



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

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

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

RENEUCO BERHAD
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199701003731 (419227-X)

Unaudited Condensed Consolidated Statements of Comprehensive Income for the Quarter and Period ended 30 September 2022

	Individual quarter			Cumulative quarter		
	3 months ended		Changes %	3 months ended		Changes %
	30/9/2022	30/9/2021		30/9/2022	30/9/2021	
	RM'000	RM'000		RM'000	RM'000	
Revenue	21,268	43,784	(51)	21,268	43,784	(51)
Cost of sales	(12,826)	(35,206)	(64)	(12,826)	(35,206)	(64)
Gross profit	8,442	8,578	(2)	8,442	8,578	(2)
Other income	198	486	(59)	198	486	(59)
Selling and distribution expenses	(7)	(17)	(62)	(7)	(17)	(62)
Administrative expenses	(4,697)	(3,630)	29	(4,697)	(3,630)	29
Other expenses	(607)	(291)	109	(607)	(291)	109
Profit from operations	3,329	5,126	(35)	3,329	5,126	(35)
Finance costs	(328)	(606)		(328)	(606)	
Profit before tax	3,001	4,520	(34)	3,001	4,520	(34)
Taxation	(1,734)	(2,288)		(1,734)	(2,288)	
Profit net of tax	1,267	2,232	(43)	1,267	2,232	(43)
Other comprehensive income:						
Item that is or may be reclassified subsequently to profit or loss						
Foreign currency translation	336	(91)		336	(91)	
Total comprehensive income for the financial period	1,603	2,141		1,603	2,141	
Profit attributable to:						
Owners of the parent	2,130	3,149		2,130	3,149	
Non-controlling interests	(863)	(917)		(863)	(917)	
	1,267	2,232		1,267	2,232	
Total comprehensive income attributable to:						
Owners of the parent	2,466	3,058		2,466	3,058	
Non-controlling interests	(863)	(917)		(863)	(917)	
	1,603	2,141		1,603	2,141	
Earnings per share attributable to owners of the parent (sen per share) *						
- basic	0.41	0.70		0.41	0.70	
- diluted	0.41	0.70		0.41	0.70	

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

The unaudited condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 30 June 2022 and the explanatory notes attached to the interim financial report.

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Unaudited Condensed Consolidated Statements of Financial Position as at 30 September 2022

	(Unaudited) 30/9/2022 RM'000	(Audited) 30/6/2022 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	11,661	12,316
Construction work-in-progress	1,590	25,470
Right-of-use assets	12,140	13,805
Intangible assets	13,537	13,552
Deferred tax assets	474	474
Total non-current assets	39,402	65,617
Current assets		
Inventories	1,169	1,264
Contract assets	68,175	86,831
Contract cost assets	5,936	735
Trade and other receivables	207,724	146,624
Deposits and prepayments	6,597	7,906
Tax assets	1,949	1,944
Cash and bank balances	29,114	33,978
	320,664	279,282
Asset classified as held for sale	-	-
Total current assets	320,664	279,282
TOTAL ASSETS	360,066	344,899
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	156,379	156,379
Reserves	420	84
Retained earnings	53,140	49,278
Total equity attributable to owners of the Company	209,939	205,741
Non-controlling interests	(406)	399
Total equity	209,533	206,140
Non-current liabilities		
Lease liabilities	12,417	12,417
Deferred tax liabilities	415	415
Borrowings	10,752	10,752
Total non-current liabilities	23,584	23,584
Current liabilities		
Trade and other payables	79,829	81,511
Contract liabilities	11,265	11,263
Lease liabilities	58	1,548
Borrowings	29,297	14,196
Tax liabilities	6,500	6,657
Total current liabilities	126,949	115,175
Total liabilities	150,533	138,759
TOTAL EQUITY AND LIABILITIES	360,066	344,899
Net assets per share attributable to ordinary equity holders of the Company (RM)	0.40	0.40

The unaudited condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the financial year ended 30 June 2022 and the explanatory notes attached to the interim financial report.

