



**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  
31 DECEMBER 2020**

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

**KPOWER BERHAD**  
**(formerly known as KUMPULAN POWERNET BERHAD)**  
**199701003731 (419227-X)**

**Unaudited Condensed Consolidated Statements of Comprehensive Income for the Quarter and Period ended 31 December 2020**

	<b>Individual quarter</b>			<b>Cumulative quarter</b>		
	<b>3 months ended</b>		<b>Changes %</b>	<b>6 months ended</b>		<b>Changes %</b>
	<b>31/12/2020</b>	<b>31/12/2019</b>		<b>31/12/2020</b>	<b>31/12/2019</b>	
	<b>RM'000</b>	<b>RM'000</b>		<b>RM'000</b>	<b>RM'000</b>	
Revenue	90,064	13,636	560	147,127	24,798	493
Cost of sales	(74,424)	(8,796)	746	(118,442)	(16,925)	600
<b>Gross profit</b>	<b>15,640</b>	<b>4,840</b>	223	<b>28,685</b>	<b>7,873</b>	264
Other income	308	63	389	718	66	988
Selling and distribution expenses	(7)	(16)	(56)	(37)	(41)	(10)
Administrative expenses	(3,121)	(2,289)	36	(5,308)	(3,738)	42
Other expenses	(77)	(137)	(44)	(241)	(142)	70
<b>Profit from operations</b>	<b>12,743</b>	<b>2,461</b>	418	<b>23,817</b>	<b>4,018</b>	493
Finance costs	(143)	(35)		(168)	(67)	
<b>Profit before tax</b>	<b>12,600</b>	<b>2,426</b>	419	<b>23,649</b>	<b>3,951</b>	499
Taxation	(3,347)	(572)		(6,253)	(1,149)	
<b>Profit net of tax</b>	<b>9,253</b>	<b>1,854</b>	399	<b>17,396</b>	<b>2,802</b>	521
<b>Other comprehensive income:</b>						
<b>Item that is or may be reclassified subsequently to profit or loss</b>						
Foreign currency translation	360	(9)		408	(9)	
<b>Total comprehensive income for the financial period</b>	<b>9,613</b>	<b>1,845</b>		<b>17,804</b>	<b>2,793</b>	
<b>Profit attributable to:</b>						
Owners of the parent	9,252	1,860		17,398	2,808	
Non-controlling interests	1	(6)		(2)	(6)	
	<b>9,253</b>	<b>1,854</b>		<b>17,396</b>	<b>2,802</b>	
<b>Total comprehensive income attributable to:</b>						
Owners of the parent	9,612	1,851		17,806	2,799	
Non-controlling interests	1	(6)		(2)	(6)	
	<b>9,613</b>	<b>1,845</b>		<b>17,804</b>	<b>2,793</b>	
<b>Earnings per share attributable to owners of the parent (sen per share)</b>						
- basic	11.68	2.44		21.96	3.69	
- diluted	11.68	2.44		21.96	3.69	

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.

**KPOWER BERHAD**  
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**Unaudited Condensed Consolidated Statements of Financial Position as at 31 December 2020**

	(Unaudited) 31/12/2020 RM'000	(Audited) 30/6/2020 RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	19,710	12,287
Right-of-use assets	376	511
Investment property	8,073	7,626
Intangible assets	6,822	11
<b>Total non-current assets</b>	<u>34,981</u>	<u>20,435</u>
<b>Current assets</b>		
Inventories	1,948	2,017
Contract assets	21,970	6,155
Contract cost assets	3,197	2,760
Trade, other receivables, deposits and prepayments	133,196	46,056
Cash and bank balances	120,981	89,805
<b>Total current assets</b>	<u>281,292</u>	<u>146,793</u>
<b>TOTAL ASSETS</b>	<u><b>316,273</b></u>	<u><b>167,228</b></u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to owners of the parent</b>		
Share capital	97,730	97,730
Reserves	5,084	4,676
Retained earnings	18,348	3,506
<b>Total equity attributable to owners of the Company</b>	<u>121,162</u>	<u>105,912</u>
Non-controlling interests	3,064	(4)
<b>Total equity</b>	<u>124,226</u>	<u>105,908</u>
<b>Non-current liabilities</b>		
Lease liabilities	114	254
Deferred tax liabilities	243	6
Borrowings	5,209	1,420
<b>Total non-current liabilities</b>	<u>5,566</u>	<u>1,680</u>
<b>Current liabilities</b>		
Trade and other payables	118,931	53,444
Contract liabilities	21,255	2,663
Lease liabilities	276	269
Borrowings	39,128	565
Provision for tax	6,891	2,699
<b>Total current liabilities</b>	<u>186,481</u>	<u>59,640</u>
<b>Total liabilities</b>	<u>192,047</u>	<u>61,320</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><b>316,273</b></u>	<u><b>167,228</b></u>
Net assets per share attributable to ordinary equity holders of the Company (RM)	<u>1.53</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.

