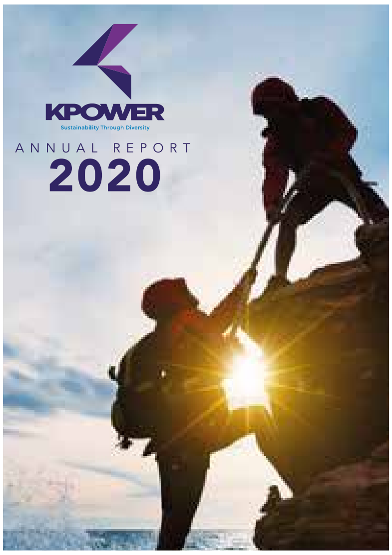
KPOWER

Sustainability Through Diversity

ANNUAL REPORT 2020



Annual Report 2020 of Kumpulan Powernet Berhad ("KPower") symbolises the strength of KPower's leadership as they steer the company to the summit of success. Vast blue skies represent the view from the top as KPower climbs higher and conquers more territories across the endless horizon.

KPOWER
Sustainability Through Diversity

KPower's logo is a graphical rendition of two arrows forming the letter 'K' in 3D. 'K' stands for 'Kumpulan' or 'Group' in English.

This logo represents a Group that provides a solid foundation to bridge the gap between people and socio-economy of the global communities where KPower is involved in.

Arrows in different shades of purple symbolise a dynamic and progressive company that is always moving forward through diversified and sustainable activities.

Kumpulan Powernet Berhad is led by

a team of dynamic professionals with a wealth of experience

in sustainable energy and utilities.

VISION | MISSION

VISION

Sustainability through diversity.

MISSION

To grow and expand internationally through serving borderless communities in a sustainable and responsible manner.

KPOWER'S CORE VALUES

At KPower, we believe that our core values are important in growing our businesses. These values are embedded in our business culture in order to achieve our vision and mission:

Innovation

Innovation helps to enhance our core competencies and develop our competitive advantage.

Research and Development

Continuous research and development to increase efficiency.

Technology

Implementing latest technology for cost efficiency and superior performance in the long run.

Evolution

We continuously grow and evolve to stay competitive.

Sustainability

Developing projects for a better tomorrow by focusing on the economic, environmental and social factors.

Renewable & Green

Seizing opportunities in the renewable & green segments to deliver value to stakeholders.

Developing Talent

We are committed to nurture our human capital to highest potential.

Preserving Value

We focus on the creation of long-term shareholders' value.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Dr. Ir. Ts. Mohd Abdul Karim bin Abdullah Non-Independent Non-Executive Chairman	(Redesignated on 28 November 2019)
Mustakim bin Mat Nun Deputy Chairman and Group Managing Director	(Redesignated on 28 November 2019)
Sarah Azreen binti Abdul Samat Non-Independent Non-Executive Director	(Appointed on 28 November 2019)
Dato' Arivalagan a/l Arujunan Non-Independent Non-Executive Director	(Redesignated on 28 November 2019)
Kok Pauline Independent Non-Executive Director	
Tan Yee Hou Independent Non-Executive Director	
Dato' Haji Roshidi bin Haji Hashim Independent Non-Executive Chairman	(Retired on 28 November 2019)
Fong Wai @ Foong Kai Ming Executive Director	(Retired on 28 November 2019)

AUDIT COMMITTEE

Chairman

Kok Pauline

Committee Members

Tan Yee Hou	
Sarah Azreen binti Abdul Samat	(Appointed on 28 November 2019)
Dato' Haji Roshidi bin Haji Hashim	(Retired on 28 November 2019)

NOMINATION COMMITTEE

Chairman

Sarah Azreen binti Abdul Samat (Appointed on 28 November 2019)

Committee Members

Kok Pauline	
Tan Yee Hou	(Redesignated on 28 November 2019)
Dato' Haji Roshidi bin Haji Hashim	(Retired on 28 November 2019)

REMUNERATION COMMITTEE

Chairman

Sarah Azreen binti Abdul Samat (Appointed on 28 November 2019)

Committee Members

Kok Pauline	
Tan Yee Hou	(Redesignated on 28 November 2019)
Dato' Haji Roshidi bin Haji Hashim	(Retired on 28 November 2019)

INVESTMENT COMMITTEE

Chairman

Dato' Dr. Ir. Ts. Mohd Abdul Karim bin Abdullah (Appointed on 28 November 2019)

