



KPOWER BERHAD
(Company No: 199701003731 (419227-X))
(Incorporated in Malaysia)

**QUARTERLY REPORT ON THE
CONSOLIDATED RESULTS FOR THE
QUARTER AND PERIOD ENDED
31 DECEMBER 2021**

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

KPOWER BERHAD
199701003731 (419227-X)

Unaudited Condensed Consolidated Statements of Comprehensive Income for the Quarter and Period ended 31 December 2021

	Individual quarter			Cumulative quarter		
	3 months ended		Changes	6 months ended		Changes
	31/12/2021	31/12/2020		31/12/2021	31/12/2020	
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	58,583	90,064	(35)	102,367	147,127	(30)
Cost of sales	(49,958)	(74,424)	(33)	(85,164)	(118,442)	(28)
Gross profit	8,625	15,640	(45)	17,203	28,685	(40)
Other income	485	308	57	971	718	35
Selling and distribution expenses	(17)	(7)	143	(34)	(37)	(8)
Administrative expenses	(3,688)	(3,121)	18	(7,318)	(5,308)	38
Other expenses	(32)	(77)	(58)	(323)	(241)	34
Profit from operations	5,373	12,743	(58)	10,499	23,817	(56)
Finance costs	(555)	(143)		(1,161)	(168)	
Profit before tax	4,818	12,600	(62)	9,338	23,649	(61)
Taxation	(2,811)	(3,347)		(5,099)	(6,253)	
Profit net of tax	2,007	9,253	(78)	4,239	17,396	(76)
Other comprehensive income:						
Item that is or may be reclassified subsequently to profit or loss						
Foreign currency translation	(4)	48		(95)	408	
Total comprehensive income for the financial period	2,003	9,301		4,144	17,804	
Profit attributable to:						
Owners of the parent	1,897	9,256		5,046	17,398	
Non-controlling interests	110	(3)		(807)	(2)	
	2,007	9,253		4,239	17,396	
Total comprehensive income attributable to:						
Owners of the parent	1,893	9,304		4,951	17,806	
Non-controlling interests	110	(3)		(807)	(2)	
	2,003	9,301		4,144	17,804	
Earnings per share attributable to owners of the parent (sen per share) *						
- basic	0.40	2.05		1.06	3.85	
- diluted	0.40	2.05		1.06	3.85	

* Earnings per share is based on weighted average number of shares of 473,893,807 (2021: 452,330,648) and 473,893,807 (2021: 452,330,648) for the period of 3 months and cumulative 6 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 2021 and the explanatory notes attached to the interim financial report.

KPOWER BERHAD
199701003731 (419227-X)

Unaudited Condensed Consolidated Statements of Financial Position as at 31 December 2021

	(Unaudited) 31/12/2021 RM'000	(Audited) 30/6/2021 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	38,951	21,290
Right-of-use assets	2,433	1,554
Intangible assets	12,971	12,973
Deferred tax assets	185	67
Total non-current assets	<u>54,540</u>	<u>35,884</u>
Current assets		
Inventories	2,505	2,794
Contract assets	85,343	13,113
Contract cost assets	1,249	1,421
Trade, other receivables, deposits and prepayments	99,917	149,791
Tax assets	5,062	3,461
Cash and bank balances	90,320	104,100
	<u>284,396</u>	<u>274,680</u>
Asset classified as held for sale	-	7,387
Total current assets	<u>284,396</u>	<u>282,067</u>
TOTAL ASSETS	<u>338,936</u>	<u>317,951</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	156,379	97,730
Reserves	5,329	5,424
Retained earnings	43,459	38,413
Total equity attributable to owners of the Company	<u>205,167</u>	<u>141,567</u>
Non-controlling interests	295	1,102
Total equity	<u>205,462</u>	<u>142,669</u>
Non-current liabilities		
Other payables	4,190	-
Lease liabilities	1,230	702
Deferred tax liabilities	55	19
Borrowings	6,372	5,838
Total non-current liabilities	<u>11,847</u>	<u>6,559</u>
Current liabilities		
Trade and other payables	63,156	97,477
Contract liabilities	13,652	13,503
Lease liabilities	1,248	891
Borrowings	37,461	52,384
Tax liabilities	6,110	4,468
Total current liabilities	<u>121,627</u>	<u>168,723</u>
Total liabilities	<u>133,474</u>	<u>175,282</u>
TOTAL EQUITY AND LIABILITIES	<u>338,936</u>	<u>317,951</u>
Net assets per share attributable to ordinary equity holders of the Company (RM)	<u>0.43</u>	<u>0.31</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 2021 and the explanatory notes attached to the interim financial report.

