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 31 DECEMBER 2022

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

RENEUCO BERHAD
(formerly known as KPOWER BERHAD)
199701003731 (419227-X)

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

	Individual quarter			Cumulative quarter		
	3 months ended			6 months ended		
	31/12/2022	31/12/2021	Changes	31/12/2022	31/12/2021	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	8,656	58,583	(85)	29,924	102,367	(71)
Cost of sales	(6,381)	(49,958)	(87)	(19,207)	(85,164)	(77)
Gross profit	**2,275**	**8,625**	(74)	**10,717**	**17,203**	(38)
Other income	677	485	40	874	971	(10)
Selling and distribution expenses	(13)	(17)	(24)	(20)	(34)	(41)
Administrative expenses	(3,281)	(3,688)	(11)	(7,978)	(7,318)	9
Other expenses	543	(32)	(1,797)	(64)	(323)	(80)
Profit from operations	**201**	**5,373**	(96)	**3,529**	**10,499**	(66)
Finance costs	(189)	(555)		(517)	(1,161)	
Profit before tax	**12**	**4,818**	(100)	**3,012**	**9,338**	(68)
Taxation	(1,436)	(2,811)		(3,170)	(5,099)	
Profit/(Loss) after tax	**(1,424)**	**2,007**	(171)	**(158)**	**4,239**	(104)
Other comprehensive expenses:						
Item that is or may be reclassified subsequently to profit or loss						
Foreign currency translation	(335)	(4)		1	(95)	
Total comprehensive expenses for the financial period	**(1,759)**	**2,003**		**(157)**	**4,144**	
Profit/(Loss) attributable to:						
Owners of the parent	(513)	1,897		1,616	5,046	
Non-controlling interests	(911)	110		(1,774)	(807)	
	(1,424)	**2,007**		**(158)**	**4,239**	
Total comprehensive expenses attributable to:						
Owners of the parent	(847)	1,893		1,618	4,951	
Non-controlling interests	(911)	110		(1,774)	(807)	
	(1,759)	**2,003**		**(156)**	**4,144**	
Earnings per share attributable to owners of the parent (sen per share) *						
- basic	(0.10)	0.40		0.31	1.06	
- diluted	(0.10)	0.40		0.31	1.06	

* Earnings per share is based on weighted average number of shares of 518,755,093 (2021: 473,893,807) and 518,755,093 (2021: 473,893,807) for the period of 3 months and cumulative 6 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 2022 and the explanatory notes attached to the interim financial report.

RENEUCO BERHAD
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199701003731 (419227-X)

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

	(Unaudited) 31/12/2022 RM'000	(Audited) 30/6/2022 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	16,070	12,316
Construction work-in-progress	22,034	25,470
Right-of-use assets	12,536	13,805
Intangible assets	13,520	13,552
Deferred tax assets	474	474
Total non-current assets	64,634	65,617
Current assets		
Inventories	1,108	1,264
Contract assets	102,452	86,831
Contract cost assets	7,074	735
Trade and other receivables	182,631	146,624
Deposits and prepayments	9,959	7,906
Tax assets	1,944	1,944
Cash and bank balances	20,767	33,978
	325,935	279,282
Total current assets	325,935	279,282
TOTAL ASSETS	**390,569**	**344,899**
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	156,379	156,379
Reserves	85	84
Retained earnings	50,894	49,278
Total equity attributable to owners of the Company	207,358	205,741
Non-controlling interests	(1,375)	399
Total equity	205,983	206,140
Non-current liabilities		
Lease liabilities	12,200	12,417
Deferred tax liabilities	415	415
Borrowings	12,470	10,752
Total non-current liabilities	25,085	23,584
Current liabilities		
Trade and other payables	110,412	81,511
Contract liabilities	11,263	11,263
Lease liabilities	755	1,548
Borrowings	27,643	14,196
Tax liabilities	9,429	6,657
Total current liabilities	159,502	115,175
Total liabilities	184,587	138,759
TOTAL EQUITY AND LIABILITIES	**390,569**	**344,899**
Net assets per share attributable to ordinary equity holders of the Company (RM)	0.40	0.40