Committee Members

Mustakim bin Mat Nun	(Appointed on 28 November 2019)
Sarah Azreen binti Abdul Samat	(Appointed on 28 November 2019)
Dato' Arivalagan a/l Arujunan	(Appointed on 28 November 2019)

RISK MANAGEMENT COMMITTEE

Chairman

Sarah Azreen binti Abdul Samat (Appointed on 28 November 2019)

Committee Members

Kok Pauline
Tan Yee Hou
Dato' Arivalagan a/l Arujunan

COMPANY SECRETARY

Yap Sit Lee
(SSM Practicing Certificate No. 202008001865)
(MAICSA 7028098)

Wong Wai Foong
(SSM Practicing Certificate No. 202008001472)
(MAICSA 7001358)

REGISTERED OFFICE

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Vertical Business Suite, Avenue 3,
Bangsar South, No. 8, Jalan Kerinchi,
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Wilayah Persekutuan.
Tel: 03-2783 9191
Fax: 03-2783 9111

CORPORATE OFFICE

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Fax: 03-6203 2939
enquiry@kpower.com.my

SHARE REGISTRAR

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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 Al Jafree 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.kpower.com.my

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CORPORATE PROFILE

Leveraging on the New Major Shareholders and key management experience and track record, KPower and its subsidiaries ("the Group") embarked on a major transformation into new segments including sustainable energy and utilities, setting itself as a significant player in the renewable energy industry, focusing on construction related activities and specialised engineering services in these segments.

Kumpulan Powernet Berhad ("KPower" or the "Company") was incorporated on 3 February 1997. The Company first started as a manufacturer of warp-knitted fabrics for the lingerie industry. It was listed on the Second Board of Bursa Malaysia Securities Berhad ("Bursa Securities") on 22 March 2002. KPower was subsequently transferred to the Main Market of Bursa Securities in 2009.

From June 2019 onwards, Dato' Dr. Ir. Ts. Mohd Abdul Karim bin Abdullah together with Grand Deal Vision Sdn. Bhd. ("GDVSB") ("New Major Shareholders") acquired over 51% equity stake in KPower. With the emergence of the New Major Shareholders, the Board of KPower was further rejuvenated with the appointment of Dato' Dr. Ir. Ts. Mohd Abdul Karim bin Abdullah as the Chairman of KPower, Mustakim bin Mat Nun as the Group Managing Director and Sarah Azreen binti Abdul Samat as the Non-Independent Non-Executive Director of KPower.

With Mustakim bin Mat Nun at the helm, KPower revitalised its key management team with a mix of skill sets ranging from corporate appointments with vast experience in corporate and banking related matters to experienced personnel in sustainable energy and utilities. Leveraging on the New Major Shareholders and key management experience and track record, KPower and its subsidiaries ("the Group") embarked on a major transformation into new segments including sustainable energy and utilities, setting itself as a significant player in the renewable energy industry, focusing on construction related activities and specialised engineering services in these segments.

Following the acquisition of Chemtrax Sdn. Bhd. ("Chemtrax"), the Group ventures into the logistic segment with the intention to cater for the requirements of the Group and to expand into more comprehensive supply chain services.

Moving forward, the Group will be expanding its regional footprints into ASEAN, South Asia, Central Asia, Middle-East and Europe under the sustainable energy and utilities segment.

The Group also plans to widen its product offerings under the renewable energy sector to include wind, solar and biomass. Leveraging on these strategies, the Group is confident to achieve its aspiration to emerge as a leading regional sustainable energy and utilities player.

CORPORATE STRUCTURE

KPOWER
Sustainability Through Diversity

Energy & Utilities

- 100% — **KPower Engineering Sdn. Bhd.**
  Formerly known as Hypergize Link Sdn. Bhd.
- 100% — **KPower International (L) Ltd. ("KPIL")**

Property

- Development 100% — **KPower Development Sdn. Bhd. ("KPower Development")**
  Formerly known as Powernet Properties Sdn. Bhd.
- Investment 100% — **Zelinn Limited**

Logistics

- 100% — **KPower Logistics Sdn. Bhd. ("KPower Logistics")**
  - 51% — **Chemtrax Sdn. Bhd.**

Manufacturing

- 100% — **Powernet Industries Sdn. Bhd. ("PISB")**

KEY MILESTONES

> 1979

Founded as a textile manufacturer.

> 1997

Kumpulan Powernet Berhad is formed as an investment holding company.

> 2002

Listed on Bursa Malaysia's second board in 2002.

