KPOWER BERHAD

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

QUARTERLY REPORT ON THE CONSOLIDATED RESULTS FOR THE QUARTER AND PERIOD ENDED 30 SEPTEMBER 2021

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

KPOWER BERHAD
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199701003731 (419227-X)

Unaudited Condensed Consolidated Statements of Comprehensive Income for the Quarter and Period ended 30 September 2021

	Individual quarter			Cumulative quarter		
	3 months ended			3 months ended		
	30/9/2021 RM'000	30/9/2020 RM'000	Changes %	30/9/2021 RM'000	30/9/2020 RM'000	Changes %
Revenue	43,784	57,063	(23)	43,784	57,063	(23)
Cost of sales	(35,206)	(44,018)	(20)	(35,206)	(44,018)	(20)
Gross profit	**8,578**	**13,045**	(34)	**8,578**	**13,045**	(34)
Other income	486	562	(14)	486	562	(14)
Selling and distribution expenses	(17)	(30)	(43)	(17)	(30)	(43)
Administrative expenses	(3,630)	(2,187)	66	(3,630)	(2,187)	66
Other expenses	(291)	(316)	(8)	(291)	(316)	(8)
Profit from operations	**5,126**	**11,074**	(54)	**5,126**	**11,074**	(54)
Finance costs	(606)	(25)		(606)	(25)	
Profit before tax	**4,520**	**11,049**	(59)	**4,520**	**11,049**	(59)
Taxation	(2,288)	(2,906)		(2,288)	(2,906)	
Profit net of tax	**2,232**	**8,143**	(73)	**2,232**	**8,143**	(73)
Other comprehensive income:						
Item that is or may be reclassified subsequently to profit or loss						
Foreign currency translation	(91)	48		(91)	48	
Total comprehensive income for the financial period	**2,141**	**8,191**		**2,141**	**8,191**	
Profit attributable to:						
Owners of the parent	3,149	8,146		3,149	8,146	
Non-controlling interests	(917)	(3)		(917)	(3)	
	2,232	**8,143**		**2,232**	**8,143**	
Total comprehensive income attributable to:						
Owners of the parent	3,058	8,194		3,058	8,194	
Non-controlling interests	(917)	(3)		(917)	(3)	
	2,141	**8,191**		**2,141**	**8,191**	
Earnings per share attributable to owners of the parent (sen per share) *						
- basic	0.70	1.80		0.70	1.80	
- diluted	0.70	1.80		0.70	1.80	

* Earnings per share is based on weighted average number of shares of 452,330,648 (2021: 452,330,648) and 452,330,648 (2021: 452,330,648) for the period of 3 months and cumulative 3 months respectively. Comparative figure of the weighted average number of shares have been restated to reflect the adjustment arising from the share split.

The unaudited condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 30 June 2021 and the explanatory notes attached to the interim financial report.

KPOWER BERHAD
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Unaudited Condensed Consolidated Statements of Financial Position as at 30 September 2021

	(Unaudited) 30/9/2021 RM'000	(Audited) 30/6/2021 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	22,678	21,290
Right-of-use assets	1,306	1,554
Intangible assets	12,972	12,973
Deferred tax assets	118	67
Total non-current assets	37,074	35,884
Current assets		
Inventories	2,501	2,794
Contract assets	33,342	13,113
Contract cost assets	1,421	1,421
Trade, other receivables, deposits and prepayments	161,013	149,791
Tax assets	3,945	3,461
Cash and bank balances	73,892	104,100
	276,114	274,680
Asset classified as held for sale	-	7,387
Total current assets	276,114	282,067
TOTAL ASSETS	**313,188**	**317,951**
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	97,730	97,730
Reserves	5,333	5,424
Retained earnings	41,562	38,413
Total equity attributable to owners of the Company	144,625	141,567
Non-controlling interests	185	1,102
Total equity	144,810	142,669
Non-current liabilities		
Lease liabilities	518	702
Deferred tax liabilities	24	19
Borrowings	6,539	5,838
Total non-current liabilities	7,081	6,559
Current liabilities		
Trade and other payables	104,319	97,477
Contract liabilities	13,814	13,503
Lease liabilities	818	891
Borrowings	37,579	52,384
Tax liabilities	4,767	4,468
Total current liabilities	161,297	168,723
Total liabilities	168,378	175,282
TOTAL EQUITY AND LIABILITIES	**313,188**	**317,951**
Net assets per share attributable to ordinary equity holders of the Company (RM)	0.32	0.31

The unaudited condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the financial year ended 30 June 2021 and the explanatory notes attached to the interim financial report.

