KUMPULAN POWERNET BERHAD

ANNUAL REPORT 2019

Evolving for Future Growth

CORPORATE INFORMATION

BOARD OF DIRECTORS

Fong Wai @ Foong Kai Ming Executive Director	
Dato' Arivalagan A/L Arujunan Executive Director	
Kok Pauline Independent Non-Executive Director	
Dato' Haji Roshidi Haji Hashim Independent Non-Executive Chairman	*Appointed on 13 March 2019*
Tan Yee Hou Independent Non-Executive Director	*Appointed on 13 March 2019*
Dato' Dr. Ir. Mohd Abdul Karim Abdullah Non-Independent and Non-Executive Deputy Chairman	*Appointed on 28 June 2019*
Mustakim Mat Nun Managing Director	*Appointed on 28 June 2019*
Dato' Haji Jamal Nasir Rasdi Non-Independent Non-Executive Director	*(Vacated office on 20 December 2018)*
Datuk Liang Teck Meng Managing Director	*(Retired on 21 December 2018)*
Datuk Seri Haji Ahmad Hamzah Independent Non-Executive Chairman	*(Resigned on 26 December 2018)*
Dato' Hasan Nawawi Abd Rahman Independent Non-Executive Director	*(Resigned on 17 January 2019)*
Datuk Chua Eng Pu Executive Director	*(Appointed on 16 January 2019 and resigned on 10 May 2019)*

AUDIT COMMITTEE

Chairman
Kok Pauline

Committee Members

Tan Yee Hou	*(Appointed on 13 March 2019)*
Dato' Haji Roshidi Haji Hashim	*(Appointed on 27 May 2019)*
Dato' Arivalagan A/L Arujunan	*(Cessation of Office on 27 May 2019)*
Datuk Seri Haji Ahmad Hamzah	*(Cessation of Office on 26 December 2018)*
Dato' Hasan Nawawi Abd Rahman	*(Cessation of Office on 17 January 2019)*
Fong Wai @ Foong Kai Ming	*(Cessation of Office on 21 December 2018)*

NOMINATION COMMITTEE

Chairman

Tan Yee Hou	*(Appointed on 27 May 2019)*

Committee Members

Kok Pauline	
Dato' Haji Roshidi Haji Hashim	*(Appointed on 13 March 2019)*
Dato' Arivalagan A/L Arujunan	*(Cessation of Office on 27 May 2019)*
Datuk Seri Haji Ahmad Hamzah	*(Cessation of Office on 26 December 2018)*
Dato' Hasan Nawawi Abd Rahman	*(Cessation of Office on 17 January 2019)*

REMUNERATION COMMITTEE

Chairman

Tan Yee Hou	*(Appointed on 27 May 2019)*

Committee Members

Kok Pauline	
Dato' Haji Roshidi Haji Hashim	*(Appointed on 13 March 2019)*
Dato' Arivalagan A/L Arujunan	*(Cessation of Office on 27 May 2019)*
Dato' Hasan Nawawi Abd Rahman	*(Cessation of Office on 17 January 2019)*

RISK MANAGEMENT COMMITTEE

Committee Members

Kok Pauline	
Dato' Arivalagan A/L Arujunan	*(Appointed on 13 March 2019)*
Tan Yee Hou	*(Appointed on 13 March 2019)*
Datuk Seri Haji Ahmad Hamzah	*(Cessation of Office on 26 December 2018)*
Datuk Liang Teck Meng	*(Retired on 21 December 2018)*

COMPANY SECRETARY

Yap Sit Lee
(MAICSA 7028098)
(Appointed on 22 August 2019)

Wong Wai Foong
(MAICSA 7001358)
(Appointed on 22 August 2019)

REGISTERED OFFICE

Unit 30-01, Level 30, Tower A,
Vertical Business Suite, Avenue 3,
Bangsar South, No. 8, Jalan Kerinchi,
59200 Kuala Lumpur,
Wilayah Persekutuan.
Tel: 03-2783 9191 - 9106
Fax: 03-2783 9111

CORPORATE OFFICE

C1-1-1, Solaris Dutamas,
No. 1, Jalan Dutamas 1,
50480 Kuala Lumpur,
Wilayah Persekutuan.
Tel: 03-6203 2929
Fax: 03-6203 2939
info@kpower.com.my

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A,
Vertical Business Suite, Avenue 3,
Bangsar South, No. 8, Jalan Kerinchi
59200 Kuala Lumpur,
Wilayah Persekutuan.
Tel: 03-2783 9299
Fax: 03-2783 9222

AUDITOR

Messrs Aljafree Salihin Kuzaimi PLT
555, Jalan Samudra Utara 1,
Taman Samudra,
68100 Batu Caves,
Selangor Darul Ehsan.
Tel: 03-6185 9970
Fax: 03-6184 2524

PRINCIPAL BANKER

RHB Bank Berhad

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Listing date : 22 March 2002
Stock name : KPOWER
Stock code : 7130

WEBSITE

www.powernetgroup.com.my

Kumpulan Powernet Berhad is led by a team of dynamic professionals with a wealth of experience in properties, construction, utilities and sustainable energy.

VISION

Profitability and value enhancement through sustainable diversity.

MISSION

To re-energise existing businesses and focus on a growth strategy based on diversification of activities in energy & utilities and infrastructure & logistics.

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CORPORATE PROFILE

Kumpulan Powernet Berhad ("KPower" or the "Company") and its subsidiaries (the "Group") is an investment holding company based in Kuala Lumpur, Malaysia.

The Company first started as a manufacturer of warp-knitted fabrics from synthetic yarns for the lingerie industry. Through constant research and development, this business has since expanded to include warp-knitted fabrics for the clothing, automotive, household, footwear and industrial segments.

Besides manufacturing, KPower is also involved in property development and real estate investment.

During the financial year, the Group's largest contributor was the property development segment, followed by the manufacturing and real estate investment segments.

Moving forward, the company intends to venture into energy, utilities, infrastructure and logistics.

CORPORATE STRUCTURE

POWERNET

Kumpulan POWERNET Berhad (419227-X)

a Public Listed Company on Bursa Malaysia (Code: 7130)

- 100% **Powernet Industries Sdn Bhd**
  MANUFACTURING
- 51% **CBG Builders Sdn Bhd***
- 100% **Powernet Properties Sdn Bhd**
  PROPERTY INVESTMENT
- 100% **Zelinn Limited**
  INVESTMENT HOLDING
- 51% **CBG Capital Sdn Bhd***
- 100% **Hypergize Link Sdn Bhd**
  INVESTMENT HOLDING

Annotation:*dormant

KEY MILESTONES

1970s — Foundation

Founded as a textile manufacturer.

1980s — Certification

Receives Marks & Spencer accreditation for high quality lingerie fabrics; the only Malaysian company to receive it.

1997 — Restructuring

KPower is formed as an investment holding company.

2002 — Public Listing

KPower lists on Bursa Malaysia's second board on 22 March.

2013 — Expansion

Wholly-owned subsidiary Zelinn Limited acquires a freehold student accommodation building in Liverpool, UK, known as Nightingale House.

2016 — New Venture

KPower acquires development rights for a commercial development in Sentul, Kuala Lumpur, from SSF Home Builder Sdn Bhd.

2019 — New Direction

Dato' Dr. Ir. Mohd Abdul Karim Abdullah, founder of Serba Dinamik Holdings Berhad and Grand Deal Vision Sdn Bhd acquire majority stake in KPower. The Group intends to diversify into energy & utilities and infrastructure & logistics.

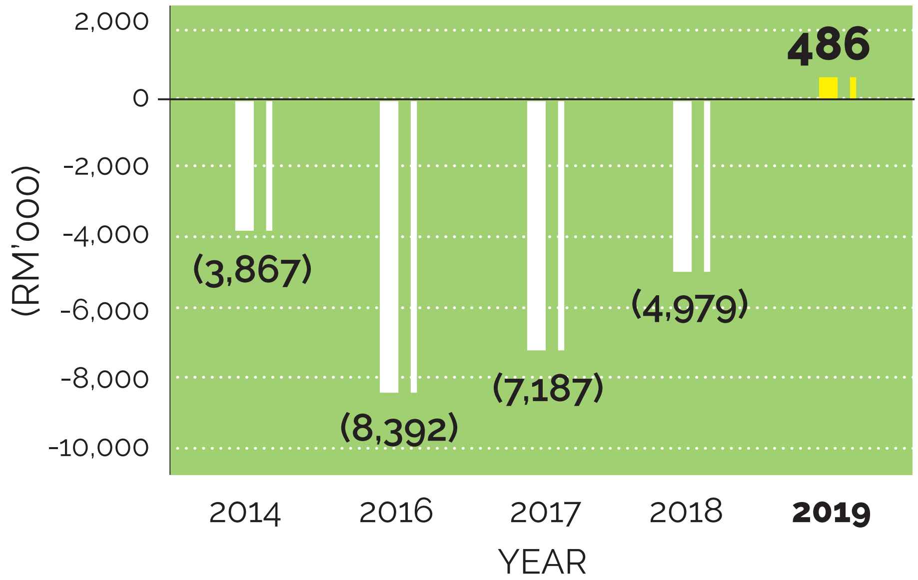
FINANCIAL PERFORMANCE

2014-2019 comparison

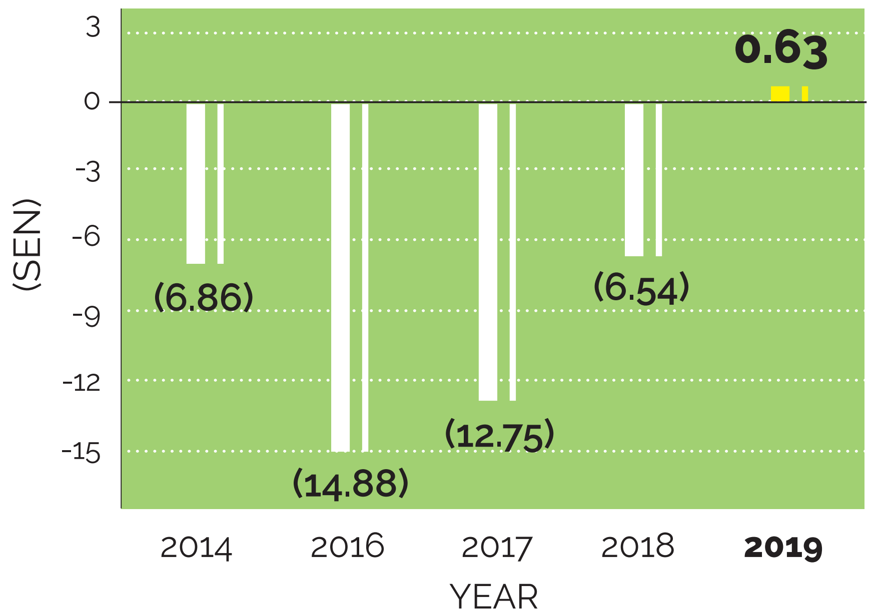
	FY 31 Dec 2014 RM'000	FY 30 June 2016 RM'000	FY 30 June 2017 RM'000	FY 30 June 2018 RM'000	FY 30 June 2019 RM'000
OPERATING RESULTS					
Revenue	6,715	6,737	3,924	5,725	13,217
Operating Profit/(Loss)	(3,859)	(8,185)	(7,100)	(4,808)	1,155
Profit/(Loss) before tax	(3,994)	(8,481)	(7,251)	(5,001)	940
Profit/(Loss) after taxation attributable to Shareholders	(3,867)	(8,392)	(7,187)	(4,979)	486
KEY STATEMENT OF FINANCIAL POSITION DATA					
Total assets	34,304	33,297	34,159	35,978	41,058
Total liabilities	6,166	9,623	17,526	12,335	16,939
Paid Up Capital	56,375	16,913	16,913	28,994	28,994
Shareholder Equity	28,890	24,151	17,035	24,033	24,522
SHARE INFORMATION Per Share (Sen)					
Basic Earnings/(Loss)	(6.86)	(14.88)	(12.75)	(6.54)	0.63
Net Assets	51	43	31	32	32

5-year financial highlights

PROFIT/(LOSS) AFTER TAXATION ATTRIBUTABLE TO SHAREHOLDERS



EARNINGS PER SHARE



BOARD OF DIRECTORS

DATO' HAJI ROSHIDI HAJI HASHIM
Independent Non-Executive Chairman
64, Male, Malaysian

Dato' Roshidi has been Independent Non-Executive Chairman of the Board since 13 March 2019.

Prior to his corporate career, Dato' Roshidi was the eighth Mayor of Ipoh from 23 July 2008 until his retirement on 2 January 2014. He started his career as a clerical officer in the Penang state government in 1975. He was an Assistant Investigation Officer in the Anti-Corruption Agency of Malaysia in 1978 and subsequently joined the Ministry of Finance in 1995 as Assistant Secretary of the Procurement Division.

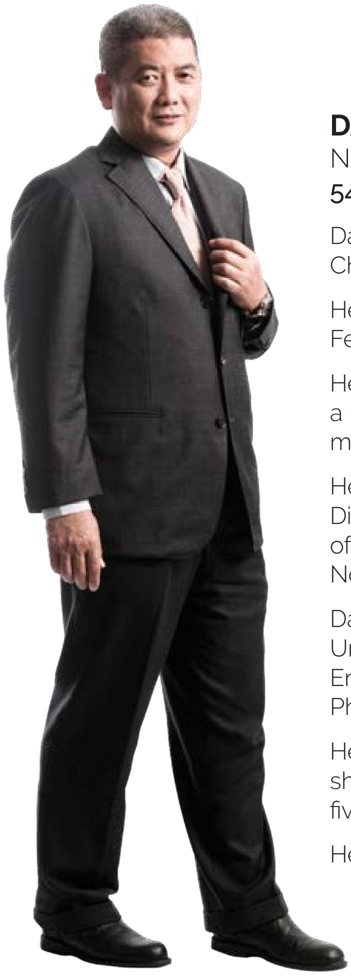
He was appointed as Assistant Director of the Economic Planning Unit in the Perak State Secretary Office in 1996, holding the position until 2000. From 2000 to 2008, he held various positions in government office including Special Officer to the Chief Minister of Perak, Special Secretary to the Chief Minister of Perak and Secretary of Ipoh City Council before becoming the Mayor of Ipoh.

He has been Independent Non-Executive Chairman of Leweko Resources Berhad since 26 February 2015 and is Chairman of Leweko Resources Nomination and Remuneration Committees. He is also a Member of Leweko Resources' Audit Committee.

Dato' Roshidi holds a Bachelor's Degree in Political Science from Universiti Sains Malaysia.

He does not have any family relationship with any Director and / or major shareholder and has not been convicted of any offences within the past five years (other than traffic offences, if any).

He does not have any conflict of interest with the Company.



DATO' DR. IR. MOHD ABDUL KARIM ABDULLAH

Non-Independent Non-Executive Deputy Chairman

54, Male, Malaysian

Dato' Karim was appointed as Non-Independent Non-Executive Deputy Chairman on 28 June 2019.

He began his career as a maintenance engineer with Asean Bintulu Fertilizer Sdn Bhd specialising in rotating equipment.

He has been a member of the Institution of Engineers Malaysia since 1994, a registered member of the Board of Engineers Malaysia since 1996 and a member of the Asean Federation of Engineering Organisation since 2002.

He is the founder, Group Managing Director and Group CEO of Serba Dinamik Holdings Berhad, Non-Independent and Non-Executive Chairman of Sarawak Consolidated Industries Berhad and Non-Independent and Non-Executive Deputy Chairman of CSE Global Limited.

Dato' Karim holds a Bachelor's Degree in Mechanical Engineering from Universiti Teknologi Malaysia. He obtained an Honorary PhD in Industrial Engineering from InterAmerican University, USA in 2009 and an Honorary PhD in Entrepreneurship from Golden State University, USA in 2012.

He does not have any family relationship with any Director and / or major shareholder and has not been convicted of any offences within the past five years (other than traffic offences, if any).

He does not have any conflict of interest with the Company.

MUSTAKIM MAT NUN

Managing Director

46, Male, Malaysian

Mustakim was appointed as the Managing Director of the Company on 28 June 2019.

He has more than 23 years of experience in finance, including corporate exercises such as raising debt and equity (Islamic and conventional), mergers and acquisitions, project financing, corporate restructuring and private finance initiatives. He specialises in hydro and thermal power plant projects and other infrastructure projects in advisory and fund raising capacities, both domestic and overseas through his involvement in water and waste-related projects in Malaysia.

He was previously the Deputy CEO of BEWG (M) Sdn Bhd and the Managing Director of OHP Capital Sdn Bhd and its subsidiaries ("OHP Group"). He also sits on the Board of Directors of OHP Group Sdn Bhd, Loyal Engineering Group Sdn Bhd and Majestic Offshore Sdn Bhd. He was attached to Elaf Bank B.S.C. (C) Bahrain from 2009 to 2011. His previous stints include PricewaterhouseCoopers, MIMB Investment Bank Berhad and Bank Muamalat Malaysia Berhad.

Mustakim holds a Bachelor's Degree in Accounting and Finance from the South Bank University of London.

He has no directorship in any other public listed company.

He does not have any family relationship with any Director and / or major shareholder and has not been convicted of any offences within the past five years (other than traffic offences, if any).

He does not have any conflict of interest with the Company.

BOARD OF DIRECTORS

KOK PAULINE
INDEPENDENT NON-EXECUTIVE DIRECTOR

FONG WAI @ FOONG KAI MING
EXECUTIVE DIRECTOR

TAN YEE HOU
INDEPENDENT NON-EXECUTIVE DIRECTOR

DATO' ARIVALAGAN A/L ARUJUNAN
EXECUTIVE DIRECTOR

DATO' ARIVALAGAN A/L ARUJUNAN
Executive Director
54, Male, Malaysian

Dato' Arivalagan was appointed to the Board as Independent Non-Executive Director on 30 November 2017 and redesignated as Executive Director on 27 May 2019. He is currently Director of Aspire Homes Sdn Bhd, a property developer.

He holds an Advanced Diploma in Management and Administration from The Society of Business Practitioners, UK.

He does not have any family relationship with any Director and / or major shareholder and has not been convicted of any offences within the past five years (other than traffic offences, if any).

He has no directorship in any other public listed company.

He does not have any conflict of interest with the Company.

TAN YEE HOU
Independent Non-Executive Director
36, Male, Malaysian

Tan was appointed to the Board as Independent Non-Executive Director on 13 March 2019.

He began his career with OCBC Bank Berhad before joining his family's business LTKM Berhad a leading producer of chicken eggs, in 2007. As Deputy Managing Director in LTKM's wholly-owned subsidiary LTK Development Sdn Bhd, he led the company's diversification into property.

He holds a Diploma in Engineering from the University of Monash, Australia.

He does not have any family relationship with any Director and / or major shareholder and has not been convicted of any offences within the past five years (other than traffic offences, if any).

He has no directorship in any other public listed company.

He does not have any conflict of interest with the Company.

FONG WAI @ FOONG KAI MING
Executive Director
79, Male, Malaysian

Fong Wai was appointed to the Board as Independent Non-Executive Director on 30 November 2017 and redesignated as Executive Director on 21 December 2018.

He is a member of the Malaysian Association of Company Secretaries (MACS). He has over 40 years of experience managing companies involved in manufacturing, property development and investment holding.

He does not have any family relationship with any Director and / or major shareholder and has not been convicted of any offences within the past five years (other than traffic offences, if any).

He has no directorship in any other public listed company.

He does not have any conflict of interest with the Company.

KOK PAULINE
Independent Non-Executive Director
35, Female, Malaysian

Kok Pauline was appointed to the Board on 30 November 2017. She is a member of the Malaysian Institute of Accountants and a fellow of the Association of Chartered Certified Accountants (ACCA/FCCA).

She has over 13 years of experience in auditing and accounting in various industries, including government-linked companies (GLCs). She started her career in auditing with Ernst & Young. Subsequently, she joined Folks DFK & Co as a director heading a business group audit division. She left the firm in 2016 and founded KPG Advisory Sdn Bhd.

She graduated from Oxford Brookes University, UK, majoring in Accounting in Association with ACCA.

She does not have any family relationship with any Director and / or major shareholder and has not been convicted of any offences within the past five years (other than traffic offences, if any).

She has no directorship in any other public listed company.

She does not have any conflict of interest with the Company.

MANAGEMENT TEAM

KHAIRULAKLAM OMAR

ZAINAL AZWADI ZAINAL ABIDIN

MUHAMMAD SYUKRI SULAIMAN

AMIRUL AFIF ABD AZIZ

AMIRUL AFIF ABD AZIZ

Group Chief Financial Officer

43, Male, Malaysian

Amirul was appointed Group Chief Financial Officer of the Company on 29 August 2019. He holds a 0.21% stake in the Company.

He has more than 20 years of experience in corporate and investment banking, Islamic finance, privatisation projects, structured financing, corporate fundraising, group restructuring, project financing and mergers and acquisitions.

He began his career in Cagamas Berhad and has held various positions in Bumiwerks Capital Management Sdn Bhd, Kuwait Finance House (Malaysia) Berhad, Maybank Investment Bank Berhad, Amanie Advisors LLC (UAE) and FCA Capital Sdn Bhd.

Amirul holds a Bachelor's Degree in Commerce and Management (Accounting) and Postgraduate Diploma in Commerce and Management from Lincoln University, New Zealand.

He does not have any family relationship with any Director and / or major shareholder and has not been convicted of any offences within the past five years (other than traffic offences, if any).

He has no directorship in any other public listed company.

He does not have any conflict of interest with the Company.

ZAINAL AZWADI ZAINAL ABIDIN

Senior Vice President

Supply Chain Management

46, Male, Malaysian

Zainal was appointed Senior Vice President / Supply Chain Management of the Company on 5 July 2019.

He started his career at Pricewaterhouse 20 years ago as an auditor in the oil & gas, government and general services sectors, before joining the Securities Commission Malaysia as an Executive Officer in the Intermediary and Market Supervision Division. Subsequently, he had stints in Petroliam Nasional Berhad, Citibank Malaysia and Efogen Sdn Bhd.

Zainal holds a Bachelor's Degree in Accountancy from Universiti Teknologi MARA.

He does not have any family relationship with any Director and / or major shareholder and has not been convicted of any offences within the past five years (other than traffic offences, if any).

He has no directorship in any other public listed company.

He does not have any conflict of interest with the Company.

MUHAMMAD SYUKRI SULAIMAN

Senior Vice President

Head of Corporate Finance and Investor Relations

43, Male, Malaysian

Syukri was appointed Senior Vice President / Head of Corporate Finance and Investor Relations of the Company on 5 July 2019.

He has been involved in both the buy and sell sides of the capital market, fixed income to equity, funding, bond rating, fund management, corporate restructuring, advisory and audit work. He is experienced in large infrastructure projects including independent power producers and toll roads, multinational manufacturing companies, listed and non-listed entities as well as financial institutions.

He held various positions in Kurnia Insurans (M) Berhad, Rating Agency Malaysia Berhad, UHY Advisory (KL) Sdn Bhd, Heveafil Sdn Bhd and most recently at JF Apex Securities Berhad, servicing institutional clients including government-linked investment companies and independent asset management companies.

Syukri holds a Bachelor's Degree in Commerce and Management (Accounting) and Postgraduate Diploma in Commerce and Management from Lincoln University, New Zealand.

He does not have any family relationship with any Director and / or major shareholder and has not been convicted of any offences within the past five years (other than traffic offences, if any).

He has no directorship in any other public listed company.

He does not have any conflict of interest with the Company.

KHAIRULAKLAM OMAR

Senior Vice President

Head of Project Development

41, Male, Malaysian

Khairulaklam was appointed Senior Vice President / Head of Project Development of the Company on 5 July 2019 .

He has 19 years of experience in the utilities sector, specialising in solutions in power and water segments within the Southeast Asian region. His industrial expertise includes power, oil & gas, food & beverage and commercial and institutional advanced utility solutions in brown field and green field development.

He has held senior management positions at SUEZ Water Technologies & Solutions Malaysia Sdn Bhd and GE Power & Water Sdn Bhd.

Khairulaklam holds a Bachelor's Degree in Chemical Engineering from Universiti Teknologi Malaysia (extended Degree Program with Delft University of Technology, Netherlands).

He does not have any family relationship with any Director and / or major shareholder and has not been convicted of any offences within the past five years (other than traffic offences, if any).

He has no directorship in any other public listed company.

He does not have any conflict of interest with the Company.

MANAGEMENT TEAM

LILIK HARIANTI SAIJAN

KHAIRUL ANUAR MOHAMAD

SYARIL AHMAD TAJUDDIN

KAMALULARIFFIN AHMAD

SYARIL AHMAD TAJUDDIN
Vice President
Head of Finance and Acting Head of Risk & Compliance
45, Male, Malaysian

Syaril was appointed Vice President / Head of Finance and Acting Head of Risk & Compliance of the Company on 5 July 2019.

His career of 18 years spans conventional, Islamic insurance (takaful) and reinsurance (retakaful) fields. He has vast experience in various corporate processes including financial management, strategic management, auditing, due diligence, compliance, human capital and governance standards.

Syaril holds a Master of Business Administration from Universiti Utara Malaysia and a Diploma from the Malaysian Insurance Institute.