> 2013

Kumpulan Powernet Berhad, via Zelinn Limited acquired a freehold student accommodation building in Liverpool, United Kingdom.

> 2016

Kumpulan Powernet Berhad acquired development rights for a commercial development in Sentul, Kuala Lumpur.

> 2019

New Era

- Dato' Dr. Ir. Ts. Mohd Abdul Karim bin Abdullah, founder of Serba Dinamik Holdings Berhad, and Grand Deal Vision Sdn. Bhd. acquired majority stake in KPower.
- The Group ventured into construction related activities focusing in sustainable energy and utilities.
- Secured RM270 million of utilities project in Kuala Lumpur, Malaysia.
- The Company registered the first profit after 8 consecutive years of loss.

> 2020

- Secured USD16 million (equivalent to RM66 million) of renewable energy project in Lao PDR.
- Secured RM365 million of renewable energy project in Perak, Malaysia.
- Secured USD48 million (equivalent to RM208 million) of renewable energy project in Nepal.
- Secured USD41 million (equivalent to RM175 million) of civil works for a 30 MW hydropower project in Lao PDR.
- Completed two private placement exercises on 21 February 2020 and 30 June 2020.
- Diversified its principal activities to include construction business and construction related activities.
- Secured USD46.2 million (equivalent to RM193 million) of renewable energy project in Nepal.
- Exceeded RM1.0 billion orderbook target for the financial year ended 30 June 2020.
- From the first takeover by the new shareholders in June 2019, the market capitalisation has increased from RM60 million on 24 June 2019, to RM372 million as at 14 October 2020.

PRINCIPAL ACTIVITIES

1. Construction Related Activities

The Group has undertaken new business ventures in construction related activities and specialised engineering services relating to sustainable energy and utilities segments. The construction related activities segment undertaken by the Group consists of engineering, procurement, construction and commissioning of sustainable energy and utilities projects.

The following are the projects awarded to KPower during the financial year ended 30 June 2020 ("FYE2020"):

Project	Contract Value	Details
i). Sewerage Treatment Plant, other facilities and construction of a Green Building Index ("GBI") certified building in Kuala Lumpur, Malaysia ("GBI Contract")	RM270 million	The construction and completion of sewerage treatment facilities and upgrading works as well as the construction of a GBI certified building of twelve (12) floors, all in Wilayah Persekutuan Kuala Lumpur, Malaysia.
ii). Hydropower Plant in Nam Samoy, Lao PDR.	USD16 million (equivalent to RM66 million)	The design, supply, construction, commissioning and completion of an 8 MW small hydropower plant at Nam Samoy, Kasi District in Vientiane Province of the Lao PDR.
iii). Mini Hydropower Plants in Perak, Malaysia.	RM365 million	The preliminary study, design, supply, construction, commissioning and completion of five (5) mini hydropower plants with a total capacity of 32.47 MW, all in Perak, Malaysia.
iv). Miscellaneous projects in West Java, Indonesia.	Approximately RM40 million	Infrastructure related projects.

The following are the projects awarded to KPower International (L) Ltd. ("KPIL"), a wholly-owned subsidiary of KPower, during the year:

Project	Contract Value	Details
i). Hydropower Plants in Nam Taep, Lao PDR.	USD41 million (equivalent to RM175 million)	The supply, construction, commissioning and completion of the civil works in relation to the development of 3x5 MW Nam Taep 1 and 3x5 MW Nam Taep 2 Hydropower Energy Generating Facilities at Ban Nam Taep and Ban Nam Nameuang, Xam Tai District in Houaphan Province of the Lao PDR.
ii). Mini Hydropower Plant in Solukhumbhu, Nepal.	USD48 million (equivalent to RM208 million)	The engineering, design, procurement, construction, commissioning and completion of a mini hydro power plant with a capacity of 22.9 MW in Solukhumbhu, Federal Democratic Republic of Nepal.
iii). Mid Hongu Khola-A Hydropower Project in Solukhumbhu, Nepal.	USD46.2 million (equivalent to RM193 million)	The engineering, procurement, construction, commissioning and completion of 22 MW Mid Hongu Khola-A hydropower project located at Mahakulung VDC, Solukhumbu District, Federal Democratic Republic of Nepal.

2. Logistics

The Group has recently established a wholly-owned subsidiary, KPower Logistics to provide logistics solutions to complement and consolidate various activities within the network of major shareholders of KPower.

