



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

**QUARTERLY REPORT ON THE
CONSOLIDATED RESULTS FOR THE
QUARTER AND PERIOD ENDED
31 MARCH 2020**

Unaudited Condensed Consolidated Statements of Comprehensive Income for the Third Quarter ended 31 March 2020

	Individual quarter			Cumulative quarter		
	3 months ended		Changes	9 months ended		Changes
	31/3/2020	31/3/2019		31/3/2020	31/3/2019	
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	31,684	425	7,355.1	56,482	1,272	4,340.4
Cost of sales	(26,223)	(691)	3,694.9	(43,148)	(1,649)	2,516.6
Gross profit/(loss)	5,461	(266)	2,153.0	13,334	(377)	(3,636.9)
Other income	253	5	4,960.0	313	35	794.3
Selling and distribution expenses	(25)	(57)	(56.1)	(66)	(164)	(59.8)
Administrative expenses	(1,793)	(376)	376.9	(5,531)	(1,256)	340.4
Other expenses	-	(3)	100.0	(136)	(1)	100.0
Profit/(loss) from operations	3,896	(697)	659.0	7,914	(1,763)	548.9
Finance costs	(49)	(1)		(116)	(63)	
Profit/(loss) before tax	3,847	(698)	651.1	7,798	(1,826)	527.1
Taxation	(1,175)	-		(2,324)	-	
Profit/(loss) net of tax	2,672	(698)	482.8	5,474	(1,826)	399.8
Other comprehensive income/(loss):						
Item that is or may be reclassified subsequently to profit or loss						
Foreign currency translation	(106)	-	100.0	(115)	-	100.0
Total comprehensive income/(loss) for the financial period	2,566	(698)	467.6	5,359	(1,826)	393.5
Profit/(loss) attributable to:						
Owners of the parent	2,674	(698)		5,482	(1,826)	
Non-controlling interests	(2)	-		(8)	-	
	2,672	(698)	482.8	5,474	(1,826)	399.8
Total comprehensive income/(loss) attributable to:						
Owners of the parent	2,568	(698)		5,367	(1,826)	
Non-controlling interests	(2)	-		(8)	-	
	2,566	(698)	467.6	5,359	(1,826)	393.5
Earnings per share attributable to owners of the parent (sen per share)						
- basic	3.19	(0.92)		6.54	(2.40)	
- diluted	3.19	(0.92)		6.54	(2.40)	

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 2019 and the explanatory notes attached to the interim financial report.

KUMPULAN POWERNET BERHAD
199701003731 (419227-X)

Condensed Consolidated Statements of Financial Position as at 31 March 2020

	(Unaudited) 31/3/2020 RM'000	(Audited) 30/6/2019 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	12,425	12,769
Right-of-use assets	581	-
Investment property	7,978	8,090
Intangible assets	7	-
Deferred tax asset	2	-
Total non-current assets	<u>20,993</u>	<u>20,859</u>
Current assets		
Inventories	6,978	8,921
Trade, other receivables, deposits and prepayments	48,469	9,772
Cash and bank balances	24,718	1,506
Total current assets	<u>80,165</u>	<u>20,199</u>
TOTAL ASSETS	<u>101,158</u>	<u>41,058</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	42,320	28,994
Reserves	4,693	4,808
Accumulated losses	(3,798)	(9,280)
Total equity attributable to owners of the Company	<u>43,215</u>	<u>24,522</u>
Non-controlling interests	(403)	(395)
Total equity	<u>42,812</u>	<u>24,127</u>
Non-current liabilities		
Deferred tax liabilities	549	551
Borrowings	2,409	2,348
Lease liabilities	307	-
Total non-current liabilities	<u>3,265</u>	<u>2,899</u>
Current liabilities		
Trade, other payables and accruals	41,967	12,608
Provision for tax	2,314	467
Loan from shareholder	10,000	-
Borrowings	517	957
Lease liabilities	283	-
Total current liabilities	<u>55,081</u>	<u>14,032</u>
Total liabilities	<u>58,346</u>	<u>16,931</u>
TOTAL EQUITY AND LIABILITIES	<u>101,158</u>	<u>41,058</u>
Net assets per share attributable to ordinary equity holders of the Company (RM)	<u>0.57</u>	<u>0.32</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 2019 and the explanatory notes attached to the interim financial report.

