



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 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 Quarter and Period ended 30 September 2020

	<u>Individual quarter</u>			<u>Cumulative quarter</u>		
	<u>3 months ended</u>		<u>Changes</u>	<u>3 months ended</u>		<u>Changes</u>
	<u>30/9/2020</u>	<u>30/9/2019</u>		<u>30/9/2020</u>	<u>30/9/2019</u>	
	<u>RM'000</u>	<u>RM'000</u>	<u>%</u>	<u>RM'000</u>	<u>RM'000</u>	<u>%</u>
Revenue	57,063	11,162	411	57,063	11,162	411
Cost of sales	(44,018)	(7,966)	453	(44,018)	(7,966)	453
Gross profit	13,045	3,196	308	13,045	3,196	308
Other income	562	3		562	3	
Selling and distribution expenses	(30)	(25)	20	(30)	(25)	20
Administrative expenses	(2,187)	(1,410)	55	(2,187)	(1,410)	55
Other expenses	(316)	(207)	53	(316)	(207)	53
Profit from operations	11,074	1,557	611	11,074	1,557	611
Finance costs	(25)	(32)		(25)	(32)	
Profit before tax	11,049	1,525	625	11,049	1,525	625
Taxation	(2,906)	(577)		(2,906)	(577)	
Profit net of tax	8,143	948	759	8,143	948	759
Other comprehensive income:						
Item that is or may be reclassified subsequently to profit or loss						
Foreign currency translation	48	-		48	-	
Total comprehensive income for the financial period	8,191	948		8,191	948	
Profit attributable to:						
Owners of the parent	8,146	948		8,146	948	
Non-controlling interests	(3)	-		(3)	-	
	8,143	948		8,143	948	
Total comprehensive income attributable to:						
Owners of the parent	8,194	948		8,194	948	
Non-controlling interests	(3)	-		(3)	-	
	8,191	948		8,191	948	
Earnings per share attributable to owners of the parent (sen per share)						
- basic	10.28	1.24		10.28	1.24	
- diluted	10.28	1.24		10.28	1.24	

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 2020 and the explanatory notes attached to the interim financial report.

KUMPULAN POWERNET BERHAD
199701003731 (419227-X)

Unaudited Condensed Consolidated Statements of Financial Position as at 30 September 2020

	(Unaudited) 30/9/2020 RM'000	(Audited) 30/6/2020 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	12,144	12,287
Right-of-use assets	444	511
Investment property	7,692	7,626
Intangible assets	11	11
Total non-current assets	<u>20,291</u>	<u>20,435</u>
Current assets		
Inventories	2,044	2,017
Contract assets	33,628	6,155
Contract cost assets	2,205	2,760
Trade, other receivables, deposits and prepayments	53,056	46,056
Cash and bank balances	93,171	89,805
Total current assets	<u>184,104</u>	<u>146,793</u>
TOTAL ASSETS	<u>204,395</u>	<u>167,228</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	97,730	97,730
Reserves	4,724	4,676
Retained earnings	11,652	3,506
Total equity attributable to owners of the Company	<u>114,106</u>	<u>105,912</u>
Non-controlling interests	(7)	(4)
Total equity	<u>114,099</u>	<u>105,908</u>
Non-current liabilities		
Lease liabilities	184	254
Deferred tax liabilities	8	6
Borrowings	-	1,420
Total non-current liabilities	<u>192</u>	<u>1,680</u>
Current liabilities		
Trade and other payables	83,253	53,444
Contract liabilities	2,009	2,663
Lease liabilities	273	269
Borrowings	1,870	565
Provision for tax	2,699	2,699
Total current liabilities	<u>90,104</u>	<u>59,640</u>
Total liabilities	<u>90,296</u>	<u>61,320</u>
TOTAL EQUITY AND LIABILITIES	<u>204,395</u>	<u>167,228</u>
Net assets per share attributable to ordinary equity holders of the Company (RM)	<u>1.44</u>	<u>1.34</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 2020 and the explanatory notes attached to the interim financial report.

