



KPOWER BERHAD
(formerly known as KUMPULAN POWERNET BERHAD)
(Company No: 199701003731 (419227-X))
(Incorporated in Malaysia)

**QUARTERLY REPORT ON THE
CONSOLIDATED RESULTS FOR THE
QUARTER AND PERIOD ENDED
31 MARCH 2021**

(The Figures in this Quarterly Report have not been Audited)

KPOWER BERHAD
(formerly known as KUMPULAN POWERNET BERHAD)
199701003731 (419227-X)

Unaudited Condensed Consolidated Statements of Comprehensive Income for the Quarter and Period ended 31 March 2021

	Individual quarter			Cumulative quarter		
	3 months ended		Changes %	9 months ended		Changes %
	31/3/2021 RM'000	31/3/2020 RM'000		31/3/2021 RM'000	31/3/2020 RM'000	
Revenue	137,659	31,684	334	284,786	56,482	404
Cost of sales	(113,153)	(26,223)	332	(231,595)	(43,148)	437
Gross profit	24,506	5,461	349	53,191	13,334	299
Other income	321	253	27	1,039	313	232
Selling and distribution expenses	(8)	(25)	(68)	(45)	(66)	(32)
Administrative expenses	(4,710)	(1,793)	163	(10,018)	(5,531)	81
Other expenses	(238)	-	100	(479)	(136)	252
Profit from operations	19,871	3,896	410	43,688	7,914	452
Finance costs	(525)	(49)		(693)	(116)	
Profit before tax	19,346	3,847	403	42,995	7,798	451
Taxation	(5,121)	(1,175)		(11,374)	(2,324)	
Profit net of tax	14,225	2,672	432	31,621	5,474	478
Other comprehensive income:						
Item that is or may be reclassified subsequently to profit or loss						
Foreign currency translation	217	(106)		625	(115)	
Total comprehensive income for the financial period	14,442	2,566		32,246	5,359	
Profit attributable to:						
Owners of the parent	14,146	2,674		31,544	5,482	
Non-controlling interests	79	(2)		77	(8)	
	14,225	2,672		31,621	5,474	
Total comprehensive income attributable to:						
Owners of the parent	14,363	2,568		32,169	5,367	
Non-controlling interests	79	(2)		77	(8)	
	14,442	2,566		32,246	5,359	
Earnings per share attributable to owners of the parent (sen per share) *						
- basic	4.17	0.64		7.08	1.31	
- diluted	4.17	0.64		7.08	1.31	

* Earnings per share is based on weighted average number of shares of 339,247,986 (2020: 418,151,843) and 445,342,587 (2020: 418,151,843) for the period of 3 months and 9 months respectively. Comparative figure of the weighted average number of shares have been restated to reflect the adjustment arising from the share split.

The unaudited condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 30 June 2020 and the explanatory notes attached to the interim financial report.

KPOWER BERHAD
(formerly known as KUMPULAN POWERNET BERHAD)
199701003731 (419227-X)

Unaudited Condensed Consolidated Statements of Financial Position as at 31 March 2021

	(Unaudited) 31/3/2021 RM'000	(Audited) 30/6/2020 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	19,044	12,287
Right-of-use assets	1,168	511
Investment property	8,291	7,626
Intangible assets	7,792	11
Total non-current assets	36,295	20,435
Current assets		
Inventories	2,005	2,017
Contract assets	10,439	6,155
Contract cost assets	1,323	2,760
Trade, other receivables, deposits and prepayments	183,628	46,056
Cash and bank balances	107,034	89,805
Total current assets	304,429	146,793
TOTAL ASSETS	340,724	167,228
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	97,730	97,730
Reserves	5,301	4,676
Retained earnings	32,494	3,506
Total equity attributable to owners of the Company	135,525	105,912
Non-controlling interests	2,217	(4)
Total equity	137,742	105,908
Non-current liabilities		
Lease liabilities	505	254
Deferred tax liabilities	1,398	6
Borrowings	5,152	1,420
Total non-current liabilities	7,055	1,680
Current liabilities		
Trade and other payables	131,781	53,444
Contract liabilities	16,511	2,663
Lease liabilities	682	269
Borrowings	38,405	565
Provision for tax	8,548	2,699
Total current liabilities	195,927	59,640
Total liabilities	202,982	61,320
TOTAL EQUITY AND LIABILITIES	340,724	167,228
Net assets per share attributable to ordinary equity holders of the Company (RM) *	0.30	0.25

* The calculation of net assets per share is based on weighted average number of shares of 445,342,587 (2020: 418,473,133). Comparative figure of the weighted average number of shares have been restated to reflect the adjustment arising from the share split.

The unaudited condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the financial year ended 30 June 2020 and the explanatory notes attached to the interim financial report.

KPOWER BERHAD
(formerly known as KUMPULAN POWERNET BERHAD)
199701003731 (419227-X)

Unaudited Condensed Consolidated Statements of Changes in Equity for the period ended 31 March 2021