Unaudited Condensed Consolidated Statements of Changes in Equity for the period ended 31 March 2020

	← 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	Accumulated losses RM'000			
As at 1 July 2019	28,994	(104)	4,912	(9,280)	24,522	(395)	24,127
Net profit for the financial period	-	-	-	5,482	5,482	(8)	5,474
Foreign currency translation	-	(115)	-	-	(115)	-	(115)
Total comprehensive income for the period	-	(115)	-	5,482	5,367	(8)	5,359
<u>Transaction with owners:</u>							
Issue of share capital	13,326	-	-	-	13,326	-	13,326
As at 31 March 2020	42,320	(219)	4,912	(3,798)	43,215	(403)	42,812
As at 1 July 2018	28,994	(107)	4,912	(9,766)	24,033	(390)	23,643
Net profit for the financial year	-	-	-	486	486	(5)	481
Foreign currency translation	-	3	-	-	3	-	3
Total comprehensive income for the year	-	3	-	486	489	(5)	484
As at 30 June 2019	28,994	(104)	4,912	(9,280)	24,522	(395)	24,127

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 2019 and the explanatory notes attached to the interim financial report.

Condensed Consolidated Statements of Cash Flow for the period ended 31 March 2020

	Unaudited 31/3/2020 RM'000	Unaudited 31/3/2019 RM'000
Cash flow from operating activities		
Profit/(loss) before taxation	7,798	(1,826)
Adjustments for :-		
Depreciation for investment property	130	-
Depreciation for property, plant and equipment	498	309
Depreciation of right-of-use assets	183	-
Loss on disposal of property, plant and equipments	-	3
Unrealised loss in foreign exchange	92	-
Interest income	(17)	2
Interest expense	116	1
Operating profit/(loss) before changes in working capital	<u>8,800</u>	<u>(1,511)</u>
Decrease in inventories	1,943	306
Increase in trade and other receivables	(38,697)	(104)
Increase in trade and other payables	29,177	3,958
Cash generated from operations	<u>1,223</u>	<u>2,649</u>
Tax paid	(472)	-
Interest received	17	1
Net cash inflows generated from operating activities	<u>768</u>	<u>2,650</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(155)	-
Acquisition of intangible asset	(8)	-
Net cash outflows used in investing activities	<u>(163)</u>	<u>-</u>
Cash flow from financing activities		
Interest paid	(61)	-
Proceed from issuance of share capital	13,326	-
Loan from shareholder	10,000	-
Repayment of loan payable	(412)	(750)
Repayment to a director	-	(4,717)
Payment for the principal portion of lease liabilities	(196)	-
Net cash inflows/(outflows) generated from/used in financing activities	<u>22,657</u>	<u>(5,467)</u>
Net increase/(decrease) in cash and cash equivalents	<u>23,262</u>	<u>(2,817)</u>
Effect of exchange rate changes	(50)	-
Cash and cash equivalents as at 1 July	<u>1,506</u>	<u>4,485</u>
	<u>1,456</u>	<u>4,485</u>
Cash and cash equivalents at end of year	<u>24,718</u>	<u>1,668</u>
Cash and cash equivalents at the end of year comprised :-		
Cash and bank balances	13,507	1,668
Fixed deposits with licensed banks	11,211	-
	<u>24,718</u>	<u>1,668</u>

The unaudited condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the financial year ended 30 June 2019 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 2019.