**KPOWER BERHAD**

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

	← Attributable to owners of the Company →				→		
	←	Non-distributable	→	Distributable			
	Share Capital RM'000	Foreign Currency Translation Reserve RM'000	Asset Revaluation Reserve RM'000	Retained earnings RM'000	Total RM'000	Non- Controlling Interest RM'000	Total Equity RM'000
<b>As at 1 July 2020</b>	97,730	(236)	4,912	3,506	105,912	(4)	105,908
Net profit for the financial period	-	-	-	17,398	17,398	(2)	17,396
Foreign currency translation	-	408	-	-	408	-	408
Total comprehensive income for the period	-	408	-	17,398	17,806	(2)	17,804
Dividend paid	-	-	-	(2,556)	(2,556)	-	(2,556)
Acquisition of a subsidiary	-	-	-	-	-	3,064	3,064
Deconsolidation of subsidiaries	-	-	-	-	-	6	6
<b>As at 31 December 2020</b>	<b>97,730</b>	<b>172</b>	<b>4,912</b>	<b>18,348</b>	<b>121,162</b>	<b>3,064</b>	<b>124,226</b>
<b>As at 1 July 2019</b>	28,994	(104)	4,912	(9,280)	24,522	(395)	24,127
Net profit for the financial period	-	-	-	12,786	12,786	(10)	12,776
Foreign currency translation	-	(132)	-	-	(132)	-	(132)
Total comprehensive income for the period	-	(132)	-	12,786	12,654	(10)	12,644
<u>Transaction with owners:</u>							
Issue of share capital	68,736	-	-	-	68,736	-	68,736
Deconsolidation of subsidiaries	-	-	-	-	-	401	401
<b>As at 30 June 2020</b>	<b>97,730</b>	<b>(236)</b>	<b>4,912</b>	<b>3,506</b>	<b>105,912</b>	<b>(4)</b>	<b>105,908</b>

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.

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

	<b>Unaudited 31/12/2020 RM'000</b>	<b>Unaudited 31/12/2019 RM'000</b>
<b>Cash flows from operating activities</b>		
Profit before taxation	23,649	3,951
Adjustments for :-		
Depreciation for investment property	82	91
Depreciation for property, plant and equipment	332	335
Amortisation of intangible assets	1	-
Depreciation of right-of-use assets	135	-
Unrealised loss in foreign exchange	237	140
Interest income	(285)	(5)
Interest expense	168	67
Gain on disposal of subsidiaries	(16)	-
<b>Operating profit before changes in working capital</b>	<b>24,303</b>	<b>4,579</b>
Inventories	115	2,142
Contract assets	(15,815)	-
Contract cost assets	1,290	-
Contract liabilities	14,528	-
Trade and other receivables	(79,248)	(22,978)
Trade and other payables	68,212	12,732
<b>Cash generated from/(used in) operations</b>	<b>13,385</b>	<b>(3,525)</b>
Interest received	285	5
Tax paid	(5,764)	-
<b>Net cash generated from/(used in) operating activities</b>	<b>7,906</b>	<b>(3,520)</b>
<b>Cash flows from investing activities</b>		
Net cash outflow from acquisition of a subsidiary	(8,606)	-
Proceeds from disposal of subsidiaries	10	-
Acquisition of property, plant and equipment	(54)	(155)
Acquisition of intangible asset	(1)	(8)
<b>Net cash used in investing activities</b>	<b>(8,651)</b>	<b>(163)</b>
<b>Cash flows from financing activities</b>		
Placement in bank restricted for use	(38,500)	-
Drawdown of revolving credits	35,000	-
Dividend paid	(2,556)	-
Repayment of loan payable	(301)	(250)
Payment for the principal portion of lease liabilities	(43)	-
Interest paid	(37)	(38)
Loan from a shareholder	-	10,000
<b>Net cash (used in)/generated from financing activities</b>	<b>(6,437)</b>	<b>9,712</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(7,182)</b>	<b>6,029</b>
<b>Effect of exchange rate changes</b>	<b>(142)</b>	<b>(123)</b>
<b>Cash and cash equivalents at 1 July</b>	<b>89,785</b>	<b>1,506</b>
	<b>89,643</b>	<b>1,383</b>
<b>Cash and cash equivalents at the end of period</b>	<b>82,461</b>	<b>7,412</b>

