



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

**QUARTERLY REPORT ON THE
CONSOLIDATED RESULTS FOR THE
QUARTER AND PERIOD ENDED
30 JUNE 2022**

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

RENEUCO BERHAD
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Unaudited Condensed Consolidated Statements of Comprehensive Income for the Quarter and Period ended 30 June 2022

	Individual quarter			Cumulative quarter		
	30/6/2022	30/6/2021	Changes	30/6/2022	30/6/2021	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	19,796	101,305	(80)	172,451	386,091	(55)
Cost of sales	(9,511)	(87,027)	(89)	(130,495)	(318,622)	(59)
Gross profit	10,285	14,278	(28)	41,956	67,469	(38)
Other income	1,805	529	241	3,077	1,568	96
Selling and distribution expenses	-	(8)	(100)	(34)	(53)	(36)
Administrative expenses	(4,679)	(3,487)	34	(16,216)	(13,505)	20
Other expenses	(10,694)	(2,221)	381	(11,149)	(2,700)	313
(Loss)/Profit from operations	(3,283)	9,091	(136)	17,634	52,779	(67)
Finance costs	(440)	(684)		(1,940)	(1,377)	
(Loss)/Profit before tax	(3,723)	8,407	(144)	15,694	51,402	(69)
Taxation	(2,189)	(1,794)		(10,775)	(13,168)	
(Loss)/Profit net of tax	(5,912)	6,613	(189)	4,919	38,234	(87)
Other comprehensive (loss)/income:						
Item that is or may be reclassified subsequently to profit or loss						
Foreign currency translation	(8)	123		(428)	748	
Total comprehensive (loss)/income for the financial period	(5,920)	6,736		4,491	38,982	
(Loss)/Profit attributable to:						
Owners of the parent	(5,844)	5,919		5,879	37,463	
Non-controlling interests	(68)	694		(960)	771	
	(5,912)	6,613		4,919	38,234	
Total comprehensive (loss)/income attributable to:						
Owners of the parent	(5,852)	6,042		5,451	38,211	
Non-controlling interests	(68)	694		(960)	771	
	(5,920)	6,736		4,491	38,982	
Earnings per share attributable to owners of the parent (sen per share) *						
- basic	(1.13)	1.74		1.13	8.28	
- diluted	(1.13)	1.74		1.13	8.28	

* Earnings per share is based on weighted average number of shares of 518,755,093 (2021: 339,247,986) and 518,755,093 (2021: 452,330,648) for the period of 3 months and cumulative 12 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.

RENEUCO BERHAD
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Unaudited Condensed Consolidated Statements of Financial Position as at 30 June 2022

	(Unaudited) 30/6/2022	(Unaudited) 30/6/2021 (Restated)
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	12,316	21,290
Construction work-in-progress	25,470	-
Right-of-use assets	13,805	1,554
Intangible assets	13,552	13,610
Deferred tax assets	474	67
Total non-current assets	<u>65,617</u>	<u>36,521</u>
Current assets		
Inventories	1,264	2,794
Contract assets	86,831	13,113
Contract cost assets	735	1,421
Trade, other receivables, deposits and prepayments	154,530	149,791
Tax assets	1,944	3,461
Cash and bank balances	33,978	104,100
	<u>279,282</u>	<u>274,680</u>
Asset classified as held for sale	-	7,387
Total current assets	<u>279,282</u>	<u>282,067</u>
TOTAL ASSETS	<u>344,899</u>	<u>318,588</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	156,379	97,730
Reserves	4,996	5,424
Retained earnings	44,292	38,413
Total equity attributable to owners of the Company	<u>205,667</u>	<u>141,567</u>
Non-controlling interests	473	1,413
Total equity	<u>206,140</u>	<u>142,980</u>
Non-current liabilities		
Lease liabilities	12,417	702
Deferred tax liabilities	415	345
Borrowings	10,752	5,838
Total non-current liabilities	<u>23,584</u>	<u>6,885</u>
Current liabilities		
Trade and other payables	81,511	97,477
Contract liabilities	11,263	13,503
Lease liabilities	1,548	891
Borrowings	14,196	52,384
Tax liabilities	6,657	4,468
Total current liabilities	<u>115,175</u>	<u>168,723</u>
Total liabilities	<u>138,759</u>	<u>175,608</u>
TOTAL EQUITY AND LIABILITIES	<u>344,899</u>	<u>318,588</u>
Net assets per share attributable to ordinary equity holders of the Company (RM)	<u>0.40</u>	<u>0.31</u>

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.