KUMPULAN POWERNET BERHAD
199701003731 (419227-X)

Unaudited Condensed Consolidated Statements of Changes in Equity for the period ended 30 September 2020

	← Attributable to owners of the Company →				→		
	←	←	→	→			
	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 2020	97,730	(236)	4,912	3,506	105,912	(4)	105,908
Net profit for the financial period	-	-	-	8,146	8,146	(3)	8,143
Foreign currency translation	-	48	-	-	48	-	48
Total comprehensive income for the period	-	48	-	8,146	8,194	(3)	8,191
As at 30 September 2020	97,730	(188)	4,912	11,652	114,106	(7)	114,099
As at 1 July 2019	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
<u>Transaction with owners:</u>							
Issue of share capital	68,736	-	-	-	68,736	-	68,736
Deconsolidation of subsidiaries	-	-	-	-	-	401	401
As at 30 June 2020	97,730	(236)	4,912	3,506	105,912	(4)	105,908

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 2020 and the explanatory notes attached to the interim financial report.

KUMPULAN POWERNET BERHAD
199701003731 (419227-X)

Condensed Consolidated Statements of Cash Flow for the period ended 30 September 2020

	Unaudited 30/9/2020 RM'000	Unaudited 30/9/2019 RM'000
Cash flow from operating activities		
Profit before taxation	11,049	1,525
Adjustments for :-		
Depreciation for investment property	39	39
Depreciation for property, plant and equipment	168	168
Amortisation of intangible assets	1	-
Depreciation of right-of-use assets	67	-
Unrealised loss in foreign exchange	313	-
Interest income	(192)	(3)
Interest expense	25	32
Operating profit before changes in working capital	<u>11,470</u>	<u>1,761</u>
Inventories	(27)	1,543
Contract assets	(27,473)	-
Contract cost assets	555	(9)
Contract liabilities	(654)	-
Trade and other receivables	(7,956)	(9,287)
Trade and other payables	30,413	4,723
Cash generated from/(used in) operations	<u>6,328</u>	<u>(1,269)</u>
Interest received	192	3
Tax paid	(2,856)	-
Net cash generated from/(used in) operating activities	<u>3,664</u>	<u>(1,266)</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(25)	(48)
Acquisition of intangible asset	(1)	-
Net cash used in investing activities	<u>(26)</u>	<u>(48)</u>
Cash flow from financing activities		
Interest paid	(19)	(32)
Advances from a Director	-	10,000
Repayment of loan payable	(114)	(184)
Payment for the principal portion of lease liabilities	(22)	-
Placement in bank restricted for use	(7,000)	-
Net cash (used in)/generated from financing activities	<u>(7,155)</u>	<u>9,784</u>
Net (decrease)/increase in cash and cash equivalents	<u>(3,517)</u>	<u>8,470</u>
Effect of exchange rate changes	(117)	-
Cash and cash equivalents at 1 July	<u>89,785</u>	<u>1,506</u>
	<u>89,668</u>	<u>1,506</u>
Cash and cash equivalents at the end of period	<u>86,151</u>	<u>9,976</u>
Cash and cash equivalents at the end of period comprised :-		
Cash and bank balances	35,957	9,768
Fixed deposits with licensed banks	57,214	208
	93,171	9,976
Less: Fixed deposits held as bank guarantee	(7,020)	-
	<u>86,151</u>	<u>9,976</u>

The unaudited condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the financial year ended 30 June 2020 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 2020.

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 2020, 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 2020:

- Amendments to MFRS 3 Business Combinations (Definition of a Business)
- Amendments to MFRS 4 Insurance Contracts
(Extension of the Temporary Exemption from Applying MFRS 9, Financial Instruments)
- Amendments to MFRS 9 Financial Instruments,
MFRS 139 Financial Instruments: Recognition and Measurement and
MFRS 7 Financial Instruments: Disclosures (Interest Rate Benchmark Reform)
- Amendments to MFRS 101 Presentation of Financial Statements and
MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Material)
- Amendment to MFRS 101 Presentation of Financial Statements
(Classification of Liabilities as Current or Non-current - Deferral of Effective Date)

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
• MFRS 16 Leases - Covid-19 - Related Rent Concessions	1 June 2020
• MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement, MFRS 7 Financial Instruments: Disclosures, MFRS 4 Insurance Contracts and MFRS 16 Leases (Interest Rate Benchmark Reform-Phase 2)	1 January 2021
• MFRS 3 Business Combinations (Reference to the Conceptual Framework)	1 January 2022
• MFRS 116, Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
• MFRS 137 Provisions, Contingent Liabilities and Contingent Assets (Onerous Contracts - Cost of Fulfilling a Contract)	1 January 2022
• Annual Improvements to MFRS Standards 2018–2020	1 January 2022
• MFRS 117 Insurance Contracts	1 January 2023
• MFRS 101 Presentation of Financial Statements (Classification of Liabilities as Current or Non-current)	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 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 as it is not applicable to the Group.