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 2022 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 31 December 2022

	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 2022	156,379	84	-	49,278	205,741	399	206,140
Net profit for the financial period	-	-	-	1,616	1,616	(1,774)	(158)
Foreign currency translation	-	1	-	-	1	-	1
Total comprehensive income for the period	-	1	-	1,616	1,617	(1,774)	(157)
Acquisition of subsidiaries	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-
Deconsolidation of subsidiaries	-	-	-	-	-	-	-
As at 31 December 2022	**156,379**	**85**	**-**	**50,894**	**207,358**	**(1,375)**	**205,983**
As at 1 July 2021	97,730	512	4,912	38,413	141,567	1,413	142,980
Net profit for the financial period	-	-	-	5,953	5,953	(1,034)	4,919
Foreign currency translation	-	(428)	-	-	(428)	-	(428)
Total comprehensive income for the period	-	(428)	-	5,953	5,525	(1,034)	4,491
Transaction with owners:							
Issue of share capital	61,517	-	-	-	61,517	-	61,517
Share issue expenses	(2,868)	-	-	-	(2,868)	-	(2,868)
Reclassification	-	-	(4,912)	4,912	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	20	20
As at 30 June 2022	**156,379**	**84**	**-**	**49,278**	**205,741**	**399**	**206,140**

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 2022 and the explanatory notes attached to the interim financial report.

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

	Unaudited 31/12/2022 RM'000	Unaudited 31/12/2021 RM'000
Cash flows from operating activities		
Profit before taxation	3,012	9,338
Adjustments for :-		
Amortisation of intangible assets	39	2
Depreciation for property, plant and equipment	947	1,577
Depreciation of right-of-use assets	975	573
Gain on disposal of property, plant and equipment	-	(251)
Interest expense	805	1,119
Interest expense on lease liabilities	317	41
Unrealised gain/loss in foreign exchange	(67)	3
Interest income	(202)	(600)
Operating profit before changes in working capital	5,825	11,802
Inventories	-	289
Contract assets	(63,415)	(72,230)
Contract cost assets	-	172
Contract liabilities	81,375	149
Trade and other receivables	(27,838)	49,801
Trade and other payables	2,409	(30,682)
Cash (used in)/generated from operations	(1,644)	(40,699)
Interest received	31	600
Tax paid	(1,369)	(5,139)
Net cash (used in)/generated from operating activities	(2,982)	(45,238)
Cash flows from investing activities		
Construction cost incurred on solar plant	(26)	(16,254)
Proceeds from disposal of property, plant and equipment	756	280
Proceeds from disposal of asset held for sale	-	7,275
Acquisition of property, plant and equipment	(38)	(3,010)
Purchase of property, plant and equipment	(6,940)	-
Purchase of company	51	-
Net cash generated from/(used in) investing activities	(6,197)	(11,709)
Cash flows from financing activities		
Net proceeds from issuance of share capital	(50)	58,649
Placements in bank restricted for use	(7,000)	(21,776)
Reversal placements in bank restricted for use	45	14,025
Drawdown of revolving credit	18,682	-
Proceeds from hire purchase	-	2,341
Repayment of trade financing	(4,200)	(13,454)
Repayment of hire purchase	(645)	(1,717)
Repayment of term loans	(649)	(1,538)
Payment for the principal portion of lease liabilities	(623)	(465)
Interest paid	(680)	(692)
Interest paid on lease liabilities	317	(41)
Net cash used in financing activities	5,197	35,332
Net decrease in cash and cash equivalents	(3,982)	(21,615)
Effect of exchange rate changes	120	84
Cash and cash equivalents at 1 July	8,478	51,555
	8,598	51,639
Cash and cash equivalents at the end of period	4,616	30,024

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

	Unaudited 31/12/2022 RM'000	Unaudited 31/12/2021 RM'000
Cash and cash equivalents at the end of period comprised :-		
Cash and bank balances	4,616	29,806
Fixed deposits with licensed banks	16,153	60,514
	20,769	90,320
Less: Fixed deposits held as security	(16,153)	(60,296)
	4,616	30,024

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 2022 and the explanatory notes attached to the interim financial report.

