



**KUMPULAN POWERNET BERHAD**

**(Company No: 199701003731 (419227-X))**

**(Incorporated in Malaysia)**

**QUARTERLY REPORT ON THE  
CONSOLIDATED RESULTS FOR THE  
QUARTER AND PERIOD ENDED  
30 JUNE 2020**

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

**KUMPULAN POWERNET BERHAD**  
**199701003731 (419227-X)**

**Unaudited Condensed Consolidated Statements of Comprehensive Income for the Fourth Quarter ended 30 June 2020**

	<b>Individual quarter</b>			<b>Cumulative quarter</b>		
	<b>3 months ended</b>		<b>Changes</b>	<b>12 months ended</b>		<b>Changes</b>
	<b>30/6/2020</b>	<b>30/6/2019</b>		<b>30/6/2020</b>	<b>30/6/2019</b>	
	<b>RM'000</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>RM'000</b>	<b>%</b>
Revenue	39,361	11,945	230	95,843	13,217	625
Cost of sales	(24,796)	(6,958)	256	(67,944)	(8,607)	689
Gross profit	<b>14,565</b>	<b>4,987</b>	192	<b>27,899</b>	<b>4,610</b>	505
Other income	1,129	89	1,169	1,436	124	1,058
Selling and distribution expenses	(38)	158	124	(104)	(6)	1,633
Administrative expenses	(4,242)	(1,563)	171	(9,773)	(2,819)	247
Other expenses	(1,311)	(753)	74	(1,447)	(754)	92
<b>Profit from operations</b>	<b>10,103</b>	<b>2,918</b>	246	<b>18,011</b>	<b>1,155</b>	1,459
Finance costs	11	(152)		(105)	(215)	
<b>Profit before tax</b>	<b>10,114</b>	<b>2,766</b>	266	<b>17,906</b>	<b>940</b>	1,805
Taxation	(2,806)	(459)		(5,130)	(459)	
<b>Profit net of tax</b>	<b>7,308</b>	<b>2,307</b>	217	<b>12,776</b>	<b>481</b>	2,556
<b>Other comprehensive income:</b>						
<b>Item that is or may be reclassified subsequently to profit or loss</b>						
Foreign currency translation	(123)	3		(132)	3	
<b>Total comprehensive income for the financial period</b>	<b>7,185</b>	<b>2,310</b>		<b>12,644</b>	<b>484</b>	
<b>Profit attributable to:</b>						
Owners of the parent	7,312	2,312		12,786	486	
Non-controlling interests	(4)	(5)		(10)	(5)	
	<b>7,308</b>	<b>2,307</b>		<b>12,776</b>	<b>481</b>	
<b>Total comprehensive income attributable to:</b>						
Owners of the parent	7,189	2,315		12,654	489	
Non-controlling interests	(4)	(5)		(10)	(5)	
	<b>7,185</b>	<b>2,310</b>		<b>12,644</b>	<b>484</b>	
<b>Earnings per share attributable to owners of the parent (sen per share)</b>						
- basic	9.23	3.04		16.14	0.64	
- diluted	9.23	3.04		16.14	0.64	