The Group has recently ventured into logistics via the acquisition of Chemtrax. Chemtrax is one of the leading transportation companies in Malaysia that has experience of more than 20 years of transporting hazardous chemical and gas within Malaysia and Singapore. Chemtrax currently manages a fleet of 57 trucks, 20 ISO tanks and 16 other units consisting of prime movers, barrels and trailers. Chemtrax mainly transports chemical products that is critical to the manufacturing of nitrile gloves. In view of its current business activities, Chemtrax is expected to benefit from the worldwide demand of gloves arising from the COVID-19 pandemic.

3. Property

- **Property Development**

The fully sold development comprises two units of six-storey shop-offices and four units of five-storey shop-offices on a parcel of commercial development land in Sentul, Kuala Lumpur ("Sentul Project") under KPower's wholly-owned subsidiary, KPower Development (formerly known as Powernet Properties Sdn. Bhd.). As of October 2020, the development has achieved a progress of approximately 70%. Taking into consideration the COVID-19 pandemic, the development is expected to be completed within the financial year ending 2021.

- **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, comprises 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.

4. Manufacturing

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 extremely precise control of the coating of adhesives.

PISB owns a fully integrated manufacturing plant of warp-knitted fabrics in Bentong, Pahang since the 1980s. The plant sits on 6.2 acres of freehold land and is capable of producing and supplying warp-knitted fabrics that ranges from elastic, tricot, brushed tricot, meshed tricot to microfibre and others.

5. Moving Forward

The Group is looking to strengthen its existing business in the sustainable energy and utilities segment by expanding its geographical footprints into ASEAN, South Asia, Central Asia, Middle East and Europe.

We will widen our product offerings and technical capabilities in the sustainable energy and utilities segment to include wind, biomass, biogas and solar energy. This will enable us to penetrate and secure more opportunities in this segment.

The Group looks to reposition and leverage on its existing manufacturing capabilities to venture into the healthcare and technology segment. The Group is also venturing into logistics and healthcare segments to generate sustainable revenue streams, in addition to its existing businesses.

The Group is looking to strengthen its existing business in the sustainable energy and utilities segment by expanding its geographical footprints into ASEAN, South Asia, Central Asia, Middle East and Europe.

OUR PRESENCE

MALAYSIA

1. **SEWERAGE TREATMENT PLANT, OTHER FACILITIES AND GBI BUILDING**

   Contract Value :
   RM270 million

2. **MINI HYDROPOWER PLANTS**

   Contract Value :
   RM365 million

3. **PROPERTY DEVELOPMENT & OTHER JOBS**

   Contract Value :
   RM53 million

INDONESIA

1. **MISCELLANEOUS PROJECTS**

   Contract Value :
   Approximately
   RM40 million

LAOS

1. **NAM SAMOY HYDROPOWER PLANT**

   Contract Value :
   USD16 million
   (equivalent to approximately RM66 million)

2. **NAM TAEP HYDROPOWER PLANTS**

   Contract Value :
   USD41 million
   (equivalent to approximately RM175 million)

NEPAL

1. **NEPAL MINI HYDROPOWER PLANT**

   Contract Value :
   USD48 million
   (equivalent to approximately RM208 million)

2. **NEPAL MINI HYDROPOWER PLANT**

   Contract Value :
   USD46.2 million
   (equivalent to approximately RM193 million)

OUR EVENTS

28 November 2019
22nd Annual General Meeting & Extraordinary General Meeting

4 December 2019
Analyst Briefing for 1Q FYE2020

20 January 2020
Analyst Briefing for 1Q FYE2020

13 February 2020
Analyst Briefing for 1Q FYE2020

24 February 2020
Analyst Briefing for 2Q FYE2020

14 May 2020
RHB's Small Cap, Top 20 Jewels 2020 Edition

3 July 2020
Analyst Briefing for 3Q FYE2020

15 July 2020
Analyst Briefing for 3Q FYE2020

28 July 2020
Analyst Briefing for 3Q FYE2020

27 August 2020
Analyst Briefing for 4Q FYE2020

15 September 2020
Analyst Briefing for 4Q FYE2020

24 September 2020
Analyst Briefing for 4Q FYE2020

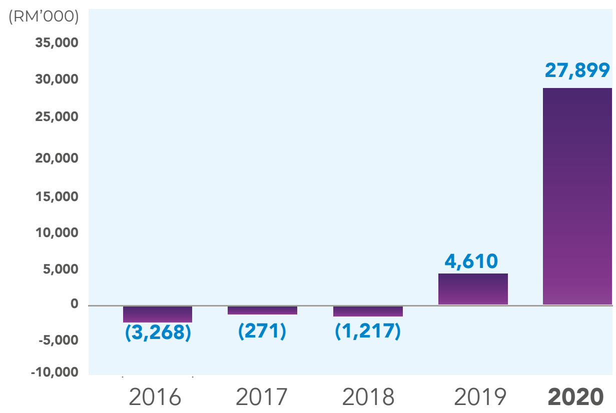
22 June 2020
Extraordinary General Meeting