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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 2022.

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 2022, 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 2022:

- Amendment to MFRS 16 Leases - Covid-19 - Related Rent Concession beyond 30 June 2021
- 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)

MFRS/ Amendment/ Interpretation	**Effective date**
● 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	Deferred
● Amendments to MFRS 128 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

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, liabilites, income and expenses. Actual results may differ from these estimates.

Estimes 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

There were no 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 December 2022.

A5. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 30 June 2022 was not subject to any qualification.

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

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

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.

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.

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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 December 2022 are as follows:

	Individual quarter 3 months ended 31/12/2022 RM'000	Cumulative quarter 6 months ended 31/12/2022 RM'000
Revenue		
Construction related activities	4,608	12,005
Property development and investment	186	10,304
Healthcare	62	116
Logistics	3,800	7,499
Total revenue	8,656	29,924
Profit/(loss) before taxation		
Construction related activities	3,863	6,776
Property development and investment	(3,206)	1,006
Healthcare	(690)	(3,479)
Logistics	45	(1,291)
Total profit before taxation	12	3,012

	(Unaudited) 31/12/2022 RM'000	(Audited) 30/6/2022 RM'000
Assets		
Construction related activities	513,228	484,851
Property development and investment	86,359	29,299
Healthcare	8,111	36,706
Logistics	32,251	11,851
Elimination of inter-segment	(249,382)	(217,808)
Total assets	390,567	344,899
Liabilities		
Construction related activities	275,198	253,703
Property development and investment	99,646	22,678
Healthcare	15,304	28,807
Logistics	18,649	25,208
Elimination of inter-segment	(224,210)	(191,637)
Total liabilities	184,587	138,759

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.

A11. Changes in composition of the Group

There were no significant changes in the composition of the Group for the current financial quarter under review.

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 December 2022

	31/12/2022 RM'000	30/6/2022 RM'000
Authorised capital expenditure for property, plant and equipment not provided for in the financial statements		
- Approved and contracted for	-	-

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 31/12/2022 RM'000
Cost	
As at 1 July 2022	30,702
Additions	4,701
Disposals	-
As at 31 December 2022	35,403
Accumulated depreciation	
As at 1 July 2022	(18,386)
Charge for the financial year	(947)
Disposals	-
As at 31 December 2022	(19,333)
Net carrying amount	
As at 31 December 2022	16,070

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

A15. Intangible assets

	Current financial quarter as at 31/12/2022			
	Software	Intellectual Property	Goodwill on consolidation	Total
Cost	RM'000	RM'000	RM'000	RM'000
As at 1 July 2022	38	1,360	12,236	13,634
Additions	-	7	-	7
As at 31 December 2022	38	1,367	12,236	13,641
Accumulated depreciation				
As at 1 July 2022	(8)	(74)	-	(82)
Charge for the financial year	-	(39)	-	(39)
As at 31 December 2022	(8)	(113)	-	(121)
Net carrying amount				
As at 31 December 2022	30	1,254	12,236	13,520

A16. Inventories

	Current financial quarter as at 31/12/2022 RM'000
Stated at cost	
- Manufacturing:	
Raw materials	-
Finished Goods	719
Consumables	-
Manufactured inventories	389
Total inventories	1,108