He does not have any family relationship with any Director and / or major shareholder and has not been convicted of any offences within the past five years (other than traffic offences, if any).

He has no directorship in any other public listed company.

He does not have any conflict of interest with the Company.

LILIK HARIANTI SAIJAN
Senior Manager
Head of Corporate Resources & Administration
43, Female, Malaysian

Lilik was appointed Senior Manager / Head of Corporate Resources & Administration of the Company on 15 July 2019.

Her 20 years of experience in human resources and recruitment covers private entities, multinational corporations and non-governmental organisations.

She has worked for the International Federation of Red Cross and Red Crescent Societies, Nestle Products Sdn Bhd, Biotropics Sdn Bhd, Cold Chain Network (M) Sdn Bhd and Marshall Cavendish (M) Sdn Bhd.

Lilik holds a Bachelor's Degree in Human Resource Management from the University of Stoke-on-Trent, UK.

She does not have any family relationship with any Director and / or major shareholder and has not been convicted of any offences within the past five years (other than traffic offences, if any).

She has no directorship in any other public listed company.

She does not have any conflict of interest with the Company.

KAMALULARIFFIN AHMAD
Vice President
Head of Project Implementation
44, Male, Malaysian

Kamalulariffin was appointed Vice President / Head of Project Implementation of the Company on 5 July 2019.

He has more than 20 years of experience in construction and energy project management covering procurement, costing and implementation. His experience includes positions at Ranhill Engineers & Constructors Sdn Bhd, PECB Berhad, Sime Darby Berhad and Maxwell Energy Sdn Bhd. He has also held senior management positions at Mozzpower Sdn Bhd and OHP Ventures Sdn Bhd.

Kamalulariffin holds a Bachelor's Degree in Construction Management from Universiti Teknologi MARA.

He does not have any family relationship with any Director and / or major shareholder and has not been convicted of any offences within the past five years (other than traffic offences, if any).

He has no directorship in any other public listed company.

He does not have any conflict of interest with the Company.

KHAIRUL ANUAR MOHAMAD
CEO
Powernet Properties Sdn Bhd
46, Male, Malaysian

Khairul was appointed CEO of Powernet Properties Sdn Bhd (a subsidiary of KPower) on 1 January 2019.

He has more than 15 years of experience in corporate banking, finance, audit and property development, starting his career with Bank Bumiputera Malaysia Berhad. He has also worked for Tenaga Nasional Berhad, IFS Capital Sdn Bhd, Perbadanan Kemajuan Negeri Perak (PKNP) and SSF Construction Sdn Bhd.

Khairul was also involved in the transport services industry and established Rhino Airiel Sdn Bhd, which manages Terminal Meru Raya in Perak.

He holds a Master of Business Administration, Strategic Management from Universiti Teknologi Malaysia (UTM) and a Bachelor's Degree in Marketing from Universiti Teknologi MARA (UiTM).

He does not have any family relationship with any Director and / or major shareholder and has not been convicted of any offences within the past five years (other than traffic offences, if any).

He has no directorship in any other public listed company.

He does not have any conflict of interest with the Company.

CORE BUSINESSES

PROPERTY DEVELOPMENT

The property development business has been a bright spark in the Group's portfolio despite tough market conditions.

The jewel in KPower's crown for this segment is a commercial project in the rising property hotspot of Sentul, Kuala Lumpur.

In 2016, KPower's wholly-owned subsidiary Powernet Properties Sdn Bhd (PPSB) acquired the rights from SSF Home Builder Sdn Bhd to jointly develop a commercial project in Sentul, Kuala Lumpur. The development comprises two units of six storey shop-offices and four units of five storey shop-offices on a parcel of commercial development land owned by Yayasan Bekas Wakil Rakyat (Mubarak) Malaysia.

In the fourth quarter, the Group benefited from strong demand in this thriving catchment area. PPSB managed to sell all the units of this project in Sentul, after overcoming several legacy issues. Work on site commenced on 8 October 2018 and is expected to be completed in 2020. Its overwhelming response bodes well for its future prospects.

This development is appealing due to its prime location in an up-and-coming area in the heart of Kuala Lumpur. It is conveniently located and is within vicinity to many popular landmarks in the KL city centre, which is a very attractive factor for prospective investors of commercial property units.

PROPERTY INVESTMENT

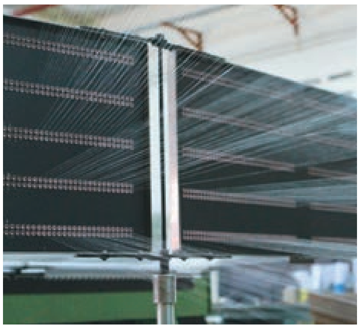
KPower, via its wholly-owned subsidiary Zelinn Limited (BVI), owns a 36-room Victorian-style building in Liverpool, UK. The property, known as Nightingale House, is comprised of a freehold detached property over four floors with a built-up area of approximately 1,450 sq metres (15,607 sq feet).

The property's 36 units are rented out as an all-bills-included student accommodation, located strategically within the city centre and a 15-minute walking distance from the University of Liverpool, Liverpool Institute for Performing Arts (LIPA) and the Mount Pleasant Campus of Liverpool John Moores University.

The Nightingale House is fully furnished and all utility bills including TV licence, internet and a professional cleaning service are included. All bedrooms are furnished at high standards and have their own wash basin. The rooms have central heating, with blackout window blinds and carpet or laminate flooring. Each floor has its own large communal living and dining space with flat screen television and free high-speed wi-fi, as well as an open-plan fully fitted kitchen, including a dishwasher. The property has an adjoining secured parking area.

The company plans to renovate the building's facilities to cater to current market demand of the student population.

TEXTILE MANUFACTURING

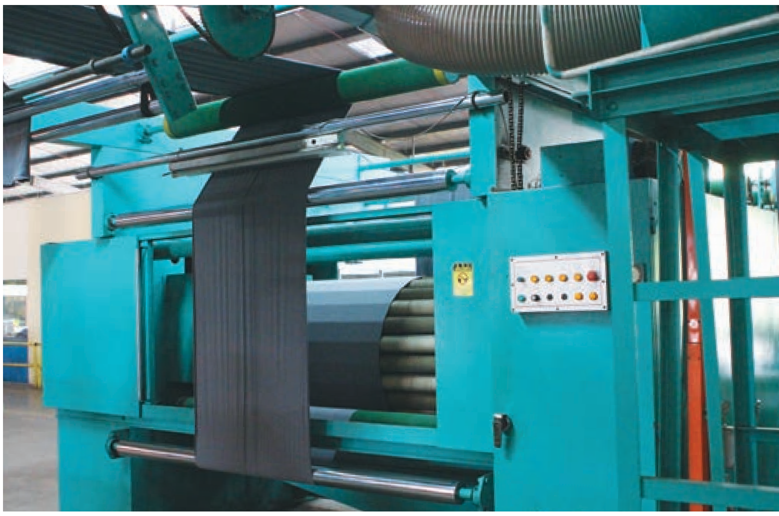


Powernet Industries Sdn Bhd (PISB), a wholly-owned subsidiary of KPower, is one of the few hot melt laminators in Malaysia which also produces knitted, dyed and finished fabrics for the global market. This is a process of binding materials together through the extremely precise control of the coating of adhesives.

Most of the fabrics are knitted and woven from synthetic yarns such as nylon, polyester and spandex fibres. PISB currently manufactures and supplies warp-knitted fabrics that range from elastic, tricot, brushed tricot, meshed tricot, micro-fibre and others.

The products are used by renowned international brands worldwide in industries such as:

- Lingerie - brassieres, panties, camisoles, girdles, sleepwear and hook-and-eye tapes.
- Apparel - sportswear lining, track suits and others.
- Automotive - car cushion, headrest lining, head lining and others.
- Household - mattress stitch-in-fabrics, furnishing, blinds and others.
- Footwear - inner lining and inner sole lining in sports shoes and industrial safety shoes.



MOVING FORWARD

The new management of KPower comprises individuals with vast experience in the renewable energy sector. With the new management team, the Company plans to reposition itself as an end-to-end provider of concession-based renewable energy infrastructure, focusing on hydro, solar, waste to energy and biomass.

The Company will also venture into concession-based utilities and services related to green technology as the Government of Malaysia moves forward with its plan to reduce Malaysia's reliance on fossil fuels to generate energy.

PROSPECTS

The Government is currently outlining a new Renewable Energy Transition Roadmap (RETR) 2035 that aims to boost renewables' share of the country's power mix to 20% by 2025.

The new direction is expected to provide a steady income stream for the Group while building its reputation as an environmentally and socially-conscious entity.

CHAIRMAN'S MESSAGE

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (FY2019), THE GROUP POSTED A NET PROFIT OF RM0.48 MILLION COMPARED TO A NET LOSS OF RM4.98 MILLION IN THE PREVIOUS FINANCIAL YEAR.

DATO' HAJI ROSHIDI HAJI HASHIM

The past year has been difficult for KPower due to tough market conditions. The global economic slowdown and prolonged trade wars have dampened export markets which are crucial to our manufacturing business.

Our domestic economy has also been struggling, affecting purchasing power and other sectors that are important contributors to the Group's earnings, such as the property market.

However, there have been encouraging signs of recovery.

For the financial year ended 30 June 2019 (FY2019), The Group has achieved a turnaround, posting a net profit of RM0.48 million compared to a net loss of RM4.98 million in the previous financial year.

Our property investment in student accommodation in Liverpool, UK has provided steady rental income despite uncertainties caused by the imminent exit of the UK from the European Union (commonly known as Brexit). There are also plans to refurbish the units and facilities at the property to attract more high-end tenants, increase occupancy rates and grow yields. We will seek similar investment opportunities, not just in the UK but also in other international markets to diversify our revenue streams.

On the local front, our property development arm sold all the units of the Group's commercial development in Sentul, Kuala Lumpur, in the fourth quarter ended 30 June 2019 (Q4 FY2019). We hope that our good track record in this property project will jumpstart this segment and provide a solid platform to grow the business further.

Our textile manufacturing business is still facing major challenges, but the Board still believes in its growth potential. We will continue to capitalise on our solid industry certifications and produce premium fabrics of the highest quality. We hope to sustain all of our existing businesses in the long run and complement them with exciting new ones.

I believe that the KPower has done quite well under difficult circumstances and is on the right path to recovery. The new management team comprising experienced players with a proven track record in various sectors and industries will boost the Group further, especially in exploring new business opportunities.

By leveraging on the management's vast industry network, KPower is well positioned to land more major projects in the future. I am confident that the new team can chart a new path of growth in accordance with our long term vision of providing sustainable, high quality and cost-effective solutions in all our business interests.

I hope that our staff and shareholders will welcome the new management team and give them full support in their efforts to improve the Group's long term growth. I would like to thank everyone - staff, management, Board of Directors, customers, associates, business partners, investors, shareholders – for their contribution over the years. Let's continue to grow our business together.

DATO' HAJI ROSHIDI HAJI HASHIM
Chairman

"Despite the volatile global economy and challenging market environment, our new management team is positive about the company's long term outlook. After taking over the reins in the last quarter, we plan to revitalise the company by strengthening core businesses (manufacturing, construction and real estate) and exploring new business segments (energy & utilities and infrastructure & logistics) to generate sustained revenue streams.

We are already on the right track."

MANAGING DIRECTOR'S MESSAGE

After continuous loss-making quarters, the Group posted a net profit of RM2.3 million in the fourth quarter ended 30 June 2019 (Q4 FY2019), recovering from a net loss of RM1.4 million in the previous corresponding quarter. For the financial year ended 30 June 2019 (FY2019), the Group posted a net profit of RM0.48 million, recovering from a net loss of RM4.98 million in the previous financial year (FY2018).

Despite a tough year, there was a silver lining for KPower.

In the fourth quarter, our property development business sold all six units of the Group's commercial development located in Sentul, Kuala Lumpur. The development is progressing well, despite several legacy issues which have since been resolved. The project is targeted for completion in 2020.

Our property investment in the UK is also showing healthy returns. The student accommodation market in the UK is huge, bolstered by the student population boom in the last decade. We believe that with sufficient investment to improve our UK property, the Group will be able to grow its revenue and profits from this venture. The UK property in our portfolio can also be a useful stepping stone into other international markets.

Although KPower's textile manufacturing business is still loss-making, we are confident of turning it around by increasing efficiency, production capacity and cutting costs. Our focus is to further enhance this segment's contribution to the Group's bottom line. We are also looking at strategic joint ventures – both local and overseas - to grow the textile business.

We will leverage on the dynamic new management team.

Our main strategy for our existing businesses is to consolidate, improve and expand them on a case-by-case basis. The Group will constantly seek ways to grow these core businesses, either organically or through strategic tie-ups. The Group has cultivated invaluable human resources and skill sets over the years in our core businesses. These, combined with the new management's experience in new industries, will be vital assets in expanding into complementary businesses and realising the KPower's ambitions.

Other than consolidating our core businesses, we plan to aggressively explore opportunities in new business segments, especially in the energy and utilities sector. To meet its target of 20% electricity generation from renewable energy sources, the sector needs RM33 billion in new investments, which will come from the Government, public-private partnerships and private financing. With these strong initiatives in renewable energy, KPower could be looking at potential new pillars for earnings growth.

Our new management comprises key corporate individuals and industry players with a proven track record in various sectors including mergers and acquisitions, project financing, corporate restructuring, private finance initiatives, government-linked companies, infrastructure, water, waste, renewable energy and power plant projects, among others. KPower now has in-house expertise to develop and expand its business in new segments.

The Group is keen on capitalising on the new management and shareholders' extensive industry network which could open doors to significant business opportunities, particularly in the energy and utilities sector. Our wide-ranging expertise will put the Group in a prime position for consideration in numerous infrastructure and utilities projects by the federal government. Other than domestic projects, we will explore cross-border deals, especially in the infrastructure and logistics segment.

MUSTAKIM MAT NUN

We urge our shareholders to support our rejuvenation effort.

With these new developments and a bold new management spearheading the Group's growth, our shareholders have good reasons to be optimistic about the future. Despite current economic headwinds, we are confident of turning the Group around and delivering consistent profits within the next 12 months, supported by our core businesses as well as new business segments.

I would like to extend my gratitude to our Board of Directors, staff, customers, associates, business partners, investors and shareholders for their unwavering support. We look forward to a fruitful and more productive year ahead.

MUSTAKIM MAT NUN
Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis is a review of the Group and shall be read in conjunction with the audited financial statements.

Background

Kumpulan Powernet Berhad was incorporated on 3 February 1997. The Group was listed on the second board of Bursa Malaysia Securities Berhad (Bursa Malaysia) on 22 March 2002.

The Group carries out its business activities through four wholly-owned subsidiaries and two 51% subsidiaries.

i) **Powernet Industries Sdn Bhd**
Shareholding: 100%
Principal business activities: Manufacture of warp-knitted fabrics from synthetic yarns for lingerie and sportswear and other textile-related services.

ii) **Powernet Properties Sdn Bhd**
Shareholding: 100%
Principal business activity: Property investment and development.

iii) **Zelinn Limited**
Shareholding: 100%
Principal business activities: Property investment.

iv) **Hypergize Link Sdn Bhd**
Shareholding: 100%
Principal business activities: Investment holding.

v) **CBG Capital Sdn Bhd**
Shareholding: 51%
Principal activities: Construction and property development.

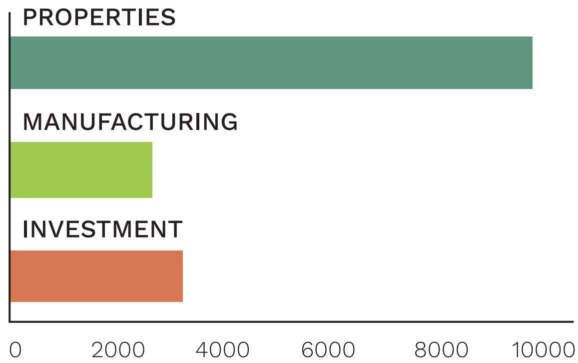
vi) **CBG Builders Sdn Bhd**
Shareholding: 51%
Principal activities: Construction and property development.

Financial Performance Review

Revenue

The breakdown of the Group's revenue for financial period year ended 30 June 2019 is tabulated below.

Segment results (RM'000)



Revenue

Group revenue grew 130.86% to RM13.22 million, mainly attributed to the sale of all six units of the commercial development located in Sentul, Kuala Lumpur. The sale was completed in Q4 FY2019. The Group's textile manufacturing segment continued to register losses, at RM2.69 million for FY2019, due to inefficiencies in plant operations and increasing competition from both local and overseas manufacturers. The increasing cost of raw materials has also impacted profitability for this segment.

Net Profit

The Group registered a net profit of RM0.48 million, marking a return to profitability after five continuous years of losses, attributed to the sale of all six units of the commercial development.

Taxation

The Group was taxed at the statutory rate of 24% for FY2019 (FY2018 - 24%).

Profit Attributable to Equity Shareholders of the Group

The profit attributable to equity holders of the Group stood at RM0.49 million, a 109.76% improvement yoy. Fully diluted earnings per ordinary share for the year amounted to 0.63 sen, from a loss per ordinary share of 6.54 sen. These financial measurements reflect the improvement of the Group's results in FY2019.

Liquidity

As at 30 June 2019, the Group's net cash position amounted to RM0.55 million (30 June 2018 RM3.2 million).

The key items that impacted the Group's net cashflow were:

1) Higher operating costs for the investment property in Liverpool, UK.
2) Higher operating and raw materials cost and a challenging business environment for the textile manufacturing segment.

With an improved plan taking effect for current business activities and new plans for strategic sectors, the Group is expected to see a better liquidity position in FY2020.

Overview of business activities

The Group's principal business is the manufacturing of textiles. The Group is also involved in property development and investment. In FY2019, the Group established a new business unit to enter the renewable energy sector as part of the Board's plans to diversify our revenue stream.

Textile manufacturing

Powernet Industries Sdn Bhd ("PISB") is a Malaysian based company involved in manufacturing warp-knitted fabrics from synthetic yarns. The Group produces elastic, tricot, brushed tricot, meshed tricot, and micro fibre fabrics from synthetic yarns, such as nylon, polyester and spandex fibres. PISB offers its products to several sectors in the garment industry such as lingerie, apparel, automotive, household, shoe and industrial products. PISB's products are used by renowned international brands worldwide.

Besides Malaysia, PISB supplies its materials to the Philippines, Canada, Australia, Hong Kong, Indonesia, Singapore, Iran, Sri Lanka, South Korea, Pakistan, Thailand and South Africa.

PISB is certified by Lloyd's Register Quality Assurance (ISO 9001), Testex (OEKO-Tex Standard 100) and Marks & Spencer ("M&S"), and is the only M&S accredited laboratory in Malaysia. Among PISB's buyers are garment manufacturers contracted to M&S and the Company has been a trusted supplier for several decades.

PISB's business activities have slowed down over the last financial year as legacy issues continued to affect plant efficiency.

Outlook

PISB will continue to capitalise on its various certifications and produce premium fabrics manufactured with the highest regard to sustainability and quality. The Company is also looking into forming joint ventures with local and overseas partners to expand the business. The Company manufactures material used in sportswear and its certified production line will meet the demand for ethically-produced, high quality fabrics in the sportswear industry.

Studies are being carried out at the Company's manufacturing plant to increase efficiency and production capacity, while keeping costs low. The Company is upgrading its machinery and equipment, and this segment is expected to contribute positively to the Group's bottom line.

Property development

In 2016, the Group diversified into property development through the acquisition of the rights to develop a six-storey commercial development comprising six units of commercial shop lots in Sentul, Kuala Lumpur, for RM6.9 million from SSF Home Builder Sdn Bhd. The project is a joint venture with Yayasan Bekas Wakil Rakyat Malaysia (Mubarak), and is located on a 43,560 square feet parcel of commercial land owned by the latter.

The development is located within a large catchment area of commercial and residential developments, within walking distance from the Kuala Lumpur Performance Arts Centre (KLPAC) and up-and-coming mid to high-end residential developments. Sentul has seen a dramatic change in façade over the last ten years. With rising incomes in the area, the commercial development is expected to see high traffic.

The development is progressing well, despite several legacy issues and is targeted for completion in 2020. All six units have been sold, contributing positively to the Group's revenue for FY2019.

Outlook

The softening demand for commercial developments in the greater Klang Valley area has been taken into consideration. However, PPSB is open to considering other development opportunities

Property investment

Zelinn is an investment holding company that holds a property based in Liverpool, UK. Zelinn owns a student accommodation known as Nightingale House, a freehold detached property of four floors with a built up area of approximately 1,450 square metres.

The Victorian-era building is located in the Georgian Quarter of the city of Liverpool, an area popular with students attending the University of Liverpool, Liverpool Institute for Performing Arts (LIPA) and the Mount Pleasant Campus of Liverpool John Moores University, all of which are less than fifteen minutes by foot from Nightingale House. Individual units are fully furnished, with rent inclusive of utilities.

The rental income from the property has provided steady income for the Group. However, due to increasing competition in the area, occupancy rates have dropped to 70%. The property is managed by a third party agency, adding to operational costs.

Outlook

Zelinn is planning to refurbish the units and facilities at Nightingale House and is reassessing its operational costs. Capital is required for renovation activities, but once these are completed the property is expected to provide a consistent income stream.

Transformation plan

In June 2019, the Group saw a change in its major shareholders, followed by a change in principal officers and Senior Management.

The new shareholders have outlined a transformation programme that will see the Group diversifying its business interests into the renewable energy sector. With the new management in place, the Group intends to reposition itself by expanding into new sectors to generate sustainable revenue streams, in addition to its existing businesses.

The Ministry of Energy, Science, Technology, Environment and Climate Change expects 20% of the country's energy to be generated from renewable sources by 2025, reducing the consumption of fossil fuels and greenhouse gas emissions. This will provide opportunities to generate a steady, long-term income, while ensuring the Group's operations have a positive impact on the environment.

SUSTAINABILITY STATEMENT

Sustainability and our business

The Group acknowledges the importance of carrying and expanding its business operations in a sustainable and responsible manner. Therefore, the Group focuses on sustainability principles when formulating and implementing business strategies to achieve its goals. The Group's sustainability awareness is led by the Board of Directors and is delegated, implemented and monitored by the Management.

Through this Sustainability Statement, the Group provides its stakeholders a better understanding of its strategic approach to create sustainable long-term value for the Group as well as the stakeholders.

This Sustainability Statement covers three (3) principal aspects: economic, environmental and social materiality matters for the Group.

Basis of this Sustainability Statement

This Sustainability Statement is prepared based on the available internal information and in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Scope of this Sustainability Statement

This Sustainability Statement covers the activities of KPower and all its subsidiaries involved in the business of manufacturing, property development and property investment.

Reporting period

This Sustainability Statement covers the period from 1 July 2018 to 30 June 2019.

Materiality

The materiality in relation to the sustainability of KPower's business has been determined from the analysis of the Group's internal documents and internal processes. The Group reviews sustainability related risk periodically as part of its risk assessment to ensure it continues to address its key sustainability concerns.

Feedback

In line with KPower's continuous effort to raise its performance in sustainability standards, the Group welcomes stakeholders' feedback on any issues that the Group should undertake. Comments and queries related to this Sustainability Statement can be directed to info@kpower.com.my.

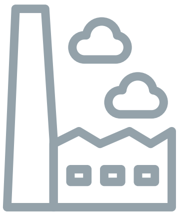
Stakeholder engagement

Stakeholder engagement is a collaborative process that is critical to the success of the Group. Hence, the Group recognises the need to conduct a continuous dialogue and information sharing with the relevant stakeholders in a timely, effective and transparent manner. A summary of the stakeholder groups, the sustainability topics, and the type of engagement and its frequency are listed as follows:

Stakeholder	Sustainability Topics	Type of Engagement	Frequency
Customers	• Product quality and performance	• Face-to-face interaction	Annually
	• Sustaining long-term relationship	• On-site visits at the Group's premises	On-going
	• Business development	• Exhibition and roadshow	On-going
Employees	• Health and safety	• Training and development	On-going
	• Communication and engagement	• Formal meeting and discussion	On-going
	• Working environment	• Employee feedback	On-going
	• Career development and training	• Appraisal and performance review	Annually
Investors/ Shareholders	• Business performance review	• Quarterly financial reports	On-going
	• Operation in compliance with applicable laws and regulations	• Annual Report	On-going
	• Strategic plans	• Corporate Website	On-going
	• Investor engagement	• Investor relationship channel	On-going
	• Corporate development	• Announcement to Bursa Securities	On-going
	• Information and communication	• Feedback to enquiries	As required
Suppliers	• Business relationships and continuity	• Face-to-face interaction	On-going
	• Supplier performance review	• Regular meeting and correspondence	On-going
	• Product and service quality	• Site visit to suppliers' premises	On-going
Media	• Timely and accurate information	• Press release	As required
Government & Regulators	• Regulatory compliance	• Site visit and meeting	As required
	• Permits and licenses	• Verification / inspection	As required
Community	• Job creation for local communities	• Corporate website	On-going
	• Economic support	• Community living	On-going

Managing material sustainability matters

KPower has identified key sustainability matters important to the Group based on their relevance to the Group's business operations. During the process of materiality assessment, we identify and rank Economic, Environmental and Social materiality matters which are critical internal and external risk and opportunities that are pertinent to the long-term growth and continual improvement of the Group.

