation to the allotment of 87,662,338 of the Consideration Shares as renounced by OVSB in favour of E&E.

4. Completion

Completion shall take place at the office of ASSB, on the same date as the completion date of the SSA ("**Completion Date**").

5. Termination

ASSB shall have the right to terminate the RCCPS SSA in the event of any of the following:

- i. E&E failing or refusing to observe or perform any of its obligations under the RCCPS SSA and failing or refusing to rectify the same within 30 days after a written notice has been delivered by ASSB requiring the rectification of the said breach;
- ii. E&E becoming insolvent or bankrupt, as the case may be, or making an assignment for the benefit of its creditors or enters into any general agreements or composition with or for the benefit of its creditors;
- iii. an application or order is made for the winding up of E&E or a resolution is passed or any steps are taken to pass a resolution for the winding up of E&E otherwise than for the purpose of an amalgamation or reconstruction (subject that such amalgamation or reconstruction shall not affect E&E); or

APPENDIX III – SALIENT TERMS OF THE RCCPS SSA (CONT'D)

- iv. any consent, approval or authorisation necessary for any of the parties to enter into and perform the RCCPS SSA is refused, withdrawn, modified, terminated or expired or is not renewed or otherwise is not in full force and effect and as a result thereof that party shall not be able to perform its obligations,

upon which the parties agree that ASSB shall return or cause to be returned to E&E, all documents and items forwarded to ASSB by E&E in relation to the sale and purchase of RCCPS, within 14 days from the termination date and upon such return, neither party shall have any claims or cause of action of whatsoever nature against the other, save and except for any other antecedent breach and any rights of ASSB under the laws and equity, and thereafter the RCCPS SSA shall cease to have any further force or effect.

E&E shall have the right to terminate the RCCPS SSA in the event of any of the following:

- i. ASSB failing or refusing to observe or perform any of its obligations under the RCCPS SSA and failing or refusing to rectify the same within 30 days after a written notice has been delivered by E&E requiring the rectification of the said breach;
- ii. ASSB becoming insolvent or making an assignment for the benefit of its creditors or enters into any general agreements or composition with or for the benefit of its creditors;
- iii. a receiver, liquidator, trustee, judicial manager or similar officer being appointed in respect of the property, assets or undertaking or any part thereof of ASSB; or
- iv. an application or order is made for the winding up of or dissolution of ASSB or a resolution is passed or any steps are taken to pass a resolution for the winding up or dissolution of ASSB otherwise than for the purpose of an amalgamation or reconstruction (subject that such amalgamation or reconstruction shall not affect ORP),

upon which the parties agree that ASSB shall return or cause to be returned to E&E, all documents and items forwarded to ASSB by E&E in relation to the sale and purchase of RCCPS, within 14 days from the termination date and upon such return, neither party shall have any claims or cause of action of whatsoever nature against the other, save and except for any other antecedent breach and thereafter the RCCPS SSA shall cease to have any further force or effect.

6. Termination of SSA

The parties agree that the RCCPS SSA shall be terminated by the issuance of a written notice from ASSB to E&E upon the termination of the SSA, whereupon ASSB shall return or cause to be returned to E&E all documents and items forwarded to ASSB by E&E in relation to the sale and purchase of RCCPS within 7 days from the termination date and upon such return, neither party shall have any claims or cause of action of whatsoever nature against the other, save and except for any other antecedent breach and thereafter the RCCPS SSA shall cease to have any further force or effect.



Mercury Securities Sdn. Bhd. 198401000672 (113193-W)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

Headquarters
Ground, 1st, 2nd and 3rd Floor
Wisma UMNO
Lorong Bagan Luar Dua
12000 Butterworth
Seberang Perai
Penang

1 March 2023

The Board of Directors
RENEUCO BERHAD (FORMERLY KNOWN AS KPOWER BERHAD)
G-3AF-3, Level 3AF, Block G
Garden Office @ Encorp Strand
No. 12, Jalan PJU 5/1, Kota Damansara
47810 Petaling Jaya
Selangor Darul Ehsan

Dear Sir/Madam,

RENEUCO BERHAD (FORMERLY KNOWN AS KPOWER BERHAD) ("RENEUCO" OR "COMPANY")

FAIR MARKET VALUE OF THE ENTIRE EQUITY INTEREST IN ADAT SANJUNG SDN BHD ("ASSB")

1. INTRODUCTION

Reneuco proposes to acquire the entire equity interest in ASSB from OHP Ventures Sdn Bhd ("OVSB" or "Vendor") *vide* its wholly-owned subsidiary, Reneuco RE Sdn Bhd ("Reneuco RE") for a purchase consideration of RM90 million, to be satisfied *via* a combination of RM20 million cash and 318,181,819 new ordinary shares in Reneuco ("Consideration Shares") at an issue price of RM0.22 per Consideration Share ("Proposed Acquisition").

We, Mercury Securities Sdn Bhd, have been appointed by the Board of Directors of Reneuco ("Board") to act as an Independent Business Valuer to provide an opinion on the fair market value of the entire equity interest in ASSB for the purpose of inclusion in the circular to shareholders of Reneuco in relation to the Proposed Acquisition ("Circular").

2. BACKGROUND INFORMATION ON THE ASSB GROUP

ASSB is principally an investment holding company and has the following subsidiary companies:

Subsidiary	Effective equity interest	Country of incorporation	Principal activities
Pristine Falcon Sdn Bhd ("PFSB")	100%	Malaysia	Investment holding
Held through PFSB			
One River Power Sdn Bhd ("ORP")	70%	Malaysia	Development of hydro power plants ⁽ⁱ⁾

Notes:

- (i) *The remaining 30% equity interest in ORP is held by Inno Hydropower (B) Sdn Bhd, a wholly-owned subsidiary of Kumpulan Yayasan Sabah.*

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APPENDIX IV – VALUATION LETTER (CONT'D)

- (ii) *ORP is licensed by the Sustainable Energy Development Authority (“SEDA”) under the Feed-in Tariff Program and has 3 renewable energy power purchase agreements (“REPPA”) with Sabah Electricity Sdn Bhd for 3 hydro plants in Kota Marudu, Sabah (“Hydro Project”) with a total combined power generation of 29.1MW as summarised below:*

	Hydro Plant 1	Hydro Plant 2	Hydro Plant 3
Location	<i>Upper Sungai Bengkoka, Kota Marudu, Sabah</i>	<i>Lower Sungai Bengkoka, Kota Marudu, Sabah</i>	<i>Sungai Togohu, Kota Marudu, Sabah</i>
Capacity (MW)	10.0	13.5	5.6
Tenure (years)	21	21	21
Commencement date	*30 Jun 2023	9 Jul 2021	*30 Jun 2023
Declared annual availability (KW per hour)	63,072	79,234	35,320
Feed-in tariff rate (RM/KW per hour)	0.25	0.24	0.25

Hydro Plant 1, Hydro Plant 2 and Hydro Plant 3 shall hereinafter be collectively referred to as “Hydro Plants”.

* *Being the expected commencement date by the management of ASSB.*

Set out below is a summary of the assets composition of the ASSB group of companies (“ASSB Group”) as at 31 December 2021, being its latest audited financial position:

	Audited as at 31 Dec 2021	
	RM'000	%
<u>Non-current asset</u>		
Property, plant and equipment ⁽ⁱ⁾	312,761	98.0
<u>Current assets</u>		
Trade receivables	267	0.1
Other receivables, deposits and prepayments	303	0.1
Amount due from directors	2,000	0.6
Cash and bank balances	3,804	1.2
Total	319,135	100.0

Note:

- (i) *Mainly comprises the capitalised costs of the Hydro Project such as preliminary and civil engineering costs, project consultant fees and interest expense for the financing of the Hydro Project.*

Save for the capitalised costs of the Hydro Project, the ASSB Group does not have any other material property assets that are subject to revaluation.