A17. Finance income and finance expense

	Individual quarter		Cumulative quarter	
	3 months ended		6 months ended	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	RM'000	RM'000	RM'000	RM'000
Finance income	14	394	202	600
Finance expense:				
- Hire purchase	74	(120)	(25)	(256)
- Term loan	(29)	(14)	(101)	(42)
- Revolving Credit	13	(359)	(2)	(740)
- Trade financing	(10)	(10)	(12)	(22)
- Others	(60)	(30)	(60)	(60)
	(12)	(533)	(200)	(1,120)
- Lease liabilities	(177)	(22)	(317)	(41)
	(189)	(555)	(517)	(1,161)

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

A18. Share Capital

	Number of ordinary shares		Amount	
	31/12/2022	**30/6/2022**	**31/12/2022**	**30/6/2022**
	'000	**'000**	**RM'000**	**RM'000**
Issued and fully paid:				
At 1 July	542,797	452,331	156,379	97,730
Issuance of ordinary shares:				
- Cash	-	90,466	-	61,517
- Share issue expenses	-	-	-	(2,868)
At 31 December / 30 June	542,797	542,797	156,379	156,379

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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		6 months ended		3 months ended	6 months ended
	31/12/2022 RM'000	31/12/2021 RM'000	31/12/2022 RM'000	31/12/2021 RM'000	%	%
Revenue						
Construction related activities	4,608	53,744	12,005	93,390	(91)	(87)
Property development and investment	186	409	10,304	409	100	100
Healthcare	62	307	116	403	(80)	(71)
Logistics	3,800	4,123	7,499	8,165	(8)	(8)
Total revenue	**8,656**	**58,583**	**29,924**	**102,367**	(85)	(71)
Profit/(loss) before taxation						
Construction related activities	3,863	5,701	6,776	11,899	(32)	(43)
Property development and investment	(3,206)	29	1,006	(85)	(11,155)	(1,284)
Healthcare	(690)	(841)	(3,479)	(2,299)	(18)	51
Logistics	45	(71)	(1,291)	(177)	(163)	629
Total profit before taxation	**12**	**4,818**	**3,012**	**9,338**	(100)	(68)

For the quarter and period ended 31 December 2022:

(a) Construction Related Activities Segment

The construction related activities recorded revenue and profit before taxation of RM4.61 million and RM3.86 million respectively, a decrease of 91% and 32% respectively as compared to its corresponding period ("Q2FY2022") due to lower progress works recognised during this financial period.

(b) Property Development and Investment Segment

The property development and investment segment recorded revenue of RM0.19 million and the loss before tax is RM3.21 million, a decrease of 100% and 11,155% respectively as compared to Q2FY2022, due to among others, recognition of additional cost of the projects in hand.

(c) Healthcare Segment

The healthcare segment recorded revenue of RM0.06 million, and the loss before taxation of RM0.69 million, a decrease of 80% as compared to Q2FY2022 due to the lower sale of products recorded by our subsidiaries Granulab (M) Sdn Bhd and Reneuco Healthcare Sdn Bhd during the period. However, the loss before taxation recorded a reduction of 18% due to the internal cost cutting measures undertaken by the Group.

(d) Logistics Segment

Logistics segment recorded a revenue of RM3.80 million, a decrease of 8%, as compared to Q2FY2022. However, there is an increase in terms of profitability of RM0.45 million due to better trucking activities and the internal cost cutting measures undertaken by the Group.

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 31/12/2022 RM'000	Immediate preceding quarter 30/9/2022 RM'000	Variance Increase / (Decrease) RM'000	%
Group revenue	29,924	21,268	8,656	41
Gross profit/(loss) from operations	3,529	3,329	200	6
Group profit/(loss) before taxation	3,012	3,001	11	0
Group profit/(loss) for the financial year	(158)	1,267	(1,425)	(112)

As at 31 December 2022, the Group recorded an increase of revenue of 41% as compared to the immediate preceding quarter ("Q1FY2023") which was mainly derived from the construction related activities segment and supported by the logistic segments.

