



KPOWER BERHAD
(Company No: 199701003731 (419227-X))
(Incorporated in Malaysia)

**QUARTERLY REPORT ON THE
CONSOLIDATED RESULTS FOR THE
QUARTER AND PERIOD ENDED
31 MARCH 2022**

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

Unaudited Condensed Consolidated Statements of Comprehensive Income for the Quarter and Period ended 31 March 2022

	<u>Individual quarter</u>		Changes %	<u>Cumulative quarter</u>		Changes %
	<u>3 months ended</u>			<u>9 months ended</u>		
	<u>31/3/2022</u>	<u>31/3/2021</u>		<u>31/3/2022</u>	<u>31/3/2021</u>	
	<u>RM'000</u>	<u>RM'000</u>		<u>RM'000</u>	<u>RM'000</u>	
Revenue	50,288	137,659	(63)	152,655	284,786	(46)
Cost of sales	(35,820)	(113,153)	(68)	(120,984)	(231,595)	(48)
Gross profit	14,468	24,506	(41)	31,671	53,191	(40)
Other income	301	321	(6)	1,272	1,039	22
Selling and distribution expenses	-	(8)	(100)	(34)	(45)	(24)
Administrative expenses	(4,219)	(4,710)	(10)	(11,537)	(10,018)	15
Other expenses	(132)	(238)	(45)	(455)	(479)	(5)
Profit from operations	10,418	19,871	(48)	20,917	43,688	(52)
Finance costs	(339)	(525)		(1,500)	(693)	
Profit before tax	10,079	19,346	(48)	19,417	42,995	(55)
Taxation	(3,487)	(5,121)		(8,586)	(11,374)	
Profit net of tax	6,592	14,225	(54)	10,831	31,621	(66)
Other comprehensive income:						
Item that is or may be reclassified subsequently to profit or loss						
Foreign currency translation	(325)	217		(420)	625	
Total comprehensive income for the financial period	6,267	14,442		10,411	32,246	
Profit attributable to:						
Owners of the parent	6,677	14,146		11,723	31,544	
Non-controlling interests	(85)	79		(892)	77	
	6,592	14,225		10,831	31,621	
Total comprehensive income attributable to:						
Owners of the parent	6,352	14,363		11,303	32,169	
Non-controlling interests	(85)	79		(892)	77	
	6,267	14,442		10,411	32,246	
Earnings per share attributable to owners of the parent (sen per share) *						
- basic	1.35	3.13		2.36	6.97	
- diluted	1.35	3.13		2.36	6.97	

* Earnings per share is based on weighted average number of shares of 496,200,524 (2021: 452,330,648) and 496,200,524 (2021: 452,330,648) for the period of 3 months and cumulative 9 months respectively.

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 2021 and the explanatory notes attached to the interim financial report.

KPOWER BERHAD
199701003731 (419227-X)

Unaudited Condensed Consolidated Statements of Financial Position as at 31 March 2022

	(Unaudited) 31/3/2022	(Audited) 30/6/2021 (Restated)
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	46,880	21,290
Right-of-use assets	2,416	1,554
Intangible assets	16,332	16,639
Deferred tax assets	223	67
Total non-current assets	65,851	39,550
Current assets		
Inventories	2,355	2,794
Contract assets	121,624	13,113
Contract cost assets	1,102	1,421
Trade, other receivables, deposits and prepayments	111,488	149,791
Tax assets	2,940	3,461
Cash and bank balances	36,898	104,100
	276,407	274,680
Asset classified as held for sale	-	7,387
Total current assets	276,407	282,067
TOTAL ASSETS	342,258	321,617
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	156,379	97,730
Reserves	5,004	5,424
Retained earnings	50,136	38,413
Total equity attributable to owners of the Company	211,519	141,567
Non-controlling interests	2,016	2,888
Total equity	213,535	144,455
Non-current liabilities		
Other payables	4,190	-
Lease liabilities	1,504	702
Deferred tax liabilities	1,953	1,899
Borrowings	5,863	5,838
Total non-current liabilities	13,510	8,439
Current liabilities		
Trade and other payables	93,558	97,477
Contract liabilities	12,113	13,503
Lease liabilities	935	891
Borrowings	2,410	52,384
Tax liabilities	6,197	4,468
Total current liabilities	115,213	168,723
Total liabilities	128,723	177,162
TOTAL EQUITY AND LIABILITIES	342,258	321,617
Net assets per share attributable to ordinary equity holders of the Company (RM)	0.43	0.31

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 2021 and the explanatory notes attached to the interim financial report.