KPOWER BERHAD
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Unaudited Condensed Consolidated Statements of Changes in Equity for the period ended 30 September 2021

	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 2021	97,730	512	4,912	38,413	141,567	1,102	142,669
Net profit for the financial period	-	-	-	3,149	3,149	(917)	2,232
Foreign currency translation	-	(91)	-	-	(91)	-	(91)
Total comprehensive income for the period	-	(91)	-	3,149	3,058	(917)	2,141
As at 30 September 2021	**97,730**	**421**	**4,912**	**41,562**	**144,625**	**185**	**144,810**
As at 1 July 2020	97,730	(236)	4,912	3,506	105,912	(4)	105,908
Net profit for the financial period	-	-	-	37,463	37,463	771	38,234
Foreign currency translation	-	748	-	-	748	-	748
Total comprehensive income for the period	-	748	-	37,463	38,211	771	38,982
Transaction with owners:							
Dividend paid	-	-	-	(2,556)	(2,556)	-	(2,556)
Acquisition of subsidiaries	-	-	-	-	-	329	329
Deconsolidation of subsidiaries	-	-	-	-	-	6	6
As at 30 June 2021	**97,730**	**512**	**4,912**	**38,413**	**141,567**	**1,102**	**142,669**

The unaudited condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 30 June 2021 and the explanatory notes attached to the interim financial report.

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Condensed Consolidated Statements of Cash Flow for the period ended 30 September 2021

	Unaudited 30/9/2021 RM'000	Unaudited 30/9/2020 RM'000
Cash flows from operating activities		
Profit before taxation	4,520	11,049
Adjustments for :-		
Amortisation of intangible assets	1	1
Depreciation for investment property	-	39
Depreciation for property, plant and equipment	757	168
Depreciation of right-of-use assets	269	67
Gain on disposal of property, plant and equipment	(161)	-
Interest expense	587	25
Interest expense on lease liabilities	19	-
Unrealised loss in foreign exchange	27	313
Interest income	(206)	(192)
Operating profit before changes in working capital	5,813	11,470
Inventories	293	(27)
Contract assets	(20,229)	(27,473)
Contract cost assets	-	555
Contract liabilities	311	(654)
Trade and other receivables	(10,635)	(7,956)
Trade and other payables	6,041	30,413
Cash (used in)/generated from operations	(18,406)	6,328
Interest received	206	192
Tax paid	(2,519)	(2,856)
Net cash (used in)/generated from operating activities	(20,719)	3,664
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	161	-
Proceeds from disposal of asset held for sale	7,279	-
Acquisition of property, plant and equipment	(2,145)	(25)
Acquisition of intangible assets	-	(1)
Net cash generated from/(used in) investing activities	5,295	(26)
Cash flows from financing activities		
Placements in bank restricted for use	(116)	(7,000)
Proceeds from hire purchase	2,739	-
Repayment of trade financing	(13,454)	-
Repayment of hire purchase	(1,876)	-
Repayment of term loans	(1,492)	(114)
Payment for the principal portion of lease liabilities	(227)	(15)
Interest paid	(549)	(19)
Interest paid on lease liabilities	(19)	(7)
Net cash used in financing activities	(14,994)	(7,155)
Net decrease in cash and cash equivalents	(30,418)	(3,517)
Effect of exchange rate changes	94	(117)
Cash and cash equivalents at 1 July	51,555	89,785
	51,649	89,668
Cash and cash equivalents at the end of period	21,231	86,151

Condensed Consolidated Statements of Cash Flow for the period ended 30 September 2021 (continued)

	Unaudited 30/9/2021 RM'000	Unaudited 30/9/2020 RM'000
Cash and cash equivalents at the end of period comprised :-		
Cash and bank balances	17,714	35,957
Fixed deposits with licensed banks	56,178	57,214
	73,892	93,171
Less: Fixed deposits held as security	(52,661)	(7,020)
	21,231	86,151

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The unaudited condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the financial year ended 30 June 2021 and the explanatory notes attached to the interim financial report.

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

A1. Basis of Preparation

The condensed interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134 Interim Financial Reporting and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 June 2021.