B3. Prospects

GLOBAL GROWTH OUTLOOK

The International Monetary Fund ("IMF") in their January 2023 World Economic Outlook ("WEO") reported that the global growth is projected to fall from an estimated 3.4% in 2022 to 2.9% in 2023, then rise to 3.1% in 2024. The forecast for 2023 is 0.2 percentage point higher than predicted in the October 2022 but below the historical (2000–19) average of 3.8%.

The IMF also mentioned that the rise in central bank rates to fight inflation and Russia's war in Ukraine continue to weigh on economic activity. The rapid spread of COVID-19 in China dampened growth in 2022, but the recent reopening has paved the way for a faster-than-expected recovery. Global inflation is expected to fall from 8.8% in 2022 to 6.6% in 2023 and 4.3% in 2024, still above pre-pandemic (2017–19) levels of about 3.5%.

Real Gross Domestic Product ("GDP") was strong in the third quarter of 2022 in numerous economies, including the United States, the Euro area, and major emerging market and developing economies. The source specified that these wonders were in many cases domestic: stronger-than-expected private consumption and investment amid tight labour markets and greater-than-anticipated fiscal support. Households spent more to satisfy pent-up demand, particularly on services, partly by drawing down their stock of savings as economies reopened and business investment rose to meet demand. On the supply side, easing bottlenecks and declining transportation costs reduced pressures on input prices and allowed for a rebound in previously constrained sectors, such as motor vehicles.

Concurrently, IMF observed that the energy markets have adjusted faster than expected to the shock from Russia's invasion of Ukraine. However, in the fourth quarter of 2022, this slight upward trend is estimated to have faded in most major economies. Still, US growth remains stronger than expected, with consumers continuing to spend from their stock of savings, unemployment near historic lows, and plentiful job opportunities. Elsewhere, high-frequency activity indicators such as business and consumer sentiment, purchasing manager surveys, and mobility indicators generally point to a slowdown.

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

MALAYSIAN ECONOMY

Malaysia's economic growth is projected to expand by 4.0% in 2023 which follows a stronger-than-expected recovery of 7.8% last year amid an expected slowdown in external demand, as expected by the World Bank in their publication on 6 February 2023 entitled "Malaysia Economic Monitor February 2023: Expanding Malaysia's Digital Frontier". Malaysia's strong performance in 2022 overall was in part due likely to the withdrawals from the Employees Provident Fund ("EPF") which contributed to higher private consumption in Malaysia than in other countries. In addition, improved labour market conditions, other government policy measures such as the increase in the minimum wage and cash assistance programs, such as Bantuan Keluarga Malaysia, provided additional support.

In their first monetary policy statement ("MPS") for 2023, Bank Negara Malaysia ("BNM") states that they are still optimistic about the Malaysian economy but have issued a warning that external demand may slow due to weaker global growth. For Malaysia, the latest data indicated continued economic expansion in the final quarter of last year on account of resilient domestic demand. Coming off a strong performance in 2022, growth in 2023 is expected to moderate amid a slower global economy but will remain supported by domestic demand. BNM have pledge to continue to closely monitor market developments and ensure that adjustments remain orderly to support effective intermediation for the economy.

Headline inflation has averaged 3.4% for the period January - November 2022. As projected, headline inflation peaked in 3Q2022, while underlying inflation, as measured by core inflation, has averaged 2.9% up to November 2022. Over the course of 2023, headline and core inflation are expected to moderate but remain at elevated levels amid lingering demand and cost pressures. Existing price controls and fuel subsidies, and the remaining spare capacity in the economy, will continue to partly contain the extent of upward pressures to inflation. The balance of risk to the inflation outlook is tilted to the upside and remains highly subject to any changes to domestic policy on subsidies and price controls, as well as global commodity price developments.

On the aggregate demand side, source projected the domestic demand to remain resilient even as households were still hit by high living costs and rising interest rates, providing support to overall GDP last quarter. Household spending will be reinforced by sustained improvements in employment and income prospects, whilst tourist arrivals have continued to rise thus lifting the tourism-related sectors, and the realisation of multi-year infrastructure projects will support investment activity. Nevertheless, weaker-than-anticipated global growth, increased risk aversion in financial markets, aggressive monetary policy tightening in major nations, further escalation of geopolitical conflicts, and the resurgence of severe supply chain disruptions all pose dangers to the domestic economy.