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

A2. Changes in accounting policies (continued)

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.

(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

There were no dividend paid during the current quarter ended 30 September 2020.

A5. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 30 June 2020 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 September 2020 are as follows:

	Individual quarter	Cumulative quarter
	3 months ended	3 months ended
	30/9/2020	30/9/2020
	RM'000	RM'000
Revenue		
Construction related activities	52,809	52,809
Property development	4,092	4,092
Manufacturing	141	141
Property investment	21	21
Total revenue	57,063	57,063
Profit/(loss) before taxation		
Construction related activities	10,085	10,085
Property development	1,441	1,441
Manufacturing	(363)	(363)
Property investment	(114)	(114)
Total profit before taxation	11,049	11,049
	(Unaudited)	(Audited)
	30/9/2020	30/6/2020
	RM'000	RM'000
Assets		
Construction related activities	195,935	150,976
Property development	22,925	21,397
Manufacturing	14,499	14,743
Property investment	8,128	8,410
Elimination of inter-segment	(39,101)	(28,298)
Total assets	202,386	167,228
Liabilities		
Construction related activities	73,509	45,879
Property development	17,213	16,285
Manufacturing	10,646	20,526
Property investment	8,337	8,208
Elimination of inter-segment	(21,418)	(29,578)
Total liabilities	88,287	61,320

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 21 October 2020, the Company had entered into a share sale agreement with Sabaka for the acquisition of 2,193,000 ordinary shares in Chemtrax Sdn Bhd (“Chemtrax”), representing 51.00% equity interest in Chemtrax, by the Company for a total cash consideration of RM10.00 million (“Proposed Acquisition”). As at the date of this report, the Proposed Acquisition is currently pending its completion.

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 2020.

A14. Property, plant and equipment

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

	Current financial quarter as at 30/9/2020 RM'000
Cost	
As at 1 July 2020	37,309
Additions	25
As at 30 September 2020	<u>37,334</u>
Accumulated depreciation	
As at 1 July 2020	(25,022)
Charge for the financial year	(168)
As at 30 September 2020	<u>(25,190)</u>
Net carrying amount	
As at 30 September 2020	<u>12,144</u>

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

A15. Inventories

	Current financial quarter as at 30/9/2020 RM'000
Stated at cost	
- Manufacturing:	
Raw materials	114
Work-in-progress	428
Consumables	670
Finished goods	59
Trading	773
Total inventories	<u>2,044</u>

A16. Finance income and finance expense

	Individual quarter		Cumulative quarter	
	3 months ended		3 months ended	
	30/9/2020	30/9/2019	30/9/2020	30/9/2019
	RM'000	RM'000	RM'000	RM'000
Finance income	192	3	192	3
Finance expense	(25)	(32)	(25)	(32)

A17. Share Capital

	Number of ordinary shares		Amount	
	30/9/2020	30/6/2020	30/9/2020	30/6/2020
	'000	'000	RM'000	RM'000
Issued and fully paid:				
At 1 July	113,083	76,150	97,730	28,994
Issuance of ordinary shares	-	36,933	-	68,736
At 30 September/ 30 June	<u>113,083</u>	<u>113,083</u>	<u>97,730</u>	<u>97,730</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
	30/9/2020	30/9/2019	30/9/2020	30/9/2019	ended	ended
	RM'000	RM'000	RM'000	RM'000	%	%
Revenue						
Construction related activities	52,809	4,269	52,809	4,269	1,137	1,137
Property development	4,092	6,604	4,092	6,604	(38)	(38)
Manufacturing and others	141	93	141	93	52	52
Property investment	21	196	21	196	(89)	(89)
Total revenue	57,063	11,162	57,063	11,162	411	411
Profit/(loss) before taxation						
Construction related activities	10,085	(3)	10,085	(3)	(336,267)	(336,267)
Property development	1,441	2,186	1,441	2,186	(34)	(34)
Manufacturing and others	(363)	(679)	(363)	(679)	(47)	(47)
Property investment	(114)	21	(114)	21	(643)	(643)
Total profit before taxation	11,049	1,525	11,049	1,525	625	625

For the quarter and period ended 30 September 2020:

(a) Construction Related Activities Segment

The construction related activities recorded a significant increase as compared to the corresponding period of previous year ("Q1FY2020"). The significant increase is due to additional works on the current construction projects and the preliminary works on the new construction projects at Ban Nam Teap and Ban Nameuang, Lao People's Democratic Republic ("Lao PDR"), and Federal Democratic Republic Of Nepal ("Nepal").