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 30 June 2020**

	<b>(Unaudited)</b> <b>30/6/2020</b> <b>RM'000</b>	<b>(Audited)</b> <b>30/6/2019</b> <b>RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	12,287	12,769
Right-of-use assets	511	-
Investment property	7,626	8,090
Intangible assets	11	-
<b>Total non-current assets</b>	<u>20,435</u>	<u>20,859</u>
<b>Current assets</b>		
Inventories	2,017	1,510
Contract cost assets	2,760	7,411
Trade, other receivables, deposits and prepayments	52,231	9,772
Cash and bank balances	89,785	1,506
<b>Total current assets</b>	<u>146,793</u>	<u>20,199</u>
<b>TOTAL ASSETS</b>	<u><b>167,228</b></u>	<u><b>41,058</b></u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to owners of the parent</b>		
Share capital	97,730	28,994
Reserves	4,676	4,808
Retained earnings/(accumulated losses)	3,506	(9,280)
<b>Total equity attributable to owners of the Company</b>	<u>105,912</u>	<u>24,522</u>
Non-controlling interests	(4)	(395)
<b>Total equity</b>	<u>105,908</u>	<u>24,127</u>
<b>Non-current liabilities</b>		
Deferred tax liabilities	6	551
Borrowings	1,420	2,348
Lease liabilities	254	-
<b>Total non-current liabilities</b>	<u>1,680</u>	<u>2,899</u>
<b>Current liabilities</b>		
Trade, other payables and accruals	46,115	12,608
Provision for tax	2,691	467
Loan from shareholder	10,000	-
Borrowings	565	957
Lease liabilities	269	-
<b>Total current liabilities</b>	<u>59,640</u>	<u>14,032</u>
<b>Total liabilities</b>	<u>61,320</u>	<u>16,931</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><b>167,228</b></u>	<u><b>41,058</b></u>
Net assets per share attributable to ordinary equity holders of the Company (RM)	<u>1.34</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.

**KUMPULAN POWERNET BERHAD**  
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**Unaudited Condensed Consolidated Statements of Changes in Equity for the period ended 30 June 2020**

	← 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/ Accumulated losses RM'000	Total RM'000	Non- Controlling Interest RM'000	Total Equity RM'000
<b>As at 1 July 2019</b>	28,994	(104)	4,912	(9,280)	24,522	(395)	24,127
Net profit for the financial period	-	-	-	12,786	12,786	(10)	12,776
Foreign currency translation	-	(132)	-	-	(132)	-	(132)
Total comprehensive income for the period	-	(132)	-	12,786	12,654	(10)	12,644
Transaction with owners:							
Issue of share capital	68,736	-	-	-	68,736	-	68,736
Deconsolidation of subsidiaries	-	-	-	-	-	401	401
<b>As at 30 June 2020</b>	<b>97,730</b>	<b>(236)</b>	<b>4,912</b>	<b>3,506</b>	<b>105,912</b>	<b>(4)</b>	<b>105,908</b>
<b>As at 1 July 2018</b>	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
<b>As at 30 June 2019</b>	<b>28,994</b>	<b>(104)</b>	<b>4,912</b>	<b>(9,280)</b>	<b>24,522</b>	<b>(395)</b>	<b>24,127</b>

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.

**KUMPULAN POWERNET BERHAD**  
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**Condensed Consolidated Statements of Cash Flow for the period ended 30 June 2020**

	<b>Unaudited 30/6/2020 RM'000</b>	<b>Unaudited 30/6/2019 RM'000</b>
<b>Cash flow from operating activities</b>		
Profit before taxation	17,906	940
Adjustments for :-		
Depreciation for investment property	170	155
Depreciation for property, plant and equipment	648	1,024
Allowance for impairment loss on receivables	143	-
Amortisation of intangible assets	1	-
Depreciation of right-of-use assets	249	-
Impairment of investment property	245	-
Inventories written off	333	-
Reversal of term loan	(745)	-
Unrealised loss in foreign exchange	222	-
Interest income	(69)	(28)
Interest expense	105	215
<b>Operating profit before changes in working capital</b>	<b>19,208</b>	<b>2,306</b>
Inventories	(841)	(596)
Contract cost assets	4,651	511
Trade and other receivables	(43,864)	(12,001)
Trade and other payables	34,809	8,151
<b>Cash generated from operations</b>	<b>13,963</b>	<b>(1,629)</b>
Interest received	69	28
Tax paid	(3,443)	-
<b>Net cash inflows generated from/(used in) operating activities</b>	<b>10,589</b>	<b>(1,601)</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(167)	(272)
Acquisition of intangible asset	(12)	-
<b>Net cash used in investing activities</b>	<b>(179)</b>	<b>(272)</b>
<b>Cash flow from financing activities</b>		
Interest paid	(74)	(215)
Proceed from issuance of share capital	68,736	-
Loan from shareholder	10,000	-
Repayment of loan payable	(575)	(891)
Payment for the principal portion of lease liabilities	(269)	-
<b>Net cash inflows generated from/(used in) financing activities</b>	<b>77,818</b>	<b>(1,106)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>88,228</b>	<b>(2,979)</b>
<b>Effect of exchange rate changes</b>	<b>51</b>	<b>-</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>1,506</b>	<b>4,485</b>
	<b>1,557</b>	<b>4,485</b>
<b>Cash and cash equivalents at end of year</b>	<b>89,785</b>	<b>1,506</b>
<b>Cash and cash equivalents at the end of year comprised :-</b>		
Cash and bank balances	81,574	1,228
Fixed deposits with licensed banks	8,211	278
	<b>89,785</b>	<b>1,506</b>