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Unaudited Condensed Consolidated Statements of Changes in Equity for the period ended 30 September 2022

	← Attributable to owners of the Company →				Total RM'000	Non- Controlling Interest RM'000	Total Equity RM'000
	Share Capital RM'000	Foreign Currency Translation Reserve RM'000	Asset Revaluation Reserve RM'000	Retained earnings RM'000			
As at 1 July 2022	156,379	84	-	49,278	205,741	399	206,140
Net profit for the financial period	-	-	-	2,130	2,130	(863)	1,267
Foreign currency translation	-	336	-	-	336	-	336
Total comprehensive income for the period	-	336	-	2,130	2,466	(863)	1,603
Acquisition of subsidiaries	-	-	-	-	-	-	-
Reclassification	-	-	-	1,732	1,732	58	1,790
Deconsolidation of subsidiaries	-	-	-	-	-	-	-
As at 30 September 2022	156,379	420	-	53,140	209,939	(406)	209,533
As at 1 July 2021	97,730	512	4,912	38,413	141,567	1,413	142,980
Net profit for the financial period	-	-	-	5,953	5,953	(1,034)	4,919
Foreign currency translation	-	(428)	-	-	(428)	-	(428)
Total comprehensive income for the period	-	(428)	-	5,953	5,525	(1,034)	4,491
<u>Transaction with owners:</u>							
Issue of share capital	61,517	-	-	-	61,517	-	61,517
Share issue expenses	(2,868)	-	-	-	(2,868)	-	(2,868)
Reclassification	-	-	(4,912)	4,912	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	20	20
As at 30 June 2022	156,379	84	-	49,278	205,741	399	206,140

The unaudited condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 30 June 2022 and the explanatory notes attached to the interim financial report.

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

	Unaudited 30/9/2022 RM'000	Unaudited 30/9/2021 RM'000
Cash flows from operating activities		
Profit before taxation	3,001	4,520
Adjustments for :-		
Amortisation of intangible assets	22	1
Depreciation for property, plant and equipment	662	757
Depreciation of right-of-use assets	430	269
Gain on disposal of property, plant and equipment	(1)	(161)
Interest expense	188	587
Interest expense on lease liabilities	140	19
Unrealised loss in foreign exchange	626	27
Interest income	(188)	(206)
Operating profit before changes in working capital	4,880	5,813
Inventories	68	293
Contract assets	20,980	(20,229)
Contract cost assets	(7,317)	-
Contract liabilities	4	311
Trade and other receivables	(34,929)	(10,635)
Trade and other payables	(2,740)	6,041
Cash (used in)/generated from operations	(19,054)	(18,406)
Interest received	188	206
Tax paid	(150)	(2,519)
Net cash (used in)/generated from operating activities	(19,016)	(20,719)
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	1	161
Proceeds from disposal of asset held for sale	-	7,279
Acquisition of property, plant and equipment	-	(2,145)
Purchase of property, plant and equipment	7	-
Net cash generated from/(used in) investing activities	8	5,295
Cash flows from financing activities		
Placements in bank restricted for use	-	(116)
Drawdown of revolving credit	15,000	-
Proceeds from hire purchase	-	2,739
Repayment of trade financing	-	(13,454)
Repayment of hire purchase	(652)	(1,876)
Repayment of term loans	752	(1,492)
Payment for the principal portion of lease liabilities	(254)	(227)
Interest paid	68	(549)
Interest paid on lease liabilities	(140)	(19)
Net cash used in financing activities	14,774	(14,994)
Net decrease in cash and cash equivalents	(4,234)	(30,418)
Effect of exchange rate changes	(630)	94
Cash and cash equivalents at 1 July	8,478	51,555
	7,848	51,649
Cash and cash equivalents at the end of period	3,614	21,231

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

	Unaudited 30/9/2022 RM'000	Unaudited 30/9/2021 RM'000
Cash and cash equivalents at the end of period comprised :-		
Cash and bank balances	6,360	17,714
Fixed deposits with licensed banks	22,754	56,178
	<u>29,114</u>	<u>73,892</u>
Less: Fixed deposits held as security	(25,500)	(52,661)
	<u>3,614</u>	<u>21,231</u>

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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 2022 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 2022.