For 2023, the Malaysian economy is expected to expand at a more moderate pace, amidst challenging external environment, says BNM. At the current Overnight Policy Rate ("OPR") level of 2.75%, the stance of monetary policy remains accommodative and supportive of economic growth – of which will be driven by domestic demand, supported by the continued recovery in labour market and attainment of multi-year investment projects. The services and manufacturing sectors will continue to drive the economy. Meanwhile, the developing circumstances and their implications for the domestic inflation and GDP outlook would pilot further normalisation of the monetary policy accommodation.

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

RENEUCO'S PERSPECTIVE

With the emergence of the importance of sustainable and green business, the Group will continue to strengthen its abilities and expertise within the field by offering a one-stop, wide-ranging solutions to cater increasing demands for environmental compliance while simultaneously solidifying our positioning in the sustainable space whilst also integrating the renewable energy segment across all of our business segments.

In relation, the Group together with Citaglobal Berhad (formerly known as WZ Satu Berhad) ("Citaglobal") had received and accepted a letter of intent from Malaysia Rail Link Sdn Bhd ("MRL") as the Independent Power Producer to undertake the planning, design, financing, development, construction, installation, completion, commissioning, and operation of the ECRL Project which includes amongst others, the supply of power to commercial / industrial parks along the ECRL alignment with renewable energy features.

The acknowledgment of the importance of green and sustainability paired with the support from the state governments, authorities, business partners and financial institutions, our Group expects to continue with our mission to grow and expand in a sustainable and responsible manner.

CONSTRUCTION RELATED ACTIVITIES / ENERGY AND UTILITIES

In September 2022, the Government launched the National Energy Policy ("NEP") 2022-2040 which strategically maps the way forward whilst outlining essential significances for the energy sector in the years ahead. The Ministry of Energy and Natural Resources then has also announced the opening for a 600MW quota application from 7 November 2022 for Corporate Green Power Programme ("CGPP") - an initiative by the Government to provide opportunity for business entities to participate in the promotion and use of renewable energy in their business operation - through the virtual power purchase agreement ("VPPA") to sell renewable energy to corporate clients based on mutually agreed pricing.

Parallel to the aforementioned Government's initiatives, it is foreseen that the installation of renewable energy, specifically on solar PV system, will increase in private sector companies as part of their efforts towards Environmental, Social and Governance ("ESG") commitment, which is a good prospect for the company to power on its core competency and experience in providing end-to-end services for potential solar PV and other non-solar projects.

Should there be no unforeseen circumstances, the Group is cautiously optimistic that the company growth within this sector will remain satisfactory for the remaining period to the end of the financial year ending 30 June 2023.

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

PROPERTIES

The pandemic-caused slowdown in the Malaysian real estate market in 2020 was quickly overcome, as evidenced by statistics compiled by the Ministry of Finance's Valuation & Property Services Department (“JPPH”), which showed that the volume and value of real estate transactions improved in 2021 and that this trend persisted into 2022. The recovery of the residential market is also reflected by the substantial increase in the value of loans approved for the purchase of residential property, as reported by Bank Negara Malaysia.

However, despite the gloomy economic outlook, the Malaysian Government with their expansive and accommodating 2023 Budget, would lessen some of the demands on house purchasers.

On 7 December 2022, the Group had announced that the wholly-owned subsidiary, Reneuco Development Sdn Bhd, (formerly known as KPower Development Sdn Bhd) had entered into a joint venture agreement with Pejabat Setiausaha Kerajaan Negeri Terengganu acting on behalf of the State Government of Terengganu (“Terengganu State Government”) and Perbadanan Memajukan Iktisad Negeri Terengganu (“PMINT”) for the proposed joint development of affordable and mixed housing development on land owned by the Terengganu State Government located in Kawasan Pentadbiran Kuala Nerus, Mukim Batu Rakit, Daerah Kuala Nerus, Terengganu Darul Iman.