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 2019, 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 January 2019:

- MFRS 16, Leases
- Amendments to MFRS 3, Business Combination
- Amendments to MFRS 9, Financial Instruments
- Amendments to MFRS 11, Joint Arrangements
- Amendments to MFRS 112, Income Taxes
- Amendments to MFRS 119, Employee Benefits
- Amendments to MFRS 123, Borrowing Costs
- Amendments to MFRS 128, Investments in Associates
- IC Interpretation 23, Uncertainty over Income Tax Treatments

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
● Amendments to MFRS 3 Business Combinations (Definition of a Business)	1 January 2020
● Amendments to MFRS 101 Presentation of Financial Statements (Definition of Material)	1 January 2020
● Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
● MFRS 117 Insurance Contracts	1 January 2021
● Amendments to MFRS 10 Consolidated Financial Statements: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be confirmed
● Amendments to MFRS 128 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be confirmed

The Group plans to apply from the annual period beginning on 1 July 2020 for the accounting standard that is effective for annual periods beginning on or after 1 January 2020. The Group does not plan to apply MFRS 17, Insurance Contracts that is effective for annual period beginning on or after 1 January 2021 as it is 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 asstes, 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. Dividends

The Board does not recommend any dividend payment for the current period under review.

A5. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 30 June 2019 was not subject to any qualification.

A6. Seasonal or cyclical factors

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

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

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.

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

A9. Segment information

The segment information for the current period ended 31 March 2020 are as follows:

	Individual quarter	Cumulative quarter
	3 months ended	9 months ended
	31/3/2020	31/3/2020
	RM'000	RM'000
Revenue		
Property development	5,319	14,192
Manufacturing	65	224
Property investment	63	417
Construction related activities	26,237	41,649
Total revenue	31,684	56,482
Profit before taxation		
Property development	2,094	5,663
Manufacturing	(510)	(1,833)
Property investment	(136)	(169)
Construction related activities	2,399	4,137
Total profit before taxation	3,847	7,798
	(Unaudited)	(Audited)
	31/3/2020	30/6/2019
	RM'000	RM'000
Assets		
Property development	26,889	17,019
Manufacturing	14,505	15,111
Property investment	8,722	35,446
Construction related activities	81,413	-
Elimination of inter-segment	(30,371)	(26,518)
Total assets	101,158	41,058
Liabilities		
Property development	21,547	14,381
Manufacturing	20,807	19,153
Property investment	8,415	9,157
Construction related activities	39,566	-
Elimination of inter-segment	(31,989)	(25,760)
Total liabilities	58,346	16,931

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

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

A11. Changes in composition of the Group

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.

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

A13. Capital commitments

There was no capital commitment authorised by the Directors for the financial period under review as at 31 March 2020.

A14. Property, plant and equipment

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

	Current financial quarter as at 31/3/2020 RM'000
Cost	
As at 1.07.2019	39,244
Additions	155
As at 31.03.2020	<u>39,399</u>
Accumulated depreciation	
As at 1.07.2019	(26,476)
Charge for the financial period	(498)
As at 31.03.2020	<u>(26,974)</u>
Net book value	
As at 31.03.2020	<u>12,425</u>

A15. Inventories

	Current financial quarter as at 31/3/2020 RM'000
Stated at cost	
- Manufacturing:	
Raw materials	110
Work-in-progress	820
Consumables	478
Finished goods	235
	<u>1,643</u>
Development Properties	
- Construction:	
Work-in-progress	5,335
Total Inventories	<u>6,978</u>

A16. Finance income and finance expense

	Individual quarter		Cumulative quarter		
	3 months ended		9 months ended		
	31/3/2020	31/3/2019	31/3/2020	31/3/2019	
	RM'000	RM'000	RM'000	RM'000	
Finance income	12	6	17	22	
Finance expense	(49)	(1)	(116)	(63)	

A17. Loan from shareholder

The loan from shareholder is non-interest bearing.