KPOWER BERHAD
199701003731 (419227-X)

Unaudited Condensed Consolidated Statements of Changes in Equity for the period ended 31 December 2021

	← 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 2021	97,730	512	4,912	38,413	141,567	1,102	142,669
Net profit for the financial period	-	-	-	5,046	5,046	(807)	4,239
Foreign currency translation	-	(95)	-	-	(95)	-	(95)
Total comprehensive income for the period	-	(95)	-	5,046	4,951	(807)	4,144
<u>Transaction with owners:</u>							
Issue of share capital	61,517	-	-	-	61,517	-	61,517
Share issue expenses	(2,868)	-	-	-	(2,868)	-	(2,868)
As at 31 December 2021	156,379	417	4,912	43,459	205,167	295	205,462
As at 1 July 2020	97,730	(236)	4,912	3,506	105,912	(4)	105,908
Net profit for the financial period	-	-	-	37,463	37,463	771	38,234
Foreign currency translation	-	748	-	-	748	-	748
Total comprehensive income for the period	-	748	-	37,463	38,211	771	38,982
<u>Transaction with owners:</u>							
Dividend paid	-	-	-	(2,556)	(2,556)	-	(2,556)
Acquisition of subsidiaries	-	-	-	-	-	329	329
Deconsolidation of subsidiaries	-	-	-	-	-	6	6
As at 30 June 2021	97,730	512	4,912	38,413	141,567	1,102	142,669

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

Condensed Consolidated Statements of Cash Flow for the period ended 31 December 2021

	Unaudited 31/12/2021 RM'000	Unaudited 31/12/2020 RM'000
Cash flows from operating activities		
Profit before taxation	9,338	23,649
Adjustments for :-		
Amortisation of intangible assets	2	1
Depreciation for investment property	-	82
Depreciation for property, plant and equipment	1,577	332
Depreciation of right-of-use assets	573	135
Gain on disposal of property, plant and equipment	(251)	-
Gain on disposal of subsidiaries	-	(16)
Interest expense	1,119	155
Interest expense on lease liabilities	41	13
Unrealised loss in foreign exchange	3	237
Interest income	(600)	(285)
Operating profit before changes in working capital	11,802	24,303
Inventories	289	115
Contract assets	(72,230)	(15,815)
Contract cost assets	172	1,290
Contract liabilities	149	14,528
Trade and other receivables	49,801	(79,248)
Trade and other payables	(30,682)	68,212
Cash (used in)/generated from operations	(40,699)	13,385
Interest received	600	285
Tax paid	(5,139)	(5,764)
Net cash (used in)/generated from operating activities	(45,238)	7,906
Cash flows from investing activities		
Construction cost incurred on solar plant	(16,254)	-
Proceeds from disposal of asset held for sale	7,275	-
Acquisition of property, plant and equipment	(3,010)	(54)
Proceeds from disposal of property, plant and equipment	280	-
Net cash outflow from acquisition of a subsidiary	-	(8,606)
Proceeds from disposal of subsidiaries	-	10
Acquisition of intangible assets	-	(1)
Net cash used in investing activities	(11,709)	(8,651)
Cash flows from financing activities		
Net proceeds from issuance of share capital	58,649	-
Placements in bank restricted for use	(21,776)	(38,500)
Reversal placements in bank restricted for use	14,025	-
Proceeds from hire purchase	2,341	-
Repayment of trade financing	(13,454)	-
Repayment of hire purchase	(1,717)	-
Repayment of term loans	(1,538)	(301)
Payment for the principal portion of lease liabilities	(465)	(30)
Interest paid	(692)	(37)
Interest paid on lease liabilities	(41)	(13)
Drawdown of revolving credits	-	35,000
Dividend paid	-	(2,556)
Net cash generated from/(used in) financing activities	35,332	(6,437)

