

26 April 2023

**Minority Shareholders Watch Group (MSWG)**

Level 23, Unit 23-3  
Menara AIA Sentral  
No. 30, Jalan Sultan Ismail  
50250 Kuala Lumpur

Attention: Mr Devanesan Evanson, Chief Executive Officer

Dear Sir,

**RE: Reply to the MSWG questions for the Extraordinary General Meeting of Reneuco Berhad (formerly known as KPower Berhad) (“Reneuco”) to be held on Thursday, 27 April 2023**

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Reference is made to the above matter and your letter dated 19 April 2023. We append below our response to your queries as follows:-

**Proposed acquisition of the entire stake in Adat Sanjung Sdn Bhd (ASSB) for RM90 million**

1. The Independent Business Valuer had applied the DCF method to arrive at the valuation of One River Power Sdn Bhd (ORP). Among the key assumptions are:
  - i. there will not be any significant change to the prevailing interest rates of ORP’s bank borrowings throughout the Projection Period;
  - ii. 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;
  - iii. ORP would be able to receive an estimated insurance compensation of RM50 million for the Hydro Project by the end of 2023.

The Purchase Consideration represents a slight discount of 1.25% to the low range of the Valuation of RM91.14 million. (page 9 and 11 of the Circular dated 13 April 2023)

- (a) ORP has outstanding bank borrowings of RM199.3 million as of 31 Oct 2022, including USD denominated loan of RM67.8 million (page 148 of the Circular). If interest rate increases by 100 basis points, how much additional finance cost would ORP incur?

**Reneuco’s Response**

The current finance cost incurred by ORP is RM154.9 million. If the interest rate increases by 100 basis points, ORP will experience an increase of 11.8%, or an additional RM20.8 million, from the current finance cost. As a result, the range of the fair market valuation of the entire equity interest in ASSB as estimated by Reneuco shall decrease to RM85.6 million - RM104.0 million from RM91.1 million - RM110.2 million, assuming all other assumptions remain intact.

In such event, the purchase consideration of RM90.0 million will still be within the range of the adjusted fair market valuation as estimated above.

- (b) Some parts of the Hydro Plants have sustained damage due to heavy and continuous rain in Kota Marudu, Sabah from end Dec 2021 to early Jan 2022. As a result, ASSB Group had to incur additional costs of RM50 million for repair works. As of 31 March, the insurers for the hydro plants had appointed an adjuster to appraise the estimated losses and the assessment is still on-going (page 7 of the Circular). Without the estimated insurance compensation of RM50 million, Reneuco would be paying a significant premium for this acquisition. What are the chances that ASSB will not receive the insurance compensation? What is the most likely outcome?

#### Reneuco's Response

As at 31 March 2023, being the latest practicable date of the Circular, the insurers for the hydro plants had appointed an adjuster to appraise the estimated losses and the assessment is still on-going. ASSB is of the view that the likely outcome of such assessment will be positive.

In the event that the insurance compensation is not received by ASSB, the range of the fair market valuation of the entire equity interest in ASSB as estimated by Reneuco shall decrease to RM54.9 million - RM73.1 million from RM91.1 million - RM110.2 million, assuming all other assumptions remain intact.

In conjunction, the SSA allows for Reneuco to propose for the Purchase Consideration to be adjusted in the event of amongst others, the financial due diligence has any adverse findings (which includes the recoverability of the insurance compensation) prior to completion.

We value your questions and trust that the above response provides clarity to the queries raised. Please do not hesitate to contact us further, should you have any further clarifications.

Thank you.

Yours sincerely,  
For and on behalf of  
**Reneuco Berhad**  
(Formerly known as KPower Berhad)  
**Amirul Afif bin Abd Aziz**  
**Group Chief Executive Officer**

**RENEUCO BERHAD**

(formerly known as KPower Berhad)

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