

## INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 31 DECEMBER 2022

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME<sup>(1)</sup>

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 3 Months 31.12.2022 RM'000	Preceding Year Quarter 3 Months 31.12.2021 RM'000	Current Year To-Date 9 Months 31.12.2022 RM'000	Preceding Year To-Date 9 Months 31.12.2021 RM'000
Revenue	45,027	26,143	101,424	54,580
Cost of sales	(39,286)	(22,874)	(85,499)	(47,919)
Gross profit	5,741	3,269	15,925	6,661
Other income	106	528	1,254	1,843
Net reversal of impairment losses / (impairment losses) on financial assets	690	(538)	360	195
Administrative and distribution expenses	(4,856)	(2,922)	(11,462)	(9,488)
Other operating expenses	(22)	(646)	(29)	(1,907)
Profit/(Loss) from operations	1,659	(309)	6,048	(2,696)
Finance costs	(46)	(176)	(1,068)	(450)
Profit/(Loss) before taxation	1,613	(485)	4,980	(3,146)
Taxation	34	(131)	(962)	(299)
<b>Profit/(Loss) for the financial period</b>	<b>1,647</b>	<b>(616)</b>	<b>4,018</b>	<b>(3,445)</b>
<b>Other comprehensive income/(loss)</b>				
<i>Items that will be reclassified subsequently to profit or loss, net of tax effects:</i>				
Foreign currency translation difference	(156)	7	(25)	35
<b>Total comprehensive income/(loss) for the financial period</b>	<b>1,491</b>	<b>(609)</b>	<b>3,993</b>	<b>(3,410)</b>
Profit/(Loss) for the financial period attributable to:				
Owners of the Company	1,647	(613)	4,018	(3,440)
Non-controlling interests	-	(3)	-	(5)
	1,647	(616)	4,018	(3,445)
Total comprehensive income/(loss) for the financial period attributable to:				
Owners of the Company	1,491	(606)	3,993	(3,405)
Non-controlling interests	-	(3)	-	(5)
	1,491	(609)	3,993	(3,410)
Earnings/(Loss) per share attributable to owners of the Company (sen) <sup>(2)</sup> :				
Basic / Diluted <sup>(3)</sup>	0.28	(0.11)	0.69	(0.59)

Notes:

- (1) The Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 March 2022 and the accompanying explanatory notes attached to this interim financial report.
- (2) Based on the Company's weighted average number of ordinary shares during the current financial quarter / current financial year to-date.
- (3) Diluted earnings/(loss) per share is equivalent to the basic earnings/(loss) per share as the Company does not have any convertible securities as at 31 December 2022.

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**INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 31 DECEMBER 2022****UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION<sup>(1)</sup>**

	Unaudited As at 31.12.2022 RM'000	Audited As at 31.03.2022 RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	28,696	22,486
Right-of-use assets	1,040	2,058
Intangible assets	426	-
Goodwill	485	485
	<b>30,647</b>	<b>25,029</b>
<b>Current assets</b>		
Inventories	28,405	11,600
Trade and other receivables	66,984	42,384
Current tax assets	4,411	4,878
Short term funds	3,997	20,921
Deposits, cash and bank balances	37,881	20,028
	<b>141,678</b>	<b>99,811</b>
<b>TOTAL ASSETS</b>	<b>172,325</b>	<b>124,840</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	36,348	36,348
Retained earnings	37,122	33,104
Foreign exchange translation reserve	40	65
	<b>73,510</b>	<b>69,517</b>
Non-controlling interests	-	-
<b>TOTAL EQUITY</b>	<b>73,510</b>	<b>69,517</b>
<b>Non-current liabilities</b>		
Lease liabilities	652	970
Bank borrowings	8,092	8,431
Deferred tax liabilities	782	782
	<b>9,526</b>	<b>10,183</b>
<b>Current liabilities</b>		
Trade and other payables	65,928	32,083
Bank borrowings	22,897	11,979
Lease liabilities	464	1,078
	<b>89,289</b>	<b>45,140</b>
<b>TOTAL LIABILITIES</b>	<b>98,815</b>	<b>55,323</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>172,325</b>	<b>124,840</b>
Net assets per share (RM) <sup>(2)</sup>	0.13	0.12

Notes:

- (1) The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 March 2022 and the accompanying explanatory notes attached to this interim financial report.
- (2) Based on the Company's issued share capital as at the end of the financial period.

