No securities will be allotted or issued based on this Abridged Prospectus after 6 months from the date of this Abridged Prospectus.

THIS ABRIDGED PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS ABRIDGED PROSPECTUS. IF IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, PLEASE CONSULT A PROFESSIONAL ADVISER IMMEDIATELY.

Unless stated otherwise, all abbreviations and defined terms contained in this Abridged Prospectus are defined in the "Definition" section of this Abridged Prospectus. All enquiries concerning the Rights Issue with Warrants should be addressed to our Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur (Tel: 03-2783 9299).

This Abridged Prospectus, together with the NPA and RSF are only despatched to Entitled Shareholders whose names appear in our Record of Depositors and who have provided our Share Registrar with a registered address in Malaysia not later than 5.00 p.m. on 16 June 2020. This Abridged Prospectus together with the NPA and RSF, are not intended to be issued, circulated or distributed in countries or jurisdictions other than Malaysia and no action has been or will be taken to ensure that the Rights Issue with Warrants complies with the laws of any countries or jurisdictions other than the laws of Malaysia. Entitled Shareholders and their renouncee(s) (if applicable) who are residents in countries or jurisdictions other than Malaysia should therefore immediately consult their legal advisers as to whether the acceptance or renunciation (as the case may be) of all or any part of their entitlements to the Rights Issue with Warrants would result in the contravention of any laws of such countries or jurisdictions. Our Company, the Principal Adviser shall not accept any responsibility or liability in the event that any acceptance or renunciation made by the Entitled Shareholders or their renouncee(s) (if applicable) are or shall become illegal, unenforceable, voidable or void in such countries or jurisdictions.

This Abridged Prospectus has been registered by the SC. The registration of this Abridged Prospectus should not be taken to indicate that the SC recommends this Rights Issue with Warrants or assumes responsibility for the correctness of any statement made, opinion expressed or report contained in this Abridged Prospectus. The SC has not, in any way, considered the merits of the Rights Issue with Warrants. A copy of this Abridged Prospectus, together with the NPA and RSF, has also been lodged with the Registrar of Companies, who takes no responsibility for the contents of these documents.

Approval for this Rights Issue with Warrants has been obtained from our shareholders at our EGM held on 13 May 2020. Approval-in-principle has also been obtained from Bursa Securities via its letter dated 19 February 2020 for the admission of the Rights Shares with Warrants to the Official List of Bursa Securities and the listing of and quotation for the Rights Shares, Warrants and new Vsolar Shares to be issued pursuant to the exercise of the Warrants ("New Securities"). The listing of and quotation for the Rights Shares and Warrants will commence after, amongst others, receipt of confirmation from Bursa Depository that all the CDS accounts of the Entitled Shareholders have been duly credited and notices of allotment have been despatched to the Entitled Shareholders. The approval from Bursa Securities for the admission of the Rights Shares and Warrants to the Official List of Bursa Securities and the listing of and quotation for the New Securities on the ACE Market of Bursa Securities are in no way reflective of the merits of the Rights Issue with Warrants.

The SC is not liable for any non-disclosure on our part and takes no responsibility for the contents of this Abridged Prospectus, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss you may suffer arising from or in reliance upon the whole or any part of the contents of this Abridged Prospectus.

FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH YOU SHOULD CONSIDER, SEE "RISK FACTORS" AS SET OUT IN SECTION 5 HEREIN.

solar

VSOLAR GROUP BERHAD

(Registration No. 200301029575 (631995-T))

(Incorporated in Malaysia)

RENOUNCEABLE RIGHTS ISSUE OF UP TO 1,317,950,973 NEW ORDINARY SHARES IN VSOLAR ("RIGHTS SHARES") TOGETHER WITH UP TO 878,633,982 FREE DETACHABLE WARRANTS ("WARRANTS") ON THE BASIS OF 3 RIGHTS SHARES FOR EVERY EXISTING ORDINARY SHARE IN VSOLAR HELD AT 5.00 P.M. ON 16 JUNE 2020 TOGETHER WITH 2 FREE WARRANTS FOR EVERY 3 RIGHTS SHARES SUBSCRIBED AT AN ISSUE PRICE OF RM0.03 PER RIGHTS SHARE PAYABLE IN FULL UPON ACCEPTANCE

Principal Adviser and Underwriter

M&A

M&A SECURITIES SDN BHD (Registration No. 197301001503 (15017-H))

(A Wholly-Owned Subsidiary of Insas Berhad)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

IMPORTANT RELEVANT DATES AND TIME:

Entitlement Date	:	Wednesday, 16 June 2020 at 5.00 p.m.
Last date and time for sale of provisional allotment of rights	:	Tuesday, 23 June 2020 at 5.00 p.m.
Last date and time for transfer of provisional allotment of rights	:	Thursday, 25 June 2020 at 4.30 p.m.
Last date and time for acceptance and payment	:	Wednesday, 1 July 2020 at 5.00 p.m.
Last date and time for excess application and payment	:	Wednesday, 1 July 2020 at 5.00 p.m.

This Abridged Prospectus is dated 16 June 2020

OUR BOARD HAS SEEN AND APPROVED ALL THE DOCUMENTATION RELATING TO THE RIGHTS ISSUE WITH WARRANTS. THEY COLLECTIVELY AND INDIVIDUALLY ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY OF THE INFORMATION CONTAINED IN THE SAID DOCUMENTATION. HAVING MADE ALL REASONABLE ENQUIRIES, AND TO THE BEST OF THEIR KNOWLEDGE AND BELIEF, THEY CONFIRM THAT THERE ARE NO FALSE OR MISLEADING STATEMENTS OR OTHER FACTS WHICH, IF OMITTED, WOULD MAKE ANY STATEMENT IN THIS ABRIDGED PROSPECTUS FALSE OR MISLEADING.

M&A SECURITIES, BEING THE PRINCIPAL ADVISER FOR THIS RIGHTS ISSUE WITH WARRANTS, ACKNOWLEDGES THAT, BASED ON ALL AVAILABLE INFORMATION, AND TO THE BEST OF ITS KNOWLEDGE AND BELIEF, THIS ABRIDGED PROSPECTUS CONSTITUTES A FULL AND TRUE DISCLOSURE OF ALL MATERIAL FACTS CONCERNING THE RIGHTS ISSUE WITH WARRANTS.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

INVESTORS SHOULD NOTE THAT THEY MAY SEEK RECOURSE UNDER SECTIONS 248, 249 AND 357 OF THE CMSA, FOR BREACHES OF SECURITIES LAWS INCLUDING ANY STATEMENT IN THE ABRIDGED PROSPECTUS THAT IS FALSE, MISLEADING, OR FROM WHICH THERE IS A MATERIAL OMISSION; OR FOR ANY MISLEADING OR DECPTIVE ACT IN RELATION TO THE ABRIDGED PROSPECTUS OR THE CONDUCT OF ANY OTHER PERSON IN RELATION TO THE COMPANY.

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE RIGHTS ISSUE WITH WARRANTS FOR WHICH ANY OF THE PERSON SET OUT IN SECTION 236 OF THE CMSA , IS RESPONSIBLE.

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DEFINITIONS

Except where the context otherwise requires, the following definitions and abbreviations shall apply throughout this Abridged Prospectus, NPA and RSF:

Abridged Prospectus	:	This Abridged Prospectus issued by Vsolar dated 16 June 2020
ACE Market	:	The ACE Market of Bursa Securities
ACE Market LR	:	ACE Market Listing Requirements of Bursa Securities
Act	:	The Companies Act 2016 of Malaysia as amended from time to time and any re-enactment thereof
Asiabio Capital	:	Asiabio Capital Sdn Bhd (200801038768 (840166-P)), our major shareholder
Board	:	Board of Directors of our Company
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd (198701006854 (165570-W))
Bursa Securities	:	Bursa Malaysia Securities Berhad (200301033577 (635998-W))
By-Laws	:	The by-laws governing the ESOS
CAGR	:	Compound annual growth rate
CDS	:	Central Depository System
CDS Account(s)	:	A securities account established by Bursa Depository for a depositor pursuant to the Securities Industry (Central Depositories) Act, 1991 and the rules of Bursa Depository for the recording of deposits or withdrawal of securities and dealings in such securities by the depositor
Closing Date	:	1 July 2020 at 5.00 p.m., being the last date and time for the acceptance and payment for the Rights Shares with Warrants
CMSA	:	Capital Markets and Services Act, 2007
COVID-19	:	Coronavirus disease 2019 (COVID-19) is an infectious disease which affects the respiratory system, and is a global pandemic
Deed Poll	:	The deed poll dated 22 May 2020 executed by our Company constituting the Warrants
Documents	:	Collectively, this Abridged Prospectus and the accompanying NPA and RSF
e-NPA	:	Electronic NPA
e-RSF	:	Electronic RSF
e-Subscription	:	Electronic subscription
EBITDA	:	Earnings before interest, taxation, depreciation and amortisation
EGM	:	Extraordinary general meeting
Electronic Subscription	:	Subscription for the Provisional Allotments and/or the Excess Rights Shares with Warrants through TIIH Online
Entitled Shareholder(s)	:	Our shareholder(s) whose names appear on the Record of Depositors on the Entitlement Date
Entitlement Date	:	At 5.00 p.m. on 16 June 2020, being the time and date which the Entitled Shareholder(s) must be registered in our Record of Depositors with Bursa Depository in order to be entitled to participate in the Rights Issue with Warrants

DEFINITIONS *(CONT'D)*

ESOS	:	Employees' share option scheme of the Company
ESOS Options	:	Options granted under the ESOS
Excess Rights Shares with Warrants	:	Rights Share(s) together with Warrants which are not taken up or not validly taken up by the Entitled Shareholder(s) and/or their renouncee(s) and/or transferee(s) prior to the Closing Date
Exercise Price	:	Price at which 1 Warrant is exercisable into 1 Vsolar Share, being RM0.03, subject to such adjustments as may be allowed under the Deed Poll
FiT	:	Feed-in-tariff
FPE(s)	:	Financial period(s) ended/ending, as the case may be
FYE(s)	:	Financial year(s) ended/ending, as the case may be
GDP	:	Gross domestic product
ICT	:	Information and communication technology
IMR Report	:	The independent market research report on the biomass RE market in Malaysia prepared by Redmarch
Issue Price	:	The issue price pursuant to the Rights Issue with Warrants of RM0.03 per Rights Share
JV Agreement	:	Investment and shareholders' agreement dated 8 August 2017 entered into by KRU, RI, Vsolar, Kenneth Lee Wai Tong and the JV Company to set out the terms and conditions of the joint venture to develop the Project
JV Company	:	VSolar Engineering Sdn Bhd (201501021290 (1146618-M)), a 60%-owned subsidiary of the Company
KRU	:	KRU Energy Asia Pte Ltd
kW	:	Kilowatt(s)
kWh	:	Kilowatt hour
LAT	:	Loss after taxation
LBITDA	:	Loss before interest, taxation, depreciation and amortisation
LBT	:	Loss before taxation
LPD	:	20 May 2020, being the latest practicable date prior to the issuance of this Abridged Prospectus
LPS	:	Loss per Share
Market Day(s)	:	A day on which Bursa Securities is open for trading in securities
Maximum Scenario	:	Assuming all Entitled Shareholders fully subscribed for their respective entitlements under the Rights Issue with Warrants
MCO	:	The 2020 Malaysia movement control order, commonly referred to as the MCO, is a cordon sanitaire implemented as a preventive measure by the federal government of Malaysia in response to the COVID-19 pandemic in the country on 18 March 2020, and includes all its subsequent phases, being the conditional MCO which began on 4 May 2020 and the recovery MCO which began on 10 June 2020
Minimum Scenario	:	Assuming only Asiabio Capital subscribes for Rights Shares of at

		least RM3,000,000 in value pursuant to the Undertaking, and RM5,200,000 in value of Rights Shares are underwritten pursuant to the Underwriting, and that no ESOS Options are exercised prior to the Entitlement Date
MW	:	Megawatt(s)
M&A Securities or Principal Adviser or Underwriter	:	M&A Securities Sdn Bhd (197301001503 (15017-H))
NA	:	Net assets
NPA	:	Notice of Provisional Allotment in relation to the Rights Issue with Warrants
NTA	:	Net tangible assets
Project	:	A joint venture project undertaken by KRU, RI, Vsolar, Kenneth Lee Wai Tong and the JV Company pursuant to the JV Agreement to develop a biomass/biogas RE plant
Provisional Allotments	:	Rights Shares with Warrants provisionally allotted to the Entitled Shareholders pursuant to the Rights Issue with Warrants
RE	:	Renewable energy
REPPA	:	Renewable Energy Power Purchase Agreement
RE Quota	:	RE quota for FiT granted by SEDA under the Renewable Energy Act 2011
Record of Depositors	:	A record of depositors established by Bursa Depository under the rules of depository, as amended from time to time
Redmarch or IMR	:	Redmarch Sdn Bhd (200801022604 (823923-W)), an independent market research consultancy
Registered Entitled Shareholders	:	Entitled Shareholders who are the registered users of TIIH Online
RI	:	Rangkaian Iltizam Sdn Bhd
Rights Issue with Warrants	:	Renounceable rights issue of up to 1,317,950,973 Rights Shares together with up to 878,633,982 free Warrants at an issue price of RM0.03 per Rights Share on the basis of 3 Rights Shares for every Vsolar Share held together with 2 free Warrants for every 3 Rights Shares subscribed
Rights Share(s)	:	Up to 1,317,950,973 new Vsolar Shares to be issued pursuant to the Rights Issue with Warrants
RM and sen	:	Ringgit Malaysia and sen respectively
RSF	:	Rights Subscription Form in relation to the Rights Issue with Warrants
Rules	:	Rules of the Malaysian Code on Take-Overs and Mergers, 2016
SEDA	:	Sustainable Energy Development Authority Malaysia
Share Registrar or Tricor	:	Tricor Investor & Issuing House Services Sdn Bhd (197101000970 (11324-H))
SICDA	:	Securities Industry (Central Depositories) Act, 1991
SC	:	Securities Commission Malaysia

DEFINITIONS *(CONT'D)*

TIIH Online	:	Tricor's proprietary owned application to facilitate shareholders to subscribe for the Provisional Allotments and to apply for Excess Rights Shares with Warrants electronically
TNB	:	Tenaga Nasional Berhad
Undertaking	:	Irrevocable written undertaking by Asiabio Capital to subscribe for at least RM3,000,000 in value of Rights Issue
Underwriting Agreement	:	Underwriting agreement dated 29 May 2020 entered into between our Company and M&A Securities Sdn Bhd for the underwriting of 173,333,333 Rights Shares with 115,555,555 Warrants
Vsolar or Company	:	Vsolar Group Berhad (200301029575 (631995-T))
Vsolar Shares or Shares	:	Ordinary share(s) of Vsolar
Warrant(s)	:	Up to 878,633,982 new detachable warrant(s) to be issued under the Rights Issue with Warrants
5D-VWAMP	:	5-day volume weighted average market price

References to "we", "us", "our" and "ourselves" are to our Company and save where the context otherwise requires, our subsidiaries. All references to "you" in this Abridged Prospectus are to our Entitled Shareholders.

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

Any reference in this Abridged Prospectus to any statute, guideline, listing requirement or enactment as for the time being amended or re-enacted. Any reference to a time of day in this Abridged Prospectus shall be a reference to Malaysian time, unless otherwise specified.

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ADVISERS' DIRECTORY

PRINCIPAL ADVISER AND UNDERWRITER	**M&A Securities Sdn Bhd** Level 11, No. 45 & 47, The Boulevard Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur Telephone number: 03-2284 2911
SOLICITORS FOR THE RIGHTS ISSUE WITH WARRANTS	**Messrs Lim Chong Phang & Amy** D1-U5-15 & 16 Solaris Dutamas No. 1, Jalan Dutamas 1 50480 Kuala Lumpur Telephone number: 03-6205 3408
SHARE REGISTRAR	**Tricor Investor & Issuing House Services Sdn Bhd** Unit 32-01, Level 32, Tower A Vertical Business Suite, Avenue 3 Bangsar South, No. 8, Jalan Kerinchi 59200 Kuala Lumpur Telephone number: 03-2783 9299
AUDITORS & REPORTING ACCOUNTANTS	**Ong & Wong Chartered Accountants Malaysia** Unit C-20-5, Block C, 20th Floor Megan Avenue II 12, Jalan Yap Kwan Seng 50450 Kuala Lumpur Wilayah Persekutuan Telephone number: 03-2161 1000 Partner's Name: Ong Koon Liang Approved Number: 2909/02/2021 (J) Malaysia Institute of Accountants Number: 25068 (Please refer to Appendix III for the profile of Ong & Wong Chartered Accountants and Mr Ong Koon Liang)

ADVISERS' DIRECTORY *(CONT'D)*

INDEPENDENT MARKET RESEARCHER	**Redmarch Sdn Bhd** C-22-18, Empire SOHO 1 Empire Damansara No. 2, Jalan PJU 8/8A, Damansara Perdana 47800 Petaling Jaya Selangor Darul Ehsan Telephone number: 03-4065 0085 Director: Chooi Ching Fu Qualification: Bachelor of Legislative Law
STOCK EXCHANGE LISTING	ACE Market of Bursa Securities

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SUMMARY OF THE RIGHTS ISSUE WITH WARRANTS

This summary of the Rights Issue with Warrants only highlights the key information from other parts of the Abridged Prospectus. It does not contain all the information that may be important to you. You should read and understand the contents of the whole Abridged Prospectus.

<table>
<tr><th>Information</th><th>Section</th><th>Summary</th></tr>
<tr><td>Basis of allotment and number of Rights Shares to be issued</td><td>2.1</td><td>Basis: 3 Rights Shares together with 2 free Warrants for every existing Share held by the Entitled Shareholders

<table>
<tr><th></th><th>Minimum Scenario</th><th>Maximum Scenario</th></tr>
<tr><td>Number of Rights Shares to be issued</td><td>273,333,333</td><td>1,317,950,973</td></tr>
<tr><td>Number of Warrants attached</td><td>182,222,222</td><td>878,633,982</td></tr>
</table>

It is the intention of our Board to allot the Excess Rights Shares with Warrants in the following priority:

(i) firstly, to minimise the incidence of odd lots;

(ii) secondly, for allocation to Entitled Shareholders who have applied for Excess Rights Shares with Warrants, on a pro-rata basis and in board lot, calculated based on their respective shareholdings as at the Entitlement date;

(iii) thirdly, for allocation to Entitled Shareholders who have applied for Excess Rights Shares with Warrants, on a pro-rata basis based on the quantum of their respective Excess Rights Shares with Warrants application; and

(iv) fourthly, for allocation to transferee(s); and/or renouncee(s) who have applied for Excess Rights Shares with Warrants, on a pro-rata basis based on the quantum of their respective Excess Rights Shares with Warrants application.

Excess Rights Shares and Warrants will be allocated in the order of (i) to (iv), and any balance thereafter will be allocated in the same sequence until all Excess Rights Shares with Warrants are allotted.</td></tr>
<tr><td>Price of the Rights Shares</td><td>2.2</td><td>The Board has fixed the issue price of the Rights Shares at RM0.03 and the exercise price of the Warrants at RM0.03.</td></tr>
<tr><td>Undertaking and Underwriting arrangement</td><td>2.5</td><td>Undertaking: Asiabio Capital
Underwriting: M&A Securities Sdn Bhd
Undertaking amount: RM3.0 million
Underwriting amount: RM5.2 million
Minimum number of Rights Shares to be subscribed: 100,000,000 Rights Shares (Asiabio Capital) and 173,333,333 Rights Shares (M&A Securities Sdn Bhd)</td></tr>
</table>

<table>
<tr><th>Information</th><th>Section</th><th>Summary</th></tr>
<tr><td>Utilisation of proceeds</td><td>4.1</td><td>The details of the utilisation of gross proceeds under the Minimum Scenario and Maximum Scenario are as follows:
<table>
<tr><th>Details of utilisation</th><th>Utilisation timeframe (from listing of Rights Shares unless otherwise stated)</th><th>Minimum Scenario</th><th>Maximum Scenario</th></tr>
<tr><td></td><td></td><td>RM'000</td><td>RM'000</td></tr>
<tr><td>Capital expenditure for development and construction of biomass/biogas plants</td><td>Between 12 to 36 months</td><td>6,670</td><td>36,648</td></tr>
<tr><td>Additional working capital for the operations of the biomass/biogas plant</td><td>Within 36 months from the completion of the construction of the biomass/biogas plant</td><td>680</td><td>2,040</td></tr>
<tr><td>Estimated expenses for the Rights Issue with Warrants</td><td>Within 1 month</td><td>850</td><td>850</td></tr>
<tr><td>Total</td><td></td><td>8,200</td><td>39,538</td></tr>
</table></td></tr>
<tr><td>Risk factors</td><td>5</td><td>You should carefully consider the following risk factors (among others which are listed in Section 5) before subscribing for or investing in the Rights Issue with Warrants:

(i) We are required to obtain RE quota, maintain certain approvals, permits and/or licenses;
(ii) We are dependent on key personnel, employing talent and our joint venture partners;
(iii) Our revenue is dependent on the FiT rates set by SEDA; and
(iv) We will face competition as a new player in biomass RE.</td></tr>
<tr><td>Procedures for acceptance and payment</td><td>9</td><td>Acceptance and payment for the Rights Shares with Warrants provisionally allotted to you as an Entitled Shareholder or your renouncee(s) (if applicable) must be made on the RSF enclosed with this Abridged Prospectus and must be completed in accordance with the notes and instructions contained in the RSF.

You may accept the provisionally allotted Rights Shares by completing Part I(a) and Part II of the RSF in accordance with the notes and instructions provided therein. Each completed RSF together with the relevant payment must be despatched by ORDINARY POST or DELIVERED BY HAND using the envelope provided (at your own risk) to our Share Registrar by 5.00 p.m. on Wednesday, 1 July 2020.

You may apply for Excess Rights Shares with Warrants in addition to the Right Shares with Warrants provisionally allotted to you by completing Part I(b) of the RSF (in addition to Parts I(a) and II) and forwarding it (together with a separate remittance for the full amount payable in respect of the Excess Rights Shares with Warrants applied for) to our Share Registrar by 5.00 p.m. on Wednesday, 1 July 2020.</td></tr>
</table>

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VSOLAR GROUP BERHAD
(Registration No. 200301029575(631995-T))
(Incorporated in Malaysia)

Registered Office:

No. 2-1, Jalan Sri Hartamas 8
Sri Hartamas
50480 Kuala Lumpur
Wilayah Persekutuan (KL)

16 June 2020

Directors:

Leung Kok Keong *(Executive Director)*
Abdul Menon Bin Arsad @ Abdul Manan Bin Arshad *(Independent Non-Executive Director)*
Ng Chee Kin *(Independent Non-Executive Director)*
Chuah Hoon Hong *(Independent Non-Executive Director)*

To: Entitled Shareholders

Dear Sir / Madam,

RENOUNCEABLE RIGHTS ISSUE OF UP TO 1,317,950,973 RIGHTS SHARES TOGETHER WITH UP TO 878,633,982 WARRANTS ON THE BASIS OF 3 RIGHTS SHARES FOR EVERY EXISTING VSOLAR SHARE HELD TOGETHER WITH 2 WARRANTS FOR EVERY 3 RIGHTS SHARES SUBSCRIBED

1. INTRODUCTION

Our shareholders had, at an EGM held on 14 March 2018, approved a rights issue proposal involving renounceable rights issue of up to 1,221,372,489 new Vsolar Share together with up to 814,248,326 free warrants on the basis of 3 new Vsolar Shares for every existing ordinary share in Vsolar held together with 2 free detachable warrants for every 3 Shares subscribed ("**Original Rights Issue**").

Subsequent to the approval on 14 March 2018, due to the grant and exercise of ESOS Options which were granted after the Original Rights Issue was approved by shareholders, and were not factored into the determination of the maximum number of rights share and warrants, the number of entitled Rights Shares exceeded the maximum number of Shares approved by shareholders under the Original Rights Issue. Hence, the Company was required under Rule 8.24 of LR to seek the approval of its shareholders for such material variation.

Premised on the above, on 6 December 2019, M&A Securities, on behalf of our Board, announced that the Company proposes to undertake the Rights Issue with Warrants.

On 9 January 2020, the listing application in relation to the Rights Issue with Warrants was submitted to Bursa Securities.

Bursa Securities had vide its letter dated 19 February 2020 ("Approval") approved the following:

(i) Admission of the Warrants to the Official List;

(ii) Listing of and quotation for:

(a) up to 1,317,950,973 Rights Shares;

(b) up to 878,633,982 Warrants; and

(c) up to 878,633,982 new Vsolar Shares to be issued from the exercise of the Warrants.

The abovesaid Bursa Securities' approval-in-principle is subject to the following conditions:

	Conditions	Status of Compliance
(i)	Vsolar and M&A Securities must fully comply with the relevant provisions under the ACE Market Listing Requirements pertaining to the implementation of the Rights Issue with Warrant;	To be complied
(ii)	Vsolar and M&A Securities to inform Bursa Securities upon the completion of the Rights Issue with Warrants;	To be complied
(iii)	Vsolar to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Rights Issue with Warrants is completed; and	To be complied
(iv)	Vsolar to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the exercise of Warrants as at the end of each quarter together with a detailed computation of listing fees payable.	To be complied

On 13 May 2020, our shareholders approved the Rights Issue with Warrants.

On 15 May 2020, M&A Securities on behalf of the Board announced that the issue price of the Rights Shares and the exercise price of the Warrants are both fixed at RM0.03. Subsequently, on 1 June 2020, on our behalf, M&A Securities announced the Entitlement Date and the other relevant dates pertaining to the Rights Issue with Warrants.