For information purposes, some parts of the Hydro Plants have sustained damages due to heavy and continuous rain in Kota Marudu, Sabah between end December 2021 to early January 2022, of which the estimated damages are approximately RM50 million. We note from the management of ASSB that the insurers for the Hydro Plants had appointed an adjuster to appraise the estimated losses and the assessment is on-going.

In order to prevent similar occurrence in the future, we note that the ASSB Group is strengthening the Hydro Plants' structure. The total costs for the structural strengthening works as well as the remaining works for the completion of Hydro Plant 1 and Hydro Plant 3 are estimated to be approximately RM70 million. These construction costs are to be financed by ORP's unutilised credit facility of approximately RM28 million as well as by an expected increase in its existing credit facility of RM49 million (“ORP Additional Financing”).

We further note that the Vendor had advanced monies to ORP to finance, amongst others, the Hydro Plants' construction costs ("**Vendor Advances**"). As at 31 October 2022 ("**Date of Opinion**"), being the date of opinion, the Vendor Advances amounted to RM133.8 million.

In addition, we note that ORP has 10 million redeemable cumulative convertible securities ("**RCCPS**") in issue, which are currently held by E&E Catalyst Sdn Bhd ("**E&E**"). Pursuant to the Proposed Acquisition, ASSB shall also acquire all the RCCPS from E&E, which shall be satisfied by the Vendor through renouncing its 87,662,338 Consideration Shares in favour of E&E.

Pursuant to the conditional share sale agreement dated 19 October 2022 between Reneuco RE and the Vendor for the Proposed Acquisition ("**SSA**"), all amount owing by the ASSB Group to the Vendor as at the SSA's completion date will be novated to Reneuco RE and deemed as fully satisfied by Reneuco RE on behalf of the ASSB Group.

Save as disclosed above, we note from the management of ASSB that there are no other amount owing by the ASSB Group to the Vendor.

3. SCOPE AND LIMITATION TO OUR EVALUATION

We were not involved in the formulation, deliberation and negotiation of the terms and conditions of the Proposed Acquisition. Our role as the Independent Business Valuer is limited to expressing an opinion on the fair market value of the entire equity interest in ASSB based on the following sources of information made available to us:

- (i) ORP's REPPAs and its cash flow projections from 1 January 2022 to 31 December 2044 together with the underlying key bases and assumptions prepared by the management of ASSB ("**Financial Projections**");
- (ii) the SSA;
- (iii) audited financial statements of the ASSB Group for the financial year ended ("**FYE**") 31 December 2021;
- (iv) management accounts of the ASSB Group for the 10-month financial period ended ("**FPE**") 31 October 2022;
- (v) other relevant information, documents, confirmations and/or representations provided by the management of Reneuco and ASSB; and
- (vi) other publicly available information which we deem relevant.

We have relied on the Board and Reneuco's management to take due care to ensure that all information, documents, confirmations and representations provided to us to facilitate our evaluation of the fair market value of the entire equity interest in ASSB are accurate, valid and complete in all material aspects. After making all reasonable enquiries, we are satisfied that sufficient information has been obtained and we believe that the information provided to us or which are available to us is reasonable, complete, not misleading and accurate as at the Date of Opinion.

The Board has seen, reviewed and accepted this valuation letter. The Board, collectively and individually, accepts full responsibility for the accuracy and completeness of the information contained herein (save for the evaluation and opinion of Mercury Securities Sdn Bhd) and confirms that, after having made all reasonable enquiries and to the best of their knowledge and belief, all statements and/or information in this valuation letter are free from material omission of any material facts which would make any statement in this valuation letter false or misleading.

In rendering our advice, we have taken into consideration pertinent factors which we believe are of relevance and importance for a holistic assessment of the fair market value of the entire equity interest in ASSB. Notwithstanding the foregoing, we wish to highlight that:

- (i) it is not within our terms of reference to express any opinion on the legal, accounting and taxation issues relating to the ASSB Group; and
- (ii) we have not taken into consideration any specific investment objectives, financial situation, risk profile or particular needs of any individual shareholder or any specific group of shareholders. We recommend that any of you who require specific advice in relation to the Proposed Acquisition in the context of your individual investment objectives, financial situation, risk profile or particular needs should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Further, we wish to highlight that we have not undertaken an independent investigation into the Financial Projections. It should be noted that valuation in itself is highly dependent on, amongst others, the achievability of the Financial Projections as well as the materialisation of the bases and assumptions used therein. It should also be noted that the valuation may be materially and/or adversely affected in the event the actual results differ materially from any of the key bases and assumptions upon which the Financial Projections were based on. As such, the adoption of such assumptions and projections do not imply that we warrant their validity or achievability.

Our evaluation and opinion as set out in this valuation letter are based on amongst others, the equity capital market, economic, industry, regulatory and other prevailing conditions and the information/documents made available to us as at the Date of Opinion. Such conditions may change significantly over a short period of time. Accordingly, our evaluation and opinion expressed herein do not take into account the information, events or conditions arising after the Date of Opinion.

The purpose of this valuation letter is to set out our independent evaluation in respect of the estimated fair market value of the entire equity interest in ASSB. Save for the foregoing, neither the whole nor any part of this valuation letter or any references thereto may be included in any document or statement nor published in any way, without our prior written consent of the form and context in which it may appear.

4. FAIR MARKET VALUE OF THE ENTIRE EQUITY INTEREST IN ASSB

4.1 Basis of Valuation

The basis of valuation is fair market value which is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

We have been instructed by Reneuco to assess the fair market value of the entire equity interest in ASSB as at the Date of Opinion.

4.2 Valuation Methodology

In arriving at the most suitable valuation methodology to appraise the fair market value of ASSB, we have considered, amongst others, the ASSB Group's nature of business as well as various valuation methodologies, *inter alia*, the discounted cash flows ("DCF") method, relative valuation method, net assets ("NA") method and revalued NA valuation ("RNAV") method.

In view that the ASSB Group has more than 1 business composition, we are of the view that the sum-of-the-parts valuation ("SOPV") method would be the most suitable valuation method to appraise its fair market value.

Under the SOPV method, each company within the ASSB Group is separately valued and that the estimated fair market value of ASSB is derived based on the aggregate valuations of ASSB and its subsidiary companies.

4.3 Valuation of ORP

As mentioned earlier, ORP is principally involved in the development of hydro plants and given the nature of this business, which generates recurrent stream of revenue, the future cash flows to be derived by ORP from the Hydro Project can be estimated.

As such, we have adopted the DCF valuation method to estimate the fair market value of ORP. In our opinion, the DCF valuation method is the most suitable valuation method to be adopted as it entails the discounting of future cash flows at a specified discount rate, which takes into account the time value of money as well as the earnings and cash flows potential of the Hydro Project, including the riskiness of generating such future cash flows.

In applying the DCF method, we first compute the enterprise value ("EV") of ORP by discounting its estimated future free cash flow to firm ("FCFF") from 1 November 2022 (being the latest practicable month as at the Date of Opinion) to 30 April 2044 (being the estimated end of net cash flows to be derived from the Hydro Project) ("Projection Period") at its estimated weighted average cost of capital ("WACC").

Thereafter, the resultant EV is adjusted for the value of other securities in issue, i.e. the RCCPS, as well as ORP's net debts and working capital as at the Date of Opinion in order to arrive at its estimated equity value.