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**INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 31 DECEMBER 2022****UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY<sup>(1)</sup>**

	Attributable to owners of the Company				Non-controlling interests RM'000	Total RM'000
	Non-distributable		Distributable			
	Share capital RM'000	Foreign exchange translation reserve RM'000	Retained earnings RM'000	Total RM'000		
<b>At 1 April 2022</b>	<b>36,348</b>	<b>65</b>	<b>33,104</b>	<b>69,517</b>	<b>-</b>	<b>69,517</b>
Profit for the financial period	-	-	4,018	4,018	-	4,018
Other comprehensive loss for the financial period	-	(25)	-	(25)	-	(25)
<b>Total comprehensive income/(loss)</b>	<b>-</b>	<b>(25)</b>	<b>4,018</b>	<b>3,993</b>	<b>-</b>	<b>3,993</b>
<b>Balance at 31 December 2022</b>	<b>36,348</b>	<b>40</b>	<b>37,122</b>	<b>73,510</b>	<b>-</b>	<b>73,510</b>

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY<sup>(1)</sup> (Cont'd)

	Attributable to owners of the Company		Retained earnings RM'000	Total RM'000	Non- controlling interests RM'000	Total RM'000
	Non-distributable	Distributable				
	Share capital RM'000	Foreign exchange translation reserve RM'000				
<b>At 1 April 2021</b>	<b>36,348</b>	<b>12</b>	<b>36,117</b>	<b>72,477</b>	<b>(2)</b>	<b>72,475</b>
Loss for the financial period	-	-	(3,013)	(3,013)	2	(3,011)
Other comprehensive income for the financial period	-	53	-	53	-	53
<b>Total comprehensive income/(loss)</b>	<b>-</b>	<b>53</b>	<b>(3,013)</b>	<b>(2,960)</b>	<b>2</b>	<b>(2,958)</b>
<b>Balance at 31 March 2022</b>	<b>36,348</b>	<b>65</b>	<b>33,104</b>	<b>69,517</b>	<b>-</b>	<b>69,517</b>

Note:

(1) The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 March 2022 and the accompanying explanatory notes attached to this interim financial report.

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**INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 31 DECEMBER 2022****UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS<sup>(1)</sup>**

	Cumulative Quarter	
	Current Year To-Date 9 Months 31.12.2022 RM'000	Preceding Year To-Date 9 Months 31.12.2021 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/(Loss) before taxation	4,980	(3,146)
Adjustments for:		
Non-cash items	1,822	3,041
Non-operating items	(41)	(1,153)
Interest expenses	1,068	450
Interest income	(140)	(20)
Investment income	(186)	(321)
Operating profit/(loss) before working capital changes	7,503	(1,149)
Changes in working capital:		
Inventories	(16,807)	(3,829)
Trade and other receivables	(24,276)	(1,354)
Trade and other payables	30,159	3,986
Cash used in operations	(3,421)	(2,346)
Tax paid	(1,148)	(1,667)
Tax refunded	653	-
Net cash used in operating activities	(3,916)	(4,013)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	140	20
Investment income received	186	321
Net (placement)/upliftment of fixed deposits pledged with licensed banks	(14,587)	740
Purchases of property, plant and equipment	(3,680)	(3,108)
Purchase of intangible assets	(426)	-
Purchase of right-of-use assets	(88)	-
Proceeds from disposal of property, plant and equipment	46	91
Proceeds from disposal of other investment	-	11
Net cash used in investing activities	(18,409)	(1,925)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	(1,017)	(326)
Payment for lease liabilities	(809)	(1,223)
Net drawdown of bank borrowings	11,471	1,248
Net cash generated from/(used in) financing activities	9,645	(301)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(12,680)</b>	<b>(6,239)</b>
Cash and cash equivalents at beginning of the financial period	38,057	37,064
Net exchange differences	(86)	(147)
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD</b>	<b>25,291</b>	<b>30,678</b>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS<sup>(1)</sup> (Cont'd)**