Condensed Consolidated Statements of Cash Flow for the period ended 31 December 2021 (continued)

	Unaudited 31/12/2021 RM'000	Unaudited 31/12/2020 RM'000
Net decrease in cash and cash equivalents	<u>(21,615)</u>	<u>(7,182)</u>
Effect of exchange rate changes	84	(142)
Cash and cash equivalents at 1 July	<u>51,555</u>	<u>89,785</u>
	<u>51,639</u>	<u>89,643</u>
Cash and cash equivalents at the end of period	<u>30,024</u>	<u>82,461</u>
Cash and cash equivalents at the end of period comprised :-		
Cash and bank balances	29,806	82,246
Fixed deposits with licensed banks *	<u>60,514</u>	<u>38,735</u>
	90,320	120,981
Less: Fixed deposits held as security	<u>(60,296)</u>	<u>(38,520)</u>
	<u>30,024</u>	<u>82,461</u>

* Fixed deposits with licensed banks is disclosed separately from cash and bank balances for consistency of presentation.

[This page is intentionally left blank]

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

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

A1. Basis of Preparation

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

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

A2. Changes in accounting policies

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

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

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group:

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

The Group plans to apply from the annual period beginning on 1 July 2021 for the accounting standard that is effective for annual periods beginning on or after 1 January 2021. The Group does not plan to apply MFRS 17, Insurance Contracts and MFRS 141, Agriculture (Annual Improvements to MFRS Standards 2018–2020) as these are not applicable to the Group.

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

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

A2. Changes in accounting policies (continued)

(a) Basis of measurement

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

(b) Functional and presentation currency

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

(c) Use of estimates and judgements

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

Save as disclosed in Note A18 in Part A of this report, there were no other 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 31 December 2021.

A5. Auditors' report on preceding annual financial statements

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

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

A6. Seasonal or cyclical factors

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

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

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

A8. Material changes in estimates of amounts reported

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

[This page is intentionally left blank]

**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 2021 are as follows:

	Individual quarter	Cumulative quarter
	3 months ended	6 months ended
	31/12/2021	31/12/2021
	RM'000	RM'000
Revenue		
Construction related activities	53,744	93,390
Property development and investment	409	409
Healthcare *	307	403
Logistics	4,123	8,165
Total revenue	58,583	102,367
Profit/(loss) before taxation		
Construction related activities	5,701	11,899
Property development and investment	29	(85)
Healthcare *	(841)	(2,299)
Logistics	(71)	(177)
Total profit before taxation	4,818	9,338
	(Unaudited)	(Audited)
	31/12/2021	30/6/2021
	RM'000	RM'000
Assets		
Construction related activities	457,280	352,901
Property development and investment	31,883	30,909
Healthcare *	21,680	21,443
Logistics	28,291	19,602
Elimination of inter-segment	(200,198)	(106,904)
Total assets	338,936	317,951
Liabilities		
Construction related activities	235,550	201,074
Property development and investment	26,411	24,814
Healthcare *	30,860	24,329
Logistics	21,620	12,669
Elimination of inter-segment	(180,967)	(87,604)
Total liabilities	133,474	175,282

* Healthcare segment constitutes manufacturing and healthcare related activities.

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

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

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

- (i) On 17 September 2021, the Company has incorporated a company known as KPower RE Sdn. Bhd. with 100 ordinary shares representing 100% shareholding for a total cash consideration of RM100.
- (ii) On 23 November 2021, the Company has incorporated a company known as KPower Energy FZCO with 1,000 ordinary shares representing 100% shareholding for a total cash consideration of AED100,000.
- (iii) On 26 November 2021, the Company has incorporated a company known as KPower Digital Sdn. Bhd. with 100 ordinary shares representing 100% shareholding for a total cash consideration of RM100.