RENEUCO BERHAD
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Unaudited Condensed Consolidated Statements of Changes in Equity for the period ended 30 June 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	-	-	-	-	-	311	311
As at 1 July 2021, as restated	97,730	512	4,912	38,413	141,567	1,413	142,980
Net profit for the financial period	-	-	-	5,879	5,879	(960)	4,919
Foreign currency translation	-	(428)	-	-	(428)	-	(428)
Total comprehensive income for the period	-	(428)	-	5,879	5,451	(960)	4,491
<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 30 June 2022	156,379	84	4,912	44,292	205,667	473	206,140
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.

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Condensed Consolidated Statements of Cash Flow for the period ended 30 June 2022

	Unaudited 30/6/2022 RM'000	Audited 30/6/2021 RM'000
Cash flows from operating activities		
Profit before taxation	15,694	51,402
Adjustments for :-		
Allowance for impairment loss on:		
- trade and other receivables	73	168
- investment property	-	1,005
Trade receivables written off	2	-
Other receivables written off	55	-
Amortisation of intangible assets	78	3
Provision of impairment for financial asset	895	-
Depreciation for investment property	-	174
Depreciation for property, plant and equipment	3,162	1,618
Depreciation of right-of-use assets	1,404	546
Gain on disposal of property, plant and equipment	(1,739)	(99)
Gain on disposal of subsidiaries	-	(16)
Inventories written off	1,282	-
Interest expense	1,701	1,305
Interest expense on lease liabilities	239	72
Unrealised loss in foreign exchange	578	119
Interest income	(872)	(885)
Operating profit before changes in working capital	22,552	55,412
Inventories	248	(161)
Contract assets	(81,513)	(6,958)
Contract cost assets	686	1,339
Contract liabilities	(2,240)	6,918
Trade and other receivables	(2,821)	(92,613)
Trade and other payables	(6,235)	36,835
Cash (used in)/generated from operations	(69,323)	772
Interest received	689	885
Tax paid	(7,416)	(20,040)
Tax refund	10	-
Net cash used in operating activities	(76,040)	(18,383)
Cash flows from investing activities		
Construction cost incurred on solar plant	(25,470)	-
Proceeds from disposal of asset held for sale	7,281	-
Purchase of property, plant and equipment	(5,202)	(2,848)
Proceeds from disposal of property, plant and equipment	12,753	100
Net cash inflow/(outflow) from acquisition of a subsidiary	23	(9,534)
Proceeds from disposal of subsidiaries	-	10
Purchase of intangible assets	(17)	(9)
Net cash used in investing activities	(10,632)	(12,281)

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Condensed Consolidated Statements of Cash Flow for the period ended 30 June 2022 (continued)