No person is authorised to give any information or make any representation not contained herein in connection with the Rights Issue with Warrants and if given or made, such information or representation must not be relied upon as having been authorised by M&A Securities or us.

You are advised to read, understand and consider carefully the contents of this Abridged Prospectus which sets out the details and risk factors associated with the Rights Issue with Warrants. If you are in any doubt as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

2. PARTICULARS OF THE RIGHTS ISSUE WITH WARRANTS

2.1 Details of the Rights Issue with Warrants

The Rights Issue with Warrants involves a renounceable rights issue of up to 1,317,950,973 Rights Shares together with up to 878,633,982 Warrants at an issue price of RM0.03 per Rights Share, on the basis of 3 Rights Shares together with 2 free Warrants for every existing Vsolar Share held by Entitled Shareholders on the Entitlement Date.

The maximum number of Rights Shares and Warrants to be issued under the Rights Issue with Warrants is derived based on the issued and paid-up share capital of Vsolar, assuming the Maximum Scenario. Based on the Maximum Scenario, up to 1,317,950,973 Rights Shares will be made available for subscription and up to 878,633,982 Warrants will be issued.

Nevertheless, the Rights Issue with Warrants will be implemented on a Minimum Scenario to raise minimum gross proceeds of at least RM8.2 million. The Minimum Scenario is based on the minimum required funding of RM8.2 million as set out in Section 4. Under the Minimum Scenario, 273,333,333 Rights Shares will be issued together with 182,222,222 Warrants. The salient terms of the Warrants are set out in Section 2.4.

As you are an Entitled Shareholder and the Rights Shares are prescribed securities, your CDS Account will be duly credited with the number of Provisional Allotment which you are entitled to subscribe for in full or in part under the terms of the Rights Issue with Warrants. You will find enclosed in this Abridged Prospectus, a NPA notifying you of the crediting of such Provisional Allotment into your CDS Account and a RSF which is to be used for the acceptance of the Provisional Allotment, and for the application of any Excess Rights Shares with Warrants under Excess Application, should you wish to do so. If you are the Registered Entitled Shareholders, you will also receive an electronic notification from TIIH Online on the despatch date of the NPA and RSF to notify you that the e-Subscription is available on TIIH Online.

An electronic notification on the Rights Issue with Warrants will also be sent to all Registered Entitled Shareholders on the date of despatch of the NPA and RSF. However, only Entitled Shareholders who have an address in Malaysia as stated in our Record of Depositors or who have provided our Share Registrar with an address in Malaysia in writing by the Entitlement Date will receive this Abridged Prospectus, together with the NPA and RSF and the electronic notification.

The Warrants are attached to the Rights Shares without any cost, and shall only be issued to the Entitled Shareholders and/or their renouncees who subscribe for the Rights Shares. Should the Entitled Shareholders renounce all or any part of their entitlements to the Rights Shares, they will not be entitled to the Warrants attached thereto. The renunciation of the Rights Shares by the Entitled Shareholders will accordingly entail the renunciation of the Warrants to be issued together with the Rights Shares. Any Rights Shares with Warrants not taken up or allotted for any reasons, if any, will be made available for application under the Excess Rights Shares with Warrants application.

Any dealing in our securities will be subject to, amongst others, the provisions of the SICDA, the rules of Bursa Depository and any other relevant legislation. Accordingly, upon subscription, the Rights Shares with Warrants will be credited directly into the respective CDS Accounts of the successful applicants. No physical share or warrant certificates will be issued but notices will be despatched to the successful applicants.

The Rights Issue with Warrants is renounceable in full or in part. Accordingly, Entitled Shareholders can subscribe for and/or renounce their entitlements to the Rights Shares in full or in part. The Rights Shares which are not taken up or invalidly taken up shall be made available for excess applications by the Entitled Shareholders and/or their renouncee(s). Fractional entitlements arising from the Rights Issue with Warrants will be disregarded and dealt with by our Board as they may deem fit.

The shareholders of our Company who renounce their entitlements to the Rights Shares will not be entitled to the Warrants and shall be deemed to have also renounced their entitlements to the Warrants. The shareholders of Vsolar who accept only part of the Rights Shares shall only be entitled to the Warrants in the proportion to their acceptance of the Rights Shares. The Warrants will be immediately detached from the Rights Shares upon issuance and will be separately traded on the ACE Market of Bursa Securities.

2.2 Basis of determining the issue price of the Rights Shares and exercise price of the Warrants

(a) Rights Shares

The issue price of the Rights Shares was fixed by the Board on 15 May 2020 at RM0.03 per Rights Share, after taking into consideration, amongst others, the following:

(i) the historical share price of Vsolar; and

(ii) the 5D-VWAMP of Vsolar Shares up to and including 14 May 2020 of RM0.0394.

(b) Warrants

The exercise price of the Warrants was fixed by the Board on 14 May 2020 at RM0.03 per Vsolar Share, after taking into consideration, amongst others, the following:

(i) the 5D-VWAMP of Vsolar Shares up to and including 14 May 2020; and
(ii) the theoretical ex-all price of Vsolar Shares.

The Warrants are attached to the Rights Shares without any cost and will be issued in proportion to the Rights Shares subscribed by the Entitled Shareholders.

The issue price per Rights Share and the exercise price of the Warrants of RM0.03 represent a discount of 23.85% and 5.06% to the 5D-VWAMP of Vsolar Shares up to 14 May 2020 (being the market day preceding the price-fixing date of 15 May 2020 of RM0.0394) and the theoretical ex-all price of Vsolar Shares of approximately RM0.0316, respectively.

The Board is of the opinion that the pricing of the Rights Shares and Warrants is fair after taking into account the above factors.

2.3 Ranking of the Rights Shares and new Vsolar Shares to be issued from the exercise of Warrants

The Rights Shares and new Vsolar Shares from the exercise of Warrants shall upon allotment and issuance, rank equally in all respects with the then existing Vsolar Shares in issue, save and except that the these shares shall not be entitled to any dividend, rights, allotments and or other distributions, the entitlement date of which is prior to the date of allotment of these shares.

2.4 Salient terms of the Warrants

Terms		Details
Number of Warrants	:	Up to 878,633,982 Warrants to subscribe for up to 878,633,982 new Vsolar Shares, to be issued at no consideration to the Entitled Shareholders pursuant to the Rights Issue with Warrants.
Detachability	:	The Warrants are immediately detachable upon allotment and issue of the Rights Shares. The Warrants will be traded separately.
Exercise Price	:	RM0.03 for every 1 new Vsolar Share or such price adjusted in accordance with the terms and provisions of the Deed Poll. The basis of determining the exercise price of the Warrants is set out in Section 2.2(b) above. The exercise price and the number of outstanding Warrants shall however be subject to the adjustments in accordance with the terms and provisions of the Deed Poll during the exercise period.
Exercise Period	:	The Warrants may be exercised any time during the tenure of the Warrants of 3 years including and commencing from the issue date of the Warrants until 5.00 p.m. on the expiry date. Warrants not exercised during the Exercise Period will thereafter become lapse and void.
Exercise Rights	:	Each Warrant entitles the registered holder to subscribe for 1 new Vsolar Share at the Exercise Price during the Exercise Period and shall be subject to adjustments in accordance with the Deed Poll.
Deed Poll	:	The Warrants will be constituted by a Deed Poll to be executed by Vsolar.
Board Lot	:	The Warrants are tradeable upon listing in board lots of 100 units carrying rights to subscribe for 100 new Vsolar Shares at any time during the Exercise Period or such other number of units as may be prescribed by Bursa Securities.
Modification	:	Amendments to the Deed Poll must be effected by a supplemental Deed Poll, and to be executed by our Company and expressed to be supplemental; and a special resolution passed by the Warrant holders. However, our Company may, without the consent of the Warrant holders effect any modification to the Warrants or the Deed Poll, which in its opinion is not materially prejudicial to the interest of the Warrant holders; or to correct a manifest error or to comply with mandatory provisions of Malaysian law.

Terms		Details
Ranking of new Vsolar Shares to be issued pursuant to the exercise of Warrants	:	The new Vsolar Shares to be issued pursuant to the exercise of the Warrants will, upon allotment and issuance, rank equally in all respects with the then existing Vsolar Shares in issue save and except that they shall not be entitled to any dividends, rights, allotments and/or distributions, the entitlement date of which is prior to the date of allotment of the new Vsolar Shares to be issued pursuant to the exercise of the Warrants.
Rights in the Event of Winding-Up, Liquidation, Amalgamation or Reconstruction	:	Where a resolution has been passed for a members' voluntary winding-up of our Company or where there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of our Company or the amalgamation of our Company with one or more companies, then: (a) for the purpose of such a winding-up, compromise or arrangement (other than a consolidation, amalgamation or merger in which our Company is the continuing corporation) to which the Warrant holders, or some persons designated by them for such purposes by a Special Resolution, will be a party, the terms of such winding-up, compromise or arrangement will be binding on all the Warrant holders; and (b) in any other case, every Warrant holder will be entitled to elect to be treated as if he had immediately prior to the commencement of such winding-up, compromise or arrangement exercised the Exercise Rights represented by that Warrant to the extent specified in the exercise forms and be entitled to receive out of the assets of our Company which would be available in liquidation if he had on such date been the holder of the new Shares to which he would have become entitled pursuant to such exercise and the liquidator of our Company will give effect to such election accordingly.
Listing	:	The Warrants and new Vsolar Shares to be issued pursuant to the exercise of the Warrants will be listed on the ACE Market.
Adjustment in the Exercise Price and/or the number of Warrants	:	Subject to the provisions in the Deed Poll, the Exercise Price and the number of Warrants held by each Warrant holder may be adjusted by the Board in consultation with an adviser and the certification of the external auditors of Vsolar, in the event of alteration to the share capital and/or issued shares of our Company.
Rights of Warrants holders	:	The Warrant holders are not entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid. The Warrant holders are not entitled to any voting rights in any general meeting of our Company or to participate in any distribution and/or offer of securities in our Company until and unless such holders of the Warrants exercise their Warrants into new Vsolar Shares.

Terms		Details
Further Issues	:	Subject to the provision in the Deed Poll, our Company is free to issue shares to shareholders either for cash or as a bonus distribution and further subscription of rights upon such terms and conditions as our Company sees fit but the Warrant holders will not have any participating rights in such issue unless the Warrant holder becomes a shareholder by exercising his/her Exercise Rights or otherwise resolved by our Company in a general meeting.
Governing Law	:	Laws of Malaysia.

2.5 Undertaking and underwriting arrangement

2.5.1 Undertaking

Asiabio Capital, our major shareholder has provided its irrevocable undertaking on 6 March 2020 based on the terms of the Rights Issue with Warrants to subscribe for at least RM3.0 million in value of Rights Shares via its entitlement and excess application, if required.

Asiabio Capital has confirmed that it has sufficient financial resources to take up Rights Shares based on its Undertaking and such confirmation has been verified by M&A Securities.

The details of the number of Rights Shares together with free Warrants entitled to be subscribed by Asiabio Capital are set out below.

	Direct shareholding as at the LPD			
Name	**No. of Vsolar Shares**	**%**	**No. of entitled Rights Shares**	**No. of free Warrants attached**
Asiabio Capital	60,491,700	14.72	181,475,100	120,983,400

The number and percentage of Rights Shares to be subscribed pursuant to the Undertaking is set out below:

	Rights Shares to be subscribed pursuant to the Undertaking			
Name	**No. of Rights Shares**	**(i)%of Rights Shares**	**No. of free Warrants attached**	**(i)% of Warrants**
Asiabio Capital	100,000,000	8.11	66,666,666	8.11

Note:

(i) Calculated based on the total of 1,232,492,289 Rights Shares together with 821,661,526 Warrants offered under the Minimum Scenario.

The Undertaking shall subsist and remain irrevocable until the completion of the Rights Issue with Warrants. The Undertaking will not trigger any obligation under the Rules immediately upon the completion of the Rights Issue with Warrants. However, should Asiabio Capital or persons related to it exercise their Warrants, such that its shareholdings in Vsolar, whether on an individual or collective basis, increases above 33% or increases by more than 2.0% in any 6 months period (where the acquiring member already holds more than 33% but not more than 50% of the voting shares or voting rights of our Company), they will be obliged under the Rules to undertake a mandatory offer for all the remaining Vsolar Shares not already held by them. Nonetheless, Asiabio Capital confirms that it will observe and comply at all times with the provisions of the Rules and will seek the necessary exemptions from undertaking such mandatory offer, if required.

2.5.2 Underwriting arrangement

In order to achieve the Minimum Scenario, the Company had entered into the Underwriting Agreement with the Underwriter to underwrite 173,333,333 Rights Shares together with 115,555,555 Warrants, amounting to approximately RM5.2 million for the following underwriting commission, subject to the terms and conditions of the Underwriting Agreement:-

Party (Role)	No. of Rights Shares With Warrants underwritten	Underwriting commission (at 1.0% underwriting fees for up to 173.3 million Rights Shares)
M&A Securities (Underwriter)	173,333,333 Rights Shares with 115,555,555 Warrants	RM52,000

The 173,333,333 Rights Shares underwritten above represents 14.1% of the total number of 1,232,492,289 Rights Shares available for subscription under the Minimum Scenario, or 13.2% of the total number of 1,317,950,973 Rights Shares available for subscription under the Maximum Scenario. The underwriting commission and all related costs in relation to the underwriting arrangement will be fully borne by our Company.

Notwithstanding anything contained in the Underwriting Agreement, the Underwriter may at any time on or before the Closing Date, terminate its underwriting commitment on any of the following grounds:-

(a) in the reasonable opinion of the Underwriter, there shall have been such a change in national or international monetary, financial, political or economic conditions or exchange control or currency exchange rates that would materially prejudice the success of the Rights Issue with Warrants; or

(b) there shall have occurred, happened or come into effect any event or series of events beyond the reasonable control of the Underwriter (including but not limited to, acts of government, strikes, national disorder, declaration of a state of emergency, lockouts, fire, explosion, flooding, landslide, civil commotion, hurricanes/typhoons, tsunami, widespread diseases, acts of war, sabotage, Acts of God etc) which would have, or can reasonably be expected to have, a material adverse effect on the business or the operations of the Company or the success of the Rights Issue with Warrants, or which is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms; or

(c) there shall be the imposition of any moratorium, suspension or material restriction on trading in all securities generally on Bursa Securities which would materially prejudice the success of the Rights Issue with Warrants; or

(d) there shall be any development, occurrence or any change or prospective change in or any introduction or prospective introduction of any legislation, regulation, policy, directive, guideline, ruling or any request or interpretation by the SC, or any other regulatory authority, whether or not having the force of law, or occurrence of any other nature, which will materially and adversely affect the Company and the success of the Rights Issue with Warrants, the business and/or prospects of the Company and/or the Group, or which is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms; or

(e) there is any government requisition or occurrence of any other nature which materially and adversely affects or will materially and adversely affect the business and/or financial position of the Company and/or the Group; or

(f) from the date of the Underwriting Agreement, but prior to the allotment of the Rights Shares, on the close of any Market Day, if the Kuala Lumpur Composite Index is less than 90% from its level at the close of the previous Market Day, and remains at or below that level for at least 3 Market Days; or

(g) there is any breach by the Company of any of the representations, warranties and undertakings which materially and adversely affects the success of the Rights Issue with Warrants, or which is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms; or

(h) there is any failure on the part of the Company to perform any of its obligations under the Underwriting Agreement; or

(i) there is any withholding by the Company of any information of a material nature from the Underwriter which will have or may reasonably be expected to have a material and adverse effect on the success of the Rights Issue with Warrants, the business and/or prospects of the Company and/or the Group, or which is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms; or

(j) there is any material and adverse change to the business and/or financial position of the Company and/or the Group.

If the Minimum Scenario is not achieved despite the Undertaking and underwriting arrangements to be made, the Company will seek alternative funding methods which may include a combination of internally generated funds or bank borrowings, the proportion of which is to be determined depending on the circumstances of such an occurrence.

3. RATIONALE FOR THE RIGHTS ISSUE WITH WARRANTS

After considering other methods of fundraising such as bank borrowings and private placements, as well as the capital structure of Vsolar, our Board is of the opinion that the Rights Issue with Warrants is more appropriate method of raising funds, after taking into account the following:

(i) The issuance of Rights Shares would enable our Group to secure funding of for the purposes set out in Section 4 at least RM8.2 million under the Minimum Scenario and up to RM39.54 million without incurring interest costs compared to bank borrowings;

(ii) Compared to other equity offerings, the Rights Issue with Warrants will involve the issuance of new Vsolar Shares without diluting the Entitled Shareholders' shareholdings, provided that all Entitled Shareholders subscribe in full for their respective entitlements;

(iii) The Rights Issue with Warrants will increase the number of Vsolar Shares in circulation which is may potentially enhance the liquidity and marketability of Vsolar Shares on the ACE Market of Bursa Securities.

(iv) The Warrants attached to the Rights Shares are expected to enhance the attractiveness of the Rights Shares. It provides the shareholders with the option to further participate in the equity of our Company at a pre-determined price and enable them to benefit from the future growth of our Company and any potential capital appreciation arising thereof;

(v) The Rights Issue with Warrants will strengthen our Company's financial position with enhanced shareholders' funds. These factors are expected to facilitate the continuous business expansion plans of our Company; and

(vi) The Warrants will also provide our Company with additional capital when they are exercised. The exercise of the Warrants will allow our Company to raise fresh proceeds without incurring additional financing cost and minimise any potential cash outflow in respect of interest servicing.

4. UTILISATION OF PROCEEDS

4.1 Proceeds raised from the Rights Issue with Warrants

Based on the issue price of RM0.03 per Rights Share, the Rights Issue with Warrants will raise gross proceeds of between RM8.2 million under the Minimum Scenario and RM39.54 million under the Maximum Scenario.

The details of the utilisation of gross proceeds under the Minimum Scenario and Maximum Scenario are as follows:

Details of utilisation	Utilisation timeframe (from listing of Rights Shares unless otherwise stated)	Notes	Minimum Scenario		Maximum Scenario	
			RM'000	%	RM'000	%
Capital expenditure for development and construction of biomass/biogas plants	Between 12 to 36 months	(i)	6,670	81.34	36,648	92.69
Additional working capital for the operations of the biomass/biogas plant	Within 36 months from the completion of the construction of the biomass/bioas plant	(ii)	680	8.29	2,040	5.16
Estimated expenses for the Rights Issue with Warrants	Within 1 month	(iii)	850	10.37	850	2.15
Total			**8,200**	**100.00**	**39,538**	**100.00**

The proceeds to be raised from the Rights Issue with Warrants will be utilised firstly in priority to defray the expenses related to the Rights Issue with Warrants, and secondly towards the capital expenditure for the development and construction of biomass plants, and lastly toward the working capital required for the operations of the said plants. For avoidance of doubt, any further funding required in respect of the above is expected to be sourced from internally generated funds and/or bank borrowings.

(i) Capital expenditure for development and construction of biomass plants

We currently operate one 498 kWh solar photovoltaic RE plant located in Perak. As we have limited expertise on biomass RE, the Board had on 8 August 2017 through the JV Company entered into the JV Agreement with KRU, RI and Kenneth Lee Wai Tong ("**KL**") for their expertise to develop and manage a biomass/biogas RE plant, being the Project. The JV Agreement is not subject to the approval of Vsolar's shareholders.

The shareholdings of the joint venture parties in the JV Company as at the LPD are as follows:

Shareholder	Share capital (RM)	No. of ordinary shares	%
Vsolar	6,000	6,000	60.0
RI	3,500	3,500	35.0
KL	500	500	5.0
Total	**10,000**	**10,000**	**100.0**

For further details of the shareholdings of KRU and RI, please refer to Appendix I.

Roles of the joint venture partners

The joint venture came together with KL as the main liaison between the parties to pursue the Project. KRU which will draw from its years of extensive experience in developing RE facilities worldwide and its technology in RE facility design and engineering to supply the necessary equipment, design and engineering required for the Project. RI is the nominated entity by KRU to undertake the development and operations of the Project.

Please refer to Appendix I for further information on KRU and RI.

In return, Vsolar shall be solely responsible, on a best effort basis, for obtaining the financing for the development and construction of and additional working capital required for the Project, which means that despite all efforts by Vsolar to obtain financing, it does not rule out the possibility of failure to do so. At this juncture, Vsolar proposes to finance its capital commitments in respect of the joint venture through a combination of the proceeds to be raised from the Rights Issue with Warrants, internally generated funds and/or bank borrowings where necessary, the proportions of which are yet to be determined.

Should the funding from the Rights Issue with Warrants not materialise or is insufficient, the Group intends to fund the shortfall via internally generated funds or bank borrowings. Should these funding methods be insufficient, the Board may consider further equity offerings such as private placements. Ultimately, should all avenues not materialise, the Project cannot be implemented. For avoidance of doubt, the aforementioned means of financing to be undertaken by the Group are not stated in the JV Agreement, but are nonetheless concurred by the shareholders of the JV Company as the best efforts by Vsolar to obtain financing.

Further details of the joint venture parties and the joint venture agreement are set out in Appendix I.

Approvals required for the Project

As at the LPD, Vsolar has 60% equity interest in the said joint venture via the JV Company. The project is subject to the approval and RE quota to be obtained from SEDA, which has not been obtained at this juncture. Additionally, to assure the viability of the Project, RI will complete the development and commence operations of a reference facility, which is a pilot facility of a smaller scale to be used as a reference by the JV Company to develop the Project. For avoidance of doubt, the commencement of operations of the reference facility is not a requirement by SEDA, but was requested for by the JV Company to lend comfort to the viability of the Project.

The commencement of the operations of the reference facility by RI is currently pending the approval of TNB after being notified by RI in January 2020. This is a process by TNB to ensure consistent feed of electricity from the RE plant and is generally a matter of course. The approval by TNB is expected to be achieved within 3 months from the LPD due to the delay caused by the MCO. There are no other approvals required for the reference facility.

Once the reference facility by RI commences its operations, the JV Company is expected to submit an application to SEDA upon SEDA's next announcement of the next opening of RE quota for tender, the timeframe for which is not available as at the LPD.

Should we fail to obtain RE quota from SEDA, we may repurpose the funds for our other RE business ventures or seek out joint ventures with companies that have obtained RE quota, and will make the necessary announcements and seek the approval from our shareholders for this variation where necessary.

Plant capacity and cost of development

Depending on the amount of proceeds to be raised from the Rights Issue with Warrants, the joint venture plans to develop between 1MW to 2MW of biomass/biogas energy plants. In this respect, the cost of development for the biomass/biogas plant (which comprises all costs of development, from the engineering and construction of the plant, purchase all relevant equipment, plantation costs, staffing, installation costs and other related costs such as insurance and contingencies) is approximately RM23.3 million per MW, and requires a land area of about 310 acres. Should the Rights Issue with Warrants raise above RM23.3 million, we aim to use the excess proceeds to increase the capacity of the plant from 1MW to 2MW. Any further funding required beyond the amount of proceeds raised from the Rights Issue with Warrants is expected to be sourced from internally generated funds and/or bank borrowings.

The breakdown of the cost of development is as follows:

Description	**RM'000**
Site construction: Offices, storage area, trailers, loaders, furniture and perimeter security	2,270
Combined heat and power ("**CHP**") equipment comprising: - 2 units of 500kw generator - 1 gas performance measurement unit - 1 oxidation catalytic convertor - 1 gas flare - Shipping costs	3,807
Tangkage digestor equipment comprising: - 4 units of submersible mixers - 2 submersible pumps	8,456

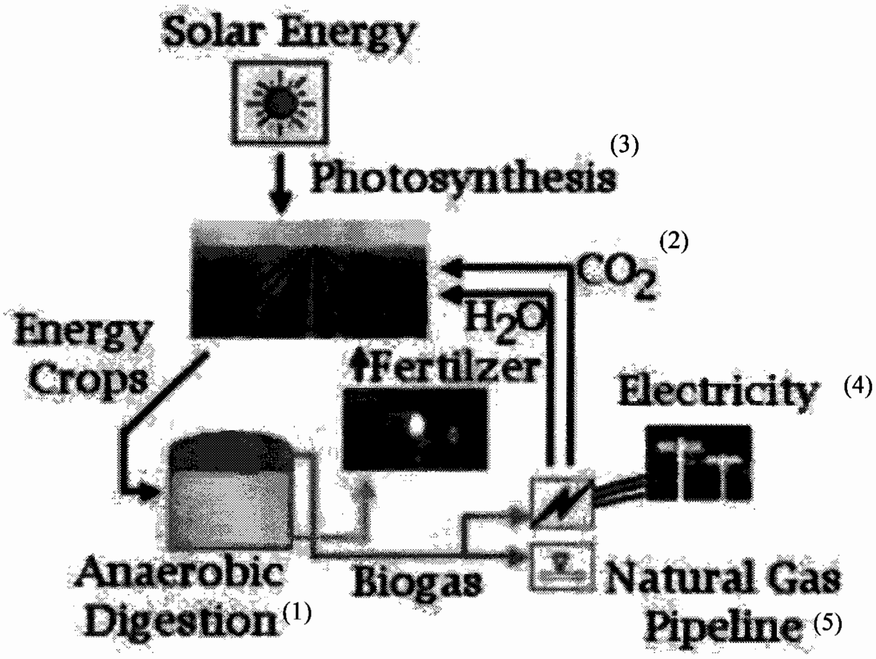
Description	**RM'000**
- 4 observation windows	
- 1 digestor fluid pipe	
- 1 membrane system	
- 1 temperature and level sensing port	
- 1 heavy duty screw press separator	
- 1 heating line	
- 1 air dosing system	
- 1 feeder system	
Fertilizer components	1,891
Farming components	1,004
Closing cost and insurance	523
Engineering and construction administration	1,394
Construction contingencies	967
Sorghum silage i.e. fodder made by processing the sorghum, typically stored in silos	2,650
Enzymes, cereal, nutrients, handing	385
Total	**23,347**

The plant's capacity will also be determined by the number of CHP systems located on the facility, which are determined by a number of technical factors such as electrical and thermal load profiles, as well as the amount of feed stock required by the facility, which amounts to approximately 20,000 – 40,000 tons of feed stock per year for 1MW to 2MW, being the maximum capacity of the plant to be developed.