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 July 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:

<b>MFRS/ Amendment/ Interpretation</b>	<b>Effective date</b>
● 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 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**

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 30 June 2020 are as follows:

	<b>Individual quarter</b>	<b>Cumulative quarter</b>
	<b>3 months ended</b>	<b>12 months ended</b>
	<b>30/6/2020</b>	<b>30/6/2020</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Revenue</b>		
Construction related activities	37,923	79,572
Property development	818	15,010
Manufacturing	431	655
Property investment	189	606
<b>Total revenue</b>	<b>39,361</b>	<b>95,843</b>
<b>Profit/(loss) before taxation</b>		
Construction related activities	10,583	14,720
Property development	811	6,470
Manufacturing	(863)	(2,698)
Property investment	(417)	(586)
<b>Total profit before taxation</b>	<b>10,114</b>	<b>17,906</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>30/6/2020</b>	<b>30/6/2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Assets</b>		
Construction related activities	150,976	-
Property development	21,409	17,019
Manufacturing	14,742	15,111
Property investment	8,397	35,446
Elimination of inter-segment	(28,296)	(26,518)
<b>Total assets</b>	<b>167,228</b>	<b>41,058</b>
<b>Liabilities</b>		
Construction related activities	45,879	-
Property development	16,304	14,381
Manufacturing	20,526	19,153
Property investment	8,188	9,157
Elimination of inter-segment	(29,577)	(25,760)
<b>Total liabilities</b>	<b>61,320</b>	<b>16,931</b>



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

**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.

**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 30 June 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.

	<b>Current financial quarter as at 30/6/2020 RM'000</b>
<b>Cost</b>	
As at 1 July 2019	39,244
Additions	167
As at 30 June 2020	<u>39,411</u>
<b>Accumulated depreciation</b>	
As at 1 July 2019	(26,476)
Charge for the financial year	(648)
As at 30 June 2020	<u>(27,124)</u>
<b>Net carrying amount</b>	
As at 30 June 2020	<u>12,287</u>

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

A15. Inventories

	Current financial quarter as at 30/6/2020 RM'000
<b>Stated at cost</b>	
- Manufacturing:	
Raw materials	104
Work-in-progress	429
Consumables	668
Finished goods	816
<b>Total inventories</b>	<u>2,017</u>

A16. Finance income and finance expense

	Individual quarter		Cumulative quarter	
	3 months ended		12 months ended	
	30/6/2020	30/6/2019	30/6/2020	30/6/2019
	RM'000	RM'000	RM'000	RM'000
Finance income	52	6	69	28
Finance expense	11	(152)	(105)	(215)

A17. Loan from shareholder

The loan from shareholder is unsecured, non-interest bearing and repayable on demand.