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**Condensed Consolidated Statements of Cash Flow for the period ended 31 December 2020 (continued)**

	<b>Unaudited 31/12/2020 RM'000</b>	<b>Unaudited 31/12/2019 RM'000</b>
<b>Cash and cash equivalents at the end of period comprised :-</b>		
Cash and bank balances	120,766	7,202
Fixed deposits with licensed banks	215	210
	<hr/> 120,981	<hr/> 7,412
Less: Fixed deposits held as bank guarantee	(38,520)	-
	<hr/> 82,461	<hr/> 7,412

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:

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

On 13 November 2020, the Company announced to undertake the following exercises:

- (a) Share Split involving a subdivision of every 1 existing ordinary share in KPower ("KPower Share(s)" or "Share(s)") 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 ("Proposed Issuance of Free Warrants").

The Company had on 28 December 2020 obtained its shareholders' approval for the proposed exercises. The Proposed Share Split has been completed on 13 January 2021 while the Proposed Issuance of Free Warrants has been completed on 25 January 2021.

**A4. Dividend paid**

During the quarter under review, the 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 was paid on 23 December 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**

- (a) On 9 October 2020, the Company has incorporated a company known as KPower Logistics Sdn. Bhd. with 1,000,000 ordinary shares representing 100% shareholding in for a total cash consideration of RM1,000,000.
- (b) 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 has been completed.
- (c) On 18 November 2020, the Company has incorporated a company known as KPower Healthcare & Technologies Sdn. Bhd. with 1,000,000 ordinary shares representing 100.00% shareholding in for a total cash consideration of RM1,000,000.
- (d) On 31 December 2020, the Company has disposed its 51.00% interest in CBG Capital Sdn. Bhd. and 51.00% interest in CBG Builders Sdn. Bhd.

**A8. Material changes in estimates of amounts reported**

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

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

**A9. Segment information**

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

	<b>Individual quarter</b>	<b>Cumulative quarter</b>
	<b>3 months ended</b>	<b>6 months ended</b>
	<b>31/12/2020</b>	<b>31/12/2020</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Revenue</b>		
Construction related activities	85,788	138,597
Property development and investment	3,947	8,060
Healthcare *	329	470
Logistics	-	-
<b>Total revenue</b>	<b>90,064</b>	<b>147,127</b>
<b>Profit/(loss) before taxation</b>		
Construction related activities	11,704	21,789
Property development and investment	1,412	2,739
Healthcare *	(510)	(873)
Logistics	(6)	(6)
<b>Total profit before taxation</b>	<b>12,600</b>	<b>23,649</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>31/12/2020</b>	<b>30/6/2020</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Assets</b>		
Construction related activities	280,416	150,976
Property development and investment	36,412	29,807
Healthcare *	14,302	14,743
Logistics	19,715	-
Elimination of inter-segment	(34,572)	(28,298)
<b>Total assets</b>	<b>316,273</b>	<b>167,228</b>
<b>Liabilities</b>		
Construction related activities	151,342	45,879
Property development and investment	29,985	24,493
Healthcare *	10,959	20,526
Logistics	13,467	-
Elimination of inter-segment	(13,706)	(29,578)
<b>Total liabilities</b>	<b>192,047</b>	<b>61,320</b>

\* The healthcare segment was derived from the reclassification of manufacturing segment.

**A10. Material event subsequent to the end of the financial period**

On 5 January 2021, the Company had entered into a share sale agreement with SIRIM Tech Ventures Sdn Bhd for the acquisition of 5,950,000 ordinary shares in Granulab (M) Sdn Bhd ("Granulab"), representing 70.00% equity interest in Granulab, by the Company for a total cash consideration of RM1.00 million ("Proposed Acquisition"). As at the date of this report, the Proposed Acquisition is currently pending its completion.

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

**A11. Changes in composition of the Group**

- (a) On 9 October 2020, the Company has incorporated a company known as KPower Logistics Sdn. Bhd. with 1,000,000 ordinary shares representing 100.00% shareholding in for a total cash consideration of RM1,000,000.
- (b) 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 has been completed.
- (c) On 18 November 2020, the Company has incorporated a company known as KPower Healthcare & Technologies Sdn. Bhd. with 1,000,000 ordinary shares representing 100.00% shareholding in for a total cash consideration of RM1,000,000.
- (d) On 31 December 2020, the Company has disposed its 51.00% interest in CBG Capital Sdn. Bhd. and 51.00% interest in CBG Builders Sdn. Bhd.