(b) Property Development Segment

Property development segment recorded a revenue of RM4.09 million 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 RM0.14 million which was higher by 52% as compared to Q1FY2020 due to higher sales orders. The loss before tax ("LBT") decreased to RM0.36 million or by 47% for the quarter ended 30 September 2020 as compared to Q1FY2020.

(d) Property Investment Segment

The property investment segment recorded a revenue of RM0.02 million which was lower by 89%. This segment recorded LBT of RM0.11 million against profit before tax in Q1FY2020 of RM0.20 million due to lower occupancy rate.

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 30/9/2020	Immediate preceding quarter 30/6/2020	Variance Increase	
	RM'000	RM'000	RM'000	%
Group revenue	57,063	39,361	17,702	45
Gross profit from operations	11,074	10,103	971	10
Group profit before taxation	11,049	10,114	935	9
Group profit for the financial year	8,143	7,308	835	11

As at 30 September 2020, the Group recorded an increase in revenue of 45% as compared to the immediate preceding quarter ("Q4FY2020") from additional construction works and preliminary works of new projects in Lao PDR and Nepal. The gross profit from operations for the current financial quarter was at RM11.07 million representing an increase of 10% as compared to Q4FY2020 which is consistent with the increase of profit before tax of RM11.05 million and profit after tax of RM8.14 million or 9% and 11% respectively, as compared to Q4FY2020.

B3. Prospects

As we enter a full year since the first known COVID-19 case was first detected, various events have transpired. Shock, fall, boom and bust required restructuring and realignment across various industries, businesses and even across social and political sphere. Business was not as usual, new normal was established and adaption was paramount. Despite all this, our industry and Kumpulan Powernet Berhad ("KPower" or "the Company") and its subsidiaries ("the Group") had proved to be resilient and continued to grow and expand, not only locally but also regionally.

The recent positive news of the progress of vaccine gives us great hope for a better future and normalisation of business as per before. More importantly the signing of Regional Comprehensive Economic Partnership ("RCEP") on 15 November 2020 was a momentous event worldwide. Despite the trade pact is regional in nature, the impact will be felt worldwide. The virtual signing event during the pandemic indicates that the pandemic is not a hindrance to regional cooperation, business consideration and overall growth for the region.

On 20 November 2020, ASEAN energy ministers agreed to increase the target for renewable energy installed power capacity to 35% by 2025. This upward revision in installed capacity will take place under the ASEAN Plan of Action for Energy Cooperation (APAEC) Phase 2 which will be implemented during the period of 2021 until 2025.

With the above, the Group is optimistic in our business and we will continue to seize available opportunities locally and regionally. We are also confident that we will be able to deliver value to our clients, business partners and more importantly to our shareholders notwithstanding the pandemic situation.

WORLD & REGIONAL

The global economy started to record a recovery in the third quarter 2020 ("3Q 2020"), amid the recommencement in production and trade activity in most of advanced economies which led to an improvement in labour market conditions, and consequently private sector expenditure.

The International Monetary Fund ("IMF") in its World Economic Outlook ("WEO") published in October 2020 projected a less severe contraction of global growth at -4.4%, compared to -4.9% forecast in its June 2020 WEO. The revision reflects the better-than forecasted of second quarter Gross Domestic Products ("GDP") in most advanced economies. However, the projection of global growth in 2021 is slightly lower at 5.2% compared to 5.4% in June.

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

B3. Prospects (continued)

Barring the election and presidential transition matters in the United States of America ("US") which are expected to end soon, geopolitical concerns and uncertainties are seen as somewhat muted. We look forward for the US to consolidate and grow as it focuses on its pandemic, economic and trade issues once the transition for the new president is over.

Recent signing of the RCEP that covers 2.2 billion people and 30% of the world economic output also marked as a global defining moment. Not only economically but also the human willpower against adversity. Various trade deals from Trans-Pacific Partnership to Comprehensive and Progressive Agreement for Trans-Pacific Partnership has been started and failed due to challenges posed by multilateral negotiations. RCEP with its 8 year-long negotiations, various setbacks and pullback from key members were finally able to be concluded despite the momentous challenges and restrictions posed by the COVID-19 pandemic. This augurs well for the recovery and future of the region.