A18. Share Capital

	Number of ordinary shares		Amount	
	30/6/2020	30/6/2019	30/6/2020	30/6/2019
	'000	'000	RM'000	RM'000
Issued and fully paid:				
At 1 July	76,150	76,150	28,994	28,994
Issuance of ordinary shares	36,933	-	68,736	-
At 30 June	<u>113,083</u>	<u>76,150</u>	<u>97,730</u>	<u>28,994</u>

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
	30/6/2020	30/6/2019	30/6/2020	30/6/2019	ended	ended
	RM'000	RM'000	RM'000	RM'000	%	%
<b>Revenue</b>						
Construction related activities	37,923	-	79,572	-	100	100
Property development	818	9,802	15,010	9,802	(92)	53
Manufacturing and others	431	1,581	655	2,669	(73)	(75)
Property investment	189	562	606	746	(66)	(19)
<b>Total revenue</b>	<b>39,361</b>	<b>11,945</b>	<b>95,843</b>	<b>13,217</b>	230	625
<b>Profit/(loss) before taxation</b>						
Construction related activities	10,583	-	14,720	-	100	100
Property development	811	3,911	6,470	3,911	(79)	65
Manufacturing and others	(863)	(1,190)	(2,698)	(2,785)	(27)	(3)
Property investment	(417)	45	(586)	(186)	(1,027)	215
<b>Total profit before taxation</b>	<b>10,114</b>	<b>2,766</b>	<b>17,906</b>	<b>940</b>	266	1,805

For the quarter and period ended 30 June 2020:

(a) 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.

(b) Property Development Segment

Property development segment recorded a revenue of RM15.01 million as compared to the corresponding period of the previous year ("Q4FY2019") from the sale of commercial units in Sentul. The revenue is based on the progress of completion during the period for the units sold.

(c) Manufacturing and Others Segment

The manufacturing and others segment recorded a revenue of RM0.65 million which was lower by 75% as compared to Q4FY2019 and RM0.43 million or by 73% as compared to corresponding period of previous year. The decrease in revenue was due to lower demand mainly from the impact of The 2020 Movement Control Order (MCO). The loss before tax ("LBT") decreased to RM2.69 million or by 3% for the quarter ended 30 June 2020 as compared to Q4FY2019 following the completion of rationalisation exercise.

(d) Property Investment Segment

The property investment segment recorded a revenue of RM0.61 million which was lower by 19%. This segment recorded higher LBT at 215% of RM0.58 million as compared to Q4FY2019 of RM0.74 million and RM0.18 million respectively due to impairment of investment property.

**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 30/6/2020	Immediate preceding quarter 31/3/2020	Variance Increase	
	RM'000	RM'000	RM'000	%
Group revenue	95,843	56,482	39,361	70
Gross profit from operations	18,011	7,914	10,097	128
Group profit before taxation	17,906	7,798	10,108	130
Group profit for the financial year	12,776	5,474	7,302	133

As at 30 June 2020, the Group recorded an increase in revenue of 70% as compared to the immediate preceding quarter ("Q3FY2020") mainly from the preliminary works from new construction projects obtained during the quarter. The gross profit from operations for the current financial quarter was at RM18.01 million representing an increase of 128% as compared to Q3FY2020 which is consistent with the increase of profit before tax of RM17.90 million and profit after tax of RM12.77 million or 130% and 133% respectively, as compared to Q3FY2020.

**B3. Prospects**

Since the announcement of our third quarter result in May, the COVID-19 pandemic continues to spread and recent released economic figures confirmed the severity and the impact of the pandemic. Governments worldwide introduced various measures to ensure containment of the pandemic and also the economic survival of their economies. Since then gradual improvement can be seen as economic activities goes back to normal. We are optimistic of the future as the industry that we operate in remains resilient and the expected recovery in 2021 further fuels our confidence.

International Monetary Fund in its World Economic Outlook ("WEO") published in June 2020, has revised the global growth for 2020 to -4.9% and 2021 to 5.4%, indicating a more negative impact than anticipated, resulting from COVID-19 pandemic. The recovery is expected to be more gradual than previous forecast. In addition, the projection of 2021 is 6½ percentage points lower than in the pre-COVID-19 projections of January 2020. The recent worse ever quarterly GDP contraction of the United States of America by 33% further affirms the projection.