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
	31/3/2020	31/3/2019	31/3/2020	31/3/2019	ended	ended
	RM'000	RM'000	RM'000	RM'000	%	%
Revenue						
Property development	5,319	-	14,192	-	100.0	100.0
Manufacturing and others	65	405	224	1,088	(84.0)	(79.4)
Property investment	63	20	417	184	215.0	126.6
Construction related activities	26,237	-	41,649	-	100.0	100.0
Total revenue	31,684	425	56,482	1,272	7,355.1	4,340.4
Profit/(Loss) before taxation						
Property development	2,094	-	5,663	-	100.0	100.0
Manufacturing and others	(510)	(558)	(1,833)	(1,595)	(8.6)	14.9
Property investment	(136)	(140)	(169)	(231)	(2.9)	(26.8)
Construction related activities	2,399	-	4,137	-	100.0	100.0
Total profit/(loss) before taxation	3,847	(698)	7,798	(1,826)	651.1	527.1

For the quarter and period ended 31 March 2020:

(a) Property Development Segment

Property development segment recorded a revenue of RM5.31 million as compared to the corresponding period of the previous year ("Q3FY2019") from the sale of commercial units in Sentul. The revenue is based on the progress of completion during the period for the units sold.

(b) Manufacturing and Others Segment

The manufacturing and others segment recorded a revenue of RM0.22 million which was lower by 79.4% as compared to Q3FY2019 and RM0.06 million or by 84% as compared to corresponding period of previous year. The loss before tax ("LBT") decreased to RM0.51 million or by 8.6% for the quarter ended 31 March 2020 as compared to Q3FY2019 despite a slight increased of 14.9% as compared to its corresponding period in FY2019. Nevertheless, the new management is currently undertaking rationalisation exercise in relation to the factory operation.

(c) Property Investment Segment

The property investment segment recorded a revenue of RM0.41 million which was higher by 126.6% and lower LBT at 26.8% of RM0.17 million as compared to Q3FY2019 of RM0.18 million and RM0.23 million respectively.

(d) Construction Related Activities Segment

No comparison available as this is a new revenue generating segment for the company. Nonetheless, the revenue generated from construction related activities mainly arise from preliminary works on the construction projects. The Company shall seek its shareholders' approval for the diversification of the principal activities of KPower and its subsidiaries, to include construction related activities in due course.

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 31/3/2020	Immediate preceding quarter 31/12/2019	← Increase →	
	RM'000	RM'000	RM'000	%
Group revenue	56,482	24,798	31,684	128
Gross profit from operations	7,914	4,018	3,896	97
Group profit before taxation	7,798	3,951	3,847	97
Group profit for the financial period	5,474	2,802	2,672	95

As at 31 March 2020, the Group recorded an increase in revenue of 128% as compared to the immediate preceding quarter ("Q2FY2020") mainly from the preliminary works on construction projects. The gross profit from operations for the current financial quarter was at RM7.91 million representing an increase of 97% as compared to Q2FY2020 which is consistent with the increase of PBT of RM3.84 million and PAT of RM2.67 million or 97% and 95% respectively, as compared to Q2FY2020.

B3. Prospects

Since the announcement of our second quarter result on 21st February 2020, the COVID-19 outbreak has become a global pandemic with over 5 million cases resulting in more than 300,000 deaths in over 180 countries. The United States, Brazil and European countries accounts for more than 3.5 million cases in the world as at May 2020. COVID-19 pandemic has certainly taken its toll on the world with lockdowns imposed to contain the spread of the pandemic amplified its impact on the economy. However, as per our previous prospect, we believe the industry that we operate in namely energy, utilities and infrastructure will remain resilient. This is especially true in the clean and green segment of the industry. In the long term the economy will grow as such the demand for these basic utilities will remain strong.