Unaudited Condensed Consolidated Statements of Changes in Equity for the period ended 31 March 2022

	← Attributable to owners of the Company →				Total RM'000	Non- Controlling Interest RM'000	Total Equity RM'000
	Share Capital RM'000	Foreign Currency Translation Reserve RM'000	Asset Revaluation Reserve RM'000	Retained earnings RM'000			
As at 1 July 2021	97,730	512	4,912	38,413	141,567	1,102	142,669
Effect of measurement period adjustment	-	-	-	-	-	1,786	1,786
As at 1 July 2021, as restated	97,730	512	4,912	38,413	141,567	2,888	144,455
Net profit for the financial period	-	-	-	11,723	11,723	(892)	10,831
Foreign currency translation	-	(420)	-	-	(420)	-	(420)
Total comprehensive income for the period	-	(420)	-	11,723	11,303	(892)	10,411
<u>Transaction with owners:</u>							
Issue of share capital	61,517	-	-	-	61,517	-	61,517
Share issue expenses	(2,868)	-	-	-	(2,868)	-	(2,868)
Acquisition of a subsidiary	-	-	-	-	-	20	20
As at 31 March 2022	156,379	92	4,912	50,136	211,519	2,016	213,535
As at 1 July 2020	97,730	(236)	4,912	3,506	105,912	(4)	105,908
Net profit for the financial period	-	-	-	37,463	37,463	771	38,234
Foreign currency translation	-	748	-	-	748	-	748
Total comprehensive income for the period	-	748	-	37,463	38,211	771	38,982
<u>Transaction with owners:</u>							
Dividend paid	-	-	-	(2,556)	(2,556)	-	(2,556)
Acquisition of subsidiaries	-	-	-	-	-	329	329
Deconsolidation of subsidiaries	-	-	-	-	-	6	6
As at 30 June 2021	97,730	512	4,912	38,413	141,567	1,102	142,669

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 2021 and the explanatory notes attached to the interim financial report.

KPOWER BERHAD
199701003731 (419227-X)

Condensed Consolidated Statements of Cash Flow for the period ended 31 March 2022

	Unaudited 31/3/2022 RM'000	Unaudited 31/3/2021 RM'000
Cash flows from operating activities		
Profit before taxation	19,417	42,995
Adjustments for :-		
Amortisation of intangible assets	310	2
Depreciation for investment property	-	128
Depreciation for property, plant and equipment	2,390	966
Depreciation of right-of-use assets	883	297
Gain on disposal of property, plant and equipment	(278)	(73)
Gain on disposal of subsidiaries	-	(16)
Gain on remeasurement of right-of-use assets	(3)	-
Interest expense	1,426	665
Interest expense on lease liabilities	74	28
Unrealised loss in foreign exchange	102	(255)
Interest income	(748)	(376)
Operating profit before changes in working capital	23,573	44,361
Inventories	439	79
Contract assets	(108,511)	(4,284)
Contract cost assets	319	1,437
Contract liabilities	(1,390)	9,784
Trade and other receivables	40,189	(125,460)
Trade and other payables	(1,557)	78,163
Cash (used in)/generated from operations	(46,938)	4,080
Interest received	674	376
Tax paid	(6,446)	(9,292)
Tax refund	10	-
Net cash used in operating activities	(52,700)	(4,836)
Cash flows from investing activities		
Construction cost incurred on solar plant	(24,708)	-
Proceeds from disposal of asset held for sale	7,279	-
Acquisition of property, plant and equipment	(3,299)	(89)
Proceeds from disposal of property, plant and equipment	307	75
Net cash inflow/(outflow) from acquisition of a subsidiary	23	(8,606)
Proceeds from disposal of subsidiaries	-	10
Acquisition of intangible assets	-	(9)
Net cash used in investing activities	(20,398)	(8,619)
Cash flows from financing activities		
Net proceeds from issuance of share capital	58,649	-
Placements in bank restricted for use	(26,026)	(38,525)
Reversal placements in bank restricted for use	53,180	-
Proceeds from hire purchase	2,341	-
Repayment of trade financing	(13,454)	-
Repayment of hire purchase	(2,230)	(479)
Repayment of term loans	(1,558)	(515)
Repayment of revolving credits	(35,000)	-
Payment for the principal portion of lease liabilities	(744)	(148)
Interest paid	(1,737)	(543)
Interest paid on lease liabilities	(74)	(28)
Drawdown of revolving credits	-	35,000
Dividend paid	-	(2,556)
Net cash generated from/(used in) financing activities	33,347	(7,794)

Condensed Consolidated Statements of Cash Flow for the period ended 31 March 2022 (continued)