**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 31 December 2020.

**A14. Property, plant and equipment**

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

	<b>Current financial quarter as at 31/12/2020 RM'000</b>
<b>Cost</b>	
As at 1 July 2020	37,309
Additions	54
Acquisition of a subsidiary	27,252
As at 31 December 2020	<u>64,615</u>
<b>Accumulated depreciation</b>	
As at 1 July 2020	(25,022)
Charge for the financial year	(332)
Acquisition of a subsidiary	(19,551)
As at 31 December 2020	<u>(44,905)</u>
<b>Net carrying amount</b>	
As at 31 December 2020	<u>19,710</u>

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

A15. Intangible assets

Cost	Current financial quarter as at 31/12/2020		
	Software RM'000	Goodwill on consolidation RM'000	Total RM'000
As at 1 July 2020	12	-	12
Additions	1	-	1
Acquisition of a subsidiary	-	6,811	6,811
As at 31 December 2020	13	6,811	6,824
<b>Accumulated depreciation</b>			
As at 1 July 2020	(1)	-	(1)
Charge for the financial year	(1)	-	(1)
As at 31 December 2020	(2)	-	(2)
<b>Net carrying amount</b>			
As at 31 December 2020	11	6,811	6,822

A16. Inventories

	Current financial quarter as at 31/12/2020 RM'000
<b>Stated at cost</b>	
- Manufacturing:	
Raw materials	49
Work-in-progress	438
Consumables	650
Finished goods	44
Trading	721
Acquisition of a subsidiary	46
<b>Total inventories</b>	1,948

A17. Finance income and finance expense

	Individual quarter		Cumulative quarter	
	3 months ended		6 months ended	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
	RM'000	RM'000	RM'000	RM'000
Finance income	93	2	285	5
Finance expense:				
- Term loan	(143)	(35)	(36)	(67)
- Lease liabilities	(7)	-	(13)	-
- Revolving credits	(119)	-	(119)	-

A18. Share Capital

	Number of ordinary shares		Amount	
	31/12/2020	30/6/2020	31/12/2020	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 31 December/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**

	<b>Individual quarter</b>		<b>Cumulative quarter</b>		<b>Variance</b>	
	<b>3 months ended</b>		<b>6 months ended</b>		<b>3 months</b>	<b>6 months</b>
	<b>31/12/2020</b>	<b>31/12/2019</b>	<b>31/12/2020</b>	<b>31/12/2019</b>	<b>ended</b>	<b>ended</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>%</b>	<b>%</b>
<b>Revenue</b>						
Construction related activities	85,788	11,143	138,597	15,412	670	799
Property development and investment	3,947	2,427	8,060	9,227	63	(13)
Healthcare	329	66	470	159	398	196
Logistics	-	-	-	-	-	-
<b>Total revenue</b>	<b>90,064</b>	<b>13,636</b>	<b>147,127</b>	<b>24,798</b>	560	493
<b>Profit/(loss) before taxation</b>						
Construction related activities	11,704	1,741	21,789	1,738	572	1,154
Property development and investment	1,412	1,329	2,739	3,536	6	(23)
Healthcare	(510)	(644)	(873)	(1,323)	(21)	(34)
Logistics	(6)	-	(6)	-	100	100
<b>Total profit before taxation</b>	<b>12,600</b>	<b>2,426</b>	<b>23,649</b>	<b>3,951</b>	419	499

For the quarter and period ended 31 December 2020:

**(a) Construction Related Activities Segment**

The construction related activities recorded a significant increase as compared to the corresponding period of previous year ("Q2FY2020"). The increase in revenue was from Engineering, Procurement, Construction and Commissioning ("EPCC") activities mainly in Lao and Malaysia and other construction related activities in Malaysia.

**(b) Property Development and Investment Segment**

Property development and investment segment recorded a revenue of RM3.95 million based on the progress of completion during the period for the units sold.

**(c) Healthcare Segment**

The healthcare segment was derived from the reclassification of manufacturing segment. The segment recorded a revenue of RM0.47 million which was higher by 196% as compared to Q2FY2020 due to higher sales orders. The loss before tax ("LBT") decreased to RM0.87 million or by 34% for the quarter ended 31 December 2020 as compared to Q2FY2020.