	Unaudited 30/6/2022 RM'000	Audited 30/6/2021 RM'000
Cash flows from financing activities		
Net proceeds from issuance of share capital	58,649	-
Placements in bank restricted for use	(26,135)	(52,525)
Reversal placements in bank restricted for use	53,180	-
Proceeds from hire purchase	14,624	2,605
Drawdown of trade financing	-	28,115
Repayment of trade financing	(13,454)	(14,661)
Repayment of hire purchase	(3,095)	(1,570)
Repayment of term loans	(1,542)	(853)
Repayment of revolving credits	(35,000)	-
Payment for the principal portion of lease liabilities	(1,127)	(333)
Interest paid	(1,982)	(708)
Interest paid on lease liabilities	(239)	(72)
Drawdown of revolving credits	-	35,000
Dividend paid	-	(2,556)
Net cash generated from/(used in) financing activities	43,879	(7,558)
Net decrease in cash and cash equivalents	(42,793)	(38,222)
Effect of exchange rate changes	(284)	(8)
Cash and cash equivalents at 1 July	51,555	89,785
	51,271	89,777
Cash and cash equivalents at the end of year	8,478	51,555
Cash and cash equivalents at the end of year comprised :-		
Cash and bank balances	6,761	47,808
Fixed deposits with licensed banks *	27,217	56,292
	33,978	104,100
Less: Fixed deposits held as security	(25,500)	(52,545)
	8,478	51,555

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

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 30 June 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 RM4.43 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	637	13,610
<u>Non-current liabilities</u>			
Deferred tax liabilities	19	326	345
Consolidated Statement of Changes in Equity			
Non-controlling interest	1,102	311	1,413

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 30 June 2022 are as follows:

	Individual quarter 3 months ended 30/6/2022 RM'000	Cumulative quarter 12 months ended 30/6/2022 RM'000
Revenue		
Construction related activities	13,043	150,393
Logistics	4,118	17,561
Property development and investment	2,323	3,551
Healthcare *	312	946
Total revenue	19,796	172,451
(Loss)/profit before taxation		
Construction related activities	(1,570)	21,214
Logistics	(104)	102
Property development and investment	(1,003)	(985)
Healthcare *	(1,046)	(4,637)
Total (loss)/profit before taxation	(3,723)	15,694
	(Unaudited) 30/6/2022 RM'000	(Unaudited) 30/6/2021 (Restated) RM'000
Assets		
Construction related activities	484,851	352,901
Logistics	29,299	29,602
Property development and investment	36,706	30,909
Healthcare *	11,851	22,803
Elimination of inter-segment	(217,808)	(117,627)
Total assets	344,899	318,588
Liabilities		
Construction related activities	253,703	201,074
Logistics	22,678	22,668
Property development and investment	28,807	24,814
Healthcare *	25,208	24,655
Elimination of inter-segment	(191,637)	(97,603)
Total liabilities	138,759	175,608

* 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 year as follows:

	30/6/2022	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	-	6,283

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 30/6/2022
	RM'000
Cost	
As at 1 July 2021	66,932
Additions	5,202
Disposals	(41,432)
As at 30 June 2022	<u>30,702</u>
Accumulated depreciation	
As at 1 July 2021	(45,642)
Charge for the financial year	(3,162)
Disposals	30,418
As at 30 June 2022	<u>(18,386)</u>
Net carrying amount	
As at 30 June 2022	<u>12,316</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 30/6/2022			
	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	-	1,360	(723)	637
As at 1 July 2021, as restated	21	1,360	12,233	13,614
Additions	17	-	3	20
As at 30 June 2022	38	1,360	12,236	13,634
Accumulated depreciation				
As at 1 July 2021	(4)	-	-	(4)
Charge for the financial year	(4)	(74)	-	(78)
As at 30 June 2022	(8)	(74)	-	(82)
Net carrying amount				
As at 30 June 2022	30	1,286	12,236	13,552

A17. Inventories

Stated at cost	Current financial quarter as at 30/6/2022 RM'000
- Manufacturing:	
Raw materials	6
Work-in-progress	147
Consumables	196
Manufactured inventories	915
Total inventories	1,264

A18. Finance income and finance expense

	Individual quarter 3 months ended		Cumulative quarter 12 months ended	
	30/6/2022 RM'000	30/6/2021 RM'000	30/6/2022 RM'000	30/6/2021 RM'000
Finance income	124	509	872	885
Finance expense:				
- Hire purchase	(104)	(115)	(470)	(207)
- Term loan	(129)	(35)	(184)	(104)
- Revolving credits	-	(368)	(882)	(863)
- Trade financing	(12)	(122)	(44)	(131)
- Others	(30)	-	(121)	-
	(275)	(640)	(1,701)	(1,305)
- Lease liabilities	(165)	(44)	(239)	(72)
	(440)	(684)	(1,940)	(1,377)