Overview of the Project's operations

The Project is an end-to-end project, which means that the JV Company will plant its own feedstock (sorghum, a grass species cultivated for its grain, which is used for food for humans, animal feed and ethanol production) and will not source the feedstock from any third party. At this juncture, the JV Company intends to plant its own feedstock by leasing a single parcel of agriculture land of at least 310 acres in Pekan, Pahang, which will also be used to construct the biomass RE plant, which is permissible under agriculture land use for buildings in connection with the plantation. Nonetheless, However, the exact location for the plantation land to be leased has yet to be identified and the rental rate has yet to be determined.

The planting of feedstock for the usage by the 1MW or 2MW plant will require a gestation period of 7 months before harvest, which is expected to occur concurrently with the period of site construction, installation, testing and commissioning. The harvested feedstock (also known as energy crop) is digested and then combusted to generate RE. Provided all approvals from SEDA and RE quota has been obtained, the JV Company will enter into a REPPA with TNB to sell RE to TNB at prevailing FiT rates. The following diagram depicts the process of conversion of energy crops into RE.



Notes:

(1) Anaerobic digestion is a process through which bacteria break down organic matter, which in this case is the biomass feedstock, without oxygen. This process generates biogas that can be combustible and produce RE, and the waste from this process can be reused as fertiliser for the plantation.

(2) H_2O and CO_2 are the chemical formulae for water and carbon dioxide respectively, both used by plants in its photosynthesis process. They are by-products of the plant's process which can be reused in the plantation, among other usages.

(3) Photosynthesis is an organic process used by plants like sorghum to convert light energy into chemical energy, which in this case is the growing of the plant.

(4) The biogas generated from the anaerobic digestion is run through CHP equipment, which utilises the heat from the combustion of the biogas to generate electricity, which is then channeled through interconnections either to buildings for own use and/or connected to an electricity grid to be sold.

(5) The biogas generated can also be channeled through a pipeline and stored for various other uses such as heating or fuel.

Challenges and risks of the Project

Due to the lack of technological knowhow and experience, we undertook the Project as a joint venture relying on KRU, RI and KL for their respective expertise, as explained above. Additionally, due to the limits in obtaining feedstock viably, the Project is planned on an end-to-end where we plant our own feedstock. Apart from this, the Project is also subject to various other risks such as financing and competition from other RE sources. Please refer to Sections 5.1 and 5.2 for further details on these risks.

For the avoidance of doubt, the JV Company will develop a biomass/biogas plant of with a capacity of at least 1MW using the proceeds raised from the Rights Issue with Warrants under the Minimum Scenario together with internally generated funds and/or borrowings, if required. Thereafter, after commencing operations, we will continue to increase the plant's capacity depending insofar as we are able to obtain the required funds. Additionally, the JV Company also intends to apply for financial support from the Green Technology Financing Scheme which is a loan guarantee program which guarantees up to 60% of the total project costs and up to RM300 million per facility. The Group plans to apply for the financing support from the Green Technology financing Scheme together with its submission of a bid proposal to SEDA for RE quota, in connection with any financing to be obtained upon the finalisation of such bid proposal.

We are in the midst of identifying a parcel of land of at least 310 acres located in Pekan, Pahang to be leased for the construction of the RE plant in accordance with agriculture land use as a building in connection with the plantation for feedstock. A total of 5 operation staff are required. Additionally, about 20 engineers and farming consultants will be required to facilitate the Project. These staff will be identified after the approval from SEDA is obtained for the Project. Once the plant is operational, the engineers and consultants developing are expected to be designated to future projects. The JV Company intends to expand once the Project is successfully implemented.

(ii) Additional working capital for the operations of the biomass plants

The breakdown of the utilisation of additional working capital for the operations of the biomass/biogas plants for Vsolar is as follows:

Description	Minimum Scenario RM'000	Maximum Scenario RM'000
Salaries for management, project & maintenance staff	339	1,017
Incidental costs		
- Professional consultancy for the biomass plants	40	120
- Materials for farming such as effective microorganism used in digesters, packing materials, stockpiling and storage materials	175	525
- Transportation and lodging costs being mainly rental and transportation for personnel on site	30	90
- Other project costs such as miscellaneous expenses for farming and plot testing which consists of custom clearance fees, travelling expenses and electrical engineering fees	96	288
Total	**680**	**2,040**

(iii) Expenses for the Rights Issue with Warrants

Description	RM'000
Professional fees[(1)]	650
Fees to authorities	100
Printing, meeting expenses and advertising	80
Miscellaneous charges	20
	850

Note:

(1) Comprises the professional fees of the Principal, Adviser Underwriter, Solicitors, Reporting Accountants, Independent Market Researcher, Share Registrar, and Company Secretary.

In the event the actual expenses are less than the allocated amount, the excess allocated amount shall be utilised as working capital for Vsolar. Any excess or shortfall of the actual proceeds raised will be adjusted towards or against the utilisation for the working capital requirement of the biomass/biogas plants.

The proceeds to be raised from the Rights Issue with Warrants will be utilised firstly in priority to defray the expenses related to the Rights Issue with Warrants, and secondly towards the capital expenditure for the development and construction of biomass plants, and lastly toward the working capital required for the operations of the said plants. Any further funding required beyond the amount of proceeds raised from the Rights Issue with Warrants is expected to be sourced from internally generated funds and/or bank borrowings.

4.2 Proceeds from the exercise of Warrants

Based on the indicative exercise price of the Warrants of RM0.03 each, the exercise of the Warrants will raise up to RM5.5 million under the Minimum Scenario and RM26.4 million under the Maximum Scenario.

Any proceeds arising from the exercise of the Warrants in the future shall be utilised for the working capital of Vsolar which includes but is not limited to salaries, rental, materials, transportation and other related expenses, the breakdown of which has yet to be determined. The exact details of the utilisation of such proceeds, including the breakdown of the utilisation have not been determined.

5. RISK FACTORS

In addition to other information contained in this Abridged Prospectus, you should carefully consider the following risk factors before subscribing for or investing in the Rights Issue with Warrants:

5.1 Risks relating to our business

(i) We are required to obtain RE quota, maintain certain approvals, permits and/or licenses

In order to operate our RE business, we are required to obtain the necessary RE quota and hold valid approvals, permits and licenses such as the Registration of Solar Photovoltaic Service Provider issued by SEDA. We must comply with the restrictions and conditions imposed by the relevant authorities in order to keep such approvals, permits and licenses. Our approvals, permits and licenses may be suspended or cancelled if we fail to comply with the applicable requirements or any required conditions. Delay or refusal may also occur when renewing such approvals, permits and licenses upon their expiry.

Failure to keep or renew the requisite approvals, permits and licenses could result in suspension or restriction of our business operations, which will adversely affect our business and financial performance.

Failure to obtain the RE quota will also render our projects unfeasible as we cannot sell the energy generated. Should we fail to obtain the requisite RE quota, we may seek out joint venture alternatives with market players who have obtained RE quota.

Nonetheless, we cannot guarantee that we can successfully find alternative means to continue the RE business should we not obtain all requisite approvals to do the same.

(ii) We are dependent on key personnel, employing talent and our joint venture partners

Our performance is largely dependent on the skills and efforts of our Directors, and senior management. The loss of any of our Directors, key technical, sales and marketing and senior management personnel could adversely affect our Group's performance. In addition, we are relying on our joint venture partners for the development and construction of the biomass RE plant which are to be funded by the proceeds raised from the Rights Issue with Warrants. As such, any failure by these joint venture partners to fulfil their obligations pursuant to the joint venture agreement will likely result in the termination of the joint venture agreement. Finding a suitable replacement in such an event will likely cost us more time, opportunities, and money.

It has also been difficult to attract and retain talent for critical positions for our RE business. Competitors and new entrants which have greater operational, financial and other resources, are better positioned to provide better job opportunities. There can be no assurance that the loss of any of our key employees can be avoided.

(iii) Our operations are dependent on our ability to obtain adequate financing

We undertake our RE business on a project-by-project basis. As our projects require the development, construction and commissioning of the plants prior to its commissioning, our projects can be capital intensive. Such large outlays upfront require adequate financing such as the Rights Issue with Warrants, which will restrict our cash flows until the plants are commissioned and generating revenue.

Vsolar is solely responsible, on a best effort basis, for obtaining the financing for the development and construction of and additional working capital required for the Project, which means that despite all efforts by Vsolar to obtain financing, it does not rule out the possibility of failure to do so.

Should the funding from the Rights Issue with Warrants not materialise or is insufficient, the Group intends to fund the shortfall via internally generated funds or bank borrowings. Should these funding methods be insufficient, the Board may consider further equity offerings such as private placements. Ultimately, should all avenues not materialise, the Project cannot be implemented. For avoidance of doubt, the aforementioned avenues of financing to be undertaken by the Group are concurred by the shareholders of the JV Company as the best efforts by Vsolar to obtain financing.

Although we can rely on debt financing to address our funding needs, we have yet to secure any material banking facilities for our RE projects at the moment. Additionally, based on the IMR Report, there is limited access to funding for biomass RE projects due to low awareness by local financiers, translates to lower funding and higher interest rates due to a perceived high risk from financiers. We may also not be able to secure adequate debt financing given our historical financial performance.

However, we cannot guarantee that the aforementioned fundraising options can be successfully implemented to meet our entire needs. Failure to obtain adequate financing may affect our operational capabilities and capacity to undertake future projects.

(iv) We rely on a consistent supply of feedstock to generate RE

The biomass plant to be developed by us relies on feedstock to generate RE to be sold to TNB. Based on the IMR Report, access to and supply of biomass feedstock is a key challenge in the adoption of biomass as an RE source due to the lack of a systematic supply chain or efficient collection systems, transportation costs and different maturities in plantations causing inconsistent supply.

Although we intend to overcome the above by planting our own feedstock, we cannot assure that our plantation can consistently generate the supply of feedstock that we need as the harvest of our feedstock may be subject to disruptions such as inconsistent or extreme weather, unexpected timing of the maturity of feedstock and/or destruction by pests. Any disruption in supply will result in our inability to generate RE, which directly impacts our revenue and in turn our profitability.

(v) We may be affected by the outbreak of COVID-19, the MCO and conditional MCO

The outbreak of the COVID-19 virus has spread to many countries around the world. This has caused a negative impact to overall economic activities in Malaysia. Following the implementation of the MCO on 18 March 2020, our business operations have been negatively affected in terms of lower demand for our ICT products. However, our RE segment is considered an essential service and is still fully operational under the MCO. Subsequently, the MCO has been modified into several phases, namely the conditional MCO which began on 4 May 2020, and the recovery MCO which began on 10 June 2020, both of which were progressively more relaxed than the former. In this respect, the demand for our ICT products remains uncertain, and our RE operations have continued normally.

In response to the MCO, we have implemented certain health and safety precautionary measures in our administrative office as recommended by the Health Ministry, such as social distancing, and minimal compliance costs have been incurred in terms of sanitisation and prevention. The existing operations of our RE segment have not been affected. However, for our ICT segment, although there have been no cancellations of orders, and no reports of disruptions in the supply chain, it is expected that future orders may be affected due to uncertainty in demand.

Moving forward, we expect an overall negative impact to our financial performance at least for FYE 2020 as the MCO continues, which will lower our revenue if demand continues to be affected, and in turn, our profitability if we have to reduce our prices to better sell our ICT products. Although our RE segment continues to operate fully, a continued or worsening COVID-19 situation may result in operating restrictions imposed by the government, which will affect our revenue and profitability if the impositions include the RE segment. Hence, we cannot assure that we will be able to sustain our operations should the COVID-19, MCO situation worsen.

5.2 Risks relating to our industry

(i) Our revenue is dependent on the FiT rates set by SEDA

Revenue generated from our RE business will be entirely dependent on the FiT rates set by SEDA. Premised on the overview of the RE industry in Section 6.2 of this Abridged Prospectus, FiT rates have been revised downwards over the years, albeit at a decreasing frequency. The basis of this degression rate is on the expectation of improved technology and future price decline of such technology in order to prevent market overpricing, and is solely determined by SEDA.

The degression rate is generally met with actual cost reduction for setting up Solar PV Plants as technology advances. However, there can be no assurance that the degression of FiT rates in future will be commensurate with the actual cost reduction of future advanced technologies. Failure to match degressed FiT rates with cost reduction will result in lower profit margins, which will adversely affect our financial performance.

(ii) We will face competition as a new player in the biomass RE business

Our group faces competition from both new entrants and established players involved in the business of supplying RE to TNB. There are no guidelines to increase our success in bidding for RE quota, and the number of peer competitors bidding for RE quota may slim our chances of succeeding in bidding for RE quota. Our current and potential competitors who have significantly greater resources are in better competitive positions than us.

If our competitors are able to offer biomass RE systems at a more competitive price than ours, we may be forced to match their pricing to secure projects, which may affect our profit margins. Additionally, if we cannot match or be better than our competitors in terms of technology or range of comprehensive solutions, our clients may choose our competitors.

Our competitiveness depends on our technical expertise, production and process know-how, production management, marketing strategy and ability to obtain RE quota from SEDA. Failure to stay competitive may result in our inability to obtain RE quota, which will stall our projects' progress until we can obtain such quota, resulting in loss of potential revenue.

(iii) We are subject to changes and limitations in technology in the RE industry

The RE industry is characterised by evolving technology standards that require improved features, such as production of high value feedstock, more efficient power generation and improved aesthetics.

Based on the IMR Report, majority of local biomass RE players utilise low value-add biomass resources, which is unsustainable over the long term. Nevertheless, we may lose our competitiveness if we fail to stay up to date with the latest technologies, which will adversely affect our business.

(iv) Biomass RE faces competition with other RE sources

Despite the growing interest in biomass, we face the risk of competing RE sources. As reported by the IMR, oil price has declined sharply from its peak of USD109 a barrel in June 2014 to USD21 in April 2020. If the low oil price environment persists, this may discourage the government to promote and grow the biomass and overall RE industry in Malaysia. Additionally, in the Budget 2020, the government announced a 70% income tax exemption of up to 10 years for companies undertaking solar leasing activities.

The lower prices in other RE sources or attractive schemes introduced by the government for other RE sources could shift investment and funding away from biomass into the solar energy market. This may render biomass as the less feasible RE source and could result in less support from the government such as reduced quota allocated by SEDA, which may reduce our opportunities in the biomass segment of the RE industry.

(v) We are dependent on government policies, incentives and supportive regulatory framework of the RE industry

We are involved in the RE industry, which is subject to various laws, regulations and policies set by the government authorities relating to RE. While the Malaysian Government has set policies and support mechanisms for RE, such policies and support may be modified or changed in the future.

We may be affected by any adverse changes in the government policies and support mechanisms relating to the RE industry. Introduction of any new policies which reduce or eliminate support mechanisms for RE may adversely affect our future prospects as our opportunities such as RE quota or licensing requirements may be more difficult to obtain, which would affect our ability to generate revenue to sustain our operations.

5.3 Risks relating to the Rights Issue with Warrants

(i) Capital market risks for the Rights Shares and the Warrants

The market price of our Shares is influenced by, amongst others, the prevailing market sentiments, volatility of the equity markets as well as our financial performance. In view of this, there can be no assurance that our Shares will trade above the issue price of the Rights Shares or the theoretical ex-rights price of our Shares upon or subsequent to the listing of and quotation for the Rights Shares in the ACE Market of Bursa Securities.

The value of the Warrants depends on various factors, primarily the market price of our Shares, exercise price for the Warrants, remaining tenure of the Warrants, volatility of our share price and the perceived risk-free rates applicable in the relevant market. In view of this, there can be no assurance that the Warrants will be 'in-the-money' during the tenure of the Warrants. There can also be no assurance that an active market for the Warrants will develop upon or subsequent to the listing of the Warrants on Bursa Securities or if developed, that such market can be sustained.

Furthermore, you are reminded that should the outstanding Warrants expire at the end of its tenure, it will cease thereafter to be valid for any other purposes and hence, will no longer have any value.

(ii) Failure or delay in the completion of the Rights Issue with Warrants

The Rights Issue with Warrants is exposed to the risk that it may be terminated or delayed in the event of a material adverse change of events or circumstances (such as force majeure events including without limitation, acts of government, natural disasters including without limitation the occurrence of a tsunami and/or earthquakes, acts of terrorism, strikes, national disorder, declaration of a state of war or accidents, or any change in law, regulation, policy or ruling), which is beyond the control of the Group, the Principal Adviser and Underwriter, arising prior to the completion of the Rights Issue with Warrants.

The Group has entered into the Underwriting Agreement with the Underwriter to underwrite 173,333,333 Rights Shares with 11,555,555 Warrants to meet the Minimum Scenario. The successful implementation of the Right Issue with Warrants is dependent upon the fulfilment by the Underwriter of its obligations under the Underwriting Agreement. Nevertheless, the Underwriter is entitled to exercise its rights to terminate, cancel and/or withdraw the Underwriting at its discretion if any of the events set out in Section 2.5.2 of this Abridged Prospectus occurs.

In this respect, pursuant to Section 243 of the CMSA, in the event the Rights Issue with Warrants is aborted, all monies raised in the Rights Issue with Warrants which are held in a trust account for our Company will be refunded free of interest within 14 days to the Entitled Shareholders in the event the Rights Issue with Warrants is aborted. Monies not paid within 14 days will be returned with interest at the rate of 10% per annum or at such other rates as may be prescribed by the SC.

In the event the Rights Issue with Warrants is aborted/terminated, and the Rights Shares have been allotted to the Entitled Shareholders, a return of monies to all holders of Rights Shares could only be achieved by way of cancellation of the share capital as provided under the Act and its related rules. Such cancellation requires the sanction of our shareholders by special resolution in a general meeting and the confirmation of the High Court of Malaya. There can be no assurance that such monies can be returned within a short period of time or at all in such circumstances.

(iii) Forward-looking statements

Certain statements in this Abridged Prospectus are based on historical information, which may not be reflective of the future results, and others are forward-looking in nature, which are subject to uncertainties and contingencies.

All forward-looking statements are based on forecasts and assumptions made by our group and although believed to be reasonable, are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements. Such factors include, among others, the risk factors as set out in this section. In light of these and other uncertainties, the inclusion of forward-looking statements in this Abridged Prospectus should not be regarded as a representation or warranty by our Company that the plans and objectives of our Group will be achieved.

6. INDUSTRY OVERVIEW AND PROSPECTS

We are principally involved in the RE business and trading of ICT products. The following sections set out the overview and the prospects of these 2 industries, as well as the prospects of our Group.

6.1 Overview and outlook of the Malaysian economy

The Malaysian economy registered a lower growth of 0.7% in the first quarter of 2020. At 0.7%, this was the lowest growth since 3Q 2009 (-1.1%), reflecting the early impact of measures taken both globally and domestically to contain the spread of the COVID-19 pandemic, including the introduction of the Movement Control Order (MCO) in Malaysia. On the supply side, the services and manufacturing sectors moderated, while the other sectors contracted. From the expenditure side, domestic demand moderated, while exports of goods and services recorded a sharper decline. On a quarter-on-quarter seasonally-adjusted basis, the economy declined by 2.0% (4Q 2019: 0.6%).

Following two months of steady expansion, economic activity experienced a sharp downshift in March as a result of MCO (18 – 31 March). This was evidenced by the decline in the Industrial Production Index and Index of Wholesale and Retail Trade which recorded an average growth of 3.4% and 5.5%, respectively, in January-February before contracting to -4.9% and -6.1% in March (1Q 2020: 0.4% and 1.5% respectively).

Domestic demand registered a modest growth of 3.7% in the first quarter (4Q 2019: 4.8%), due mainly to weaker capital spending by both the private and public sectors. During the quarter, private consumption growth moderated to 6.7% (4Q 2019: 8.1%). In January and February, retail and financing data indicated continued strength in consumption spending growth.

Public consumption expanded at a faster pace of 5.0% (4Q 2019: 1.3%), supported by higher spending on both emoluments and supplies and services. Public investment recorded a larger decline of 11.3% (4Q 2019: -8.0%). This was due to a larger contraction in capital spending by both general government and public corporations during the quarter. Headline inflation, as measured by the annual percentage change in the Consumer Price Index (CPI), remained modest at 0.9% in 1Q 2020 (4Q 2019: 1.0%). The manufacturing sector moderated further to 1.5% (4Q 2019: 3.0%). The lockdown in PR China to contain the pandemic disrupted the global supply chain for a broad range of products including electrical and electronics (E&E) and transport equipment.

On 7 April 2020, Bank Negara Malaysia published its annual report, in which Malaysia's GDP projected to be between -2.0% and 0.5% in 2020. Global economic and financial conditions, which deteriorated sharply in the first quarter as the COVID-19 pandemic escalated, are expected to deteriorate further, with significant impact on the Malaysian economy. The domestic economy is also facing the economic effects from the necessary actions taken to contain COVID-19 locally and continued supply disruptions in the commodities sector..

However, under the Conditional MCO that was effective 4 May 2020, most sectors of the economy were allowed to operate, albeit in a controlled and prudent setting and by observing stringent Standard Operating Procedures (SOPs). Notwithstanding the lifting of movement restrictions, international travel restrictions and social distancing measures are expected to continue for the remainder of the year.

Reflecting the longer duration of the MCO, followed by the Conditional MCO from 4 May to 9 June 2020, the Malaysian economy is expected to contract in the second quarter. However, economic activity is expected to gradually pick up in 2H 2020, following the lifting of the MCO, support from fiscal, monetary and financial measures and progress in transport-related projects by the public sector. The Malaysian economy is expected to register a positive recovery in 2021, in line with the projected improvement in global growth.

The growth outlook is subject to significant downside risks. This arises mainly from the uncertainties surrounding the spread of COVID-19 and the duration of containment measures globally. This uncertainty may also result in delays in household spending and business investments. In addition, the risks of commodity supply shocks remain.

Average headline inflation is likely to turn negative this year, mainly due to the projections of significantly lower global oil prices. Going forward, the outlook of headline inflation remains significantly affected by global oil and other commodity prices including food, as well as evolving demand conditions.

(Source: Economic and Financial Developments in the Malaysian Economy in 1Q 2020, Bank Negara Malaysia)

6.2 Overview and outlook of the RE industry in Malaysia

The following outlook is an extract from the IMR Report. The profile of the IMR is as follows:

Currently, Peninsular Malaysia has a total licensed RE capacity of 490 megawatts (MW), mostly fueled by solar photovoltaic ("**Solar PV**") (337MW), and followed by biogas (51MW), biomass (32MW) and mini hydro (24MW).

Table 1: Renewable Capacity Mix in Peninsular Malaysia (MW) as of June 2018

Types of Renewable Energy	Operational RE	Awarded RE Projects	Total
Solid waste	9	30	39
Mini hydro	24	287	311
Biomass	32	64	96
Biogas	51	74	125
Solar PV	337	5	342
Large Scale Solar (LSS)	38	1,058	1,096
Total	**490**	**1,519**	**2,009**

(Source: Towards A Sustainable Future Energy Outlook (Energy Comission - 3 September 2019)

Solar PV is the most popular source of RE in terms of total capacity due to the easily accessible sunlight throughout the year in Malaysia. Solar PV is also highly supported by government through introduction of the FiT, Net Energy Metering ("**NEM**") and Large Scale Solar ("**LSS**") programmes. As part of Malaysia's roadmap for RE development, the FiT system was introduced in 2011. FiT obliges Distribution Licensees (e.g. Tenaga Nasional Bhd) to buy from individuals or companies that hold a feed-in approval certificate making them eligible to sell RE at FiT rates. The Distribution Licensees will pay for RE supplied to the electricity grid for a specific duration (e.g. 16 or 21 years) at FiT rates. By guaranteeing access to the grid and setting a favorable price per unit of RE, the FiT mechanism would ensure that RE becomes a viable and sound long-term investment for companies and also for individuals.

Table 2: FiT Rates and Effective Period

Renewable Energy Type	FiT Rate (RM per kWh)	Effective Period (1)	Annual Digression Rate
Biomass	0.27-0.45	16 years	0.5-1.8%
Biogas	0.28-0.31	16 years	0.5-1.8%
Solar PV	0.49-0.92	21 years	8-20%
Mini-hydro	0.23-0.24	21 years	0

(Source: SEDA)

Note:

(1) The period commences from a commencement date where the RE installation is completed, connected to the grid and ready to produce RE for commercial sale i.e. the FiT Commencement Date.

To complement the FiT mechanism, NEM is implemented in 2016 to promote and boost the development of RE. NEM of up to 500MW will allow consumers to self-generate most of their electricity requirement before exporting and selling any excess energy to the Distribution Licensees. Starting from 2016, a 100MW quota per year will be available for bidding through three sections; Domestic, Commercial and Industrial which makes up 10%, 45% and 45% respectively of the total capacity.