Locally, World Bank Group in its Malaysia Economic Monitor published in June 2020 reported that Malaysia's GDP is projected to decline by 3.1% this year from 4.3% in 2019, reflecting a sharp slowdown in economic activity during the first half of 2020. This was reaffirmed by the unprecedented negative growth of 17.1% in the second quarter of 2020. This is a sharp contrast to the marginal growth of 0.7% reported in the first quarter of 2020. The downshift of GDP was mainly attributed by a series of MCO to contain the spread of the COVID-19 pandemic which led to uncertainty regarding growth prospects as it severely constrained economic activities.

Despite the bad economic indicators the world's economy has since shown some sign of improvement. Business worldwide has since adapted their business operations and practice to the new normal as necessitated by the pandemic. Previously disrupted supply chain, logistics and services have since steadily resumed their business activities.

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

**B3. Prospects (continued)**

Once the movement control orders (“MCO”) has been rationalised and selective section of the economy was opened, signs of improvement and recovery can be seen on the monthly GDP numbers. April shocking numbers of negative 28.6% was followed by an improvement in May with negative 19.5% and finally in June when the negative growth improved tremendously to only negative 3.7%. We should expect continuous improvement in the third and fourth quarter of 2020 before registering strong recovery in 2021 as per Bank Negara Malaysia’s (“BNM”) forecast of growth between 5.5% to 8%. The 2021 growth is expected to be supported by improvements in external conditions, a gradual normalisation in economic activities and labour market conditions.

For the Company, despite the various challenges posed by COVID-19 we continue to record strong numbers throughout the period. This is underpinned by our construction and construction related activities locally and abroad in the segment of energy, utilities and infrastructure. The sector remains active and gotten more exciting from the various incentives and government’s effort to pump the economy.

The property sector remains underwhelming, saturated and expected to be subdued in the short term. Various measures were introduced by the Malaysian Government in an effort to help the industry. Among the recently introduced measures was the waiver of stamp duty, upliftment of 70% margin of financing for third houses and exemption for real property gain tax for a period of 1 year. These measures are expected to ensure continuous activity in the property sector before it rebound in tandem with the economy.

Despite the outlook in the property sector, the Company take comfort in that our sole property project is fully sold thus the revenue is assured and we are not exposed to market risk. While we faces challenges in construction from the shutdown during the movement control order, the Company has already commenced construction and working hard towards completing the project.

On our textile manufacturing segment, the pandemic has disrupted supply chain, operations and worse, worldwide demand for the industry. We have since started operations and receive small orders from our clients. Nevertheless this segment will prove to be challenging and will improve together with the improvement in the world’s economy. We are also exploring other products within our textile industry to improve and increase our product offering to the market.

Meanwhile, the construction sector also saw strong challenges as it recorded the biggest decline at -44.5% during the Q2 2020 due to the closure of the construction sites during the MCO. However, this sector is expected to recover, supported by the infrastructure sub-segment, mainly from the government projects. Protégé Associates forecasted that the revenue of the construction industry in Malaysia will increase from RM66.25 billion in 2019 to RM79.50 billion in 2024, registering a Compound Annual Growth Rate (“CAGR”) of 3.7% of which the local civil engineering and special trade works market are projected to increase from RM36.66 billion in 2019 to RM45.32 billion in 2024, representing a CAGR of 4.3%.

Despite the economic fallout, the outlook for energy sector in general remains resilient, while renewable energy segment is expected to have a higher growth. The utilities and infrastructure industry are the few key industries that government will focus on when it seeks to revitalises and expand the economy. This remains true regionally and locally. In Malaysia, the recent invitation to bid for 1,000 MW of supply of solar energy is a clear example of such a move.

Meanwhile hydropower industry in Malaysia remains promising. According to the Protégé Associates, the total hydropower installed in 2024 is expected to grow at CAGR of 2.1% to 6,982MW compared to 6,165MW recorded in 2018. Meanwhile, the small hydropower plants’ installed capacity (for commissioned and plant-in-progress) is expected to grow to 225MW by 2024, representing a CAGR of 24.0% compared to 59.3MW in 2018.