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	
	30/6/2022 '000	30/6/2021 '000	30/6/2022 RM'000	30/6/2021 RM'000
Issued and fully paid:				
As 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)	-
As at 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		12 months ended		3 months	12 months
	30/6/2022	30/6/2021	30/6/2022	30/6/2021	ended	ended
	RM'000	RM'000	RM'000	RM'000	%	%
Revenue						
Construction related activities	13,043	95,490	150,393	361,087	(86)	(58)
Logistics	4,118	5,120	17,561	10,241	(20)	71
Property development and investment	2,323	207	3,551	9,250	1,022	(62)
Healthcare	312	488	946	5,513	(36)	(83)
Total revenue	19,796	101,305	172,451	386,091	(80)	(55)
(Loss)/profit before taxation						
Construction related activities	(1,570)	10,189	21,214	50,559	(115)	(58)
Logistics	(104)	359	102	857	(129)	(88)
Property development and investment	(1,003)	(1,038)	(985)	2,066	(3)	(148)
Healthcare	(1,046)	(1,103)	(4,637)	(2,080)	(5)	123
Total (loss)/profit before taxation	(3,723)	8,407	15,694	51,402	(144)	(69)

For the quarter and period ended 30 June 2022:

(a) Construction Related Activities Segment

The construction related activities recorded cumulative revenue and profit before taxation of RM150.39 million and RM21.21 million respectively, a decrease of 58% and 58% respectively as compared to its corresponding period ("Q4FY2021") because of slower progress work.

(b) Logistics

Logistics segment recorded cumulative revenue of RM17.56 million as compared to RM10.24 million, an increase by 71% as compared to Q4FY2021 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 RM0.10 million or by 88% due to higher finance costs arising from newly acquired transport vehicles during this financial year.

(c) Property Development and Investment Segment

The property development and investment segment recorded a revenue of RM3.55 million and loss before taxation of RM0.98 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.

(d) Healthcare Segment

The healthcare segment consists of manufacturing and healthcare related activities. The segment recorded a revenue of RM0.95 million, a decrease of 83% as compared to Q4FY2021. This resulted in higher loss before taxation of RM4.64 million, an increase of 123% as compared to Q4FY2021.

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 30/6/2022	Immediate preceding quarter 31/3/2022	Variance Decrease	
	RM'000	RM'000	RM'000	%
Group revenue	19,796	50,288	(30,492)	(61)
Gross (loss)/profit from operations	(3,283)	10,418	(13,701)	(132)
Group (loss)/profit before taxation	(3,723)	10,079	(13,802)	(137)
Group (loss)/profit for the financial year	(5,912)	6,592	(12,504)	(190)

As at 30 June 2022, the Group recorded a decrease in revenue of 61% as compared to the immediate preceding quarter ("Q3FY2022"). 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 loss from operations for the current financial quarter and loss before taxation were at RM3.28 million and RM3.72 million, representing an decrease of 132% and 137% respectively compared to Q3FY2022. This has led to a loss for the financial year of RM5.91 million.

B3. Prospects

GLOBAL GROWTH OUTLOOK

The International Monetary Fund ("IMF") in its World Economic Outlook ("WEO") published in July 2022 has anticipated a lower baseline forecast for global growth from 6.1% in 2021 to 3.2% in 2022, which is 0.4% lower than earlier forecast in April 2022.

The lower forecast has been reflected by the economic crisis stemming from the COVID-19 pandemic including the worse than anticipated slowdown in China economy which resulted in the re-escalation in global supply chain. The outlook on global growth has been further suppressed by the ongoing military conflict between Russia and Ukraine which has resulted into surge of commodity prices and inflationary pressure.