	Unaudited 31/3/2022 RM'000	Unaudited 31/3/2021 RM'000
Net decrease in cash and cash equivalents	<u>(39,751)</u>	<u>(21,249)</u>
Effect of exchange rate changes	(297)	(47)
Cash and cash equivalents at 1 July	51,555	89,785
	<u>51,258</u>	<u>89,738</u>
Cash and cash equivalents at the end of period	<u>11,507</u>	<u>68,489</u>
Cash and cash equivalents at the end of period comprised :-		
Cash and bank balances	11,507	68,274
Fixed deposits with licensed banks *	25,391	38,760
	<u>36,898</u>	<u>107,034</u>
Less: Fixed deposits held as security	(25,391)	(38,545)
	<u>11,507</u>	<u>68,489</u>

* Fixed deposits with licensed banks is disclosed separately from cash and bank balances for consistency of presentation.

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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 2021 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 2021.

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 2021, 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 2021:

- Amendment to MFRS 16 Leases - Covid-19 - Related Rent Concession beyond 30 June 2021
- Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)
- Amendments to MFRS 9 Financial Instruments (Annual Improvement to MFRS Standards 2018 - 2020)
- Amendments to MFRS 3 Business Combinations (Reference to the Conceptual Framework)
- Amendments to MFRS 116, Property, Plant and Equipment - Proceeds before Intended Use
- Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets (Onerous Contracts - Cost of Fulfilling a Contract)

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 17 Insurance Contracts	1 January 2023
● Amendments to MFRS 101 Presentation of Financial Statements (Classification of Liabilities as Current or Non-current and Disclosure of Accounting Policies)	1 January 2023
● Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates	1 January 2023
● Amendments to MFRS 112 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	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 2021 for the accounting standard that is effective for annual periods beginning on or after 1 January 2021. The Group does not plan to apply MFRS 17, Insurance Contracts and MFRS 141, Agriculture (Annual Improvements to MFRS Standards 2018–2020) as these are not applicable to the Group.

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.

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

A2. Changes in accounting policies (continued)

(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

Save as disclosed in Note A19 in Part A of this report, there were no other issuance and repayment of debt and equity securities, share buy-backs, share cancellations, share held as treasury shares and resale of treasury shares during the financial year-to-date.

A4. Dividend paid

There were no dividend paid during the current quarter ended 31 March 2022.

A5. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 30 June 2021 was not subject to any qualification.

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

A6. Completion of purchase price allocation

During the current financial period, the Group has completed the purchase price allocation ("PPA") exercise to determine the fair values of the net assets of Granulab (M) Sdn. Bhd. ("Granulab") a wholly-owned subsidiary company, within the stipulated time period, i.e twelve (12) months from the acquisition date of 2 April 2021, in accordance with MFRS 3, *Business Combinations*. Based on the fair values of the net assets of Granulab, the goodwill amount has reduced from RM5.15 million to RM0.98 million. The adjusted fair value of Granulab has been reflected in the Group's Consolidated Statement of Financial Position as at previous year ended 30 June 2021. Below are the effects of the final PPA adjustments in accordance with MFRS 3:

	As previously stated RM'000	Adjustments RM'000	As restated RM'000
As at 30 June 2021			
Consolidated Statement of Financial Position			
<u>Non-current assets</u>			
Intangible assets	12,973	3,666	16,639
<u>Non-current liabilities</u>			
Deferred tax liabilities	19	1,880	1,899
Consolidated Statement of Changes in Equity			
Non-controlling interest	1,102	1,786	2,888

A7. 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.

A8. Unusual items due to their nature, size or incidence

There were no items affecting assets, liabilities, equity, net income or cash flows that were unusual in nature, size or incidence during the current interim period under review.

A9. 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)**

A10. Segment information

The segment information for the current period ended 31 March 2022 are as follows:

	Individual quarter	Cumulative quarter
	3 months ended	9 months ended
	31/3/2022	31/3/2022
	RM'000	RM'000
Revenue		
Construction related activities	43,960	137,350
Property development and investment	819	1,228
Healthcare *	231	634
Logistics	5,278	13,443
Total revenue	50,288	152,655
Profit/(loss) before taxation		
Construction related activities	10,885	22,784
Property development and investment	103	18
Healthcare *	(1,292)	(3,591)
Logistics	383	206
Total profit before taxation	10,079	19,417
	(Unaudited)	(Audited)
	31/3/2022	30/6/2021
	RM'000	(Restated)
		RM'000
Assets		
Construction related activities	466,102	352,901
Property development and investment	33,582	30,909
Healthcare *	28,551	29,275
Logistics	28,123	29,602
Elimination of inter-segment	(214,100)	(121,070)
Total assets	342,258	321,617
Liabilities		
Construction related activities	235,017	201,074
Property development and investment	22,643	24,814
Healthcare *	34,408	26,208
Logistics	21,322	22,669
Elimination of inter-segment	(184,667)	(97,603)
Total liabilities	128,723	177,162

* Healthcare segment constitutes manufacturing and healthcare related activities.