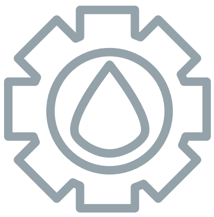


ECONOMIC

- Market Presence
- Profitability
- Product and Services Quality

The principles of sustainability are integral in the pursuit of KPower's economic growth. With a presence in both local and international markets, the Management is positive about KPower's long-term outlook. The Group acknowledges the need to be innovative and creative in developing its products with the rapid changes in global lifestyle to ensure profitability. The Group will continue to capitalise on its various global certifications, permits and licenses with the highest regard to sustainability and quality.

Moving forward, the Group intends to generate more sustainable revenue streams by exploring new business segments such as energy & utilities, infrastructure & logistics.



ENVIRONMENTAL

- Environmental Compliance

The Group is committed to address challenges and opportunities in our surroundings where we conduct our business. This will enable KPower to contribute to environmental value and minimise damage to the environment. The Group is determined to carry out the actions progressively and constantly to accomplish the intended goals:-

- to establish a Group Environment Policy within the Group and stakeholders;
- to comply with environmental regulatory and legal requirements;
- to reduce consumption of non-renewable and non-recycled materials; and
- to provide a safe and hygienic workplace and ensure our personnel are properly trained with appropriate safety procedures and control actions.

The new management comprises individuals with vast experience in the properties, construction, utilities and sustainable energy sector, and the Group plans to reposition and build its reputation as an environmentally and socially-conscious entity.

SOCIAL

- Diverse Workforce
- Employee Development
- Work-Life balance

The Group's employees are amongst its most valuable assets and are key drivers of the Group's success. The Group welcomes talented employees from different backgrounds as we believe that the skill, expertise and work ethic of the employees are the attributes that will ultimately determine their success within the organisation.

The Group's human capital is developed and strengthened through investment in our people. Continuous training and professional development programmes have helped to boost the technical knowledge and soft skills of our employees, positioning them in good stead to elevate the performance standard quality, which is necessary for the Group to meet the ever-changing needs of its customers. Newly recruited employees will undergo an orientation programme to help them familiarise and understand the process and background of the Company.

The Group has in place an employee handbook that contains a code of conduct for employees that sets guidelines to ensure compliance and adherence to safety standards across all operations.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("Board") of the Company is committed to upholding high standards of corporate governance throughout the Group's operations with the ultimate objective of realising long-term shareholder value while taking into account the interest of other stakeholders. This Corporate Governance Overview Statement sets out the extent to which the Company has applied the practices encapsulated in the Principles of the Malaysian Code on Corporate Governance ("MCCG") except where stated otherwise.

Details of the Group's application of each practices set out in the MCCG are disclosed in the Corporate Governance Report, which is available on the Group's website at www.powernetgroup.com.my.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

I Board Responsibilities

Practice 1.1 – Board Duties and Responsibilities

The Board is responsible and accountable to the Company's shareholders and various stakeholders in order to achieve sustainability and long-term success through its effective leadership and management of the Company's business. Hence, the Board is responsible for the long-term performance of the Group, overseeing the Group's strategy and monitoring its operation.

The Board's principal function is to address all the significant matters as it is accountable under the applicable laws and regulations for the Group's activities, strategies, financial position and performance. The Board delegates certain functions to the Board Committees, Managing Director and the Management, for implementing the Group's strategic direction and for managing its day-to-day operations. The Board has delegated specific responsibilities to the committees to assist the Board in corporate governance and operation of the Group. The functions and the Terms of Reference of the committees have been defined by the Board in the Terms of Reference of the respective committees. The Key Matters reserved for the Board's approval are specified in the Board Charter.

The Board adheres to the Code of Conduct and Ethics for Directors which highlights the criteria that directors should observe in the performance of their duties. The following are the roles and responsibilities of the Board in discharging its fiduciary functions:

- Leads, controls, provides strategic direction and has the overall responsibility for corporate governance.
- Formulates key policies, overseeing investments and businesses for the Group.
- Ensures that the Company has appropriate corporate disclosure policies and procedures.
- Establishes succession planning and ensures that all candidates appointed to Senior Management are of sufficient calibre.
- Identifies principal risks and ensure the implementation of appropriate internal controls.

Practice 1.2 – Chairman

The Chairman of the Board is an Independent Non-Executive Chairman. The Chairman is capable of leading the Board based on his leadership skill, education level and extensive working experience. As the Chairman plays an important role in the Board, the Chairman is able to provide effective leadership to the Board and guide the vision, strategic direction and business development of the Company, and at the same time be guided by the independent advice and views from the Independent Directors, who offer the necessary checks and balances in the decision making process of the Board.

The Chairman is responsible for promoting and overseeing the standards of Corporate Governance with the Board and the Company. The Chairman ensures that the Board members receive accurate, timely and clear information to enable them to monitor performance, make sound decision and give appropriate advice to promote the success of the Company.

The Chairman takes a leading role in determining the composition and structure of the Board. This will involve regular reviews of the overall size of the board, the balance between executive and non-executive directors and the balance of age, experience and qualification of the directors.

The Chairman, whose primary role is to preside over board meetings, has the significant role of ensuring that all directors' views are heard, to ensure sufficient time for discussion of each agenda, as well as to providing fair opportunity to all directors to participate actively and constructively during the meetings.

Practice 1.3 – Separation of the roles of Chairman and Managing Director

The roles of Chairman and Managing Director are exercised by different individuals. A clear segregation of their responsibilities and powers are stated and defined in the Company's Board Charter. It is made available for reference on the Company's website. The Chairman is responsible for managing the conduct of the Board and ensuring its effectiveness including ensuring all directors receive sufficient relevant information on all financial, business, operations and corporate matters to enable each of them to participate actively and effectively in Board Decisions. The Managing Director is responsible for the efficient and effective management of the business operations and strategic direction of the Company.

Practice 1.4 – Company Secretary

The Board is supported by a qualified and competent Company Secretary who is responsible for advising and regularly updating the Board on good governance, policies and procedures and corporate compliances.

The Company Secretary also ensures that the Board is kept well informed on any regulatory requirements and update on the developments in the areas of corporate governance that affect the duties and responsibilities of the Directors as well as the Company being a public listed company. The Company Secretary advises and circulates relevant guidelines on new and amended statutory and regulatory requirements from time to time for the Board's reference and briefs the Board on these updates at Board meetings. The Company Secretary ensures that the Company and its Directors operate within the law.

The Company Secretary also attends all Board and Board Committee meetings and ensures that the discussions on key issues and decisions thereon are properly recorded. The Company Secretary is directly accountable to the Board on all matters in relation to the proper functioning of the Board, maintenance of the corporate documents of the Boards, facilitate the Board's communications and monitoring the implementation of the Board's decisions, where appropriate.

All Directors have full and unrestricted access to the advice and services of the Company Secretary.

Practice 1.5 – Information and support for Directors

The Board of Director's Meeting is held on a quarterly basis and at other times as required.

All the Directors had committed their time to the Board meetings held during the financial year and each Director in the discharge of his or her duties, had participated actively at the meetings.

There were eleven (11) Board meetings held during the financial year ended 30 June 2019. The attendance of each Director at the Board meetings who held office during the financial year is set out below:

Name of Directors	Number of Meetings of Attended
Fong Wai @ Foong Kai Ming	11/11
Dato' Arivalagan A/L Arujunan	10/11
Kok Pauline	7/11
Dato' Haji Roshidi Haji Hashim (Appointed on 13 March 2019)	2/4
Tan Yee Hou (Appointed on 13 March 2019)	3/4
Dato' Haji Jamal Nasir Rasdi (Vacated Office on 20 December 2018)	2/4
Datuk Liang Teck Meng (Retired on 21 December 2018)	4/4
Datuk Seri Haji Ahmad Hamzah (Resigned on 26 December 2018)	4/5
Dato' Hasan Nawawi Abd Rahman (Resigned on 17 January 2019)	2/6
Datuk Chua Eng Pu (Resigned on 10 May 2019)	3/4
Dato' Dr. Ir. Mohd Abdul Karim Abdullah (Appointed on 28 June 2019)	-
Mustakim Mat Nun (Appointed on 28 June 2019)	-

Board meetings are a platform for exchange of views, with Directors bringing their experience and independent judgement to discuss the issues at hand. During these meetings, the Board discusses, amongst other matters, the Company's financial position, company policies, risks management, as well as management's performance based on the corporate targets and budget.

Each Board member is supplied in advance with an agenda, which include minutes of previous meetings, financial reports and other reports relevant to the meeting, to allow the directors sufficient time to review and to deliberate at the Board meetings and to facilitate informed decision making by the directors. Management representatives are also present to provide additional insight on matters to be discussed during the Board meetings.

In between Board meetings, matters requiring Board's approval were sanctioned by way of circular resolutions where relevant information on the subject matter was enclosed.

All the Directors has the right of access to all relevant Company information, access to management and may obtain independent professional advice at the Company's expense that are deemed necessary to carry out their duties, subject to prior consultation with the Chairman. To enable them to effectively exercise their duties and responsibilities, Board meetings regularly included sessions on recent key developments in governance and other corporate matters affecting the Company's business.

Practice 2.1 – Board Charter

The Board Charter sets out the roles and responsibilities, composition and processes of the Board of Directors ("the Board"). It provides an overview of how the Board leads and provides direction to the Management of the Company. It also sets out the delegations of authority by the Board to various Committees to ensure the Board members in performing their responsibilities on behalf of the Company would act in the best interest of all shareholders. In addition, this Board Charter also outlines the core principles of corporate Governance to which the Company subscribes.

The Board has established four (4) Board Committees, namely Audit Committee, Nominations Committee, Remuneration Committee and Risk Management Committee that are delegated with specific responsibilities and authorities to assist the Board in executing its duties and to provide the Board with recommendations and advice. The delegation of authority to the Committees enables the Board to achieve operational efficiency, by empowering each Committee to review, report and make recommendations to the Board on matters relevant to their roles and responsibilities. Each committee is governed by its own Terms of Reference which sets out its functions and duties compositions, rights and meetings procedures. The Board Charter is reviewed and revised periodically to meet changing business, operational and regulatory requirements.

Practice 3.1 – Code of Conduct and Ethics

The Company has adopted this Code to provide guidance to every member of the Company's Board of Directors. Each Directors is responsible for reading and understanding this Code, and using it as a guide in the performance of his or her responsibilities as a Director. The Board is committed to establishing a corporate culture that promotes ethical conduct throughout the Company and ensuring that its business is conducted with integrity, transparency and fairness. In discharging its fiduciary duties, the Board must at all times act in good faith and in the best interests of the Company and at the same time ensure that its obligation to shareholders and stakeholders are met. All of its Directors help foster a sense of commitment to this Code among all Directors, and to foster a culture of fairness, honestly and accountability within the Company.

The Board and all employees are guided by the Company's core values and policies, as well as relevant regulatory requirements and standards which regulate appropriate conduct and ethics within the Company. The Company has established the following policies and procedures to provide direction and guidance to all Directors, Senior Management, employees and external parties in discharging their duties and responsibilities that will be in the best interest of the Company:

a) Corporate Disclosure and Communications Policy;

b) Financial Management Policy and Strategy;

c) Whistle-Blowing Policy; and

d) Human Resources Manuals, Policies, Regulations and Procedures, and Terms and Conditions of Employment.

The policies cover the Company's employees, Directors, customers, vendors and other stakeholders to the extent that any of the Company's resources are involved or impacted. All employees are responsible for protecting the assets and reputation of the Company and are expected to remain vigilant in detecting and reporting of any fraudulent activities to the established channels stated in the Company's Human Resources Manual. The Chairman has the specific and exclusive responsibility of ensuring that all reported complaints are promptly investigated and addressed.

Practice 3.2 - Whistle-Blowing Policy

The Board is committed to the highest standards of integrity, openness and accountability in the conduct of its businesses and operations. It has established the Whistle-blowing Policy that provides a channel to enable employees and other stakeholders to report any suspected breaches of law or regulations or any illegal acts observed in the Group, including financial malpractice or fraud, non-compliance with regulatory requirements, danger to health, safety or the environment, criminal activity and corruption.

A whistleblower is not responsible for investigating the activity or for determining fault or corrective measures. Appropriate management officials are charged with these responsibilities. This policy is to provide an avenue for all employees of the Company and members of the public to disclose any improper conduct in accordance with the procedures as provided for under this policy and to provide protection for employees and members of the public who report such allegations.

The whistleblower will be accorded with protection of confidentiality of identity to the extent reasonably practicable. In addition, an employee who whistleblows internally will also be protected against any adverse and detrimental actions for disclosing any improper conduct committees or about to be committed with the Company, to the extent reasonably practicable, provided that the disclosure is made in good faith. Such protection is accorded even if the investigation later reveals that the whistleblower is mistaken as to the facts and the rules and procedures involved.

It outlines the procedures for reporting a genuine concern on any breach of conduct that is taking place, has taken place or may take place in the future. The Company treats all reports in a confidential manner and at the same time provides protection to anyone who reports such concerns in good faith. The Whistle-Blowing Policy is reviewed as and when deemed necessary and is available on the Company's website.

II Board Composition

Practice 4.1, 4.2 and Step Up 4.3 – Independent Directors

The Board recognises the importance of having a diverse Board in terms of age, qualification and gender to provide the necessary range of perspectives, experience and expertise in bringing value to the Company.

The present Board, comprises seven (7) Directors i.e. one (1) Managing Director, one (1) Non-Independent Non-Executive Deputy Chairman, one (1) Independent Non-Executive Chairman, two (2) Executive Directors and two (2) Independent Non-Executive Directors. Consequently, the constitution of the Independent Directors of the Company is less than half (50%) and does not comply with the MCCG Practice 4.1 requirement. The Board and the Nomination Committee are aware of such a departure and are identifying the right candidates.

There is a balance of power and authority in the Board as the Managing Director is responsible for making the day-to-day business and operational decisions and implementation of Board policies while the Independent Non-Executive Chairman and Independent Non-Executive Directors ensure that the Board practices good governance in discharging its duties. There is a clear division of duties and responsibilities between them in order to maintain a balance of control, power and authority within the Board.

The Independent Non-Executive Directors have crucial role in ensuring that the Board is an effective Board and through which good corporate governance can be promoted throughout the entire Company. They expect to provide a balanced and independent view. It calls for persons of calibre, integrity, with requisite business acumen and the credibility, skills and experience to bring independent judgement on issues of strategy, performance and resources, including key appointments and standards of conduct, Independent Directors must be given free access to the records and information of the Company as well as independent legal advice and the services of the Company Secretary if they find this to be necessary to fulfil their duties.

The Board reviews and assesses the independence of Directors annually based on the criteria set by the Nomination Committee. One of the assessment criteria is the ability of the individual Director to exercise objectivity in the discharge of his or her responsibilities in the interest of the Company.

The Board is of the view that all the Independent Directors remain independent.

The Board is of the view that throughout their tenure, the Independent Directors have demonstrated independence in character and judgement, and have always looked out for the best interest of the Company. The Independent Directors have provided independent views based on their experience and knowledge that allow for diverse and objectives perspectives on the Group's business and direction.

In line with the recommendation of the Code, the tenure of an Independent Director of the Company shall not exceed a cumulative term of nine (9) years. An Independent Director may continue to serve the Board subject to re-designation of the Independent Director as a Non-Independent Director. In the event the Board intends to retain the Independent Director as an Independent Director after serving a cumulative term of nine (9) years, shareholders' appropriate approval will be sought.

Practice 4.4 and 4.6 – Diversity of Board of Directors and Senior Management

The Board reviews from time to time the composition of the Board and considers new appointment when the need arises. The Nomination Committee is responsible for assessing and making recommendations to the Board of Director based on the recruitment criteria established by the Board.

The Nomination Committee has the responsibility of ensuring that the composition of the Board represents a good mix of knowledge, skills and experience to ensure that the Group is competitive within its industry. In considering potential candidates for appointment, the Nomination Committee undertakes a thorough review of the candidate's criteria, amongst others, qualifications, skills, knowledge, expertise, experience, personal attributes and the capability to devote the necessary time and commitment to the role.

Seminars and conferences organised by Bursa Malaysia Securities Berhad, relevant regulatory bodies and professional bodies on areas pertinent to the Directors are communicated to the Board for their participation. The Board has identified training needs amongst the Directors and enrolled themselves for the training programmes as and when required. Directors may also request to attend additional training to keep abreast of their individual requirements.

All directors are also provided with updates from time to time by the Company Secretary on matters relating to Directors' duties and responsibilities, as well as on relevant regulations. The Company Secretary ensures all appointments are properly made and all necessary information required by the new Directors for the proper discharge of their duties is obtained. During the financial year, the following Directors were appointed:

1. Tan Yee Hou (Appointed on 13 March 2019)

2. Dato' Haji Roshidi Haji Hashim (Appointed on 13 March 2019)

3. Datuk Chua Eng Pu (Appointed on 16 January 2019 and resigned on 10 May 2019)

4. Dato' Dr. Ir. Mohd Abdul Karim Abdullah (Appointed on 28 June 2019)

5. Mustakim Mat Nun (Appointed on 28 June 2019)

When considering nomination or re-election of Directors, the Nomination Committee also takes into account the Director's ability to devote sufficient time and attention to properly fulfil his/her responsibilities. Besides attending all meetings of the Board and Board Committees on which he or she serves, each member is expected to be present in all shareholders' meetings, major Company events and to participate in continuous training programs. The proposed date for AGM is also notified to all Board members in advance, to enable all Directors to be present at the meeting and engage with the shareholders.

The Board through the Nomination Committee is responsible for the identification and development of the key Senior Management as well as reviewing the succession planning for key management team from time to time. The Board through the Nomination Committee shall search for suitable candidates through established channels such as public advertisement or direct approaches being made to individuals who may be suitable or through organisations that may be able to assist in the recruitement process. In selecting the appropriate candidates, the Nomination Committee takes into account the candidate's qualification, experience, competency and character. Newly appointed key Senior Management will have to undergo induction training and/or any other programmes.

Practice 4.5 – Gender Diversity

The Board through the Nomination Committee will consider appropriate candidates for appointment as Board members in terms of gender, ethnicity and age and will require measures to meet those targets from time to time if deemed necessary to enhance the effectiveness of the Board. The Board consists of members with a broad range of skills, well-rounded experience and knowledge in different fields relevant to oversee the business. The Board ensures that each member has a proper understanding of the Group's business and competence to deal with current and emerging issues of the Group.

The Board acknowledges the importance of gender diversity as an important element of a well-functioning Board. The Board consists of six (6) male directors and one (1) female director.

The Board is satisfied that the current Board composition fairly reflects a good mix of knowledge, skills and experience. Through its Nomination Committee, the Board will continue to review its structure and composition in order to ensure boardroom diversity and balance of power and authority, which are fundamental to an effective Board.

Practice 4.7 – Nomination Committee

The Board has established a Nomination Committee to provide advice and assistance to the Board in matters relating to appointment of new Directors, board composition, training program and performance evaluation on effectiveness of the Board, Board Committee and individual directors. Full details of the Nomination Committee's duties and responsibilities are stated in its Terms of Reference which is available on the Company's website.

The Nomination Committee is comprised exclusively of Independent Non-Executive Directors and is chaired by an Independent Non-Executive Director. There was no Nomination Committee meeting held during the financial year ended 30 June 2019.

Practice 5.1 – Evaluation for Board, Board Committees and Individual Directors

The Nomination Committee annually performs Board self-evaluation to evaluate the performance of the Board, Board Committees and Individual Directors, in order to verify that the Board is operating effectively and efficiently as a whole. Each Director completed a detailed questionnaire on the Directors' performance evaluation which covers matters relevant to the Board's performance, among other things, contribution to interaction, quality of input, understanding of role and personal development. Evaluation of each Board Committee is done by assessing the structure, roles and responsibilities, performance of the respective Chairman, as well as the Committee's performance against its Terms of Reference. The assessment was internally facilitated, whereby results of the assessments were reported to the Board accordingly.

Based on the assessment carried out, the Nomination Committee has concluded the following:

a) The Board was found to be competent and had a dynamic and balanced mix of skills and experience wherein the Directors were able to contribute effectively to the Board's decision-making process.
b) The current structure, size and composition of the Board, which comprises people who possess a wide range of expertise and experience in various fields with diverse backgrounds and specialisations, would enable the Board to lead and manage the Company effectively.
c) The Directors have discharged their responsibilities in a commendable manner, acted competently, contributed effectively to the Board and demonstrated full commitment to their duties as Directors.
d) The Board and Board Committees have contributed positively to the Company and its subsidiaries and were operating in an effective manner.
e) The Board Chairman has steered the leadership as well as contributed to the Board.
f) The performances of the Board Committees were found to be effective.

The Board recognises the importance of continuous training to remain abreast of the latest developments in related industries and changes to the regulatory environment. The assessment on individuals provided the Board with valuable insights into training and development needs of each Director, to ensure that each Board member's contribution to the Board remains informed and relevant.

During the financial year, certain Directors had participated in various training programs. Particulars of the seminars and courses attended are as follows:

Name of Directors	Date	Seminar / Training Course Title
Kok Pauline	4 September 2018	Accounting for Financial Instruments and Leases
Dato' Arivalagan A/L Arujunan	25 September 2018	Bioeconomy Day 2018
Dato' Haji Roshidi Haji Hashim	26 – 27 June 2019	Mandatory Accreditation Programme
Tan Yee Hou	19 July 2018	ACCCIM 7th Young Entreprenuers Conference 2018
	25 August 2018	Seminar on Sales and Services Tax

**The above disclosure excluded Dato' Dr. Ir. Mohd Abdul Karim Abdullah and Mustakim Mat Nun as they were appointed to the Board of Directors towards the end of FY2019 i.e. on the 28 June 2019.*

III Remuneration

Practice 6.1 – Remuneration Policy

The Board has recognised the need to establish a fair and transparent Remuneration Policy with the objective of guiding the Group in attracting, retaining and motivating highly qualified individuals to serve on the Board and key Senior Management. On a yearly basis the Remuneration Committee reviews and recommends to the Board the remuneration packages of the Executive Directors while the remuneration for the Non-Executive Directors was determined by the Board as a whole. Fees and benefits payable to the Directors are subject to approval by the shareholders at the Company's AGM. The affected Directors abstain from participation in deliberations and decisions regarding their individual remuneration.

In making its recommendation, the Remuneration Committee considered the principles set out in the Remuneration Policy. The remuneration was structured to align rewards to corporate and individual performances besides adequately compensating the Directors for risks and complexities of the duties and responsibilities they assumed.

Practice 6.2 – Remuneration Committee

The Remuneration Committee was established to assist the Board in developing remuneration policies and procedures that enable the Group to attract, motivate and retain qualified Directors and key Senior Management personnel. Full details of the functions and duties of the Remuneration Committee are stated in its Terms of Reference which is available on the Company's website.

The Remuneration Committee is comprised mainly of Independent Non-Executive Directors. There was no Remuneration Committee meeting held during the financial year ended 30 June 2019.

The responsibilities of the Remuneration Committee are as follows:

a) Review and assess the performance and the remuneration packages of the Executive Directors and key Senior Management;

b) Review and assess the Directors' fees and benefits payable for the financial year ended 30 June 2019;

c) Review and update its Terms of Reference;

d) Review the Board Remuneration Policy; and

e) Provide clarification to shareholders during general meetings on matters pertaining to remuneration of Directors and Senior Management.

Practice 7.1 – Remuneration of Directors

Details of the Directors' remuneration of each Director during the financial year ended 30 June 2019 are as follows:

Name of Directors	Salaries and Other Emoluments RM'000	Bonus RM'000	EPF and SOCSO RM'000	Benefits in Kind RM'000	Total RM'000
Non-Executive Directors					
Kok Pauline	6.5	-	-	-	6.5
Dato' Haji Roshidi Haji Hashim (Appointed on 13 March 2019)	5.0	-	-	-	5.0
Tan Yee Hou (Appointed 13 March 2019)	5.0	-	-	-	5.0
Dato' Dr. Ir. Mohd Abdul Karim Abdullah (Appointed 28 June 2019)	-	-	-	-	-
Executive Directors					
Fong Wai @ Foong Kai Ming (Re-designated on 21 December 2018)	6.0	-	-	-	6.0
Dato' Arivalagan A/L Arujunan (Re-designated on 27 May 2019)	5.0	-	-	-	5.0
Mustakim Mat Nun (Appointed on 28 June 2019)	-	-	-	-	-

Remuneration of Senior Management

The remuneration of the Senior Management are set out as follows:

Range of Remuneration (RM)	Number of Senior Management
RM100,000 to RM200,000	2
RM200,001 to RM300,000	0
RM300,001 to RM400,000	0

The details of the Senior Management's remuneration are not shown, as the Board considers the information of the said remuneration to be sensitive and proprietary in view of the competitive nature of the human resource market and to support the Company's efforts in retaining executive talent. The Board is of the view that the transparency and accountability aspects of corporate governance as applicable to the Senior Management's remuneration are appropriately served by disclosure in RM50,000 bands.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit Committee

Practice 8.1, 8.4 and 8.5 – Audit Committee

The Chairman of the Audit Committee is not the Chairman of the Board. In addition, the Audit Committee is comprised wholly of Independent Non-Executive Directors. The Audit Committee's Report is set out separately in this Annual Report. Full details of the Audit Committee's duties and responsibilities are stated in its Terms of Reference which are available on the Company's website.