A12. Contingent liabilities

There were no contingent liabilities which become enforceable that may have a material effect on the assets or financial position of the Group for the current financial period.

A13. Capital commitments

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

	31/12/2021	30/6/2021
	RM'000	RM'000
Authorised capital expenditure for property, plant and equipment not provided for in the financial statements		
- Approved and contracted for	<u>5,575</u>	<u>6,283</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 31/12/2021
	RM'000
Cost	
As at 1 July 2021	66,932
Additions	19,264
Disposals	(1,025)
As at 31 December 2021	<u>85,171</u>
Accumulated depreciation	
As at 1 July 2021	(45,642)
Charge for the financial year	(1,577)
Disposals	999
As at 31 December 2021	<u>(46,220)</u>
Net carrying amount	
As at 31 December 2021	<u>38,951</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 31/12/2021		
	Software RM'000	Goodwill on consolidation RM'000	Total RM'000
As at 1 July 2021/ 31 December 2021	21	12,956	12,977
Accumulated depreciation			
As at 1 July 2021	(4)	-	(4)
Charge for the financial year	(2)	-	(2)
As at 31 December 2021	(6)	-	(6)
Net carrying amount			
As at 31 December 2021	15	12,956	12,971

A16. Inventories

Stated at cost	Current financial quarter as at 31/12/2021 RM'000
- Manufacturing:	
Raw materials	94
Work-in-progress	563
Consumables	832
Manufactured inventories	1,016
Total inventories	2,505

A17. Finance income and finance expense

	Individual quarter		Cumulative quarter	
	3 months ended		6 months ended	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	RM'000	RM'000	RM'000	RM'000
Finance income	394	93	600	285
Finance expense:				
- Hire purchase	(120)	-	(256)	-
- Term loan	(14)	(17)	(42)	(36)
- Revolving credits	(359)	-	(740)	-
- Trade financing	(10)	(119)	(22)	(119)
- Others	(30)	-	(60)	-
	(533)	(136)	(1,120)	(155)
- Lease liabilities	(22)	(7)	(41)	(13)
	(555)	(143)	(1,161)	(168)

Lease liabilities is disclosed in separate line item to reflect the effect of MFRS16 Leases.

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

A18. Share Capital

	Number of ordinary shares		Amount	
	31/12/2021 '000	30/6/2021 '000	31/12/2021 RM'000	30/6/2021 RM'000
Issued and fully paid:				
At 1 July	452,331	113,083	97,730	97,730
Issuance of ordinary shares:				
- Cash	90,466	-	61,517	-
- Share split	-	339,248	-	-
Share issue expenses	-	-	(2,868)	-
At 31 December/ 30 June	<u>542,797</u>	<u>452,331</u>	<u>156,379</u>	<u>97,730</u>

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

The net proceeds derived from the Private Placement was RM58,649,048 after deducting transactions costs pursuant to the Private Placement of RM2,867,920.

The new ordinary shares issued rank pari passu with the existing ordinary shares of the Company.

[This page is intentionally left blank]

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		6 months ended		3 months ended	6 months ended
	31/12/2021	31/12/2020	31/12/2021	31/12/2020	%	%
	RM'000	RM'000	RM'000	RM'000		
Revenue						
Construction related activities	53,744	85,788	93,390	138,597	(37)	(33)
Property development and investment	409	3,947	409	8,060	(90)	(95)
Healthcare	307	329	403	470	(7)	(14)
Logistics	4,123	-	8,165	-	100	100
Total revenue	58,583	90,064	102,367	147,127	(35)	(30)
Profit/(loss) before taxation						
Construction related activities	5,701	11,704	11,899	21,789	(51)	(45)
Property development and investment	29	1,412	(85)	2,739	(98)	(103)
Healthcare	(841)	(510)	(2,299)	(873)	65	163
Logistics	(71)	(6)	(177)	(6)	100	100
Total profit before taxation	4,818	12,600	9,338	23,649	(62)	(61)