A2. Changes in accounting policies

The accounting policies adopted by the Group in this interim financial statements are consistent with those adopted in the most recent audited financial statements for the financial year ended 30 June 2022, except for the newly-issued Malaysian Financial Reporting Standards ("MFRS") and amendments to standards to be applied by all Entities Other Than Private Entities for the financial period beginning on or after 1 July 2022:

- Amendment to MFRS 16 Leases - Covid-19 - Related Rent Concession beyond 30 June 2021
- Amendments to MFRS 9 Financial Instruments (Annual Improvement to MFRS Standards 2018 - 2020)
- Amendments to MFRS 3 Business Combinations (Reference to the Conceptual Framework)
- Amendments to MFRS 116, Property, Plant and Equipment - Proceeds before Intended Use
- Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets (Onerous Contracts - Cost of Fulfilling a Contract)

MFRS/ Amendment/ Interpretation	Effective date
• Amendments to MFRS 101 Presentation of Financial Statements (Classification of Liabilities as Current or Non-current and Disclosure of Accounting Policies)	1 January 2023
• Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates	1 January 2023
• Amendments to MFRS 112 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
• Amendments to MFRS 10 Consolidated Financial Statements: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
• Amendments to MFRS 128 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

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

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

A2. Changes in accounting policies (continued)

(a) Basis of measurement

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

(b) Functional and presentation currency

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

(c) Use of estimates and judgements

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

There were no dividend paid during the current quarter ended 30 September 2022.

A5. Auditors' report on preceding annual financial statements

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

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

A6. Seasonal or cyclical factors

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

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

There were no items affecting assets, liabilities, equity, net income or cash flows that were unusual in nature, size or incidence during the current interim period under review.

A8. Material changes in estimates of amounts reported

There were no material changes in estimates of amounts reported in prior interim period of the current financial year or in prior financial year, which have material effects on the financial position or performance in the current interim period under review.

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

A9. Segment information

The segment information for the current period ended 30 September 2022 are as follows:

	Individual quarter	Cumulative quarter
	3 months ended	3 months ended
	30/9/2022	30/9/2022
	RM'000	RM'000
Revenue		
Construction related activities	7,397	7,397
Property development and investment	10,118	10,118
Healthcare *	54	54
Logistics	3,699	3,699
Total revenue	21,268	21,268
Profit/(loss) before taxation		
Construction related activities	2,913	2,913
Property development and investment	4,213	4,213
Healthcare *	(2,789)	(2,789)
Logistics	(1,336)	(1,336)
Total profit before taxation	3,001	3,001
	(Unaudited)	(Audited)
	30/9/2022	30/6/2022
	RM'000	RM'000
Assets		
Construction related activities	510,113	484,851
Property development and investment	47,121	29,299
Healthcare *	11,095	36,706
Logistics	27,701	11,851
Elimination of inter-segment	(235,964)	(217,808)
Total assets	360,066	344,899
Liabilities		
Construction related activities	277,229	253,703
Property development and investment	33,754	22,678
Healthcare *	27,241	28,807
Logistics	22,399	25,208
Elimination of inter-segment	(210,090)	(191,637)
Total liabilities	150,533	138,759

* 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

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 September 2022

	30/9/2022	30/6/2022
	RM'000	RM'000
Authorised capital expenditure for property, plant and equipment not provided for in the financial statements		
- Approved and contracted for	<u>-</u>	<u>-</u>

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 30/9/2022
	RM'000
Cost	
As at 1 July 2022	30,702
Additions	7
Disposals	-
As at 30 September 2022	<u>30,709</u>
Accumulated depreciation	
As at 1 July 2022	(18,386)
Charge for the financial year	(662)
Disposals	-
As at 30 September 2022	<u>(19,048)</u>
Net carrying amount	
As at 30 September 2022	<u>11,661</u>