FINANCIAL HIGHLIGHTS

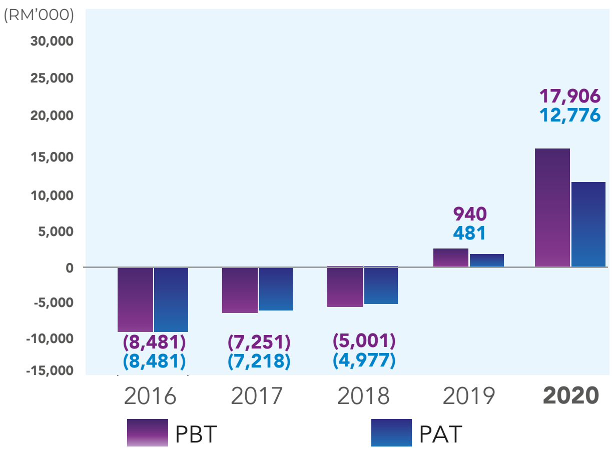
FINANCIAL PERFORMANCE

Revenue

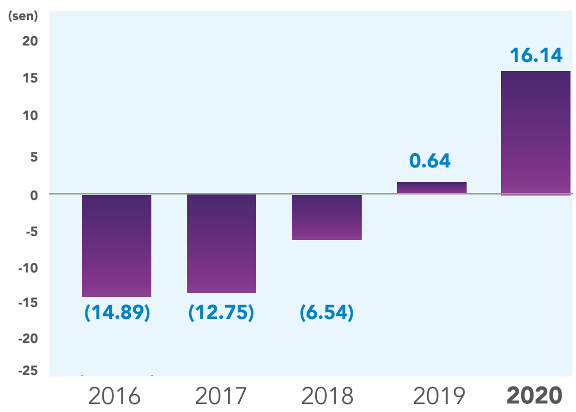
Gross Profit



Profit/(Loss) Before & After Tax (PBT & PAT)