	← Attributable to owners of the Company →				→		
	← Non-distributable →		Distributable				
	Share Capital RM'000	Foreign Currency Translation Reserve RM'000	Asset Revaluation Reserve RM'000	Retained earnings RM'000	Total RM'000	Non- Controlling Interest RM'000	Total Equity RM'000
As at 1 July 2020	97,730	(236)	4,912	3,506	105,912	(4)	105,908
Net profit for the financial period	-	-	-	31,544	31,544	77	31,621
Foreign currency translation	-	625	-	-	625	-	625
Total comprehensive income for the period	-	625	-	31,544	32,169	77	32,246
Dividend paid	-	-	-	(2,556)	(2,556)	-	(2,556)
Acquisition of a subsidiary	-	-	-	-	-	2,138	2,138
Deconsolidation of subsidiaries	-	-	-	-	-	6	6
As at 31 March 2021	97,730	389	4,912	32,494	135,525	2,217	137,742
As at 1 July 2019	28,994	(104)	4,912	(9,280)	24,522	(395)	24,127
Net profit for the financial period	-	-	-	12,786	12,786	(10)	12,776
Foreign currency translation	-	(132)	-	-	(132)	-	(132)
Total comprehensive income for the period	-	(132)	-	12,786	12,654	(10)	12,644
<u>Transaction with owners:</u>							
Issue of share capital	68,736	-	-	-	68,736	-	68,736
Deconsolidation of subsidiaries	-	-	-	-	-	401	401
As at 30 June 2020	97,730	(236)	4,912	3,506	105,912	(4)	105,908

The unaudited condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 30 June 2020 and the explanatory notes attached to the interim financial report.

KPOWER BERHAD
(formerly known as KUMPULAN POWERNET BERHAD)
199701003731 (419227-X)

Condensed Consolidated Statements of Cash Flow for the period ended 31 March 2021

	Unaudited 31/3/2021 RM'000	Unaudited 31/3/2020 RM'000
Cash flows from operating activities		
Profit before taxation	42,995	7,798
Adjustments for :-		
Depreciation for investment property	128	130
Depreciation for property, plant and equipment	966	498
Amortisation of intangible assets	2	-
Depreciation of right-of-use assets	297	183
Gain on disposal of property, plant and equipment	(73)	-
Unrealised (gain)/loss in foreign exchange	(255)	92
Interest income	(376)	(17)
Interest expense	577	116
Gain on disposal of subsidiaries	(16)	-
Operating profit before changes in working capital	44,245	8,800
Inventories	79	1,943
Contract assets	(4,284)	-
Contract cost assets	1,437	-
Contract liabilities	9,784	-
Trade and other receivables	(125,460)	(38,697)
Trade and other payables	78,163	29,177
Cash generated from operations	3,964	1,223
Interest received	376	17
Tax paid	(9,292)	(472)
Net cash (used in)/generated from operating activities	(4,952)	768
Cash flows from investing activities		
Net cash outflow from acquisition of a subsidiary	(8,606)	-
Proceeds from disposal of subsidiaries	10	-
Proceeds from disposal of property, plant and equipment	75	-
Acquisition of property, plant and equipment	(89)	(155)
Acquisition of intangible asset	(9)	(8)
Net cash used in investing activities	(8,619)	(163)
Cash flows from financing activities		
Placement in bank restricted for use	(38,525)	-
Drawdown of revolving credits	35,000	-
Dividend paid	(2,556)	-
Repayment of loan payable	(994)	(412)
Payment for the principal portion of lease liabilities	(176)	(196)
Interest paid	(427)	(61)
Loan from a shareholder	-	10,000
Proceed from issuance of share capital	-	13,326
Net cash (used in)/generated from financing activities	(7,678)	22,657
Net (decrease)/increase in cash and cash equivalents	(21,249)	23,262
Effect of exchange rate changes	(47)	(50)
Cash and cash equivalents at 1 July	89,785	1,506
	89,738	1,456
Cash and cash equivalents at the end of period	68,489	24,718

KPOWER BERHAD
(formerly known as KUMPULAN POWERNET BERHAD)
199701003731 (419227-X)

Condensed Consolidated Statements of Cash Flow for the period ended 31 March 2021 (continued)

	Unaudited 31/3/2021 RM'000	Unaudited 31/3/2020 RM'000
Cash and cash equivalents at the end of period comprised :-		
Cash and bank balances	106,819	13,507
Fixed deposits with licensed banks	215	11,211
	<u>107,034</u>	<u>24,718</u>
Less: Fixed deposits held as bank guarantee	(38,545)	-
	<u>68,489</u>	<u>24,718</u>

The unaudited condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the financial year ended 30 June 2020 and the explanatory notes attached to the interim financial report.

PART A: EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS PER MFRS 134

A1. Basis of Preparation

The condensed interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134 Interim Financial Reporting and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 June 2020.

A2. Changes in accounting policies

The accounting policies adopted by the Group in this interim financial statements are consistent with those adopted in the most recent audited financial statements for the financial year ended 30 June 2020, except for the newly-issued Malaysian Financial Reporting Standards ("MFRS") and amendments to standards to be applied by all Entities Other Than Private Entities for the financial period beginning on or after 1 July 2020:

- Amendments to MFRS 3 Business Combinations (Definition of a Business)
- Amendments to MFRS 4 Insurance Contracts
(Extension of the Temporary Exemption from Applying MFRS 9, Financial Instruments)
- Amendments to MFRS 9 Financial Instruments,
MFRS 139 Financial Instruments: Recognition and Measurement and
MFRS 7 Financial Instruments: Disclosures (Interest Rate Benchmark Reform)
- Amendments to MFRS 101 Presentation of Financial Statements and
MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Material)
- Amendment to MFRS 101 Presentation of Financial Statements
(Classification of Liabilities as Current or Non-current - Deferral of Effective Date)

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group:

MFRS/ Amendment/ Interpretation	Effective date
• MFRS 16 Leases - Covid-19 - Related Rent Concessions	1 June 2020
• MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement, MFRS 7 Financial Instruments: Disclosures, MFRS 4 Insurance Contracts and MFRS 16 Leases (Interest Rate Benchmark Reform-Phase 2)	1 January 2021
• MFRS 3 Business Combinations (Reference to the Conceptual Framework)	1 January 2022
• MFRS 116, Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
• MFRS 137 Provisions, Contingent Liabilities and Contingent Assets (Onerous Contracts - Cost of Fulfilling a Contract)	1 January 2022
• Annual Improvements to MFRS Standards 2018-2020	1 January 2022
• MFRS 117 Insurance Contracts	1 January 2023
• MFRS 101 Presentation of Financial Statements (Classification of Liabilities as Current or Non-current)	1 January 2023
• Amendments to MFRS 10 Consolidated Financial Statements: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be confirmed
• Amendments to MFRS 128 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be confirmed

The Group plans to apply from the annual period beginning on 1 July 2020 for the accounting standard that is effective for annual periods beginning on or after 1 January 2020. The Group does not plan to apply MFRS 17, Insurance Contracts as it is not applicable to the Group.

**PART A: EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS PER MFRS 134 (CONTINUED)**

A2. Changes in accounting policies (continued)

The initial application for the abovementioned accounting standards, amendments or interpretations are not expected to have any material financial impacts to the financial statements of the Group.

(a) Basis of measurement

The financial statements have been prepared on the historical cost basis other than disclosed in the report.

(b) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency.

(c) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

A3. Changes in debt and equity securities

On 13 November 2020, the Company announced to undertake the following exercises:

- (a) Share Split involving a subdivision of every 1 existing ordinary share in KPower ("KPower Share(s)" or "Share(s)") into 4 KPower Shares ("Subdivided Shares") ("Proposed Share Split"); and
- (b) Issuance of up to 150,776,882 free warrants in KPower ("Warrant(s)") on the basis of 1 Warrant for every 3 Subdivided Shares ("Proposed Issuance of Free Warrants").

The Company had on 28 December 2020 obtained its shareholders' approval for the proposed exercises. The Proposed Share Split has been completed on 13 January 2021 while the Proposed Issuance of Free Warrants has been completed on 25 January 2021.

A4. Dividend paid

During the quarter under review, the first and final single-tier tax exempt dividend of 2.26 sen per ordinary share in respect of the financial year ended 30 June 2020 was paid on 23 December 2020.

A5. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 30 June 2020 was not subject to any qualification.

A6. Seasonal or cyclical factors

The results of the operations of the Group for the current financial quarter and financial year-to-date were not significantly affected by seasonal or cyclical factors.

A7. Unusual items due to their nature, size or incidence

- (a) On 9 October 2020, the Company had incorporated a company known as KPower Logistics Sdn. Bhd. ("KPower Logistics") with 1,000,000 ordinary shares representing 100% shareholding in for a total cash consideration of RM1,000,000.
- (b) On 21 October 2020, the Company had entered into a share sale agreement with Sabaka for the acquisition of 2,193,000 ordinary shares in Chemtrax Sdn Bhd ("Chemtrax"), representing 51.00% equity interest in Chemtrax, by the Company for a total cash consideration of RM10.00 million ("Proposed Acquisition"). As at the date of this report, the Proposed Acquisition has been completed.
- (c) On 18 November 2020, the Company had incorporated a company known as KPower Healthcare & Technologies Sdn. Bhd. ("KPower Healthcare") with 1,000,000 ordinary shares representing 100.00% shareholding in for a total cash consideration of RM1,000,000.
- (d) On 31 December 2020, the Company had disposed its 51.00% interest in CBG Capital Sdn. Bhd. and 51.00% interest in CBG Builders Sdn. Bhd.
- (e) On 5 January 2021, the Company had entered into a share sale agreement with SIRIM Tech Ventures Sdn. Bhd. ("SIRIM Tech") for the acquisition of 5,950,000 ordinary shares in Granulab (M) Sdn. Bhd. ("Granulab"), representing 70.00% equity interest in Granulab, by the Company for a total cash consideration of RM1.00 million ("Proposed Acquisition"). The Proposed Acquisition has been completed on 2 April 2021.

A8. Material changes in estimates of amounts reported

There were no material changes in estimates of amounts reported in prior interim period of the current financial year or in prior financial year, which have material effects on the financial position or performance in the current interim period under review.

**PART A: EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS PER MFRS 134 (CONTINUED)**

A9. Segment information

The segment information for the current period ended 31 March 2021 are as follows:

	Individual quarter	Cumulative quarter
	3 months ended	9 months ended
	31/3/2021	31/3/2021
	RM'000	RM'000
Revenue		
Construction related activities	127,000	265,597
Property development and investment	983	9,043
Healthcare *	4,555	5,025
Logistics	5,121	5,121
Total revenue	137,659	284,786
Profit/(loss) before taxation		
Construction related activities	18,581	40,370
Property development and investment	365	3,104
Healthcare *	(104)	(977)
Logistics	504	498
Total profit before taxation	19,346	42,995
	(Unaudited)	(Audited)
	31/3/2021	30/6/2020
	RM'000	RM'000
Assets		
Construction related activities	309,306	150,976
Property development and investment	29,992	29,807
Healthcare *	19,575	14,743
Logistics	20,132	-
Elimination of inter-segment	(38,281)	(28,298)
Total assets	340,724	167,228
Liabilities		
Construction related activities	165,730	45,879
Property development and investment	23,580	24,493
Healthcare *	15,430	20,526
Logistics	14,620	-
Elimination of inter-segment	(16,378)	(29,578)
Total liabilities	202,982	61,320

* The healthcare segment was derived from the reclassification of manufacturing segment.

PART A: EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS PER MFRS 134 (CONTINUED)

A10. Material event subsequent to the end of the financial period

There were no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the current financial quarter under review other than the matter disclosed in the preceding paragraph.