	Cumulative Quarter	
	Current Year To-Date 9 Months 31.12.2022 RM'000	Preceding Year To-Date 9 Months 31.12.2021 RM'000
<b>Cash and cash equivalents comprise:</b>		
Short term funds	3,997	24,345
Deposits with licensed banks	17,194	366
Cash and bank balances	20,687	6,333
	<u>41,878</u>	<u>31,044</u>
Less:		
Deposits pledged to licensed banks	(16,587)	(366)
	<u><b>25,291</b></u>	<u><b>30,678</b></u>

Note:

- (1) The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 March 2022 and the accompanying explanatory notes attached to this interim financial report.

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**PART A – EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT**

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**A1 Basis of Preparation**

The interim financial statements of Powerwell Holdings Berhad (“**Powerwell**” or the “**Company**”) and its subsidiaries (“**Group**”) are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standard (“**MFRS**”) 134 - Interim Financial Reporting and Rule 9.22 and Appendix 9B of the ACE Market Listing Requirements (“**Listing Requirements**”) of Bursa Malaysia Securities Berhad (“**Bursa Securities**”).

This interim financial report should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 March 2022 and the accompanying explanatory notes attached to this interim financial report.

**A2 Significant Accounting Policies**

The accounting policies and presentations adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements of the Group for the financial year ended 31 March 2022.

**Application of New MFRSs, IC Interpretations and Amendments to MFRSs**

During the financial year, the Group and the Company have applied the following new MFRSs, IC Interpretations and amendments to MFRSs issued by the Malaysian Accounting Standards Board (“**MASB**”) which are effective for the accounting period beginning on or after 1 April 2022:

Annual Improvements to MFRS Standards 2018 – 2020  
Amendments to MFRS 3 - Reference to the Conceptual Framework  
Amendments to MFRS 116 Property, Plant and Equipment - Proceeds before intended use  
Amendments to MFRS 137 - Onerous Contracts - Cost of Fulfilling a Contract

The adoption of the IC Interpretation and amendments to MFRSs that are effective for the current financial year do not have any significant impact on the Group's financial statements.

**New MFRSs and Amendments to MFRSs That Are Not Yet Effective and Have Not Been Pre-Adopted**

The Group and the Company have not pre-adopted the following new MFRSs and amendments to MFRSs that have been issued by the MASB but are not yet effective:

**Effective for annual periods beginning on or after 1 January 2023**

MFRS 17, Insurance Contracts  
Amendments to MFRS 17, Insurance Contracts  
Initial Application of MFRS 17 and MFRS 9 – Comparative Information (Amendments to MFRS 17 Insurance Contracts)  
Amendments to MFRS 4, Extension of the Temporary Exemption from Applying MFRS 9  
Amendments to MFRS 101, Presentation of Financial Statements - Classification of Liabilities as current and non-current  
Amendments to MFRS 101, Presentation of Financial Statements – Disclosure of Accounting Policies  
Amendments to MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates  
Amendments to MFRS 112 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

**Effective for annual periods beginning on or after 1 January 2024**

Amendments to MFRS 16, Lease Liability in a Sale and Leaseback  
Amendments to MFRS 101, Presentation of Financial Statements – Non-Current Liabilities with Covenants

**PART A – EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT**

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**A2 Significant Accounting Policies (Con't)**

**New MFRSs and Amendments to MFRSs That Are Not Yet Effective and Have Not Been Pre-Adopted (Cont'd)**

**Effective for annual periods beginning on or after a date to be determined by the MASB Amendments to MFRS 10 and MFRS 128 - Sale or Contribution of Assets between Investor and its Associate or Joint Venture**

**A3 Auditors' Report**

There was no qualification on the audited financial statements of the Company for the financial year ended 31 March 2022.