For the quarter and period ended 31 December 2021:

(a) Construction Related Activities Segment

The construction related activities recorded cumulative revenue and profit before taxation of RM93.39 million and RM11.90 million respectively, a decrease of 33% and 45% respectively as compared to its corresponding period ("Q2FY2021"). The decrease in revenue and profit before taxation was due to lower construction contribution from on-going construction projects as constructions were only allowed to operate under strict Standard Operating Procedures ("SOP") and disrupted supply chain from price hike on construction materials and shortage of labour on-site.

(b) Property Development and Investment Segment

The property development and investment segment recorded a revenue of RM0.41 million and profit before taxation of RM0.03 million derived from the progress of completion during the current quarter for the units sold. Additionally, the Group completed the disposal of its property in Liverpool, UK on 5 July 2021 resulted in no revenue contribution from investment segment.

(c) Healthcare Segment

The healthcare segment consists of manufacturing and healthcare related activities. The segment recorded a revenue of RM0.40 million, a decrease of 14% as compared to Q2FY2021. This resulted to loss before taxation increased to RM2.30 million, an increase of 163% as compared to Q2FY2021.

(d) Logistics

Logistics segment recorded a revenue of RM8.16 million and loss before taxation of RM0.18 million due to lower chemical transport volume. There is no comparison against its corresponding period as the revenue contribution is derived from a subsidiary acquired on 31 December 2021.

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 31/12/2021	Immediate preceding quarter 30/9/2021	Variance ← Increase/ (Decrease) →	
	RM'000	RM'000	RM'000	%
Group revenue	58,583	43,784	14,799	34
Gross profit from operations	5,373	5,126	247	5
Group profit before taxation	4,818	4,520	298	7
Group profit for the financial year	2,007	2,232	(225)	(10)

As at 31 December 2021, the Group recorded an increase in revenue of 34% as compared to the immediate preceding quarter ("Q1FY2022"). The Group's overall revenue was mainly contributed from construction progress from on-going projects and income from chemical transport services from logistics segment. The gross profit from operations for the current financial quarter was at RM5.37 million representing an increase of 5% as compared to Q1FY2022 which is consistent with the increase of profit before taxation of RM4.82 million. However, profit after taxation slightly decrease by 10% due to increase in effective tax rate of 58% as compared to 50% in Q1FY2022.

B3. Prospects

COVID-19 IN MALAYSIA

According to the Health Ministry, it is estimated that four (4) million children in the country aged five to 11 are eligible to receive the COVID-19 vaccination. Registrations of children to receive the vaccination under the National Immunisation Programme for Children ("PICKids") that kicked off on 3 February 2022, have increased by 30,000 as of 8 February 2022.

As stated in Ministry of Health Malaysia's COVIDNOW portal dated 15 February, 7.0 per cent of children in the country have received their first dose. This has increased the vaccination rate of the total population, including children, adolescents, and adults above 18, to 80.7% have received at least one dose, 78.8% have completed their vaccination and 41.3% have received a booster dose.

Malaysia has also shortened the quarantine period for travellers with COVID-19 booster shots to five days upon arrival in Malaysia effective on 24 January 2022. Whereas the quarantine period for fully vaccinated travellers without booster shots would be seven days, while quarantine for travellers who are unvaccinated or partially vaccinated would be 10 days.

Based on the press conference held on 6 February 2022, Health Director General Tan Sri Noor Hisham Abdullah has warned that daily cases are expected to reach 22,000 by the end of March, based on the latest reproduction number (R-nought) of COVID-19 infections in the country, according to the Health Ministry's estimation based on its Susceptible, Exposed, Infectious and Removed ("SEIR") model of daily observed and forecast cases.

However, since 12 February 2022, the daily number of cases has been on a rising trend with more than 22,000, exceeded ahead from the Health Ministry's forecast due to the highly contagious COVID-19 variant, Omicron. The analysis by the Ministry shows that most cases are under Category 1 and 2, which are not required to turn into an assessment centre (CAC) if they are not considered as high-risk individuals aged above 60 and with comorbidities.