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

**B2. Comments On Material Changes In Result Before Taxation In The Current Financial Quarter As Compared With The Immediate Preceding Financial Quarter**

	Current financial quarter 31/12/2020	Immediate preceding quarter 30/9/2020	Variance Increase	
	RM'000	RM'000	RM'000	%
Group revenue	147,127	57,063	90,064	158
Gross profit from operations	23,817	11,074	12,743	115
Group profit before taxation	23,649	11,049	12,600	114
Group profit for the financial year	17,396	8,143	9,253	114

As at 31 December 2020, the Group recorded an increase in revenue of 158% as compared to the immediate preceding quarter ("Q1FY2021") was from EPCC activities mainly in Lao and Malaysia and other construction related activities in Malaysia. The gross profit from operations for the current financial quarter was at RM23.81 million representing an increase of 115% as compared to Q1FY2021 which is consistent with the increase of profit before tax of RM23.64 million and profit after tax of RM17.39 million or 114% and 114% respectively, as compared to Q1FY2021.

**B3. Prospects**

**SUMMARY**

The COVID-19 pandemic has demonstrated the need for KPower and its subsidiaries ("KPower Group" or "Group") to be flexible in order to weather any unforeseen disruptions while at the same time, possess the agility to capture any opportunities that may arise. In relation, KPower has been striving to set the foundation for the right structure by positioning its business activities into four key segments comprising Energy and Utilities, Property, Logistics as well as Healthcare and Technologies. These key segments will form the pillars to support the Group's growth moving forward.

In terms of Energy and Utilities segment, the Group has recently expanded its renewable energy product offerings to include solar with its recent collaboration with Public Islamic Bank Berhad ("PIBB") for the Net Energy Metering 3.0 ("NEM 3.0") programme as announced in January 2021.

The Group had in January 2021, completed the acquisition of Chemtrax Sdn. Bhd. ("Chemtrax"), a company that has over 20 years' experience in logistic related activities particularly relating to the transportation of latex for glove-making industry and thus, provides the footing for the Group to foray into the Logistics segment with a view to capture opportunities within the network of its major shareholders.

The 'Healthcare and Technologies' segment was initiated with the proposed acquisition of Granulab (M) Sdn. Bhd. ("Granulab") in early January 2021 as a platform for the Group to penetrate the healthcare market. As a maiden start, the Group through its wholly-owned subsidiary, KPower Healthcare & Technologies Sdn. Bhd, has secured approximately RM72 million value of contracts for the supply of COVID-19 related products to the Indonesian market.

Whilst the KPower Group will continue to focus on its core competency under the Energy and Utilities segment, the establishment of the new business segments such as Logistics as well as Healthcare and Technologies are expected to spur the Group's growth as the global economies adapts to new normal.

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

**B3. Prospects (continued)**

**ECONOMY IN GENERAL**

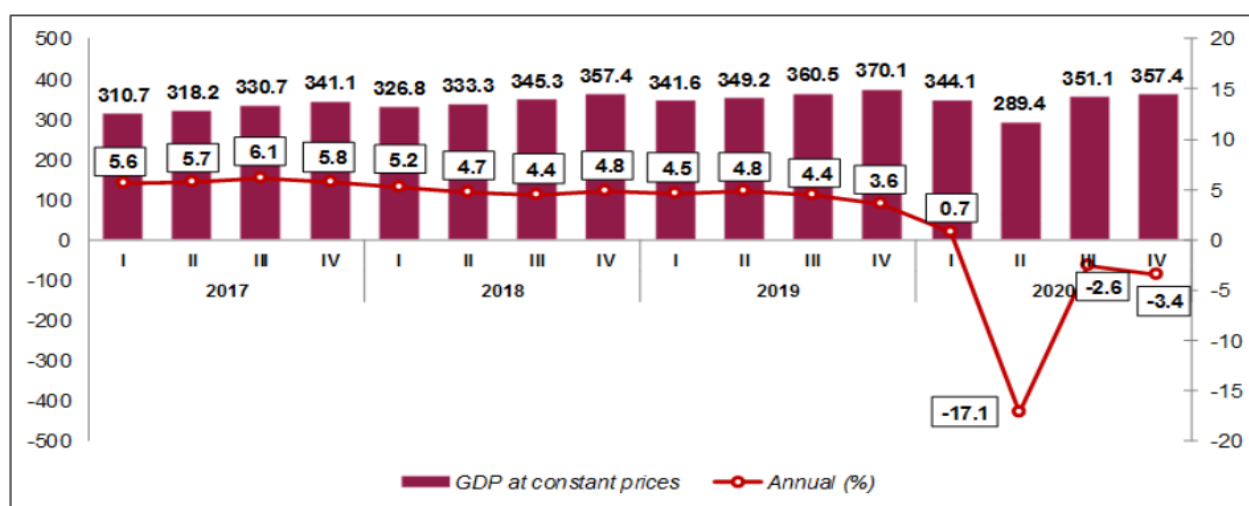
After the global optimism arising from the introduction of COVID-19 vaccine, the world is expected to beset by a resurgence of COVID-19 spread, emergence of new strains and the realisation that the distribution of the vaccine will be slower than anticipated where it will take up at least one year for the world population to be vaccinated. The global economic rebound is expected to correlate closely with how the vaccine is being administered. The developed nations are ahead in the vaccination programme while the poorer nations will laggard and rebound much slower.