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

A15. Intangible assets

	Current financial quarter as at 30/9/2022			
	Software RM'000	Intellectual Property RM'000	Goodwill on consolidation RM'000	Total RM'000
Cost				
As at 1 July 2022	38	1,360	12,236	13,634
Additions	-	7	-	7
As at 30 September 2022	38	1,367	12,236	13,641
Accumulated depreciation				
As at 1 July 2021	(8)	(74)	-	(82)
Charge for the financial year	-	(22)	-	(22)
As at 30 September 2022	(8)	(96)	-	(104)
Net carrying amount				
As at 30 September 2022	30	1,271	12,236	13,537

A16. Inventories

	Current financial quarter as at 30/9/2022 RM'000
Stated at cost	
- Manufacturing:	
Raw materials	-
Finished Goods	724
Consumables	-
Manufactured inventories	445
Total inventories	1,169

A17. Finance income and finance expense

	Individual quarter		Cumulative quarter	
	3 months ended		3 months ended	
	30/9/2022 RM'000	30/9/2021 RM'000	30/9/2022 RM'000	30/9/2021 RM'000
Finance income	188	206	188	206
Finance expense:				
- Hire purchase	(99)	(136)	(99)	(136)
- Term loan	(72)	(28)	(72)	(28)
- Revolving Credit	(15)	(381)	(15)	(381)
- Trade financing	(2)	(12)	(2)	(12)
- Others	-	(30)	-	(30)
	(188)	(587)	(188)	(587)
- Lease liabilities	(140)	(19)	(140)	(19)
	(328)	(606)	(328)	(606)

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

A18. Share Capital

	Number of ordinary shares		Amount	
	30/9/2022	30/6/2022	30/9/2022	30/6/2022
	'000	'000	RM'000	RM'000
Issued and fully paid:				
At 1 July	542,797	452,331	156,379	97,730
Issuance of ordinary shares:				
- Cash	-	90,466	-	61,517
- Share issue expenses	-	-	-	(2,868)
At 30 September/ 30 June	<u>542,797</u>	<u>542,797</u>	<u>156,379</u>	<u>156,379</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		3 months ended		3 months	3 months
	30/9/2022	30/9/2021	30/9/2022	30/9/2021	ended	ended
	RM'000	RM'000	RM'000	RM'000	%	%
Revenue						
Construction related activities	7,397	39,646	7,397	39,646	(81)	(81)
Property development and investment	10,118	-	10,118	-	100	100
Healthcare	54	96	54	96	(44)	(44)
Logistics	3,699	4,042	3,699	4,042	(8)	(8)
Total revenue	21,268	43,784	21,268	43,784	(51)	(51)
Profit/(loss) before taxation						
Construction related activities	2,913	6,198	2,913	6,198	(53)	(53)
Property development and investment	4,213	(114)	4,213	(114)	(3,796)	(3,796)
Healthcare	(2,789)	(1,458)	(2,789)	(1,458)	91	91
Logistics	(1,336)	(106)	(1,336)	(106)	1,160	1,160
Total profit before taxation	3,001	4,520	3,001	4,520	(34)	(34)

For the quarter and period ended 30 September 2022:

(a) Construction Related Activities Segment

The construction related activities recorded revenue and profit before taxation of RM7.39 million and RM2.91 million respectively, a decrease of 81% and 53% respectively as compared to its corresponding period ("Q1FY2022") due to slower progress work.

(b) Property Development and Investment Segment

The property development and investment segment recorded revenue of RM10.11 million and the profit before tax is RM4.21 million, an increase of 100% and 3,796% respectively as compared to Q1FY2022, due to completion of progress work during the current quarter of the projects in hand.

(c) Healthcare Segment

The healthcare segment recorded revenue of RM0.05 million, and the loss before tax of RM2.78 million, a decrease of 44% and 91% respectively, as compared to Q1FY2022, due to slower sales of products recorded by our subsidiaries Granulab (M) Sdn Bhd ("Granulab") and Powernet Industries Sdn Bhd during the period.