Practice 8.2 and 8.3 – Oversight of External Auditors

The Audit Committee has adopted a policy that requires a former key audit party to observed a cooling off period of at least two (2) years before being appointed as a member of the Audit Committee.

The Group engaged the External Auditors to perform a non-audit services including review of the Statement of Risk Management and Internal Control. The Board, through its Audit Committee maintains a formal and transparent relationship with its External Auditors. The Board had delegated the responsibility to the Audit Committee for making recommendations on the appointment, re-appointment or removal of the External Auditors as well as on their remunerations. The Audit Committee ensures that the External Auditors work closely with the Internal Auditor to enhance the effectiveness of the overall audit process. The Audit Committee assesses the performance and effectiveness of the External Auditors annually, considering amongst others, their qualifications, effectiveness of the audit process, quality of service and their independence.

The Audit Committee on 11 October 2019, reviewed the suitability and independence of the External Auditors i.e. Messrs. Aljafree Salihin Kuzaimi PLT ("ASK") and is satisfied with their independence and performance. Thus, the Audit Committee has recommended to the Board to table the re-appointment of ASK as External Auditors for the following financial years at the forthcoming AGM for shareholders' approval.

In the course of their audit the External Auditors highlighted to the Audit Committee matters pertaining to the financial reporting. A private meeting between them was held once during the financial year without the presence of the Management and Executive Directors, to discuss any issues that may require the attention of the Audit Committee.

IV Risk Management and Internal Control Framework

Practice 9.1, 9.2 and 9.3 – Board Responsibility on Risk Management and Internal Control

The Board is responsible for ensuring that risks and also opportunities are identified on a timely basis and that the Group's objectives and activities are aligned with these risks and opportunities. The Company's approach to risk management is based on the identification, assessment, monitoring and management of material risks embedded in its business and management systems. The Statement on Risk Management and Internal Control made pursuant to Paragraph 15.26(b) of the Main Market Listing Requirement of BMSB is separately set out in the Annual Report.

The Board recognises risk management as an integral element of business and operations. The objective of the Company's ongoing risk assessment process is to ensure that key areas are managed within an acceptable risk profile or tolerance level in order to increase the prospects of achieving of business objectives. The Company's overall risk appetite is based on assessment of the Company's existing risk management capabilities and capacity.

The Board acknowledges its overall responsibility of maintaining effective governance, risk management and compliance framework. Supported by the Management and internal audit function, the Board ensures the adequacy and effectiveness of the Company's risk management and internal control practices. The Board is responsible for ensuring that the Company complies with all applicable provisions of law and regulations and ensures that appropriate risk management systems are in place throughout the Company. The Risk Management Committee assists the Board to oversee and review the effectiveness of the Company's risk management and internal control systems. To facilitate effective monitoring, the Board regularly receives reports from the Management on any business risks related to its business activities that have impacted or likely to impact the Company from achieving of its objectives and strategies.

Compliance relating to risk recognition and management is presented in the Company's Statement on Risk Management and Internal Control as set out separately in this Annual Report.

Practice 10.1 and 10.2 – Internal Audit Function

The Group outsources its internal audit function to an external consultant which has been discontinued by the previous management during the financial year. The current management is in the midst of identifying a new internal audit firm. The Internal Auditors provide an independent evaluation on the effectiveness of the risk management, control and governance processes in the Group. In addition, the Internal Auditors carry out a follow-up review on the issues raised in the previous Internal Audit report and ensure that the proposed action plan has been implemented by the Management to mitigate the risk exposure of the Group.

The independent internal audit function reports directly to the Risk Management Committee. To ensure that the responsibilities of internal auditors are fully discharged, the Risk Management Committee reviews the adequacy of the scope, functions and resources of the Internal Audit function as well as the competency of the Internal Auditors.

The scope of work covered by the Internal Audit function during the financial year, summary of activities carried out, including its observations and recommendations, are provided in the Statement on Risk Management and Internal Control and Audit and Risk Management Committee Report of this Annual Report.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Communication with Stakeholders

Practice 11.1 – Communication with Stakeholders

The Company is committed to ensure that timely accurate and complete information about the Company is provided equally to its shareholders, stakeholders and to the general investing public. Timely information is critical towards building and maintaining the Group's corporate credibility, market integrity and promoting investor confidence.

The Board is ultimately responsible for ensuring the Company's disclosure requirements are fulfilled and overseeing the implementation of the Group's communications policy. The Company strives to promote a better understanding of the Group through investor relation activities. Apart from general meetings, the Company has in place the following initiatives to facilitate effective communications with its shareholders:

- The Annual Report, which contains information such as Management Discussion and Analysis on financial statements and information on the Audit Committee, Corporate Governance, Sustainability and Risk Management and Internal Control;
- Various announcements made to Bursa Securities, which include timely release of financial results on a quarterly basis. Concurrent with these releases, the Company posts all announcements on its website;
- Attending to shareholders' and investors' emails and phone enquiries; and
- The Company's website at www.powernetgroup.com.my under the Investor Relations section, which contains annual reports, quarterly report announcements, stock and other corporate information on Kumpulan Powernet Berhad.

Timely release of quarterly announcements and full year financial reports reflects the Board's accountability to its shareholders.

Conduct of General Meetings

Practice 12.1 – Notice of General Meeting

General meetings are the important platform for the shareholders to exercise their rights in the Company, either in the AGM or Extraordinary General Meetings.

The Notice of General Meetings together with a copy of the Company's Annual Report and/or Circular to Shareholders will be dispatched to shareholders within the prescribed notice period prior to the scheduled general meetings in order to provide sufficient time the shareholders to make the necessary arrangements to attend and participate either in person, corporate representative or by proxy. The Board encourages shareholders' participation and engagement at the general meeting as it provides an opportunity for the Board to assess market expectations. More importantly, it provides an avenue for the shareholders to make enquiries on the resolutions being proposed and to seek clarification on the business and performance of the Company. Shareholders are invited to the general meetings through a notice of meeting that specifies the venue, day and hour of the meeting, as well as the business of the meeting.

Practice 12.2 – Attendance of Directors at General Meetings

KPower's AGM is an important means of communicating with its shareholders. It enables the shareholders to interact directly with the Board and gain insights on the Company's business and financial position. It serves as a platform for shareholders to have full understanding of the Company and of the Group.

During the AGM, the Chairman ensures that shareholders are given the opportunity to comment or raise issues and questions whether pertaining to issues on the agenda, the annual report, Group's strategy or developments in the Group.

The Chairperson plays a vital role in fostering constructive dialogue between the Board and the shareholders. All the members of the Board and the respective Chairman of the Board Committees are present at the meetings to address queries raised by the shareholders which are relevant to their areas of responsibility. The Company's External Auditors also attend the AGM and are available to answer questions from the shareholders pertaining to the audit matters and the auditor's report.

Practice 12.3 – Voting

In the event that shareholders are unable to attend the AGM in person, they are encouraged to appoint one (1) or up to two (2) proxies to attend and vote in his/her stead. The outcome of the meeting is announced to Bursa Securities on the same day, which is also accessible on the Company's website.

The Company conducts a poll voting on each resolution tabled during the general meetings to support shareholders' participation. As the number of shareholders of the Company is not large, the Company currently conducts manual poll voting instead of electronic poll voting. With the poll voting each shareholder present in person or represented by proxy at the general meeting will be entitled to vote on a one-share, one-vote basis. At least one (1) scrutineer is appointed to validate the votes cast at the meeting.

AUDIT COMMITTEE REPORT

A. COMPOSITION AND DESIGNATION OF AUDIT COMMITTEE

The Audit Committee comprises three (3) members of the Board, all the whom are Non-Executive Independent Directors. The Members during the financial year ended 30 June 2019 are as follows:

Chairperson	**Designation**
Kok Pauline	Independent Non-Executive Director
Members	
Tan Yee Hou (Appointed on 13 March 2019)	Independent Non-Executive Director
Dato' Haji Roshidi Haji Hashim (Appointed on 27 May 2019)	Independent Non-Executive Chairman
Fong Wai @ Foong Kai Ming (Cessation of office on 21 December 2018)	Independent Non-Executive Director (redesignated as Executive Director on 21 December 2018)
Datuk Seri Haji Ahmad Hamzah (Cessation of office on 26 December 2018)	Independent Non-Executive Chairman
Dato' Hasan Nawawi Abd Rahman (Cessation of office on 17 January 2019)	Senior Independent Non-Executive Director
Dato' Arivalagan A/L Arujunan (Cessation of office on 27 May 2019)	Independent Non-Executive Director (redesignated as Executive Director on 27 May 2019)

B. AUDIT COMMITTEE MEETINGS ATTENDANCE

During the financial year, the Audit Committee conducted 5 meetings of which all were duly convened with due notices given to all Audit Committee members together with the agenda, report and proposals for deliberation at the Meetings. The Executive Director was invited to all the Audit Committee meetings to facilitate direct communication as well as to provide clarification on audit issues and the operations of the Group.

Representatives from the External Auditors, as the case may be, were in attendance to present the relevant reports and proposals to the Audit Committee at the Meetings which included inter alia, the Auditors' audit plans and audit reports and the audited financial statements for the financial year ended 30 June 2019.

In the Audit Committee meetings, the external auditors were given opportunities to raise any matters and gave unrestricted access to the Audit Committee to contact them at any time should they become aware of incidents or matters during the course of their audits or reviews. Minutes of the Audit Committee meetings were tabled for confirmation at the following Audit Committee meeting and subsequently presented to the Board for notation.

Details of attendance of the Audit Committee members at the Audit Committee meetings during the financial year are as follows :

Name of Directors	Designation	Number of Meetings Attended
Chairperson Kok Pauline	Independent Non-Executive Director	4/5
Tan Yee Hou (Appointed on 13 March 2019)	Independent Non-Executive Director	1/1
Dato' Haji Roshidi Haji Hashim (Appointed on 27 May 2019)	Independent Non-Executive Chairman	-
Fong Wai @ Foong Kai Ming (Cessation of office on 21 December 2018)	Independent Non-Executive Director (redesignated as Executive Director on 21 December 2018)	3/3
Datuk Seri Haji Ahmad Hamzah (Cessation of office on 26 December 2018)	Independent Non-Executive Chairman	2/3
Dato' Hasan Nawawi Abd Rahman (Cessation of office on 17 January 2019)	Senior Independent Non-Executive Executive	2/3
Dato' Arivalagan A/L Arujunan (Appointed on 17 January 2019 Cessation of office on 27 May 2019)	Independent Non-Executive Director (redesignated as Executive Director on 27 May 2019)	2/2

C. ACTIVITIES OF THE AUDIT COMMITTEE

The Audit Committee's activities during the financial year under review comprised of the following:

Quarterly Financial Statements and Audited Financial Statements

- Reviewed the Audited Financial Statements of the Company prior to submission to the Directors for their perusal and approval. This was to ensure compliance of the financial statements with the provisions of the Companies Act 2016 and the applicable approved accounting standards as issued by Malaysian Accounting Standards Board; and
- Reviewed the unaudited financial results before recommending them for Board's approval, focusing particularly on:
  a) Any change in accounting policies
  b) Significant adjustments arising from audit
  c) Compliance with Accounting Standards and other legal requirements

D. EXTERNAL AUDITORS

The Group has appointed a team of outsourced External Auditors, Messrs Aljafree Salihin Kuzaimi PLT. Their scope of work is as following:

- Identifiy and assess the risks or material misstatements of the financial statements of the Group and of the Company, where due to fraud or error, design and perform audit procedures responsive to those risk, and obtained audit evidence that is sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exist related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If they conclude that a material uncertainty exists, they are required to draw attention in the auditors' report to the related disclosures that are inadequate and modify their opinion. The conclusions are based on the audit evidence obtained up to the date of the auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and the Company, including the disclosures, and whether the financial statements of the Group or of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. They are responsible for the direction, supervision and performance of the Group audit.

The total cost incurred for the outsourced external audit function was RM75,000.

E. INTERNAL AUDIT FUNCTION

The Group's internal audit function was undertaken by a selected team of outsourced internal audit consultants who are independent of the activities audited by the external auditors. The function is performed with independence, objectivity and due professional care. The outsourced internal audit consultant's report to the Audit Committee, and regularly review and appraise the effectiveness of the governance, risk management and internal control processes within the Group's key operations. Their responsibilities are:

- Appraising the adequacy and effectiveness of internal controls and processes;
- Ascertaining the effectiveness of the management in identifying principal risks and to manage such risks through appropriate systems of internal control;
- Ascertaining the level of compliance with the Group's plans, policies, procedures and adherence to laws and regulations;
- Ascertaining the adequacy of controls in safeguarding the Group's assets; and
- Conducting special reviews or investigations requested by management or by the Audit Committee.

The outsourced internal audit consultants carry out audit assignments in accordance with the approved audit plan. The final audit report containing audit findings and recommendations together with management's responses thereto will be presented to the Audit Committee and forwarded to the management member concerned for attention and necessary action.

During the financial year ended 30 June 2019, the total cost incurred for the outsourced internal audit function was RM27,746.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board hereby provide the following statement:

The Board of Directors of Kumpulan Powernet Berhad ("the Board") acknowledges the importance of maintaining a sound system of internal control and effective risk management as part of its on-going efforts to practice good corporate governance. The Board is committed to practising good standards of corporate governance and observing best practices, and will continue to improve on current practices.

The Board is pleased to provide the following Statement on Risk Management and Internal Control which is prepared pursuant to Bursa Malaysia Listing Requirement For The Main Market the Malaysian Code on Corporate Governance 2017, and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("the Guidelines"), which outlines the nature and scope of risk management and internal control of the Group during the financial year ended 30 June 2019.

A. RESPONSIBILITY OF THE BOARD

The Board is ultimately responsible for the system of internal control operating throughout the Group and for reviewing its effectiveness, adequacy and integrity, including financial and operational controls, compliance with relevant laws and regulations, and risk management in order to safeguard shareholders' investments and the Group's assets.

The Board recognises that the Group's system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and that it can only provide reasonable and not absolute assurance against misstatement, fraud or loss. The Board continuously evaluates appropriate initiatives to strengthen the transparency and efficiency of its operations, taking into account the requirements for sound and appropriate internal controls and management information systems within the Group.

B. CONTROL ENVIRONMENT

Organisation Structure

The Board of Directors and Senior Management consistently endeavour to maintain an adequate system of internal controls designed to manage risks rather than eliminate them. The Group has an organisation structure that is aligned to business requirements. The internal control mechanism is embedded in the various work processes in the Group. The Board is accountable for ensuring the existence and effectiveness of internal control and provides leadership and direction to Senior Management on the manner the Group controls its businesses, the state of internal control and its activities. The internal control processes are reviewed and updated from time to time. This is to ensure that they are relevant and effective to respond to market changes.

Internal Audit

The Group's Internal Audit function was outsourced to an external consultant. The Internal Audit team reviewed the risk identification procedures and control processes implemented by the Management, conducted audits that encompass reviewing critical areas that the Company faces, and reported to the Audit Committee on a periodic basis. Any significant weaknesses identified during the reviews together with the improvement measures to strengthen the internal controls were reported to the Audit Committee.

The Internal Audit team continued to independently, objectively and regularly review key processes, check compliance with policies/procedures, evaluate the adequacy and effectiveness of internal control, risk management and governance measures in respect of any non-compliance. The annual audit plan, established primarily on a risk-based approach, was reviewed and approved by the Audit Committee annually. The Audit Committee oversaw the Internal Audit team's functions, its independence, scope of work and resources.

The Internal Audit team also periodically reported on the activities performed and key strategic and control issues observed by Internal Audit team to the Audit Committee in order to preserve its independence. The Audit Committee reviewed and approved the Internal Audit's annual budget, audit plan and human resource requirements to ensure the function maintained an adequate number of internal auditors.

In order to ensure standardisation and consistency in providing assurance on the adequacy, integrity and effectiveness of the Group's overall system of internal controls, risk management and governance, the Internal Audit team aligned its current internal audit practices with the COSO/COCO Internal Controls – Integrated Framework. Using this framework, all internal control assessments performed by Internal Audit team were based on the internal control elements of scope and coverage. The Internal Audit team appointed in the future will continue to adopt the risk-based audit plan the ensure programmes carried out are gathered, assessed, and prioritised to derive the annual audit plan.

In the financial year ended 30 June 2019, reviews were carried out in various areas.

All reports from the internal audit reviews carried out were submitted and presented to the Audit Committee with the feedback and corrective actions to be undertaken by the Management.

Quality Assurance

The Internal Audit team develops and maintains a quality assurance and improvement programme that covers all aspects of internal audit activities. The quality assurance programme assesses the effectiveness of Internal Audit processes and identifies opportunities for improvement via both internal and external assessments. It has its own peer reviewer mechanism to ensure consistently good quality output of every audit engagement. The team leader is well experienced to manage the internal audit assignments.

Information and Communication

While the Management has full responsibility in ensuring the effectiveness of internal control which it establishes, the Board of Directors has the authority to assess the state of internal control as it deems necessary. In doing so, the Board has the right to enquire information and clarification from Management as well as to seek inputs from the Audit Committee, external and internal auditors, and other experts at the expense of the Group, if any.

Our Group has relevant operating policies and procedures which comply with relevant laws and regulations. These policies and procedures ensure that processes adequately mitigate risks with appropriate internal controls. Regular reviews are conducted to ensure that risk policies and procedures are updated to align with new risk management action plans to address emerging risks and identified control gaps. Standard operating procedures which include ISO Quality Management System of Powernet Industries Sdn Bhd are documented and reviewed. There are regular internal quality audits and surveillance audits conducted by certified bodies to monitor compliance with procedures as well as to identify and monitor operational issues for Powernet Industries Sdn Bhd.

Internal control procedures set include the publication of the Employees Handbook, which highlights policies on health and safety, staff performance and serious misconduct. These procedures are relevant across the Group to provide for continuous assurance to be given at increasingly higher levels of management and finally to the Board.

Systems, Data and Information Security

The IT department is responsible for continuously monitoring and resolving both internal and external security threats to our Group. This includes conducting security awareness initiatives, compliance audits on our Group's IT networks and systems and vulnerability assessments to mitigate the impact of security attacks, negligence and malware. The IT policies are established to proactively manage current and potential security threats to our Group's data and content arising from physical and logical access.

Risk Management

The Group has an ongoing process for identifying, evaluating and managing the significant risks faced by the Group throughout the financial year under review. This is to ensure that all high risks are adequately addressed at various levels within the Group. Risk management is embedded in the Group's management system and is every employee's responsibility. The Group firmly believes that risk management is critical for the Group's continued profitability and the enhancement of shareholder value. The risk profile of the Group is established during risk mapping and assessment sessions facilitated by the external consultant. The risk responses and internal controls that the Management has taken and/or is taking are documented in the risk templates. For each of the risks identified, a risk owner is assigned to ensure appropriate risk response actions are carried out.

The Board regards risk management as an integral part of the Group's business operations and has oversight over this critical area through the Audit Committee. The Audit Committee, supported by the Internal Audit team, provides an independent assessment of the effectiveness of the Group's Enterprise Risk Management ("ERM") framework and reports to the Board. The Group's ERM is consistent with the ERM framework and involves systematically identifying, analysing, measuring, monitoring and reporting on the risks that may affect the achievement of its business objectives. This framework helps to reduce the uncertainties surrounding the Group's internal and external environment.

The ERM process is based on the following principles:

- Consider and manage risks enterprise-wide;
- Integrate risk management into business activities;
- Manage risk in accordance with the Risk Management framework;
- Tailor responses to business circumstances; and
- Communicate risks and responses to Management

All identified risks are displayed on a risk matrix based on their risk ranking to assist Management in prioritising their efforts and appropriately managing the different classes of risks. The Board and Management drive a proactive risk management culture and regular risk awareness and coaching sessions are held to ensure that the Group's employees have a good understanding and application of risk management principles. There is no dedicated ERM department, however, the Managing Director ("MD") and Head of Finance work closely with the Group's operational managers to continuously strengthen the risk management initiatives within the Group so that it responds effectively to the constantly changing business environment and is thus able to protect and enhance shareholder value.

The Board recognises the importance of effective ERM in enhancing shareholder value while upholding a high standard of corporate governance. Combining a strong and sustained commitment from the Board and Senior Management with a clear direction and oversight from all levels of leadership, the Group embraces a holistic risk management approach to achieve its business targets with minimal surprises.

Risk management policies and practices form part of KPower's overall strategies to chart positive growth in today's rapidly evolving business environment. The Board continues to ensure that risk management is effectively institutionalised and its risk maturity level is elevated. This is achieved via a multitude of ERM initiatives clustered into key strategic areas, as part of the Group's efforts to ensure smooth ERM practice on the ground coupled with continuous tracking and monitoring of risks and controls. It also strengthens its risk culture and practice, harmonises its risks and risk appetites at the operational level wherever possible.

Risk Structure/Accountability and Responsibility

Further improving KPower's risk governance, ERM structures have been established within each department and subsidiary. The aim is for a risk culture to be internalised through risk ownership and to drive ERM implementation at the functional level. ERM Resource Persons also known as Heads of Departments ("HODs") /Risk Coordinators ("RCs"), are appointed at each business unit, and act as the single point of contact to liaise directly with the Group's Chief Risk Coordinator, the Head of Finance, in matters relating to ERM, including the submission of reports on a periodic basis. In addition, they are responsible for assisting their HODs to manage and administer the business units' risk portfolios, which include arranging, organising and coordinating ERM programmes.

Monitoring Activities

In the year under review, the following monitoring activities were undertaken to provide assurance on the effectiveness of risk management and internal controls:

a) Our Board through our AC has reviewed the risk management updates as well as the progress of compliance status of the internal control and risk management system.

b) Our AC has reviewed the process and compliance, exceptions identified by external auditors and internal auditors on a periodic basis. The implementation of the recommendations are tracked and reported to the AC on a periodic basis.

Management has taken the necessary actions to remediate weaknesses identified for the year under review. Our Board and senior leadership continuously assess the effectiveness of monitoring activities over risks and take measures to strengthen our risk management and internal control environment.

Assurance from the Management

The Board has also received assurance from the MD and Head of Finance that the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects, based on the risk management framework adopted by the Group.

Review of the Statement by External Auditors

The External Auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised 2015), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 30 June 2019, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

a) has not been prepared in accordance with the disclosures required by paragraphs 32 and 36 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or

b) is factually inaccurate.

RPG 5 (Revised 2015) does not require the External Auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's Risk Management and Internal Control system including the assessment and opinion by the Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

CONCLUSION

Despite the above and the Board's best effort the internal controls and measures put in place were found lacking. This has resulted in the disposal of two subsidiaries of the Group without the approval and consent of the Board as per the announcement dated 15 May 2019. There were other weaknesses that the Board noted on hindsight after the said event. As a result, the services of the Internal Auditor have been discontinued during the financial year by the previous management. Currently with the help of the new management, the Board is reviewing the Group's current internal control processes as well as selecting reputable external audit firm to act as the Group's internal auditor.

STATEMENT ON DIRECTORS' RESPONSIBILITY

IN RESPECT OF THE ANNUAL AUDITED FINANCIAL STATEMENTS

(Pursuant to Paragaph 15.26(a) of the Listing Requirements of Bursa Malaysia)

The Act places responsibility on the Directors to ensure that the financial statements provide a true and fair view of the financial position of the Group and the Company as at 30 June 2019 and of their financial performance and cash flows for the financial year then ended. The Board is satisfied that in preparing the financial statements of the Group for the financial year ended 30 June 2019, the Group has conformed to the appropriate accounting policies and applied them consistently and prudently and that measures have been taken to ensure that the accounting records are properly kept in accordance with the law.

The Directors also have the general responsibility to take such steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities relevant to preparation and fair presentation of financial statements that are free from material misstatement.

ADDITIONAL COMPLIANCE INFORMATION

UTILISATION OF PROCEEDS

The proceeds from a Private Placement Exercise was utilised in the following manner:

No.	Description of Utilisation	Proposed Utilisation (RM'000)	Amount Utilised (RM'000)	Balance as at 30 June 2019 (RM'000)
1	Property development and construction costs	2,223	2,223	-
2	Working capital	3,062	3,062	-
3	Defray expenses in relation to proposed private placement	121	121	-
	Total	**5,406**	**5,406**	**-**

NON-AUDIT FEES

During the financial year ended 30 June 2019, RM27,746 non-audit fees were paid to the internal auditors.

MATERIAL CONTRACTS INVOLVING DIRECTORS AND MAJOR SHAREHOLDERS

The Company and its subsidiaries did not enter into any material contracts involving Directors and Major Shareholders during the financial year ended 30 June 2019.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 6 to the financial statements.

There have been no significant changes in the nature of these principal activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Profit / (Loss) net of tax	481	1,907
Profit / (Loss) attributable to:		
Owners of the Company	486	1,907
Non-controlling interests	(5)	-
	481	1,907

There were no material transfers to or from reserves or provisions during the financial year.