During President Joe Biden’s first townhall meeting as the President of the United States of America, he had stated that by the end of July 2021, 600 million vaccine doses will be available for all Americans for vaccination. In the local front, the national vaccination plan was revealed where 80% of the population will be vaccinated by first quarter 2022, thus achieving herd immunity for the country. Similar programme and timeline of up to a year or more is being announced worldwide. In addition, vaccination challenges are expected to be the highest for countries with lower income and higher population.

Nevertheless, with one year of adapting to the virus with clearer vaccination plan in place, the world is managing and has since adapted to the ‘new normal’ activities accordingly. Travel bubble between countries, special permission for business travellers as well as inter and intra-country are being opened. As the world is adapting, the economic activities are placed in high priority to enable growth.

International Monetary Fund in its World Economic Outlook (“WEO”) published in January 2021, projected the global growth contraction for 2020 to rise by 0.9 percentage point to -3.5%, amid the stronger-than-expected momentum in the second half of 2020. Meanwhile, the growth for 2021 and 2022 is envisioned at 5.5% and 4.2% respectively. The upward revision of 2021 growth by 0.3 percentage point compared to the previous forecast in October WEO is backed by the expectations of a vaccine-powered strengthening of activity later in the year and additional policy support in a few large economies.

**Chart 1: GDP (RM billion) and Annual Percentage Change (%)**



Source: Department of Statistics Malaysia

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

**B3. Prospects (continued)**

Locally, the recent ebb and flow of the COVID-19 pandemic with the subsequent government actions have created uncertainties to the country and business communities. This can be seen where the Malaysia's economy contracted more in Q4 2020, with -3.4% as compared to -2.6% in Q3. Nevertheless, for the whole year of 2020, the economy contracted by 5.6% which is a huge improvement considering that Q2 has contracted by 17.1%. The improvement was supported by various stimulus packages introduced by the Government and the reopening of the economy after the end of the first movement control order ("MCO") in June 2020.

Recent surge in the pandemic resulted in the second MCO being introduced with further extension was announced until early March 2021. The impact of the second MCO on the Malaysian economy is expected to be minimal as more emphasis is being placed on minimising the disruption in the economic activities of the country. With the above, the Malaysian economy is expected to rebound between 6.5% to 7.5% in 2021.

KPower is of the view that with certainties in COVID-19 vaccine programme locally and internationally, consumer and business confidence will return. This will lead to higher economic activities and investments where these will eventually promote strong recovery globally, starting with the developed countries. Accordingly, the economic activities within the next 12 months appear to be optimistic.

**KPOWER'S PERSPECTIVE**

At KPower, while we acknowledge the challenges from the COVID-19 pandemic specifically in the rise and ebb of the COVID-19 spread locally and regionally as well as the subsequent various government's directives, we have since adapted and have been deploying our resources to put the necessary structure and undertaken continuous enhancement to our working force.

The key considerations to our strategy include forming a clear classification of our businesses into four segments; Energy and Utilities, Properties, Logistics and finally, Healthcare and Technologies. Substantial efforts have been deployed in getting the right resources, knowhow, licenses as well as putting the necessary support in place to enable all of these segments to be fully functioning and efficient.

Despite the slow anticipated growth in the domestic and global economies, taking into cognisance the right structure that we have put in place, we remain upbeat on the prospects of the Group and meeting our RM2.0 billion order book driven mainly by the Energy and Utilities segment at the back of the resilient outlook for global energy sector.

**CONSTRUCTION RELATED ACTIVITIES / ENERGY AND UTILITIES**

Our construction related activities are mostly consists of Energy and Utilities projects. Construction related activities continue to be the Group's driving force of business operations and in conjunction, we have made several key moves within this segment particularly in enhancing the execution capabilities. While improvement and strengthening of the business are an ongoing process, we have taken great care in enhancing our delivery ability, not only locally but also regionally.