(i) FCFF

In estimating the future FCFFs to be generated by ORP from the Hydro Project, we have considered and evaluated the Financial Projections prepared by ASSB based on the following key bases and assumptions:

- (a) ORP will generate its revenue based on the terms and conditions as set out in the REPPAs;
- (b) Hydro Plant 1 and Hydro Plant 3 will commence commercial operations by June 2023;
- (c) As at the Date of Opinion, ORP's outstanding bank borrowings comprise the following:

	<u>Interest rate</u>	<u>^Amount</u>
	%	RM'000
Term loan 1*	6.8	67,845
Term loan 2	8.4	131,450
Total		<u>199,295</u>

Notes:

* *Term loan 1 is a USD denominated bank borrowing.*

^ *Being the outstanding amount as at the Date of Opinion.*

It is therefore assumed that:

- ORP will repay the bank borrowings on a timely basis;
 - there will not be any significant change to the prevailing interest rates of the bank borrowings throughout the Projection Period; and
 - there will not be any significant change to the prevailing exchange rate of RM to USD as at the Date of Opinion of RM4.73 (source: *Bank Negara Malaysia*) throughout the Projection Period;
- (d) Total construction costs for the structural strengthening works and completion of the Hydro Plants (excluding financing costs) is RM70 million;
- (e) ORP would be able to obtain the ORP Additional Financing with a tenure of 13 years and an estimated interest rate of 8.4% p.a. to part finance the said construction costs of RM70 million;
- (f) ORP would be able to receive the estimated insurance compensation of RM50 million for the Hydro Project by end 2023;
- (g) ORP's operating costs mainly consist of operation and maintenance costs and there will not be any significant increase in operating costs throughout the Projection Period;
- (h) ORP will generate interest income of 2% p.a. on its cash and bank balances; and
- (i) Pre-tax income is subject to Malaysian corporate income tax rate of 24%.

In addition to the above, ASSB had also applied the following general assumptions in arriving at the Financial Projections:

- (i) there will not be any significant change in ORP's principal activities;
- (ii) there will not be any significant change to the agreements, approvals, licenses, permits and/or regulations governing ORP's business activities;
- (iii) save for the structural strengthening works as well as normal maintenance fees to be incurred for the general upkeep of the Hydro Plants, there will not be any other significant capital expenditures to be incurred by ORP over the Projection Period;
- (iv) ORP will be able to obtain the necessary financing and working capital as and when needed which will not result in any material adverse effect on its financial results, cash flow and business activities;
- (v) all debt financing will be available in accordance with the Financial Projections and all debt repayment and servicing obligations will be met in accordance with the terms of financing of the respective debt facilities;
- (vi) the current accounting policies adopted by ORP will remain relevant and there will not be any significant change in ORP's accounting policies which may have a material impact on its financial performance and financial position; and
- (vii) there will not be any significant change in the existing political, social and economic conditions, monetary and fiscal policies, inflation and regulatory requirements.

We have reviewed and evaluated the key bases and assumptions used in arriving at the Financial Projections and are of the view that the key bases and assumptions used in arriving at the Financial Projections are reasonable. In this regard, we have adopted the Financial Projections to derive the valuation of ORP.

(ii) WACC

In arriving at the valuation of ORP, we had discounted each period's estimated FCFF to the present value using the estimated WACC of ORP of between 9.0% to 10.2%. The said WACC was derived based on the following key parameters:

Variable	Parameters		Description															
	Low Range	High Range																
Cost of equity	12.7%	10.7%	<p>We have derived ORP's cost of equity using the capital asset pricing model ("CAPM") and the following key parameters:</p> <table border="1"> <thead> <tr> <th>Variable</th> <th>Parameter</th> <th>Basis/Description</th> </tr> </thead> <tbody> <tr> <td>Risk-free rate</td> <td>4.5%</td> <td>Based on the last traded yield of 10-year Malaysian Government Investment Issues (Islamic) as at the Date of Opinion of 4.46%. (Source: Bank Negara Malaysia)</td> </tr> <tr> <td>Expected market return</td> <td>9.4%</td> <td>Based on the average 10 years rate of return of the FTSE Bursa Malaysia Top 100 Index as at the Date of Opinion of 9.4%. (Source: Bloomberg)</td> </tr> <tr> <td>Beta</td> <td>0.86</td> <td>In view that ORP is an unlisted entity, we have estimated its beta based on the average 3-year weekly unlevered beta of its comparable companies^(aa) of 0.58 (Source: Bloomberg) and thereafter, re-levered it based on the average debt to equity ratio of its comparable companies of 0.62 and the Malaysian corporate income tax rate of 24%.</td> </tr> <tr> <td>Additional risk premium</td> <td>2% - 4%</td> <td> <p>In view of the inherent uncertainty of the Financial Projections, we have imputed an additional risk premium of between 2% to 4% to account for, amongst others, the potential risks of the Financial Projections.</p> <p>The range of additional risk premium was determined based on our following scenario analyses:</p> <ul style="list-style-type: none"> (i) total cost of the structural strengthening works (excluding financing cost) is 10% higher than estimated; (ii) insurance compensation is 10% lower than estimated; (iii) interest rates of all bank borrowings will increase by a quantum of 1% over the Projection Period; and/or (iv) the RM depreciates by 10% against the USD over the Projection Period. </td> </tr> </tbody> </table>	Variable	Parameter	Basis/Description	Risk-free rate	4.5%	Based on the last traded yield of 10-year Malaysian Government Investment Issues (Islamic) as at the Date of Opinion of 4.46%. (Source: Bank Negara Malaysia)	Expected market return	9.4%	Based on the average 10 years rate of return of the FTSE Bursa Malaysia Top 100 Index as at the Date of Opinion of 9.4%. (Source: Bloomberg)	Beta	0.86	In view that ORP is an unlisted entity, we have estimated its beta based on the average 3-year weekly unlevered beta of its comparable companies ^(aa) of 0.58 (Source: Bloomberg) and thereafter, re-levered it based on the average debt to equity ratio of its comparable companies of 0.62 and the Malaysian corporate income tax rate of 24%.	Additional risk premium	2% - 4%	<p>In view of the inherent uncertainty of the Financial Projections, we have imputed an additional risk premium of between 2% to 4% to account for, amongst others, the potential risks of the Financial Projections.</p> <p>The range of additional risk premium was determined based on our following scenario analyses:</p> <ul style="list-style-type: none"> (i) total cost of the structural strengthening works (excluding financing cost) is 10% higher than estimated; (ii) insurance compensation is 10% lower than estimated; (iii) interest rates of all bank borrowings will increase by a quantum of 1% over the Projection Period; and/or (iv) the RM depreciates by 10% against the USD over the Projection Period.
Variable	Parameter	Basis/Description																
Risk-free rate	4.5%	Based on the last traded yield of 10-year Malaysian Government Investment Issues (Islamic) as at the Date of Opinion of 4.46%. (Source: Bank Negara Malaysia)																
Expected market return	9.4%	Based on the average 10 years rate of return of the FTSE Bursa Malaysia Top 100 Index as at the Date of Opinion of 9.4%. (Source: Bloomberg)																
Beta	0.86	In view that ORP is an unlisted entity, we have estimated its beta based on the average 3-year weekly unlevered beta of its comparable companies ^(aa) of 0.58 (Source: Bloomberg) and thereafter, re-levered it based on the average debt to equity ratio of its comparable companies of 0.62 and the Malaysian corporate income tax rate of 24%.																
Additional risk premium	2% - 4%	<p>In view of the inherent uncertainty of the Financial Projections, we have imputed an additional risk premium of between 2% to 4% to account for, amongst others, the potential risks of the Financial Projections.</p> <p>The range of additional risk premium was determined based on our following scenario analyses:</p> <ul style="list-style-type: none"> (i) total cost of the structural strengthening works (excluding financing cost) is 10% higher than estimated; (ii) insurance compensation is 10% lower than estimated; (iii) interest rates of all bank borrowings will increase by a quantum of 1% over the Projection Period; and/or (iv) the RM depreciates by 10% against the USD over the Projection Period. 																