Despite the reopening of the global economy and the improvement in labour market conditions, the prospect of global growth remains tilted to the downside. A further escalation of military pressure between Ukraine and Russia, disruption in commodity production and trade, raising in inflation and the possibility of the renewed lockdowns in China if COVID-19 cases increase sharply are hammering the pace of global growth.

MALAYSIAN ECONOMY

Despite weakening global growth prospect, the Malaysian economy reported a solid growth of 8.9% in the second quarter of 2022 ("Q2 2022"), accelerating sharply from 5.0% growth in the previous quarter.

This encouraging recovery momentum in the Q2 2022 was mainly driven by the continued recovery in labour market conditions and policy support, coupled with the normalisation of economic activity as the international borders have been reopened.

On the supply side, the economic performance was driven by Services and Manufacturing sectors, which reported a growth of 12% and 9.2% as compared to 6.5% and 6.6% growth in the preceding quarter. Meanwhile, on the demand side, the growth was led by Private final consumption expenditure which surged 18.3% compared to 5.5% in the previous quarter. This followed by the Gross fixed capital formation which registered a better performance of 5.8% as compared to 0.2% growth in the previous quarter.

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

B3. Prospects (continued)

In line with the recovery pace in Malaysian economy, Monetary Policy Committee (“MPC”) in their meeting in July 2022 decided to increase the Overnight Policy Rate (“OPR”) by 25 basis points to 2.25%.

The Consumer Price Index stood at 2.8% in the third quarter of 2022 (“Q3 2022”), indicates a higher inflation compared to 2.2% reported in the previous quarter. The current inflation level is in line with the high-cost pressure amid the ongoing military conflict in Ukraine, unfavorable weather conditions in key food-exporting countries and due to the strengthening of the United States dollar.

According to the media release by Ministry of Finance on 12 August 2022, the economic growth momentum is expected to remain strong in Q3 2022, driven by encouraging performance in foreign trade and tourism.

Following the country's transition to the Endemic Phase and the opening of international borders, Bank Negara Malaysia (“BNM”) in its Quarterly Bulletin published on 12 August 2022 projected the Malaysian economy will continue to expand for the remainder of the year, supported by firm domestic demand. Meanwhile, external demand expected to be moderate due to headwinds to global growth.

RENEUCO’S PERSPECTIVE

Despite the challenging times, Reneuco Berhad (formerly known as KPower Berhad) (“Reneuco”) has consistently grown and secured various business opportunities. Our main business of renewable energy (“RE”) continues to grow on top of the current Engineering, Procurement, Construction and Commissioning (“EPC”) contracts, the Company has also made significant headway in assets ownership. Recent successful bid and combined with existing and proposed acquisition, total combined generating capacity of around 120 megawatt (“MW”). The Company is proud to note that its portfolio and expertise is across several mode in the RE business through solar and hydro. Going forward the Company is confident that it will be able to expand geographically and also increase its product offerings beyond solar and hydro.

Despite the continuous business wins, this quarter has proven to be the most challenging for our Group due mainly to external events associated to the former substantial shareholder and director of the Company which have affected the timeframe on several fundraising exercises for our Group’s projects for the financial year ended 30 June 2022. Notwithstanding, our Group has recently secured financing from financial institutions that would boost our execution capability and put the projects back on track moving forward.

Our abilities and expertise in the sustainable and green segment have been and will continue to be our main strength and advantage. This has been reflected recently in our recent successful bid under the sustainable energy development authority (“SEDA”) e-bidding mechanism in relation to the development of small hydro power plants with total installed capacity of 40.4 MW in Gua Musang, Kelantan.

Capitalising the RE expertise, the Company has been leveraging on its ability and strength in the sustainable and green business. Utilising and harnessing this expertise have given the Company an edge over our competitors. This has been advantageous and will strongly aid the various main core businesses of Energy, Logistics, Healthcare and Property Development.