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

B3. Prospects (continued)

The Health Ministry also expected that the Omicron wave may subside in the next one (1) to two (2) months, thus allowing Hari Raya Aidilfitri to be celebrated in early May without movement restrictions. Meanwhile, the Ministry has assured that the country was on track in managing COVID-19 infections and the Omicron wave, following the high vaccination rate among the adult population in the country.

On 8 February 2022, the Ministry of International Trade and Industry (“MITI”) has assured that there will be no total lockdown of the economic and industrial sectors if COVID-19 cases in the country were to increase significantly. Senior Minister Dato’ Seri Mohamed Azmin Ali disclosed that the previous closure of the economic sectors had a huge impact on the economy, especially on the people, causing 826,000 people to lose their jobs in the first three months of the total lockdown in 2020.

GLOBAL COVID-19 UPDATE

In a statement on 24 January 2022, the World Health Organization (“WHO”) official cautioned that even though the spread of Omicron cases was slowing in some countries, high infection rates around the world would likely lead to new variants by allowing the virus to mutate.

Furthermore, Pfizer and its German partner, BioNTech, announced on 25 January 2022 that they have begun testing a vaccine specifically designed to fight the Omicron variant of the coronavirus. According to the Pfizer’s Head of Vaccine Research, Kathrin Jansen, while current data showed that boosters against the original COVID strain continued to protect against severe outcomes with Omicron, the company was acting out of caution. The trial involves 1,420 people aged between 18 and 55. The trial is taking place across the United States and South Africa.

ECONOMY IN GENERAL

The pace of the global economy recovery is expected to be in a weaker position compared to previously projected, clouded by various risks which are tilted to the downside such as the recurring pandemic waves that disrupt domestic activity, the rise in energy prices and supply disruptions which resulted in mounting inflationary pressures, notably in the United States and many emerging market and developing economies. The slower-than-expected recovery of private consumption also have limited growth prospects.

The International Monetary Fund (“IMF”) in its World Economic Outlook (“WEO”) published in January has maintained its projection of global growth for 2021 at 5.9%. However, in 2022, IMF projected the global growth to be recovering at slower pace of 4.1%, which indicates the reduction of 0.5% from previous forecast.

The recent geopolitical tension in Ukraine as a result from the standoff between Russia and the NATO alliance added an element of uncertainty to the world economy.

MALAYSIAN ECONOMY

The Malaysian economy registered a growth of 3.6% in the fourth quarter of 2021, supported by the improvement recorded across all economic sectors, sturdy growth in import and export and improvement in capital spending by both private and public sectors. This performance is in tandem with the ease of containment measures under the National Recovery Plan (“NRP”) which led to resumption of economic activities.

Bank Negara Malaysia (“BNM”) in its Quarterly Bulletin projected that Malaysian economy to remain on its recovery path weighted by continued expansion in global demand and higher private sector expenditure given improving labour market conditions and ongoing policy support. This will further be supported by the continuation of major investment projects in both private and public sectors. Meanwhile, the balance of risks remains slanted to the downside due to external and domestic factors which include weaker-than-expected global growth, a worsening in supply chain disruptions, and the emergence of severe and vaccine-resistant COVID-19 variants of concern.

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

B3. Prospects (continued)

KPOWER'S PERSPECTIVE

Despite concerns about the possibility of flagging economic recovery pace and challenges faced by KPower and its subsidiaries ("Group") being associated with the issues relating to a previous major shareholder, the Group continues to record another positive performance during the second quarter ended 31 December 2021, supported by its main segment namely construction related activities under the energy and utilities segments. Despite the challenges, the Group persevered and continue to secure contracts and strengthen its position in the industry.