In the opinion of the directors, the results of the operations of the Group and the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIRECTORS

The names of the directors of the Company in office since the beginning of the financial year and at the date of this report are:

Fong Wai @ Foong Kai Ming	
Dato' Arivalagan A/L Arujunan	
Kok Pauline	
Dato' Haji Roshidi Haji Hashim	*(Appointed on 13 March 2019)*
Tan Yee Hou	*(Appointed on 13 March 2019)*
Dato' Dr. Ir. Mohd Abdul Karim Abdullah	*(Appointed on 28 June 2019)*
Mustakim Mat Nun	*(Appointed on 28 June 2019)*
Dato' Haji Jamal Nasir Rasdi	*(Vacated office on 20 December 2018)*
Datuk Liang Teck Meng	*(Retired on 21 December 2018)*
Datuk Seri Haji Ahmad Hamzah	*(Resigned on 26 December 2018)*
Dato' Hasan Nawawi Abd Rahman	*(Resigned on 17 January 2019)*
Datuk Chua Eng Pu	*(Appointed on 16 January 2019 Resigned on 10 May 2019)*

The names of the directors of the Company's subsidiaries in office since the beginning of the financial year and at the date of this report are:

Powernet Industries Sdn Bhd

Amirul Afif Abd Aziz	*(Appointed on 19 July 2019)*
Muhammad Syukri Sulaiman	*(Appointed on 19 July 2019)*
Woo Wai Mun	*(Resigned on 12 February 2019)*
Moo Yong Kong Meng	*(Resigned on 22 July 2019)*
Fong Wai @ Foong Kai Ming	*(Appointed on 18 January 2019 Resigned on 22 July 2019)*
Leong Siew Ming	*(Appointed on 18 January 2019 Resigned on 22 July 2019)*

Powernet Properties Sdn Bhd

Dato' Dr. Ir. Mohd Abdul Karim Abdullah	*(Appointed on 19 July 2019)*
Mustakim Mat Nun	*(Appointed on 19 July 2019)*
Amirul Afif Abd Aziz	*(Appointed on 19 July 2019)*
Dato' Haji Jamal Nasir Rasdi	*(Resigned on 13 February 2019)*
Datuk Lee Chong Hoon	*(Resigned on 22 July 2019)*
Yap Yee Ping (F)	*(Appointed on 13 February 2019 Resigned on 22 July 2019)*

Hypergize Link Sdn Bhd

Mustakim Mat Nun	*(Appointed on 19 July 2019)*
Amirul Afif Abd Aziz	*(Appointed on 19 July 2019)*
Muhammad Syukri Sulaiman	*(Appointed on 19 July 2019)*
Dato' Haji Jamal Nasir Rasdi	*(Resigned on 13 February 2019)*
Datuk Lee Chong Hoon	*(Resigned on 22 July 2019)*
Yap Yee Ping (F)	*(Appointed on 13 February 2019 Resigned on 22 July 2019)*

Zelinn Limited

Mustakim Mat Nun	*(Appointed on 24 July 2019)*
Amirul Afif Abd Aziz	*(Appointed on 24 July 2019)*
Sarah Azreen Abdul Samat	*(Appointed on 24 July 2019)*

CBG Builders Sdn Bhd

Chew Chee Bor	
Yap Yee Ping (F)	*(Appointed on 30 January 2019)*
Dato' Haji Jamal Nasir Rasdi	*(Resigned on 30 January 2019)*

CBG Capital Sdn Bhd

Chew Chee Bor	
Yap Yee Ping (F)	*(Appointed on 30 January 2019)*
Dato' Haji Jamal Nasir Rasdi	*(Resigned on 30 January 2019)*

Powerfit Industries Sdn Bhd

Tai Teck Soon	*(Appointed on 3 April 2019)*
Surya Adiputra Suruadji	*(Resigned on 3 April 2019)*
Woo Wai Mun	*(Resigned on 30 April 2019)*
Moo Yong Kong Meng	*(Resigned on 3 April 2019)*

Cepsel Industries Sdn Bhd (formerly known as Powernet Trading Sdn Bhd)

Tai Teck Soon	*(Appointed on 3 April 2019)*
Woo Wai Mun	*(Resigned on 3 April 2019)*
Moo Yong Kong Meng	*(Resigned on 3 April 2019)*

DIRECTORS' BENEFITS

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director of the Company has received nor become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable, by the directors as disclosed in Note 18 to the financial statements of the Company and its related corporations or the fixed salary of a full-time employee of a related corporation) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

DIRECTORS' INDEMNITY

During the financial year, there were no indemnity coverage and insurance premium paid for the Directors and officers of the Group and the Company. The Directors and officers shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings required to be kept by the Company under Section 59 of the Companies Act 2016 in Malaysia, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

DIRECTORS' INTERESTS (CONTINUED)

	Number of ordinary shares			
	At 1.7.2018	Bought	Sold	At 30.6.2019
The Company				
Direct interests:				
Fong Wai @ Foong Kai Ming	2,392,500	-	2,392,500	-
Dato' Dr. Ir. Mohd Abdul Karim Abdullah	-	15,263,141(1)	-	15,263,141
Deemed interests:				
Fong Wai @ Foong Kai Ming	625,000(2)	-	625,000	-
Mustakim Mat Nun	-	7,750,000(3)	-	7,750,000

(1) Shares held by the Director as at the date of his appointment as Director of the Company on 28 June 2019

(2) Deemed interested by virtue of his shareholding in Mingsin Trading Company Sdn Bhd pursuant to Section 8 of the Companies Act 2016

(3) Deemed interested by virtue of his shareholding in Grand Deal Vision Sdn Bhd pursuant to Section 8 of the Companies Act 2016

None of the other directors in office at the end of the financial year had any interest in shares of the Company or its related corporations during the financial year.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps to ascertain that:

i) proper action had been taken in relation to the writing off bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render it necessary to write off any bad debts or the amount of provision for doubtful debts inadequate to any substantial extent, and

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

OTHER STATUTORY INFORMATION (CONTINUED)

At the date of this report, there does not exist:

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 30 June 2019 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

The auditors, Messrs Aljafree Salihin Kuzaimi PLT, have expressed their willingness to continue in office.

The auditors' remuneration is disclosed in Note 16 to the financial statements.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Messrs Aljafree Salihin Kuzaimi PLT, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Messrs Aljafree Salihin Kuzaimi PLT during or since the end of the financial year.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors on 21 October 2019:

FONG WAI @ FOONG KAI MING
Director

DATO' ARIVALAGAN A/L ARUJUNAN
Director

STATEMENT BY DIRECTORS
pursuant to Section 251(2) of the Companies Act 2016

STATEMENT BY DIRECTORS
Pursuant to Section 251(2)(b) of the Companies Act 2016

We, **FONG WAI @ FOONG KAI MING** and **DATO' ARIVALAGAN A/L ARUJUNAN**, being two of the Directors of the **KUMPULAN POWERNET BERHAD**, do hereby state that in the opinion of the Directors, the financial statements are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2019 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors:

FONG WAI @ FOONG KAI MING
Director

DATO' ARIVALAGAN A/L ARUJUNAN
Director

STATUTORY DECLARATION
pursuant to Section 251(2) of the Companies Act 2016

STATUTORY DECLARATION
Pursuant to Section 251(1)(b) of the Companies Act 2016

I, **AMIRUL AFIF ABD AZIZ**, being the Officer primarily responsible for the financial management of **KUMPULAN POWERNET BERHAD**, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 14 to 98 are correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Amirul Afif Abd Aziz at Kuala Lumpur in the Federal Territory on 21 October 2019

AMIRUL AFIF ABD AZIZ

Before me,

PESURUHJAYA SUMPAH
W 513
KALASAGAR NAIR
1.1.2019 ~ 31.12.2019
MALAYSIA

B1-1-6, Solaris Dutamas
No.1, Jalan Dutamas 1,
50480 Kuala Lumpur

INDEPENDENT AUDITORS' REPORT
to the Members of Kumpulan Powernet Berhad

OPINION

We have audited the financial statements of KUMPULAN POWERNET BERHAD, which comprise the statements of financial position as at 30 June 2019, and the statements of comprehensive income, statements of changes in equity and statements of cash flows the Group and the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 14 to 98.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

BASIS FOR OPINION

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE AND OTHER ETHICAL RESPONSIBILITIES

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statement of the current year. These matters were addressed in the context of our audit of the financial statement as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (CONTINUED)

Key audit matters	How our audit addressed the key audit matters
1) Revenue and cost of sales from property development activities recognised on percentage of completion method For the financial year ended 30 June 2019, revenue of RM9,802,000 and cost of sales of RM5,762,000 from property development activities account for approximately 74% and 67% of the total Group sales and cost of sales respectively. Where the Group uses percentage of completion method to recognise revenue and profit from its property development activities, the amount of revenue and profit recognised are dependent on, amongst others, the work of management's expert to derive to the percentage of completion, the actual units sold and the estimated total revenue for the respective project. We identified the revenue and cost of sales recognised on the percentage of completion method or over time from property development activities as matters requiring audit focus as these are areas involved significant management's and valuer's judgement and estimates in estimating the total property development costs (which is used to determine the percentage of completion and gross margin of property development activities undertaken by the Group). The Group's accounting policies and disclosures on property development activity based on percentage of completion method are disclosed in Note 2.19(d) respectively to the financial statements.	Our procedures included, amongst others: • We obtained an understanding of the process in deriving the stage of completion which includes verifying the certified work done such as examining the progress claim from contractors, architect certifications and performing site visits on sampling basis; • We evaluated the assumptions applied in estimating the property development costs for property development phases by examining documentary evidence such as letter of award issued to contractors to support the budgeted costs; • We verified the gross development value against the signed sales and purchase agreement; and • We checked the mathematical accuracy of the revenue and profit based on the percentage of completion calculations and considered implication of identified errors and changes in estimates.

KEY AUDIT MATTERS (CONTINUED)

Key audit matters	How our audit addressed the key audit matters
2) Valuation for leasehold land and building and investment properties The Group has significant balances of non-current assets. The significance amount of non-current assets were contributed by a leasehold land and building in Bentong and an investment property in Liverpool which amounting to RM12,339,000 and RM8,090,000 representing 59% and 39% of the Group non-current assets respectively. Investment properties and the leasehold land and building are recognised at cost. Unless the valuation amount is lower than the costs, there will be no more impairment recognised in the year which they arise. The Group has appointed independent professional valuers to perform valuations on its leasehold land and building and investment properties. The valuation is based on assumptions, amongst others, comparable historical transactions and adjustments factors to comparable transactions including location, size, condition, accessibility, and design and market knowledge, estimated rental value per square feet, expected market rental growth and discount rate. We consider the valuation of the investment properties and leasehold land and building as an areas of audit focus such as valuation involves significant judgements and estimates that are highly subjective. The Group's accounting policies and disclosures on property, plant and equipment and investment properties are disclosed in Notes 2.7 and 2.8 respectively to the financial statements.	Our procedures included, amongst others: • We assessed the objectivity, independence, reputation, experience, and expertise of the independent professional valuers; • We reviewed the methodology adopted by independent professional valuers in estimating the market value of the investment properties, leasehold land and building and assessed whether such methodology is consistent with those used in the industry; and • We evaluated the appropriateness of the data used by the independent valuers as input into their valuations. We interviewed the external valuers, discussed and challenged the significant estimates and assumptions applied in their valuation process.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the requirements of the Companies Act, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law and regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 6 to the financial statements.

Other matters

The financial statements of the Group and the Company for the year ended 30 June 2018 were audited by another auditors whom have expressed an unmodified opinion on these statements on 18 October 2018.

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

ALJAFREE SALIHIN KUZAIMI PLT (AF 1522) CHARTERED ACCOUNTANTS	AHMAD ALJAFREE BIN MOHD RAZALLI NO. 01768/05/2021 J CHARTERED ACCOUNTANT

Date: 21 October 2019

Selangor, Malaysia

STATEMENTS OF FINANCIAL POSITION

as at 30 June 2019

	Note	Group		Company	
		2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
Non-current Assets					
Property, plant and equipment	4	12,769	13,521	4	6
Investment properties	5	8,090	8,272	-	-
Investment in subsidiaries	6	-	-	24,917	20,402
		20,859	21,793	24,921	20,408
Current Assets					
Inventories	7	8,921	8,836	-	-
Trade and other receivables	8	9,772	864	40	45
Cash and bank balances	9	1,506	4,485	214	2,737
		20,199	14,185	254	2,782
Total Assets		41,058	35,978	25,175	23,190

STATEMENTS OF **FINANCIAL POSITION**
as at 30 June 2019

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Equity					
Share capital	10	28,994	28,994	28,994	28,994
(Accumulated losses)		(4,472)	(4,961)	(4,719)	(6,626)
Total equity attributable to:					
Owners of the Company		24,522	24,033	24,275	22,368
Non-controlling interest		(395)	(390)	-	-
Total equity		24,127	23,643	24,275	22,368
Non-current Liabilities					
Deferred tax liabilities	12	551	551	2	-
Borrowings	14	2,348	2,915	-	-
		2,899	3,466	2	-
Current Liabilities					
Trade and other payables	13	12,608	7,580	898	820
Provision for taxation		467	8	-	2
Borrowings	14	957	1,281	-	-
		14,040	8,869	898	822
Total Liabilities		16,939	12,335	900	822
Total Equity and Liabilities		41,058	35,978	25,175	23,190

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the financial year ended 30 June 2019

	Note	Group 2019 RM '000	Group 2018 RM '000	Company 2019 RM '000	Company 2018 RM '000
Revenue	15	13,217	5,725	2,529	-
Cost of sales		(8,607)	(6,942)	-	-
Gross profit/ loss		4,610	(1,217)	2,529	-
Other income		124	215	21	72
Selling and distributions expenses		(6)	(638)	(5)	-
Administrative expenses		(2,819)	(3,125)	(638)	(1,557)
Other expenses		(754)	(43)	-	(3,107)
Profit/ (loss) from operations		1,155	(4,808)	1,907	(4,592)
Finance costs	19	(215)	(193)	-	-
Profit/ (loss) before tax	16	940	(5,001)	1,907	(4,592)
Income tax (expense)/benefit	20	(459)	24	-	-
Profit/ (loss) net of tax		481	(4,977)	1,907	(4,592)
Other comprehensive income:					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation		3	(104)	-	-
Total comprehensive income/(loss) for the financial year		484	(5,081)	1,907	(4,592)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the financial year ended 30 June 2019

	Note	Group		Company	
		2019 RM '000	2018 RM '000	2019 RM '000	2018 RM '000
Profit/(loss) attributable to:					
Owners of the parent		486	(4,979)	1,907	(4,592)
Non-controlling interests		(5)	2	-	-
		481	(4,977)	1,907	(4,592)
Total comprehensive income/(loss) attributable to:					
Owners of the parent		489	(5,083)	1,907	(4,592)
Non-controlling interests		(5)	2	-	-
		484	(5,081)	1,907	(4,592)
Earnings per share attributable to owners of the parent (sen per share)					
Basic	21	0.64	(6.54)		
Diluted	21	0.64	(6.54)		

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 30 June 2019

		← Attributable to Equity Share Holder of the Company →						
		← Non-Distributable		→	Distributable			
	Note	Share Capital RM'000	Foreign Currency Translation Reserves RM'000	Asset Revaluation Reserves RM'000	Accumulated Losses RM'000	Total RM'000	Non-Controlling Interest RM'000	Total Equity RM'000
Group								
As at 1 July 2018		28,994	(107)	4,912	(9,766)	24,033	(390)	23,643
Net profit/(loss) for the financial year		-	-	-	486	486	(5)	481
Foreign currency translation		-	3	-	-	3	-	3
Total comprehensive income/(loss) for the year		-	3	-	486	489	(5)	484
As at 30 June 2019		28,994	(104)	4,912	(9,280)	24,522	(395)	24,127
As at 1 July 2017		16,913	(3)	4,912	(4,787)	17,035	(402)	16,633
Profit/ (loss) net of tax		-	-	-	(4,979)	(4,979)	2	(4,977)
Foreign currency translation		-	(104)	-	-	(104)	-	(104)
Total comprehensive (loss)/income for the year		-	(104)	-	(4,979)	(5,083)	2	(5,081)
Transaction with owners								
Issuance of shares	10	12,081	-	-	-	12,081	-	12,081
Acquisition of a subsidiary		-	-	-	-	-	10	10
Total transactions with owners		12,081	-	-	-	12,081	10	12,091
As at 30 June 2018		28,994	(107)	4,912	(9,766)	24,033	(390)	23,643

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 30 June 2019

	Note	Share capital RM'000	(Accumulated Losses) RM'000	Total RM'000
Company				
At 1 July 2017		16,913	(2,034)	14,879
Issuance of ordinary shares	10	12,081	-	12,081
Total comprehensive loss for the year		-	(4,592)	(4,592)
At 30 June 2018		28,994	(6,626)	22,368
Total comprehensive income for the year		-	1,907	1,907
At 30 June 2019		28,994	(4,719)	24,275

STATEMENTS OF CASH FLOWS

for the financial year ended 30 June 2019

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash Flows from Operating Activities				
Profit/ (loss) before tax	940	(5,001)	1,907	(4,592)
Adjustments for:				
Allowance for impairment on				
-investment in subsidiaries	-	-	-	3,107
-property, plant and equipment	2,015	436	-	-
Depreciation of investment properties	155	160	-	-
Depreciation of property, plant and equipment	3,039	987	2	1
Write back of inventories	-	(196)	-	-
Loss on winding up of a subsidiary company	-	24	-	-
Loss/ (gain) on disposal of property, plant and equipment	-	(84)	-	-
Interest expense	215	193	-	-
Unrealised loss on foreign exchange	2	142	2	109
Write off of tax recoverable	-	191	-	40
Write-off property, plant and equipment	-	7	-	-
Interest income	(28)	(74)	(21)	(61)
Operating profit/(loss) before working capital changes	6,338	(3,215)	1,890	(1,396)
(Increase)/ decrease in inventories	(85)	647	-	-
(Increase) in trade and other receivables	(11,788)	(303)	(4,508)	(12)
Increase/ (decrease) in trade and other payables	4,121	(6,071)	116	242
Cash outflows from operations	(1,414)	(8,942)	(2,502)	(1,166)
Interest	28	74	(21)	(61)
Taxes refund	-	17	-	-
Net cash outflows from operating activities	(1,601)	(9,044)	(2,523)	(1,227)

STATEMENTS OF CASH FLOWS

for the financial year ended 30 June 2019

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash Flows from Investing Activities				
Acquisition of property, plant and equipment/ investment	(272)	(25)	-	(7)
Interest received	-	-	-	-
Advance to a subsidiary	-	-	-	(8,154)
Loss from liquidation of subsidiary	-	(24)	-	-
Proceeds from disposal of property, plant and equipment	-	207	-	-
Net cash (outflows)/ inflows from investing activities	(272)	158	-	(8,161)
Cash Flows from Financing Activities				
Issuance of share capital	-	12,081	-	12,081
Interest paid	(215)	(193)	-	-
Repayment of advances to director	-	28	-	(25)
Repayment of loans payables	(891)	677	-	-
Net cash (outflows)/inflows from financing activities	(1,106)	12,593	-	12,056
Net (decrease)/ increase in cash and cash equivalents	(2,979)	3,707	(2,523)	2,668
Effect of exchange rate changes	-	113	-	-
Cash and cash equivalents at beginning of year	4,485	665	2,737	69
Cash and cash equivalents at end of year	1,506	4,485	214	2,737
Cash and cash equivalents at end of year comprised:				
Cash and bank balances	1,228	4,176	6	2,535
Fixed deposits with licensed banks	278	309	208	202
	1,506	4,485	214	2,737

CORPORATE INFORMATION

Kumpulan Powernet Berhad ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200, Kuala Lumpur. The principal place of business of the Company is located at C1-1-1, Solaris Dutamas No. 1, Jalan Dutamas 1, 50480, Kuala Lumpur.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are stated in Note 6 to the financial statements.

There have been no significant changes in the nature of these principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 21 October 2019.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000), except when otherwise indicated.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 July 2018, the Group and the Company adopted the following mandatory new and amended MFRSs.

2.2 Changes in accounting policies (Continued)

Description	Effective for financial periods beginning on or after
MFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
MFRS 9 Financial Instruments	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 140 Transfers of Investment Property (Amendments to MFRS 140)	1 January 2018
Annual Improvements to MFRS Standards 2014 – 2016 Cycle	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018

The adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group and the Company except as discussed below:

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (Continued)

The effects of adopting MFRS 15 are as follows:

(i) Revenue recognition

The Group has adopted the new standard on the required effective date using the modified retrospective method. The directors have assessed the effects of applying the new standard on the Group's financial statements and concluded that there are no significant changes to the recognition and measurement of revenue and related costs to fulfil a contract.

(ii) Presentation and disclosure requirements

The presentation and disclosure requirements in MFRS 15 are also more detailed than the previous standard. For the comparative year ended 30 June 2018, the Group has not disclosed the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the corresponding revenue is expected to be recognised.

The adoption of the new accounting standards did not have any impact on the financial statements or results of the Group and the Company.

MFRS 9 Financial Instruments

MFRS 9 Financial Instruments replaces MFRS 139 Financial Instruments: Recognition and Measurement and brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting.

The Group and the Company adopted this new standard prospectively on the required effective date and did not restate comparative information which continues to be reported under MFRS 139. The Group and the Company performed assessment on these three aspects of this standard. Overall, there is no significant impact on its statement of financial position and retained earning as at 1 July 2018.

(i) Classification and measurement

Loans and receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under MFRS 9. Therefore, reclassification for these instruments is not required.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (Continued)

(ii) Impairment

Under MFRS 9, the Group and the Company are required to record expected credit loss on its trade and other receivables, either on a 12-month or lifetime basis. The Group and the Company apply simplified approach permitted by MFRS 9 and record expected lifetime loss on its trade receivables. This impairment requirement does not have a significant impact on its carrying amount of the trade receivables.

MFRS 140 Transfers of Investment Property (Amendments to MFRS 140)

The amendments clarify that when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of change in use.

These amendments do not have any impact on the Group's and the Company's financial statements.

Annual Improvements to MFRS Standards 2014 – 2016 Cycle

The Annual Improvements to MFRS Standards 2014-2016 Cycle include a number of amendments to various MFRSs, which are summarised below. These amendments do not have a significant impact on the Group's and the Company's financial statements.

Standards	Descriptions
MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards – Deletion of short-term exemptions for first-time adopters	This amendment is not applicable to the Group as the Group is not a first-time adopter of MFRS.
MFRS 128 Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment by-investment choice	The amendments clarify that: - an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition, on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (Continued)

Annual Improvements to MFRS Standards 2014 – 2016 Cycle (Continued)

Standards	Descriptions
	- if an entity, that is not itself an investment entity, has an interest in associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at a later date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. These amendments are not applicable to the Group as the Group is not a venture capital organisation and the Group does not have any associate or joint venture that is an investment entity.

IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that, in determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability, the date of transaction is the date on which an entity initially recognises the non-monetary asset or nonmonetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Group's and the Company's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intends to adopt these standards, if applicable, when they become effective.

Description	**Effective for financial periods beginning on or after**
MFRS 9 Prepayment Features with Negative Compensation (Amendments to MFRS 9)	1 January 2019
MFRS 16 Leases	1 January 2019
MFRS 128 Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)	1 January 2019
Annual Improvements to MFRS Standards 2015–2017 Cycle	1 January 2019
MFRS 119 Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Definition of a Business (Amendments to MFRS 3 Business Combination)	1 January 2020
Definition of Material (Amendment to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors)	1 January 2020
Amendments to MFRS 138: Intangible assets	1 January 2021
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The Directors expect that the adoption of the standards and interpretations above will have no material impact on the financial statements in the period of initial application, except as disclosed below:

MFRS 9 Prepayment Features with Negative Compensation (Amendments to MFRS 9)

Under MFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are solely payments of principal and interest on the principal amount outstanding (the SPPI criterion) and the instrument is held within the appropriate business model for that classification.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (Continued)

MFRS 9 Prepayment Features with Negative Compensation (Amendments to MFRS 9) (continued)

The amendments to MFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments must be applied retrospectively. Earlier application is permitted. These amendments are not expected to have a significant impact on the Group's and the Company's financial statements.

MFRS 16 Leases

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases. MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (Continued)

MFRS 16 Leases (continued)

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

The Group plans to adopt the new standard on the required effective date using the modified retrospective approach. The Group elected to measure all of their right-of-use assets at the date of initial application at an amount equal to the lease liability.

The Group has performed a preliminary impact assessment based on currently available information, and the assessment may be subject to changes arising from ongoing analysis until the Group adopts MFRS 16 in 2019.

On the adoption of MFRS 16, the Group expects to recognise right-of-use assets and lease liabilities for its leases previously classified as operating leases.

MFRS 128 Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)

The amendments clarify that an entity applies MFRS 9 Financial Instruments to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). In applying MFRS 9, an entity does not account for any losses of the associate, or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying MFRS 128 Investments in Associates and Joint Ventures.

Entities must apply the amendments retrospectively, with certain exceptions. Early application of the amendments is permitted and must be disclosed. As the amendments eliminate ambiguity in the wording of the standard, the directors of the Company do not expect the amendments to have any impact on the Group's and the Company's financial statements.