**A4 Seasonal and Cyclical Factors**

The demand for the Group's products is dependent on developments in the construction, infrastructure and transportation sectors in Malaysia and in other overseas countries as the Group supplies its products for new developments and refurbishment of properties and infrastructures. The sectors mentioned above typically move in tandem with the economy, where strong economic growth coupled with fiscal stimulus by the Government tends to spur growth in the sectors and vice versa.

**A5 Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows**

Save as disclosed in this interim financial report, there were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group during the current financial quarter and current financial year-to-date.

**A6 Material Changes in Estimates**

There were no material changes in estimates that have a material effect, during the current financial quarter and current financial year-to-date.

**A7 Debt and Equity Securities**

There were no issuance, cancellations, repurchases, resale and repayment of debt and equity securities during the current financial quarter and current financial year-to-date under review.

**A8 Dividends Paid**

No dividend has been paid during the current financial quarter.

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**PART A – EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT****A9 Segmental Reporting**

The Group is principally involved in the design, manufacturing and trading of electricity distribution products which comprise low voltage (“LV”) switchboards, medium voltage (“MV”) switchgears and related products. The Group’s revenue is mainly confined to this single operating segment. As such, the revenue of the Group for the current financial quarter and current financial year-to-date is derived entirely from this operating segment.

In determining geographical segments of the Group, segment revenue is based on the geographical location of customers. Revenue breakdown by geographical location of the Group’s customers is set out as follows:

Revenue by geographical location	Individual Quarter				Cumulative Quarter			
	Current Year Quarter		Preceding Year Quarter		Current Year To-Date		Preceding Year To-Date	
	3 Months		3 Months		9 Months		9 Months	
	31.12.2022		31.12.2021		31.12.2022		31.12.2021	
	RM’000	%	RM’000	%	RM’000	%	RM’000	%
Malaysia <sup>(1)</sup>	42,688	94.8	20,261	77.5	84,610	83.4	42,674	78.2
Bangladesh <sup>(2)</sup>	904	2.0	4,608	17.6	11,676	11.5	7,407	13.6
Indonesia <sup>(3)</sup>	1,435	3.2	613	2.4	3,940	3.9	2,318	4.2
Vietnam <sup>(4)</sup>	-	-	661	2.5	-	-	1,775	3.2
Pakistan	-	-	-	-	824	0.8	369	0.7
Singapore	-	-	-	-	374	0.4	-	-
Cambodia	-	-	-	-	-	-	37	0.1
<b>Total</b>	<b>45,027</b>	<b>100.0</b>	<b>26,143</b>	<b>100.0</b>	<b>101,424</b>	<b>100.0</b>	<b>54,580</b>	<b>100.0</b>

Notes:

- (1) The Group’s operations in Malaysia recorded higher revenue in the current quarter as compared to the preceding year’s quarter mainly due to higher sales generated from project deliveries, namely Osram project to a multi-national corporation’s semiconductor plant in Kulim Hi-Tech Park, Kedah, Malaysia. In the preceding year quarter, the Group’s operations in Malaysia were affected by slower project deliveries as the construction sites gradually progressed to full resumption of work after the various stages of lockdown due to the Covid-19 pandemic.
- (2) The Group recorded lower revenue in Bangladesh in the current quarter mainly due to completion of project deliveries whilst the higher revenue recorded in the preceding year’s quarter was due to project deliveries for a solar power plant project.
- (3) The Group’s operations in Indonesia recorded higher revenue in the current quarter as compared to the preceding year’s quarter mainly as a result of deliveries of LV project.
- (4) The Group scaled down its operations in Vietnam during the financial year ended 31 March 2022 (“FYE 2022”) due to the challenging business environment.

**A10 Valuation of Property, Plant and Equipment**

There was no valuation of property, plant and equipment during the current financial quarter and current financial year-to-date.

**A11 Material Events Subsequent to the End of the Reporting Period**

There were no material events subsequent to the end of the current financial quarter that have not been reflected in this interim financial report.