This approach has been clearly demonstrated via the recently announced project in Terengganu with the State Government’s approval in the development of affordable and mixed housing development on government owned land located in its new administrative Centre of Kuala Nerus. The Company’s value proposition incorporating sustainability, enhancing existing water element with the theme of vibrant and comfortable living fits perfectly with the State’s “Rancangan Kawasan Khas Pusat Pentadbiran Kuala Nerus” overall concept of “Modern and Green City”.

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

B3. Prospects (continued)

The recent shareholders' approval for the change of the company name from KPower Berhad to Reneuco is timely in capturing our journey and mirrored the Company's intention to renew its image and develop its own distinct identity.

Despite the challenging outlook of global and domestic economy, coupled with the multiple headwinds which affected the Company, we are on track to strengthen our position in the RE sector not only as EPCC player but also as an asset owner for long term recurring income.

The trust and confidence by the state government and authorities above is a clear stamp of approval and an endorsement to our ability and expertise. Together with the trust of other business partners, our partners in the financial institutions have since demonstrated their support towards the Group. With such support, it has been a slow march to normalisation of business for the Company after such trying times. With resumption of normal business and the normalisation of relationship with state governments, authorities, business partners and financial institutions, our Company is confident and optimistic of its continuous growth in the future.

CONSTRUCTION RELATED ACTIVITIES / ENERGY AND UTILITIES

The global RE industry remained remarkably resilient in 2021 as a capacity installation remained at an all-time high, reaching almost 295 GigaWatt ("GW").

Locally, the outlook of RE industry remains lucrative backed by the concern for climate change and support for environmental, social, and governance ("ESG"), demand for cleaner energy sources from most market segments accelerates and also the support from regulators and investors.

Tenaga Nasional Berhad's ("TNB") Project Director, Dr Noor Miza Razali, in her statement on 26 May 2022 believed that there is a potential for Malaysia to achieve or even exceed its long-term RE target, supported by a stronger push for energy transition from energy users. TNB plans to raise the group's global RE capacity to 8.3 GW by 2025 from 3.4 GW during the end of 2021, and Malaysia's RE generation of 18 GW by 2035 from 8.45 GW currently. She further explained that the RE generation mix could be further enabled due to declining cost of operations compared to volatile prices of traditional fuel sources like coal.

Deputy Energy and Natural Resources Minister Datuk Ali Biju in his statement on 16 August 2022, Malaysia aims to record 40% installation of RE by 2035. As at now, Malaysia's current RE installation stood at 23%. He added that Malaysia's transition towards a low-carbon energy system saw our power players putting in place two combined-cycle gas turbine ("CCGT") power plants, namely the Edra Melaka Power Plant and Sultan Iskandar Power Station, supplying a total of 3,682 MW. This placed Malaysia as the largest CCGT in Southeast Asia and is one of the largest gas-fired power generators in the region.

The efforts and support by the government is in line with Malaysia Renewable Energy Roadmap ("MyRER"), which aims at achieving 31% RE share in the national capacity mix by 2025 and attaining decarbonisation of the electricity sector by 2035. The MyRER outlined the transition of Malaysia's electricity supply system towards a low-carbon energy which focuses on expanding the share of four key RE resources, namely solar, biomass, biogas and hydro, through a balanced yet sustainable approach.

We believe that the government's vision towards decarbonisation will spur the activity in the RE sector, thus it will accelerate further growth in this industry. Backed by strong presence in this industry, our Group will continue to focus on its core regionally to diversify product offering as a key strategy for the potential growth in the future.

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

B3. Prospects (continued)

PROPERTIES

In the Q2 2022, the value of construction work done recorded a value of RM29.9 billion, rebounded by 6.1% compared to -6.1% growth in the preceding quarter. According to the Department of Statistics Malaysia (“DOSM”) in its Quarterly Construction Statistics, Q2 2022, the performance reported during the Q2 2022 was mainly contributed by non-residential buildings which recorded a growth of 18.1%, followed by special trades activities and residential building with 11.9% and 7.9% growth.

The private sector continued to expand by 14.8%, accounting of RM 17.4 billion or 58.1% share of total value of construction work done. Meanwhile, the public sector reported a contraction of 4.0%, accounting of RM12.5 billion or 41.9% share.