There are initiatives to harvest energy from the sun with installation of 200MW per year under the LSS programme integrating solar energy into the grid system with a share of 0.14% during the first year in 2017 and increasing up to 0.5% by 2020. A total of 1,000MW projects will be introduced starting in 2017. 800MW from the total capacity will be awarded by competitive bidding and it will enter the system by stages from 2017 to 2020.

On the other hand, several biomass based power plant projects have experiences several problems in development in terms of securing fuel supply and technical matters. Hence, the Energy Commission (Suruhanjaya Tenaga) had vide the Peninsula Malaysia Electricity Industry Supply Outlook 2019 reported that it had in 2016 cancelled three biomass licenses due to the unfeasible conditions. No biogas license cancellations were reported. Further, there have been no cancellations reported by the Energy Commission since its report in 2019.

Table 3: Peninsular RE Projects 2017 (MW)

	Biomass	Biogas	Solar PV	Mini Hydro
Perlis	-	-	16.53	-
Penang	-	-	16.35	-
Perak	12.93	8.51	17.50	14.23
Selangor	14	11.84	71.44	14.23
Kuala Lumpur	-	-	2.74	-
Negeri Sembilan	19.5	6.66	42.09	-
Melaka	-	-	17.11	-
Johor	11	19.6	17.77	-
Pahang	13.5	14.15	24.69	26.83
Terengganu	-	-	10.31	-
Kelantan	-	-	7.47	14.8
Kedah	-	2.4	15.07	-

(Source: Energy Commission)

Table 3 shows that every state in Peninsular Malaysia are generating solar power, while the other types of RE such as biomass, biogas and mini hydro are only being utilized in a handful of states.

Mini hydro recorded the second highest in terms of awarded RE projects. Mini hydro offers a sustainable and affordable source of electricity. It converts waterpower into electricity at up to 70% efficiency rate. Given the country's hilly topography and ample rainfall, mini hydro is rising to have the next best potential after solar. Mini-hydro's potential is already translating into bidding interest. In December 2019, SEDA awarded 15 bidders with a total installed capacity of 176.79MW, at an average bid tariff of 6.1 cents (25.89 sen) per kWh, under its e-bidding programme for mini-hydro projects.

Biogas, with the second highest operating capacity currently, is a mixture of different gases produced from the breakdown of organic matter in the absence of oxygen. Biogas primarily consists of methane and carbon dioxide that are the main emission of the palm oil industry. According to the Malaysian Palm Oil Board, as at December 2018, the number of palm oil mills equipped with biogas plants increased from 28 units in 2010 to 104 units in 2018, out of 451 palm oil mills in Malaysia. With the government initiative and the adoption of biotechnology in the biogas industry, production is expected to significantly increase and the industry is estimated to grow from a RM1.46 billion industry in 2015 to RM8.3 billion by 2022.

Under the Eleventh Malaysia Plan, RE is identified as an alternative energy sources to support the continuous increasing energy demand. Besides promoting the existing RE sources such as hydro, solar, biomass and biogas, major focus will be given in exploring new RE sources in the Eleventh Plan, including exploring wind, geothermal and ocean energy sources to further diversify the generation mix.

6.2.1 Overview of biomass as bio-energy source

The biomass feedstock in Malaysia can be categorised into 3 different sectors, namely biomass from agriculture, forestry and waste.

Table 4: Types of biomass feedstock

Sector	Biomass Category	Biomass Type	Description
Agriculture	Primary crop	Woody biomass	Kenaf, bamboo
		Sugar, starch, oil	Jatropha, sago waste, sorghum
	Secondary agriculture residues	Solid agricultural residues	Empty fruit bunch, mesocarp fibre, palm kernel shell, paddy straw,

Sector	Biomass Category	Biomass Type	Description
			husk
		Wet biomass	Palm oil mill effluent, sago sludge, pig/ cattle/ chicken manure
Forestry	Primary forest residues	Woody biomass	Residues from cultivation and harvesting/ logging activities
	Secondary forest residues	Woody biomass	Wood chips, saw dust
Waste	Primary residues	Landscape waste	Biomass residues from maintenance activities (green and woody cuttings)
	Secondary residues	Organic waste (from household)	Organic household waste i.e. food waste, waste papers, etc.
		Organic waste (from industry)	Food processing residues from trade, markets, etc.
	Tertiary residues	Solid biomass (from industry)	Woody fractions from construction, demolition, bulk transport activities
		Wet biomass	Sewage sludge

(Source: Malaysia Biomass Industry Action Plan 2020)

The biomass industry creates value from biomass feedstock as a substitute for non-sustainable raw material for the production of intermediate and end products such as energy, chemicals, fertilisers and materials. The products from biomass can be categorised into the following group:

a) Bio-energy: solid pellets, liquid biofuels and biogas/syngas
b) Bio-chemical: green chemical and bio-polymers, lactic acid, food additives
c) Bio-fertilizers: compost, soil conditioner, soil stabilizer
d) Bio-composites: composite wood, engineered lumber, eco-friendly products

The use of biomass as a form of bio-energy generation is sustainable and abundantly available throughout Malaysia, while it also reduces greenhouse gas emissions and the need for landfills. Biomass can be converted into RE from the form of solid (pellets), liquid (biofuels) or gaseous (syngas or biogas).

In 2016, the key biomass companies in Malaysia are:

- Detik Aturan Sdn Bhd
- Hyper Fusion International Sdn Bhd
- Heng Huat Resources Bhd
- MTS Fibromat (M) Sdn Bhd
- Bio Enoco Sdn Bhd
- Cipta Briquettes Sdn Bhd
- Waris Nove Sdn Bhd

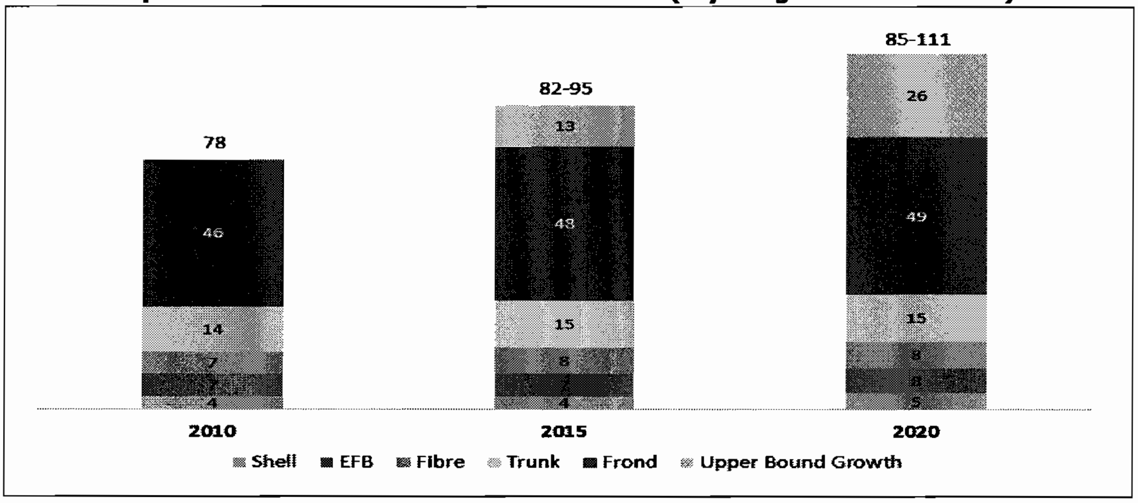
Biomass market in Malaysia

Malaysia generates about 7.9% of GDP from the agriculture sector in 2018. Within this sector, palm oil is the largest contributor and makes up an estimated 47% of agriculture activity. This places Malaysia as the second largest palm oil producer in the world after Indonesia, with production of 20,500,000 tons in 2018. The palm oil sector correspondingly generates the largest amount of biomass feedstock in Malaysia. An estimated 83 million dry tons was generated in 2012 and this is expected to increase to about 100 million dry tons by 2020, primarily driven by increase in yield.

Primarily, the main source of biomass feedstock comes from by-products of palm oil that can be converted into bioenergy, such as the oil palm fronds ("**OPF**"), oil palm trunks ("**OPT**"), empty fruit brunches ("**EFB**"), palm kernel shells ("**PKS**"), mesocarp fibre ("**MF**") and the palm oil mill effluent ("**POME**"). In the plantations, OPFs are regularly cut during harvesting of fresh fruit bunches ("**FFBs**") and pruning of the palm trees, therefore it is available throughout the year. In the mills the removal of the palm fruits from the fruit brunches will leave the EFBs behind, while MF and PKS are recovered during the extraction of crude palm oil ("**CPO**") and palm kernel oil ("**PKO**") respectively. In addition, the palm oil mill effluent ("**POME**") accumulates as a liquid biomass at the mills from the sterilization and milling process of FFBs.

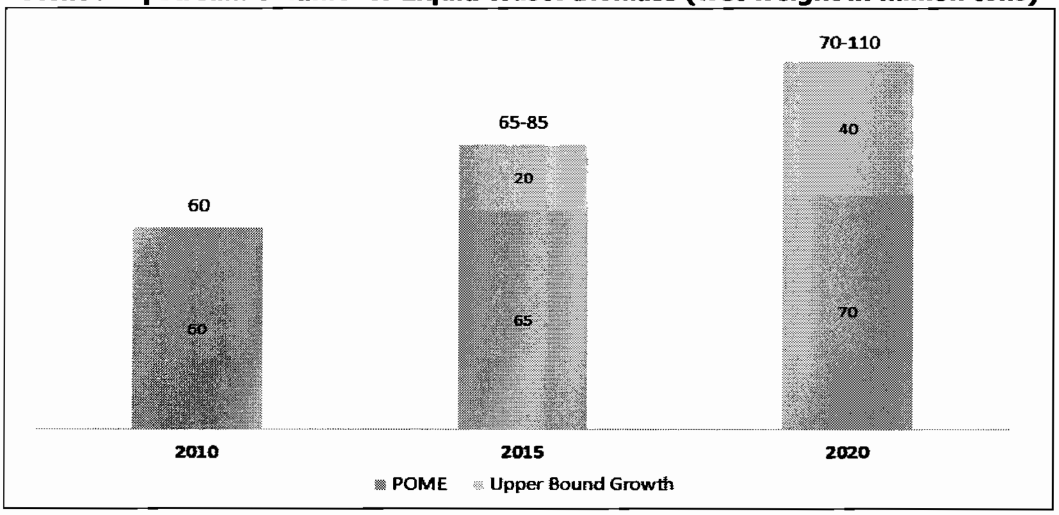
The figures below show the projected upstream volume of biomass waste for 2020; 85-111 million tons for solid waste and 70-110 million tons for liquid waste. Moving forward, the forecasted biomass volume growth will be influenced by a combination of plantation expansion and fresh fruit bunches yield improvement. Fresh fruit bunches yield improvement in turn is possible with continuous enhancement in plantation management, crop material and replanting of mature plantations.

Potential Upstream Volume for Solid Waste Biomass (dry weight in million tons)



(Source: National Biomass Strategy 2020)

Potential Upstream Volume for Liquid Waste Biomass (wet weight in million tons)



(Source: National Biomass Strategy 2020)

Key Drivers for Adoption of Biomass as an Energy Source

- **Availability of biomass feedstock**

  Malaysia's tropical climate all year long added with high soil fertility has generated large volume of biomass feedstock. Other than oil palm biomass, there are other feedstock available from forestry and other waste sectors, such as wood biomass, municipal solid waste, rice husk and straws and kenaf. The cultivation of dedicated crops for energy such as jatropha and algae have been identified as potential feedstock of RE as well. Commercial crops such as kenaf and kenaf fibre are also potential RE sources. At present, Malaysia produces an average of 200 tons of kenaf fibre every month.

- **Support from government and government bodies**

  The continuous positive support from government with tax and non-tax incentives in producing value added products and RE has gathered a positive environment for the biomass industry. For instance, the National Biotechnology Policy 2005, the National Green Technology Policy 2009, the Renewable Energy Act 2011, the National Biomass Strategy 2020 and the SME Master Plan 2012-2020 has impacted the biomass industry by creating the demand and pricing for biomass products.

  In the Budget 2020, the government announced that RE suppliers would be able to compete directly in the retail market following the liberalization of the electricity market. Also, the government had significantly expanded the qualifying list of green assets for Green Investment Tax Allowance ("**GITA**") under the MyHijau directory in 2018 and extended both GITA and Green Income Tax Exemption ("**GITE**") incentives to 2023 which is encouraging for the market.

  Government bodies such as Malaysian Investment Development Authority ("**MIDA**") also provides tax exemption for Pioneer Status and Investment Tax Allowance for qualifying companies. There are also grant disbursement available to assist biomass players in research and development, licensing, obtaining international standards and certification, and purchasing new technology. Up to 2018, MIDA has approved 753 RE projects with a total investment of RM15,181.3 million. Biomass projects specifically made up of 128 projects (17%) with total cumulative investment of RM4,882 million. The total investment amount represents 32% of total RE investment and is the second highest among other RE sources. The biomass sector was expected to meet its target of attracting RM25 billion in investments by 2020.

  The following table shows the approved investment by MIDA in the biomass industry and palm biomass industry respectively.

Approved Investments in Palm Biomass Industry

Year	No. of Projects	Proposed Investment (RM Mill)		
		Domestic	Foreign	Total
2014	12	71.1	11.8	82.9
2015	15	249.3	147.9	397.2
2016	14	175.4	100.2	275.6
2017	8	63.3	15.1	78.4
2018	7	92.5	151.4	243.9
2019	14	187.3	952.7	1140

(Source: MIDA)

- **Availability of local academic expertise**

  Malaysia's research institutions such as the Malaysian Palm Oil Board (MPOB), Forest Research Institute of Malaysia (FRIM), and the Standards and Industrial Research Institute of Malaysia (SIRIM), local universities and government-linked-corporations have the capabilities and potential to utilise and create value from biomass resources. Adding with provisions from the central government, Malaysia's in-house research and development efforts have been successful in generating new patents and innovations as well as creating a pool of talented researchers with the right technical know-how and skills for the local biomass sector.

Key Challenges for Nationwide Adoption of Biomass as an Energy Source

- **Access to and supply of biomass feedstock**

  Although there is an abundant upstream volume supporting the biomass industry, there are challenges in terms of accessibility to biomass feedstock. This is further worsened by the ongoing COVID-19 pandemic given supply chain disruptions and plant shutdowns and constraints in operating capacity during the Movement Control Order (MCO). New RE projects have also been delayed due to MCO and challenges in securing equipment and capital.

  For Malaysia to fully capitalize on the downstream potential of oil palm biomass, there is a need to establish a systematic supply chain or an efficient collection system from the plantations and mills to the downstream market. In order for the downstream players to have long term and regular access to the biomass feedstock, the logistics and transportation of feedstock will need to be sorted out. An efficient system is critical as low density and high moisture biomass may face rapid decomposition. For oil palm biomass, the remote location of many plantations and mills will result in high transportation cost.

  Other than transportation cost, there are a range of acquisition, collection and pre-processing cost incurred by SMEs to access the biomass feedstock. The choice of collection method, either simple manual collection with a wheelbarrow, collection with buffalo or motorised cart, will depends on the terrain, availability of labour and economies of scale. The collection cost ranges from RM16-67 per dry tonne depending on collection method.

  Over the next 10 years, approximately 240 million tons of oil palm trunks will become available during replanting. However, due to different maturities of the plantations, the source of supply will not be consistent and this poses challenges for long term supply of feedstock.

- **Local SMEs lack support in terms of technological know-how to produce high value products**

  In the current biomass market, majority of those utilising biomass resources is in the production of low value-add or commodity-based products with low entry barriers. This allows internal and external competitors to enter and exit the market freely which disrupt and compete with the existing players, rendering the industry unsustainable over the long run.

  Involvement of smaller local players in producing high value product is also limited by lack of access to technological know-how in converting the biomass feedstock into differentiated high value products. There are currently a few initiatives to adopt refining technologies to convert biomass into high value products such as biofuels and green chemicals, however, most of these ventures require large investments and imported technologies which are beyond the capabilities of many local SMEs. The current strategic actions and initiative implemented are also fairly skewed towards the bigger plantation players, government agencies and foreign companies, thus there are higher entry barrier for smaller local players.

- **Perceived high risk from financiers**

  With bio-energy in its infancy stage, local financiers lack the knowledge and awareness to fully understand the different types of biomass ventures and the risks involved. This includes the viability of the technology, the technical nature of the products and the niche market potential concerning its commercial value. The information gap and low awareness of biomass and bio-energy among financiers translate into lower access to funding, higher borrowing interests and higher risk undertaken by the SMEs. Also, political uncertainty in Malaysia and global economic downturn due to COVID-19 could reduce risk appetite and draw the financiers away from investing in this sector.

- **Low oil price environment may weaken value proposition of biomass as an energy source**

  Interest in biomass and RE as whole has grown significantly over the past decade, aided by concerns over high prices of conventional energy sources. However, oil price has declined sharply from its peak of USD109 a barrel in June 2014 to USD21 in April 2020. If the low oil price environment persists, this may discourage the government to promote and grow the biomass and overall RE industry in Malaysia.

- **Competition from solar energy**

  In the Budget 2020, the government announced a 70% income tax exemption of up to 10 years for companies undertaking solar leasing activities. The attractive schemes could potentially shift investment and funding away from biomass into the solar energy market.

Future Outlook and Opportunities

Electricity consumption has increased 3.6% CAGR from 123,162 GWh in 2013 to an estimated 146,608GWh in 2017. Electricity consumption per capita has increased from 3,367kWh in 2008 to 4,576kWh in 2017. Increased usage of electrical and electronic products is expected to further drive per capita consumption and overall electricity demand. However, the COVID-19 pandemic has caused a drop in electricity consumption in various sector such as industry, tourism, and transportation. For example, about 35% of the hoteliers have suspended their operations and 80% of manufacturers will downsized their operation amid the pandemic. As a result, the global energy demand is expected to drop by 6% in 2020 compared to 2019. Energy demand is expected to recover only when there is a resolution to the pandemic and the economy gets back on track.

While non-renewable energy sources still contribute 94.2% of electricity generation, the government elevated the role of RE under the 10th Malaysia Plan where it targeted that RE shall account for 5.5% if Malaysia's total electricity generation mix by 2015, up from 1.8% under 9th Malaysia Plan. The Malaysia National Renewable Energy Policy and Action Plan (NREPAP) was approved by the Malaysia Cabinet in 2010. The NREPAP sets long term goals and commitment for RE and charts the path of enhancing the utilization of indigenous RE resources. The Renewable Energy Act 2011 was ratified by Parliament in 2011. The Act provides for the establishment and implementation of a FiT mechanism to catalyze the development and promote investments in RE.

(Source: 9th Malaysia Plan, 10th Malaysia Plan, Economic Planning Unit)

The Ministry of Economic Affairs have also shared that the upcoming 12th Malaysia Plan (2020 to 2025), will be premised on the shared prosperity initiative and will cover three development dimensions – economic empowerment, environmental sustainability and social re-engineering. For the first time ever, the government will place equal weight on the environment and the economic dimension. The government has also set the target to achieve 20% electricity generation from RE sources by 2025. The government is looking to facilitate RM33 billion investment in RE accordingly to achieve the target. Having relied on fossil fuels for the bulk of its energy, Malaysia has implemented these policies to capitalize on the country's renewable resources especially palm oil biomass and solar.

(Source: 12th Malaysia Plan, Economic Planning Unit)

From 2012 to 2018, total installed capacity for RE in Malaysia increased rapidly at rate of 30% CAGR from 101MW to 490MW while electricity generation from RE increased at a rate of 34% CAGR from 142,458MW to 837,582MW. Total installed capacity is expected to rise further to reach 2,080MW by 2020, representing a CAGR of 52% during this five-year period.

(Source: Energy Commission)

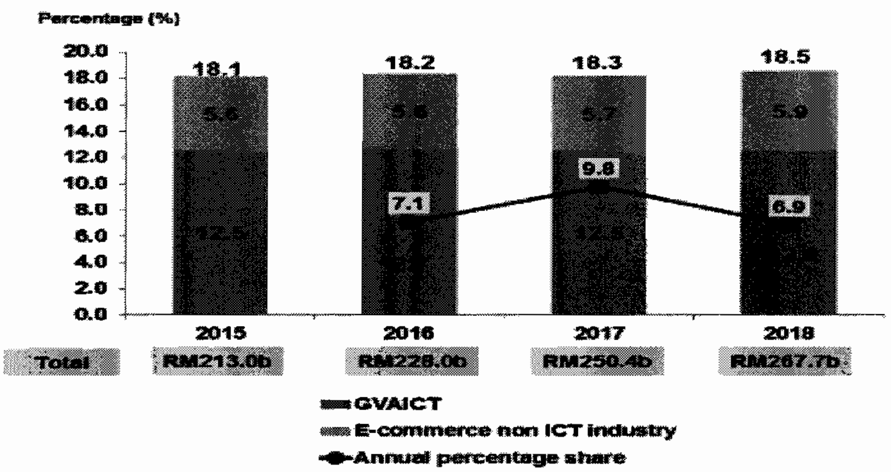
According to Bank Negara Malaysia, the economy is projected to shrink by up to 2% in 2020 due to the pandemic while analysts have forecasted up to a 6% decline. The electricity consumption is expected to follow a similar rate in decline. At this stage, there are no developments to suggest that the government will not continue with its existing plans and policies to reach its RE goals.

(Source: Bank Negara Malaysia)

6.3 Overview and outlook of the ICT industry in Malaysia

Contribution of ICT to the national economy continued to expand in 2018 by 18.5% as compared to 18.3% in the previous year. Gross value added of ICT industry ("**GVAICT**") contributed 12.6% while e-commerce non ICT industry 5.9%.

ICT CONTRIBUTION TO ECONOMY



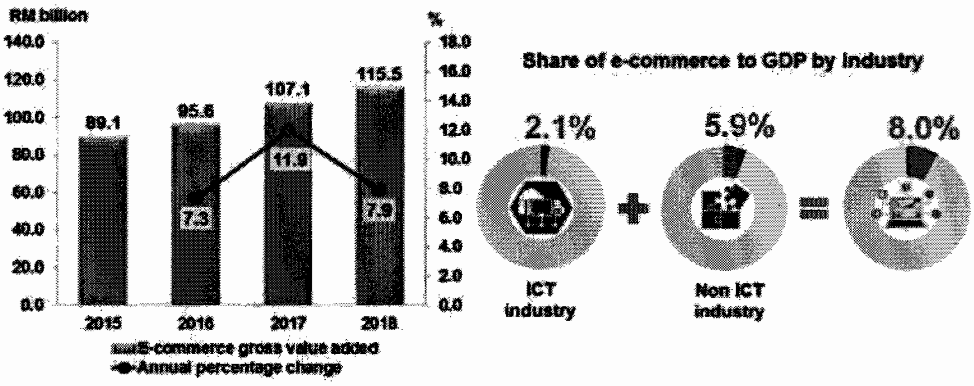
(Source: Department of Statistics Malaysia)

For the year 2018, GVAICT industry increased to RM182.4 billion registered a growth of 6.1%. ICT services industry dominated with a share of 43.2% followed by ICT manufacturing 34.1%.

Telecommunications services were the main impetus in ICT services. For ICT manufacturing, it was supported by electronic components & boards, communication equipment and consumer electronic.

Value added of e-commerce increased to RM115.5 billion grew at 7.9% as compared to 11.9% in 2017. The contribution of e-commerce to GDP recorded 8.0% comprises of e-commerce for non ICT industry 5.9% and e-commerce for ICT industry 2.1%.

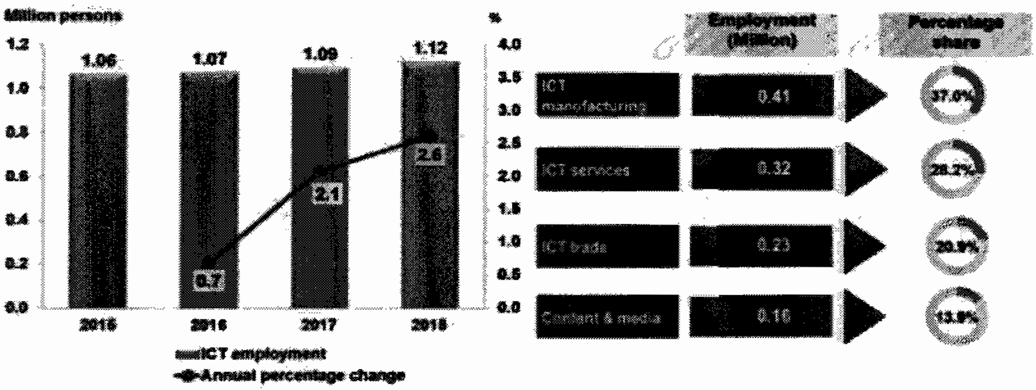
E-COMMERCE GROSS VALUE ADDED TO GDP



(Source: Department of Statistics Malaysia)

Employment in the ICT industry increased to 1.12 million persons with a growth of 2.6% as compared to 1.09 million persons in 2017. ICT manufacturing industry dominated 37.0%, followed by ICT services (28.2%) and ICT trade (20.9%).

EMPLOYMENT IN THE ICT INDUSTRY



(Source: Department of Statistics Malaysia)

At this stage, it should be noted that the 11th Malaysia Plan has envisaged a growth rate of at least 17.0% per annum from 2016 – 2020 in order for the industry's GDP contribution to reach the 20.0% milestone.

Any slowdown in the growth rate in recent times is expected to be arrested with the latest moves to develop Malaysia as a digital nation powered by Industry4RWD or smart manufacturing, the internet of things (IoT), blockchain, cloud computing and artificial intelligence.