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

A11. 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.

A12. Changes in composition of the Group

- (i) On 17 September 2021, the Company has incorporated a company known as KPower RE Sdn. Bhd. with 100 ordinary shares representing 100% shareholding for a total cash consideration of RM100.
- (ii) On 25 October 2021, the Company has entered into a share sale agreement with Terang Hijau Sdn. Bhd. for the acquisition of 27,500 ordinary shares in Mikrogrid Lestari Sdn. Bhd. ("Mikrogrid"), representing 55% equity interest in Mikrogrid, by the Company for a total cash consideration of RM27,500 ("Proposed Acquisition"). The Proposed Acquisition has been completed on 25 October 2021.
- (iii) On 23 November 2021, the Company has incorporated a company known as KPower Energy FZCO with 1,000 ordinary shares representing 100% shareholding for a total cash consideration of AED100,000.
- (iv) On 26 November 2021, the Company has incorporated a company known as KPower Digital Sdn. Bhd. with 100 ordinary shares representing 100% shareholding for a total cash consideration of RM100.

A13. 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.

A14. Capital commitments

Capital expenditure at the end of the financial period/year as follows:

	31/3/2022	30/6/2021
	RM'000	RM'000
Authorised capital expenditure for property, plant and equipment not provided for in the financial statements		
- Approved and contracted for	<u>5,354</u>	<u>6,283</u>

A15. 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 31/3/2022
	RM'000
Cost	
As at 1 July 2021	66,932
Additions	28,007
Disposals	(1,086)
As at 31 March 2022	<u>93,853</u>
Accumulated depreciation	
As at 1 July 2021	(45,642)
Charge for the financial year	(2,390)
Disposals	1,059
As at 31 March 2022	<u>(46,973)</u>
Net carrying amount	
As at 31 March 2022	<u>46,880</u>

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

A16. Intangible assets

Cost	Current financial quarter as at 31/3/2022			
	Software RM'000	Intellectual property RM'000	Goodwill on consolidation RM'000	Total RM'000
As at 1 July 2021	21	-	12,956	12,977
Effect of fair value adjustment of net asset	-	7,832	(4,166)	3,666
As at 1 July 2021, as restated	21	7,832	8,790	16,643
Additions	-	-	3	3
As at 31 March 2022	21	7,832	8,793	16,646
Accumulated depreciation				
As at 1 July 2021	(4)	-	-	(4)
Charge for the financial year	(3)	(307)	-	(310)
As at 31 March 2022	(7)	(307)	-	(314)
Net carrying amount				
As at 31 March 2022	14	7,525	8,793	16,332

A17. Inventories

	Current financial quarter as at 31/3/2022 RM'000
Stated at cost	
- Manufacturing:	
Raw materials	96
Work-in-progress	534
Consumables	809
Manufactured inventories	916
Total inventories	2,355

A18. Finance income and finance expense

	Individual quarter		Cumulative quarter	
	3 months ended 31/3/2022 RM'000	31/3/2021 RM'000	9 months ended 31/3/2022 RM'000	31/3/2021 RM'000
Finance income	148	91	748	376
Finance expense:				
- Hire purchase	(110)	(92)	(366)	(92)
- Term loan	(13)	(33)	(55)	(69)
- Revolving credits	(142)	(376)	(882)	(495)
- Trade financing	(10)	(9)	(32)	(9)
- Others	(31)	-	(91)	-
	(306)	(510)	(1,426)	(665)
- Lease liabilities	(33)	(15)	(74)	(28)
	(339)	(525)	(1,500)	(693)

Lease liabilities is disclosed in separate line item to reflect the effect of MFRS16 Leases.

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

A19. Share Capital

	Number of ordinary shares		Amount	
	31/3/2022 '000	30/6/2021 '000	31/3/2022 RM'000	30/6/2021 RM'000
Issued and fully paid:				
At 1 July	452,331	113,083	97,730	97,730
Issuance of ordinary shares:				
- Cash	90,466	-	61,517	-
- Share split	-	339,248	-	-
Share issue expenses	-	-	(2,868)	-
At 31 March/ 30 June	<u>542,797</u>	<u>452,331</u>	<u>156,379</u>	<u>97,730</u>

On 5 October 2021, the Company issued 90,466,129 new ordinary shares at a price of RM0.68 per ordinary share by way of private placement.