A11. Changes in composition of the Group

- (a) On 9 October 2020, the Company had incorporated a company known as KPower Logistics with 1,000,000 ordinary shares representing 100.00% shareholding in for a total cash consideration of RM1,000,000.
- (b) On 21 October 2020, the Company had entered into a share sale agreement with Sabaka for the acquisition of 2,193,000 ordinary shares in Chemtrax, representing 51.00% equity interest in Chemtrax, by the Company for a total cash consideration of RM10.00 million ("Proposed Acquisition"). As at the date of this report, the Proposed Acquisition has been completed.
- (c) On 18 November 2020, the Company had incorporated a company known as KPower Healthcare with 1,000,000 ordinary shares representing 100.00% shareholding in for a total cash consideration of RM1,000,000.
- (d) On 31 December 2020, the Company had disposed its 51.00% interest in CBG Capital Sdn. Bhd. and 51.00% interest in CBG Builders Sdn. Bhd.
- (e) On 5 January 2021, the Company had entered into a share sale agreement with SIRIM Tech for the acquisition of 5,950,000 ordinary shares in Granulab, representing 70.00% equity interest in Granulab, by the Company for a total cash consideration of RM1.00 million ("Proposed Acquisition"). The Proposed Acquisition has been completed on 2 April 2021.

A12. Contingent liabilities

There were no contingent liabilities which become enforceable that may have a material effect on the assets or financial position of the Group for the current financial period.

A13. Capital commitments

There was no capital commitment authorised by the Directors for the financial period under review as at 31 March 2021.

PART A: EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS PER MFRS 134 (CONTINUED)

A14. Property, plant and equipment

There was no change to the valuation of property, plant and equipment brought forward from the most recent audited annual financial statements.

	Current financial quarter as at 31/3/2021
	RM'000
Cost	
As at 1 July 2020	37,309
Additions	89
Disposals	(276)
Acquisition of a subsidiary	26,848
As at 31 March 2021	<u>63,970</u>
Accumulated depreciation	
As at 1 July 2020	(25,022)
Charge for the financial year	(966)
Disposals	276
Acquisition of a subsidiary	(19,214)
As at 31 March 2021	<u>(44,926)</u>
Net carrying amount	
As at 31 March 2021	<u>19,044</u>

A15. Intangible assets

	Current financial quarter as at 31/3/2021		
	Software	Goodwill on consolidation	Total
	RM'000	RM'000	RM'000
Cost			
As at 1 July 2020	12	-	12
Additions	9	-	9
Acquisition of a subsidiary	-	7,774	7,774
As at 31 March 2021	<u>21</u>	<u>7,774</u>	<u>7,795</u>
Accumulated depreciation			
As at 1 July 2020	(1)	-	(1)
Charge for the financial year	(2)	-	(2)
As at 31 March 2021	<u>(3)</u>	<u>-</u>	<u>(3)</u>
Net carrying amount			
As at 31 March 2021	<u>18</u>	<u>7,774</u>	<u>7,792</u>

A16. Inventories

	Current financial quarter as at 31/3/2021
	RM'000
Stated at cost	
- Manufacturing:	
Raw materials	76
Work-in-progress	469
Consumables	656
Finished goods	24
Trading	721
Acquisition of a subsidiary	59
Total inventories	<u>2,005</u>

PART A: EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS PER MFRS 134 (CONTINUED)

A17. Finance income and finance expense

	Individual quarter		Cumulative quarter	
	3 months ended		9 months ended	
	31/3/2021	31/3/2020	31/3/2021	31/3/2020
	RM'000	RM'000	RM'000	RM'000
Finance income	91	12	376	17
Finance expense:				
- Term loan	(33)	(49)	(69)	(116)
- Lease liabilities	(15)	-	(28)	-
- Revolving credits	(376)	-	(495)	-
- Hire purchase	(92)	-	(92)	-
- Bank guarantee	(9)	-	(9)	-

A18. Share Capital

	Number of ordinary shares		Amount	
	31/3/2021	30/6/2020	31/3/2021	30/6/2020
	'000	'000	RM'000	RM'000
Issued and fully paid:				
At 1 July	113,083	76,150	97,730	28,994
Issued during the financial year:				
- Cash	-	36,933	-	68,736
- Share split (i)	339,248	-	-	-
At 31 March/ 30 June	<u>452,331</u>	<u>113,083</u>	<u>97,730</u>	<u>97,730</u>

(i) Represent the number of subdivided shares of 339,247,986 pursuant to share split involving a subdivision of every 1 existing ordinary share into 4 shares.

The issuance of 150,776,882 free warrants on the basis of 1 warrant for every 3 subdivided shares has been completed on 25 January 2021 following the listing and quotation of the warrants on the Main Market of Bursa Securities. No warrants were exercised during the financial period from the completion date to 31 March 2021.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA

B1. Performance Review By Segments

	Individual quarter		Cumulative quarter		Variance	
	3 months ended		9 months ended		3 months	9 months
	31/3/2021	31/3/2020	31/3/2021	31/3/2020	ended	ended
	RM'000	RM'000	RM'000	RM'000	%	%
Revenue						
Construction related activities	127,000	26,237	265,597	41,649	384	538
Property development and investment	983	5,382	9,043	14,609	(82)	(38)
Healthcare	4,555	65	5,025	224	6,908	2,143
Logistics	5,121	-	5,121	-	100	100
Total revenue	137,659	31,684	284,786	56,482	334	404
Profit/(loss) before taxation						
Construction related activities	18,581	2,399	40,370	4,137	675	876
Property development and investment	365	1,958	3,104	5,494	(81)	(44)
Healthcare	(104)	(510)	(977)	(1,833)	(80)	(47)
Logistics	504	-	498	-	100	100
Total profit before taxation	19,346	3,847	42,995	7,798	403	451

For the quarter and period ended 31 March 2021:

(a) Construction Related Activities Segment

The construction related activities recorded a significant increase as compared to the corresponding period of previous year ("Q3FY2020"). The increase in revenue was mainly due to site progress of existing projects, commencement of works in Indonesia and contributions from projects based on order basis in Malaysia and abroad.