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

**B3. Prospects (continued)**

Notwithstanding the current volatility and uncertainties, the Company through its wholly-owned subsidiary, KPower International (L) Ltd ("KPIL") has received and accepted a letter of award from Zhenghong Building Road & Bridge Construction Co., Ltd ("Zhenghong") to undertake amongst others, the supply, construction, commissioning and completion of the civil works in relation to the development of Hydropower Energy Generating Facilities in Lao PDR with a contract value of approximately RM174.50 million as announced on 29 June 2020.

With RM1.2 billion projects secured, the Company is confident in its ability to raise the required capital. On the corporate exercise of the Company, despite the bleak economic outlook, bad economic data and challenging market condition, the Company has no issue in raising the required capital to fund the business of the company. In June 2020, the Company raised more than RM50 million in private placements, which was oversubscribed by almost four times. This shows the confidence of the investors in the Company, its business and also its business direction.

Taking consideration of the above and barring unforeseen circumstances, the Board and the management are optimistic on the future direction of the Group. The company is currently in active negotiations with various parties to further expand the Group's businesses both locally and 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**

**Utilisation of Proceeds for Private Placement**

On 21 February 2020, the Company has completed a private placement with issuance of 7.61 million shares in KPower ("Private Placement I") and raised total proceeds of RM13.3 million. As per the announcement dated 30 June 2020, the Company has completed a private placement with issuance of 29.32 million shares in KPower and raised total proceeds of RM55.4 million ("Private Placement II").

As at 10 August 2020, the proceeds raised from the Private Placement I and Private Placement II have been partially utilised as follows:

Details of utilisation of proceeds	Proposed Utilisation of Proceeds (RM'000)	Actual Utilisation (RM'000)	% Utilised	Estimated Timeframe for Utilisation
<b>Private Placement I</b>				
Working capital	7,176	2,407	34%	6 months
Business acquisition	6,000	1,500	25%	6 months
Estimated expenses in related to the Private Placement	150	116	77%	Immediately
<b>Private Placement II</b>				
Working capital for Construction Business	48,386	660	1%	12 months
General Working Capital	5,825	-	-	12 months
Estimated expenses in relation to the Private Placement	1,200	894	75%	1 month

The utilisation of the proceeds as disclosed above should be read in conjunction with the announcement made by the Company dated 21 January 2020, 19 May 2020 and circular dated 5 June 2020.

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

**B5. Corporate Proposal (continued)**

**Status of Corporate Proposals Announced but Not Completed**

On 19 May 2020, AmInvestment Bank Berhad, on behalf of the Board, announced that the Company proposes to undertake amongst others, proposed share split involving the subdivision of every 1 existing ordinary shares in the Company into 2 shares ("Proposed Share Split").

The Proposed Share Split had been approved by the shareholders of KPower at an Extraordinary General Meeting of the Company held on 22 June 2020. As at the date of this report, the Proposed Share Split 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 30/6/2020		As at 31/3/2020	
	Current RM'000	Non-current RM'000	Current RM'000	Non-current RM'000
Secured	565	1,420	141	2,008
Unsecured	-	-	376	401
<b>Total borrowings</b>	<b>565</b>	<b>1,420</b>	<b>517</b>	<b>2,409</b>

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.

**B9. Earnings Per Share ("EPS")**

	Individual quarter	Cumulative quarter
	3 months ended	12 months ended
	30/6/2020	30/6/2020
Profit attributable to owners of the Company (RM'000)	7,312	12,786
Weighted average number of ordinary shares in issue ('000)	79,225	79,225
Basic and diluted EPS (Sen)	9.23	16.14

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.

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

B10. Profit Before Taxation

	<u>Individual quarter</u> 3 months ended 30/6/2020 RM'000	<u>Cumulative quarter</u> 12 months ended 30/6/2020 RM'000
Profit before taxation has been arrived at after charging/(crediting):		
Interest income	52	69
Depreciation of property, plant and equipment	(150)	(648)
Loss on foreign exchange		
- Realised	377	421
- Unrealised	129	221