The net proceeds derived from the Private Placement was RM58,649,048 after deducting transactions costs pursuant to the Private Placement of RM2,867,920.

The new ordinary shares issued rank pari passu with the existing ordinary shares of the Company.

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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
	31/3/2022	31/3/2021	31/3/2022	31/3/2021	ended	ended
	RM'000	RM'000	RM'000	RM'000	%	%
Revenue						
Construction related activities	43,960	127,000	137,350	265,597	(65)	(48)
Property development and investment	819	983	1,228	9,043	(17)	(86)
Healthcare	231	4,555	634	5,025	(95)	(87)
Logistics	5,278	5,121	13,443	5,121	3	163
Total revenue	50,288	137,659	152,655	284,786	(63)	(46)
Profit/(loss) before taxation						
Construction related activities	10,885	18,581	22,784	40,370	(41)	(44)
Property development and investment	103	365	18	3,104	(72)	(99)
Healthcare	(1,292)	(104)	(3,591)	(977)	1,142	268
Logistics	383	504	206	498	(24)	(59)
Total profit before taxation	10,079	19,346	19,417	42,995	(48)	(55)

For the quarter and period ended 31 March 2022:

(a) Construction Related Activities Segment

The construction related activities recorded cumulative revenue and profit before taxation of RM137.35 million and RM22.78 million respectively, a decrease of 48% and 44% respectively as compared to its corresponding period ("Q3FY2021").

(b) Property Development and Investment Segment

The property development and investment segment recorded a revenue of RM1.23 million and profit before taxation of RM0.02 million derived from the progress of completion during the current quarter for the units sold. Additionally, the Group completed the disposal of its property in Liverpool, UK on 5 July 2021 resulted in no revenue contribution from investment segment.

(c) Healthcare Segment

The healthcare segment consists of manufacturing and healthcare related activities. The segment recorded a revenue of RM0.63 million, a decrease of 87% as compared to Q3FY2021. This resulted in higher loss before taxation of RM3.59 million, an increase of 268% as compared to Q3FY2021.

(d) Logistics

Logistics segment recorded cumulative revenue of RM13.44 million as compared to RM5.12 million, an increase by 163% as compared to Q3FY2021 since revenue was recorded from the completion date of an acquisition of a subsidiary on 31 December 2020. However, its profit before taxation has shown a decrease to RM0.21 million or by 59% due to higher finance costs arising from newly acquired transport vehicles during this financial period.

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 31/3/2022	Immediate preceding quarter 31/12/2021	Variance ← (Decrease)/ Increase →	
	RM'000	RM'000	RM'000	%
Group revenue	50,288	58,583	(8,295)	(14)
Gross profit from operations	10,418	5,373	5,045	94
Group profit before taxation	10,079	4,818	5,261	109
Group profit for the financial year	6,592	2,007	4,585	228

As at 31 March 2022, the Group recorded a decrease in revenue of 14% as compared to the immediate preceding quarter ("Q2FY2022"). The Group's overall revenue was mainly contributed from construction progress from on-going projects and income from chemical transport services from logistics segment. Nevertheless, the gross profit from operations for the current financial quarter and profit before taxation were at RM10.42 million and RM10.07 million, representing an increase of 94% and 109% respectively compared to Q2FY2022. This has led to an increase in profit for the financial year of RM6.59 million.

B3. Prospects

KPOWER'S PERSPECTIVE

KPower remains focused towards the future and consistently working on ensuring the stability and growth of our Group of companies ("Group") and reposition ourselves for sustainable future. To achieve this, we have been working on concurrent approach which includes revitalising and renewing the stability of our Group while at the same time continuously strengthening and expanding our position in the sustainable space and various other businesses.

As a business, we continue to focus on our core which is in the sustainable economy, not only limited to renewable energy, but also across various spectrum which include utilities, development and other areas. As a responsible corporate citizen, we look beyond numbers and is committed to include environmental, social, and governance ("ESG") in our organisation.

As part of the ongoing efforts and commitment towards the Group's strategic plan of rebranding, restructuring and recapitalising towards establishing high corporate value over medium to long-term and emphasis on ESG, KPower had recently announced the following:

- (i) appointments of new Independent Directors namely Encik Ahmad Riza bin Mohd Saian ("Encik Ahmad Riza") and Ir. Ts. Dr. Muhammad Mahadi Mohamad ("Dr Mahadi") to strengthen, diversify and refresh our Board of Directors;
- (ii) a separation of management and directorship with Encik Mustakim bin Mat Nun assuming the position of Executive Chairman and relinquishing his position as the Managing Director whilst Encik Amirul Afif bin Abd Aziz was appointed to the post of Group Chief Executive Officer to lead the management and operations of the Group;
- (iii) strengthening and reshuffling of our Board of Directors and Board committees with notable changes being the re-designation of Cik Sarah Azreen Abdul Samat as the Deputy Chairman whilst Encik Ahmad Riza assumes the Chair of the Audit Committee and Dr Mahadi as the Chair of Risk Management Committee; and
- (iv) Proposed change of name from KPower Berhad to Reneuco Berhad.