In line with the improvement in this industry, our Group took another step forward by securing the approval from the State Government of Terengganu via Pejabat Setiausaha Kerajaan Terengganu to develop affordable and mixed housing development on government land located at Lot 100677 (8.963 hectares) and 100678 (9.996 hectares) in Kawasan Pentadbiran Kuala Nerus, Mukim Batu Rakit, Daerah Kuala Nerus, Terengganu Darul Iman via its wholly owned subsidiary, KPower Development Sdn. Bhd.

This is one of the major highlights for the Group’s properties segment after maintaining our risk appetite for quite some time by focusing on the completion of property development in Sentul which have been fully sold.

LOGISTICS

Despite the under performance of the Group’s logistics arm, Chemtrax Sdn. Bhd. (“Chemtrax”), a 55%-owned subsidiary of KPower Logistics Sdn. Bhd., we remain upbeat for this segment. We believe that Chemtrax’s extensive experience and its track record in this industry with a strong clientele base will continue to contribute positively to the Group’s earnings.

The DOSM in its Performance of Services Sector Q2 2022 has recorded a total revenue of RM506.5 billion, grew 25.2% compared to the same quarter in 2021. Transportation & Storage segment managed to contribute the yearly growth of 46.8% or RM10.2 billion during the Q2 2022.

Moving forward, the overall outlook of this industry will be spurred by the strong growth enablers such as better infrastructure, increasing freight volumes and a structural growth in e-Commerce.

HEALTHCARE AND TECHNOLOGIES

The Group’s healthcare arm through its 70%-owned subsidiary, Granulab (M) Sdn. Bhd. (“Granulab”) continued to contribute negative earnings during this quarter. However, we still 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.

END NOTE

Our Group believes the challenges of the past year has been very trying, however our expertise and ability has always been at the forefront and widely acknowledged by our business partners and stakeholders. Our continuous ability to secure business during these trying times is a clear indication of our ability and potential to do much better in better conditions. Given that things are slowly getting back to normal and the industry’s vast opportunity locally and regionally, we are very optimistic that the Company will perform admirably in the future.

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

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.

B5. Corporate Proposal

On 30 June 2020, the Company has completed a private placement with issuance of 29.32 million shares in Reneuco 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 Reneuco and raised total proceeds of RM61.52 million ("Private Placement III"). The proceeds raised from the Private Placement II and Private Placement III have been fully utilised on 9 May 2022.

As at the date of this quarterly report, there are no other corporate proposals announced and but not completed.

B6. Borrowings

The Group's financing/borrowings are as follows:

	As at 30/6/2022		As at 30/6/2021	
	Current RM'000	Non-current RM'000	Current RM'000	Non-current RM'000
Term loan	184	688	1,650	760
Hire purchase	2,512	5,874	2,279	5,078
Trade financing	10,500	-	13,455	-
Revolving credits	-	-	35,000	-
Loan from shareholder	1,000	4,190	-	-
Total borrowings	14,196	10,752	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.

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> 3 months ended 30/6/2022	<u>Cumulative quarter</u> 12 months ended 30/6/2022
(Loss)/Profit attributable to owners of the Company (RM'000)	(5,844)	5,879
Weighted average number of ordinary shares in issue ('000)	518,755	518,755
Basic and diluted EPS (Sen)	<u>(1.13)</u>	<u>1.13</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. (Loss)/Profit Before Taxation

	<u>Individual quarter</u> 3 months ended 30/6/2022 RM'000	<u>Cumulative quarter</u> 12 months ended 30/6/2022 RM'000
(Loss)/Profit before taxation has been arrived at after charging/(crediting):		
Interest income	(124)	(872)
Depreciation of property, plant and equipment	772	3,162
Gain on disposal of property, plant and equipment	(1,461)	(1,739)
Loss on foreign exchange:		
- realised	(184)	(105)
- unrealised	476	578