**PART A – EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT**

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**A12 Changes in the Composition of the Group**

There were no changes in the composition of the Group during the current financial quarter and current financial year-to-date save for the following:

TCS Switchgears Sdn Bhd (“**TCSSSB**”), a subsidiary which the Company held 80% equity interest, was struck off pursuant to Section 550 of the Companies Act 2016 and publication of the name of TCSSSB pursuant to Section 551 (3) of the Companies Act 2016 in the gazette on 29 June 2022.

**A13 Contingent Assets and Contingent Liabilities**

There are no contingent assets and contingent liabilities which, upon becoming enforceable, may have a material impact on the Group’s business, financial performance or financial position, as at the date of this interim financial report.

**A14 Capital Commitments**

The Group’s planned capital commitments are disclosed in Section 3.4.1 of the prospectus of the Company dated 2 January 2020 in relation to the Company’s initial public offering (“**IPO**”) (“**Prospectus**”). The Group expects to meet its planned capital commitments through the IPO proceeds as well as internally generated funds.

The Company had proposed to vary the utilisation of IPO proceeds (“**Second Variation**”) and extended the timeframe for utilisation of such proceeds (“**Third Extension**”), as detailed in the Company’s circular to shareholders (“**Circular**”) dated 11 August 2022. The Second Variation was approved by the shareholders at the Company’s extraordinary general meeting (“**EGM**”) held on 26 August 2022.

Save as disclosed above, there were no material capital commitments in respect of property, plant and equipment as at the end of the current financial quarter.

**A15 Significant Related Party Transactions**

There were no significant related party transactions during the current financial quarter and current financial year-to-date.

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**PART B – EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT****B1 Review of Financial Performance**

While the Group secures the project upfront, the Group's revenue is recognised upon the delivery to and acceptance of the products by its customers. Therefore, the issuance of the purchase order from customers and the timing of delivery and acceptance of the products for the projects will affect the Group's revenue.

**Comparison with Preceding Year Corresponding Financial Quarter**

	Individual Quarter		Cumulative Quarter	
	3-month ended		9-month ended	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	RM'000	RM'000	RM'000	RM'000
Revenue	45,027	26,143	101,424	54,580
Profit/(Loss) before taxation	1,613	(485)	4,980	(3,146)

In the current financial quarter under review, the Group recorded a revenue of RM45.03 million and profit before taxation of RM1.61 million, as compared to a revenue and loss before taxation of RM26.14 million and RM0.49 million respectively in the corresponding financial quarter of the preceding year.

Revenue for the current financial quarter increased by 72.3% to RM45.03 million as compared with RM26.14 million in the preceding year's quarter mainly due to higher sales generated from project deliveries undertaken by the Group during the current financial quarter as compared to the preceding year's quarter, namely in Malaysia (contributing 94.8% of total revenue), Indonesia (contributing 3.2% of total revenue) and Bangladesh (contributing 2.0% of total revenue). The upsurge in project sales in Malaysia was mainly due to project deliveries for Osram project to a multi-national corporation's semiconductor plant in Kulim Hi-Tech Park, Kedah, Malaysia. In the preceding year's quarter, the Group's operations were affected by slower project deliveries as the construction sites gradually progressed to full resumption of work after the various stages of lockdown measures imposed in Malaysia and other countries where the Group operates in due to the Covid-19 pandemic.

The Group recorded a slight improvement in gross profit margin of 12.8% in the current financial quarter (corresponding financial quarter of the preceding year: 12.5%) mainly due to higher profitability in some of the local projects which were completed during the period.

In the current financial quarter, the Group has undertaken a total of 90 project deliveries, with higher value on LV switchboards and MV switchgears as compared to 126 project deliveries in the corresponding financial quarter of the preceding year.

The Group recorded a profit before taxation in current financial quarter as compared to a loss before taxation in the corresponding financial quarter of the preceding year mainly due to higher revenue as explained above as well as net reversal of impairment losses on financial assets and lower finance costs. However, this was partly offset by lower other income mainly due to lower sales of scrap and higher expenses incurred mainly on staff costs.