Annual Improvements to MFRS Standards 2015–2017 Cycle

The Annual Improvements to MFRS Standards 2015-2017 Cycle include a number of amendments to various MFRSs, which are summarised below. These amendments do not have a significant impact on the Group's and the Company's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (Continued)

Annual Improvements to MFRS Standards 2015–2017 Cycle

Standards	Descriptions
MFRS 112 Income Taxes – Income tax consequences of payments on financial instruments classified as equity	The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. An entity applies these amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. When an entity first applies these amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.
MFRS 123 Borrowing Costs – Borrowing costs eligible for capitalisation	The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. An entity applies these amendments to borrowing costs incurred on or after the beginning of the annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted.

MFRS 119 Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)

The amendments require entities to use the updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement, which occurs during the reporting period. The amendments also clarify how the requirements for accounting for a plan amendment, curtailment or settlement affect the asset ceiling requirements.

The amendments should be applied prospectively to plan amendments, curtailments or settlements that occur on or after 1 January 2019, with earlier application permitted. These amendments will not have a significant impact on the Group's and the Company's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (Continued)

IC Interpretation 23 Uncertainty over Income Tax Treatments

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of MFRS 112 and does not apply to taxes or levies outside the scope of MFRS 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- whether an entity considers uncertain tax treatments separately;
- the assumptions an entity makes about the estimation of tax treatments by taxation authorities;
- how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- how an entity considers changes in facts and circumstances.

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The Group and the Company will apply the interpretation from its effective date.

Definition of a Business (Amendments to MFRS 3 Business Combination)

Under MFRS 3, the amendments to the definition of a business are to help entities determine whether an acquired set of activities and assets is a business or not. The amendments clarify the following:

- Minimum requirements to be a business;
- Market participants' ability to replace missing elements;
- Assessing whether an acquired process is substantive;
- Narrowed the definitions of outputs; and
- Introduced an optional concentration test.

The amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. Consequently, the Group does not have to revisit such transactions that occurred in prior periods. Earlier application is permitted and must be disclosed. These amendments are not expected to have a significant impact on the Group's and the Company's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (Continued)

Definition of Material (Amendment to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors)

Under MFRS 101 and MFRS 108, the amendments were made to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments must be applied prospectively. Early application is permitted and must be disclosed. These amendments are not expected to have a significant impact on the Group's and the Company's financial statements.

MFRS 17 Insurance Contracts

MFRS 17 will replace MFRS 4 Insurance Contracts. MFRS 17 applies to all types of insurance contracts (i.e life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The overall objective of MFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in MFRS 4, which are largely based on grandfathering previous local accounting policies, MFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of MFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach); and
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

MFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies MFRS 9 and MFRS 15 on or before the date it first applies MFRS 17. This standard is not applicable to the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The Group controls an investee, if and only if, the Group has all the following:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(i) The contractual arrangement with the other vote holders of the investee;

(ii) Rights arising from other contractual arrangements; and

(iii) The Group's voting rights and potential voting rights.

Subsidiaries are consolidated when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full except for unrealised losses, which are not eliminated when there are indications of impairment.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation (Continued)

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation (Continued)

Business combinations (Continued)

Acquisitions of subsidiaries that includes put options to acquire non-controlling interests in the future are accounted for in accordance with MFRS 10 Consolidated Financial Statements. During the period the non-controlling interests put options remain unexercised, the non-controlling interests are calculated and immediately derecognised as though it was acquired at that date. A financial liability with respect to put options is recognised in accordance with MFRS 9 Financial Instruments. The difference between derecognition of the non-controlling interests and recognition of the financial liabilities is accounted for as an equity transaction, and disclosed under capital reserve in equity.

2.5 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated statements of comprehensive income and within equity in the consolidated statements of financial position, separately from equity attributable to owners of the Company.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign Currency

The Group's consolidated financial statements are presented in Ringgit Malaysia, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. For partial disposals of associates that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and to the Company and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Freehold land is stated at cost less accumulated impairment losses, if any. Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Factory and buildings	over 18 to 28 years
Office equipment and computers	over 4 to 10 years
Motor vehicles	5 years
Furniture and fittings	10 years
Renovation	10 years
Electrical installation, air conditioner and renovation	10 years
Plant and machinery	10 years

Buildings situated on leased land are amortised over the unexpired term of leases.

Capital work-in-progress is not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Investment Property

Investment property is investment in land and buildings that are held for long term rental yields and/or capital appreciation.

Investment in freehold land is stated at cost and is not depreciated as it has an indefinite life. Other investment property is stated at cost less accumulated depreciation and impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.9 to the financial statements.

Investment property is depreciated on a straight-line basis to write off the cost of the assets to their residual values over their estimated useful lives at an annual rate of 2%.

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it shall be derecognised (eliminated) from the statement of financial position. The difference between the net disposal proceeds and its carrying amount is charged or credited to profit or loss in the financial year of the retirement or disposal.

2.9 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU").

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Impairment of non-financial assets (Continued)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.10 Subsidiaries

A subsidiary is an entity over which the Group has all the following:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2.11 Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

At initial recognition, the Group and the Company measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party if the trade receivables do not contain a significant financing component at initial recognition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (Continued)

Subsequent measurement

Investments in debt instruments

Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are:

- Amortised cost

  Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

- Fair value through other comprehensive income ("FVOCI")

  Financial assets that are held for collection of contractual of cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

- Fair value through profit or loss

  Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instrument that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss statement in the period in which it arises. Interest income from these financial assets is included in finance income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (Continued)

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

2.12 Impairment of financial assets

The Group and the Company assess at each financial year end whether there has been a significant increase in credit risk for financial assets by comparing the risk of default occurring over the expected life with the risk of default since initial recognition. In determining whether credit risk on a financial asset has increased significantly since initial recognition, the Group and the Company use external credit rating and other supportive information to assess deterioration in credit quality of a financial asset where practical. The Group and the Company assess whether the credit risk on a financial asset has increased significantly on an individual or collective basis. For collective basis evaluation, financial assets are grouped on the basis of similar risk characteristics.

The Group and the Company consider past loss experience and observable data such as current changes and future forecasts in economic conditions to estimate the amount of expected impairment loss. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

The carrying amount of the financial asset is reduced through the use of an allowance account and the impairment loss is recognised in profit or loss. When a financial asset becomes uncollectible, it is written off against the allowance account.

The Group and the Company measure the impairment loss based on the two-step approach to measure the Expected Credit Loss ("ECL") on financial assets:

- 12-month ECL

For a financial asset for which there is no significant increase in credit risk since initial recognition, the Group and the Company shall measure the allowance for impairment for that financial asset at an amount based on the probability of default occurring within the next 12 months considering the loss given default of that financial asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Impairment of financial assets (Continued)

The Group and the Company measure the impairment loss based on the two-step approach to measure the Expected Credit Loss ("ECL") on financial assets (continued):

- Lifetime ECL

For a financial asset for which there is a significant increase in credit risk since initial recognition, a lifetime ECL for that financial asset is recognised as allowance for impairment by the Group and the Company. If, in a subsequent period the significant increase in credit risk since initial recognition is no longer evident, the Group and the Company shall revert the loss allowance measurement from lifetime ECL to 12-month ECL.

If in a subsequent period, the credit quality improves and reverses any previously assessed significant increase in credit risk since initial recognition, then the impairment loss reverts from lifetime ECL to 12-month ECL.

2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

For the purpose of the statements of cash flows, cash and cash equivalents consist of cash and bank balances as defined above, net of outstanding bank overdrafts and deposits pledged with licensed banks.

2.14 Inventories

(a) Trading inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for on a weighted average basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Inventories (Continued)

(b) Manufacturing inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

(i) Raw materials: purchase costs on a first-in first-out basis.
(ii) Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.

(c) Inventory property

Inventory property cost includes freehold land, amounts paid to contractors for construction, borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

2.15 Provision

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group and the Company determine the classification of their financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's and the Company's financial liabilities include trade and other payables, loans and borrowings, and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as described below:

<u>Financial liabilities at fair value through profit or loss</u>

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group and the Company that do not meet the hedge accounting criteria. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in profit or loss.

The Group and the Company have designated interest rate swap as a financial liability at fair value through profit or loss.

<u>Loans and borrowings</u>

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Financial liabilities (Continued)

Subsequent measurement (Continued)

Loans and borrowings (Continued)

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are measured at the higher of the amount of the loss allowance determined in accordance with the impairment model under MFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

2.17 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Borrowing costs (Continued)

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

2.18 Employee benefits

(a) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(b) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligations to pay further contributions if any of the funds does not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as expense in the period in which the related services is performed. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF"). Some of the Group's foreign subsidiaries also make contributions to their respective countries' statutory pension schemes.

(c) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group and the Company recognise termination benefits when they are demonstrably committed to either terminate the employment of current employees according to a detailed plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after reporting date are discounted to present value.

(d) Defined benefit plans

The Group operates an unfunded, defined benefit plan for its eligible employees. The Group's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their services in the current and prior periods and that benefit is discounted to determine the present value. The discount rate is the market yield at the reporting date on high quality corporate bonds or government bonds. The defined benefit obligation is calculated using the projected unit credit method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Employee benefits (Continued)

(d) Defined benefit plans (Continued)

Re-measurements, comprising actuarial gains and losses, are recognised immediately in the statements of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- the date of the plan amendment or curtailment; and
- the date that the Group recognises restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

The Group recognises the following changes in the net defined benefit obligation under 'employee benefits expense' in the income statements:

- service costs comprising current service costs, past-service costs, gains and losses on curtailments, and non-routine settlements; and
- net interest expense or income.

2.19 Leases

a) Financial lease

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

b) Operating lease

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. The accounting policy for rental income is set out in Note 2.20(b).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Revenue

The Group and the Company satisfy a performance obligation and recognise revenue over time if the Group's and the Company's performance:

(i) Do not create an asset with an alternative use to the Group and the Company and have an enforceable right to payment for performance completed to-date; or

(ii) Create or enhance an asset that the customer controls as the asset is created or enhanced; or

(iii) Provide benefits that the customer simultaneously receives and consumes as the Group and the Company perform.

For performance obligations where any one of the above conditions is not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

When the Group and the Company satisfy a performance obligation by delivering the promised goods or services, it creates a contract based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability.

Revenue is measured at the fair value of consideration received or receivable. The following describes the performance obligations in contracts with customers:

(a) Sale of goods

Revenue from sales of goods is recognised net of discounts when control of the asset is transferred to the customer, generally on the delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Rental of rooms and other services

Revenue from rental of rooms and other related services are recognised as and when the services are rendered.

(c) Interest income

Interest income is recognised using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Revenue (Continued)

(d) Revenue from property development

Contract with customers may include multiple promises to customers and therefore accounted for as separate performance obligations. In this case, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. When these are not directly observable, they are estimated based on expected cost-plus margin.

The revenue from property development is measured at the fixed transaction price agreed under the sale and purchase agreement.

Revenue from property development is recognised as and when the control of the asset is transferred to the customer and it is probable that the Group will collect the consideration to which it will be entitled in exchange for the asset that will be transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to make payment for performance completed to date.

This is generally established when:

- the promised properties are specifically identified by its plot, lot and parcel number and its attributes (such as its size and location) in the sale and purchase agreements and the attached layout plan and the purchaser could enforce its rights to the promised properties if the Group seeks to sell the unit to another purchaser. The contractual restriction on the Group's ability to direct the promised residential property for another use is substantive and the promised properties sold to the purchasers do not have an alternative use to the Group; and
- the Group has the right to make payment for performance completed to date and its entitled to continue to transfer to the customer the development units promised and has the rights to complete the construction of the properties and enforce its rights to full payment.

If control of the asset transfer over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Revenue (Continued)

(d) Revenue from property development (Continued)

The Group and the Company recognise revenue over time using the input method, which is based on the actual cost incurred to date on the property development project as compared to the total budgeted cost for the respective development projects.

The Group recognises sales at a point in time for the sale of completed properties, when the control of the properties has been transferred to the purchasers, being when the properties have been completed and delivered to the customers and it is probable that the Group will collect the considerations on which it will be entitled to in the exchange for the assets sold.

2.21 Income tax

Income tax expense in profit or loss comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

a) Current tax

Current tax is the expected taxes payable or receivable on the taxable income or loss for the financial year, using the tax rates that have been enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

b) Deferred tax

Deferred tax is recognised using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the statements of financial position. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unutilised tax losses and unused tax credits, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Income tax (Continued)

b) Deferred tax (Continued)

Deferred tax is not recognised if the temporary differences arise from the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal timing of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle their income tax recoverable and income tax payable on a net basis or their tax assets and liabilities will be realised simultaneously.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Income tax (Continued)

c) Good and service tax ("GST")

Revenues, expenses and assets are recognized net of GST except:

- where the GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the goods and services tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated inclusive of GST.

The net amount of GST refundable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

It was reduced to 0% on 1 June 2018. GST was replaced with the Sales Tax and Service Tax starting 1 September 2018.

2.22 Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment revenues, expenses, assets, liabilities are those amounts resulting from operating activities of a segment that are directly attributable to the segment and a relevant portion that can be allocated on a reasonable basis to the segment.

Segment revenue, expenses, assets, and, liabilities are determined before intra-group balances transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment

2.23 Fair Value Measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the assets in its highest and best use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Fair Value Measurements (Continued)

The Group and the Company measure financial instruments, such as, derivatives, and non- financial assets such as properties, at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 5.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group and by the Company.

Fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	:	Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
Level 2	:	Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; or
Level 3	:	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determine whether transfers have occurred between Levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group and the Company determine the policies and procedures for recurring fair value measurement, such as properties and unquoted available-for-sale ("AFS") financial assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Fair Value Measurements (Continued)

External valuers may be involved for valuation of significant assets, such as properties and AFS financial assets. Involvement of external valuers is decided upon annually by the Group and by the Company.

Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

At each reporting date, the Group and the Company analyse the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's and the Company's accounting policies. For this analysis, the Group and the Company verify the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Group and the Company, in conjunction with the Group's and the Company's external valuers, also compare the changes in the fair value of each asset and liability with relevant external sources, where practical, to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group and the Company have determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.24 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain event(s) not wholly within the control of the Group and of the Company.

Contingent liability is also referred as a present obligation that arises from past events but is not recognised because:

(a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
(b) the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities and assets are not recognised in the statements of financial position.

2.25 Share capital

Ordinary shares

Ordinary shares are equity instruments. An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's and of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumption and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Judgements made in applying accounting policies

In the process of applying the Group's and the Company's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

(a) Classification between investment properties and property, plant and equipment

The Group has developed certain criteria based on MFRS 140 in making judgement whether a property qualified as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

One of the buildings of the Group is being substantially let out to earn rental income. Accordingly, this property is classified as investment property.

(b) Impairment of financial assets

The Group and the Company follow the guidance of MFRS 9 in determining when a financial asset is considered impaired. This determination requires significant judgement. The Group and the Company evaluate, among other factors, the duration and extent to which the fair value of a financial asset is less than its cost; and the financial health of and the near-term business outlook of the issuer of the instrument, including factors such as industry performance, changes in technology and operational and financing cash flows.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

3.2 Key sources of estimation uncertainty (Continued)

(a) Impairment of receivables

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's and the Company's receivables at the reporting date is disclosed in Note 8.

(b) Provisions

The provisions are determined based on the management's best estimates after considering the probable outflow of resources embodying economic benefits that will be required to settle the obligation.

(c) Useful lives of plant and equipment

The cost of plant and equipment is depreciated on a straight-line basis over the plant and equipment's estimated useful lives. Management estimates the useful lives of these plant and equipment (excludes freehold land, factory and buildings) to be within 4 to 10 years. The carrying amount of the Group's plant and equipment at 30 June 2019 was RM430,000 (2018: RM671,000) as disclosed in Note 4 to the financial statements.

(d) Revenue recognition of property development activities

Revenue on property development activities are recognized in accordance with the accounting policy set out in Note 2.17. The terms of the property development contract and the laws that apply to these contracts, will determine whether the control of the properties sold is transferred and the corresponding revenue is recognized over time or at a point in time.

The Group recognizes certain of its property development activities over time or based on percentage of completion method using the input method which is based on the actual cost incurred to date on the property development project as compared to the total budgeted cost for the respective development projects.

4. PROPERTY, PLANT AND EQUIPMENT

Group 2019	**Freehold Land RM'000**	**Factory and Buildings RM'000**	**Furniture and Fittings RM'000**	**Office Equipment and Computer RM'000**	**Motor Vehicles RM'000**	**Electrical Installation, Air Conditioner and Renovation RM'000**	**Plant and Machinery RM'000**	**Total RM'000**
Cost/Valuation								
At 1 July 2018	4,800	9,200	117	913	260	2,745	24,322	42,357
Additions	-	-	-	272	-	-	-	272
Disposals	-	-	-	(324)	(47)	(128)	(2,885)	(3,384)
At 30 June 2019	4,800	9,200	117	861	213	2,617	21,437	39,245
Representing:								
- At cost	-	-	117	861	213	2,617	21,437	25,245
- At valuation	4,800	9,200	-	-	-	-	-	14,000
	4,800	9,200	117	861	213	2,617	21,437	39,245

Group 2019	**Note**	**Freehold Land RM'000**	**Factory and Buildings RM'000**	**Furniture and Fittings RM'000**	**Office Equipment and Computer RM'000**	**Motor Vehicles RM'000**	**Electrical Installation, Air Conditioner and Renovation RM'000**	**Plant and Machinery RM'000**	**Total RM'000**
Accumulated depreciation and impairment loss									
At 1 July 2018		-	1,150	110	852	256	2,672	23,796	28,836
Depreciation for the financial year	16	-	511	2	215	5	-	2,306	3,039
Disposals		-	-	-	(277)	(47)	(128)	(2,932)	(3,384)
Impairment loss	16	-	-	-	-	-	-	(2,015)	(2,015)
At 30 June 2019		-	1,661	112	790	214	2,544	21,155	26,476
Carrying amounts at 30 June 2019		4,800	7,539	5	71	-	73	282	12,769
Representing:									
- At cost		-	-	5	71	-	73	282	430
- At valuation		4,800	7,539	-	-	-	-	-	12,339
		4,800	7,539	5	71	-	73	282	12,769

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group 2018	Freehold Land RM'000	Factory and Buildings RM'000	Furniture and Fittings RM'000	Office Equipment and Computer RM'000	Motor Vehicles RM'000	Electrical Installation, Air Conditioner and Renovation RM'000	Plant and Machinery RM'000	Total RM'000
Cost/Valuation								
At 1 July 2017	4,800	9,200	542	1,718	260	2,905	26,749	46,174
Additions	-	-	5	16	-	4	-	25
Disposals/ Written off	-	-	(430)	(821)	-	(164)	(2,427)	(3,842)
At 30 June 2018	4,800	9,200	117	913	260	2,745	24,322	42,357
Representing:								
- At cost	-	-	117	913	260	2,745	24,322	28,357
- At valuation	4,800	9,200	-	-	-	-	-	14,000
	4,800	9,200	117	913	260	2,745	24,322	42,357

Group 2018	Freehold Land RM'000	Factory and Buildings RM'000	Furniture and Fittings RM'000	Office Equipment and Computer RM'000	Motor Vehicles RM'000	Electrical Installation, Air Conditioner and Renovation RM'000	Plant and Machinery RM'000	Total RM'000
Accumulated depreciation and impairment loss								
At 1 July 2017	-	639	539	1,656	250	2,765	25,712	31,561
Depreciation for the financial year	-	511	1	9	6	72	388	987
Disposals/ Written off	-	-	(430)	(813)	-	(165)	(1,868)	(3,276)
Impairment loss	-	-	-	-	-	-	(436)	(436)
At 30 June 2018	-	1,150	110	852	256	2,672	23,796	28,836
Carrying amounts at 30 June 2018	4,800	8,050	7	61	4	73	526	13,521
Representing:								
- At cost	-	-	7	61	4	73	526	671
- At valuation	4,800	8,050	-	-	-	-	-	12,850
	4,800	8,050	7	61	4	73	526	13,521

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Furniture and Fittings RM'000	Equipment Office RM'000	Total RM'000
2019			
Cost			
At 1 July 2018/30 June 2019	77	244	321
Accumulated Depreciation			
At 1 July 2018	77	238	315
Depreciation charge for the financial year	-	2	2
At 30 June 2019	77	240	317
Carrying amounts at 30 June 2019	-	4	4
2018			
Cost			
At 1 July 2018	77	237	314
Additions	-	7	7
At 30 June 2018	77	244	321
Accumulated Depreciation			
At 30 June 2018	77	237	314
Depreciation charge for the financial year	-	1	1
	77	238	315
Carrying amounts at 30 June 2018	-	6	6

(a) During the financial year, the Group had revalued its freehold land and buildings based on professional valuations made by an independent valuer, using Comparison Method of valuation on 29 July 2019.

Had the revalued freehold land and buildings been carried under the cost model, the carrying amounts would have been as follows:

	Group 2019 RM'000	2018 RM'000
Freehold land	811	811
Freehold factory and building	5,621	5,944
	6,432	6,755

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Fair value information:

Group **2019**	**Level 1** **RM'000**	**Level 2** **RM'000**	**Level 3** **RM'000**
Freehold land	-	4,800	-
Freehold factory and building	-	7,700	-
	-	12,500	-
2018			
Freehold land	-	4,800	-
Freehold factory and building	-	9,200	-
	-	14,000	-

The fair value of freehold land, factory and buildings of the Group are determined based on the valuation report dated 29 July 2019, carried out by an accredited independent valuer with recognised and relevant qualification and recent experience in the location and assets being revalued. The valuation method used was the Comparison Method that refers to recent transactions and sales, involving other similar properties in the vicinity. The significant input into this valuation approach is price per square foot of comparable properties.

Fair value hierarchy

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical properties that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value if estimated using inputs other than quoted prices included within Level 1 that are observable for the properties, either direct or indirect.

Level 3 fair value

Level 3 is estimated using unobservable input for the properties.

The Group does not have non-financial assets measured at Level 1 and Level 3 hierarchy.

Transfer between levels of fair value hierarchy

There is no transfer between levels of fair values hierarchy during the financial year.

5. INVESTMENT PROPERTIES

	Freehold Land RM'000	Freehold Building RM'000	Total RM'000
Group			
2019			
Cost			
At 1 July 2018	1,196	7,776	8,972
Foreign exchange differences	(4)	129	125
At 30 June 2019	1,192	7,905	9,097
Accumulated depreciation			
At 1 July 2018	-	700	700
Depreciation for the financial year	-	155	155
Foreign exchange differences	-	152	152
At 30 June 2019	-	1,007	1,007
Carrying amounts at 30 June 2019	1,192	6,898	8,090
2018			
Cost			
At 1 July 2017	1,255	8,158	9,413
Foreign exchange differences	(59)	(382)	(441)
At 30 June 2018	1,196	7,776	8,972
Accumulated depreciation			
At 1 July 2017	-	571	571
Depreciation for the financial year	-	160	160
Foreign exchange differences	-	(31)	(31)
At 30 June 2018	-	700	700
Carrying amounts at 30 June 2018	1,196	7,076	8,272

Included in investment properties of the Group is asset charged to the licensed bank to secure credit facilities granted to the subsidiary as disclosed in Note 14(a) to the financial statements.

5. INVESTMENT PROPERTIES (CONTINUED)

(i) Fair value information

The investment property is located in Liverpool, United Kingdom. It comprises a student hall of residence, which provides 36 student rooms of varying size together with communal facilities including lounges, kitchen, bathrooms and shower rooms as well as an office, store and plant room.

The rental income earned by the Group from its investment property amounted to RM745,508 (2018: RM518,662). Direct operating expenses pertaining to the income generating investment property during the financial year amounted to RM655,865 (2018: RM403,729).

Fair Value Information

The fair value of freehold land and building of the Group are determined based on the directors' assessment based on the rental income during the year. The fair value basis was on the capitalisation of the estimated net rental income generated from this investment property. The significant input into this valuation approach is rental income and operating cost during the year for the investment.

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Group			
2019			
Freehold land and building	-	9,221	-
2018			
Freehold land and building	-	9,251	-

Fair value of investment property is categorised as follows:

The fair value of the investment property was measured in June 2019 based on the highest and best use method to reflect the actual market state and circumstances as of the end of financial year. The fair value was based on a valuation made by an independent professional valuer, which hold a recognised and relevant professional qualification with sufficient recent experience in the location and category of the investment property being valued. Management determined that the highest best use of the assets is the current use and that it would provide maximum value to market participants through its use in combination with other assets.

5. INVESTMENT PROPERTIES (CONTINUED)

Detail of the Group's investment property are as follow:

Description	Location	Existing use
Nightingale House	The Lodge, 1, Princes Road, Liverpool, LS 1TG	Generate rental income

There is no transfer between levels of fair values hierarchy during the financial year.

6. INVESTMENT IN SUBSIDIARIES

	Note	Company 2019 RM'000	Company 2018 RM'000
Unquoted shares, at cost		40,053	40,053
Less: Allowance for impairment		(39,940)	(39,940)
		113	113
Quasi equity (Reclassified from amount due from subsidiaries)	(a)	26,586	22,071
Less: Allowance for impairment		(1,782)	(1,782)
		24,804	20,289
		24,917	20,402

(a) Quasi equity represents advances and payments made on behalf on which the settlement is either planned or likely to occur in the foreseeable future. These amounts are, in substance, a part of the Company's net investment in the subsidiaries. The quasi equity is stated at cost less accumulated impairment loss, if any.