APPENDIX IV – VALUATION LETTER (CONT'D)

Variable	Parameters		Description		
	Low Range	High Range			
After tax cost of debt	6.1%	6.1%	We have derived ORP's after tax cost of debt based on its weighted average after tax cost of debt as follows:		
					^(b) Weighted average after tax cost of debt
			Bank Borrowing	Amount	Weightage
				RM'000	%
			<u>Existing</u>		
			Term loan 1	^(a) 67,514	24.4
			Term loan 2	^(a) 131,450	47.6
			<u>To be drawn down/ obtained</u>		
			Unutilised credit facilities	28,352	10.3
			ORP Additional Financing	49,000	17.7
			Total		6.1

Notes:

(a) Being the outstanding amount as at the Date of Opinion.

(b) Computed based on the weightage and interest rate of the respective bank borrowings and after taking into consideration the estimated tax shield on interest expense of 24%.

Weightage of equity financing	0.62	0.62	} Based on the average debt to equity ratio of the comparable companies ^(aa) of 0.62 times, which translates into 62%:38% proportion of equity and debt financings.
Weightage of debt financing	0.38	0.38	

Note:

(aa) We have adopted the following criteria to select ORP's comparable companies:

- (1) more than 50% of the comparable company's revenue is derived from sales of hydropower;
- (2) profitable for the past 2 financial years; and
- (3) listed and predominantly operates in Malaysia, Thailand, Singapore and Indonesia. Our list of comparable companies is for the regional market in order to obtain a more meaningful number of comparable companies as there is only 1 listed company in Malaysia which meet criteria (1) and (2) above.

APPENDIX IV – VALUATION LETTER (CONT'D)

Based on the above selection criteria, we have identified the following companies to be comparable to ORP:

<u>Company</u>	<u>Listing Exchange</u>	<u>*Market Capitalisation</u> RM'million	<u>^Levered Beta</u>	<u>D/E Ratio</u>	<u>Unlevered Beta</u>
BCPG Public Company Limited	Thailand	3,440	1.12	1.07	0.61
Mega First Corporation Berhad	Malaysia	3,101	0.99	0.26	0.83
PT Kencana Energi Lestari TBK	Indonesia	778	0.45	0.54	0.32
Average				0.62	0.58

Notes:

* As at the Date of Opinion.

^ Computed based on the 3-year weekly correlation between the comparable company's last traded market prices against the last traded point of the market index of their respective listing exchange up to the Date of Opinion.

Please note that the list of comparable companies is by no means exhaustive and there may not be any listed company that is directly comparable to ORP in terms of location, business activities, customer base, size of operations, geographical spread of activities and markets, financial leverage, future prospects, accounting policies, risk profile and other relevant criteria. Therefore, any comparison made to the comparable companies is necessarily limited.

(iii) Net debts

As at the Date of Opinion, ORP's total debts was RM332.8 million comprising the following:

	<u>RM'000</u>
<u>Existing bank borrowings</u>	
Term loan 1	67,514
Term loan 2	131,450
<u>Shareholder's advances</u>	
Vendor Advances	133,796
Total	<u>332,760</u>

For your information, we have regarded the Vendor Advances as a liability of ORP in view that it is repayable on demand.

(iv) RCCPS

As mentioned in Section 2 of this valuation letter, as at the Date of Opinion, there were 10 million RCCPS in issue in ORP which shall be acquired by ASSB pursuant to the Proposed Acquisition.

In that regard, we have conducted a valuation of the RCCPS using the dividend discount model ("DDM"). In our opinion, the DDM valuation method is the most suitable valuation method to appraise the RCCPS' fair market value given that it is a commonly used valuation method for securities that generate fixed income stream. Under the DDM valuation method, the RCCPS' fair market value is estimated based on the present value of its future dividend income and estimated redemption price.

APPENDIX IV – VALUATION LETTER (CONT'D)

In view that ASSB will become the sole holder of the RCCPS after the Proposed Acquisition, we had evaluated the RCCPS' estimated fair market value based on the investment planning of ASSB as well as Reneuco (which will then become the holding company of ASSB) in relation to the RCCPS as summarised below:

- (a) the RCCPS will continue to generate non-compounding cumulative dividend at the rate of 11% p.a. based its issue price of RM10 million up to its maturity date;
- (b) ASSB will exercise its redemption right by putting the RCCPS for redemption by ORP when ORP has the sufficient cash flows to fully redeem the RCCPS;
- (c) ASSB will extend the maturity date of the RCCPS until such time that ORP has sufficient cash flow to fully redeem the RCCPS;
- (d) the RCCPS will be redeemed at its issue price plus all dividend payable up to its redemption date; and
- (e) based on the Financial Projections, ORP would have sufficient cash flow to fully redeem the RCCPS by end 2023. In this regard, it is assumed that ASSB will exercise its redemption right by 31 December 2023.

Premised on the above and using ORP's cost of equity of between 10.7% to 12.7%, we have derived that the RCCPS' estimated fair market value as at the Date of Opinion is approximately RM18.0 million as follows:

	<u>Low Range</u>	<u>High Range</u>
	<u>RM'000</u>	<u>RM'000</u>
RCCPS' Issue price	10,000	10,000
Add : Accrued dividend up to 31 December 2021	@6,013	@6,013
Add : Present value of future dividend from 1 January 2022 up to its estimated maturity date, i.e. 31 December 2023	@2,035	@2,058
RCCPS' estimated fair market value	<u>18,048</u>	<u>18,071</u>

Notes:

- (i) *Based on the audited financial statements of ORP for the FYE 31 December 2021.*
- (ii) *Computed based on the RCCPS' dividend rate of 11.0% p.a. and ORP's cost of equity of between 10.7% to 12.7%.*

(v) Valuation of ORP

As mentioned in Section 2 of this valuation letter, upon payment of the Purchase Consideration, the Vendor Advances will be novated to Reneuco RE and deemed as fully satisfied by Reneuco RE on the behalf of the ASSB Group.

In this regard, we have approached the valuation of ORP from the perspective of Reneuco RE, whereby the Vendor Advances is added back to derive ORP's estimated fair market value.

APPENDIX IV – VALUATION LETTER (CONT'D)

To that end, we have derived that the estimated fair market value of 70% equity interest in ORP (including Vendor Advances) to Reneuco RE is between RM73.1 million to RM92.2 million as follows:

	Low Range	High Range
	RM'000	RM'000
EV / Total discounted FCFF	265,539	293,203
Minus : RCCPS' estimated market value	(18,048)	(18,071)
Minus : Net debts	(332,760)	(332,760)
Add : Net working capital ⁽ⁱ⁾	(1,420)	(1,822)
Total	(86,689)	(59,450)
70%-share	(60,682)	(41,615)
Add : Vendor Advances	133,796	133,796
Estimated fair market value of 70% equity interest in ORP (including Vendor Advances) to Reneuco RE	73,114	92,181

Note:

(i) *Being the present value of net working capital at the end of the Projection Period.*

4.4 Valuation of PFSB

PFSB is the holding company of ORP. Based on PFSB's management accounts for the 10-month FPE 31 October 2022, we note that PFSB recorded nil profit and a net liability of RM3.6 million. In addition, save for its investment in ORP, PFSB has no other operating activities nor material assets held for investment.

Thus, we are of the view that the NA method would be the most suitable valuation method to appraise PFSB's fair market value given that such valuation method is commonly used to value company with no significant operations and/or assets.