Bank Negara Malaysia ("BNM") stated global economy experienced a sharp moderation in the first quarter of 2020 ("Q1 2020"). In its Economic and Financial Developments in the Malaysian Economy in the First Quarter of 2020 bulletin the economy was weighed down by the severe impact from the ongoing outbreak of COVID-19 pandemic which has evolved into a global health crisis, the introduction of lockdown and social distancing measures in many major economies to contain the escalation of COVID-19 resulted in a significant decline in economic activity. BNM stated that the International Monetary Fund projects global growth in 2020 to be -3.0%, the weakest since the Great Depression.

The escalation of the pandemic and lockdown measures disrupted global value chain activity and dampened external demand conditions which resulted in weak growth prospects. Financial market volatility subsequently increased to the highest level since the 2008-09 Global Financial Crisis, weighing further on the global demand momentum. Emerging market economies (EMEs) experienced capital outflows as risk aversion rose, leading to tighter financial conditions.

Domestically, BNM reported that Gross Domestic Product registered a lower growth of 0.7% in the first quarter of 2020, amid the implementation of the Movement Control Order ("MCO") on 18 March 2020. This led to weaker private sector activity given mobility restrictions, closures of non-essential services, such as retail sub-sectors, and a temporary halt in ongoing investment. On a quarter-on-quarter seasonally-adjusted basis, the economy declined by 2.0% (Q4 2019: 0.6%). While the full impact of the COVID-19 and MCO implementation is expected to be fully felt in the second quarter of 2020.

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

B3. Prospects (continued)

Despite these headwinds, BNM stated that a recovery in 2021 is expected, conditional on the gradual dissipation of the COVID-19 pandemic in the second half of 2020, as well as its successful containment by end-2020. Major advanced economies have introduced unprecedented policy responses to limit the economic fallout from the COVID-19 pandemic. Policy rates were broadly reduced to the zero lower bound, while the magnitude of quantitative easing exceeded that of the Global Financial Crisis within the first months of the pandemic, including the US, euro area and Japan. Central Banks and governments worldwide have taken various measures to minimise the impact via easing monetary policy, flexibility to financial institutions and accessibility to loans. Measures in ensuring businesses sustainability and continuous employment were also introduced by supporting the borrowers via deferred payments, waivers and also suspended foreclosures and others.

On 5 May 2020, BNM has announced further reduction of the Overnight Policy Rate (“OPR”) by 50 basis points to 2.00%. The ceiling and floor rates of the corridor of the OPR are correspondingly reduced to 2.25% and 1.75%, respectively.

The OPR cut by a total of 100 basis points, complementing other monetary and financial measures by BNM as well as fiscal measures will cushion the economic impact on businesses and households and support the improvement in economic activity. BNM expects the Malaysian economy to gradually improve in the second half of 2020 as the containment measures are eased and the domestic MCO is lifted. In line with the projected improvement in global growth, the Malaysian economy is expected to register a positive recovery in 2021.

Industry wise, the energy sector is also affected by the slowdown in global economy. According to International Energy Agency (IEA), the sudden halt in economic activities affected global energy demand in the Q1 2020. Compared to the first quarter of 2019, the energy demand for first quarter 2020 declined by 3.8%, specifically on coal, oil, nuclear power and natural gas. However, renewable energy demand increased by about 1.5% in Q1 2020. Renewables are resilient to lower electricity demand because they are generally dispatched before other electricity sources due to their low operating costs or priority due to regulations.

According to International Renewable Energy Agency (IRENA), all regions would see higher shares of renewable energy use, with Southeast Asia, Latin America, the European Union and Sub-Saharan Africa poised to reach 70-80% shares in their total energy mixes by 2050. Renewable power generation technologies are setting records for low costs and new capacity despite falling renewable energy subsidies and slowing global GDP growth. This rise in share of renewable electricity in generation is being accelerated by declining costs: four-fifths of solar PV and wind projects to be commissioned in 2020 will produce electricity cheaper than any fossil-fuel alternative. Solar and winds will complements hydropower which for years has been cheaper than fossil fuel derived energy. To meet global climate goals, IRENA in its Global Renewables Outlook (Edition 2020) targeted that the annual energy-related carbon dioxide emissions would need to decline by 70% below today's level by 2050, of which over half of the necessary reductions in emissions come from renewable energy, followed by around one quarter coming from energy efficiency.