Moving forward, Malaysia's Budget 2020 had announced the following initiatives amongst others, moving towards a more digital economy:

1. The availability of up to RM1 billion worth of customized packaged investment incentives annually over 5 years, as part of the strategic push to attract targeted Fortune 500 companies and global unicorns to Malaysia.
2. The creation of the necessary infrastructure to construct a Digital Malaysia by implementing the National Fiberisation and Connectivity Plan ("**NFCP**") over the next 5 years which will provide comprehensive coverage of high speed and quality digital connectivity nationwide, include rural areas.
3. The allocation of RM11 million towards initiatives by the Ministry of Education in collaboration with Ministry of Environment, Science, Technology and Climate Change to

inculcate the Science, Technology and Innovation culture, encouraging more students into the fields of Science, Technology, Engineering and Mathematics.

(Source: 2020 Budget, Ministry of Finance)

Following the Economic Stimulus Package 2020 announcement on 27 February 2020, the Malaysian Communications and Multimedia Commission ("**MCMC**") announced the implementation of 6 projects, under the for the year 2020.

The 6 NFCP projects are aimed at improving digital connectivity throughout the country and the sum invested for these projects through the Universal Service Provision ("**USP**") Fund also serves to ensure sustained public investments into the industry. The total cost for these 6 projects is estimated to be RM3 billion and will be fully funded by the USP Fund, which is under the stewardship of MCMC. As announced on 27 February 2020, MCMC will accelerate the implementation of the infrastructure-based projects under the NFCP in line with the Economic Stimulus Package 2020.

(Source: MCMC)

6.4 Prospects of our Group

Our financial performance for the FYE 30 June 2019 was contributed mainly by the trading of ICT products. Our Board takes note of the growing prospects of the ICT industry in Malaysia based on, amongst other factors, the increasing value contributed by the industry to the GDP. However, despite this positive outlook, our ICT segment has been facing increasingly difficult challenges, as gross profit margins for this segment of our business has been low due to stiff competition and fluctuations in foreign currency exchange rates which resulted in a weakened RM. Thus, it has been the intention of the Board to further increase our Group's RE capacity and further invest into the RE business as it tends to earn relatively stable and better gross margins.

To this end, we intend to make a bid for RE quota with another collaborative partner for a solar RE project, as SEDA had on 28 May 2020 announced that it would open a competitive bidding process for Large Scale Solar (LSS) programme by Malaysia Electricity Industry to Attract Renewable Energy Investment (LSS@MenTARI) starting on 31 May 2020. However, we will not submit a bid the Project to be funded by the Rights Issue with Warrants as it is pending commencement of operations of RI's reference facility.

Premised on the outlook of the RE industry, notwithstanding the effects of the ongoing COVID-19 pandemic on the economy in Malaysia, there is no indication to suggest that the government of Malaysia will not continue with its existing RE plans and goals. Hence, the management of Vsolar believes that biomass RE will be a growing RE source in the Malaysia, and therefore takes a favourable view of our biomass RE joint venture in the long term, based on the increasing demand for RE as set out in the IMR Report.

The Rights Issue with Warrants will fund the joint venture as set out in Section 4, which is in line with our intention to further venture into the RE business, and to reduce the reliance on our existing core business of trading in ICT products by providing a stable long term source of income. Our management believes that the investment into the development of biomass RE plants is a more reliable and stable source of long term income compared to our other business segments, and will therefore be beneficial to Vsolar's future prospects.

(Source: Management of Vsolar)

7. EFFECTS OF THE RIGHTS ISSUE WITH WARRANTS

7.1 Share capital

The pro forma effects of the Rights Issue with Warrants on the share capital of Vsolar is set out below:

	[2]Minimum Scenario		Maximum Scenario	
	No. of Vsolar Shares	RM	No. of Vsolar Shares	RM
Existing issued and paid-up share capital	410,830,763	50,758,819	410,830,763	50,758,819
Assuming the maximum number of ESOS Options are fully granted and exercised	-	-	28,486,228	[3] [4]1,424,312
	410,830,763	**50,758,819**	**439,316,991**	**52,183,131**
To be issued pursuant to the Rights Issue with Warrants	273,333,333	8,200,000	1,317,950,973	39,538,529
Estimated expenses for the Rights Issue with Warrants	-	(850,000)	-	(850,000)
Provision for Warrants reserve	-	[1](2,261,538)	-	[1](11,904,163)
Enlarged share capital after Rights Issue with Warrants	**684,164,096**	**55,847,281**	**1,757,267,964**	**78,967,497**
Assuming share capital arising from:				
- Exercise of Warrants	182,222,222	5,466,667	878,633,982	[3]26,359,019
- Reversal of Warrants reserve	-	[1]2,261,538	-	[1]11,904,163
Enlarged share capital	**866,386,318**	**63,575,486**	**2,635,901,946**	**117,230,679**

Notes:

(1) Computed based on the issuance of 182,222,222 Warrants under the Minimum Scenario and 878,633,982 Warrants under the Maximum Scenario at a fair value of RM0.02 each, calculated using the Black-Scholes valuation model.

(2) Based on indicative issue price of RM0.03 per Rights Share and assuming 273,333,333 Rights Shares are issued.

(3) Assuming an exercise price of RM0.03 for the ESOS Options and Warrants.

(4) Assuming the grant and exercise of 28,486,228 ESOS Options at a fair value of RM0.02 each, calculated using the Black-Scholes valuation model.

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7.2 NA and gearing

Based on the audited consolidated statement of financial position of Vsolar as at 30 June 2019, the pro forma effects of the Rights Issue with Warrants on the NA and gearing of Vsolar and its subsidiaries are set out below:

Minimum Scenario

		(I)	(II)	(III)
	Audited as at 30 June 2019	**Adjusted for subsequent events**	**After the Rights Issue with Warrants**	**After (II) and and assuming full exercise of all ESOS Options and Warrants**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Share capital	48,126	[1]50,759	[2]55,168	[4]63,575
Warrant reserve	-	-	[2]2,940	[4]-
ESOS reserve	133	[1]-	-	-
Accumulated losses	(33,188)	(34,326)	[3](34,326)	(34,326)
Shareholders' funds/NA	**15,071**	**16,432**	**23,782**	**29,249**
Non-controlling interest	(717)	(717)	(717)	(717)
Total equity	**14,353**	**15,715**	**23,065**	**28,532**
No. of Vsolar Shares ('000)	386,068	410,831	684,164	866,386
NA per Vsolar Share (RM)	0.04	0.04	0.03	0.03
Interest bearing borrowings (RM'000)	112	112	112	112
Gearing	0.01	0.01	negligible	negligible

Notes:

(1) Adjusted for the exercise of 24,763,000 ESOS Options at an exercise price of RM0.055 per Option.

(2) A reserve of RM2,261,538 is provided for the issuance of 182,222,222 Warrants based on a fair value of RM0.02 each, calculated using the Black-Scholes valuation model.

(3) After deducting estimated expenses in relation to the Rights Issue with Warrants of RM850,000.

(4) Assuming the exercise of all 182,222,222 Warrants at the exercise price of RM0.03 each.

Maximum Scenario

		(I)	(II)	(III)	(IV)
	Audited as at 30 June 2019	**Adjusted for subsequent events**	**After (I) and adjusted for full exercise of ESOS Options**	**After (II) and the Rights Issue with Warrants**	**After (III) and assuming full exercise of Warrants**
	RM'000		**RM'000**	**RM'000**	**RM'000**
Share capital	48,126	[1]50,759	[4]52,183	[2][3]75,396	[5]117,231
Warrant reserve	-	-	-	[2]15,476	[5]-
ESOS reserve	133	[1]-	-	-	-
Accumulated losses	(33,188)	(34,326)	(34,896)	(34,896)	(34,896)
Shareholders' funds/NA	**15,071**	**16,432**	**17,287**	**55,976**	**82,335**
Non-controlling interest	(717)	(717)	(717)	(717)	(717)
Total equity	**14,354**	**15,715**	**16,570**	**55,259**	**81,618**
No. of Vsolar Shares ('000)	386,068	410,831	439,317	1,757,268	2,635,902
NA per Vsolar Share (RM)	0.04	0.04	0.04	0.03	0.03
Interest bearing borrowings (RM'000)	112	112	112	112	112
Gearing	0.01	0.01	0.01	negligible	negligible

Notes:

(1) Adjusted for the exercise of 24,763,000 ESOS Options at an exercise price of RM0.055 per option.

(2) A reserve of RM11,904,163 is provided for the issuance of 878,633,982 Warrants at a fair value of RM0.02 each, calculated using the Black-Scholes valuation model.

(3) After deducting estimated expenses in relation to the Rights Issue with Warrants of RM850,000.

(4) Assuming the grant and exercise of 28,486,228 ESOS Options at an exercise price of RM0.03 each and at a fair value of RM0.02 each, calculated using the Black-Scholes valuation model.

(5) Assuming the exercise of all 878,633,982 Warrants at the exercise price of RM0.03 each.

7.3 Substantial shareholders' shareholdings

The pro forma effect of the Rights Issue with Warrants on the shareholdings of our substantial shareholders is set out below:

Minimum Scenario

	As at LPD				(I) After the Rights Issue with Warrants				(II) Assuming full exercise of all Warrants			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%
Asiabio Capital	60,491	14.72	-	-	160,492	23.46	-	-	227,158	26.22	-	-
Fintech Global Berhad [(1)]	-	-	60,491	14.72	-	-	160,491	23.46	-	-	227,158	26.22

Maximum Scenario

	As at the LPD				(I) Assuming the Rights Issue with Warrants[(2)]				(II) After (I) and assuming full exercise of Warrants			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%
Asiabio Capital	60,491	14.72	-	-	241,966	13.77	-	-	362,950	13.77	-	-
Fintech Global Berhad [(1)]	-	-	60,491	14.72	-	-	241,966	13.77	-	-	362,950	13.77

Notes:

(1) Deemed interested by virtue of its shareholdings in Asiabio Capital.

(2) Assuming grant and exercise 28,486,228 ESOS Options prior to the Entitlement Date.

7.4 Earnings and EPS

The Rights Issue with Warrants is not expected to have any material effect on Vsolar's consolidated earnings for the FYE 30 June 2019. The Rights Issue with Warrants is expected to contribute to the future earnings of Vsolar and its subsidiaries due to the availability of additional funds for capital expenditure for the development of biomass RE plant and working capital as well as the expected earnings to be generated from the new biomass plants to be constructed using the proceeds from the Rights Issue with Warrants.

However, our EPS may be proportionately diluted as a result of the increase in the number of our Shares after the Rights Issue with Warrants. For illustrative purposes, based on our latest audited consolidated financial statements for the FYE 30 June 2019, the pro forma effects of the Rights Issue on the earnings and EPS of our Group as follows:

	Audited FYE 30 June 2019 RM'000	After the Rights Issue with Warrants Minimum Scenario RM'000	After the Rights Issue with Warrants Maximum Scenario RM'000
LAT attributable to owners of VSolar	(1,539)	(1,539)	(1,539)
Weighted average no. of Shares in issue ('000)(2)	380,935	654,268	1,704,044
No. of ESOS Options	5,158	-	-
No. of Warrants	-	182,222	878,634
Basic LPS (sen)	(0.40)	(0.24)	(0.09)
Diluted LPS (sen)(1)	(0.40)	(0.18)	(0.06)

Notes:

(1) Assuming the exercise of all Warrants.

(2) The weighted average number of shares for the audited FYE 30 June 2019 is weighted based on the number of outstanding VSolar Shares multiplied by the percentage of the reporting period for which that number of Shares applies to, throughout the financial year.

7.5 Convertible securities

As at the LPD, we have are no outstanding convertible securities issued.

8. WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES AND MATERIAL COMMITMENTS

8.1 Working capital and sources of liquidity

The Group's working capital is funded through cash generated from operating activities, credit extended by suppliers, credit facilities from financial institutions as well as the Group's existing cash and bank balances.

As at the LPD, we hold cash and bank balances of RM2.48 million and short-term deposits with licensed banks of RM0.8 million.

The Board confirmed that, after taking into consideration the funds generated from the Company's operations, the banking facilities available to the Group as well as the proceeds to be raised from the Rights Issue with Warrants, the Group will have sufficient working capital available for a period of 12 months from the date of this Abridged Prospectus.

8.2 Borrowings

As at the LPD, all of our Group's borrowings (all of which are short term and interest bearing, and are denominated in RM) are set out below:

	RM
Hire purchase agreement with Affin Bank Berhad dated 26 May 2015	18,628

Throughout the FYE 30 June 2019 and up to LPD, we did not default on payments of either interest or principal sums for any of our borrowings.

8.3 Material commitments

As at the LPD, the Board is not aware of any material commitment, incurred or known to be incurred, which may have a material impact on the results or financial position of the Vsolar group.

8.4 Contingent liabilities

Save as disclosed below, as at the LPD, the Board is not aware of any contingent liabilities, incurred or known to be incurred, which upon becoming enforceable, may have a substantial impact on the ability of the Vsolar Group to meet their obligations as and when they fall due:

Secured	**RM**
Corporate guarantee of Vsolar given to a licensed bank for credit facilities granted to our subsidiary, Fast Track Solution Sdn Bhd[(i)]	800,000

Note:

(i) As at the LPD, Fast Track Solution Sdn Bhd has not drawn down on these facilities.

8.5 Material transactions

Our Board confirms that save for the Rights Issue with Warrants and the joint venture Project as detailed in Appendix I, there are no other transactions which may have a material effect on our operations, financial position and results since the last audited consolidated financial statements of our Group for the FYE 30 June 2019.

9. INSTRUCTIONS FOR ACCEPTANCE, PAYMENT AND EXCESS APPLICATION

9.1 General

If you are an Entitled Shareholder, your CDS Account will be duly credited with the number of Provisional Allotment, which you are entitled to subscribe for in full or in part under the terms of the Rights Issue with Warrants. You will find enclosed with this Abridged Prospectus, the NPA notifying you of the crediting of such Provisional Allotment into your CDS Account and the RSF which is to be used for the acceptance of the Provisional Allotment, and for the application of any Excess Rights Shares with Warrants under Excess Application, should you wish to do so.

The outcome of the subscription of the Rights Issue with Warrants shall be announced after the Closing Date.

9.2 NPA

The provisional allotted Rights Shares with Warrants are prescribed securities pursuant to Section 14(5) of the SICDA and therefore, all dealings in the provisionally allotted Rights Shares with Warrants will be by book entries through CDS Accounts and will be governed by the SICDA, the Securities Industry (Central Depositories) (Amendment) Act, 1998 and the Rules of Bursa Depository. Entitled Shareholders and/or their renouncees (if applicable) are required to have valid and subsisting CDS Accounts when making their applications.

9.3 Last date and time of acceptance and payment

The last date and time for acceptance and payment for the Rights Shares with Warrants is on Wednesday, 1 July 2020 at 5.00 p.m., or such later date and time as may be determined and announced by our Board at their absolute discretion.

9.4 Methods of acceptance and application

You may subscribe for the Provisional Allotments as well as apply for Excess Rights Shares with Warrants, if you choose to do so, using either of the following methods:-

Method	Category of Entitled Shareholders
RSF	All Entitled Shareholders
e-Subscription	All Registered Entitled Shareholders

9.5 Procedure for full acceptance and payment

9.5.1 By way of RSF

Acceptance and payment for the Provisional Allotment to you as an Entitled Shareholder or your renouncee(s) (if applicable) must be made on the RSF enclosed with this Abridged Prospectus and must be completed in accordance with the notes and instructions contained in the RSF. Acceptances which do not conform to the terms of this Abridged Prospectus, NPA or RSF or the notes and instructions contained in these documents or which are illegible may not be accepted at the absolute discretion of our Board.

FULL INSTRUCTIONS FOR THE ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES WITH WARRANTS PROVISIONALLY ALLOTTED TO YOU AND/OR YOUR RENOUNCEE(S) (IF APPLICABLE), EXCESS APPLICATION FOR THE RIGHTS ISSUE WITH WARRANTS AND THE PROCEDURES TO BE FOLLOWED SHOULD YOU OR YOUR RENOUNCEE(S) (IF APPLICABLE) WISH TO SELL/TRANSFER ALL OR ANY PART OF YOUR/THEIR ENTITLEMENTS, ARE SET OUT IN THIS ABRIDGED PROSPECTUS AND THE ACCOMPANYING RSF.

YOU AND/OR YOUR RENOUNCEE(S) (IF APPLICABLE) ARE ADVISED TO READ THIS ABRIDGED PROSPECTUS, THE RSF AND THE NOTES AND INSTRUCTIONS THEREIN CAREFULLY.

You or your renouncee(s) (if applicable) accepting the provisionally allotted Rights Shares are required to complete Part I(a) and Part II of the RSF in accordance with the notes and instructions provided therein. Each completed RSF together with the relevant payment must be despatched by **ORDINARY POST** or **DELIVERED BY HAND** using the envelope provided (at your own risk) to our Share Registrar at the following address:

Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3
Bangsar South, No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Telephone number: 03-2783 9299
Facsimile number: 03-2783 9222

OR

Customer Service Centre
Unit G-3, Ground Floor
Vertical Podium, Avenue 3
Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

so as to arrive not later than 5.00 p.m. on 1 July 2020, being the last time and date for acceptance and payment, or such extended time and date as may be determined and announced by our Board.

1 RSF can only be used for acceptance of provisionally allotted Rights Shares with Warrants standing to the credit of 1 CDS Account. Separate RSFs must be used for the acceptance of provisionally allotted Rights Shares with Warrants standing to the credit of more than 1 CDS Account. If successful, Rights Shares with Warrants subscribed by you or your renouncee(s) (if applicable) will be credited into the respective CDS Accounts where the provisionally allotted Rights Shares with Warrants are standing to the credit.

A reply envelope is enclosed with this Abridged Prospectus. To facilitate the processing of the RSFs by our Share Registrar, you are advised to use 1 reply envelope for each completed RSF.

You and/or your renouncee(s) (if applicable) should take note that a trading board lot for the Rights Shares with Warrants will comprise 100 Rights Shares and 100 Warrants each respectively. Successful applicants of the Rights Shares will be given free attached Warrants on the basis of 2 Warrants for every 3 Rights Shares successfully subscribed for. The minimum number of securities that can be subscribed for or accepted is 3 Rights Shares for every 1 Vsolar Share held. However, the Warrants will be issued in the proportion of 2 Warrants for every 3 Rights Shares subscribed. Fractional entitlements arising from the Rights Issue with Warrants will be disregarded and dealt with by our Board as they may deem fit.

If acceptance and payment for the Rights Shares with Warrants provisionally allotted to you and/or your renouncee(s) (if applicable) is not received by the Share Registrar on 1 July 2020 by 5.00 p.m., being the last date and time for acceptance and payment, or such extended date and time as may be determined and announced by our Board at their discretion, you and/or your renouncee(s) (if applicable) will be deemed to have declined the provisional allotment made to you and/or your renouncee(s) (if applicable) and it will be cancelled.

Such Rights Shares with Warrants not taken up will be allotted to the applicants applying for Excess Rights Shares with Warrants, if the Rights Shares with Warrants are not fully taken up by such applicants. Proof of time of postage shall not constitute proof of time of receipt by the Share Registrar. Our Board reserves the right not to accept or to accept in part only any application without providing any reasons.

You or your renouncee(s) (if applicable) who lose, misplace or for any other reasons require another copy of the RSF may obtain additional copies from your stockbrokers, Bursa Securities' website (http://www.bursamalaysia.com), our Share Registrar at the address stated above or our Registered Office.

EACH COMPLETED RSF MUST BE ACCOMPANIED BY REMITTANCE IN RM FOR THE FULL AMOUNT IN THE FORM OF BANKER'S DRAFT(S), CASHIER'S ORDER(S), MONEY ORDER(S) OR POSTAL ORDER(S) DRAWN ON A BANK OR POST OFFICE IN MALAYSIA CROSSED "A/C PAYEE ONLY" AND MADE PAYABLE TO "VSOLAR RIGHTS ISSUE ACCOUNT" AND ENDORSED ON THE REVERSE SIDE WITH THE NAME, ADDRESS AND CDS ACCOUNT NUMBER OF THE APPLICANT IN BLOCK LETTERS TO BE RECEIVED BY OUR SHARE REGISTRAR.

APPLICATIONS ACCOMPANIED BY PAYMENT OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF OUR BOARD. DETAILS OF THE REMITTANCES MUST BE FILLED IN THE APPROPRIATE BOXES PROVIDED IN THE RSF.

NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR APPLICATION MONIES WILL BE MADE BY OUR COMPANY OR OUR SHARE REGISTRAR IN RESPECT OF THE RIGHTS ISSUE WITH WARRANTS. HOWEVER, IF YOUR APPLICATION IS SUCCESSFUL, A NOTICES OF ALLOTMENT WILL BE ISSUED AND DESPATCHED BY ORDINARY POST TO YOU OR YOUR RENOUNCEES (IF APPLICABLE) AT YOUR OWN RISK TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITARY WITHIN 8 MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS ISSUE WITH WARRANTS.

YOU SHOULD NOTE THAT THE RSF AND REMITTANCES SO LODGED WITH OUR SHARE REGISTRAR SHALL BE IRREVOCABLE AND CANNOT BE SUBSEQUENTLY WITHDRAWN.

WHERE AN APPLICATION IS NOT ACCEPTED OR ACCEPTED ONLY IN PART, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, SHALL BE REFUNDED WITHOUT INTEREST. THE REFUND WILL BE CREDITED DIRECTLY INTO YOUR BANK ACCOUNT IF YOU HAVE PROVIDED SUCH BANK ACCOUNT INFORMATION TO BURSA DEPOSITORY FOR THE PURPOSES OF CASH DIVIDEND/DISTRIBUTION. IF YOU HAVE NOT PROVIDED SUCH BANK ACCOUNT INFORMATION TO BURSA DEPOSITORY THE REFUND WILL BE BY ISSUANCE OF CHEQUE AND SHALL BE DESPATCHED TO YOU WITHIN 15 MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS ISSUE WITH WARRANTS BY ORDINARY POST TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITARY AT YOUR OWN RISK.

APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT.

ALL RIGHTS SHARES TO BE ISSUED PURSUANT TO THE RIGHTS ISSUE WILL BE ALLOTTED BY WAY OF CREDITING THE RIGHTS SHARES INTO THE CDS ACCOUNTS OF THE ENTITLED SHAREHOLDERS AND/OR THEIR RENOUNCEE(S) (IF APPLICABLE). NO PHYSICAL SHARE CERTIFICATES WILL BE ISSUED.

APPLICATIONS ACCOMPANIED BY PAYMENTS OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY OR MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRECTION OF OUR BOARD. DETAILS OF REMITTANCES MUST BE FILLED IN THE APPROCIATE BOXES PROVIDED IN THE RSF.

APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT. OUR BOARD RESERVES THE RIGHT NOT TO ACCEPT ANY APPLICATION OR TO ACCEPT ANY APPLICATION IN PART ONLY WITHOUT ASSIGNING ANY REASON.

9.5.2 By way of e-Subscription

Subsequent to the Entitlement Date, The Company will, at its discretion, authorise the Share Registrar to send an electronic notification to the Registered Entitled Shareholders. If you are a Registered Entitled Shareholder, you will be notified on the availability of e-Subscription for the Rights Issue with Warrants on TIIH Online website.

The e-NPA and the e-RSF are available to you upon your login to TIIH Online. You are advised to read the instructions as well as the terms and conditions of the e-Subscription.

The e-Subscription is only available to Entitled Shareholders who are individuals. Corporation or institutional Shareholders will have to complete the physical RSF for the application to the Rights Issue with Warrants as set out in **Section 9.5.1** above.

Individual Registered Entitled Shareholders who wish to subscribe for the Provisional Allotments and apply for Excess Rights Shares with Warrants by way of e-Subscription shall take note of the followings: -

(a) any e-Subscription received by the Share Registrar after the Closing Date for Acceptance, Excess Application and Payment shall be regarded as null and void and of no legal effect unless the Board in its absolute discretion determines otherwise. Any e-Subscription, once received by the Share Registrar from you, is irrevocable and shall be binding on you;

(b) you will receive notification to login to TIIH Online in respect of your shareholding in your CDS Account(s). Accordingly, for each CDS Account, you can choose to subscribe the Rights Shares with Warrants which you are entitled to in whole or part thereof as stipulated in this Abridged Prospectus;

(c) the e-Subscription made must be in accordance with the procedures of submitting e-Subscription using TIIH Online, the terms and conditions of e-Subscription, this Abridged Prospectus and the e-RSF. Any e-Subscription submitted that does not conform to the terms and conditions of TIIH Online, this Abridged Prospectus and the e-RSF may not be accepted at the sole discretion of The Company. The Company reserves the right at its absolute discretion to reject any e-Subscription which are incomplete or incorrectly completed;

(d) the number of Rights Shares with Warrants you are entitled to under the Rights Issue with Warrants is set out in the e-RSF. You are required to indicate the number of Rights Shares with Warrants you wish to accept and number of Excess Rights Shares with Warrants you wish to apply in the e-RSF;

(e) the e-Subscription must be accompanied by remittance in RM which is to be made through online payment gateway;

(f) a handling fee of **RM5.00 per e-RSF** is payable should you make e-Subscription. You will also need to pay a stamp duty of RM10.00 for each e-RSF; and

(g) the new Shares arising from the Rights Shares with Warrants accepted and Excess Rights Shares with Warrants applied (if successful pursuant to Procedure for Excess Rights Shares Application as stated in this Abridged Prospectus) will be issued and credited into your CDS Account as stated in the Record of Depositors as at the last date for transfer of Provisional Allotments.