Under the NA method, PFSB's fair market value is derived based on its latest net book value. However, in view that PFSB recorded a net liability as at the Date of Opinion, we have assigned a nominal value of RM1 as its estimated fair market value.

4.5 Valuation of ASSB

ASSB is the holding company of PFSB. Based on ASSB's management accounts for the 10-month FPE 31 October 2022, we note that ASSB recorded nil profit and a net liability of RM0.02 million. In addition, save for its investment in PFSB and the RCCPS to be acquired pursuant to the Proposed Acquisition (as mentioned in Section 2 of this valuation letter), ASSB has no other operating activities nor material assets held for investment.

Thus, we are of the view that the RNAV method would be the most suitable valuation method to appraise ASSB's fair market value as such valuation method is commonly used to value a business with investment assets.

Under the RNAV method, ASSB's fair market value is derived based on the revaluation surplus or deficit of its material investment assets, i.e. the RCCPS. Based on the RNAV method, we derived that ASSB's estimated fair market value as at the Date of Opinion is approximately RM18.0 million as follows:

APPENDIX IV – VALUATION LETTER (CONT'D)

	<u>Low Range</u>	<u>High Range</u>
	RM'000	RM'000
Unaudited NA as at 31 October 2022	(20)	(20)
Add : RCCPS' estimated fair market value	@18,048	@ 18,071
RNAV	18,028	18,051

Note:

- (i) Please refer to Section 4.3(iv) of this valuation letter for the details of our evaluation of the RCCPS' estimated fair market value.

4.6 Valuation of the ASSB Group (including Vendor Advances)

Based on our evaluations as set out above, we derived that the estimated fair market value of the ASSB Group (including Vendor Advances) as at the Date of Opinion is between RM91.1 million to RM110.2 million as follows:

	<u>Low Range</u>	<u>High Range</u>
	RM'000	RM'000
Estimated fair market value of:		
• 70% equity interest in ORP (including Vendor Advances)	73,114	92,181
• 100% equity interest in PFSB	@	@
• 100% equity interest in ASSB	18,028	18,051
Total	91,142	110,232

Note:

- (i) RM1.

5. CONCLUSION

In summary, premised on our overall evaluations as set out in Section 4 of this valuation letter, we are of the view that the estimated fair market value of the entire equity interest in ASSB as at the Date of Opinion is between RM91.1 million to RM110.2 million.

Yours faithfully
For and on behalf of
MERCURY SECURITIES SDN BHD


CHRIS LATHER WEI
Director
Head of Capital Markets


WINNIE LAU
Director
Corporate Finance



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Melawati Square
Pusat Bandar Melawati
Kuala Lumpur
Wilayah Persekutuan

Date: 12 April 2023

The Board of Directors of
Adat Sanjung Sdn Bhd

Dear Sir/ Madam,

On behalf of the Board of Adat Sanjung Sdn Bhd ("**ASSB**" or the "**Company**") ("**Board**"), I wish to report that after due inquiries in relation to the Company during the period between 31 December 2021, being the date to which the latest audited financial statements of the Company had been made up, and up to the date of this letter, being a date not earlier than 14 days before the date of the circular to the shareholders of Reneuco Berhad in relation to the Proposed Acquisition (as defined therein), that:-

- i. in the opinion of our Board, the business of ASSB has been satisfactorily maintained;
- ii. in the opinion of our Board, no circumstances have arisen since the latest audited consolidated financial statements of ASSB which have adversely affected the trading or the value of the assets of ASSB;
- iii. the current assets of ASSB appear in the books at values which are believed to be realisable in the ordinary course of business;
- iv. there are no contingent liabilities which have arisen by reason of any guarantees or indemnities given by ASSB;
- v. there has been no default or any known event that could give rise to a default situation in respect of payment of either interest and/ or principal sums in relation to any borrowings in ASSB since the latest audited consolidated financial statements of ASSB; and
- vi. there have been no material changes in the published reserves or any unusual factors affecting the profits of ASSB since the latest audited financial statements of ASSB.

Yours faithfully,
For and on behalf of the Board
ADAT SANJUNG SDN BHD

ZAINAL AZWADI ZAINAL ABIDIN
Director



APPENDIX VI – FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

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

The information on the Vendor and ASSB was obtained from the Vendor and the responsibility of the Board is limited to ensuring that the information thereon are accurately reproduced in this Circular.

2. CONSENT

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

SCA, being the Independent Adviser for the Proposed Acquisition, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name, the independent advice letter and all references thereto in the form and context in which they appear in this Circular.

Mercury Securities, being the Independent Business Valuer for the Proposed Acquisition, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name, the Valuation Letter and all references thereto in the form and context in which they appear in this Circular.

3. DECLARATION OF CONFLICT OF INTERESTS

UOBKH has given its written confirmation that there is no situation of conflict of interests that exists or is likely to exist in relation to its role as the Principal Adviser for the Proposed Acquisition.

SCA has given its written confirmation that there is no situation of conflict of interests that exists or is likely to exist in relation to its role as the Independent Adviser for the Proposed Acquisition.

Mercury Securities has given its written confirmation that there is no situation of conflict of interests that exists or is likely to exist in relation to its role as the Independent Business Valuer for the Proposed Acquisition.

4. MATERIAL CONTRACTS

Save for the SSA, RCCPS SSA and as disclosed below, the Group has not entered into any material contracts, not being contracts in the ordinary course of business during the two years preceding the date of this Circular:-

- i. On 5 January 2021, the Company had entered into a share sale agreement with SIRIM Tech Venture Sdn Bhd to acquire 5,950,000 ordinary shares in Granulab representing 70% of the total number of issued shares of Granulab for a total cash consideration of RM1.0 million. The SSA has been completed on 2 April 2021 and Granulab has been recognised as a subsidiary of the Company.
- ii. On 2 March 2023, Reneuco Logistics Sdn Bhd (formerly known as KPower Logistics Sdn Bhd) had entered into a share sale agreement with the shareholders of Pengangkutan Sri Tanjung Sepat Sdn Bhd ("**PSTS**"), i.e. Yang Chie Yun, Yeow Chee Hui and Tung Siew Hun, to acquire 475,000 ordinary shares in PSTS, representing 100% of the total number of issued shares of PSTS for a total consideration of RM700,000.00. The share sale agreement is currently pending completion.

APPENDIX VI – FURTHER INFORMATION (CONT'D)

5. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

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

6. MATERIAL COMMITMENT

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

7. CONTINGENT LIABILITIES

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

8. OTHER MATTERS

For information purposes, the Group is engaged in the following litigations, claims or arbitrations, either as plaintiff or defendant:-

i. **Golden Wheel Credit Sdn Bhd ("GWCSB") v Powernet Industries Sdn Bhd ("PISB")**

On 18 March 2019, 26 March 2019 and 4 April 2019, GWCSB filed three separate suits against PISB for the respective sum of RM526,809.58, RM325,677.77 and RM32,940.26 purportedly due and owing by PISB to GWCSB under the terms of moneylending agreements dated 29 December 2017, 21 November 2017 and 5 March 2018.

The first two suits were filed in the Sessions Court. PISB made applications to the Sessions Court to strike out GWCSB's claims on the grounds that, amongst others, the moneylending agreements entered into by the parties were unenforceable for breach of Sections 16, 21, 23 and 27 of the Moneylenders Act 1951. On 19 September 2019, the applications to strike out GWCSB's claims were dismissed with costs by the Sessions Court. Subsequently on 2 October 2019, PISB appealed to the High Court against the decisions of the Sessions Court. On 3 December 2019, the High Court allowed PISB's appeal with costs and struck out GWCSB's claim with leave to GWCSB to file a fresh its claim against PISB. Pursuant to the leave granted by the High Court, on 11 December 2019, GWCSB filed two fresh suits against PISB in the Sessions Court respectively for the sum of RM338,374.39 and RM539,056.11 being the amount purportedly due and owing under the terms of the moneylending agreements dated 21 November 2017 and 29 December 2017 respectively.