During the 38th ASEAN Ministers on Energy Meeting that was held virtually on 19 and 20 November, the ministers have agreed to increase the renewable energy installed capacity target to 35% of the overall installed capacity in ASEAN countries. This target is set under the ASEAN Plan of Action for Energy Cooperation Phase 2 which will be implemented during the period of 2021 until 2025.

DOMESTIC

Domestically, the Malaysian Economic recorded a smaller contraction of 2.7% in 3Q 2020, amid the improvements recorded by most of the economic sectors resulted by transitioned from the Conditional Movement Control Order ("CMCO") to the Recovery Movement Control Order ("RMCO"). However, the momentum of recovery in the fourth quarter 2020 ("Q4 2020") may be slightly affected by the current uptick in COVID-19 cases which led the Malaysian Government to implemented a partial lockdown with CMCO in October 2020. The ongoing CMCO however is seen to have less impact than the previous MCO.

In line with the recovery of global and domestic growth, the Company continues to record the strong numbers throughout the period, underpinned by construction related activities locally and abroad in the segment of energy, utilities and infrastructure.

Bank Negara Malaysia ("BNM") in its Economic and Financial Developments in the Malaysian Economy in the 3Q 2020 ("Quarterly Bulletin for 3Q 2020") reported that construction sector recorded a smaller contraction of 2.4% compared to a contraction of 44.5% recorded previous quarter, amid the gradual reopening of the economy following the relaxation of COVID-19 lockdown. Activity resumed across all sub-sectors supported by on-going large transportation projects in the civil engineering sub-sector and affordable housing projects in the residential sub-sector.

Despite the dismal overall performance of construction sector, the company's sole property project resumed their operation after the closure of construction site during MCO and continues to contribute to the Company's earnings. The Group's revenue from our existing property project is assured with minimal exposure to market risk as the units have been fully taken up.

The textile manufacturing segment remains to be challenging for the Group. As a result of slowdown in our supply chain, operations and worldwide demand arising from the MCO, the demand from our clients have deteriorated. In this respect, we are currently exploring other products within the textile industry in order to improve the segment's performance.

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

B3. Prospects (continued)

Improved global manufacturing sector and positive Industrial Production Index (“IPI”) in 3Q 2020 indicated a positive outlook in this segment and thus, we are cautiously optimistic that this segment will improve in line with the improvement of the world’s economy. The positive IPI which resulted from the reopening of economic activities in most of the developed and emerging countries has led to a better export performance. According to BNM’s Quarterly Bulletin for 3Q 2020, the improved performance of regional export mainly due to People Republic of China (“PRC”) recorded exceptionally strong export growth during the period. PRC’s export performance has contributed to broader recovery of the region’s production value chains in Singapore, Hong Kong SAR and Chinese Taipei. These countries and other countries in the region have also shown an increasing trend in export.

Despite the slow anticipated growth in domestic and global economy, we remain upbeat on the prospects of the Group in view of the resilient outlook for energy sector. The Company is optimistic that the Government across the region will continue to focus on utilities and infrastructure industries, being key industries to revitalise and expand the respective country’s economy. In Malaysia itself the Government had recently issue invitation for the industry players to bid for 1,000 MW of supply of solar energy.

The outlook for hydropower industry in Malaysia remains promising. Protégé Associate Sdn. Bhd. in their report dated 18 May 2020 projected the total hydropower installed capacity in Malaysia to grow to 6,982 MW by 2024, representing a CAGR of 2.1% from 6,165 MW in 2018.

The Company continues to achieve another milestone via its wholly owned subsidiary, KPower International (L) Ltd. (“KPIL”) which on 5 November 2020, has received and accepted letters of award for contract works of approximately USD13,110,000 (equivalent to approximately RM54,629,370) from the following:

- (i) PT Pat Petulai Energi to undertake amongst others, the engineering, design, procurement, construction, commissioning and completion of a 3.1 MW mini hydropower plant in Sg. Simpang, Bengkulu Province, Sumatera, Republic of Indonesia for a total contract price of USD7,130,000 (equivalent to approximately RM29,710,710); and
- (ii) PT Klaai Dendan Lestari to undertake amongst others, the engineering, design, procurement, construction, commissioning and completion of a 2.6 MW mini hydropower plant in Sg. Klaai, Bengkulu Province, Sumatera, Republic of Indonesia for a total contract price of USD5,980,000 (equivalent to approximately RM24,918,660).