(b) Property Development and Investment Segment

Property development and investment segment recorded a revenue of RM0.98 million based on the progress of completion during the period for the units sold.

(c) Healthcare Segment

The healthcare segment was derived from the reclassification of manufacturing segment. The segment recorded a revenue of RM5.02 million, an increase by 2143% as compared to Q3FY2020 due to higher sales from the distribution of COVID-19 related products in Indonesia. The loss before tax ("LBT") decreased to RM0.98 million or by 47% for the quarter ended 31 March 2021 as compared to Q3FY2020.

(d) Logistics

Logistics segment recorded a revenue of RM5.12 million which is derived from transportation services contributed from newly acquired subsidiary.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA (CONTINUED)

B2. Comments On Material Changes In Result Before Taxation In The Current Financial Quarter As Compared With The Immediate Preceding Financial Quarter

	Current financial quarter 31/3/2021	Immediate preceding quarter 31/12/2020	Variance Increase	
	RM'000	RM'000	← RM'000	→ %
	RM'000	RM'000	RM'000	%
Group revenue	284,786	147,127	137,659	94
Gross profit from operations	43,688	23,817	19,871	83
Group profit before taxation	42,995	23,649	19,346	82
Group profit for the financial year	31,621	17,396	14,225	82

As at 31 March 2021, the Group recorded an increase in revenue of 94% as compared to the immediate preceding quarter ("Q2FY2021") was mainly due to site progress of existing projects, commencement of works in Indonesia and contributions from projects based on order basis in Malaysia and abroad. The gross profit from operations for the current financial quarter was at RM43.68 million representing an increase of 83% as compared to Q2FY2021 which is consistent with the increase of profit before tax of RM43.00 million and profit after tax of RM31.62 million or 82% and 82% respectively, as compared to Q2FY2021.

B3. Prospects

SUMMARY

The result of current financial period ended 31 March 2021 represents the highest ever recorded by the Group marking eight consecutive record-breaking quarters in the Group's history. This financial performance while outstanding, it is not unexpected as the Group starts to translate its outstanding orderbook of over RM2.0 billion (as of April 2021) into revenue and established itself as a dependable go-to contractor for construction related businesses under the energy, utilities and infrastructure segments.

Whilst the COVID-19 pandemic continues to be a huge challenge to the overall market, it also represents ample business opportunities for agile, strong and solid companies. Despite the ebb and flow of the infections, mutations and various challenges, governments worldwide continue to be accommodative, proactive and supportive towards business. After more than a year in the pandemic, Governments worldwide has a better grasp on how to manage the pandemic. The recent Movement Control Order ("MCO") 3.0 is an example where the Malaysian Government's response is more specific in containment while minimising impact to the economy.

The Company is happy to note that the management's efforts in the past 2 years and the foundation laid by the new shareholders since June 2019 has since shown positive results. We have since been involved, referred to and participated in various dialogues within the sustainable energy, utilities and infrastructure segments locally and abroad.

KPower has officially ventured into the asset ownership business model when we were selected as the shortlisted bidder for the Large-Scale Solar 4 ("LSS4") under the competitive bidding exercise conducted by the Energy Commission Malaysia ("EC"). The collaboration with Perbadanan Kemajuan Negeri Pahang, a Pahang state-owned company ("PKNP"), for the development of 50MW solar photovoltaic plant in the state of Pahang further demonstrates KPower's ability to work together with the government and state related entities in securing a win-win partnership.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA (CONTINUED)

B3. Prospects (continued)

On the Engineering, Procurement, Construction and Commission (“EPCC”) side, we had recently been awarded RM510.0 million worth of renewable energy related projects for one (1) site in Perak, Malaysia and three (3) sites in Pahang, Malaysia. This brings our orderbook in excess of RM1.0 billion for the financial year ending 30 June 2021 and we remain confident to achieve our target of RM2.0 billion orderbook during this financial year end.

KPower will continue with our efforts in building internal expertise, capabilities and capacities as we continue in our path of sustainable growth.

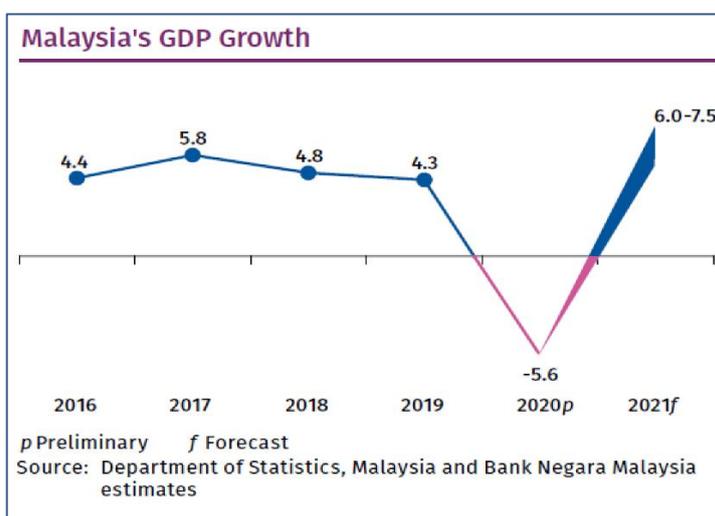
ECONOMY IN GENERAL

Global Growth

The International Monetary Fund (“IMF”) in its World Economic Outlook (“WEO”) published in April 2021 has projected a stronger growth of 6.0% in 2021 and 4.4% in 2022. The upward revision reflects additional fiscal support in a few large economies, the anticipated vaccine-powered recovery in the second half of 2021, and continued adaptation of economic activity to subdued mobility.