In Malaysia, hydropower is the largest clean and renewable energy source in Malaysia. Hydropower is expected to grow from 6,165MW of installed capacity in 2018, to 6,928MW by 2024. More interesting is in the area of small hydropower plants in Malaysia. Protégé Associates Sdn Bhd (“Protégé”) expects it to grow from 59.3MW in 2018 to 225MW by 2024, representing a compound annual growth rate of 24%.

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

B3. Prospects (continued)

Regionally, ASEAN member states collectively have set a regional target of securing 23% of their primary energy generation from renewables by 2025. Electricity trade is also gaining traction as interconnection infrastructure is developed for the ASEAN Power Grid. The electricity in Laos is supplied to Malaysia using Thailand transmission grid. In 2019, Laos-Thailand-Malaysia Power Integration Project is signed with the aim to triple the amount of electricity supplied to Malaysia by 2021.

From current installed capacity of 46,617MW in 2018, Protégé projected the hydropower installed capacity will increase by 5,049 MW in 2025 to 51,666MW. While Laos, Thailand and Malaysia have its ASEAN Power Grid, Indonesia is looking to utilise small hydropower plant to power off-grid systems in its rural areas which would help to increase its rural electrification rate.

On the general infrastructure industry, the outlook for the construction industry in Malaysia remains positive with growth projected throughout the forecast period from 2020 to 2024. Protégé Associates projects the size (revenue) of the construction industry in Malaysia to increase from RM66.25 billion in 2019 to RM79.50 billion in 2024, registering a CAGR of 3.7% of which the local civil engineering and special trade works market is projected to increase from RM36.66 billion in 2019 to RM45.32 billion in 2024, representing a CAGR of 4.3% during the said period.

Malaysian infrastructure industry is mainly driven by government projects, thus growth in the first half of 2020 will be subdued to the Movement Control Order and the COVID-19 pandemic. It is expected that the infrastructure segment will improve as the Malaysian Government continues to stimulate the economy.

On the property segment it is expected to be subdued in the short term. Various incentives are given by the Malaysian Government in the effort to cushion-off the negative impact on the property market. As Bank Negara Malaysia expects the Malaysian economy to rebound in 2021 in tandem with projected global recovery, the property market is anticipated to move in similar trajectory. The Company takes further comfort that our sole property development project is fully sold out and should be completed within this calendar year.

Despite current volatility and uncertainties, the energy and utility segment remain resilient. The Company has recently received and accepted two (2) letters of award from:

- (i) Kangsar Hidro Sdn Bhd on 31 March 2020 to undertake amongst others, the preliminary study, design, supply, construction, commissioning and completion of five (5) mini hydropower plants with total capacity of 32.47 Megawatt ("MW"), in Perak Darul Ridzuan, Malaysia with a contract value of approximately RM354 million; and
- (ii) Gaurishankar Power Development Pvt. Ltd. on 13 May 2020 to undertake amongst others, the engineering, design, procurement, construction, commissioning and completion of a mini hydropower plant with a capacity of 22.9MW in Solukhumbhu, Federal Democratic Republic of Nepal with a contract value of approximately RM208.08 million.

The Board and the Management are of the view that the declining energy demand due to COVID-19 will only have marginal impact on the Company as the pandemic would only cause short term economic shock, and would not affect the energy demand growth in the long run, while the demand for renewables will continue to grow. The infrastructure industry meanwhile is anticipated to pick-up with the expected economic stimulus from the Government. The immediate short-term impact of COVID-19 would be supply chain disruption, causing delays in construction progress. These however, can be managed and fine tuned to adapt to the new working environment.