A2. Changes in accounting policies

The accounting policies adopted by the Group in this interim financial statements are consistent with those adopted in the most recent audited financial statements for the financial year ended 30 June 2021, except for the newly-issued Malaysian Financial Reporting Standards ("MFRS") and amendments to standards to be applied by all Entities Other Than Private Entities for the financial period beginning on or after 1 July 2021:

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

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 1, First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)	1 January 2022
● Amendments to MFRS 9 Financial Instruments (Annual Improvement to MFRS Standards 2018 - 2020)	1 January 2022
● Amendments to MFRS 3 Business Combinations (Reference to the Conceptual Framework)	1 January 2022
● Amendments to MFRS 116, Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
● Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets (Onerous Contracts - Cost of Fulfilling a Contract)	1 January 2022
● MFRS 17 Insurance Contracts	1 January 2023
● Amendments to MFRS 101 Presentation of Financial Statements (Classification of Liabilities as Current or Non-current and Disclosure of Accounting Policies)	1 January 2023
● Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates	1 January 2023
● Amendments to MFRS 112 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
● Amendments to MFRS 10 Consolidated Financial Statements: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be confirmed
● Amendments to MFRS 128 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be confirmed

The Group plans to apply from the annual period beginning on 1 July 2021 for the accounting standard that is effective for annual periods beginning on or after 1 January 2021. The Group does not plan to apply MFRS 17, Insurance Contracts and MFRS 14, Agriculture (Annual Improvements to MFRS Standards 2018–2020) as these are not applicable to the Group.

The initial application for the abovementioned accounting standards, amendments or interpretations are not expected to have any material financial impacts to the financial statements of the Group.

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

A2. Changes in accounting policies (continued)

(a) Basis of measurement

The financial statements have been prepared on the historical cost basis other than disclosed in the report.

(b) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency.

(c) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, 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 30 September 2021.

A5. Auditors' report on preceding annual financial statements

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

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

A6. 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 30 September 2021 are as follows:

	Individual quarter 3 months ended 30/9/2021 RM'000	Cumulative quarter 3 months ended 30/9/2021 RM'000
Revenue		
Construction related activities	39,646	39,646
Property development and investment	-	-
Healthcare *	96	96
Logistics	4,042	4,042
Total revenue	43,784	43,784
Profit/(loss) before taxation		
Construction related activities	6,198	6,198
Property development and investment	(114)	(114)
Healthcare *	(1,458)	(1,458)
Logistics	(106)	(106)
Total profit before taxation	4,520	4,520

	(Unaudited) 30/9/2021 RM'000	(Audited) 30/6/2021 RM'000
Assets		
Construction related activities	381,800	352,901
Property development and investment	28,900	30,909
Healthcare *	20,752	21,443
Logistics	29,123	19,602
Elimination of inter-segment	(147,387)	(106,904)
Total assets	313,188	317,951
Liabilities		
Construction related activities	223,431	201,074
Property development and investment	23,286	24,814
Healthcare *	25,918	24,329
Logistics	23,068	12,669
Elimination of inter-segment	(127,325)	(87,604)
Total liabilities	168,378	175,282

* Healthcare segment constitutes manufacturing and healthcare related activities.

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

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

A11. Changes in composition of the Group

On 17 September 2021, the Company has incorporated a company known as KPower RE Sdn. Bhd. with 100 ordinary shares representing 100% shareholding for a total cash consideration of RM100.

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

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

	30/9/2021 RM'000	30/6/2021 RM'000
Authorised capital expenditure for property, plant and equipment not provided for in the financial statements		
- Approved and contracted for	6,133	6,283

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 30/9/2021 RM'000
Cost	
As at 1 July 2021	66,932
Additions	2,145
Disposals	(685)
As at 30 September 2021	68,392
Accumulated depreciation	
As at 1 July 2021	(45,642)
Charge for the financial year	(757)
Disposals	685
As at 30 September 2021	(45,714)
Net carrying amount	
As at 30 September 2021	22,678

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

A15. Intangible assets

	Current financial quarter as at 30/9/2021		
Cost	**Software RM'000**	**Goodwill on consolidation RM'000**	**Total RM'000**
As at 1 July 2021/ 30 September 2021	21	12,956	12,977
Accumulated depreciation			
As at 1 July 2021	(4)	-	(4)
Charge for the financial year	(1)	-	(1)
As at 30 September 2021	(5)	-	(5)
Net carrying amount			
As at 30 September 2021	16	12,956	12,972

A16. Inventories

Stated at cost	**Current financial quarter as at 30/9/2021 RM'000**
- Manufacturing:	
Raw materials	97
Work-in-progress	555
Consumables	829
Manufactured inventories	1,020
Total inventories	2,501

A17. Finance income and finance expense

	Individual quarter 3 months ended		Cumulative quarter 3 months ended	
	30/9/2021 RM’000	**30/9/2020 RM’000**	**30/9/2021 RM’000**	**30/9/2020 RM’000**
Finance income	206	192	206	192
Finance expense:				
- Hire purchase	(136)	-	(136)	-
- Term loan	(28)	(19)	(28)	(19)
- Revolving credits	(381)	-	(381)	-
- Trade financing	(12)	-	(12)	-
- Others	(30)	-	(30)	-
	(587)	(19)	(587)	(19)
- Lease liabilities	(19)	(6)	(19)	(6)
	(606)	(25)	(606)	(25)