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

APPENDIX VI – FURTHER INFORMATION (CONT'D)

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

The third suit, on the other hand, was filed in the Magistrate's Court. PISB made a similar application to strike out GWCSB's claim. On 31 October 2019, the Magistrate's Court allowed PISB's application and struck out GWCSB's claim with costs. Subsequently on 12 November 2019, GWCSB appealed to the High Court against the decision of the Magistrate's Court. On 18 February 2020, the High Court dismissed GWCSB's appeal with costs.

By a notice of motion dated 17 March 2020, GWCSB applied to the Court of Appeal for leave to appeal against the decision of the High Court. The motion has been fixed for hearing on 7 December 2020. Subsequently on 19 November 2020, GWCSB has withdrawn its leave application.

On 27 January 2021, GWCSB again filed a new suit in the Sessions Court against PISB claiming for an amount of RM616,704.84 being the total outstanding sum owing under the three moneylending agreements dated 21 November 2017, 29 December 2017 and 5 March 2018 through causes of action of money had and received and unjust enrichment.

On 18 February 2021 PISB filed an application to strike out GWCSB's claim on the ground among others that the matter is *res judicata*, thus such action cannot be re-litigated as it has been judged on the merits (i.e. *res judicata* is a decision given by a judge with jurisdiction over the cause of action and the parties, which disposes, with finality, of a matter decided so that it cannot be re-litigated by those bound by the judgment, except on appeal) and GWCSB is estopped and precluded from taking this action against PISB.

The Sessions Court on 19 April 2021 had allowed PISB's application with costs of RM5,000.00.

GWCSB on 28 April 2021 filed an appeal to the High Court against the Sessions Court decision dated 19 April 2021. On 22 October 2021, the High Court dismissed GWCSB's appeal with costs of RM5,000.00.

On 17 December 2021, GWCSB filed an appeal to the Court of Appeal against the High Court decision dated 22 October 2021. The appeal is fixed for hearing on 19 January 2023.

The Court of Appeal on 19 January 2023 then dismissed the appeal by GWCSB with costs of RM5,000.00.

ii. **Woo Wai Mun ("WWM") v PISB**

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

On 23 April 2019, PISB filed its defence to the claim and counterclaimed against WWM for breach of his duty as a director of PISB by amongst others, failing to prepare or cause to be prepared and/or keep accurate and true accounts and financial statements of PISB and approving or causing PISB to make payments or enter in its books and accounts unsubstantiated and/or unauthorised payments, claims and/or expenses.

APPENDIX VI – FURTHER INFORMATION (CONT'D)

Additionally, PISB in its defence stated that the alleged amount owing by PISB to WWM comprises of unsubstantiated and/or unauthorised payments, claims and/or expenses made by WWM and/or his wife, Nicole Wong Yuet Wan ("**Nicole Wong**") which was wrongly approved by WWM, who was the managing director and/or the director primarily responsible for the financial management of PISB at all material times.

The Court proceeded with the full trial on 3 to 6 August 2020 and after hearing the evidence from the witnesses, the Court had on 4 November 2020 allowed WWM's claim amounting to RM3,217,141.10 and disallowed WWM's other claims amounting to RM1,472,858.90. Subsequently on 24 November 2020, PISB filed an appeal to the Court of Appeal appealing against part of the decision of the High Court in allowing WWM's claim of RM3,217,141.10 with interest and costs of RM35,000.00 ("**PISB's Appeal**"). On 30 November 2020, WWM has also appealed with the Court of Appeal against part of the decision of the High Court in disallowing his claim of RM1,472,858.90 ("**WWM's Appeal**").

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

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

On 2 December 2020, PISB filed an application in the High Court for stay of execution of the judgment pending disposal of PISB's appeal. On 21 April 2021, the Court dismissed PISB's application with costs of RM3,000.00.

Meanwhile on 2 March 2021, WWM proceeded to execute the judgment dated 4 November 2020 by way of garnishee proceedings against UOB Bank, AmBank, Maybank and RHB Bank ("**Garnishee**"). On 5 April 2021, WWM obtained a garnishee order to show cause. In response, PISB on 5 May 2021 had filed an application to set aside the garnishee order. At the hearing on 28 May 2021, the Court had dismissed PISB's application to set aside the garnishee order and made the garnishee order absolute with total costs of RM1,350.00. Consequently, a total sum of RM98,488.62 and USD40.54 in PISB's account with the UOB Bank, Maybank and RHB Bank had been garnished in favour of WWM.

On 23 July 2021, PISB filed an application in the Court of Appeal for stay of execution of the High Court judgment dated 4 November 2020 and the Court on 30 September 2021 had dismissed the application with costs of RM5,000.00. The Court was of the view that there is no special circumstance in this case warranting a stay of execution of the High Court judgment which is monetary in nature.

On 16 November 2021, the Court of Appeal has allowed PISB's Appeal with costs of RM8,000.00 and the sum of RM1,000,000.00 was disallowed as it was not within WWM's pleaded case. Meanwhile, WWM's Appeal was dismissed with costs of RM15,000.00 on even date.

APPENDIX VI – FURTHER INFORMATION (CONT'D)

Subsequently, on 23 September 2022, PISB has been served with a statutory notice of demand pursuant to Section 466(1)(a) of the Act (the "**466 Notice**"). The 466 Notice has been issued to recover the outstanding judgment sum of RM2,515,286.14 against PISB, inclusive of interest of 5% per annum from 22 March 2019 until full payment and costs in the net sum of RM12,480.00. PISB had then filed an application for an injunction to restrain WWM from taking further steps to file a winding up petition pursuant to the 466 Notice [Originating Summons No. WA-22NCC-946-10/2022] ("**Fortuna Injunction Application**"). The Fortuna Injunction Application has been fixed for a hearing via Zoom on an urgent basis on 13 October 2022 and the High Court has granted an order for Fortuna Injunction against WWM. A case management by way of e-review has been fixed on 9 November 2022 for parties to obtain further directions from Court.

On 31 October 2022, Reneuco and PISB filed a transfer application to transfer this matter to be heard before YA Puan Liza Chan Sow Keng ("**Transfer Application**"), then, the Court has fixed the Hearing for the Fortuna Injunction Application and Transfer Application on 22 February 2023. The Parties are still in discussion for settlement, thus, the Court had fixed a Case Management on 1 March 2023 for the Parties to update the Court on the status of such discussion.

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

iii. **WWM v Reneuco**

On 4 April 2019, WWM filed a Writ of Summons against Reneuco, a former director of Reneuco, suing in his personal capacity. WWM claimed that in the year 2016, WWM had purportedly lent an amount of RM346,214.54 to Reneuco when he was the director of Reneuco.

On 6 May 2019, Reneuco filed its defence to the claim and counterclaimed against WWM for breach of his duty as a director of Reneuco.

The parties have since filed the bundle of pleadings, common bundle of documents, agreed facts, agreed issues, summary of case, list of witnesses and witness statements. The Court has fixed the trial for 22 to 25 August 2022 and at the conclusion of the trial, the Court has fixed for the decision to be delivered on 31 October 2022.

On 1 November 2022, the learned Judicial Commissioner allowed WWM's claim against Reneuco for the sum of RM250,000.00 and costs RM25,000.00 ("**Judgment Sum**") and on 9 February 2023, Reneuco has fully paid the Judgment Sum to WWM.

The Board is of the view that this matter does not materially and adversely affect the financial position or business of the Group. As such, the disclosure above is for shareholders' information purposes.