In the 9-month period of the current financial period, the Group recorded a revenue of RM101.42 million and profit before taxation of RM4.98 million, as compared to a revenue and loss before taxation of RM54.58 million and RM3.15 million respectively in the preceding year's corresponding 9-month period.

**PART B – EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT****B1 Review of Financial Performance (Cont'd)**

The increase in revenue in the 9-month period ended 31 December 2022 as compared to the previous year's corresponding period was mainly due to higher value of projects delivered in the current quarter, namely on Osram project as well as higher number of projects delivered following the reopening of the economy and international borders since April 2022 post Covid-19 endemicity. In the previous year's preceding period, the Group's operations were affected by the prolonged Covid-19 restrictive lockdowns and closure of international borders. The construction, infrastructure and transportation sectors were badly affected by delays in re-opening of the sites which subsequently affected project deliveries and sales in the preceding period.

The Group recorded gross profit margin of 15.7% in the 9-month period ended 31 December 2022 (previous year's corresponding period: 12.2%) mainly due to higher profitability in some of the projects which were completed during the period. In the preceding year's corresponding period, the Group was affected by prolonged lockdown measures which affected production activities whilst fixed costs such as labour costs and factory overheads continued to be incurred in addition to the higher cost of materials and other input production costs.

The Group recorded a profit before taxation for the 9-month period ended 31 December 2022 as compared to the loss before taxation during the previous year's corresponding period mainly due to higher revenue and higher profitability of some projects completed during the financial period as explained above. However, this was partly offset by higher finance costs incurred on trade finance charges.

**B2 Comparison with Immediate Preceding Quarter**

	<b>Individual Quarter</b>		<b>Changes RM'000</b>
	<b>3-month ended</b>		
	<b>31.12.2022</b>	<b>30.09.2022</b>	
	<b>RM'000</b>	<b>RM'000</b>	
Revenue	45,027	32,586	12,441
Profit before taxation	1,613	2,009	(396)

The Group's revenue for the current financial quarter increased by 38.2% to RM45.03 million as compared to RM32.59 million recorded in the immediate preceding quarter. The increase in revenue was mainly due to higher value of project deliveries on LV switchboards and MV switchgears for Osram project.

The Group recorded lower profit before taxation of RM1.61 million in the current financial quarter as compared to profit before taxation of RM2.01 million in the immediate preceding quarter mainly due to higher expenses on staff costs. This was partly offset by net reversal of impairment losses on financial assets and lower finance costs on bank guarantee charges related to projects.

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**PART B – EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT**

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**B3 Commentary on Prospects**

As disclosed in the Prospectus, the Group has adopted the following business strategies for its future growth:

(i) As previously reported, after careful deliberation of the challenging and uncertain market conditions due to the Covid-19 pandemic, the Group has discontinued the certification activities which were intended to enhance the status and marketability of the Group's existing products for expansion purposes. The Group has embarked on alternative approaches, such as co-branding with value added partners, to enhance the status and marketability of the Group's existing products. In addition, the Group intends to focus on strengthening its Indonesian subsidiary's operations and to establish an assembly plant for future business growth for the Indonesian market.

(ii) Augment the Group's efforts in growing the replacement market business.

The Group will continue to submit bids for MV and LV packages in the replacement market.

(iii) Continue to increase the Group's manufacturing and marketing activities in the domestic and regional markets in order to grow its market share.

The Group will continue to focus in promising customer segments such as data centers, semi-conductor factories, hospitals and utility projects (e.g. sewerage treatment plant and bio-diesel plant).

(iv) Upgrade some of the Group's machinery and equipment, Enterprise Resource Planning ("ERP") system and data management system in order to support the anticipated growth in the Group's business.

The installation of new machinery and equipment costing RM5.4 million has been completed and successfully commissioned in September 2022 whilst the ERP system is progressively being upgraded.