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

B3. Prospects (continued)

Countries worldwide has since started to introduce and implement their COVID-19 exit strategy to ensure minimal disruption and to kick start their economy. It is expected infrastructure projects will be given a boost by the governments due to its high multiplier effect on the economy. Meanwhile, the energy sector especially the renewables, will continue its growth trend given cheaper cost of energy by renewable power.

Taking cognisance of the above and barring unforeseen circumstances, the Board and the Management are optimistic on the future direction of the Group at the back of the prediction of global economic recovery in 2021, expected stimulus by governments and robust potential in construction activities in energy and utilities sectors. The Management is currently in active negotiations with various parties to further expand the Group's businesses regionally.

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

The status of corporate proposals announced but not completed at the latest practicable date which must not be earlier than 7 days from the date of issue of the quarterly report.

On 19 May 2020, AmInvestment Bank Berhad, on behalf of the Board, announced that the Company proposed to undertake the following proposals:-

- (i) proposed private placement of up to 29,317,727 new ordinary shares in KPower ("KPower Share(s)") or up to 58,635,454 new Subdivided Shares (as defined herein), representing up to 35% of the Company's issued ordinary share capital ("Proposed Private Placement"); and
- (ii) proposed subdivision of every 1 existing KPower Share held on an entitlement date to be determined by the Board and announced at a later date ("Entitlement Date") into two (2) KPower Shares ("Subdivided Shares") ("Proposed Share Split"); and
- (iii) proposed diversification of the principal activities of KPower and its subsidiaries to include construction business and construction related activities ("Proposed Diversification") including but not limited to the construction of projects under the energy, utility, infrastructure and logistics sectors.

On 22 May 2020, the listing application in relation to the Proposed Private Placement and Proposed Share Split has been submitted to Bursa Securities.

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

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

B5. Corporate Proposal (continued)

Utilisation of Proceeds for Private Placement

As per announcement dated 21 February 2020, the Company has completed the Private Placement.

The Company had raised gross proceeds of RM13.3 million from the Private Placement. As at 30 April 2020, the proceeds raised from the Private Placement amounted to RM11.6 million has yet to be fully utilised.

As at the date of this report, the proceeds from the Private Placement was partially utilised as follows:-

Details of utilisation of proceeds	Proposed Utilisation (RM'000)	Actual Utilisation RM'000	% Utilised	Estimated Timeframe for Utilisation
Working capital	7,176	144	2%	6 Months
Business acquisition	6,000	1,500	25%	6 Months
Estimated Private Placement	150	86	57%	Immediately

The utilisation of the proceeds as disclosed above should be read in conjunction with the announcement made by the Company dated 21 January 2020.

B6. Borrowings

The Group's financing/borrowings are as follows:

	As at 31/3/2020		As at 31/12/2019	
	Current RM'000	Non-current RM'000	Current RM'000	Non-current RM'000
Secured	141	2,008	281	2,030
Unsecured	376	401	372	401
Total borrowings	517	2,409	653	2,431

Currently, the Group does not have any hedging policy for borrowings denominated in foreign currency due to borrowings is used to finance the Group's international business which is also denominated in foreign currency. 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. Dividends 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”)

	Individual quarter	Cumulative quarter
	3 months ended	9 months ended
	31/3/2020	31/3/2020
Profit attributable to owners of the Company (RM'000)	2,674	5,482
Number of ordinary shares in issue ('000)	83,794	83,794
Basic and diluted EPS (Sen)	3.19	6.54

Basic EPS for the current quarter and cumulative quarter are calculated by dividing the profit attributable to owners of the Company by the number of ordinary shares in issue.

B10. Profit Before Taxation

	Individual quarter	Cumulative quarter
	3 months ended	9 months ended
	31/3/2020	31/3/2020
	RM'000	RM'000
Profit before taxation has been arrived at after charging/(crediting):		
Interest income	12	17
Depreciation of property, plant and equipment	(163)	(498)
Loss on foreign exchange		
- Realised	42	44
- Unrealised	-	92