All Entitled Shareholders who wish to opt for e-Subscription, either in full or in part of your Provisional Allotments, please read and follow the procedures set below: -

(i) Sign up as a user of TIIH Online

(a) Access TIIH Online at https://tiih.online.

(b) Sign up a user of TIIH Online under "e-Services". You may refer to the tutorial guide posted on the homepage for assistance.

(c) Registration will be approved within one working day by email.

(d) Proceed to activate your account by re-setting your password.

Note: An email address is allowed to be used once to register as a new user account, and the same email address cannot be used to register another user account. If you are already a user of TIIH Online, you are not required to sign up again.

(ii) Procedures to make e-Subscription

(a) Login to TIIH Online at https://tiih.online with your user name (i.e. your registered e-mail address) and password.

(b) Select the corporate exercise name: Vsolar Rights Issue with Warrants.

(c) Read and agree to the Terms & Conditions and confirm the Declaration.

(d) Preview your CDS Account details and your Provisional Allotments.

(e) Select the relevant CDS Account and insert the number of Rights Shares with Warrants to subscribe and the number of Excess Rights Shares with Warrants to apply (if applicable) in the e-RSF.

(f) Review and confirm the number of Rights Shares with Warrants which you are subscribing and the number of Excess Rights Shares with Warrants you are applying (if applicable) and the total amount payable for the Rights Shares with Warrants and Excess Rights Shares with Warrants (if applicable).

(g) Payment of stamp duty at RM10 for each e-RSF and handling fee of RM5 for each e-RSF will be included in the total amount payable.

(h) Proceed for payment via online payment gateway either through Maybank2U or any FPX participating bank which you have an internet banking account.

(i) As soon as the online payment is completed, a confirmation message with details of your subscription and payment from TIIH Online and the relevant payment gateway will be sent to your registered e-mail address.

(j) Print the payment receipt and your e-RSF for your reference and record.

(iii) Terms and conditions for e-Subscription

The e-Subscription of Rights Shares with Warrants and Excess Rights Shares with Warrants (if successful), shall be made on and subject to the terms and conditions appearing herein:-

(a) After login to TIIH Online, you are required to confirm and declare the following information given are true and correct:-

(i) you have attained 18 years of age as at the last day for subscription and payment;

(ii) you have, prior to making the e-Subscription, received a printed copy of this Abridged Prospectus and/or have had access to this Abridged Prospectus from Bursa Securities' website at www.bursamalaysia.com, the contents of which you have read and understood;

(iii) you agree to all the terms and conditions for the e-Subscription as set out in this Abridged Prospectus and have carefully considered the risk factors as set out in this Abridged Prospectus, in addition to all other information contained in this Abridged Prospectus, before making the e-Subscription application;

(b) you agree and undertake to subscribe for and to accept the number of Rights Shares with Warrants and Excess Rights Shares with Warrants applied (if applicable) for as stated in the e-RSF. Your confirmation of your subscription will signify, and will be treated as, your subscription of the number of Rights Shares with Warrants that may be allotted to you.

(c) by making and completing your e-Subscription, you, if successful, request and authorise Share Registrar or The Company to credit the Rights Shares with Warrants allotted to you into your CDS Account;

(d) you acknowledge that your e-Subscription is subject to the risks of electrical, electronic, technical, transmission, communication and computer-related faults and breakdowns, fires and other events beyond the control of The Company or the Share Registrar and irrevocably agree that if:-

(i) the Company or the Share Registrar does not receive your e-Subscription; or

(ii) data relating to your e-Subscription application is wholly or partially lost, corrupted or inaccessible, or not transmitted or communicated to the Share Registrar, you will be deemed not to have made an e-Subscription and you may not make any claim whatsoever against the Company or the Share Registrar for the Rights Shares with Warrants accepted and/or Excess Rights Shares with Warrants applied for or for any compensation, loss or damage relating to the e-Subscription.

(e) you will ensure that your personal particulars recorded with TIIH Online and Bursa Depository are correct. Otherwise, your e-Subscription may be rejected; you must inform Bursa Depository promptly of any change in address failing which the notification on the outcome of your e-Subscription will be sent to your address last maintained with Bursa Depository.

(f) by making and completing an e-Subscription, you agree that: -

(i) in consideration of the Company agreeing to allow and accept your e-Subscription for the Provisional Allotment and Excess Rights Shares with Warrants applied (if applicable), your e-Subscription is irrevocable and cannot be subsequently withdrawn; and

(ii) the Share Registrar will not be liable for any delays, failures or inaccuracies in the processing of data relating to your e-Subscription due to a breakdown or failure of transmission or communication facilities or to any cause beyond our control.

(g) the Share Registrar, on the authority of The Company, reserves the right to reject applications which do not conform to these instructions.

(h) notification on the outcome of your e-Subscription for the Rights Shares with Warrants and Excess Rights Shares with Warrants will be despatched to you by ordinary post to the address as shown in the Record of Depositors of The Company at your own risk within the timelines as follows: -

(i) successful application - a notice of allotment will be despatched within 8 Market Days from the last day for application and payment for the Rights Shares; or

(ii) unsuccessful/partially successful application - the full amount or the surplus application monies, as the case may be, will be refunded without interest within 15 Market Days from the last day of application and payment for the Rights Shares.

The refund will be credited directly into your bank account if you have provided such bank account information to Bursa Depository for the purposes of cash dividend/distribution. If you have not provided such bank account information to Bursa Depository the refund will be by issuance of cheque and sent by ordinary mail to your last address maintained with Bursa Depository at your own risk.

9.6 Procedure for part acceptance

You can accept part of your provisionally allotted Rights Shares with Warrants. The minimum number of securities that can be subscribed for or accepted is 3 Rights Shares. However, the Warrants will be issued in the proportion of 2 Warrants for every 3 Rights Shares subscribed.

You may refer to the procedures set out in **Sections 9.5.1** and **9.5.2** of this Abridged Prospectus.

YOU ARE ADVISED TO READ AND ADHERE TO THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN.

The portion of the Provisional Allotments that have not been accepted will be made available to applicants for excess applications.

9.7 Procedure for sale/transfer of provisional allotment of Rights Shares with Warrants

As the Provisional Allotment are prescribed securities, you and/or your renounce(s) (if applicable) may sell/transfer all or part of your entitlement to the Rights Shares with Warrants to 1 or more person(s) through your stockbrokers without first having to request for a split of the provisional allotted Rights Shares with Warrants standing to the credit of your CDS Accounts. To sell/transfer of all or part of your entitlement to the Rights Shares with Warrants, you and/or your renounce(s) (if applicable) may sell such entitlement in the open market or transfer to such persons as may be allowed pursuant to the rules of Bursa Depository. Please refer to **Sections 9.5.1** and **9.5.2** of this Abridged Prospectus for the procedures of acceptance and payment by way of RSF and e-Subscription.

In selling/transferring all or part of your Provisional Allotment, you and/or your renouncee(s) (if applicable) need not deliver any document including the RSF, to the stockbroker. However, you and/or your renouncee(s) (if applicable) must ensure that there is sufficient provisionally allotted Rights Shares with Warrants standing to the credit of your CDS Accounts that are available for settlement of the sale or transfer.

Purchasers or transferees of the Provisional Allotment may obtain a copy of this Abridged Prospectus and the RSF from their stockbrokers or from our Share Registrar, or at our Registered Office. This Abridged Prospectus and RSF are also available on Bursa Securities' website (http://www.bursamalaysia.com).

9.8 Procedure for acceptance by renouncees

Renouncees who wish to accept the provisionally allotted Rights Shares with Warrants must obtain a copy of the RSF from their stockbrokers, our Share Registrar, or at our Registered Office or from the Bursa Securities' website (http://www.bursamalaysia.com) and complete the RSF, submit the same together with the remittance in accordance with the notes and instructions printed therein.

Alternatively, you may login to https://tiih.online to subscribe for the Provisional Allotments by way of e-Subscription.

The procedure for acceptance and payment applicable to the Entitled Shareholders as set out in Section 9.5.1 and 9.5.2 of this Abridged Prospectus also applies to renouncees who wish to accept the provisionally allotted Rights Shares with Warrants.

RENOUNCEES ARE ADVISED TO READ, UNDERSTAND AND CONSIDER CAREFULLY THE CONTENT OF THIS ABRIDGED PROSPECTUS AND ADHERE TO THE NOTES AND INSTRUCTIONS CONTAINED IN THIS ABRIDGED PROSPECTUS AND THE RSF CAREFULLY.

9.9 Procedure for excess application

9.9.1 By Way of RSF

As an Entitled Shareholder, you and/or your renouncee(s) (if applicable) may apply for excess Rights Shares with Warrants in addition to the Provisional Allotment by completing Part I(b) of the RSF (in addition to Parts I(a) and II) and forward it (together with a **separate remittance** for the full amount payable in respect of the Excess Rights Shares with Warrants applied for) to our Share Registrar at the address set out above, so as to arrive not later than 5.00 p.m. on 1 July 2020, being the last time and date for acceptance and payment, or such extended time and date as may be determined by our Board.

Payment for the Excess Rights Shares with Warrants applied for should be made in the same manner set out in Section 3.4 of this Abridged Prospectus, except that the Banker's Draft(s), Cashier's Order(s), Money Order(s) or Postal Order(s) drawn on a bank or post office in Malaysia crossed **"A/C PAYEE ONLY"** and made payable to **"VSOLAR EXCESS RIGHTS ISSUE ACCOUNT"** and endorsed on the reverse side with the name, address and CDS Account Number of the applicant in block letters to be received by our Share Registrar.

Our Board reserves the right to allot the Excess Rights Shares with Warrants applied for under Part I(b) of the RSF, in a fair and equitable basis and in such manner as they in their absolute discretion deem fit and expedient in the best interest of our Company and that the intention of our Board as set out below are achieved. It is the intention of our Board to allot the Excess Rights Shares with Warrants in the following priority:

(i) firstly, to minimise the incidence of odd lots;

(ii) secondly, for allocation to Entitled Shareholders who have applied for Excess Rights Shares with Warrants, on a pro-rata basis and in board lot, calculated based on their respective shareholdings as at the Entitlement date;

(iii) thirdly, for allocation to Entitled Shareholders who have applied for Excess Rights Shares with Warrants, on a pro-rata basis based on the quantum of their respective Excess Rights Shares with Warrants application; and

(iv) fourthly, for allocation to transferee(s); and/or renouncee(s) who have applied for Excess Rights Shares with Warrants, on a pro-rata basis based on the quantum of their respective Excess Rights Shares with Warrants application.

Excess Rights Shares and Warrants will be allocated in the order of (i) to (iv), and any balance thereafter will be allocated in the same sequence until all Excess Rights Shares with Warrants are allotted. Nevertheless, our Board reserves the right to allot any Excess Rights Shares with Warrants applied for under Part 1 (b) of the RSF in such manner as it deems fit and expedient and in the best interest of our Company subject always to such allocation being made on a fair and equitable basis, and that the priority set out in (i)-(iv) are achieved. Our Board also reserves the right not to accept or to accept any application for Excess Rights Shares with Warrants, in full or in part, without assigning any reason.

NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR APPLICATION MONIES WILL BE MADE BY OUR COMPANY OR OUR SHARE REGISTRAR IN RESPECT OF THE EXCESS RIGHTS SHARES WITH WARRANTS. HOWEVER, IF YOUR APPLICATION IS SUCCESSFUL, A NOTICES OF ALLOTMENT WILL BE ISSUED AND DESPATCHED BY ORDINARY POST TO YOU AT YOUR OWN RISK TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS WITHIN 8 MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE EXCESS RIGHTS SHARES WITH WARRANTS.

YOU SHOULD NOTE THAT THE RSF AND REMITTANCES SO LODGED WITH OUR SHARE REGISTRAR SHALL BE IRREVOCABLE AND CANNOT BE SUBSEQUENTLY WITHDRAWN.

IN RESPECT OF UNSUCCESSFUL OR PARTIALLY SUCCESSFUL EXCESS RIGHTS SHARES WITH WARRANTS APPLICATIONS, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, SHALL BE REFUNDED WITHOUT INTEREST. THE REFUND WILL BE CREDITED DIRECTLY INTO YOUR BANK ACCOUNT IF YOU HAVE PROVIDED SUCH BANK ACCOUNT INFORMATION TO BURSA DEPOSITORY FOR THE PURPOSES OF CASH DIVIDEND/DISTRIBUTION. IF YOU HAVE NOT PROVIDED SUCH BANK ACCOUNT INFORMATION TO BURSA DEPOSITORY THE REFUND WILL BE BY ISSUANCE OF CHEQUE AND SHALL BE DESPATCHED TO YOU WITHIN 15 MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE EXCESS RIGHTS SHARES WITH WARRANTS BY ORDINARY POST TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITARY AT YOUR OWN RISK.

APPLICATIONS ACCOMPANIED BY PAYMENTS OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY OR MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRECTION OF OUR BOARD. DETAILS OF REMITTANCES MUST BE FILLED IN THE APPROCIATE BOXES PROVIDED IN THE RSF.

APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT. OUR BOARD RESERVES THE RIGHT NOT TO ACCEPT ANY APPLICATION OR TO ACCEPT ANY APPLICATION IN PART ONLY WITHOUT ASSIGNING ANY REASON.

9.9.2 By Way of e-Subscription

If you are an Entitled Shareholder and/or a renouncee/transferee who is an individual, you may apply for the Excess Rights Shares with Warrants via e-Subscription in addition to your Provisional Allotments. If you wish to do so, you may apply for the Excess Rights Shares with Warrants by following the same steps as set out in **Section 9.5.2** of this Abridged Prospectus.

The e-Subscription for Excess Rights Shares with Warrants will be made on, and subject to, the same terms and conditions appearing in **Section 9.5.2** of this Abridged Prospectus.

Any Provisional Allotment which are not taken up or not validly taken up by the Entitled Shareholders and/or their recouncee(s), if applicable, shall be made available for Excess Rights Shares with Warrants application. It is the intention of the Board to allot the Excess Rights Shares with Warrants, if any, on a fair and equitable basis and in the priority and basis as detailed in Section 9.9.1 above.

WHERE AN APPLICATION FOR THE EXCESS RIGHTS SHARES WITH WARRANTS IS NOT ACCEPTED OR IS ACCEPTED IN PART ONLY, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, SHALL BE REFUNDED WITHOUT INTEREST. THE REFUND WILL BE CREDITED DIRECTLY INTO YOUR BANK ACCOUNT IF YOU HAVE PROVIDED SUCH BANK ACCOUNT INFORMATION TO BURSA DEPOSITORY FOR THE PURPOSES OF CASH DIVIDEND/DISTRIBUTION. IF YOU HAVE NOT PROVIDED SUCH BANK ACCOUNT INFORMATION TO BURSA DEPOSITORY, THE REFUND WILL BE BY ISSUANCE OF CHEQUE AND SHALL BE DESPATCHED TO YOU BY ORDINARY POST TO THE ADDRESS SHOWN IN OUR RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY AT YOUR OWN RISK WITHIN 15 MARKET DAYS FROM THE LAST DATE FOR APPLICATION OF AND PAYMENT FOR THE EXCESS RIGHTS SHARES WITH WARRANTS.

9.10 Form of issuance

Bursa Securities has already prescribed our Shares listed on the ACE Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, the Rights Shares with Warrants are prescribed securities and as such, the Securities Industry (Central Depositories) Act, 1991, Securities Industry (Central Depositories) (Amendment) Act, 1998 and the rules of Bursa Depository shall apply in respect of the dealings in the said securities.

Failure to comply with the specific instructions or inaccuracy in the CDS Account number may result in the application being rejected.

No physical share or warrant certificates will be issued to you under the Rights Issue with Warrants. Instead, the Rights Shares with Warrants will be credited directly into your CDS Accounts. The notices of allotment will be issued and forwarded to you by ordinary post at your own risk to the address shown in the Record of Depositors within 8 Market Days from the last date for acceptance and payment of the Rights Issue with Warrants.

Any person who intends to subscribe for the Rights Shares with Warrants as a renouncee by purchasing the provisional allotment of Rights Shares with Warrants from an Entitled Shareholder will have his Rights Shares with Warrants credited directly as prescribed securities into his CDS Account.

The Excess Rights Shares with Warrants, if allotted to the successful applicant who applies for Excess Rights Shares with Warrants, will be credited directly as prescribed securities into his CDS Account.

9.11 Laws of foreign jurisdictions

This Abridged Prospectus, the NPA and the RSF have not been (and will not be) made to comply with the laws of any foreign jurisdiction and have not been (and will not be) lodged, registered or approved pursuant to or under any legislation (or with or by any regulatory authorities or other relevant bodies) of any foreign jurisdiction. The Rights Issue with Warrants will not be made or offered in any foreign jurisdiction.

Foreign Entitled Shareholders or their renouncees (if applicable) may only accept or renounce (as the case may be) all or any part of their entitlements and exercise any other rights in respect of the Rights Issue with Warrants only to the extent that it would be lawful to do so.

M&A Securities, our Company, our Board and officers and other experts would not, in connection with the Rights Issue with Warrants, be in breach of the laws of any jurisdiction to which that foreign Entitled Shareholders or their renouncees (if applicable) are or may be subject to. Foreign Entitled Shareholders or their renouncees (if applicable) shall solely be responsible to seek advice as to the laws of the jurisdictions to which they are or may be subject to. M&A Securities, our Company, our Board and officers and other experts shall not accept any responsibility or liability in the event that any acceptance or renunciation made by any foreign Entitled Shareholders or renouncees (if applicable), is or shall become unlawful, unenforceable, voidable or void in any such jurisdiction.

Accordingly, this Abridged Prospectus together with the accompanying documents will not be sent to the foreign Entitled Shareholders or their renouncees (if applicable) who do not have a registered address in Malaysia. However, such foreign Entitled Shareholders or their renouncees (if applicable) may collect the Abridged Prospectus including the accompanying documents from our Share Registrar, in which event our Share Registrar shall be entitled to request for such evidence as it deems necessary to satisfy itself as to the identity and authority of the person collecting the aforesaid documents.

The foreign Entitled Shareholders or their renouncees (if applicable) will be responsible for payment of any issue, transfer or any other taxes or other requisite payments due in such jurisdiction and we shall be entitled to be fully indemnified and held harmless by such foreign Entitled Shareholders or their renouncee(s) (if applicable) for any issue, transfer or other taxes or duties as such person may be required to pay. They will have no claims whatsoever against M&A Securities or us in respect of their rights and entitlements under the Rights Issue with Warrants. Such foreign Entitled Shareholders or their renouncee(s) (if applicable) should consult their professional advisers as to whether they require any governmental, exchange control or other consents or need to comply with any other applicable legal requirements to enable them to accept the Rights Issue with Warrants.

By signing any of the forms accompanying this Abridged Prospectus, the NPA, and the RSF, the foreign Entitled Shareholders or their renouncees (if applicable) are deemed to have represented, acknowledged and declared in favour of (and which representations, acknowledgements and declarations will be relied upon by) M&A Securities, our Company and our Board and officers and other experts that:

(i) we would not, by acting on the acceptance or renunciation in connection with the Rights Issue with Warrants, be in breach of the laws of any jurisdiction to which that foreign Entitled Shareholders or renouncees (if applicable) are or may be subject to;

(ii) they have complied with the laws to which they are or may be subject to in connection with the acceptance or renunciation;

(iii) they are not a nominee or agent of a person in respect of whom we would, by acting on the acceptance or renunciation, be in breach of the laws of any jurisdiction to which that person is or may be subject to;

(iv) they are aware that the Rights Shares with Warrants can only be transferred, sold or otherwise disposed of, or charged, hypothecated or pledged in accordance with all applicable laws in Malaysia;

(v) they have respectively received a copy of this Abridged Prospectus and have had access to such financial and other information and have been afforded the opportunity to pose such questions to the representatives of our Company and receive answers thereto as they deem necessary in connection with their decision to subscribe for or purchase the Rights Shares with Warrants; and

(vi) they have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing or purchasing the Rights Shares with Warrants, and are and will be able, and are prepared to bear the economic and financial risks of investing in and holding the Rights Shares with Warrants.

Persons receiving this Abridged Prospectus, NPA and RSF (including without limitation custodians, nominees and trustees) must not, in connection with the offer, distribute or send it into any jurisdiction, where to do so would or might contravene local securities, exchange control or relevant laws or regulations. If this Abridged Prospectus, NPA and RSF are received by any persons in such jurisdiction, or by the agent or nominee of such a person, he must not seek to accept the offer unless he has complied with and observed the laws of the relevant jurisdiction in connection herewith.

Any person who does forward this Abridged Prospectus, NPA and RSF to any such jurisdiction, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this section and we reserve the right to reject a purported acceptance of the Rights Shares with Warrants from any such application by foreign Entitled Shareholders or their renouncees (if applicable) in any jurisdiction other than Malaysia.

Our Company reserves the right, in its absolute discretion, to treat any acceptance of the Rights Shares with Warrants as invalid if it believes that such acceptance may violate any applicable legal or regulatory requirements in Malaysia.

10. TERMS AND CONDITIONS

The issuance of the Rights Shares with Warrants pursuant to the Rights Issue with Warrants is governed by the terms and conditions as set out in this Abridged Prospectus, the Deed Poll, the NPA and RSF enclosed herewith.

11. FURTHER INFORMATION

You are requested to refer to the attached appendices for further information.

Yours faithfully,
For and on behalf of the Board of
VSOLAR GROUP BERHAD

LEUNG KOK KEONG
EXECUTIVE CHAIRMAN

INFORMATION ON THE JOINT VENTURE PROJECT OF THE COMPANY

Our Company had on 8 August 2017 announced that it had entered into the JV Agreement with KRU, RI, Kenneth Lee Wai Tong ("**KL**") and the JV Company to develop the Project.

The JV Agreement entails a dilution of the then 100%-owned JV Company by Vsolar into a 60% owned subsidiary via the subscription of new ordinary shares in the JV Company by the JV Partners. The requirement for Vsolar to provide financial assistance to the JV Company is permitted under Rule 8.25 (1) of the ACE Market LR without the need for shareholders' approval.

The dilution of the Vsolar's shareholdings in the JV Company from 100% to 60% is a material dilution as defined under Rule 8.23 (2) of the ACE Market LR. However, as the JV Company is not a principal subsidiary (i.e. a subsidiary which accounts for 25% or more of the profit after tax) of Vsolar, the material dilution is not subject to the approval of the shareholders of Vsolar.

The profiles of KRU, RI and KL are as follows:

KRU Energy Asia Pte Ltd

KRU, a company incorporated in Singapore, is principally involved in the development of RE facilities. The shareholders of KRU as at the LPD are as follows:

Name	Nationality / Place of incorporation	No. of shares	%
JCS Invc Pte Ltd[1]	Singapore	556,822	55.13
Felix Ray Wylie Jr	American	55,682	5.51
James Drew Campbell	American	38,500	3.81
Global Investment Holdings Limited	British Virgin Island[2]	328,996	32.57
Oak Trust (Guernsey) Limited	Guernsey[2]	30,000	2.97
		1,010,000	**100.00**

Notes:

(1) JCS Invc Pte Ltd is 20% owned by Glowwide Pte Ltd[2], a company incorporated in the British Virgin Islands, and 80% owned by JCS Group Pte Ltd, a company incorporated in Singapore which is 100% owned by Yeo Hock Huat, a Singaporean national.

(2) The information on the shareholdings of these companies are not available.

KRU is responsible for providing the biomass RE expertise and supply all the major equipment and engineering required for the Project. KRU is not participating directly in the JV Company, but indirectly through its 45%-owned subsidiary, RI.

KRU together with other partners have built more than 30 operational plant-based RE facilities in Germany, Canada and is currently in the process of developing up to 50MW of RE facilities in Germany, India and Malaysia. Apart from the generation of RE, KRU's technologies also allow for its facilities to generate organic fertilizer and clean drinkable water, which are potential sources of secondary income for its facilities. KRU boasts more than 20 years of experience with RE technology to design, build and service biomass RE facilities with a focus on agriculture-based gas using several different species of feedstock. With respect to the Project, they have identified sorghum based on its resilience, high yield compared to other feedstock and Malaysian soil.

KRU is part of the JCS group of companies, a Singapore-based venture capitalist group that uses its own capital and resources to grow its portfolio companies with diverse businesses in RE, complex equipment, agro-technology, aerospace, logistics and medical devices. It is headquartered in Singapore and has subsidiaries in China, US, India, Malaysia, Thailand and Indonesia.

(Source: Management of KRU)

Rangkaian Iltizam Sdn Bhd

RI, a company incorporated in Malaysia under the Companies Act, 2016, is 45.8%-owned subsidiary of KRU (as KRU has management control of RI) and is the entity nominated by KRU from within the KRU group of companies to participate in the Project. RI is principally involved in the business of RE, organic fertiliser and clean water production. Pursuant to the JV Agreement, RI will be solely responsible for all operational and development aspects of the Project.

The shareholders of RI as at the LPD are:

Name	Nationality / Place of incorporation	No. of shares	%
KRU Energy Malaysia Sdn Bhd, a wholly owned subsidiary of KRU	Malaysia	1,375,000	45.83
AU Synergy Sdn Bhd[(1)]	Malaysia	1,475,000	49.17
MFI Capital Sdn Bhd[(2)]	Malaysia	150,000	5.00
		3,000,000	**100.00**

Notes:

(1) AU Synergy Sdn Bhd is 46.0% owned by Kamaruzaman Bin Kamarudin and 54.0% owned by Nur Zulaika Mizza Binti Abdullah, both of whom are Malaysians.