While China's exit from the zero-Covid restrictions in January 2023 and the reopening of its borders are positive to the Malaysian economy, the geopolitical tension between US and China have increased global headwinds. The on-going Russia-Ukraine geo-political situation has continued to disrupt global supply chain and production, creating additional cost pressures and market uncertainties. The prices of raw materials (i.e. copper, steel) remain high due to higher market demand for raw materials and shortage of supply. This is expected to impact the Group's operations in the current financial year ending 31 March 2023.

The overall business environment will remain challenging for the Group given the continued pressure from global supply chain disruptions, recessionary pressures from leading economies, rising input costs, weakening of the Malaysian ringgit and rising inflation. In this regard, the Group will continue to keep a cautiously optimistic outlook of its prospects in the current financial year ending 31 March 2023.

The Group will continue to intensify its cost control management measures by including a review of the production and supply chain processes to mitigate the impact of higher raw material prices on its business profitability and to deliver higher operational efficiency.

**B4 Profit Forecast**

Not applicable as no profit forecast was issued.

**PART B – EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT****B5 Taxation**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 3 Months 31.12.2022 RM'000	Preceding Year Quarter 3 Months 31.12.2021 RM'000	Current Year To-Date 9 Months 31.12.2022 RM'000	Preceding Year To-Date 9 Months 31.12.2021 RM'000
Income tax	(34)	131	962	299
Deferred tax	-	-	-	-
Tax expense	(34)	131	962	299
Effective tax rate	<sup>(1)</sup> (2.1)%	<sup>(2)</sup> (27.0)%	<sup>(3)</sup> 19.3%	<sup>(2)</sup> (9.5)%

Notes:

- (1) The negative effective tax rate was mainly due to reinvestment allowance on certain machinery and equipment which are eligible for reinvestment allowance tax incentive.
- (2) The negative effective tax rate was mainly due to the losses recorded by certain subsidiaries for which no deferred tax asset has been provided.
- (3) The effective tax rate is lower than the statutory tax rate mainly due to utilisation of capital allowance, reinvestment allowance and tax losses.

**B6 Status of Corporate Proposals**

There are no corporate proposals announced by the Company but not completed as at the date of this interim financial report.

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**PART B – EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT****B7 Utilisation of Proceeds Raised from Powerwell’s IPO**

As at 22 February 2023 the status of utilisation of the IPO proceeds amounting to RM21.85 million is as follows:

Details of utilisation	Intended utilisation of proceeds after the Second Variation <sup>(1)</sup>	Amount utilised as at 22 February 2023	Balance to be utilised	Revised timeframe for utilisation from the Listing Date after the Third Extension <sup>(2)</sup>
	RM'000	RM'000	RM'000	
Capital expenditure	6,954	(3,681)	3,273	Within 48 months
- Purchase of machinery and equipment	5,444	(2,927)	2,517	
- Enhancement of ERP systems and hardware	1,510	(754)	756	
Working Capital	10,796	(10,796)	-	Within 48 months
- Purchase of materials and components	9,501	(9,501)	-	
- Marketing activities	1,295	(1,295)	-	
Listing expenses	4,100	(4,100)	-	
<b>Total gross proceeds</b>	<b>21,850</b>	<b>(18,577)</b>	<b>3,273</b>	

**Notes:**

- (1) Revised as per the Company’s Circular dated 11 August 2022 and approved by the shareholders at the Company’s EGM held on 26 August 2022.
- (2) Revised as per the Company’s announcement to Bursa Securities dated 4 August 2022.

The utilisation of proceeds as disclosed above should be read in conjunction with the Prospectus.