The above upward revision was premised on improved global sentiment lifted by the introduction of multiple vaccines that can reduce the severity and frequency of infection of COVID-19. However, the global health outlook continues to be uncertain due to the resurgence of infections in several areas, new virus mutations and the slow vaccines availability in developing and less developed countries.

Malaysian Economy



Bank Negara Malaysia (“BNM”) projected the Malaysian economy to grow by 6% to 7.5% in 2021 after contracting 5.6% in 2020. In its Economic and Monetary Review 2020, BNM highlighted that due to the expected uncertain environment in 2021, continued and targeted policy measures will remain central in supporting growth of the economy.

For the 2021, BNM opined that domestic demand will remain the key driver for economic growth in 2021. The growth will be also largely supported by the extent of external demand, sector-specific developments and gradual improvement in labour market conditions. COVID-19 impact for the year is expected to be smaller than in 2020 due to less restrictive and more targeted approach to contain the resurgence.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA (CONTINUED)

B3. Prospects (continued)

On quarterly performance saw the Malaysian economy continued to recover by recording a smaller contraction of 0.5% in Gross Domestic Product (“GDP”) during the 1Q 2021 compared to contraction of 3.4% in 4Q 2020. The economic activities had gradually picked up in February and March 2021 after the ease of restrictions from the second MCO (“MCO 2.0”).

The continuing monthly recovery was mainly supported by the improvement in domestic demand and robust exports performance, particularly for electrical and electronic products (“E&E products”). Meanwhile, from the expenditure side, the growth was driven by an increase in private spending and strong growth in trade activity.

COVID-19 UPDATE

While vaccination or immunisation has yield positive result, it is remained to be a threat from the new variants which are generally known as the South Africa variant and the India variant. The India variant with its triple-mutant variant of the virus has been reclassified by World Health Organization (“WHO”) as a ‘variant of concern’ at the global level. The virus has affected its neighbour Nepal and its variant has since travel to other countries. Following the impact of the new variants, various other nations have started to take precautions to review and heighten their travel restrictions again.

According to WHO, despite the limited studies for the impact of vaccines on the new variants of COVID-19, it is worth to be vaccinated to stop spreading the virus to prevent mutations that may reduce the efficacy of the existing vaccines. As the research on this matter is still ongoing, there may be a need to develop new strain of vaccines to neutralise the evolution of the COVID-19 variants.

Vaccination

Vaccination drive is important to reduce the COVID-19 infection. As proven in the United States of America (“US”) where cases are on the decline on all 50 states since the start of the COVID-19 crisis and COVID-19 related death is at the lowest in nearly 14 months. More than 150 million or almost 47% of Americans had received at least 1 dose of the vaccine while 119 million are fully vaccinated. This has since generated confidence in the public and promoted economic activities.

However, WHO’s Director-General recently mentioned that high income countries accounted for only 15% of the world’s population but have 45% of the world’s vaccines. In response to that, the US is sending an additional 20 million doses of the vaccines to overseas to assist in managing the pandemic. This will bring the total number of earmarked for shipping from the US to 80 million doses.

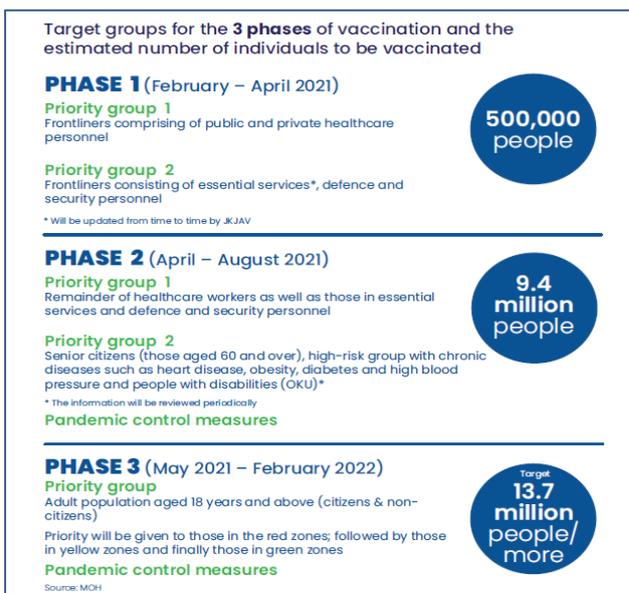
As the vaccination drive gathers steam and its impact being felt, consumer and business confidence will be back, and thus economic activities will gradually improve and business will flourish.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA (CONTINUED)

B3. Prospects (continued)

Vaccination in Malaysia

National COVID-19 Immunisation Programme has progressed steadily and has completed its first phase for the frontliners. Currently the programme is on phase two catering for senior citizens and high-risk group.



As at mid May 2021, roughly 10 million individuals have registered in the programme while over 1.2 million have been vaccinated. Demand for vaccines is also deemed as high as the recent 268,000 doses of AstraZeneca vaccine that was open to the public was snapped up within 3 hours. Another 1 million doses of AstraZeneca vaccine will be open to the public on 23 May 2021.