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Group's Effective Equity Interest/ Voting Rights		Principal Activities
		2019	2018	
		%	%	
Powernet Industries Sdn Bhd ("PISB")	Malaysia	100	100	Manufacturing of warp-knitted fabrics
Powernet Properties Sdn Bhd ("PPSB")	Malaysia	100	100	Property Investment
Zelinn Limited*	British Virgin Islands	100	100	Investment holding
Hypergize Link Sdn Bhd ("HLSB") #	Malaysia	100	100	Investment holding
CBG Capital Sdn Bhd #@	Malaysia	51	51	Property development
CBG Builders Sdn Bhd #@	Malaysia	51	51	Property development
Subsidiaries of PISB				
Cepsel Industries Sdn Bhd (formerly known as Powernet Trading (M) Sdn Bhd)	Malaysia	100	100	Trading of lingerie materials and accessories
Powerfit Industries Sdn Bhd ("PFSB")	Malaysia	91	91	Manufacturing and sales of slit binding, bone casing, clips hook and eye fittings, hook and eye tapes and hook and eye tape machines

* *Companies not required to be audited in their country of incorporation. The financial statements have been reviewed for consolidation purposes.*

\# *Companies are inactive and yet to commence any business*

@ *Companies are not audited by Aljafree Salihin Kuzaimi PLT*

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(b) Non-controlling interests in subsidiaries

	PFSB RM'000 9%	CBG Capital RM'000 49%	CBG Builders RM'000 49%	Total RM'000
2019				
Carrying amount of non-controlling interests	(391)	(2)	(2)	(395)
Loss attributable to non-controlling interests	(5)	-	-	(5)
2018				
Carrying amount of non-controlling interests	(386)	(2)	(2)	(390)
Gain/ (Loss) attributable to non-controlling interests	6	(2)	(2)	2

(c) Summarised financial information before intra-group elimination

	PFSB RM'000 9%	CBG Capital RM'000 49%	CBG Builders RM'000 49%
As at 30 June 2019			
Current assets	57	6	6
Current liabilities	(58)	(2)	(2)
Net Assets	(1)	4	4
Year ended 30 June 2019			
Revenue	1	-	-
Loss for the financial year	(58)	(6)	(6)
Total comprehensive loss for the financial year	(58)	(6)	(6)
2019			
Cash flows from operating activities	453	-	-
Cash flows from investing activities	-	-	-
Cash flows from financing activities	-	-	-
Net increase in cash and cash equivalents	453	-	-
Dividends paid to non-controlling interests	-	-	-

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(c) Summarised financial information before intra-group elimination (continued)

	PFSB RM'000 9%	CBG Capital RM'000 49%	CBG Builders RM'000 49%
As at 30 June 2018			
Current assets	102	7	7
Current liabilities	(44)	(1)	(1)
Net Assets	58	6	6
Year ended 30 June 2018			
Revenue	102	-	-
Loss for the financial year	62	4	4
Total comprehensive loss for the financial year	62	4	4
2018			
Cash flows from operating activities	62	(3)	(3)
Cash flows from investing activities	39	10	10
Cash flows from financing activities	(100)	-	-
Net decrease in cash and cash equivalents	1	7	7
Dividends paid to non-controlling interests	-	-	-

7. INVENTORIES

	Group	
	2019 RM'000	2018 RM'000
At lower of cost and net realisable value:		
Raw material	89	78
Work-in-progress	520	742
Manufactured inventories	199	331
Consumables	702	785
Property under development - Leasehold land at cost	7,411	6,900
	8,921	8,836
Recognised in profit or loss:		
Inventories recognised as cost of sales	6,942	3,631
Reversal of write-down	-	(196)

7. INVENTORIES (CONTINUED)

	Group	
	2019 RM'000	2018 RM'000
At 1 July		
Leasehold land at costs	6,900	6,900
Cost incurred during the year		
- development costs	511	-
At 30 June		
Leasehold land & development cost	7,411	6,900

8. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trade receivables	9,450	458	-	-
Other receivables	9	6	-	-
Deposits	81	41	36	36
Prepayments	217	90	-	-
GST recoverable	3	269	3	9
	9,772	864	-	-

Trade receivables

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trade receivables	10,044	1,052	-	-
Less: Allowance for impairment	(594)	(594)	-	-
	9,450	458	-	-

Trade receivables are non-interest bearing and are generally on 30 days to 60 days (2018: 30 days to 60 days) credit terms. They recognised on their original invoice amount which represents their fair value on initial recognition.

8. TRADE AND OTHER RECEIVABLES (CONTINUED)

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	Group 2019 RM'000	Group 2018 RM'000
Neither past due nor impaired	8,832	324
1 to 30 days past due not impaired	35	90
31 to 120 days past due not impaired	583	44
More than 120 days past due not impaired	-	-
	618	134
	9,450	458
Impaired	594	594
	10,044	1,052

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

Receivables that are past due but not impaired

These trade receivables are not impaired due to their past good payment records. Based on the past experience and no adverse information to date, the directors are of the opinion that no impairment is necessary.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group 2019 RM'000	Group 2018 RM'000
Individually impaired		
Trade receivables	594	594
Less: Allowance for impairment	(594)	(594)
	-	-

	Group 2019 RM'000	Group 2018 RM'000
Movements in allowances accounts:		
At 1 January	594	649
Reversed during the financial year	-	(55)
At 30 June	594	594

Trade receivables are individually determined to be impaired at the reporting date which has defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

9 CASH AND BANK BALANCES AND DEPOSITS WITH LICENSED BANKS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash at banks	1,222	4,176	4	2,535
Cash in hand	6	-	2	-
Deposits with licensed banks	278	309	208	202
	1,506	4,485	214	2,737

Other financial institutions are licensed discount houses in Malaysia and other foreign banks. Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and the Company, and earns interests at the respective short-term deposits rates at 3.3%.

10. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares		|----------Amount----------|	
	2019 '000	2018 '000	2019 RM'000	2018 RM'000
Issued and fully paid:				
At 1 July	76,150	56,375	28,994	16,913
Issuance of ordinary shares	-	19,775	-	12,081
At 30 June	76,150	76,150	28,994	28,994

In previous financial year, the Company issued 12,852,941 and 6,922,000 new ordinary shares at a price of RM0.51 and RM0.80 per ordinary share respectively as follows:

(i) 12,852,941 new ordinary shares were issued by the way of part settlement of the purchase consideration for the Project Acquisition undertaken by KPB; and
(ii) 6,922,000 new ordinary shares were issued by way of private placement.

The new ordinary shares issued during the previous financial year rank pari passu in all respects with the existing ordinary shares of the Company.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

11. RESERVES

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Foreign currency translation reserves	(a)	(104)	(107)	-	-
Revaluation reserves	(b)	4,912	4,912	-	-
Total reserves		4,808	4,805	-	-

(a) Foreign currency translation reserves

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(b) Revaluation reserves

The revaluation reserves are used to record increase in fair values of land and buildings and decrease to the extent that such decrease relates to an increase on the same asset previously recognised in other comprehensive income.

12. DEFERRED TAX LIABILITIES

(a) Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The amounts of deferred tax assets and liabilities, after appropriate offsetting, are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At 1 July	(551)	(575)	(2)	(2)
Crystalisation	-	24	-	-
At 30 June	(551)	(551)	(2)	(2)
Presented after appropriate offsetting:				
Deferred tax liabilities	(551)	(551)	(2)	(2)
	(551)	(551)	(2)	(2)

12. DEFERRED TAX LIABILITIES (CONTINUED)

Deferred tax liabilities of the Group

	Revaluation of factory and building RM'000	Property, plant and equipment RM'000	Total RM'000
At 1 July 2018	(549)	(2)	(551)
Recognised in profit or loss	-	-	-
At 30 June 2019	(549)	(2)	(551)
At 1 July 2017	(574)	(1)	(575)
Recognised in profit or loss	25	(1)	24
At 30 June 2018	(549)	(2)	(551)

(b) Deferred tax assets have not been recognised for the following items:

	2019 RM'000	2018 RM'000
Tax effects of unused tax losses	27,670	28,710
Tax effects of unabsorbed capital allowance	14,636	12,006
Tax effects of unabsorbed reinvestment allowances	4,830	4,830
Tax effect of other deductible difference	(575)	(12,924)
At 30 June	46,561	32,622

13. TRADE AND OTHER PAYABLES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trade payables	5,870	598	104	364
Other payables	952	875	64	64
Accruals	353	248	-	-
Deferred revenue	-	519	-	-
Amount due to directors	5,433	5,340	730	392
	12,608	7,580	898	820

The normal trade credit terms granted to the Group range from 30 days to 90 days (2018: 30 days to 90 days).

The amount due to directors are unsecured, non-interest bearing, repayable upon demand and are expected to be settled in cash.

14. BORROWINGS

	Note	Group 2019 RM'000	Group 2018 RM'000
Non-current			
Term loan I (secured)	(a)	2,004	2,514
Term loan II (unsecured)	(b)	344	401
		2,348	2,915
Current liabilities			
Term loan I (secured)	(a)	556	558
Term loan II (unsecured)	(b)	401	723
		957	1,281
Total borrowings		3,305	4,196

(a) Term loan I (secured)

	Group 2019 RM'000	Group 2018 RM'000
Term loan	2,560	3,072
Represented by:		
Current		
- not later than one year	556	558
Non-current		
- later than one year but not later than five years	2,004	2,514
	2,560	3,072

Zelinn Limited's term loan bears interest rate at 4% fixed rate per annum and repayable by 84 monthly instalments each commencing from 1 July 2014.

The term loan is secured by way of:

(i) 1st party legal charge over the property as disclosed in Note 5 to the financial statements;
(ii) A blanket assignment for rental proceeds from the Property to be deposited in the Rent Account with the bank; and
(iii) Corporate guarantee from the Company.

14. BORROWINGS (CONTINUED)

(b) Term loan II - unsecured

Powernet Industries Sdn Bhd's term loan bears interest rate at 18% per annum. The term loans are separated into 4 portions ranging from 1 year to 3 years.

	Group	
	2019 RM'000	2018 RM'000
Term loan	745	1,124
Represented by:		
Current		
- Not later than one year	401	723
Non-current		
- Later than one year but not later than five years	344	401
	745	1,124

15. REVENUE

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Sale of goods	12,471	5,206	-	-
Management fees	-	-	2,529	-
Rental income	746	519	-	-
	13,217	5,725	2,529	-

16. PROFIT/(LOSS) BEFORE TAX

Included in other operating expenses are as follows:

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Auditors' remuneration					
- current year		73	1	25	30
- prior year		15	84	-	-
Allowance for impairment on					
- investment in subsidiaries		-	-	-	3,107
- property, plant and equipment		2,015	436	-	-
Unrealised loss on foreign exchange		2	142	2	109
Depreciation of:					
- property plant and equipment		3,039	987	2	1
- investment properties		155	160	-	-
Director's remuneration	18	238	355	20	226
Operating lease on premises		72	100	72	100
Employee benefit expenses	17	2,813	2,763	276	498
Loss on liquidation of subsidiary		-	24	-	-
Write-off of tax recoverable		-	191	-	40
Interest income		(28)	(74)	(21)	(61)
Bad debt recovered		-	(28)		-
Write back of inventories		-	(196)		-

17. EMPLOYEES BENEFITS EXPENSES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Salaries, wages, allowances and bonuses	2,366	2,470	258	470
Contributions to defined contribution plans	415	257	15	25
SOCSO	32	36	3	3
	2,813	2,763	276	498

18. DIRECTORS' REMUNERATION

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Fees	20	46	20	46
Other emoluments	218	309	-	180
	238	355	20	226

19. FINANCE COSTS

	Group	
	2019 RM'000	2018 RM'000
Interest expenses on term loan	215	193
	215	193

20. INCOME TAX EXPENSE

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current income tax				
- Malaysian income tax	459	-	-	-
Deferred tax liabilities (note 12)				
- origination and reversal of timing difference	-	(24)	-	-
	459	(24)	-	-

The income tax is calculated at the statutory rate of 24% (2018: 24%) of the estimated assessable profit for the year.

20. INCOME TAX EXPENSE (CONTINUED)

A reconciliation of income tax applicable to profit/(loss) before tax at the statutory income tax rate to income tax expenses at the effective income tax rate of the Group and of the Company are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit/(loss) before tax	940	(5,001)	1,907	(4,592)
Tax at Malaysian statutory tax rate of 24% (2018: 24%)	226	(1,200)	458	1,102
Tax effects arising from				
- non-deductible expenses	233	2,131	(458)	(815)
- non-taxable income	-	6	-	-
- origination of deferred tax not recognised in the financial statements	-	(986)	-	(287)
- crystallisation of deferred taxation	-	25	-	-
	459	(24)	-	-

21. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing profit net of tax attributable to owners of the parent by the number of ordinary shares outstanding during the financial year.

Diluted earnings per share are calculated by dividing profit, net of tax, attributable to owners of the Company by the number of ordinary shares outstanding during the financial year plus the number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. The Company does not have any diluted earnings per share.

The following reflect the profit and share data used in the computation of basic and diluted earnings per share for the years ended 30 June 2019 and 30 June 2018:

	Group	
	2019 RM'000	2018 RM'000
Profit/(Loss) net of tax attributable to owners of the parent	486	(4,979)

21. EARNINGS PER SHARE (CONTINUED)

	Group	
	2019 '000	2018 '000
Number of shares for basic earnings per share computation	76,150	76,150
Number of shares for diluted earnings per share computation	76,150	76,150

There have been no transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

22. CONTINGENT LIABILITY

	Group	
	2019 RM'000	2018 RM'000
Bank guarantee issued in favour of various third parties	75	75

23. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Identification of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel comprise persons having authority and responsibility for planning, directing and controlling the activities of the group entities either directly or indirectly.

The Company has controlling related party relationship with its direct and indirect subsidiaries.

b) Key management personnel compensation

The remuneration of Directors during the financial year as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Directors				
Fees	20	46	20	46
Salaries, bonuses and allowances	218	309	-	180
	238	355	20	226

23. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

b) Key management personnel compensation (Continued)

There are no disclosures for compensation to other key management personnel of the Group as the authority and responsibility for planning, directing and controlling the activities of the entity is performed by the Board.

(c) Significant transactions

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group, the Company and related parties took place at terms agreed between the parties during the financial year:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Rental paid/payables to a director's related company	45	3	-	-

24. OPERATING SEGMENTS

The Group adopted MFRS 8 Operating Segments. MFRS 8 requires the identification of operating segments on the basis of internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segments and assess their performance.

Factors used to identify reportable segment

Properties segment, manufacturing segment and investment holding segment are organised and identified as separate reportable segments due to the nature of the principal activities in which the business operates.

General information

The information reported to the Management to make decisions about resources to be allocated and for assessing their performance is based on the business segments of the Group. The Group's operating segments are as follows:

Properties	:	Property investment and investment holding
Manufacturing	:	The manufacture and sale of warp-knitted fabrics, clips, hook and eye fitting, hook and eye tape machines.
Investment	:	Investment in land and buildings that are held for long term rental yields and/or capital appreciation.

24. OPERATING SEGMENTS (CONTINUED)

Measurement of reportable segments

Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the consolidated financial statements.

There are varying levels of integration between Properties reportable segments and Manufacturing and Investment reportable segments. This integration includes sales of inventory and rental of property. Inter-segment pricing is determined on a negotiated basis.

Performance is measured based on segment profit before tax and finance cost that are reviewed by the Group's chief operating decision maker. There are no significant changes from prior financial year in the measurement methods used to determine reported segment profit or loss.

All the Group's assets are allocated to reportable segments other than assets used centrally for the Group, current and deferred tax assets. Jointly used assets are allocated on the basis of the revenues earned by individual segments.

All the Group's liabilities are allocated to reportable segments other than liabilities incurred centrally for the Group, current tax liabilities and deferred tax liabilities. Jointly incurred liabilities are allocated in proportion to the segment assets.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

	Properties RM'000	Manufacturing RM'000	Investment RM'000	Elimination RM'000	Note	Total RM'000
2019						
Revenue						
External customers	9,802	2,669	3,275	2,529		13,217
Results						
Interest income	7	1	22	-		30
Interest expense	-	89	126	-		215
Depreciation	-	3,037	2	-		3,039
Other non-cash expenses	-	2,015	4	-	(b)	2,019
Segment results	1,453	(2,691)	1,719	-	(c)	481
Assets						
Property, plant and equipment	-	12,766	3	-		12,769
Segment assets	17,019	15,111	35,446	25,516	(d)	41,058
Segment liabilities	14,381	19,153	9,157	25,752	(e)	16,939

24. OPERATING SEGMENTS (CONTINUED)

Measurement of reportable segments (Continued)

	Properties RM'000	Manufacturing RM'000	Investment RM'000	Elimination RM'000	Note	Total RM'000
2018						
Revenue						
External customers	-	5,206	519	-	(a)	5,725
Results						
Interest income	5	69	-	-		74
Interest expense	-	(63)	(130)	-		(193)
Depreciation	-	(987)	(160)	-		(1,147)
Other non-cash expenses	(8)	(3)	142	-	(b)	139
Segment results	(8)	(4,618)	(182)	-	(c)	(4,808)
Assets						
Property, plant and equipment	-	25	-	-		25
Segment assets	7,925	31,329	8,549	(11,825)	(d)	35,978
Segment liabilities	7,186	8,559	7,852	(11,813)	(e)	11,784

Inter-segment revenues are eliminated upon consolidation and reflected in the elimination column. All other eliminations are part of detail reconciliation presented below.

(a) Inter-segment revenues are eliminated on consolidation.
(b) Other material non-cash expenses/(income) consist of the following items as presented in the respective notes to the financial statements:

	Group 2019 RM'000	2018 RM'000
Allowance for impairment on trade receivables		
- property, plant and equipment	2,015	(436)
Written off on property, plant and equipment	-	629
Write back of inventories	-	(196)
Unrealised foreign exchange	4	142
	2,019	139

24. OPERATING SEGMENTS (CONTINUED)

Measurement of reportable segments (Continued)

(c) Reconciliations of reportable segment profit to profit or loss

	Group	
	2019 RM'000	**2018 RM'000**
Profit or loss		
Total profit or loss for reportable segments	1,155	(4,808)
Finance costs	(215)	(193)
Consolidated profit before tax	940	(5,001)
Taxation	(459)	24
Consolidated profit after tax	481	(4,977)

(d) The following items are added to/ (deducted from) segment assets to arrive at total assets reported in the consolidated statement of financial position:

	Group	
	2019 RM'000	**2018 RM'000**
Tax recoverable	-	-
Inter-segment assets	41,058	35,978
	41,058	35,978

(e) The following items are added to/(deducted from) segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	Group	
	2019 RM'000	**2018 RM'000**
Deferred tax liabilities	551	551
Inter-segment liabilities	16,388	11,784
	16,939	12,335

24. OPERATING SEGMENTS (CONTINUED)

Measurement of reportable segments (Continued)

Geographical segments

The Group's geographical segments are based on the location of the Group's assets. Sales to external customers disclosed in geographical segments are based on the geographical segments of its customers. The amounts of non-current assets do not include financial instruments and deferred tax assets.

	Malaysia RM'000	Asia Pacific Region RM'000	Europe RM'000	Others RM'000	Total RM'000
2019					
Revenue from external customers	12,471	-	746	-	13,217
Non-current assets	12,766	-	3	-	12,769
2018					
Revenue from external customers	3,201	1,391	1,133	-	5,725
Non-current assets	13,521	-	8,272	-	21,793

Information about a major customer

Major customers' revenues are from transactions with a single external customer amounting to ten percent or more of the Group revenue. A group of entities known to a reporting entity to be under common control shall be considered a single customer, and a government and entities known to the reporting entity to be under the control of that government shall be considered a single customer.

During the financial year, revenue was generated from one major customer from the manufacturing segment amounting to RM 654,623 (2018: RM 601,232).

25. CLASSIFICATION OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are measured on an on-going basis either at fair value or at amortised cost. The principal accounting policies in Note 2.3 to the financial statements describe how classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised.

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis.

	Loans and receivables RM'000	Financial liabilities at amortised cost RM'000	Total RM'000
Group			
2019			
Financial Assets			
Trade receivables	9,450	-	9,450
Other receivables and deposits*	90	-	90
Deposits placed with licensed banks	278	-	278
Cash and bank balances	1,228	-	1,228
Total Financial Assets	11,046	-	11,046
Financial Liabilities			
Trade payables	-	(5,877)	(5,877)
Other payables & accruals	-	(903)	(903)
Amount due to directors	-	(5,433)	(5,433)
Borrowings	-	(3,305)	(3,305)
Total Financial Liabilities	-	(15,518)	(15,518)
2018			
Financial Assets			
Trade receivables	458	-	458
Other receivables and deposits*	47	-	47
Deposits placed with licensed banks	309	-	309
Cash and bank balances	4,176	-	4,176
Total Financial Assets	4,990	-	4,990
Financial Liabilities			
Trade payables	-	(598)	(598)
Other payables & accruals	-	(1,122)	(1,122)
Amount due to directors	-	(5,340)	(5,340)
Borrowings	-	(4,196)	(4,196)
Total Financial Liabilities	-	(11,256)	(11,256)

25. CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONTINUED)

	Loans and receivables RM'000	Financial liabilities at amortised cost RM'000	Total RM'000
Company			
2019			
Financial Assets			
Other receivables and deposits*	36	-	36
Deposit placed with licensed banks	208	-	208
Cash and bank balances	6	-	6
Total Financial Assets	250	-	250
Financial Liabilities			
Other payables and accruals	-	(139)	(139)
Amount due to directors	-	(730)	(730)
Total Financial Liabilities	-	(869)	(869)
2018			
Financial Assets			
Other receivables and deposits*	36	-	36
Deposit placed with licensed banks	202	-	202
Cash and bank balances	2,535	-	2,535
Total Financial Assets	2,773	-	2,773
Financial Liabilities			
Other payables and accruals	-	(428)	(428)
Amount due to directors	-	(392)	(392)
Total Financial Liabilities	-	(820)	(820)

* exclude prepayments and GST refundable

26. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Determination of fair value

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or the Group and the Company do not anticipate the carrying amounts recorded at the financial period end to be significantly different from the values that would be eventually received or settled.

The carrying amount of current and long-term floating rate loans are reasonable approximation of fair value as the loans to be repaid to market interest rate on or near report date.

26. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair Value Information

Fair value hierarchy

The following are classes of financial instruments that are carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1	:	Unadjusted quoted prices in active market for identical financial instruments
Level 2	:	Inputs other than quoted prices include within Level 1 that are observable either directly or indirectly
Level 3	:	Inputs that are not based on observable market data

The following table provides the fair value measurement hierarchy of the Group's financial instruments:

		Fair value of financial instrument not carried at fair value				
		Level 1	Level 2	Level 3	Total	Carrying amount
	Note	RM'000	RM'000	RM'000	RM'000	RM'000
Group 2019 Financial Liabilities						
Borrowing:						
- Term loan	14	-	-	3,305	3,305	3,305

Policy on transfer between levels
The fair value of an asset to be transferred between levels is determined as of the date of the change in circumstances that caused the transfer.

Transfer between Level 1 and Level 2 of fair values
There has been no transfer between levels of fair values during the financial year and last financial period.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The operations of the Group and of the Company are subject to a variety of financial risks, including credit risk, liquidity risk, interest rate risk, and foreign currency risk. The Group and the Company have adopted a financial risk management framework whose principal objective is to minimise the Group's and the Company's exposure to risks and/or costs associated with the financing, investing and operating activities of the Group and of the Company.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. The Company's exposure to credit risk arises principally from loan and advances to subsidiaries.

Receivables

Risk management objective, policies and processes for managing the risk
The management has a credit policy in place to monitor and minimise the exposure of default. Credit evaluations are performed on all customers requiring credit over certain amount.

Exposure to credit risk
At the reporting date, the Group's maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statements of financial position.

Information regarding credit enhancements for trade receivables is disclosed in Note 8 to the financial statements.

Credit risk concentration profile
The Group determines concentrations of credit risk by monitoring the country profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the reporting date are as follows:

	Group			
	2019		2018	
	RM'000	% of total	RM'000	% of total
By country:				
Europe	-	-	16	3
Asia	9,450	100	442	97
	9,450	100	458	100

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

Financial assets that are neither past due nor impaired
Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 8 to the financial statements. Deposits with banks and other financial institutions are placed with or entered into with reputable financial institutions with high credit ratings.

Financial assets that are either past due or impaired
Information regarding financial assets that are past due or impaired is disclosed in Note 8 to the financial statements.

Intercompany balances

Risk management objective, policies and processes for managing the risk
The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk
At the reporting date, the maximum exposure to credit risk is presented by their carrying mounts in the statements of financial position.

Impairment losses
Information regarding impairment losses on loans and advances to subsidiaries is disclosed in Note 6 to the financial statements.