A18. Share Capital

	Number of ordinary shares		Amount	
	30/9/2021 '000	**30/6/2021 '000**	**30/9/2021 RM'000**	**30/6/2021 RM'000**
Issued and fully paid:				
At 1 July, 30 September/ 30 June	113,083	113,083	97,730	97,730

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		3 months ended		3 months ended	3 months ended
	30/9/2021 RM'000	30/9/2020 RM'000	30/9/2021 RM'000	30/9/2020 RM'000	%	%
Revenue						
Construction related activities	39,646	52,809	39,646	52,809	(25)	(25)
Property development and investment	-	4,113	-	4,113	(100)	(100)
Healthcare	96	141	96	141	(32)	(32)
Logistics	4,042	-	4,042	-	100	100
Total revenue	**43,784**	**57,063**	**43,784**	**57,063**	(23)	(23)
Profit/(loss) before taxation						
Construction related activities	6,198	10,085	6,198	10,085	(39)	(39)
Property development and investment	(114)	1,327	(114)	1,327	(109)	(109)
Healthcare	(1,458)	(363)	(1,458)	(363)	302	302
Logistics	(106)	-	(106)	-	100	100
Total profit before taxation	**4,520**	**11,049**	**4,520**	**11,049**	(59)	(59)

For the quarter and period ended 30 September 2021:

(a) Construction Related Activities Segment

The construction related activities recorded revenue and profit before tax of RM39.65 million and RM6.2 million respectively, a decrease of 25% and 39% respectively as compared to its corresponding period ("Q1FY2021"). The decrease is due to Movement Control Order ("MCO") with restrictions as enforced by Malaysian and Indonesian Government which disrupted the contruction progress of the Group's projects in Malaysia and Indonesia. The Group's construction activities were affected by limitation on number of workforce allowed at site and type of works allowed to be carried out during the MCO period.

(b) Property Development and Investment Segment

The property development and investment segment recorded no revenue during this quarter due to development progress for property development was halted as a result of MCO. Additionally, the Group completed the disposal of its property in Liverpool, UK on 5 July 2021 resulted in no revenue contribution from investment segment. This resulted to the loss before tax of RM0.11 million representing operating costs incurred during the quarter.

(c) Healthcare Segment

The healthcare segment consists of manufacturing and healthcare related activities. The segment recorded a revenue of RM0.10 million, a decrease of 32% as compared to Q1FY2021. This resulted to loss before tax increased to RM1.46 million, an increase of 302% as compared to Q1FY2021.

(d) Logistics

Logistics segment recorded a revenue of RM4.04 million and loss before tax of RM0.11 million. The loss before tax is due to lower transport order affected by MCO as Malaysian Government restricted the work force capacity at a maximum of 60%.

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 30/9/2021 RM'000	Immediate preceding quarter 30/6/2021 RM'000	Variance Decrease RM'000	%
Group revenue	43,784	386,091	(342,307)	(89)
Gross profit from operations	5,126	52,779	(47,653)	(90)
Group profit before taxation	4,520	51,402	(46,882)	(91)
Group profit for the financial year	2,232	38,234	(36,002)	(94)

As at 30 September 2021, the Group recorded a decrease in revenue of 89% as compared to the immediate preceding quarter ("Q4FY2021"). The overall decline in group revenue was mainly due to MCO imposed by Malaysian and Indonesian Government affected the construction progress for the Group's projects in Malaysia and Indonesia and lower transport orders from logistics segment. The gross profit from operations for the current financial quarter was at RM5.13 million representing a decrease of 90% as compared to Q4FY2021 which is consistent with the decrease of profit before tax of RM4.52 million and profit after tax of RM2.23 million or 91% and 94% respectively, as compared to Q4FY2021.

B3. Prospects

COVID-19 IN MALAYSIA

As of 1 November 2021, 95.6% of adults and 67.7% of adolescents have been fully vaccinated based on COVIDNOW, the Ministry of Health Malaysia's portal which tracks updates on COVID-19. In terms of total population, 75.0% have been fully vaccinated while 78.0% have received at least one dose.

Further to the National COVID-19 Immunisation Programme, the frontliners, individuals aged 60 and above, and individuals with comorbidities, who have completed their Pfizer and Sinovac vaccinations, are encouraged to receive Pfizer-BioNTech booster dose, six months after the second dose for Pfizer recipients and three months after the second dose for Sinovac recipients.