Kuala Nerus is in one of the Kuala Terengganu Growth Triangle of the East Coast Economic Region Development (“ECER”). Based on the ECER Master Plan 2.0, the Federal Government through the East Coast Economic Region Development Council (“ECERDC”) and the Terengganu State Government had indicated that the socio-economic growth in Terengganu will be driven by its existing key economic clusters, particularly manufacturing, tourism, agribusiness, and human capital development and attract a targeted RM26 billion in private investments by 2025. These private investments are projected to create 36,600 job opportunities and 15,550 new entrepreneurs among the locals.

The gross development value of the proposed development is RM315.84 million. Including this project, the Group maintains two projects under this segment, another being a property development project in Sentul, Kuala Lumpur, which has been fully sold.

LOGISTICS

The Government of Malaysia stated in their published Twelfth Malaysia Plan, 2021-2025, Chapter 12: Enhancing Efficiency of Transport and Logistics Infrastructure reported that by 2025, Malaysia hopes to establish itself as a regional transportation and logistics hub. The competitiveness of the logistics and transportation industries will be improved through the implementation of initiatives. They include increasing productivity and embracing digitalisation in logistics and transportation services.

The economic side of the sector is anticipated to improve as well, as predicted in Economic Outlook 2023 by the Ministry of Finance Malaysia. The development of activities on the rail, highway, ports, and airports as well as the continued external demand are expected to support a 7% growth in the transportation and storage subsector across all segments. The Putrajaya Line of the Mass Rapid Transit (“MRT”) and the Sungai Besi-Ulu Kelang Elevated Expressway (“SUKE”) are expected to operate at full capacity, which will result in a rise in the land transportation segment. After further improvement in tourism-related activities and additional international flight services, the air transport segment is anticipated to rise parallel with the increase in passenger traffic.

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

The Group's logistics arm, Chemtrax Sdn. Bhd. ("Chemtrax"), a 55%-owned subsidiary of Reneuco Logistics Sdn. Bhd. (formerly known as KPower Logistics Sdn. Bhd.), for the aid from the government as well as the gradual normalisation of economy is therefore remains optimistic on the Malaysian logistics industry, and confident to continue be the preferred choice of transporter amongst chemical manufacturers in Malaysia and is committed to comply to national and international safety and quality standards with continuous efforts to adopt best practices in transportation of hazardous materials. Chemtrax has been on an asset refresher programme and is reducing the average age of its fleet since 2021. Moving forward, the Group intends to expand the logistic segment via the acquisition of new vehicles and assets in the immediate future and aims to shift its logistic fleet towards electric vehicles as an effort to further advance the Group's green and sustainable agenda.

HEALTHCARE AND TECHNOLOGIES

The Malaysia Healthcare Travel Council in January 2023 revealed that Malaysia had received a total of 800,000 healthcare travellers back in 2022. Part of the reasons why Malaysia is such a popular medical tourism destination is that it constantly keeps up with the latest breakthroughs in medical technology. Apart from this, the global ageing population is also on the sharp increase due to the advancement of medical technologies. According to the World Bank study in 2020, at the current trajectory, those 65 and above are projected to double to 14 per cent by 2044 (aged nation) and to 20 per cent by 2056, thus classifying Malaysia as a "super-aged" nation. At this rate, Malaysia will transform from an ageing nation to an aged nation in just under 25 years. It is crucial for the medical intervention to be optimised and enhanced to response to the rapid ageing populations.

The Company's 70%-owned subsidiary, Granulab (M) Sdn Bhd are in the midst of changing its business model to focus on manufacturing aspect of its Halal synthetic bones for supply to original equipment manufacturers ("OEM") as well as distributors within Malaysia and overseas market. It has recently commenced the registration process for supply of Halal bone graph and bone cement into the Indonesian market, being the country with the world largest Muslim population.