Financial guarantees

Risk management objective, policies and processes for managing the risk
The Company provides secured financial guarantees to banks in respect of banking facilities granted to a subsidiary. The Company monitors on an ongoing basis the performance of the subsidiaries to meet the expectation of their customers in accordance with the original terms of a contract in due course.

Exposure to credit risk
The maximum exposed to credit risk amounts to RM2,599,395 representing the outstanding banking facilities of the subsidiaries as at the end of the reporting year.

At the reporting date, there was no indication that the subsidiaries would fail to meet the terms as stated in the contract.

The financial guarantees have not been recognised due to the uncertainties of timing, costs and eventual outcome.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables and borrowings.

Risk management objective, policies and processes for managing the risk
The Group maintains a level of cash and cash equivalents deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

The Group's assessment on the liquidity position and viability of the Group's and Company's funding plans to meet the repayment obligations of its short-term borrowings and other current liabilities which are due in the next 12 months, which includes fund raised through disposing the investment property was an area of focus as the assessment requires the exercise of significant judgement by the Group on assumptions supporting the cash flow forecasts, including the revenue and profit margin.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (Continued)

Maturity analysis

The maturity profile of the Group's and the Company's financial liabilities based on undiscounted contractual repayment at the reporting date are as follows:

	Carrying Amount RM'000	Contractual Interest rate %	Contractual cash flows: On demand or within 1 Year RM'000	1-5 Years RM'000	More than 5 Years RM'000	Total RM'000
Financial liabilities Group 2019						
Trade payables	5,876	-	5,876	-	-	5,876
Other payables and accruals	903	-	903	-	-	903
Amount due to directors	5,433	-	5,433	-	-	5,433
Borrowings	3,305	4%	957	2,348	-	3,305
2018						
Trade payables	598	-	598	-	-	598
Other payables and accruals	1,122	-	1,122	-	-	1,122
Amount due to directors	5,340	-	5,340	-	-	5,340
Borrowings	4,196	4%	558	2,514	-	3,072
Financial liabilities Company 2019						
Other payables and accruals	168	-	168	-	-	168
Amount due to directors	730	-	730	-	-	730
Financial guarantee contracts	-	-	-	-	-	-

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (Continued)

Maturity analysis (Continued)

			Contractual cash flows			
	Carrying Amount RM'000	Contractual Interest rate %	On demand or within 1 Year RM'000	1-5 Years RM'000	More than 5 Years RM'000	Total RM'000
Financial liabilities Company 2018						
Other payables and accruals	428	-	428	-	-	428
Amount due to directors	392	-	392	-	-	392
Financial guarantee contracts	-	-	558	2,514	-	3,072

(c) Interest rate risk

Risk management objective, policies and processes for managing the risk
The Group manages the net exposure to interest rate risks by monitoring the exposure to such risks on an ongoing basis.

Exposure to interest rate risk
The Group's exposure to interest rate risk arises primarily from deposits placed with licensed banks and interest-bearing borrowing.

The Group and the Company manage the net exposure to interest rate risks by maintaining sufficient lines of credit to obtain acceptable lending costs and by monitoring the exposure to such risks on an ongoing basis. Management does not enter into interest rate hedging transactions since it considers that the cost of such instruments outweighs the potential risk of interest rate fluctuation.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Interest rate risk (Continued)

	Effective Interest Rate %	Within 1 Year RM'000	1 to 5 Years RM'000	More than 5 Years RM'000	Total RM'000
Group					
2019					
Financial assets					
Deposit placed with licensed banks	3.30	278	-	-	278
Financial liabilities					
Term loan I (Secured)	18.00	556	2,004	-	2,560
Term loan II (Unsecured)	4.00	401	344	-	745

	Effective Interest Rate %	Within 1 Year RM'000	1 to 5 Years RM'000	More than 5 Years RM'000	Total RM'000
Group					
2018					
Financial assets					
Deposit placed with licensed banks	3.30	309	-	-	309
Financial liabilities					
Term loan I (Secured)	18.00	1,022	102	-	1,124
Term loan II (Unsecured)	4.00	558	2,514	-	3,072

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Interest rate risk (Continued)

Financial instruments subject to floating interest rates are repriced regularly. Financial instruments at fixed rates are fixed until the maturity of the instruments.

Sensitivity analysis for interest rate risk
An increase in market interest rates by 1% (2018:1%) on financial assets and liabilities of the Group which have variable interest rates at the reporting date would increase the loss net of tax by RM31,890 (2018:RM28,059). This analysis assumes that all other variables remain constant.

A decrease in market interest rates by 1% on financial assets and liabilities of the Group which have variable interest rates at the reporting date would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Risk management objective, policies and processes for managing the risk
The Group and the Company manage the net exposure to foreign currency risks by monitoring the exposure to such risks on an ongoing basis. Management does not enter into currency hedging transactions since it considers that the cost of such instruments outweighs the potential risk of exchange rate fluctuations.

Exposure to foreign currency risk
The Group is exposed to foreign currency risk on sales, purchases and cash and bank balances that are denominated in a currency other than the respective functional currencies of the Group. The currency giving rise to this risk is primarily the United States Dollar ("USD").

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Foreign currency risk (Continued)

The Group's exposure to foreign currency risks, based on carrying amounts at the reporting date are as follows:

	Group	
	2019 RM'000	**2018 RM'000**
Financial assets and liabilities not held in functional currency		
Trade receivables		
United States Dollar	39	166
Cash and bank balances		
United States Dollar	124	317

Sensitivity analysis for foreign currency risk

The exposure of currency risk to the Group other than USD is not material and hence, sensitivity analysis is not presented.

28. CAPITAL MANAGEMENT

The Group actively and regularly reviews and manages its capital structure with the objectives of ensuring that the Group will be able to continue as a going concern while maximising the return to stakeholders. These reviews take into consideration future capital requirements of the Group, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and strategic investment opportunities.

The capital structure of the Group consists of debt which includes borrowings (Note 14 to the financial statements), cash and cash equivalents (Statements of Cash Flows), and equity attributable to equity holders of the Company.

28. CAPITAL MANAGEMENT (CONTINUED)

The Group's overall capital management strategy remains unchanged from 2018 and this includes maintaining a healthy gearing ratio taking into consideration the objectives of the Group. As at reporting date, the gearing ratio calculated as total borrowings divided by total equity is as follows:

	Group	
	2019 RM'000	**2018 RM'000**
Total loans and borrowings (Note 14)	3,305	4,196
Less: Cash and cash equivalents (Note 9)	(1,506)	(4,485)
	1,799	(289)
Total equity	24,124	23,643
Debt-to-equity ratios	0.07	(0.01)

There were no changes in the Group's approach to capital management during the year.

The Company is required to comply with the disclosure and necessary capital requirements as prescribed.

LIST OF PROPERTIES

Material Properties	Brief Description	Existing use	Tenure	Approx age of building	Net book value	Revaluation took place	Date of last revaluation
Zelinn Limited Address: Nightingale House, The Lodge, 1 Princes Road, Liverpool, L8 1TG, United Kingdom.	Building	Student hall of residence	Freehold	119 years	USD1,937,406	Liverpool, UK	27 June 2018
Northern Sentul Commercial Address: Lot PT 9869, Jalan Sentul Pasar, Setapak, Gombak, Wilayah Persekutuan Kuala Lumpur.	On-going construction of building		Leasehold; date of expiry of the lease- 11 May 2113	On-going construction	RM7,410,800	Sentul, KL	9 June 2016
Bentong textile manufacturing factory Address: No. 53, 3 ¾ Mile, Jalan Bentong-Kuala Lumpur, 28700 Bentong, Pahang Darul Makmur.	Building	Factory and Office	Freehold	39 years	RM12,764,556	Bentong, Pahang	29 July 2019

ANALYSIS OF SHAREHOLDINGS
as at 16 October 2019

Number of Issued Shares	:	76,149,941
Class of Securities	:	Ordinary shares
Voting Rights	:	One (1) vote per ordinary share

ANALYSIS BY SIZE OF HOLDINGS

Size of Holdings	No of Shareholders	%	Total No. of Shares	%
Less than 100	312	28.76	15,847	0.02
100 – 1,000	78	7.19	42,459	0.06
1,001 – 10,000	504	46.45	1,621,524	2.13
10,001 – 100,000	132	12.17	4,423,862	5.81
100,001 - Less Than 5% Of Issued Shares	56	5.16	32,282,708	42.39
3,807,497 And Above Of Issued Shares	3	0.28	37,763,541	49.59
Total	**1,085**	**100.00**	**76,149,941**	**100.00**

30 LARGEST SHAREHOLDERS AS PER THE RECORD OF DEPOSITORS
(Without Aggregating Securities From Different Securities Accounts Belonging To The Same Registered Holder)

NO	NAME	HOLDINGS	%
1	Dato' Dr. Ir. Mohd Abdul Karim Abdullah	15,263,141	20.04
2	UOB Kay Hian Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Mohd Abdul Karim Abdullah*	13,500,400	17.73
3	Grand Deal Vision Sdn Bhd	9,000,000	11.82
4	Lim Kuan Gin	2,891,800	3.80
5	HSBC Nominees (Asing) Sdn Bhd *Exempt AN for HSBC Broking Securities (Asia) Limited (Client A/C)*	2,806,000	3.68
6	Affin Hwang Nominees (Asing) Sdn Bhd *Exempt AN for Phillip Securities (Hong Kong) Ltd (Clients' Account)*	2,624,000	3.45
7	Public Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Chan Weng Sang (E-Tmi)*	2,043,300	2.68
8	Pui Cheng Wui	2,000,000	2.63
9	Seck Bernard	1,525,708	2.00
10	Public Nominees (Asing) Sdn Bhd *Pledged Securities Account for Khau Kimbac (E-Klc)*	1,500,000	1.97
11	Phan Ying Tong	1,290,000	1.69
12	Loh Kah Hock	1,202,900	1.58
13	Lee Mei Kee	1,047,000	1.37
14	Maybank Securities Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Lee Chong Hoon*	739,200	0.97
15	Dinersty Group Sdn Bhd	643,300	0.84
16	Lee Poh Hin	636,800	0.84
17	Lee Yee Long	632,300	0.83
18	Liew Ee Moun	563,750	0.74
19	Lim Guat Khim	563,750	0.74
20	UOB Kay Hian Nominees (Tempatan) Sdn Bhd *Exempt AN for UOB Kay Hian Pte Ltd (A/C Clients)*	550,000	0.72

ANALYSIS OF SHAREHOLDINGS
as at 16 October 2019

30 LARGEST SHAREHOLDERS AS PER THE RECORD OF DEPOSITORS (CONTINUED)

NO	NAME	HOLDINGS	%
21	Chew Kam Wah	454,100	0.60
22	Lee Lai Ming	430,000	0.56
23	Maybank Securities Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ong Kian Leong*	395,600	0.52
24	Ong Kian Min	390,000	0.51
25	Dato' Lim Kok Han	380,000	0.50
26	Chang Meei Meei	350,900	0.46
27	Public Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Quay Chin Teik (E-IMO/CMR)*	350,000	0.46
28	RHB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Chan Weng Sang*	334,600	0.44
29	Affin Hwang Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Ng Chee Seng (M01)*	305,000	0.40
30	Leong Siew Ming	303,400	0.40

SUBSTANTIAL SHAREHOLDERS AS AT 16 OCTOBER 2019

	Direct		Indirect	
	No. of shares	%	No. of shares	%
Dato' Dr. Ir. Mohd Abdul Karim Abdullah (1)	28,763,541(1)	37.77	-	-
Grand Deal Vision Sdn Bhd	9,000,000	11.82	-	-
Mustakim Mat Nun			9,000,000(2)	11.82
Sarah Azreen Abdul Samat			9,000,000(2)	11.82

Notes:-
(1) Held under director's name and nominee account
(2) Deemed interested by virtue of his/her shareholdings in Grand Deal Vision Sdn Bhd pursuant to Section 8 of the Companies Act 2016

DIRECTORS' SHAREHOLDINGS AS AT 16 OCTOBER 2019

	Direct		Indirect	
	No. of shares	%	No. of shares	%
Dato' Haji Roshidi Bin Haji Hashim	-	-	-	-
Dato' Dr. Ir. Mohd Abdul Karim Abdullah	28,763,541(1)	37.77	-	-
Mustakim Mat Nun			9,000,000(1)	11.82
Fong Wai @ Foong Kai Ming	299,800	0.39	90,000	0.12
Dato' Arivalagan A/L Arujunan	-	-	-	-
Kok Pauline	-	-	-	-
Tan Yee Hou	-	-	-	-

Notes:-
(1) Deemed interested by virtue of his shareholdings in Grand Deal Vision Sdn Bhd pursuant to Section 8 of the Companies Act 2016

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-Second Annual General Meeting ("22nd AGM") of Kumpulan Powernet Berhad ("the Company") will be held at **Banquet Hall, Level 1, Main Lobby, TPC Kuala Lumpur, 10 Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur** on **28 November 2019, Thursday at 10.00 a.m.** to transact the following businesses:-

AGENDA

Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 30 June 2019 together with the Reports of the Directors and Auditors thereon. **[Please refer to Explanatory Note 1 on Ordinary Business]**

2. To approve the payment of under-provision of Directors' Fees of RM194,000 for the period from 1 July 2018 until the conclusion of the 22nd AGM. **Ordinary Resolution 1 [Please refer to Explanatory Note 2 on Ordinary Business]**

3. To approve the payment of under-provision of Directors' benefits of RM51,000 for the period from 1 July 2018 until the conclusion of the 22nd AGM. **Ordinary Resolution 2 [Please refer to Explanatory Note 2 on Ordinary Business]**

4. To approve the payment of Directors' fees of up to RM582,000 for the period from the conclusion of the 22nd AGM until the next Annual General Meeting of the Company. **Ordinary Resolution 3 [Please refer to Explanatory Note 2 on Ordinary Business]**

5. To approve the payment of Directors' benefits of up to RM153,000 for the period from the conclusion of the 22nd AGM until the next Annual General Meeting of the Company. **Ordinary Resolution 4 [Please refer to Explanatory Note 2 on Ordinary Business]**

6. To re-elect the following Directors who retire pursuant to Article 105 of the Articles of Association of the Company:- **[Please refer to Explanatory Note 3 on Ordinary Business]**
   (i) Mr Tan Yee Hou **Ordinary Resolution 5**
   (ii) Dato' Dr. Ir. Mohd Abdul Karim Bin Abdullah **Ordinary Resolution 6**
   (iii) Encik Mustakim Bin Mat Nun **Ordinary Resolution 7**

7. To re-appoint Messrs Aljafree Salihin Kuzaimi PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 8**

Special Business

To consider and, if thought fit, to pass, with or without modifications, the following Ordinary Resolutions and Special Resolution:

8. **Ordinary Resolution** **Ordinary Resolution 9**
   Authority to Allot and Issue Shares

   "THAT subject always to the Companies Act 2016 ("Act"), the Articles of Association of the Company, Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements and the approvals of the relevant governmental/regulatory authorities (if any), the Directors be and are hereby authorised pursuant to Sections 75 and 76 of the Act, to allot shares in the Company, from time to time, at such price, upon such terms and conditions and for such purposes and to such person or persons whomsoever as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares issued during the preceding **[Please refer to Explanatory Note 1 on Special Business]**

12 months pursuant to this resolution does not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares) of the Company for the time being and THAT the Directors be and are hereby also empowered to obtain the approval for the listing of and quotation for the additional shares so issued from Bursa Securities AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company after the approval was given or at the expiry of the period within which the next Annual General Meeting is required to be held after the approval was given, whichever is earlier, unless such approval is revoked or varied by the Company at a general meeting."

9. **Special Resolution**
Proposed Alteration of the Existing Memorandum and Articles of Association by Replacing with a New Constitution ("Proposed Alteration")

(Special Resolution)
[Please refer to Explanatory Note 2 on Special Business]

"THAT the existing Memorandum and Articles of Association of the Company be hereby altered by replacing with a new Constitution as set out in the Annexure A attached herewith with effect from the date of passing of this special resolution.

AND THAT the Directors of the Company be hereby authorised to do all such acts and things and to take all such steps as they deem fit, necessary, expedient and/or appropriate in order to complete and give full effect to the Proposed Alteration with full powers to assent to any condition, modification, variation and/or amendment as may be required or imposed by the relevant authorities."

10. To consider any other business of which due notice shall have been given.

BY ORDER OF THE BOARD

WONG WAI FOONG
(MAICSA 7001358)
YAP SIT LEE
(MAICSA 7028098)
Company Secretaries

Kuala Lumpur
30 October 2019

Notes:

APPOINTMENT OF PROXY

(a) *A member entitled to attend and vote at the meeting is entitled to appoint a proxy/proxies and vote in his/her stead. A proxy need not be a member of the Company.*
(b) *A member may appoint up to two (2) proxies to attend and vote in his stead except where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account held by it with ordinary shares of the Company standing to the credit of the said securities account.*
(c) *Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
(d) *Where a member appoints two (2) proxies, he shall specify the proportion of his shareholdings to be represented by each proxy.*

(e) *The instrument appointing a proxy shall be in writing signed by the appointor or his attorney duly authorised in writing, or if the appointor is a corporation, either under its common seal or signed by an officer or attorney so authorised.*

(f) *The instrument appointing a proxy must be deposited at the office of the Company's Share Registrar located at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than 48 hours before the time for holding the meeting or at any adjournment thereof.*

(g) *Only members whose names appear in the Record of Depositors as at 20 November 2019 will be entitled to attend, speak and vote at the meeting or appoint proxy(ies) to attend, speak and vote on their behalf.*

EXPLANATORY NOTES ON ORDINARY BUSINESS

1. Audited Financial Statements for the financial year ended 30 June 2019

This item is meant for discussion only as the provision of Section 340(1) of the Companies Act 2016 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this item of the Agenda is not put forward for voting.

2. Ordinary Resolutions 1, 2, 3 and 4 : Payment of Directors' Fees and benefits

Pursuant to Section 230(1) of the Act, the fees of the directors and any benefits payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting.

The Directors' fees proposed under Ordinary Resolution 1 is to meet the under-provision in Directors' fees approved by the shareholders in the Twenty-First Annual General Meeting ("21st AGM") held on 21 December 2018 due to changes in the Board of Directors ("Board") and revision in the Directors' fees. The shareholders at the 21st AGM held on 21 December 2018 approved the Directors' fees of up to RM50,000 for the period from 1 July 2018 until the conclusion of the 22nd AGM.

The Directors' benefits proposed under Ordinary Resolution 2 is to meet the under-provision in Directors' benefits approved by the shareholders in the 21st AGM held on 21 December 2018 due to additional Board meetings held and revision in meeting allowance for Directors. The shareholders at the 21st AGM held on 21 December 2018 approved the Directors' benefits of up to RM9,500 for the period from 1 July 2018 until the conclusion of the 22nd AGM.

The proposed Ordinary Resolution 3 is to facilitate the payment of Directors' fees from the conclusion of the 22nd AGM up to the next Annual General Meeting of the Company, calculated based on the size of the current Board.

The proposed Ordinary Resolution 4 for the Directors' benefits such as meeting allowances payable to the Directors is calculated based on the current Board size and the number of scheduled meetings for the period from the conclusion of the 22nd AGM up to the next Annual General Meeting.

In the event the proposed amount of Directors' fees and/or benefits are insufficient (e.g. due to more meetings or enlarged Board size), approval will be sought at the next Annual General Meeting for the under-provision.

3. Ordinary Resolutions 5 to 7: Re-election of Directors

Mr Tan Yee Hou, Dato' Dr. Ir. Mohd Abdul Karim Bin Abdullah and Encik Mustakim Bin Mat Nun are standing for re-election as Directors of the Company and being eligible, have offered themselves for re-election at the 22nd AGM.

Mr Fong Wai @ Foong Kai Ming and Dato' Haji Roshidi Bin Haji Hashim who are retiring pursuant to Article 100 and Article 105 of the Articles of Association of the Company respectively as Directors of the Company at the forthcoming 22nd AGM, have indicated to the Company that they would not be seeking re-election at the 22nd AGM. Therefore, Mr Fong Wai @ Foong Kai Ming and Dato' Haji Roshidi Bin Haji Hashim shall retire as Directors at the conclusion of the 22nd AGM.

EXPLANATORY NOTES ON SPECIAL BUSINESS

1. Ordinary Resolution 9: Authority to allot and issue shares

The proposed Resolution 9 is the renewal of the mandate obtained from the members at the 21st AGM. As at the date of this Notice, the Company did not allot any shares pursuant to the mandate granted to the Directors at the previous 21st AGM held on 21 December 2018 as there were no requirements for such fund raising activities.

The proposed Resolution 9, if passed, would provide flexibility to the Directors to undertake fund raising activities, including but not limited to placement of shares for the purpose of funding the Company's future investment project(s), working capital and/or acquisition(s) at any time as the Directors may deem fit provided that the aggregate number of shares issued pursuant to the mandate does not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares) of the Company for the time being, without having to convene a general meeting. This authority, unless revoked or varied by the Company in a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company or at the expiry of the period within which the next Annual General Meeting is required to be held after the approval was given, whichever is earlier.

2. Special Resolution: Proposed Alteration

This proposed Special Resolution, if passed, will enable the Company to alter its existing Memorandum and Articles of Association by replacing with a new Constitution which is drafted in accordance with the relevant provisions of the Companies Act 2016, relevant amendments of Chapter 7 and other Chapters of the Main Market Listing Requirements of Bursa Securities and other provisions of laws and regulations that are applicable to the Company.

For further information on the Proposed Alteration, please refer to the Annexure A which is circulated together with the Notice of 22nd AGM as contained in the Annual Report 2019.

PROXY FORM

KUMPULAN POWERNET BERHAD (419227-X)

I/ We ____
(full name in block letters)

NRIC No./Company No. ______________________ of ______________________

____
(full address)

being a Member/Members of KUMPULAN POWERNET BERHAD hereby appoint ______________________

______________________________ NRIC No. ______________________
(full name in block letters)

of ____
(full address)

or failing whom, ______________________ NRIC No. ______________________
(full name in block letters)

of ____
(full address)

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf, at the Twenty-Second Annual General Meeting of the Company to be held at Banquet Hall, Level 1, Main Lobby, TPC Kuala Lumpur, 10 Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Thursday, 28 November 2019 at 10.00 a.m. and at any adjournment thereof.

RESOLUTIONS		*FOR	*AGAINST
Ordinary Resolutions			
1.	Payment of under-provision of Directors' Fees for the period from 1 July 2018 until the conclusion of the Twenty-Second Annual General Meeting.		
2.	Payment of under-provision of Directors' benefits for the period from 1 July 2018 until the conclusion of the Twenty-Second Annual General Meeting.		
3.	Payment of Directors' fees for the period from the conclusion of the Twenty-Second Annual General Meeting until the next Annual General Meeting of the Company.		
4.	Payment of Directors' benefits for the period from the conclusion of the Twenty-Second Annual General Meeting until the next Annual General Meeting of the Company.		
5.	Re-election of Mr Tan Yee Hou as Director.		
6.	Re-election of Dato' Dr. Ir. Mohd Abdul Karim Bin Abdullah as Director.		
7.	Re-election of Encik Mustakim Bin Mat Nun as Director.		
8.	Re-appointment of Messrs Aljafree Salihin Kuzaimi PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.		
9.	Authority to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016.		
Special Resolution			
1	Proposed Alteration of the Existing Memorandum and Articles of Association by Replacing with a New Constitution.		

(*Please indicate with an "X" in the space provided above on how you wish your vote to be cast. If no instruction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.)

Dated this __________ day of ______________ , 2019.

CDS Account No. :
Number of shares held:
If more than 1 proxy, please specify number of shares represented by each proxy
Name of Proxy 1: Number of Shares:
Name of Proxy 2: Number of Shares:

____
Signature or Common Seal of Shareholder

Contact Number: ______________________

Notes:-

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy/proxies and vote in his/her stead. A proxy need not be a member of the Company.
2. A member may appoint up to two (2) proxies to attend and vote in his stead except where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account held by it with ordinary shares of the Company standing to the credit of the said securities account.
3. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

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AFFIX
POSTAGE
HERE

The Share Registrar
TRICOR INVESTOR & ISSUING HOUSE SERVICES SDN BHD (11324-H)
Unit 32-01, Level 32, Tower A,
Vertical Business Suite,
Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi,
59200 Kuala Lumpur,
Malaysia.

Please fold along this line (2)

4. Where a member appoints two (2) proxies, he shall specify the proportion of his shareholdings to be represented by each proxy.
5. The instrument appointing a proxy shall be in writing signed by the appointor or his attorney duly authorised in writing, or if the appointor is a corporation, either under its common seal or signed by an officer or attorney so authorised.
6. The instrument appointing a proxy must be deposited at the Share Registrar's office at Unit 32-01, Level 32, Tower A, Vertical Business Suite Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than 48 hours before the time for holding the meeting or at any adjournment thereof.
7. Only members whose names appear in the Record of Depositors as at 20 November 2019 will be entitled to attend, speak and vote at the meeting or appoint proxy(ies) to attend, speak and vote on their behalf.

KUMPULAN POWERNET BERHAD (419227-X)
(Incorporated in Malaysia)
C1-1-1, Solaris Dutamas
No. 1, Jalan Dutamas 1
50480 Kuala Lumpur
Tel : 03-62032929 Fax : 03-62032939
E-mail : info@kpower.com.my