9. **DOCUMENTS AVAILABLE FOR INSPECTION**

The following documents are available for inspection at the business office of Reneuco at C1-1-1, Solaris Dutamas, No. 1, Jalan Dutamas 1, 50480 Kuala Lumpur, Wilayah Persekutuan, during normal business hours from Mondays to Fridays (except public holidays) for a period of 3 months from the date of this Circular up to the date of the forthcoming EGM:-

- i. Constitution of Reneuco and ASSB;

APPENDIX VI – FURTHER INFORMATION (CONT'D)

- ii. Audited consolidated financial statements of the Group for the past 2 financial years up to the FYE 30 June 2022 and the unaudited consolidated financial statements of the Group for the 6-month FPE 31 December 2022;
- iii. Audited consolidated financial statements of ASSB for the past 2 financial years up to FYE 31 December 2021;
- iv. The letter of consent and declaration of conflict of interest referred to in **Sections 2 and 3** hereinabove, respectively;
- v. The HOA;
- vi. The SSA;
- vii. The RCCPS SSA;
- viii. The Valuation Letter as set out in **Appendix IV** of this Circular;
- ix. The relevant cause papers in respect of **Section 8** above; and
- x. Directors' report on ASSB as referred to **Appendix V** of this Circular.

reneuco

RENEUCO BERHAD

(Formerly known as KPower Berhad)
Registration No. 199701003731 (419227-X)
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting ("EGM") of Reneuco Berhad (formerly known as KPower Berhad) ("**Reneuco**" or the "**Company**") will be held on fully virtual basis through live streaming and online remote voting using the Remote Participation and Voting facilities ("**RPV**") via Cloud AGM Platform operated by ARB WeMeet Sdn Bhd at <https://member.arbwemeet.com> (Domain registration numbers with MYNIC: D1A457700) on **Thursday, 27 April 2023 at 10.30 a.m.** or any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modifications the following resolution:-

ORDINARY RESOLUTION 1

PROPOSED ACQUISITION BY RENEUCO RE SDN BHD ("RENEUCO RE"), A WHOLLY OWNED SUBSIDIARY OF RENEUCO BERHAD OF 10,000 ORDINARY SHARES IN ADAT SANJUNG SDN BHD ("ASSB"), REPRESENTING THE ENTIRE EQUITY INTEREST IN ASSB FROM OHP VENTURES SDN BHD ("OVSB" OR THE "VENDOR") FOR A PURCHASE CONSIDERATION OF RM90,000,000 TO BE SATISFIED VIA A COMBINATION OF CASH PAYMENT OF RM20,000,000 AND THE ALLOTMENT AND ISSUANCE OF 318,181,819 NEW ORDINARY SHARES IN RENEUCO ("CONSIDERATION SHARES") AT AN ISSUE PRICE OF RM0.22 PER CONSIDERATION SHARE ("PROPOSED ACQUISITION")

"**THAT** subject to approvals of all relevant authorities in respect of the listing and quotation for 318,181,819 Consideration Shares on the Main Market of Bursa Malaysia Securities Berhad, and/ or parties being obtained, approval be and is hereby given to the Company to acquire 10,000 ordinary shares of ASSB, representing 100% equity interest in ASSB from OVSB for a purchase consideration of RM90,000,000 to be satisfied via a combination of RM20,000,000 in cash and RM70,000,000 via the allotment and issuance of the Consideration Shares to the Vendor and E&E Catalyst Sdn Bhd, in accordance with the terms and conditions of the conditional share sale agreement dated 19 October 2022 entered into between Reneuco RE and the Vendor pursuant to the Proposed Acquisition.

THAT such Consideration Shares shall, upon allotment and issuance, rank equally in all respects with the existing shares of the Company, save and except that the Consideration Shares will not be entitled to any dividends, rights, allotment and/ or other forms of distributions where the entitlement date of such dividends, rights, allotments and/ or any other forms of distribution precedes the date of allotment and issuance of the Consideration Shares.

THAT pursuant to Section 85(1) of the Companies Act 2016 ("**Act**") read together with Clause 12(3) of the Constitution of the Company, the shareholders of the Company do hereby waive their pre-emptive rights to be offered new shares in the Company in proportion to their shareholding in the Company, by voting in favour and for the purpose of the Proposed Acquisition.

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

ORDINARY RESOLUTION 2

PROPOSED NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

"**THAT** pursuant to Paragraph 10.09 of Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Listing Requirements**") ("**Bursa Securities**"), approval be and is hereby given to the Company and its subsidiaries ("**Group**") to enter into and give effect to the recurrent related party transactions of a revenue or trading nature with the related parties as set out in **Section 2.2.2, Part C** and **Section 2.2.3, Part C** of the Circular to Shareholders dated 12 April 2023 provided that such arrangements and/or transactions are necessary for the Group's day-to-day operations are undertaken in the ordinary course of business at arm's length basis, on normal commercial terms and transaction prices which are not more favourable to the related parties than those generally available to the public and not detrimental to the minority shareholders of the Company (hereinafter referred to as the "**Proposed New RRPT Mandate**").

THAT the Proposed New RRPT Mandate shall only continue to be in full force until:-

- i. the conclusion of the next Annual General Meeting ("**AGM**") of the Company at which time it will lapse, unless by a resolution passed at the said AGM, such authority is renewed;
- ii. the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- iii. revoked or varied by a resolution passed by the shareholders of the Company in a general meeting,

whichever is earlier.

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or in the best interest of the Company to give effect to the Proposed New RRPT Mandate."

ORDINARY RESOLUTION 3

PROPOSED PAYMENT OF DIRECTORS' FEES

To approve the payment of Directors' fees of up to RM894,600.00 for the period from 7 December 2022, the date of the 25th AGM until the conclusion of next AGM of the Company to be held in year 2023.

ORDINARY RESOLUTION 4

PROPOSED PAYMENT OF DIRECTORS' BENEFITS

To approve the payment of Directors' benefits of up to RM330,600.00 for the period from 7 December 2022, the date of the 25th AGM until the conclusion of next AGM of the Company to be held in year 2023.

By Order of the Board

NG LAI YEE
SSM Practicing Certificate No. 202008000977
MAICSA 7031768
Company Secretary

Kuala Lumpur
12 April 2023

Notes:-

1. IMPORTANT NOTICE

The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Act which requires the Chairman of the Meeting to be at the main venue of the meeting.

Shareholders **WILL NOT BE ALLOWED** to attend the EGM in person at the Broadcast Venue on the day of the meeting.

Shareholders are to attend, participate (including posing questions to the Board via real time submission of type texts) and vote (collectively, "**participate**") remotely at the EGM using the RPV via Cloud AGM Platform operated by ARB WeMeet Sdn Bhd at <https://member.arbwemeet.com> (Domain registration numbers with MYNIC: D1A457700).

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 19 April 2023**. Only a member whose name appears on the Record of Depositors as at 19 April 2023 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 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 if the member at the EGM via RPV.
5. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("**Central Depositories Act**"), it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
6. 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.
7. 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.
8. Members who appoint proxies to participate via RPV in the EGM must ensure that the duly executed proxy forms are deposited in a hard copy form to the Company's Registered Office at G-3AF-3, Level 3AF, Block G, Garden Office @ Encorp Strand, No. 12, Jalan PJU 5/1, Kota Damansara, 47810 Petaling Jaya, Selangor, Malaysia or email to admin@aldpro.com.my 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.
9. Please ensure **ALL** the particulars as required in the proxy form are completed, signed and dated accordingly.
10. Last date and time for lodging the proxy form is **Tuesday, 25 April 2023 at 10.30 a.m.**
11. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited to the Company's Registered Office at G-3AF-3 Level 3AF, Block G, Garden Office @ Encorp Strand, No. 12, Jalan PJU 5/1, Kota Damansara, 47810 Petaling Jaya, Selangor, Malaysia or email to admin@aldpro.com.my 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.
12. For a corporate member who has appointed an authorised representative, please deposit the **ORIGINAL** certificate of appointment of authorised representative with the Company's Registered Office at G-3AF-3, Level 3AF, Block G, Garden Office @ Encorp Strand, No. 12, Jalan PJU 5/1, Kota Damansara, 47810 Petaling Jaya, Selangor, Malaysia or email to admin@aldpro.com.my 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.