Apart from the above, starting from 11 October 2021 Malaysia has resumed interstate and international travel after more than 90% of adult population across the country were fully vaccinated. Following the announcement made by Prime Minister Ismail Sabri Yaakob, fully vaccinated Malaysians are allowed to travel interstate without having to apply for police permission, whilst international travel is allowed without having to apply for MyTravelPass. However, Malaysia is yet to open to international travellers, except for emergency, business, and official government purposes. According to the announcement, reopening the state borders was key to reviving the ailing domestic tourism sector. Malaysians were then reminded to stay vigilant on observing health protocols since the government will only apply restrictions on specific areas in the event of an increase in COVID-19 cases.

During the Budget 2022 tabled in the Dewan Rakyat on 29 October 2021, the government is providing an additional of RM4 billion, on top of the RM32.4 billion allocation for the Ministry of Health, with RM2 billion is set for the vaccination programmes and the remaining to increase the capacity of public health service facilities, such as purchase of medicines, consumables, personal protective equipment ("PPE") and health kits. At the same time, the government had signed an agreement to procure 88 million doses of COVID-19 vaccine, which is equivalent to more than 140 percent of the population and is sufficient to give a third dose to all residents aged 12 years and above.

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

B3. Prospects (continued)

GLOBAL COVID-19 UPDATE

According to the figures released by Johns Hopkins University, the global casualties reported from COVID-19 has surpassed 5 million, after 19 months the pandemic was first declared by the World Health Organization in March 2020. The United States recorded the highest number of total confirmed deaths, followed by Brazil, India, Mexico and the United Kingdom together accounted for more than half of all deaths worldwide.

ECONOMY IN GENERAL

The global economy continues to recover at a slow pace, amid the uncertainty outlook of COVID-19 due to the rapid spread of Delta and the threat of new variants. International Monetary Fund ("IMF") in its World Economic Outlook ("WEO") published in October 2021 has revised down the global growth projection for 2021 to 5.9%, which is slightly lower by 0.1% compared to growth projection in July 2021. Meanwhile, the global growth projection for 2022 remains unchanged at 4.9%.

The marginal revision of 2021 global growth has reflected a downgrade outlook on supply disruptions in advanced economies and deterioration of COVID-19 dynamics in low-income developing countries. However, these unfavourable outlooks have been cushioned by the stronger near-term prospects among some commodity-exporting emerging market and developing economies.