On 28 January 2022, KPower via its wholly owned subsidiary, KPower Engineering Sdn. Bhd. ("KPEng") had accepted the letter of award from Fabulous Sunview Sdn. Bhd. ("FSSB") to perform and undertake the procurement of the equipment and materials, provision of logistics works, testing works and the maintenance of the equipment for the proposed solar photovoltaic ("PV") plant with a total capacity of 50 MW in Malaysia for a total contract price of approximately RM104.968 million. This award provided a huge encouragement for us to further strengthen our position in the solar segment and at the same time increase our existing orderbook.

On 21 February 2022, KPEng, together with Tellhow International Engineering & Contracting Co., Ltd ("Tellhow") have received and accepted a RM70 million letter of award from One River Power Sdn. Bhd. to take-over from the previous contractor and complete the engineering, design, procurement, construction, and commissioning of small hydro power plants in Sabah. Tellhow is an international power and technology driven company listed in Shanghai Stock Exchange. Other than the said RM70 million project, KPower in partnership with Tellhow is also looking to expand into other areas that will allow the Group to leverage on Tellhow's expertise in technological application in smart city related projects as well as in the mobile and power system segments such as energy storage systems with rooftop solar PV panels.

KPower also recently expanded its offering in the utilities segment via its subsidiary, KPower Digital Sdn. Bhd. by securing contracts to undertake amongst others, construction, installation and maintenance, hence establishing its presence into the telecommunications industry. KPower is confident that its expansion into this new segment will contribute positively to the Company's profitability in the future.

CONSTRUCTION RELATED ACTIVITIES / ENERGY AND UTILITIES

According to the International Energy Agency ("IEA") in its Renewables 2021: Analysis and forecast to 2026, the global renewable capacity is expected to expand by over 1,800 GW, or over 60%, in their main case forecast to 2026, accounting for almost 95% of the increase in total power capacity worldwide. This will be led by People's Republic of China, accounting for 43% of global growth, followed by Europe, the United States and India. These four markets alone provide almost 80% of renewable capacity expansion worldwide.

Renewable energy ("RE") growth is poised to accelerate in 2022, weighted by concern for climate change and support for environmental, social, and governance ("ESG") considerations grow and demand for cleaner energy sources from most market segments. The growth of this sector is further stimulated by the government's vision to fully decarbonise the economy.

In line with the global outlook of RE, Malaysia has launched the Malaysia Renewable Energy Roadmap ("MyRER") to achieve the national aspiration of 31% RE capacity by 2025 and 40% by 2035 on 30 December 2021. MyRER outlines Malaysia's RE plan and highlights the prime route for the transition to a low-carbon energy system in a short time frame through the implementation of four technology-based pillars, namely solar, bioenergy, hydro and new source.

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

B3. Prospects (continued)

According to the Ministry of Energy and Natural Resources, through the MyRER, the nation's RE capacity is projected to increase by 4,466MW to 12,916MW by 2025, and a further 5,080MW to 17,996MW by 2035. This will further reduce the intensity of carbon emissions in the electrical supply sector by 45% by 2030 and 60% by 2035. He added that MyRER is a three-pronged approach that will not only enable an increase in Malaysia's RE capacity, but also assist in meeting the country's climate change commitments as well as generate economic spill over of about RM20 billion by 2025 and RM33 billion by 2035 and also the creation of an estimated 47,000 employment opportunities in the RE field.

Weighted by the favourable outlook of RE globally and locally, this sector will be continuously foreseen to be prioritised and remains lucrative. The Group continues to leverage and strengthen its regional presence while diversifying product offering as a key strategy for the potential growth in the future.

PROPERTIES

During the fourth quarter of 2021, the performance of Malaysian construction sector improved with a smaller contraction of 12.2% as against a decline of 20.6% in the previous quarter. The improved performance mainly supported by the higher construction activity, especially in the non-residential and special trade subsectors, following the reopening of the economy.

Currently, the Group is focusing towards completing its sole property development project in Sentul, Kuala Lumpur.

LOGISTICS

The performance of the Group's logistics arm, KPower Logistics Sdn. Bhd. through its 51%-owned subsidiary, Chemtrax Sdn. Bhd. ("Chemtrax") has recorded a small contraction due to the lower chemical transport volume. However, we remain positive on the segment owing to the positive outlook of this industry and Chemtrax's experiences and track record in this industry with a strong clientele base consists of mainly the multinational companies (MNCs) and Government-link companies (GLCs).