(d) Logistics Segment

Logistics segment recorded a revenue of RM3.69 million and the loss before tax of RM1.33 million, as compared to Q1FY2022, a decrease of 8% and 1,660% respectively, due to lower logistic services provided by the Company's 51% owned subsidiary Chemtrax Sdn Bhd ("Chemtrax") and higher financing costs during the period.

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 30/9/2022	Immediate preceding quarter 30/6/2022	Variance Decrease	
	RM'000	RM'000	RM'000	%
Group revenue	21,268	19,796	1,472	7
Gross profit/(loss) from operations	3,329	(3,283)	6,612	(201)
Group profit/(loss) before taxation	3,001	(3,723)	6,724	(181)
Group profit/(loss) for the financial year	1,267	(5,912)	7,179	(121)

As at 30 September 2022, the Group recorded an increase of revenue of 7% as compared to the immediate preceding quarter ("Q4FY2022") which was mainly derived from property development and investment segments supported by the construction related activities segment.

B3. Prospects

GLOBAL GROWTH OUTLOOK

The International Monetary Fund ("IMF") in its World Economic Outlook ("WEO") published in October 2022 maintains their forecast for global growth in 2022 at 3.2%. However, the growth in 2023 has been reduced to 2.7% which is 0.2% lower than earlier forecast in July 2022.

Global inflation is forecast to rise from 4.7% in 2021 to 8.8% in 2022 but expected to decline to 6.5% in 2023 and to 4.1% by 2024.

The global growth prospects are heavily affected by interlinked downside risks, persistent and broadening inflation, causing a cost-of-living crisis, impact military conflict between Russia and Ukraine, lingering effects of pandemic and the economic slowdown in China.

MALAYSIAN ECONOMY

The recently concluded Malaysia's 15th General Election ("GE15") saw a change in political landscape with a unity government. While it is still early days, the coalition can be seen as market friendly and supportive of a more open economy. Despite comprising of various parties in the government with differing and opposing view, in their manifestos, all parties are unanimous in their support for better, stronger and more resilient economy and business environment. It is expected that existing major infrastructure projects move towards ESG initiatives, climate aware and clean energy transition will be part of the main agenda regardless of any composition of the government. This will be consistent with previous administrations and is in line with local and international trends. With a stable government and expected market friendly policies, the country's economy will be in a better position in the years to come.

At this moment, the Malaysian economy has proven to be on the uptrend. Despite the global headwind that resulted in a slowing global economic growth, the Malaysian economy continues to record a strong growth of 14.2% in the third quarter of 2022 ("3Q 2022") compared to 8.9% growth in the previous quarter. The higher growth momentum was buoyed by robust domestic and external demand as well as an improved labour market. All economic sectors expanded in the 3Q 2022 primarily are the services and manufacturing sectors. The performance of the local economy reflected the spillover effect from the transition to the endemic phase which resulted in more vigorous economic and social activities.

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

B3. Prospects (continued)

Headline inflation has increased to 4.5% in the 3Q 2022 compared to 2.8% recorded in the previous quarter. The surge in the headline of inflation was mainly due to the base effect from the discount on electricity bills implemented in the third quarter of 2021, as well as sustained increases in core and price-volatile inflation. The inflationary pressures reflected in the confluence of stronger demand conditions and higher cost pressures, particularly for food-related items.

Against the backdrop of continued positive growth prospects for the Malaysian economy, the Monetary Policy Committee (“MPC”) decided to increase the overnight policy rate (“OPR”) by another 25 basis points to 2.75%.

Bank Negara Malaysia (“BNM”) in its Quarterly Bulletin 3Q 2022 anticipated that Malaysia’s economic growth will be supported by continued expansion in domestic demand. The economy would benefit from the improvement in labour market conditions, realisation of multi-year projects and higher inbound tourism activity. Meanwhile, the external demand is estimated to moderate which will be partly cushioned by Malaysia’s diversified export base.

However, the risk to Malaysia’s growth outlook remains skewed to the downside, amid weaker-than-expected global growth, further escalation of geopolitical conflicts and worsening supply chain disruptions.