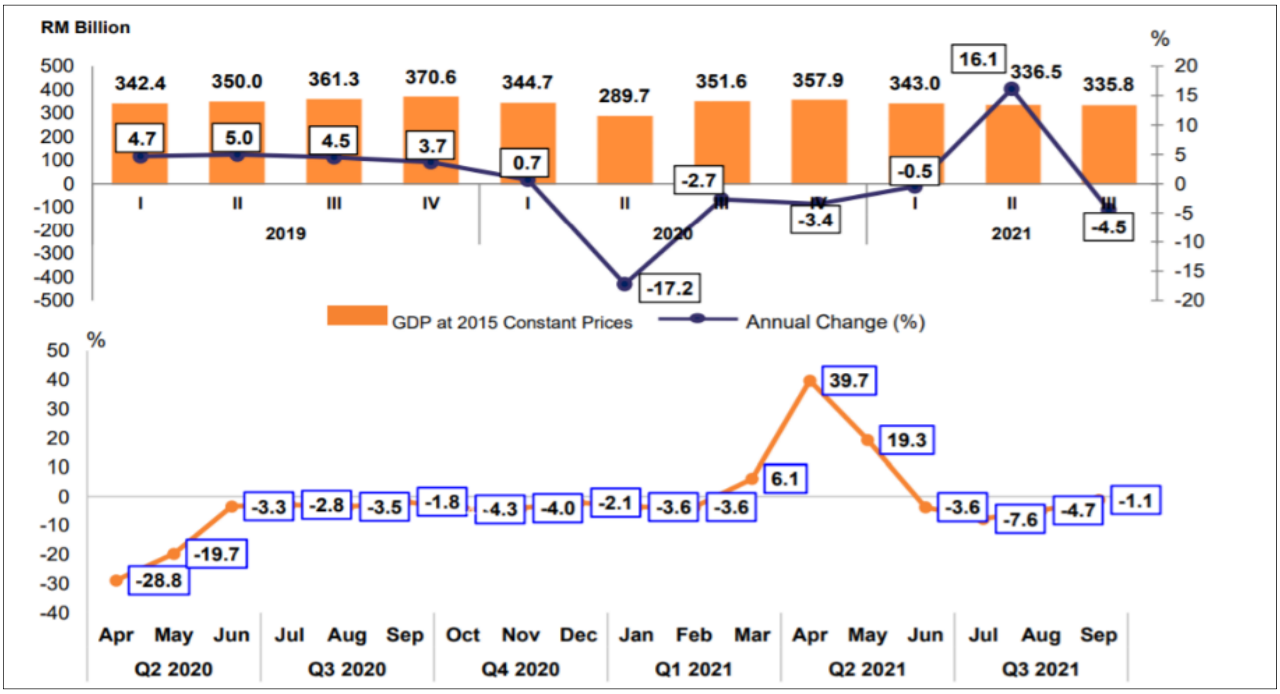
MALAYSIAN ECONOMY

The Malaysian economy contracted by 4.5% in the third quarter of 2021 ("3Q 2021") reversing from a record high growth of 16.1% in the second quarter of 2021, weighed down by contraction in all economic sectors, particularly the construction sector. The devastating performance during the 3Q 2021 was mainly attributable to the enhanced containment measures imposed in July 2021, under Phase 1 of the National Recovery Plan ("NRP") to stem the surge in COVID-19 cases. However, the economic activity subsequently improved as more states transitioned into Phase 2 with less restrictive containment measures.

During the 3Q 2021, the monthly economic performance gradually improved from a contraction of 7.6% in July to a decline of 4.7% in August and the contraction further narrowed to 1.1% in September 2021. The improved monthly performance during the quarter indicating improvements in economic and social activities as the National COVID-19 Immunisation Programme ("PICK") gained momentum, allowing more states to shift towards Phase 4 of the National Recovery Plan.

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

B3. Prospects (continued)



Source: Department of Statistics, Malaysia

Bank Negara Malaysia ("BNM") in its BNM Quarterly Bulletin for 3Q 2021 has maintained a full-year gross domestic product ("GDP") growth forecast of 3% to 4%, in line with the recovery momentum recorded during the nine months period of 2021. The growth will be supported by the reopening of more than 90% of the economic sectors, and resumption of most social activities, amid an ease in containment measures due to ramped-up in vaccination programme and continued policy support.

According to media statement by Minister of Finance Malaysia on 12 November 2021 the Malaysia's growth trajectory is expected to further expand between 5.5% and 6.5% in 2022, in line with projections by the IMF and the World Bank at 6.0% and 5.8%, respectively. This will be mainly supported by an expansionary Budget 2022, normalisation in economic and social activities premised on high vaccination rates, resumption of projects with high multiplier effects and strong external demand, especially from major trading partners.

KPOWER'S PERSPECTIVE

The uncertainty of outlook in global and domestic economies, combined with a series containment measures imposed to overcome the spread of COVID-19 and the heightened business environment surrounding KPower, have created a challenging business environment to the overall economy, the market and KPower specifically.

Learning and adjusting from previous experience with the various shutdown, uncertainty and situation brought by the pandemic, KPower has adapted its business structure, resources and business partners to better withstand the disruption from the COVID-19 pandemic, amongst others. As a result, despite the near halt in economy with the full lockdown announced in June, KPower has managed to post a positive result for the quarter. The positive result was underpinned by its main segment, the construction related activities which is mostly contributed by sustainable energy and utilities projects.

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

B3. Prospects (continued)

We are in constant talk with various parties, partners and market players locally and abroad in securing projects and business within the sustainable energy and utilities segment. Our recent and first asset ownership venture through the successful bid under the fourth round of Large-Scale Solar Programme ("LSS4") for the development of 50MW large-scale solar photovoltaic ("PV") plant sited in Pahang, Malaysia is an encouraging success for us. We are confident and optimistic in securing more business not only in hydro and solar renewable energy segment but also on other construction related businesses.

Concurrently, the Group as a whole and through its subsidiaries will also pursue growth in all our other business segments namely logistics, property as well as healthcare and technologies.

CONSTRUCTION RELATED ACTIVITIES / ENERGY AND UTILITIES

According to the International Energy Agency ("IEA") in its World Energy Outlook 2021 published in October 2021, worldwide energy demand in 2021 is expected to recover the ground that was lost the previous year, with a 4% increase returning global energy demand to pre-pandemic levels. Despite the weight of containment measures of COVID-19 in economies, additions of renewable sources of energy such as wind and solar PV increased at their fastest rate in two decades. This indicates that a new energy economy is coming into view, guided forward by policy action, technology innovation, and the increasing urgency of the need to tackle climate change. Even though there are uncertainties that the emergence of this new energy economy, the outlook of the energy economy indicates that this economy is experiencing a future growth as the huge market opportunity for clean technology becomes a major new area for investment and international competition.