Meanwhile, individual states have set-up their own initiatives to source for their own vaccine to speed up their immunisation program. This is demonstrated by Sarawak when they secured 500,000 doses of Sinovac vaccine for their state’s population.

We are confident that national vaccination effort combined with state government’s effort will yield a positive result for the country and the economy.

Movement Control Order

The National Security Council has agreed to enforce the recent MCO nationwide, effective from 12 May until 7 June, as announced by the Prime Minister on 10 May 2021, following the third wave of COVID-19 infection. The government has taken stricter measures during the third MCO (“MCO 3.0”) to curb the infection of COVID-19. The enforcement of the interstate and district travel ban as well as restrictions on social activities, sports and education came into effect until 6 June. However, the government has decided to keep the economy open on targeted basis during the MCO 3.0 to protect certain groups, especially the vulnerable, as well as small and medium enterprises (SMEs). This targeted method is expected to have lower daily economic loss as opposed to MCO 2.0 and much lower than the MCO 1.0 in 2020.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA (CONTINUED)

B3. Prospects (continued)

KPOWER'S PERSPECTIVE

With the entry of the new management since June 2019, the foundation has been put in place to ensure KPower's profitability, viability and business sustainability for the long term.

The emergence of the COVID-19 pandemic has been a challenge and it brings into focus the need for the Group and its businesses to be adaptable, agile and remain robust within these uncertain trying times. We have since adapted and have been deploying our resources to put the necessary structure and undertaken continuous enhancement to our workforce in building our internal expertise, capabilities and capacities.

The businesses have been classified into four clear segments: Energy and Utilities, Properties, Logistics and finally, Healthcare and Technologies. Continuous efforts have been undertaken in getting the right resources, knowhow, licenses as well as putting the necessary support in place to enable all of these segments to be functioning efficiently and effectively.

Despite the challenging environment, the Company is happy to note that its effort in the past 2 years since the emergence of the new shareholders and management in June 2019 has since shown positive results. We have since been involved, referred to and participated in various dialogues within the sustainable energy, utilities and infrastructure segment locally and abroad.

Our recent success in as the shortlisted bidder for the LSS4 competitive bidding is the testament to our effort in building our internal capabilities and capacities in the past 2 years. The collaboration with Pahang state's entity, PKNP for the development of 50MW solar photovoltaic plant in Pekan, Pahang further demonstrated KPower's ability to work together with the government and state entities in securing a win-win partnership.

On the EPCC side, we had recently been awarded RM510.0 million worth of renewable energy related projects for one (1) site in Perak, Malaysia and three (3) sites in Pahang, Malaysia. This brings our orderbook in excess of RM1.0 billion for the financial year ending 30 June 2021 and we remain confident to achieve our target of RM2.0 billion orderbook during this financial year end.

CONSTRUCTION RELATED ACTIVITIES / ENERGY AND UTILITIES

Our construction related activities are mostly consists of Energy and Utilities projects. Construction related activities continue to be the Group's main business drive. Improvement and strengthening of this business are an ongoing process and we have taken great care in enhancing our delivery ability not only locally but also abroad.

The energy industry, especially the renewable energy market saw tremendous growth and expected to continue to grow well into the future. Based on International Energy Agency's ("IEA") latest report on renewable energy market, there was a record growth in expansion of renewable capacity due to the push from governments around the world to curb the carbon emissions through their climate policies.

Recently, the European Union has adopted a new law aiming to cut carbon emissions by at least 55% by 2030. At the same time, the bloc committed to become the first climate neutral continent by 2050. Following the 2030 Climate Target Plan, the region has forecasted an increase in renewable capacity additions of 11% to 44 GW in 2021 and 49 GW in 2022, which will drive Europe to be the second largest market after China.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA (CONTINUED)

B3. Prospects (continued)

Meanwhile, China's anticipated annual renewable capacity additions remain significantly above the 2017-2019 average, by 45% in 2021 and 58% in 2022. This is achieved despite a slowdown due to the government's decision to phase out subsidies for both wind and solar photovoltaic projects at the end of 2020. However, as China has implemented a new policy to achieve their long-term target to attain net-zero emissions by 2060, the growth of the renewable capacity may increase rapidly after 2022.

In the US, USD14 billion has been proposed by President Joe Biden for its 2022 budget. The increased budget underlined the administration's ambitions to decarbonising the economy by 2050 and also its effort to return to leadership role in climate change internationally. The budget included USD1.2 billion contributions to Green Climate Fund that aims to assist developing countries reduce emissions and adapt to climate change. There are also USD485 million to support other multilateral climate initiatives and USD691 million for the State Department and U.S. Agency for International Development to assist developing countries in adapting to climate disruptions.

ASEAN countries will continue be driven by its target for renewables energy to account for 35% of installed capacity by 2025. The ASEAN Centre For Energy forecasted investments of up to RM1.1 trillion by 2025 within the ASEAN region to meet this target.

Meanwhile in Malaysia the 35% installed capacity target by 2025 continues to be the main driver for the industry. Further to the Net Energy Metering 3.0 announcement, the authorities has recently announced the shortlisted bidders for LSS4 1000MW of which KPower was among the shortlisted bidders with its 50MW bid. Latest development is in Kuala Lumpur where the mayor of Kuala Lumpur announces that all future development projects in Kuala Lumpur, be it residential or commercial, must rely on 30% renewable energy.

The renewable energy sector potential and growth is clear not only locally and regionally but also internationally. Leveraging and strengthening on our regional presence while diversifying our product offering remain as our key strategy to ride on the aforesaid potential growth in the future.