The recent announcement by ASEAN countries for renewables energy to account for 35% of installed capacity by 2025 is a huge boost to the industry. The ASEAN Centre For Energy forecasted investments of up to RM1.1 trillion by 2025 within the ASEAN region to meet this target. Even without the 35% installed capacity target, a minimum RM400 billion is expected to be spent in ASEAN by 2025. Leveraging and strengthening on our regional presence remain as our key strategy to ride on the aforesaid potential growth in the future.



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

**B3. Prospects (continued)**

On 29 December 2020, the Energy and Natural Resources Minister via a press statement by Ministry of Energy and Natural Resources (“KeTSA”) has introduced the NEM 3.0 programme to provide more opportunities to electricity consumers to install the solar photovoltaic (“PV”) systems on the roofs of their respective buildings for electricity bill reduction. The NEM 3.0 provided a quota of 500 megawatts (MW) from 2021 to 2023. This programme is a part of Government’s effort to encourage involvement in the agenda of the country’s renewable energy development as well as reducing electricity bills to mitigate the impact of COVID-19 pandemic.

On 27 January 2021, we made a huge step in this segment by announcing our first foray into solar segment via our collaboration with PIBB to take part in the recently announced NEM 3.0 programme. The Group via its wholly-owned subsidiary, KPower Engineering Sdn. Bhd. (“KPEng”) (formerly known as Hypergize Link Sdn. Bhd.), has entered into a Memorandum of Agreement (“MOA”) with PIBB to collaborate for the purpose of securing works related to NEM and/or self-consumption electricity generation, which are under the purview of Sustainable Energy Development Authority (“SEDA”). The MOA forms the basis of consensus and collective understanding between KPEng and PIBB in pursuing business cooperation and collaboration to provide the financing and installation of solar PV systems to PIBB’s customers in relation to the NEM.

The MOA represents an opportunity for the Group to venture into solar segment and widen its product offerings and technical capabilities under the renewable energy sector. Through the collaboration, the Group can immediately create revenue synergies through its existing capabilities as a specialist in the renewable energy sector, whilst leveraging on PIBB’s extensive database and existing clients. This segment will continue to be the major driver of the Group moving forward.

**PROPERTIES**

In 2020, the overall construction industry has reported a dismal performance, mainly dragged down by the deferred construction projects and subdued business activities. Department of Statistics Malaysia (“DOSM”), the value of construction work done recorded double-digit negative growth of 19.4% to RM117.9 billion as compared to RM146.4 billion in 2019. The civil engineering sub-sector contributed the most to the value of construction work done with a share of 42.3% or equivalent to RM49.9 billion, as compared to 44.8% or equivalent to RM65.6 billion in 2019. This was followed by the non-residential buildings sub-sector with a share of 26.4% equivalent to RM31.1 billion as compared to 25.7% or equivalent to RM37.6 billion in 2019.

Despite the sluggish performance of the construction industry, the Group’s sole property development project which has resumed their operations, continues to contribute to the Group’s earnings with minimal exposure to market risk as the units have been fully taken up.

**LOGISTICS**

On 13 January 2021, we have completed the acquisition of 51% equity interest in Chemtrax. Chemtrax is involved in chemical and gas transportation and forwarding services and has logistics facilities with depots and yards in Pasir Gudang and Simpang Renggam, Johor and Kuantan, Pahang. With over 20 years of experience, Chemtrax is a solid logistic company which is immediately ready for growth by leveraging on KPower’s shareholders network, business and experience. Currently, Chemtrax is experiencing growth from its existing customers under the gloves sector. Moving forward, the logistics business is expected to grow in tandem with the demand due to the rebound in the economic activities as the global economy open up progressively.

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

**B3. Prospects (continued)**

**HEALTHCARE AND TECHNOLOGIES**

We have also recently set up a new segment in healthcare and technologies via the establishment of KPower Healthcare & Technologies Sdn. Bhd., a wholly-owned subsidiary of KPower. This new segment will house our recent acquisition of Granulab with Sirim Tech Ventures Sdn. Bhd. retaining the remaining 30% shareholding.

Granulab holds a patent for the world's first Halal bone grafting product and also is a licensed manufacturer as well as distributor for medical devices in Malaysia. Granulab is also the holder of CE Mark Certification and ISO 13485 from BSI of the UK.

Within this healthcare and technologies segment, we will also house our existing textile manufacturing subsidiary, Powernet Industries Sdn. Bhd. ("PISB"). While PISB has not been recording encouraging financial performance from its traditional textile business, it houses sizeable assets comprising 6 acres of land, manufacturing licenses and built-up areas that has yet to reach its maximum utilisation. This legacy business may be transformed and re-strategized to complement other new businesses within this segment.