COVID-19

Recent positive development in COVID-19 vaccine provides positive outlook for the future. We are optimistic that the business will normalise in due course. This pandemic period has taught us to adapt with the new normal and digitalisation. Notwithstanding, the interactions in a physical meeting have its own advantages and we look forward on kickstarting the process with our clients, suppliers and business partners.

While we recognise that the lifting of travel restriction, opening up of cross-border travel and normalisation of business will be gradual, our actual work onsite and off-site, will proceed as before. Operationally, we have and will continue to keep our COVID-19 procedure onsite and continue our practice as per the standards required.

Business development wise, during this COVID-19 pandemic, we have been relying on our pre-existing relationships to secure new projects and business opportunities. With the positive development of vaccine, it gives us more opportunities to secure projects in more effective and efficient manner. We look forward to strengthen existing relationships, create new ones as well as forge ahead with new businesses and prospects.

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

Corporate Proposals Announced but Pending Completion

- (i) On 21 October 2020, the Company had entered into a share sale agreement with Sabaka for the acquisition of 2,193,000 ordinary shares in Chemtrax Sdn Bhd ("Chemtrax"), representing 51.00% equity interest in Chemtrax, by the Company for a total cash consideration of RM10.00 million ("Proposed Acquisition"). As at the date of this report, the Proposed Acquisition is currently pending its completion.
- (ii) On 13 November 2020, UOB Kay Hian Securities (M) Sdn Bhd, on behalf of the Board, announced that the Company proposed to undertake the following proposals:
 - a) share split involving a subdivision of every 1 existing ordinary share in KPower ("KPower Share(s)" or "Share(s)") held on an entitlement date to be determined and announced by the Board at a later date ("Share Split Entitlement Date") into 4 KPower Shares ("Subdivided Shares") ("Proposed Share Split"); and
 - b) issuance of up to 150,776,882 free warrants in KPower ("Warrant(s)") on the basis of 1 Warrant for every 3 Subdivided Shares held on an entitlement date, which will be after the Share Split Entitlement Date, to be determined and announced later by the Board ("Warrants Entitlement Date") ("Proposed Issuance of Free Warrants").

On 20 November 2020, the listing application in relation to the Proposed Share Split and Proposed Issuance of Free Warrants have been submitted to Bursa Securities.

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

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").

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

B5. Corporate Proposal (continued)

As at 30 October 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
Private Placement I				
Working capital	7,176	7,176	100%	6 months
Business acquisition	6,000	4,500	75%	6 months
Estimated expenses in relation to the Private Placement I*	150	150*	100%	Immediately
Private Placement II				
Working capital for Construction Business	48,386	24,842	51.34%	12 months
General Working Capital	5,825	1,667	28.62%	12 months
Estimated expenses in relation to the Private Placement II	1,200	1,200	100%	1 month

Note:

* The proposed estimated expenses in relation to the Private Placement I was RM150,000, of which RM118,000 was utilised for the intended purpose. The remaining amount of RM32,000 has been channelled to finance the general working capital of the Company.

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.

B6. Borrowings

The Group's borrowing is secured and denominated in foreign currency.

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

The Board of Directors proposed a first and final single-tier tax exempt dividend of 2.26 sen per ordinary share in respect of the financial year ended 30 June 2020. The proposed dividend is subject to the approval by the shareholders at the forthcoming Annual General Meeting.

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

B9. Earnings Per Share (“EPS”)

	<u>Individual quarter</u> 3 months ended 30/9/2020	<u>Cumulative quarter</u> 3 months ended 30/9/2020
Profit attributable to owners of the Company (RM'000)	8,146	8,146
Weighted average number of ordinary shares in issue ('000)	79,225	79,225
Basic and diluted EPS (Sen)	<u>10.28</u>	<u>10.28</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.

B10. Profit Before Taxation

	<u>Individual quarter</u> 3 months ended 30/9/2020 RM'000	<u>Cumulative quarter</u> 3 months ended 30/9/2020 RM'000
Profit before taxation has been arrived at after charging/(crediting):		
Interest income	(192)	(192)
Depreciation of property, plant and equipment	168	168
(Gain)/loss on foreign exchange:		
- Realised	(197)	(197)
- Unrealised	321	321