(2) MFI Capital Sdn Bhd is 23.1% owned by Adam Bin Mohamed Ilyas and 76.9% owned by Mohamed Fahmi Bin Mohamed Ilyas, both of whom are Malaysians.

Kenneth Lee Wai Tong

KL, a 61 year old Malaysian with residential address at No. 5 Jalan SS2/66, 47300 Petaling Jaya, Selangor, Malaysia is a retired lawyer. He is instrumental in the negotiations between the parties of the JV Agreement and is responsible as the liaison between KRU, RI and Vsolar. He also assists as a liaison between the JV Company with banks and other potential investors for the project, if needed.

He has over 34 years' experience in areas of business development, operations management, corporate planning, corporate finance, listings and initial public offerings, corporate restructuring, mergers and acquisitions in various industries. He is also experienced in providing litigation support to advocates and solicitors.

Salient terms of the JV Agreement.

1. Business of the JV Company

1.1 The JV Company shall be in the business of:

1.1.1 building, owning and operating the Project;

1.1.2 such other businesses as the shareholders may approve from time to time; and

1.1.3 generally, to perform all acts, matters and things as may be consistent with, necessary for and incidental to the attainment of any and all of the foregoing objects.

1.2 The Business of the JV Company shall be conducted in the best interests of the JV Company on sound commercial profit-making principles so as to generate the maximum achievable profits available for distribution and each of the Shareholders covenant and undertake to use all reasonable endeavors to promote the business of the JV Company.

2. Other commercial terms

2.1 Office space for the JV Company

Vsolar shall lease to the JV Company up to 1,000 square feet of office space (the "**Office Lease**") at the following address:

12th Floor, Menara Lien Hoe
No. 8 Persiaran Tropicana
Tropicana Golf & Country Resort
47410 Petaling Jaya, Selangor, Malaysia

2.2 The Office Lease shall commence on 17 July 2017(1) with the rental of RM3,500.00 per month, and shall subsist for the duration of this JV Agreement.

Note (1): For avoidance of doubt, the JV Company has yet to commence business. However, the Office Lease has already commenced since 17 July 2017 as the JV Company's employees require a workspace to do preliminary work such as conduct site surveys, site sourcing, financial modelling, engineering liaison with SEDA, farming site survey and administration of the applications to SEDA. As at LPD, the JV Company owes Vsolar a total of RM19,193.55 being the outstanding amount of the rental, and has relocated to the premises of RI for preliminary work.

2.3 The rental charges under the Office Lease shall be calculated at the rate of RM3.50 (Malaysian Ringgit Three Dollars and Fifty Sen) per square foot per month. For the avoidance of doubt, the rent accrued in any given month under the Office Lease shall be calculated based on the actual amount of office space used by the JV Company in that month.

2.4 The rental charges under the Office Lease shall not be immediately payable and shall instead accrue as a shareholder's loan from Vsolar to the JV Company ("**Shareholder Loan**"). The JV Company shall at its sole discretion decide when to repay the Shareholder Loan, provided that the full amount of the Shareholder Loan shall become immediately due and repayable upon the termination of the JV Agreement.

3. Microbes from Artisan Semesta Sdn Bhd ("**Artisan Semesta**")

3.1 The parties agree to test the unique microbe technologies and products of Artisan Semesta for suitability for use in the Business.

3.2 Should the tests of the microbe technologies and products of Artisan Semesta show positive results, RI shall consider using the said microbe technologies and products in its facilities in Malaysia.

4. Capital of the JV Company

Share Capital – Subscription for ordinary shares in the share capital of the JV Company ("**JV Share(s)**") by RI and KL

4.1 In reliance upon the representations and warranties given by Vsolar and the JV Company only as set out in Clause 4.2 below, and conditional upon the fulfilment of the condition precedent set out in Clause 4.3 below:

(i) RI shall subscribe for 3,500 ordinary shares at an issue price of RM1 each in the JV Company; and

(ii) KL shall subscribe for 500 ordinary shares at an issue price of RM1 per JV Share, for a total subscription amount of RM500.

4.2 Each of Vsolar and the JV Company represents and warrants to each of KRU, RI and KL that each of the following representations and warranties is true and accurate in all respects and is not misleading in any respect:

(i) As of the date of the JV Agreement, the JV Company had a total issued capital of RM2, with Vsolar, being the sole shareholder holding 2 ordinary shares;

(ii) As of the date of the JV Agreement, the JV Company has never had, and currently does not have, any shareholder(s) other than Vsolar(1).

Note (1): Subsequently, Vsolar, RI and KL had on 15 December 2017 subscribed for 5,998, 3500 and 500 Ordinary Shares respectively. Hence, the JV Company is now owned by Vsolar, RI and KL;

(iii) Immediately prior to the execution of the JV Agreement, the JV Company has never been a party to, and is not a party to, any contracts, agreements and/or arrangements of any nature whatsoever; and

(iv) As of the date of the JV Agreement, the JV Company has no accrued or potential liabilities or other exposures of any nature whatsoever.

4.3 The obligations of RI and KL to subscribe for Ordinary Shares pursuant to Clause 4.1 above are conditional upon Vsolar first subscribing for 5,998 Ordinary Shares at an issue price of RM1 each(1)(2), such that the JV Company has total share capital of RM6,000.

Note (1): This condition was met following Vsolar's subscription of 5,998 Ordinary Shares on 15 December 2017 via its internally generated funds.

Note (2): Following Vsolar's subscription of 5,998 Ordinary Shares on 15 December 2017, RI and KL have subscribed for 3,500 and 500 Ordinary Shares on the same day.

4.4 After the completion of the issuances of Ordinary Shares pursuant to Clauses 4.1 and 4.3 above, the total issued Ordinary Share capital of the JV Company and the shareholdings of the respective shareholders shall be as follows:

Shareholder	**Share capital (RM)**	**No. of ordinary shares**	**%**
Vsolar	6,000	6,000	60.0
RI	3,500	3,500	35.0
KL	500	500	5.0
Total	**10,000**	**10,000**	**100.0**

5. Working Capital – Subscription for Redeemable Preference Shares ("**RPS**") by Vsolar

5.1 Within 30 business days after the completion of the issuance of Ordinary Shares to RI and KL pursuant to Clause 4.1 above, Vsolar shall subscribe for 683,000 RPS at an issue price of RM1 each ("**RPS Issue Price**").

Note: The RPS are not secured. We intend to subscribe for the RPS using existing proceeds raised from the exercise of ESOS Options. As at LPD, Vsolar has subscribed for a total of 449,823 RPS for RM449,823. As at the LPD, the JV Company has incurred minimal administrative costs comprising mainly salaries in relation to the Project. Apart from these salaries, the amount raised via the issuance of the RPS is to be used by the JV Company as start-up costs for the Project. These start-up costs comprise mainly the start-up construction costs, farming land costs, salaries, plot testing and power system studies. However, apart from minimal salaries, these costs have yet to be incurred as at the LPD.

The salient terms of the RPS are as follows:

(i) Entitlement to cumulative preferential dividend

The preference shareholders are entitled to receive a cumulative preferential cash dividend ("**Preferential Dividend(s)**") payable in RM. Preferential Dividends are cumulative and shall accrue from day to day at the fixed rate of 5% per annum.

(ii) Preferential Dividends at Board's discretion

The board of directors of the JV Company shall have the sole discretion regarding the declaration or payment of any Preferential Dividend(s). No Preferential Dividend or any part thereof shall become due or payable on any dividend date unless the board of directors of the JV Company has declared or resolved to distribute such Preferential Dividend with respect to that dividend date. At this juncture, the Preferential Dividends are expected to be paid annually.

(iii) Optional redemption

The RPS are perpetual securities with no fixed final date of redemption. The JV Company shall have the option to redeem at any time, in whole or in part, the RPS in cash at 100% of the RPS issue price together with any accrued but unpaid Preferential Dividend(s) (whether or not declared), in whole or in part, at any time for the time it is being issued and outstanding. The RPS may only be redeemed out of the distributable profits of the JV Company.

(iv) Dividend stopper

The JV Company shall not declare or pay any dividends or other distributions in respect of the shareholders until such arrears of accumulated Preferential Dividends have been paid in full and the RPS have been redeemed in full.

(v) Rights upon liquidation

In the event of the commencement of any dissolution, winding up or otherwise liquidation of the JV Company before full redemption of the RPS, the RPS shall rank senior to the shareholders. On such dissolution or winding up, each RPS shall be entitled to receive in cash payment of the full Issue Price amount.

(vi) Rights to participate in surplus profits and/or assets

Save as disclosed in (v) above, the RPS shall not confer any right and claim as regards participation in the surplus profits and/or assets of the JV Company.

(vii) Voting rights

The RPS holders shall not be entitled to attend and vote at general meetings of the JV Company save and except as provided for in the Act.

(viii) Non-convertible

The RPS are non-convertible securities.

(ix) In the event the RPS are not redeemed upon the termination of the JV Agreement, RI agrees to procure the transfer of 10% of RI's share capital to Vsolar at a nominal consideration of RM1.

6. Construction Capital

6.1 Upon the issuance of certificate from SEDA, the Energy Commission or other approval from a relevant authority permitting the JV Company to sell electricity (whether to TNB or otherwise), Vsolar shall, on a best effort basis, provide and/or procure the provision to the JV Company of all financing required for the construction of and working capital for the Project.

Note: This financing is in addition to the subscription of the RPS by Vsolar under Clause 5 above, which is intended to be used for the initial working capital of the JV Company. At this juncture, the Board expects that Vsolar will provide such financing using the proceeds from the Rights Issue with Warrants. In the event the proceeds from the Rights Issue with Warrants is insufficient for such financing, the shortfall shall be covered via bank borrowings to be obtained. Should the funding from the Rights Issue with Warrants not materialise or is insufficient, the Group intends to fund the shortfall via internally generated funds or bank borrowings. Should these funding methods be insufficient, the Board may consider further equity offerings such as private placements. Ultimately, should all avenues not materialise, the Project cannot be implemented. For avoidance of doubt, the aforementioned avenues of financing to be undertaken by the Group are concurred by the shareholders of the JV Company as the best efforts by Vsolar to obtain financing.

6.2 All financing provided and/or procured by Vsolar pursuant to Clause 6.1 above shall be in the form of debt owed by the JV Company only.

6.3 For the avoidance of doubt, the obligation provided for under Clause 6.1 above shall not arise unless and until the SEDA certificate and/or certificate by the Energy Commission for the Project has been issued.

Note: The terms of the financing such as the interest rate, security, terms of repayment, and tenure of the financing have yet to be finalised. At this juncture, the Board expects that Vsolar will provide such financing in the form of a shareholder's loan. In terms of security, Vsolar is entitled to purchase RI's shareholdings in the JV Company for RM1 in the event the Project is not successfully commissioned within 2 years from the date of the JV Agreement, as provided under Clause 7.2.2 below. The plant's capacity may be progressively increased after operations up to 10MW.

7. Certain Options Granted by Vsolar and RI

7.1 Call option granted by Vsolar to KRU

7.1.1 Subject to Clause 7.1.2 below, Vsolar hereby irrevocably and exclusively grants to KRU a call option(1) with no expiration date to purchase from Vsolar such number of shares in the JV Company constituting up to 30% of equity interest in the JV Company at a valuation to be calculated using the formula set out below:

(a) 150% of the NA value of the JV Company; or
(b) 500% the PAT of the JV Company,

whichever is higher, in each case calculated based upon the latest audited financial statements of the JV Company. An announcement will be made and shareholders' prior approval will be sought, if required.

Note (1): The call option was granted on the same day as the date of the JV Agreement.

7.1.2 The call option provided for under Clause 7.1.1 above may only be exercised by KRU upon the fulfillment of the following conditions precedent:

(i) all Preferential Dividends accrued in relation to the RPS have been paid in full by the JV Company;

(ii) the RPS have been redeemed in full by the JV Company;

(iii) the Shareholder Loan has been repaid in full by the JV Company;

(iv) all other debts owed to Vsolar and/or any Shareholder by the JV Company have been repaid in full; and

(v) the Project has been successfully commissioned.

7.2 Call option granted by RI to Vsolar

7.2.1 Subject to Clause 7.2.2 below, RI hereby irrevocably and exclusively grants to Vsolar a call option(1) with no expiration date to purchase from RI all the Shares held by RI in the JV Company at a nominal consideration of RM1.

Note (1): The call option was granted on the same day as the date of the JV Agreement.

7.2.2 The call option provided for under Clause 7.2.1 above may only be exercised by Vsolar in the event that:

(i) the Project is not successfully commissioned within 2 years from the date of the JV Agreement; or

(ii) the Project is not successfully commissioned before the termination of the JV Agreement, provided that this Clause 7.2.2 shall cease to have effect from the moment that Vsolar no longer holds any RPS for any reason whatsoever.

Note: Although the Project has yet to be commissioned within 2 years from the JV Agreement, Vsolar has elected not to exercise the call option, after considering that RI has made progress, having completed the development of its RE facility, which is to be used as a reference for the development of the Project.

8. Management of the JV Company

8.1 Operations and Project Development

Project implementation and engagement of all staffs, employees, agents and consultants is to be determined and managed by RI for the purposes of facilitating the business of JV Company.

8.2 Financial Management

The financial management and accounting functions of the JV Company (including but not limited to all payments and receipts) shall be determined and/or managed solely by Vsolar, provided that all payments and expenditures provided for in the start up budget[(1)] for the Project shall be approved by Vsolar. In particular, all of the JV Company's bank accounts and banking facilities (including all issuance of cheques) are to be operated by representatives of Vsolar only.

Note (1): The start-up budget for the Project, which was appended as an appendix to the JV Agreement, was prepared by RI and KRU and agreed by Vsolar. Based on the said budget, the total start-up cost of the Project is estimated to be RM683,600, which is approximately the nominal value of the RPS to be subscribed by Vsolar.

9. Composition of the board of directors of the JV Company ("**JV Board**")

9.1 Constitution of the JV Board

9.1.1 The JV Board shall at all times consist of 3 Directors.

9.1.2 Whilst Vsolar holds the majority of Shares in the JV Company, the JV Board shall comprise of:

(i) 2 persons nominated by Vsolar; and

(ii) 1 person nominated by KRU.

9.1.3 Once Vsolar no longer holds the majority of Shares in the JV Company (whether as a result of the exercise of the Call Option provided for under Clause 7.1 or otherwise), the JV Board shall comprise of:

(i) 2 persons nominated by KRU; and

(ii) 1 person nominated by Vsolar.

10. Decision Making in JV Company

Subject always to the Companies Act 2016, all decision making in JV Company, whether by the JV Board or the shareholders shall be by the way of majority save for the reserved matters in the JV Agreement.

11. Special Covenants

11.1 Settlements of Accruals

All the accruals including rental payable for the office space provided by Vsolar is to be settled in full by JV Company before any distribution of dividends by JV Company.

11.2 Engineering, Procurement and Construction

The engineering, procurement and construction of the plant is to be undertaken by the JV Company who will serve as the main contractor to build and construct the biomass RE plant. However, KRU shall supply to JV Company all major equipment and engineering.

12. Others Terms & Conditions

In consideration for Vsolar subscribing to the RPS, RI undertakes to procure the transfer of up to 10% of the share capital of RI to Vsolar at a nominal consideration of RM1.00 in the event that the RPS is not redeemable before the expiry or termination of the Agreement.

13. Duration

The Agreement shall take effect from 8 August 2017 and shall remain in full force and effect between the parties so long as the Shareholders continue to hold shares in the JV Company.

14. Termination

14.1 If a Shareholder (the "Defaulting Shareholder"):-

(i) commits a material breach of its obligations under the JV Agreement which, if capable of cure, has not been cured within a period of 30 days after a written notice requiring the breach to be cured has been given to the Defaulting Shareholder;

(ii) is subject to any proceeding under any applicable bankruptcy or insolvency law and such proceeding continues undischarged for a period of 30 days;

(iii) has an order of a court having jurisdiction over it entered against it adjudicating it a bankrupt or insolvent;

(iv) assign to its creditors all or substantially all of its property, admit in writing its inability to pay its debts, or consent to the appointment of a receiver, liquidator, trustee, curator or assignee in bankruptcy or insolvency;

(v) goes into voluntary liquidation or otherwise than for the purpose of reconstruction or amalgamation or an order of court shall be made for its compulsory liquidation; or

(vi) has a provisional liquidator, judicial manager, receiver or manager appointed in respect of the whole of its undertaking, property or assets or a material part thereof,

then anyone or more of the other Shareholders shall be entitled to serve a notice of termination upon such Defaulting Shareholder and the Defaulting Shareholder shall thereafter cease to be a Party for the purposes of this Agreement.

14.2 The JV Agreement may be terminated at any time by the written agreement of all the Shareholders.

14.3 The JV Agreement shall automatically terminate upon the dissolution of the Vsolar in a winding up or liquidation, whether voluntary or otherwise.

14.4 Upon any Shareholder ceasing to hold any shares in the JV Company as a consequence of a transfer of shares conducted in accordance with Clause 11 of the JV Agreement, it shall cease to be a Party for the purposes of the JV Agreement, and shall take all necessary steps to ensure the removal of the Director it has appointed to the JV Company and return any confidential information to the relevant parties to the JV Agreement.

INFORMATION ON OUR COMPANY

1. BOARD OF DIRECTORS

The details of our Board are set out below:

Name *(Designation)*	Age	Address	Nationality
Leung Kok Keong *(Executive Director)*	53	1, Elitis Palma Valencia, 47000 Sungai Buloh Selangor Darul Ehsan	Malaysian
Abdul Menon Bin Arsad @ Abdul Manan Bin Arshad *(Independent Non-Executive Director)*	73	No. 12, Jalan Ubin U8/19D Bukit Jelutong 40150 Shah Alam Selangor Darul Ehsan	Malaysian
Ng Chee Kin *(Independent Non-Executive Director)*	51	No. 26, Jalan Hujan Abu 4 O.U.G. 58200 Kuala Lumpur Wilayah Persekutuan (KL)	Malaysian
Chuah Hoon Hong *(Independent Non-Executive Director)*	34	2-1, Lagenda Mas Villa Lot 156, Jalan Matang 3 Taman Sri Kuching 51200 Kuala Lumpur Wilayah Persekutuan (KL)	Malaysian

As at the LPD, our Directors do not have any direct or indirect interests in our Company.

2. SHARE CAPITAL

As at the LPD, our issued share capital is RM50,758,819 comprising 410,830,763 Vsolar Shares.

3. HISTORICAL SHARE PRICES

The monthly highest and lowest prices of Vsolar Shares as traded on Bursa Securities for the past 12 months are as follows:

	Low (RM)	High (RM)
2019		
June	0.195	0.160
July	0.245	0.170
August	0.195	0.125
September	0.140	0.060
October	0.090	0.050
November	0.065	0.050
December	0.055	0.040
2020		
January	0.050	0.035
February	0.045	0.030
March	0.035	0.015

	Low (RM)	**High (RM)**
2020 (cont'd)		
April	0.045	0.020
May	0.045	0.035

The last transacted price of Vsolar Shares on 5 December 2019, being the market day immediately preceding the announcement of the Rights Issue with Warrants is RM0.05 per share.

The last transacted price of Vsolar Shares as at the LPD was RM0.05 per Share.

(Source: M&A Securities)

4. OPTION TO SUBSCRIBE FOR SHARES

As at the date of this Abridged Prospectus, save for the Entitled Shareholders who will be provisionally allotted the Rights Shares together with Warrants under the Rights Issue with Warrants and ESOS Options that may be granted, no person has been or is entitled to be given an option to subscribe for any shares, stocks or debentures of our Company or our subsidiaries as of the date of this Abridged Prospectus.

5. MATERIAL CONTRACTS

Save as disclosed as below, as at the LPD, neither Vsolar nor its subsidiaries has entered into any contracts which are or may be material, not being contracts entered into in the ordinary course of business, during the past 2 years preceding the date of this Abridged Prospectus:

(i) the Deed Poll;

(ii) the Underwriting Agreement;

(iii) the joint venture agreement referred to in Appendix I;

(iv) Cube World Sdn Bhd ("**CWSB**"), our wholly owned-subsidiary had on 18 April 2019 entered into a Collaboration Agreement with PB Control Limited ("**PB**") whereby CWSB and PB have agreed to enter into the Collaboration Agreement to examine the viability of establishing a production facility in Malaysia for the manufacture of a line of heavy-duty fast charges and its related range of electric vehicle solutions and to supply, install and commission industrial electrical charging system or infrastructure at various in-bound logistics terminals in China; and

(v) Solar Interactive Sdn Bhd ("**SISB**"), our wholly-owned subsidiary had on 4 September 2019 entered into a strategic alliance and collaboration agreement with Genbayu Gemilang Sdn Bhd ("**Genbayu**") whereby Genbayu and SISB have agreed to collaborate in the development of a solar RE generation facility by utilising Genbayu's land bank measuring approximately 121.4 hectares located at Mukim Setul, Seremban, Negeri Sembilan.

6. MATERIAL LITIGATION

As at the LPD, to the best knowledge of our Board, neither Vsolar nor its subsidiaries are engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and our Board has no knowledge of any proceedings pending or threatened against Vsolar and its subsidiaries or of any facts likely to give rise to any proceeding which may materially and adversely affect the financial position or business of Vsolar and its subsidiaries.

7. KEY FINANCIAL INFORMATION

7.1 Historical financial performance

	Audited			Unaudited	
	FYE 30 June 2017 RM'000	**FYE 30 June 2018 RM'000**	**FYE 30 June 2019 RM'000**	**FPE 31 December 2018 RM'000**	**FPE 31 December 2019 RM'000**
Revenue	1,716	2,155	2,989	1,142	1,043
Cost of sales	(1,348)	(1,667)	(2,154)	(796)	(599)
Gross profit	**368**	**488**	**835**	**346**	**444**
Other operating income	770	808	434	35	22
Administration expenses	(5,017)	(3,088)	(2,805)	(1,020)	(2,404)
Finance costs	(18)	(11)	(8)	(4)	(7)
LBT	**(3,897)**	**(1,803)**	**(1,544)**	**(643)**	**(1,945)**
Taxation	(5)	-	(26)	-	-
LAT	**(3,892)**	**(1,803)**	**(1,570)**	**(643)**	**(1,945)**
Loss attributable to:-					
-Owners of the Company	(3,701)	(1,621)	(1,539)	(608)	(1,914)
-Non-controlling interest	(191)	(182)	(31)	(35)	(31)
Gross profit margin (%)	21.45	22.65	27.94	30.30	42.57
LAT margin (%)	(227.07)	(83.67)	(52.52)	(56.30)	(186.48)
Weighted average no. of Shares in issue ('000)	333,850	380,935	380,935	380,935	380,935
LPS					
-basic (sen)	(1.11)	(0.43)	(0.40)	(0.16)	(0.50)
-diluted (sen)	-[(1)]	(0.40)	(0.38)	(0.15)	(0.48)
Dividend (sen)	-	-	-	-	-

Note:

(1) There was no dilution in the LPS as the exercise price of the Warrants exceeded the average market price of ordinary shares during the financial year.

Overview of our financial performance for FYE 30 June 2018 compared to FYE 30 June 2017

The following table sets out the fluctuations in our financial performance:

	Audited			
	FYE 30 June 2017 RM'000	FYE 30 June 2018 RM'000	Variance RM'000	%
Revenue	1,716	2,155	439	25.6
Gross profit	368	488	120	32.6
Loss after tax	(3,892)	(1,803)	2,089	(53.7)

The Group's revenue for FYE 30 June 2018 is RM2.16 million, representing an increase of RM0.44 million or approximately 25.6% compared to the preceding year of RM1.72 million. The increase in revenue was primarily due to higher contribution from the trading in ICT products such as motherboard, rack mount and tower server, amounting to approximately RM1.3 million and further complimented by the revenue generated from the sale of electricity to of RM0.4 million. The gross profit for FYE 30 June 2018 is RM0.49 million, representing an increase of RM0.12 or 32.6% compared to the preceding year of RM0.37 million. This is mainly due to a full year's contribution from our RE segment compared to the previous financial year where operations only began in late 2016.

The Group recorded a loss after tax of RM1.80 million for FYE 30 June 2018 as compared to loss after tax of RM3.89 million for the preceding year, representing an improvement of RM2.09 million or 53.7%. The decrease is mainly due to a one-off expense being share-based payment under our ESOS in FYE 30 June 2017.

Overview of our financial performance for FYE 30 June 2019 compared to FYE 30 June 2018

The following table sets out the fluctuations in our financial performance:

	Audited			
	FYE 30 June 2018 RM'000	FYE 30 June 2019 RM'000	Variance RM'000	%
Revenue	2,155	2,989	834	38.7
Gross profit	488	835	347	71.1
Loss after tax	(1,803)	(1,570)	233	12.9

The Group's revenue for FYE 30 June 2019 is RM2.99 million, representing an increase of RM0.83 million or approximately 38.7% compared to the preceding year of RM2.16 million. The increase in revenue was primarily due to higher sales of server and security products to our distributor customers whom required newer and upgraded products. The gross profit for FYE 30 June 2019 is RM0.84 million, representing an increase of RM0.35 million or 71.1% compared to the preceding year of RM0.49 million. This is mainly due to increased revenue contribution of approximately RM0.3 million from our RE segment which generate better gross margins.

The Group recorded a loss after tax of RM1.6 million for FYE 30 June 2019 as compared to loss after tax of RM1.8 million for the preceding year, representing an improvement of RM 0.23 million or 12.9%. Overall, the decrease in LAT was mainly due to the higher gross profits generated from our RE segment. Additionally, the Group incurred lower operating expenses of RM0.28 million mainly due to staff departure.