**PART B – EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT****B8 Borrowings**

The details of the Group's borrowings are as follows:

		As at 31.12.2022 RM'000	As at 31.03.2022 RM'000
<b><u>Secured</u></b>			
<b>Non-current liabilities</b>			
Lease liabilities	Ringgit Malaysia	538	762
Term loan	Ringgit Malaysia	8,092	8,431
		<u>8,630</u>	<u>9,193</u>
<b>Current liabilities</b>			
Lease liabilities	Ringgit Malaysia	392	350
Trade financing	Ringgit Malaysia	8,560	10,587
Trust receipts	Ringgit Malaysia	13,857	-
Bank overdraft	Ringgit Malaysia	-	893
Term loan	Ringgit Malaysia	480	499
		<u>23,289</u>	<u>12,329</u>
<b><u>Unsecured</u></b>			
<b>Non-current liabilities</b>			
Lease liabilities	Ringgit Malaysia	114	208
		<u>114</u>	<u>208</u>
<b>Current liabilities</b>			
Lease liabilities	Ringgit Malaysia	72	728
		<u>72</u>	<u>728</u>
<b>Total borrowings</b>		<b><u>32,105</u></b>	<b><u>22,458</u></b>

**B9 Material Litigation**

There are no material litigations pending as at the date of this interim financial report.

**B10 Dividends**

The Board of Directors of the Company did not declare or recommend any dividend during the current financial quarter.

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**PART B – EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT****B11 Earnings per Share**

The basic and diluted earnings per share for the current financial quarter and current financial year-to-date are computed as follows:

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Current Year Quarter 3 Months 31.12.2022</b>	<b>Preceding Year Quarter 3 Months 31.12.2021</b>	<b>Current Year To-Date 9 Months 31.12.2022</b>	<b>Preceding Year To-Date 9 Months 31.12.2021</b>
Profit/(Loss) for the financial period attributable to owners of the Company (RM'000)	1,647	(613)	4,018	(3,440)
Weighted average number of ordinary shares in issue ('000)	580,552	580,552	580,552	580,552
Basic earnings/(loss) per share (sen) <sup>(1)</sup>	0.28	(0.11)	0.69	(0.59)
Diluted earnings/(loss) per share (sen) <sup>(2)</sup>	0.28	(0.11)	0.69	(0.59)

Notes:

- (1) The basic earnings/(loss) per share is computed based on the profit/(loss) for the financial period attributable to the owners of the Company divided by the weighted average number of ordinary shares in issue during the financial quarter / financial year to-date.
- (2) Diluted earnings/(loss) per share is equivalent to the basic earnings/(loss) per share as the Company does not have any convertible securities.

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**PART B – EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT****B12 Notes to the Statement of Profit or Loss and Other Comprehensive Income**

Profit/(Loss) before taxation was arrived at after charging / (crediting) the following:

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 3 Months 31.12.2022 RM'000	Preceding Year Quarter 3 Months 31.12.2021 RM'000	Current Year To-Date 9 Months 31.12.2022 RM'000	Preceding Year To-Date 9 Months 31.12.2021 RM'000
Interest expenses	46	176	1,068	450
Depreciation of property, plant and equipment	410	287	975	849
Depreciation of right-of-use assets	324	316	939	950
Impairment loss on trade and other receivables	242	765	1,241	1,170
Foreign exchange loss – unrealised (net)	60	44	266	116
Loss on disposal of other investment	-	2	-	2
Rental expense of premises	-	3	-	3
Rental deposit (refunded)/written off	-	(125)	2	274
Property, plant and equipment written off	13	-	13	-
Write down of inventories	-	186	-	1,047
Bad debt written off	-	1	-	1
Additional sales tax undercharged in prior years	-	667	-	667
Reversal of impairment losses on trade and other receivables	(932)	(227)	(1,601)	(1,365)
Foreign exchange gain – realised (net)	(20)	-	(422)	(39)
Interest income	(59)	(3)	(140)	(20)
Investment income	(41)	(114)	(186)	(321)
Gain on reassessment and modification of right-of-use assets	(7)	(5)	(7)	(1,064)
Gain on disposal of property, plant and equipment	-	(91)	(46)	(91)
Writeback of provision for sales tax	-	-	(397)	-

Save as disclosed in this Note B12, the other disclosure items as required under paragraph 16 of Appendix 9B of the Listing Requirements are not applicable.

**B13 Derivative Financial Instruments**

The Group has not entered into any derivatives as at the date of this interim financial report.