13. The Ordinary Resolutions set out in this Notice of EGM will be put to vote by way of poll pursuant to the Listing Requirements of Bursa Securities.

Explanatory Notes to Ordinary Resolution 1:-

Section 85(1) of the Act provides that:-

"Subject to the constitution, where a company issues shares which rank equally to existing shares as to voting or distribution rights, those shares shall first be offered to the holders of existing shares in a manner which would, if the offer were accepted, maintain the relative voting and distribution rights of those shareholders."

Clause 12(3) of the Constitution of the Company states that:-

- (a) *Subject to the Act, the Listing Requirements and any direction to the contrary that may be given by the Company in general meeting, all new shares or other convertible securities shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled;*
- (b) *The offer shall be made by notice specifying the number of shares or securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the Directors may dispose of those shares or securities in such manner as they think most beneficial to the Company; and*
- (c) *The Directors may likewise also dispose of any new share or security which (by reason of the ratio which the new shares or securities bear to shares or securities held by persons entitled to an offer of new shares or securities) cannot, in the opinion of the Directors, be conveniently offered under this Constitution."*

By voting in favour of the proposed Ordinary Resolution 1, the shareholders of the Company are deemed to have waived their pre-emptive rights pursuant to Section 85(1) of the Act and Clause 12(3) of the Constitution of the Company to be first offered the Reneuco Shares which will result in a dilution of their shareholding percentage in the Company.

Explanatory Notes to Ordinary Resolutions 3 and 4:-

The proposed ordinary resolutions on the Directors' fees and benefits which were tabled at the Company's 25th AGM held on 7 December 2022 had been rejected by the shareholders. Hence, the Company is proposing to appeal and seek shareholders' approval on the Directors' fees and benefits payable to Directors of the Company from the period commencing 7 December 2022, the date of the 25th AGM until the conclusion of the forthcoming AGM to be held later this year, in consideration of their continuous support and commitment in carrying out their duties and responsibilities.

Pursuant to Section 230(1) of the Act 2016, the fees of the Directors and any benefits payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting.

The proposed Ordinary Resolution 3 is to facilitate the payment of Directors' fees for the period from 7 December 2022, the date of 25th AGM until the conclusion of the next AGM of the Company, calculated based on the size of the current Board and expansion of Board Members.

The proposed Ordinary Resolution 4 for the Directors' benefits such as meeting allowances payable to the Directors is calculated based on the current board size and the number of scheduled meetings for the period from 7 December 2022, the date of 25th Annual General Meeting until the conclusion of the next AGM of the Company. It also includes Directors' and Officers' Liability Insurance, Group Hospitalisation, Group Term Takaful and Outpatient.

In the event the proposed Directors' fees and/or benefits are insufficient (e.g. due to more meetings or enlarged Board size), approval will be sought at the next AGM for the under-provision.

RENEUCO BERHAD

(Formerly known as KPower Berhad)
Registration No. 199701003731 (419227-X)
(Incorporated in Malaysia)

No. of Shares Held	:	
CDS Account No	:	

*I/We _____
(Full name in Capital Letters)

NRIC/Passport/Registration No. _____

of _____
(Full address)

with email address _____ mobile phone no. _____

being a member/members* of RENEUCO BERHAD (formerly known as KPower Berhad), hereby appoint(s):

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholding	
		No. of Shares	%
Address			
Email Address			
Mobile Phone No.			

And / or*

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholding	
		No. of Shares	%
Address			
Email Address			
Mobile Phone No.			

or failing him/her*, the Chairman of the Meeting as *my/our proxy/proxies to attend, speak and vote for *me/us and on my/our behalf at the Extraordinary General Meeting ("EGM") of the Company to be conducted on fully virtual basis through live streaming and online remote voting using Remote Participation and Voting ("RPV") facilities via Cloud AGM Platform operated by ARB WeMeet Sdn Bhd at <https://member.arbwemeet.com> (Domain registration numbers with MYNIC: D1A457700) on **Thursday, 27 April 2023 at 10.30 a.m.** and any adjournment thereof.

Please indicate with a "X" in the appropriate spaces how you wish your votes to be cast. If no specific direction as to vote is given, the proxy will vote or abstain from voting at his/her discretion.

RESOLUTION RELATING TO:	FIRST PROXY		SECOND PROXY	
	FOR	AGAINST	FOR	AGAINST
ORDINARY RESOLUTION 1: PROPOSED ACQUISITION				
ORDINARY RESOLUTION 2: PROPOSED NEW RRPT MANDATE				
ORDINARY RESOLUTION 3: PROPOSED PAYMENT OF DIRECTORS' FEES				
ORDINARY RESOLUTION 4: PROPOSED PAYMENT OF DIRECTORS' BENEFITS				

Please indicate with a "√" or "X" in the space provided how you wish your vote to be cast. If no instruction as to voting is given, the proxy will vote or abstain from voting at his/her discretion. The first named proxy shall be entitled to vote on a show of hands on my/our behalf.

Signature/Common Seal of Shareholder

Signed this _____ day of _____ 2023

Notes:-

- Shareholders who wish to participate in the EGM will therefore have to register via <https://member.arbwemeet.com>. Kindly refer to the annexure of the Administrative Guides for further information.
- For the purpose of determining a member who shall be entitled to attend, participate and vote at the EGM, the Company shall be requesting the **Record of Depositors as at 19 April 2023**. Only a depositor whose name appears on the Record of Depositors as at 19 April 2023 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote on his/her behalf.



3. A member may appoint up to two (2) proxies who need not be members of the Company to attend, participate and vote at the same EGM. Where a member appoints two(2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholding to be represented by each proxy.
4. Where a member is an authorised nominee as defined under the Central Depositories Act 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
5. Where a member of the company is an exempt authorised nominee which holds ordinary shares in the company for multiple beneficial owners in one securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominess may appoint in respect of each omnibus account it holds.
6. The instrument appointing a proxy, in the case of an individual, shall be signed by the appointer or by his/her attorney duly authorized in writing, and in the case of a corporation, shall be executed under its Common Seal or under the hand of an officer or attorney of the corporation duly authorized.
7. The Proxy Form or the instrument appointing a proxy and the power of attorney (if any) under which it is signed or authorised certified copy thereof must be deposited at the Company's Registered Office at G-3AF-3, Level 3AF, Block G, Garden Office @ Encorp Strand, No. 12, Jalan PJU 5/1, Kota Damansara, 47810 Petaling Jaya, Selangor, Malaysia or email to admin@aldpro.com.my not less than forty-eight (48) hours before the time set for holding the EGM or any adjournment thereof.
8. All resolutions set out in this Notice of EGM will be put to vote by way of poll pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

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AFFIX
STAMP

RENEUCO BERHAD
(Formerly known as KPower Berhad)
Registration No. 199701003731 (419227-X)

G-3AF-3, Level 3AF, Block G
Garden Office @ Encorp Strand
No. 12, Jalan PJU 5/1, Kota Damansara
47810 Petaling Jaya, Selangor,
Malaysia

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Fold This Flap For Sealing