Provided if the world gets on track for net zero emissions by 2050, IEA estimated that the annual market opportunity for manufacturers of wind turbines, solar panels, lithium-ion batteries, electrolysers and fuel cells grows tenfold to USD1.2 trillion by 2050, around 3.5-times larger than in the STEPS (Spotlight). These five elements alone would be larger than today's oil industry and its associated revenues.

In tandem with the favourable outlook of renewable energy ("RE"), recently, Malaysia has revised installed capacity to 31% in 2025 and 40% in 2035, compared to the 20% by 2025 target set in 2019/20. Following the revision in RE installed capacity, the carbon emission intensity from the power sector is set to be reduced by 45% in 2030, and a further 60% in 2035, compared to the 2005 level, in line with Malaysia's Nationally Determined Contributions (NDCs) targets under the Paris Climate Agreement. More than 7,000MW of coal power plants' Power Purchase Agreements will expire by 2033 and will be replaced by mostly gas and RE, thus lowering Malaysia's carbon emissions.

On 3 November 2021, the United Arab Emirates ("UAE") and the International Renewable Energy Agency ("IRENA") have announced the Energy Transition Accelerator Financing ("ETAF") Platform, a new global climate finance facility to accelerate the transition to RE in developing countries. The UAE committed USD400 million in funding provided by the Abu Dhabi Fund for Development ("ADFD") toward the platform's goal of securing a minimum of USD1 billion in total funding. This partnership builds on the long-term collaboration between IRENA and ADFD, which includes seven cycles of the USD350 million IRENA-ADFD Project Facility. The facility has financed 26 projects in Asia, Africa, and the Americas, notably including Small Island Developing States between 2013 and 2020. To date, ADFD has worked with a number of clean energy partners and governments in 65 countries to support the development of 90 RE projects that have the capacity to generate more than 9,000 megawatts of electricity. With the new ETAF contribution, ADFD's total financing for RE projects now stands at USD1.8 billion. This initiative further highlights the global interests in accelerating RE.

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

B3. Prospects (continued)

On 23 November 2021, the government has launched the Green Electricity Tariff ("GET") to allow subscribers to use electricity generated from renewable energy sources to reduce their carbon footprint. The highly welcomed initiative will be underlined by more than 4,500 gigawatt hours of electricity sourced annually from renewable energy sources. On launch day 9 companies has already committed to procure from RE via the GET programme and they will be charged an additional 3.7 sen per kilowatt hour. The proceeds from the GET sale will be used to support the nation's RE development initiatives and agenda.

On the back of previously mentioned development be it from the energy demand, funding availability and various new mechanisms to support the renewable energy drive and Environmental, Social and Corporate Governance demand, this segment continue to be exciting not only now but also well into the future. Leveraging on our expertise, existing regional presence, and deploying our resources to diversify our product offering we are consistently expanding our reach and activities to enable us to ride the growth in this segment.

PROPERTIES

The performance of construction sector during the 3Q 2021 contracted by 20.6% compared to 40.3% growth reported in 2Q 2021. The construction sector has been severely impacted due to operating capacity limits. Growth in the residential, non-residential, and civil engineering subsectors were particularly affected. However, the trend has been improved from August following easing of the containment measures which led to more construction activities to resume.

This sector is expected to move in line with a recovery in economic conditions. The positive outlook of this sector is further supported by the Twelfth Malaysia Plan where government targeted 120 cities to achieve sustainable city status and construction plan to build 500,000 affordable houses for the B40 and M40 groups. These will provide an additional support for private sector projects.

Meanwhile, the Group maintains minimal exposure to market risk by securing revenue from its sole property development project which has been fully sold. The Group has recommenced construction and deployed the necessary resources towards completing the Sentul Project after the closure of construction site during the containment measures imposed.

LOGISTICS

The performance of the Group's logistics arm, KPower Logistics through its 51%-owned subsidiary, Chemtrax Sdn. Bhd. ("Chemtrax") has been performing within our expectation.

The outlook for this sector remains promising as Malaysia aims to be ranked among the top 30 in the World Bank Logistic Performance Index and become a regional logistics hub by 2025. Initiatives will be introduced by the Malaysian government to enhance the competitiveness of the transport and logistics sectors. These include enhancing efficiency and leveraging on digitalisation in transport and logistics services. This indicate that logistics have been classified as a priority industry by our government.

Moving forward, we expect that Chemtrax will continue to contribute positively to the Group's earnings at the back of the positive outlook of this industry leveraging on Chemtrax's experiences and track record as well as its strong clientele base.