Moving forward, the Group is of the view that the healthcare segment has the potential to contribute positively to the Group's earnings in the long term.

END NOTE

The challenges fronted over the past years has been very trying to say the least, and the Company is no exception to the hardships. Nonetheless, our expertise and ability has always been at the forefront and widely acknowledged by our business partners and stakeholders, paired with our continuous ability to secure business during these trying times which is a clear indication of our ability and potential to do much better in healthier business environment. As the economy is gradually recuperating both globally and regionally, we are very optimistic that the Company's performance will perform commendably 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 of profit estimate, forecast, projection or internal targets in any previous announcement of public document.

B5. Corporate Proposal

On 19 October 2022, UOB Kay Hian Securities (M) Sdn Bhd, on behalf of the Board of Directors of Reneuco, announced that Reneuco RE Sdn. Bhd. (formerly known as KPower RE Sdn. Bhd.) (“RenRE”), a wholly-owned subsidiary of Reneuco, entered into a conditional share sale agreement ("SSA") with OHP Ventures Sdn Bhd for the acquisition by RenRE of 10,000 ordinary shares in Adat Sanjung Sdn Bhd (“ASSB”), representing the entire equity interest in ASSB, for a purchase consideration of RM90.0 million, to be satisfied via a combination of a cash payment of RM20.0 million and the allotment and issuance of 318,181,819 new ordinary shares in Reneuco (“Consideration Share(s)”) at an issue price of RM0.22 per Consideration Share (“Proposed Acquisition”). The SSA is currently pending completion.

The Proposed Acquisition is conditional upon the approval from the relevant authorities and the shareholders of Reneuco at the forthcoming Extraordinary General Meeting to be convened.

On 12 January 2023, M&A Securities Sdn Bhd, on behalf of the Board of Directors of Reneuco, announced that the Company proposed to undertake a private placement of up to 54,279,600 new ordinary shares in Reneuco (“Reneuco Shares” or “Share(s)”), representing not more than 10.0% of the existing total number of issued Shares in Reneuco, to independent third-party investor(s) to be identified and at an issue price to be determined at a later date (“Proposed Private Placement”).

Subsequently, Bursa Malaysia Securities Berhad had on 19 January 2023, resolved to approve the listing and quotation of up to 54,279,600 new Reneuco Shares to be issued pursuant to the Proposed Private Placement. As at the date of this report, the Proposed Private Placement has yet to be completed.

Save as disclosed above, there was no other corporate proposal announced but not completed as at the date of this report.

B6. Borrowings

The Group's financing/borrowings are as follows:

	As at 31/12/2022		As at 30/6/2022	
	Current RM'000	Non-current RM'000	Current RM'000	Non-current RM'000
Term loan	6,487	590	184	688
Hire purchase	4,312	7,690	2,512	5,874
Trade financing	844	-	10,500	-
Revolving credits	15,000	-	-	-
Loan from shareholder	1,000	4,190	1,000	4,190
Total borrowings	**27,643**	**12,470**	**14,196**	**10,752**

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 3 months ended 31/12/2022	Cumulative quarter 6 months ended 31/12/2022
Profit attributable to owners of the Company (RM'000)	(513)	1,616
Weighted average number of ordinary shares in issue ('000)	518,755	518,755
Basic and diluted EPS (Sen)	(0.10)	0.31

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 3 months ended 31/12/2022 RM'000	Cumulative quarter 6 months ended 31/12/2022 RM'000
Profit before taxation has been arrived at after charging/(crediting):		
Allowance for impairment loss on:		
- trade and other receivables	-	-
- investment property	-	-
Interest income	(14)	(202)
Depreciation of property, plant and equipment	285	947
Gain on disposal of property, plant and equipment	-	-
Loss on foreign exchange:		
- realised	(84)	(83)
- unrealised	(1,113)	(487)