RENEUCO’S PERSPECTIVE

Despite concerns about the possibility of flagging economic growth, Reneuco Berhad (formerly known as KPower Berhad) continues to record another positive performance during the first quarter ended 30 September 2022.

The Group will continue to strengthen its abilities and expertise in sustainable and green business. As a part of our initiative to offer one-stop, wide-ranging solutions to cater increasing demands for environmental compliance while simultaneously solidifying our positioning in the sustainable space, the Group plans to integrate the renewable energy segment across all of our business segments.

With the above in mind, the Group intends to grow its renewable energy segment in three specific areas which are engineering, procurement, construction, and commissioning including project management consultancy, asset ownership and renewable energy technology as well as products.

CONSTRUCTION RELATED ACTIVITIES / ENERGY AND UTILITIES

This year has been a challenging year in the energy sector, triggered by the geopolitical tension between Russia and Ukraine. According to the International Energy Agency (“IEA”) in its World Energy Outlook 2022 published in November 2022, a gloomy economic outlook leads to lower projections of energy demand growth in their outlook compared to last year’s. The current energy crisis is reshaping previously well established demand trends. Industries exposed to global prices are facing real threats of rationing and are curbing their production. Meanwhile, consumers are adjusting their patterns of energy use in response to high prices..

The annual demand for natural gas is expected to slow to 0.4% from now to 2030 in the Stated Policies Scenario (“STEPS”), down from 2.3% from 2010 to 2019. Coal sees a temporary surge in demand in some regions from the power and industry sectors in response to increases in natural gas prices, but efforts to reduce emissions soon put coal into decline again, ending the decade with demand 9% lower.

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

B3. Prospects (continued)

However, renewable energy, notably solar photovoltaic ("PV") and wind, gain the most ground of any energy source this decade, accounting for 43% of electricity generation worldwide in 2030, up from 28%.

The recent analysis of the Nationally Determined Contributions ("NDC") released in November 2022 by International Renewable Energy Agency ("IRENA"), indicates that as of October 2022, 183 Parties had included renewable energy components in their NDCs. Within these, 143 Parties provided quantified renewable energy targets. Further, 82 countries had set targets for renewable power in both their national policies and NDCs, while 67 countries had set these targets only in national plans and 26 only in NDCs.

Locally, the National Energy Policy 2022 - 2040 ("NEP") which has been launched on 19 September 2022, details the way forward and outlines key priorities for the energy sector in the coming years. The NEP represents initiatives from the government to move towards a cleaner energy mix by promoting heightened demand side management and encouraging the development, commercialisation, adoption of green technologies, and upskilling the energy sector workforce to meet future industry needs.

The NEP outlined the selected targets on Low Carbon Nation Aspiration 2040 (benchmarked against 2018) which among others are to increase the total installed capacity of renewable energy from 7,597 MW to 18,431 MW and to increase the percentage of renewable energy in the total primary energy supply from 7.2% to 17%. Other than that, the NEP also aimed to meet the climate targets by lowering coal emissions through reducing the installed capacity of coal from 31.4% to 18.6%. Under the Eight Malaysia Plan (2001-2005), the NEP has further enhanced the Fifth Fuel Policy which included renewable energy as the fifth fuel strategy in the national energy mix.

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

The Group foresees the growth of renewable energy is poised to accelerate further, aided by more supportive policies globally and locally, which will spur the activities in this industry. The Group believes that with its strong presence in this industry, it will manage to focus on its core regionally to diversify product offering as a key strategy for potential growth in the future.

PROPERTIES

In the 3Q 2022, the value of construction work done recorded a value of RM30.5 billion, increased by 23.2% compared to previous year. The Department of Statistics Malaysia ("DOSM") in its Quarterly Construction Statistics, the performance has been contributed by the positive growth of all subsectors, led by the non-residential buildings' subsector recorded the highest growth at 37.7% as compared to the same quarter last year.

The private sector continued to expand by 31.8% which accounted for RM18.0 billion or 59.0% share of total value of construction work done. Meanwhile, the public sector reported a growth of 12.6% which accounted for RM12.5 billion or 41.0% share.