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

B3. Prospects (continued)

The inclusion of Ahmad Riza who is a Chartered Accountant with 22 years of experience including previous stints in amongst others, PricewaterhouseCoopers LLP London as well as a chief executive office of a Government Link Investment Company will help to amongst others, inculcate corporate culture and enhance corporate governance within the Group.

Dr. Mahadi who is an engineer and holds a doctorate and other qualifications from Germany, Cambridge University and other institutions with area of study including climate change, circular economy and sustainability strategies will enable the Group to leverage on his extensive knowledge and expertise in the fields of engineering, consulting, and international relations, amongst others from his various work experience locally and abroad.

Reneuco is derived from the combination of “Re” which represents energy and green resources, “Neu” which in German means “new” that signifies a renewed beginning for the Group in its mission for a sustainable future with emphasis on corporate governance, and “Co” which represents cooperation of the Group’s overall efforts on its rebirth and renewal, its heightened focus in the renewable, sustainable and green segment, the strengthened leadership team and continuity from the management.

Meanwhile on the business front, our Group has been making major progress in diversifying the income to also include recurring income via the recent two major events:

- Our sub-subsidiary, Mikrogrid Lestari Sdn Bhd, was successful in its bidding for the development of small hydro power plants in Kelantan, Malaysia with a total installed capacity of 40.4MW under the Sustainable Energy Development Authority (“SEDA”); and
- Proposed acquisition by KPower RE Sdn Bhd of the entire equity interest in One River Power Sdn Bhd, a concessionaire for three mini hydro power plants in Sabah, Malaysia that has a total generation capacity of 29.1MW which is currently partially in operation and would be fully operational within the next 12 months.

Together with the above and the 50MW large-scale solar photovoltaic in our stable, our assets ownership under the renewable energy spectrum will generate approximately of 120 MW, thus, strengthening our Group’s concession-based recurring income for a long term sustainability on top of our engineering, procurement, construction and commissioning (“EPCC”) contracts.

With countries worldwide relaxing travel restriction and moving towards endemic stage for Covid-19, travelling and ground visits have been significantly easier. For the past months, our team have been travelling extensively to seek out regional opportunities by revisiting existing acquaintances, establishing new ones and more importantly, be on site to finalise more businesses. We are confident that these recent efforts will translate into meaningful businesses in the near future.

This financial quarter has certainly been a busy one for our Group and given the progress that we have made, we are certain that it will be an even busier time for the next financial quarters as our Group’s rejuvenation efforts take effect and as we ramp up our local and overseas activities. Our Group is optimistic that we are on the right track in strengthening our plan by securing new projects and business opportunities including asset ownership-based investment whilst upsizing our EPCC orderbook.

COVID-19 UPDATES

World Health Organization (WHO) in its weekly bulletin published on 8th May 2022 reported that from the period of 2nd until 8th May, the number of new Covid-19 cases fell by 12% week-on-week while the number of deaths dropped by 25%, compared to the previous week with 3,546,069 cases and 12,025 deaths. The Omicron variant remains the dominant strain around the world.

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

B3. Prospects (continued)

Domestically, Malaysia has relaxed its movement restrictions and opened the international borders as the number of cases has shown tremendous decrease from over 30,000 cases in March 2022, down to 3-digit cases in early May 2022.

However, the Ministry of Health Malaysia's ("MoH") CovidNow data recorded an upward trend to more than 3,000 new cases on 13th May 2022 since Hari Raya Aidilfitri celebrations in the first week of May 2022.

Based on the updates by MoH in its portal on 13th May 2022, 45% of children in the country have received their first dose under PICKids programme. This has increased the vaccination rate of the total population, including children, adolescents, and adults above 18, to 85.3% have received at least one dose, 82.3% have completed their vaccination and 49.2% have received a booster dose.

Vaccination and less lethal nature of the Omicron variant has somewhat reduced the risk associated with Covid-19. The shift towards endemic stage locally and internationally has been significantly help with ease of doing business.