HEALTHCARE AND TECHNOLOGIES

Further to the launch of a blueprint to enhance and strengthen the current healthcare travel ecosystem on 1 November 2021, Malaysia is targeting direct revenue of RM800 million in 2021 and RM1.7 billion in 2025 from the country's health tourism sector through initiatives outlined under the Malaysia Healthcare Travel Industry Blueprint 2021-2025. The five-year plan to create the best Malaysia health care travel experience by 2025 is based on three strategic pillars which is the Healthcare Travel Ecosystem, the Malaysia Healthcare Brand, and the Markets for Malaysia Healthcare.

The Group believes that its healthcare arm through its 70%-owned subsidiary, Granulab (M) Sdn. Bhd. ("Granulab") will be a significant contributor to the Group's earnings in the long term. The favourable outlook of Malaysia's healthcare industry coupled with 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

Currently, we are reinforcing our resources towards strengthening our businesses and capitalising on our strength as a formidable renewable energy player within the region. In view of the resilient outlook for the energy sector and the expected economic recovery, the Group are optimistic that we are on the right track in strengthening our plan by securing new projects and business opportunities including asset ownership-based investment whilst upsizing our orderbook.

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

Utilisation of Proceeds for Private Placement

On 30 June 2020, the Company has completed a private placement with issuance of 29.32 million shares in KPower and raised total proceeds of RM55.4 million ("Private Placement II"). Further to that, the Company on 5 October 2021 has completed another private placement with issuance of 90.47 million shares in KPower and raised total proceeds of RM61.52 million ("Private Placement III"). As at 31 January 2022, the proceeds raised from the Private Placement II and Private Placement III have been partially utilised as follows:

Details of Utilisation of Proceeds	Proposed Utilisation of Proceeds (RM'000)	Amount Utilisation (RM'000)	% Utilised	Estimated Timeframe for Utilisation
Private Placement II				
Working capital for construction business	48,386	48,386	100.00	12 months
General working capital	5,825	5,718	98.17	12 months
Estimated expenses in relation to the Private Placement II	1,200	1,200	100.00	1 month
Private Placement III				
Working capital for the following projects:				
- 50 Megawatt ("MW") solar photovoltaic plant	19,685	19,685	100.00	Within 18 months
- Mini hydro power plants	24,607	17,785	72.28	Within 18 months
- Other up-coming projects and/or investment opportunities	16,117	10,610	65.83	Within 18 months
Expenses for the Private Placement III	1,107	1,107	100.00	Immediately

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

B6. Borrowings

The Group's financing/borrowings are as follows:

	As at 31/12/2021		As at 30/6/2021	
	Current RM'000	Non-current RM'000	Current RM'000	Non-current RM'000
Term loan	185	667	1,650	760
Hire purchase	2,276	5,705	2,279	5,078
Trade financing	-	-	13,455	-
Revolving credits	35,000	-	35,000	-
Total borrowings	37,461	6,372	52,384	5,838

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

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

B7. Material Litigation

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

B8. Dividend payable

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

B9. Earnings Per Share (“EPS”)

	Individual quarter	Cumulative quarter
	3 months ended	6 months ended
	31/12/2021	31/12/2021
Profit attributable to owners of the Company (RM'000)	1,897	5,046
Weighted average number of ordinary shares in issue ('000)	473,894	473,894
Basic and diluted EPS (Sen)	<u>0.40</u>	<u>1.06</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	6 months ended
	31/12/2021	31/12/2021
	RM'000	RM'000
Profit before taxation has been arrived at after charging/(crediting):		
Interest income	(394)	(600)
Depreciation of property, plant and equipment	820	1,577
Gain on disposal of property, plant and equipment	(90)	(251)
Loss/(gain) on foreign exchange:		
- realised	71	72
- unrealised	(24)	3