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

B3. Prospects (continued)

Despite the improved performance of the construction sector, the Group remains mindful of the industry and being very selective in any venture in this sector. As to date, the Group maintains two projects under this segment which is property development project in Sentul, Kuala Lumpur which has been fully sold and the recent award by the state of Terengganu for affordable and mixed housing development on government land in Kawasan Pentadbiran Kuala Nerus, Mukim Batu Rakit, Daerah Kuala Nerus, Terengganu.

LOGISTICS

Despite the negative earnings contribution during this quarter from the Group's logistics arm, Chemtrax Sdn. Bhd. ("Chemtrax"), a 55%-owned subsidiary of Reneuco Logistics Sdn. Bhd., the Group remains optimistic on the Malaysian Logistics industry, and confident in its long term growth.

According to the DOSM in its Performance of Services Sector Q3 2022, service sector has recorded a revenue of RM517.4 billion during the period, expanded by 32.3% compared to the previous year. The segment of Information & Communication and Transportation & Storage reported a growth of 23.9% which accounted for RM73.4 billion of revenue.

Malaysia has been ranked number four in the Agility Emerging Markets Logistics Index 2022 after recording strong performance in both Business Fundamentals and Digital Readiness rankings. This position indicates that Malaysia is among the top attractive nations to logistics providers, freight forwarders, shipping lines, air cargo carriers and distributors.

Moving forward, the Group believes that the positive market growth drivers, coupled with government support through various initiatives will further boost the growth in this sector.

HEALTHCARE AND TECHNOLOGIES

Despite the continuous negative contribution from Granulab, the Group remains optimistic of this segment in the long term. The technological capabilities of Granulab specifically in utilising its various patents, licenses and certifications which are in compliance with the international healthcare standards, will become a main driver for this segment.

END NOTE

While there are challenges in various front be it locally and globally, the Group remains optimistic. Encouraged by the diminished uncertainty in local political scene, an expected progressive government, drive towards ESG locally and abroad, along with the outlook for the country, the Group remains positive that potential for new growth paths will present itself in the near future.

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

B4. Variance of Actual Profit from Profit Forecast

The Group did not provide any revenue or profit estimate, forecast, projection or internal targets in any previous announcement of public document.

B5. Corporate Proposal

There is no corporate proposal that has been announced but has not been completed as at the date of this Report, other than as disclosed below:-

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

The Proposed Acquisition is conditional upon the approval from the relevant authorities and the shareholders of the Company at an extraordinary general meeting to be convened.

B6. Borrowings

The Group's financing/borrowings are as follows:

	As at 30/9/2022		As at 30/6/2022	
	Current RM'000	Non-current RM'000	Current RM'000	Non-current RM'000
Term loan	25,637	688	184	688
Hire purchase	1,860	5,874	2,512	5,874
Trade financing	800	-	10,500	-
Revolving credits	-	-	-	-
Loan From Shareholder	1,000	4,190	1,000	4,190
Total borrowings	29,297	10,752	14,196	10,752

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

B7. Material Litigation

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

B8. Dividend payable

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

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

B9. Earnings Per Share (“EPS”)

	Individual quarter	Cumulative quarter
	3 months ended	3 months ended
	30/9/2022	30/9/2022
Profit attributable to owners of the Company (RM'000)	2,130	2,130
Weighted average number of ordinary shares in issue ('000)	518,755	518,755
Basic and diluted EPS (Sen)	<u>0.41</u>	<u>0.41</u>

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

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

B10. Profit Before Taxation

	Individual quarter	Cumulative quarter
	3 months ended	3 months ended
	30/9/2022	30/9/2022
	RM'000	RM'000
Profit before taxation has been arrived at after charging/(crediting):		
Allowance for impairment loss on:		
- trade and other receivables	-	-
- investment property	-	-
Interest income	(188)	(188)
Depreciation of property, plant and equipment	662	662
Gain on disposal of property, plant and equipment	(1)	(1)
Loss on foreign exchange:		
- realised	1	1
- unrealised	626	626