GLOBAL GROWTH OUTLOOK

To-date, the recovery momentum of global growth has been deteriorated by the military conflict between Russia and Ukraine which lower the global growth prospects. Disruptions in commodity production and trade have led to higher commodity prices and re-escalated ongoing supply chain disruptions which is expected to increase the inflationary pressures. The growth momentum has further been dragged down by the lingering effects of the pandemic as well as extended lockdowns in China.

Amid the uncertainty, the International Monetary Fund ("IMF") in its World Economic Outlook ("WEO") published in April downgraded its projection of global growth from an estimated 6.1% in 2021 to 3.6% in 2022 and 2023. This is 0.8% and 0.2% points lower for 2022 and 2023 than previously forecasted in January 2022.

The increase in fuel and gas price plus the situation with gas supply from Russia has since also hastened the push for more renewable energy sources not only in Europe but also worldwide.

MALAYSIAN ECONOMY

Following the easing of restrictions, the Malaysian economy continues to grow by recording the Gross Domestic Products ("GDP") of 5.0% during the first quarter of 2022 ("1Q 2022"), supported by higher domestic demand, the recovery of labour market and continues support of policies.

In light of the unprecedented conditions during Covid-19, the Overnight Policy Rate ("OPR") was reduced by a cumulative of 125 basis points to a historic low of 1.75% to provide support to the economy. In line with the recovery pace of Malaysian economy, Monetary Policy Committee ("MPC") in their meeting in May has decided to begin reducing the degree of monetary accommodation. This will be done in a measured and gradual manner, ensuring that monetary policy remains accommodative to support a sustainable economic growth in an environment of price stability. The OPR was increased by 25 basis points to a new level of 2.00% on 11 May 2022.

Bank Negara Malaysia ("BNM") in its recent Quarterly Bulletin published in May, projected that the Malaysian economy would continue to record further growth, mainly supported by stronger domestic demand, continued expansion in external demand and improving labour market. Moving forward, the easing of restrictions and reopening of international borders are expected to spur the economic growth.

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

B3. Prospects (continued)

However, the outlook of Malaysian economy remains clouded by various downside risks, which comprise a weaker-than-expected global growth, further escalation of geopolitical conflicts, worsening supply chain disruptions, adverse surrounding developments, increase in financial market risks and exchange rate volatility.

Malaysia's energy sources are largely still dominated by coal and gas and pass-through mechanism exist between the national utility company to pass the cost to the consumer or the government. In the middle of this volatile fuel price a drive for renewable energy has been mooted as it provides a stable source of energy.

CONSTRUCTION RELATED ACTIVITIES / ENERGY AND UTILITIES

The renewable energy ("RE") industry remains as lucrative despite the persistent pandemic-induced supply chain challenges, construction delays, and record-level raw material and commodity prices. According to the International Energy Agency ("IEA") in its Renewable Energy Market Update Outlook for 2022 and 2023, renewable capacity additions in 2021 reported another record high of 6% growth, reaching almost 295 GW. Globally, the annual wind capacity additions in 2021 declined by 17%. Nevertheless, this has been offset by the solar photovoltaic ("PV") and hydropower installations.

For the renewable capacity's year-on-year comparison, the recorded growth is slower compared to the exceptional jump in 2020 when Chinese developers rushed to connect projects before the phase out of subsidies, especially for onshore wind.

Renewable capacity is expected to hit another record high in 2022, increase over 8% compared to 2021, pushing through the 300 GW mark for the first time. This solar PV is expected to contribute 60% of the renewable capacity with the commissioning of 190 GW, a 25% gain from last year. Utility-scale projects account for almost two-thirds of overall PV expansion in 2022, mostly driven by a strong policy environment in China and the European Union driving faster deployment.

The global renewable capacity additions in 2023 are expected to remain stable compared to 2022, unless new and supportive policies are implemented. While solar PV is forecasted to break another record in 2023, reaching almost 200 GW, and with the expansion of wind and bioenergy remaining stable, hydropower additions are expected to be 40% lower due to a reduced project pipeline in China, which caused a decrease in the capacity growth in the global renewable energy market.

The favourable outlook of this sector indicates that the reliance on this industry becomes more acute. Our Group continues to build on its strengths and focus on its core regionally to diversify product offering as a key strategy for the potential growth in the future.

PROPERTIES

In the first quarter of 2022, the value of construction work done recorded a value of RM29.5 billion, enhancing at -6.1% compared to a strong contraction of 12.2% in the previous quarter.

According to the Department of Statistics Malaysia ("DOSM") in its Quarterly Construction Statistics, First Quarter 2022, the Civil engineering subsector continue to be the main contributor to the value of construction work done, accounting of 35.1% share. The non-residential buildings subsector contributed 30.4% while residential buildings and special trades activities contributed 24.2% and 10.2% respectively.