With the establishment of this segment, we have since secured approximately RM72 million value of contracts for the distribution of COVID-19 related products in Indonesia.

Leveraging on the technical knowhow, licenses and certifications of Granulab coupled with the textile manufacturing experience and the assets of PISB as well as the existing network of the majority shareholders and experience of the key management, we are confident to grow this segment to a greater height.

**COVID-19**

Recent surges in COVID-19 pandemic locally and worldwide have raised some concerns and uncertainties to the world economy. However, the clarity and confidence provided by the availability of vaccine has provide some certainty and timeline on the road to recovery.

Our work onsite and off-site will continue to proceed as planned where we have and will continue to adhere to our COVID-19's standard operating procedures onsite without compromising quality.

Despite the challenges, we continue to pursue opportunities during this pandemic where our resources have been on the move locally and internationally to attend to our existing projects as well as explore new prospects. This is demonstrated by our ability to secure contracts in Indonesia to supply COVID-19 related products and thus taking part in the combat against COVID-19 pandemic.

We view that this pandemic has provide us with the opportunity to strengthen our Group's structure and presence in this region as we adapt to the new normal, digitalisation and staff empowerment.

**END NOTE**

Despite the challenges of COVID-19, we are confident of securing the target orderbook of RM2.0 billion by June 2021. With our core strength and competencies in Energy and Utilities segment combined with the enhancement and deployment of resources in other segments, we remain optimistic on the future financial performance of the Group.

**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**

**Corporate Proposals Announced but Pending Completion**

- (i) On 13 January 2021, the Company had entered into a Shares Sale Agreement (“SSA”) with Sirim Tech Venture Sdn Bhd (“STV”) for the acquisition of 5,950,000 ordinary shares in Granulab (M) Sdn Bhd (“Granulab”), representing 70.00% equity interest in Granulab, by the Company for a total cash consideration of RM1.00 million (“Proposed Acquisition”). As at the date of this report, the Proposed Acquisition is currently pending its completion.

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**

- (i) 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. The proceeds raised from the Private Placement I have been fully utilised as follows:

Details of utilisation of proceeds	Proposed Utilisation of Proceeds (RM'000)	Actual Utilisation (RM'000)	% Utilised	Estimated Timeframe for Utilisation
<b>Private Placement I</b>				
Working capital	7,176	7,176	100%	6 months
Business acquisition	6,000	6,000	100%	6 months
Estimated expenses in relation to the Private Placement I*	150	150*	100%	Immediately

*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.

- (ii) As per the announcement dated 30 June 2020, the Company has completed a private placement with issuance of 29.32 million shares in KPower and raised total proceeds of RM55.4 million (“Private Placement II”). As at 31 January 2021, the proceeds raised from the Private Placement II have been partially utilised as follows:

Details of utilisation of proceeds	Proposed Utilisation of Proceeds (RM'000)	Actual Utilisation (RM'000)	% Utilised	Estimated Timeframe for Utilisation
<b>Private Placement II</b>				
Working capital for Construction Business	48,386	30,645	63.33%	12 months
General Working Capital	5,825	2,612	44.84%	12 months
Estimated expenses in relation to the Private Placement II	1,200	1,200	100%	1 month

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

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

**B6. Borrowings**

The Group's financing/borrowings are as follows:

	As at 31/12/2020		As at 30/6/2020	
	Current RM'000	Non-current RM'000	Current RM'000	Non-current RM'000
Term loan	1,821	-	565	1,420
Revolving credits	35,119	-	-	-
Acquisition of a subsidiary:	-	-	-	-
- Term loan	184	853	-	-
- Hire purchase	2,004	4,356	-	-
<b>Total borrowings</b>	<b>39,128</b>	<b>5,209</b>	<b>565</b>	<b>1,420</b>

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.

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

	Individual quarter 3 months ended 31/12/2020	Cumulative quarter 6 months ended 31/12/2020
Profit attributable to owners of the Company (RM'000)	9,252	17,398
Weighted average number of ordinary shares in issue ('000)	79,225	79,225
Basic and diluted EPS (Sen)	11.68	21.96

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**

	Individual quarter 3 months ended 31/12/2020 RM'000	Cumulative quarter 6 months ended 31/12/2020 RM'000
Profit before taxation has been arrived at after charging/(crediting):		

Interest income	(93)	(285)
Depreciation of property, plant and equipment	164	332
(Gain)/loss on foreign exchange:		
- Realised	(8)	(205)
- Unrealised	(84)	237