Further, the Group recorded lower other income, which comprises mainly the write back of payables in animation and film amounting to RM0.3 million, compared to the previous financial year where we recorded a reversal of RM0.7 million of impairment losses on several work-in-progress items.

Overview of our financial performance for FPE 31 December 2019 compared to FPE 31 December 2018

The following table sets out the fluctuations in our financial performance:

	Unaudited FPE 31 December 2018 RM'000	FPE 31 December 2019 RM'000	Variance RM'000	Variance %
Revenue	1,142	1,043	(99)	(8.7)
Gross profit	346	444	98	28.3
Loss after tax	(643)	(1,945)	(1,302)	(202.5)

The Group's revenue for FPE 31 December 2019 is RM1.04 million, representing a decrease of RM0.1 million or approximately 8.67% compared to preceding year of RM1.14 million. The decreased in revenue was primarily due lower contribution from the trading in ICT products such as motherboard, rack mount and tower server. However, the gross profit for FPE 31 December 2019 is RM0.44 million, representing an increase of RM0.09 or 28.3% compared to the preceding year of RM0.35 million. This is mainly due to more contribution from our RE segment which garners higher gross profit margins.

The Group recorded a loss after tax of RM1.95 million for FPE 31 December 2019 as compared to loss after tax of RM0.64 million for the preceding year, representing an increase of RM1.30 million or 202.49%. The increase is mainly due to a one-off expense being share-based payment under our ESOS.

7.2 Historical financial position

	Audited as at 30 June 2017 RM'000	Audited as at 30 June 2018 RM'000	Audited as at 30 June 2019 RM'000	Unaudited as at 31 December 2019 RM'000
Non-current assets	11,482	10,957	11,030	10,924
Current assets	6,051	6,284	5,200	5,687
Total assets	**17,533**	**17,241**	**16,230**	**16,611**
Share capital	45,993	48,126	48,126	50,759
Warrant reserve	4,042	-	-	-
ESOS reserve	543	543	543	133
Accumulated losses	(33,853)	(32,059)	(33,598)	(35,102)
Total equity attributable to owners of the Company	16,725	16,610	15,071	15,790
Non-controlling interest	(509)	(687)	(718)	(748)
Total equity	**16,216**	**15,923**	**14,353**	**15,042**

	Audited as at 30 June 2017 RM'000	Audited as at 30 June 2018 RM'000	Audited as at 30 June 2019 RM'000	Unaudited as at 31 December 2019 RM'000
Non-current liabilities	240	135	26	275
Current liabilities	1,077	1,182	1,851	1,294
Total liabilities	**1,317**	**1,317**	**1,877**	**1,569**
Total equity and liabilities	**17,533**	**17,240**	**16,230**	**16,611**

Historical cash flows

	Audited FYE 30 June 2017 RM'000	Audited FYE 30 June 2018 RM'000	Audited FYE 30 June 2019 RM'000	Unaudited FPE 31 December 2018 RM'000	Unaudited FPE 31 December 2019 RM'000
Net cash from/(used in)					
Operating activities	(2,081)	(1,680)	(813)	210	(2,068)
Investing activities	(17)	(247)	(1,485)	(1,364)	(474)
Financing activities	3,868	(597)	688	(56)	2,401
Net increase/ (decrease) in cash and cash equivalent	**1,770**	**(2,524)**	**(1,610)**	**(1,210)**	**(141)**
Cash and cash equivalents at beginning of the year / period	2,962	4,733	2,208	2,209	598
Cash and cash equivalents at end of the year / period	**4,733**	**2,209**	**598**	**999**	**457**

7. WRITTEN CONSENTS

The written consents of the Principal Adviser, Underwriter, Share Registrar, Independent Market Researcher and the Solicitors for the Rights Issue with Warrants to the inclusion in this Abridged Prospectus of their names in the form and context in which they appear have been given before issuance of this Abridged Prospectus and have not subsequently been withdrawn.

The written consent of the Reporting Accountants to the inclusion in this Abridged Prospectus of their names and letter relating to the pro forma consolidated statement of financial position of our Company and subsidiaries as at 30 June 2019, in the form and context in which they appear have been given before the issuance of this Abridged Prospectus and have not subsequently been withdrawn.

8. DOCUMENTS FOR INSPECTION

Copies of the following documents are made available for inspection at our Registered Office at No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur during normal business hours from Monday to Friday (except public holidays) for a period of 12 months from the date of this Abridged Prospectus:

(i) Our Memorandum and Articles of Association;

(ii) The pro forma consolidated statement of financial position of our Company and subsidiaries as at 30 June 2019 together with the notes and Reporting Accountants' letter thereon as set out in **Appendix III of this Abridged Prospectus**;

(iii) The Deed Poll;

(iv) The consent letters referred to in **Section 8 of this Appendix**;

(v) The letters in relation to the Undertaking as referred to in **Section 2.5 of this Abridged Prospectus**;

(vi) The IMR Report; and

(vii) The material contracts referred to in **Section 5 of this Appendix**.

9. RESPONSIBILITY STATEMENT

This Abridged Prospectus together with its accompanying documents have been seen and approved by our Board and they collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after having made 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 false or misleading.

M&A Securities, being the Principal Adviser for the Rights Issue with Warrants, acknowledges that, based on all available information and to the best of its knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts concerning this Rights Issue with Warrants.

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITON OF VSOLAR AND ITS SUBSIDIARIES AS AT 30 JUNE 2019 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON

(Prepared for inclusion in this Abridged Prospectus)

ONG & WONG
CHARTERED ACCOUNTANTS
MALAYSIA
(AF 0241)

UNIT C-20-5, Block C, 20th Floor, Megan Avenue II, 12, Jalan Yap Kwan Seng, 50450 Kuala Lumpur.
TEL : 6 (03)-2161 1000, 6 (03)-2166 3122 FAX : 6 (03)-2166 9131
Website : www.malaysiaaccountant.com

Date: 28 May 2020

The Board of Directors
VSOLAR GROUP BERHAD
13-3, 13th Floor, Menara Lien Hoe
8, Persiaran Tropicana
Tropicana Golf & Country Resort
47410 Petaling Jaya, Selangor

Dear Sirs,

VSOLAR GROUP BERHAD ("Vsolar" OR "Company")
REPORT ON THE COMPILATION OF PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2019

We have completed our assurance engagement to report on the compilation of Proforma Consolidated Statements of Financial Position of Vsolar and its subsidiaries (the "Group") as at 30 June 2019 for which the Directors are solely responsible. The Proforma Consolidated Statements of Financial Position consist of the Proforma Consolidated Statements of Financial Position as at 30 June 2019 together with the accompanying notes thereon (which we have stamped for the purpose of identification), as set out in the accompanying statements. The applicable criteria on the basis of which the Directors have compiled the Proforma Consolidated Statements of Financial Position are described in the notes to the Proforma Consolidated Statements of Financial Position ("Applicable Criteria").

The Proforma Consolidated Statements of Financial Position have been compiled by the Directors to illustrate the impact the renounceable rights issue of up to 1,317,950,973 new ordinary shares in Vsolar ("Rights Shares") together with up to 878,633,982 free detachable warrants ("Warrants-B") at an issue price of RM0.03 per Rights Share on the basis of three (3) Rights Shares for every existing ordinary share in Vsolar ("Vsolar Share(s)") held, together with two (2) Warrants-B for every three (3) Rights Shares subscribed for, at an entitlement date to be determined later ("Rights Issue with Warrants").

As part of this process, information about the Group's financial position has been extracted by the Directors from the audited financial statements of the Group for the financial year ended 30 June 2019, which has been published.

Directors' Responsibility on the Proforma Consolidated Statements of Financial Position

The Directors are responsible for compiling the Proforma Consolidated Statements of Financial Position on the basis of the Applicable Criteria as described in the notes thereto.

Reporting Accountants' Independence and Quality Control

We are independent 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' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

■ Branch Office in Kota Kinabalu.

The firm applies *International Standard on Quality Control 1 ("ISQC 1"), Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* and, accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and statutory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, whether the Proforma Consolidated Statements of Financial Position have been compiled, in all material aspects, by the Directors on the basis of the Applicable Criteria as described in the notes thereto.

We conducted our engagement in accordance with International Standard on Assurance Engagements, *(ISAE) 3420 - Assurance Engagements to Report on the Compilation of Proforma Financial Information Included in a Prospectus,* issued by the International Auditing and Assurance Standards Board and adopted by Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material aspects, the Proforma Consolidated Statements of Financial Position on the basis of the Applicable Criteria as described in the notes thereto.

For the purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Proforma Consolidated Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Proforma Consolidated Statements of Financial Position.

The purpose of Proforma Consolidated Statements of Financial Position included in the Abridged Prospectus of Vsolar is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2019 would have been as presented.

A reasonable assurance engagement to report on whether the Proforma Consolidated Statements of Financial Position have been compiled, in all material respects, on the basis of the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the Directors in the compilation of the Proforma Consolidated Statements of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:-

(i) The related proforma adjustments give appropriate effect to those criteria; and

(ii) The Proforma Consolidated Statements of Financial Position reflect the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the event or transaction in respect of which the Proforma Consolidated Statements of Financial Position have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Proforma Consolidated Statements of Financial Position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion,

(i) the Proforma Consolidated Statements of Financial Position as at 30 June 2019 which were prepared for illustrative purpose only have been properly compiled on the basis set out in the accompanying notes to the Proforma Consolidated Statements of Financial Position using financial statements prepared by the Directors in accordance with the Malaysian Financial Reporting Standards in Malaysia and in a manner consistent with both the format of the financial statements and the accounting policies adopted by the Group in the preparation of its audited consolidated financial statements for the financial year ended 30 June 2019; and

(ii) the adjustments made to the information used in the preparation of the Proforma Consolidated Statements of Financial Position are appropriate for the purposes of preparing the Proforma Consolidated Statements of Financial Position.

We understand that this letter will be used solely for inclusion in the Abridged Prospectus of Vsolar in connection with the Rights Issue with Warrants. As such, this letter should not be used for any purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Yours faithfully,

ONG & WONG
Firm No: AF 0241
Chartered Accountants

ONG KOON LIANG
Approved Number: 2909/02/2021 (J)
Chartered Accountant

VSOLAR GROUP BERHAD

(Company No. 200301029575 (631995-T))
(Incorporated in Malaysia)

Proforma Consolidated Statements of Financial Position as at 30 June 2019 in relation to the renounceable rights issue of up to 1,317,950,973 new ordinary shares in Vsolar ("Rights Shares") together with up to 878,633,982 free detachable warrants ("Warrants-B") on the basis of three (3) Rights Shares for every existing ordinary share held in Vsolar ("Vsolar Share(s)" or "Share(s)" together with two (2) free Warrants-B for every three (3) Rights Shares subscribed on an entitlement date to be determined later
("Rights Issue with Warrants")

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Chartered Accountants
For Identification Purposes Only

VSOLAR GROUP BERHAD ("VSOLAR")
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2019
MINIMUM SCENARIO

	Audited Consolidated Statement of Financial Position as at 30 June 2019 RM	Adjusted Consolidated Statement of Financial Position after subsequent event RM	Pro Forma I After Rights Issue With Warrants RM	Pro Forma II After Pro Forma I and Full Exercise of Warrants-B RM
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	11,030,151	11,030,151	11,030,151	11,030,151
Capital work-in-progress	-	-	-	-
	11,030,151	11,030,151	11,030,151	11,030,151
CURRENT ASSETS				
Inventories	100,000	100,000	100,000	100,000
Trade receivables	1,744,252	1,744,252	1,744,252	1,744,252
Other receivables, deposits and prepayments	1,296,514	1,296,514	1,296,514	1,296,514
Cash and bank balances	2,059,409	3,421,374	10,771,374	16,238,041
	5,200,175	6,562,140	13,912,140	19,378,807
TOTAL ASSETS	16,230,326	17,592,291	24,942,291	30,408,958
EQUITY AND LIABILITIES				
Equity attributable to owners of the company				
Share capital	48,125,614	50,758,819	55,168,819	63,575,486
ESOS reserve	133,089	-	-	-
Warrant reserve	-	-	2,940,000	-
Accumulated losses	(33,188,223)	(34,326,374)	(34,326,374)	(34,326,374)
	15,070,480	16,432,445	23,782,445	29,249,112
Non-controlling interests	(717,232)	(717,232)	(717,232)	(717,232)
TOTAL EQUITY	14,353,248	15,715,213	23,065,213	28,531,880

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Chartered Accountants
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VSOLAR GROUP BERHAD ("VSOLAR")
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2019
MINIMUM SCENARIO (CONT'D)

	Audited Consolidated Statement of Financial Position as at 30 June 2019 RM	Adjusted Consolidated Statement of Financial Position after subsequent event RM	Pro Forma I After Rights Issue With Warrants RM	Pro Forma II After Pro Forma I and Full Exercise of Warrants-B RM
NON-CURRENT LIABILITIES				
Deferred tax liabilities	25,871	25,871	25,871	25,871
	25,871	25,871	25,871	25,871
CURRENT LIABILITIES				
Trade payables	525,202	525,202	525,202	525,202
Other payables and accruals	1,190,881	1,190,881	1,190,881	1,190,881
Amount owing to directors	5,109	5,109	5,109	5,109
Bank overdraft	2,637	2,637	2,637	2,637
Hire purchase creditor	109,411	109,411	109,411	109,411
Current tax liabilities	17,967	17,967	17,967	17,967
	1,851,207	1,851,207	1,851,207	1,851,207
TOTAL LIABILITIES	1,877,078	1,877,078	1,877,078	1,877,078
TOTAL EQUITY AND LIABILITIES	16,230,326	17,592,291	24,942,291	30,408,958
Number of Shares	386,067,763	410,830,763	684,164,096	866,386,318
Number of Warrants-B	-	-	182,222,222	-
Net assets per Share (RM)	0.04	0.04	0.03	0.03
Total borrowings	112,048	112,048	112,048	112,048
Gearing (times)	0.01	0.01	0.00	0.00

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VSOLAR GROUP BERHAD ("VSOLAR")
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2019
MAXIMUM SCENARIO

	Audited Consolidated Statement of Financial Position as at 30 June 2019 RM	Adjusted Consolidated Statement of Financial Position after subsequent event RM	Pro Forma I After Full Exercise of ESOS Options RM	Pro Forma II After Rights Issue With Warrants RM	Pro Forma III After Pro Forma I and Full Exercise of Warrants-B RM
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	11,030,151	11,030,151	11,030,151	11,030,151	11,030,151
Capital work-in-progress	-	-	-	-	-
	11,030,151	11,030,151	11,030,151	11,030,151	11,030,151
CURRENT ASSETS					
Inventories	100,000	100,000	100,000	100,000	100,000
Trade receivables	1,744,252	1,744,252	1,744,252	1,744,252	1,744,252
Other receivables, deposits and prepayments	1,296,514	1,296,514	1,296,514	1,296,514	1,296,514
Cash and bank balances	2,059,409	3,421,374	4,275,961	42,964,490	69,323,509
	5,200,175	6,562,140	7,416,727	46,105,256	72,464,275
TOTAL ASSETS	16,230,326	17,592,291	18,446,878	57,135,407	83,494,426
EQUITY AND LIABILITIES					
Equity attributable to owners of the company					
Share capital	48,125,614	50,758,819	52,183,131	75,396,249	117,230,679
ESOS reserve	133,089	-	-	-	-
Warrant reserve	-	-	-	15,475,411	-
Accumulated losses	(33,188,223)	(34,326,374)	(34,896,099)	(34,896,099)	(34,896,099)
	15,070,480	16,432,445	17,287,032	55,975,561	82,334,580
Non-controlling interests	(717,232)	(717,232)	(717,232)	(717,232)	(717,232)
TOTAL EQUITY	14,353,248	15,715,213	16,569,800	55,258,329	81,617,348

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VSOLAR GROUP BERHAD ("VSOLAR")
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2019
MAXIMUM SCENARIO (CONT'D)

	Audited Consolidated Statement of Financial Position as at 30 June 2019 RM	Adjusted Consolidated Statement of Financial Position after subsequent event RM	Pro Forma I After Full Exercise of ESOS Options RM	Pro Forma I After Rights Issue With Warrants RM	Pro Forma II After Pro Forma I and Full Exercise of Warrants-B RM
NON-CURRENT LIABILITIES					
Deferred tax liabilities	25,871	25,871	25,871	25,871	25,871
	25,871	25,871	25,871	25,871	25,871
CURRENT LIABILITIES					
Trade payables	525,202	525,202	525,202	525,202	525,202
Other payables and accruals	1,190,881	1,190,881	1,190,881	1,190,881	1,190,881
Amount owing to directors	5,109	5,109	5,109	5,109	5,109
Bank overdraft	2,637	2,637	2,637	2,637	2,637
Hire purchase creditor	109,411	109,411	109,411	109,411	109,411
Current tax liabilities	17,967	17,967	17,967	17,967	17,967
	1,851,207	1,851,207	1,851,207	1,851,207	1,851,207
TOTAL LIABILITIES	1,877,078	1,877,078	1,877,078	1,877,078	1,877,078
TOTAL EQUITY AND LIABILITIES	16,230,326	17,592,291	18,446,878	57,135,407	83,494,426
Number of Shares	386,067,763	410,830,763	439,316,991	1,757,267,964	2,635,901,946
Number of Warrants-B	-	-	-	878,633,982	-
Net assets per Share (RM)	0.04	0.04	0.04	0.03	0.03
Total borrowings	112,048	112,048	112,048	112,048	112,048
Gearing (times)	0.01	0.01	0.01	0.00	0.00

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Chartered Accountants
For Identification Purposes Only

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VSOLAR GROUP BERHAD ("VSOLAR")
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2019

1. BASIS OF PREPARATION

The Pro Forma Consolidated Statements of Financial Position have been prepared in accordance with the Malaysian Financial Reporting Standards in Malaysia and based on the audited Consolidated Statements of Financial Position of Vsolar and its subsidiaries ("Group") as at 30 June 2019. The Pro Forma Consolidated Statements of Financial Position have been prepared solely for illustrative purposes, to show the effects of the renounceable rights issue of up to 1,317,950,973 new ordinary shares in Vsolar ("Rights Shares") together with up to 878,633,982 free detachable warrants ("Warrants-B") on the basis of three (3) Rights Shares for every existing ordinary share held in Vsolar ("Vsolar Share(s)" or "Share(s)") together with two (2) Warrants-B for every three (3) Rights Shares subscribed at an entitlement date to be determined later ("Entitlement Date") ("Rights Issue with Warrants").

The Pro Forma Consolidated Statements of Financial Position have been prepared based on the accounting policies and bases consistent with those normally adopted by Vsolar in the preparation of its audited financial statements.

The Pro Forma Consolidated Statements of Financial Position are presented in Ringgit Malaysia ("RM").

The Pro Forma Consolidated Statements of Financial Position, because of its nature, may not be reflective of the Group's actual financial position. Furthermore, such information does not purport to predict the future financial position of the Group.

1.1 The details of the Minimum and Maximum Scenarios are set out below:

(i) **Minimum Scenario**

Minimum Scenario representing the scenario on the following assumptions:-

(a) Issuance of 273,333,333 Rights Shares together with 182,222,222 Warrants-B pursuant to the Rights Issue with Warrants.

(b) Full exercise of 182,222,222 Warrants-B based on the exercise price of RM0.03 into 182,222,222 new Vsolar Shares.

(ii) **Maximum Scenario**

Maximum Scenario representing the scenario on the following assumptions:-

(a) Issuance of 1,317,950,973 Rights Shares together with 878,633,982 Warrants-B pursuant to the Rights Issue with Warrants.

(b) Full exercise of 878,633,982 Warrants-B based on the exercise price of RM0.03 into 878,633,982 new Vsolar Shares.

ONG & WONG (AF 0241)
Chartered Accountants
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VSOLAR GROUP BERHAD ("VSOLAR")
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2019

1.2 Fair value of Warrants-B

The Directors of Vsolar have derived a fair value of RM0.03 for each of the Warrants-B. The fair value of the Warrants-B is derived at using the Black-Scholes option pricing model. The assumptions used to arrive at this fair value are as follows:

Exercise price	:	RM0.03
Time to expire	:	3 years
Underlying price	:	RM0.03
Volatility rate	:	144.236%
Risk free rate	:	2.140%

2. ADJUSTMENTS TO CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The adjustments incorporate the effects of:-

(i) 5,158,500 ESOS options that lapsed on 18 October 2019.

(ii) Full exercise of 24,763,000 ESOS options on 18 October 2019 based on the exercise price of RM0.055 per ESOS option into 24,763,000 new Vsolar Shares.

The Subsequent Events have the following financial impact on the Pro Forma Consolidated Statements of Financial Position of the Group:-

	Increase/(Decrease)	
	Effect on Total Assets RM	**Effect on Total Equity RM**
Cash and bank balances	1,361,965	-
Share capital	-	2,633,205
Accumulated losses	-	(1,138,151)
ESOS reserve	-	(133,089)
	1,361,965	1,361,965

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VSOLAR GROUP BERHAD ("VSOLAR")
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3. MINIMUM SCENARIO

3.1 PRO FORMA I

Pro Forma I incorporates the effects of the Subsequent Events and Rights Issue with Warrants.

The following is the utilisation of proceeds from the Rights Issue with Warrants:

	RM
Capital expenditure for development of biomass/biogas renewable energy plant	7,350,000
Estimated expenses for the Rights Issue with Warrants	850,000
	8,200,000

The proceeds arising from the Rights Issue with Warrants have been earmarked for capital expenditure of the biomass/biogas plant of RM7.35 million. The estimated expenses in relation to the Rights Issue with Warrants of RM0.85 million will be debited to the share capital and warrant reserve accounts respectively.

The Rights Issue with Warrants has the following financial impact on the Pro Forma Consolidated Statements of Financial Position:-

	Increase	
	Effect on Total Assets RM	Effect on Total Equity RM
Cash and bank balances	7,350,000	-
Share capital	-	4,410,000
Warrant reserve	-	2,940,000
	7,350,000	7,350,000

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3.2 PRO FORMA II

Pro Forma II incorporates the effects of Pro Forma I and assuming the full exercise of Warrants-B.

The full exercise of Warrants-B has the following financial impact:-

	Increase/(Decrease) Effect on Total Assets RM	Effect on Total Equity RM
Cash and bank balances	5,466,667	-
Share capital	-	8,406,667
Warrant reserve	-	(2,940,000)
	5,466,667	5,466,667

4. MAXIMUM SCENARIO

4.1 PRO FORMA I

Pro Forma I incorporates the effects of Subsequent Events and Full Exercise of ESOS Options.

The Proposed Full Exercise of ESOS Options has the following financial impact on the Pro Forma Consolidated Statements of Financial Position:-

	Increase/(Decrease) Effect on Total Assets RM	Effect on Total Equity RM
Cash and bank balances	854,587	-
Share capital	-	1,424,312
Accumulated losses	-	(569,725)
	854,587	854,587

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VSOLAR GROUP BERHAD ("VSOLAR")
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2019

4.2 PRO FORMA II

Pro Forma II incorporates the effects of Pro Forma I and Rights Issue with Warrants.

The following is the utilisation of proceeds from the Rights Issue with Warrants:

	RM
Capital expenditure for development of biomass/biogas renewable energy plant	38,688,529
Estimated expenses for the Rights Issue with Warrants	850,000
	39,538,529

The proceeds arising from the Rights Issue with Warrants have been earmarked for capital expenditure of the biomass/biogas plant of RM39.54 million. The estimated expenses in relation to the Rights Issue with Warrants of RM0.85 million will be debited to the share capital and warrant reserve accounts respectively.

The Rights Issue with Warrants has the following financial impact on the Pro Forma Consolidated Statements of Financial Position:-

	Increase	
	Effect on Total Assets RM	Effect on Total Equity RM
Cash and bank balances	38,688,529	-
Share capital	-	23,213,118
Warrant reserve	-	15,475,411
	38,688,529	38,688,529

4.3 PRO FORMA III

Pro Forma III incorporates the effects of Pro Forma II and assuming the full exercise of Warrants-B.

The full exercise of Warrants-B has the following financial impact:-

	Increase/(Decrease)	
	Effect on Total Assets RM	Effect on Total Equity RM
Cash and bank balances	26,359,019	-
Share capital	-	41,834,430
Warrant reserve	-	(15,475,411)
	26,359,019	26,359,019

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Profile of Reporting Accountants – Ong & Wong Chartered Accountants

Ong & Wong is a professional services firm established in the late 1970s. Besides audit and assurance, our firm also provides a variety of other services such as taxation, internal audit, financial due diligence, valuation, insolvency and etc..

Our clientele spans to a wide spectrum of industries and we are registered with the Audit Oversight Board to conduct audit of public interest entities.

We have a branch office in Kota Kinabalu, Sabah with a total staff force of around 70.

Profile of the Engagement Partner – Ong Koon Liang

Koon Liang began his carrier with Ong & Wong in 2000 and he has been admitted as partner since 2015. He has garnered many years of professional experience in audit and assurance of public interest entities. Additionally, he has been involved in financial due diligence reviews, reporting accountant's engagements on initial public offerings and other fund-raising exercises.

Koon Liang holds a Bachelor of Arts and Economics (Hons) in Accounting from University of Manchester, England and he is also a member of the Malaysian Institute of Accountants, a fellow member of the Association of Chartered Certified Accountants, and an approved partner registered with the Audit Oversight Board.