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

B3. Prospects (continued)

HEALTHCARE AND TECHNOLOGIES

On 1 November 2021, a blueprint to enhance and strengthen the current healthcare travel ecosystem was launched. According to the health minister, YB Khairy Jamaluddin, the Malaysia Healthcare Travel Industry Blueprint 2021-2025 has been crafted with the aspiration of providing a healthcare experience that provides the best of medical and service excellence throughout the entire patient journey. This blueprint targets to further establish Malaysia as a leading travel destination and provide a clear guide to our healthcare value chain and industry. This indicates that Malaysia is planning towards a strong position in healthcare industry comprising treatment services, medical expertise, medical devices, and pharmaceuticals to encourage foreign investments.

The Group foresees that this segment will be a significant contributor to the Group’s earnings in the long term, owing to the favourable outlook of healthcare industry and leveraging on the numerous opportunities that lie within this lucrative segment as well as the technological capabilities of Granulab (M) Sdn. Bhd., specifically in utilising its’ various patents, licenses and certifications which are in compliance with the international healthcare standards.

END NOTE

The recent containment measures introduced by the local government and abroad, coupled with the heightened business environment surrounding KPower has shown that KPower remains resilient and continues to be positive in facing such challenges and uncertainties. The effort undertaken by the Group in the past 2 years has certainly proves that KPower can thrive under trying circumstances and it will most certainly flourish when business and economic activities resume in full.

The Group remains optimistic on the future financial performance of KPower as the Group’s structure, the industry that we operate in and the resources available will enable us to grow further. We are continuously working on securing new projects and business opportunities including asset ownership-based investment, backed by the strong presence in Energy and Utilities segment while simultaneously establishing synergy between all of our business operating segments.

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.

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

B5. Corporate Proposal

Utilisation of Proceeds for Private Placement

On 30 June 2020, the Company has completed a private placement with issuance of 29.32 million shares in KPower and raised total proceeds of RM55.4 million ("Private Placement II"). As per the announcement dated 5 October 2021, the Company has completed a private placement with issuance of 90.47 million shares in KPower and raised total proceeds of RM61.52 million ("Private Placement III"). As at 31 October 2021, the proceeds raised from the Private Placement II and Private Placement III have been partially utilised as follows:

Details of Utilisation of Proceeds	Proposed Utilisation of Proceeds (RM'000)	Amount Utilisation (RM'000)	% Utilised	Estimated Timeframe for Utilisation
Private Placement II				
Working capital for construction business	48,386	48,386	100.00	12 months
General working capital	5,825	5,201	89.29	12 months
Expenses in relation to the Private Placement II	1,200	1,200	100.00	1 month
Private Placement III				
Working capital for the following projects:				
- 50 Megawatt ("MW") solar photovoltaic plant	19,685	11,324	57.52	Within 18 months
- Mini hydro power plants	24,607	6,626	26.93	Within 18 months
- Other up-coming projects and/or investment opportunities	16,117	-	-	Within 18 months
Expenses for the Private Placement III	1,107	1,107	100.00	Immediately

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

B6. Borrowings

The Group's financing/borrowings are as follows:

	As at 30/9/2021		As at 30/6/2021	
	Current RM'000	Non-current RM'000	Current RM'000	Non-current RM'000
Term loan	184	714	1,650	760
Hire purchase	2,395	5,825	2,279	5,078
Trade financing	-	-	13,455	-
Revolving credits	35,000	-	35,000	-
Total borrowings	37,579	6,539	52,384	5,838

Currently, the Group does not have any hedging policy for borrowing denominated in foreign currency due to borrowing is used to finance the Group's international business. The Group monitors the foreign currency movement and will take the necessary steps to minimise the risk whenever deemed appropriate.

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

B7. Material Litigation

There was no material litigation against the Group as at the reporting date.

B8. Dividend payable

No interim dividend has been declared during the current interim period under review.

B9. Earnings Per Share ("EPS")

	Individual quarter	Cumulative quarter
	3 months ended 30/9/2021	3 months ended 30/9/2021
Profit attributable to owners of the Company (RM'000)	3,149	3,149
Weighted average number of ordinary shares in issue ('000)	452,331	452,331
Basic and diluted EPS (Sen)	0.70	0.70

Basic earnings per share amounts are calculated by dividing profit for the year attributable to owners of the parent by the weighted average number of ordinary shares in issue.

No warrants were exercised during the financial period. The warrants are anti-dilutive and hence the diluted EPS is equal to the basic EPS.

B10. Profit Before Taxation

	Individual quarter	Cumulative quarter
	3 months ended 30/9/2021 RM'000	3 months ended 30/9/2021 RM'000
Profit before taxation has been arrived at after charging/(crediting):		
Interest income	(206)	(206)
Depreciation of property, plant and equipment	757	757
Gain on disposal of property, plant and equipment	(161)	(161)
Loss on foreign exchange:		
- realised	1	1
- unrealised	27	27