The private sector recorded the value of RM17.9 billion, which is to 60.7% share of total value of construction work done while public sector contributed 39.3% share with the value of RM11.6 billion.

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

B3. Prospects (continued)

Despite the improved performance of construction sector, our Group maintains its risk appetite by focusing on completion of its sole property development project in Sentul which has been fully sold.

LOGISTICS

Compared to the previous quarter, the Group's logistics arm, KPower Logistics through its 51%-owned subsidiary, Chemtrax Sdn. Bhd. ("Chemtrax") managed to recover within our expectation.

The DOSM in its Volume Index of Services First Quarter 2022 reported that the Volume Index of Services has increased by 7.1% to record 132.3 points as compared to 123.5 points in the first quarter 2021. This performance has been lifted by the positive performance of all four segments in the Services sector, among others are transportation & storage with 12.4% growth.

Since last year, Chemtrax has been on an assets refresher programme and reducing the average age of the fleet via acquisition of new vehicles and assets. Our Group remains upbeat for this segment, while leveraging on the positive performance of the industry and backed by Chemtrax's experiences with a fresher fleet as well as its track record in this industry.

HEALTHCARE AND TECHNOLOGIES

Despite the performance of our Group's healthcare arm through its 70%-owned subsidiary, Granulab (M) Sdn. Bhd ("Granulab"), our Group remains positive that this segment will be a significant contributor to the Group's earnings in the long term supported by the Government's initiatives for the healthcare industry. We believe that by utilising Granulab's various patents, licenses and certifications which are in compliance with the international healthcare standards and backed by its technological capabilities, it would emerge as the main driver for this segment.

B4. Variance of Actual Profit from Profit Forecast

The Group did not provide any revenue or 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

On 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"). Further to that, the Company on 5 October 2021 has completed another private placement with issuance of 90.47 million shares in KPower and raised total proceeds of RM61.52 million ("Private Placement III"). As at 9 May 2022, the proceeds raised from the Private Placement II and Private Placement III have been fully utilised as follows:

Details of Utilisation of Proceeds	Proposed Utilisation of Proceeds (RM'000)	Amount Utilisation (RM'000)	% Utilised	Estimated Timeframe for Utilisation
Private Placement II				
Working capital for construction business	48,386	48,386	100.00	12 months
General working capital	5,825	5,825	100.00	12 months
Estimated expenses in relation to the Private Placement II	1,200	1,200	100.00	1 month
Total	55,411	55,411	100.00	-
Private Placement III				
Working capital for the following projects:				
- 50 Megawatt ("MW") solar photovoltaic plant	19,685	19,685	100.00	Within 18 months
- Mini hydro power plants	24,607	20,183 ⁽ⁱ⁾	100.00	Within 18 months
- Other up-coming projects and/or investment opportunities	16,117	16,117	100.00	Within 18 months
Expenses for the Private Placement III	1,107	1,107	100.00	Immediately
Total	61,517	61,517	100.00	-

The utilisation of the proceeds as disclosed above should be read in conjunction with the announcement made by the Company dated 19 May 2020, circular dated 5 June 2020 and announcement dated 31 May 2021.

Notes:

(i) Approximately RM4.4 million has been reallocated to a 50 MW solar photovoltaic plant.

B6. Borrowings

The Group's financing/borrowings are as follows:

	As at 31/3/2022		As at 30/6/2021	
	Current RM'000	Non-current RM'000	Current RM'000	Non-current RM'000
Term loan	184	620	1,650	760
Hire purchase	2,226	5,243	2,279	5,078
Trade financing	-	-	13,455	-
Revolving credits	-	-	35,000	-
Total borrowings	2,410	5,863	52,384	5,838

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.

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

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.

B9. Earnings Per Share (“EPS”)

	Individual quarter	Cumulative quarter
	3 months ended	9 months ended
	31/3/2022	31/3/2022
Profit attributable to owners of the Company (RM'000)	6,677	11,723
Weighted average number of ordinary shares in issue ('000)	496,201	496,201
Basic and diluted EPS (Sen)	<u>1.35</u>	<u>2.36</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. The warrants are anti-dilutive and hence the diluted EPS is equal to the basic EPS.

B10. Profit Before Taxation

	Individual quarter	Cumulative quarter
	3 months ended	9 months ended
	31/3/2022	31/3/2022
	RM'000	RM'000
Profit before taxation has been arrived at after charging/(crediting):		
Interest income	(148)	(748)
Depreciation of property, plant and equipment	813	2,390
Gain on disposal of property, plant and equipment	(27)	(278)
Loss on foreign exchange:		
- realised	7	79
- unrealised	99	102