Apart from construction and EPCC based revenue, KPower is also venturing into asset ownership model via our successful bid of 50MW in the LSS4 competitive bidding.

PROPERTIES

According to Department of Statistics Malaysia ("DOSM"), the value of construction work done during the 1Q 2021 has recorded a smaller contraction of 10.5% compared to -14.2% during 4Q 2020. This performance was mainly contributed by the private sector with 55.2% which is equivalent to RM17.3 billion of the total value of construction work done compared to contribution of 44.8% share or RM14.0 billion by private sector.

The Group exposure to market risk remains minimal as units for its sole property development project have been fully taken up. The project which has resumed its operations, continues to contribute to the Group's earnings.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA (CONTINUED)

B3. Prospects (continued)

LOGISTICS

Subsequent to the completion of the 51% stake of Chemtrax Sdn. Bhd. (“Chemtrax”) in January, the business has been performing well within expectation. As with our other businesses, the business of Chemtrax is on an ongoing review and improvement process.

Currently, Chemtrax is experiencing growth from its existing customers under the gloves sector. Moving forward, the logistics business is expected to grow in tandem with the demand due to the rebound in the economic activities as the global economy open up progressively.

Leveraging on Chemtrax’s 20 years of experience, its logistics facilities, its assets and KPower’s network and financial strength, we are confident that this segment’s contribution to the Group will grow accordingly.

HEALTHCARE AND TECHNOLOGIES

This segment has started its contribution to KPower’s revenue this quarter. The contribution is mainly from the previously announced approximately RM72 million value of contracts for the distribution of COVID-19 related products in Indonesia.

Since the completion of acquisition of Granulab Sdn. Bhd. (“Granulab”) from SIRIM, this segment is currently undergoing business review and integration to ensure its performance in the future. Leveraging on the technical knowhow, licenses and certifications of Granulab coupled with the textile manufacturing experience and the manufacturing assets of Powernet Industries Sdn. Bhd. as well as the existing network of the majority shareholders and experience of the key management, we are confident this potential segment can achieve greater heights in the future.

END NOTE

The structural change and improvement made by the management since June 2019 has been showing its success with the continuous projects and successful bid in LSS4 competitive bidding. With our core strength and competencies in Energy and Utilities segment combined with the enhancement and deployment of resources in other segments, we are confident in achieving RM2.0 billion orderbook by this financial year and remain optimistic on the future financial performance of the Group.

B4. Variance of Actual Profit from Profit Forecast

The Group did not provide any revenue of profit estimate, forecast, projection or internal targets in any previous announcement of public document.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA (CONTINUED)

B5. Corporate Proposal

Utilisation of Proceeds for Private Placement

As per the announcement dated 30 June 2020, the Company has completed a private placement with issuance of 29.32 million shares in KPower and raised total proceeds of RM55.4 million ("Private Placement II"). As at 30 April 2021, the proceeds raised from the Private Placement II have been partially utilised as follows:

No.	Details of Utilisation of Proceeds	Proposed Utilisation of Proceeds (RM'000)	Amount Utilisation (RM'000)	% Utilised	Estimated Timeframe for Utilisation
1	Working capital for construction business	48,386	48,386	100.00%	12 months
2	General working capital	5,825	3,666	62.94%	12 months
3	Estimated expenses in relation to the Private Placement II	1,200	1,200	100.00%	1 month

The utilisation of the proceeds as disclosed above should be read in conjunction with the announcement made by the Company dated 19 May 2020 and circular dated 5 June 2020.

B6. Borrowings

The Group's financing/borrowings are as follows:

	As at 31/3/2021		As at 30/6/2020	
	Current RM'000	Non-current RM'000	Current RM'000	Non-current RM'000
Term loan	1,235	487	565	1,420
Revolving credits	35,000	-	-	-
Acquisition of a subsidiary:				
- Term loan	184	807	-	-
- Hire purchase	1,986	3,858	-	-
Total borrowings	38,405	5,152	565	1,420

Currently, the Group does not have any hedging policy for borrowing denominated in foreign currency due to borrowing is used to finance the Group's international business. The Group monitors the foreign currency movement and will take the necessary steps to minimise the risk whenever deemed appropriate.

B7. Material Litigation

There was no material litigation against the Group as at the reporting date.

B8. Dividend payable

No interim dividend has been declared during the current interim period under review.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA (CONTINUED)

B9. Earnings Per Share (“EPS”)

	<u>Individual quarter</u>	<u>Cumulative quarter</u>
	3 months ended 31/3/2021	9 months ended 31/3/2021
Profit attributable to owners of the Company (RM'000)	14,146	31,544
Weighted average number of ordinary shares in issue ('000)	339,248	445,343
Basic and diluted EPS (Sen)	<u>4.17</u>	<u>7.08</u>

Basic earnings per share amounts are calculated by dividing profit for the year attributable to owners of the parent by the weighted average number of ordinary shares in issue.

No warrants were exercised during the financial period from the completion date to 31 March 2021. The warrants are anti-dilutive and hence the diluted EPS is equal to the basic EPS.

B10. Profit Before Taxation

	<u>Individual quarter</u>	<u>Cumulative quarter</u>
	3 months ended 31/3/2021	9 months ended 31/3/2021
	RM'000	RM'000
Profit before taxation has been arrived at after charging/(crediting):		
Interest income	(91)	(376)
Depreciation of property, plant and equipment	634	966
Gain on disposal of property, plant and equipment	(73)	(73)
(Gain)/loss on foreign exchange:		
- Realised	601	396
- Unrealised	(492)	(255)