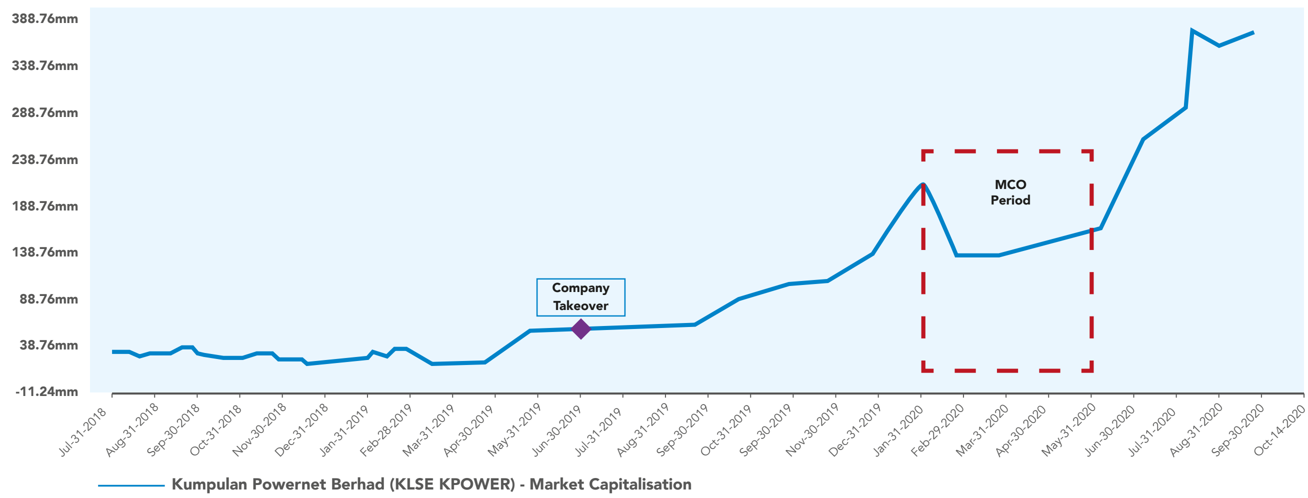


Earnings Per Share



MARKET CAPITALISATION

Kumpulan Powernet Berhad (KLSE KPOWER) - Market Capitalisation



5-YEAR FINANCIAL SUMMARY

	FYE 30 June 2016 (RM'000)	FYE 30 June 2017 (RM'000)	FYE 30 June 2018 (RM'000)	FYE 30 June 2019 (RM'000)	FYE 30 June 2020 (RM'000)
OPERATING RESULTS					
Revenue	6,737	3,924	5,725	13,217	95,843
Gross Profit/(Loss)	(3,268)	(271)	(1,217)	4,610	27,899
Operating Profit/(Loss)	(8,185)	(7,100)	(4,808)	1,155	18,011
Profit/(Loss) Before Tax	(8,481)	(7,251)	(5,001)	940	17,906
Profit/(Loss) after Tax	(8,481)	(7,218)	(4,977)	481	12,776
Profit/(Loss) after Taxation Attributable to Shareholders	(8,392)	(7,187)	(4,979)	486	12,786
KEY STATEMENT OF FINANCIAL POSITION DATA					
Total Assets	33,297	34,159	35,978	41,058	167,228
Total Liabilities	9,623	17,526	12,335	16,931	61,320
Paid Up Capital	16,913	16,913	28,994	28,994	97,730
Total Equity	23,674	16,633	23,643	24,127	105,908
SHARE INFORMATION					
Per Share (Sen)					
Basic Earnings/(Loss)	(14.89)	(12.75)	(6.54)	0.64	16.14
Net Assets	42	30	31	32	94

CHAIRMAN'S STATEMENT

"KPower will be repositioned into a matured engineering entity focusing in the areas of energy and utilities, logistic, property development and healthcare & technologies relating to healthcare."

DATO' DR. IR. TS. MOHD ABDUL KARIM BIN ABDULLAH

Dear shareholders,

OVERVIEW

It has been an exciting year for the Group after the emergence of New Major Shareholders where the Group embarked on a major change of corporate strategy and business direction from property and textile manufacturing businesses into sustainable energy and utilities segments with a focus on diversity through sustainable development. Our Board has been reinvigorated during the year to ensure that the business transformation is properly aligned with those of our stakeholders and appropriate for the long-term sustainability of our business operations.

In undertaking the journey into sustainable energy and utilities segments, the key management has been strengthened and fortified with new leaderships at the helm that possess the necessary experience and expertise in construction related activities and specialised engineering services relating to sustainable energy and utilities.

With the change of business strategies, the Group has successfully secured multiple projects in Malaysia, Laos, Nepal and Indonesia, with the total contract value of approximately RM1.37 billion. I am proud to note that the Group's profitability increased tremendously from RM0.48 million in the financial year ended 30 June 2019 to RM12.78 million in the financial year ended 30 June 2020, representing an increase of 2,556%. This demonstrated a strong financial achievement for this financial year amidst the unprecedented economic shock such as COVID-19 pandemic.

By leveraging on the major shareholders and key management's experiences and track records, the Group has successfully raised approximately RM70.0 million from the Malaysian capital market despite the imposition of Movement Control Order ("MCO") during the fundraising period.

The successful fundraising exercise derived from the Malaysian capital market received fourfold demand and signifies a testament of investors' confidence in our Group's new business direction and future prospects.

The COVID-19 pandemic has caused severe disruption to global economic growth and impacted business performance across the globe. Nevertheless, the impact of COVID-19 was marginal to our overall business performance given that the majority of business activities during the year are well covered under energy and utilities segments which are considered as essential services.

We believe the industries that we operate in will continue to remain resilient and moving forward, the Group will take the necessary measures to strengthen our business model and sustainability while handling the impact of the COVID-19 pandemic.

FUTURE OUTLOOK

The ability to accommodate unexpected futures is a criterion that we have taken into account in deriving the Group's business strategies and action plans moving forward. Hence, despite the negative impact of the COVID-19 pandemic on the global economy and business, KPower remains upbeat on the future direction of the Group.

The Board expects sustainable energy and utilities to be key driver of the Group's financial performance moving forward. We shall continue to leverage on the Group's core competencies in construction related activities and specialised engineering services with the objective to expand our geographical footprints into ASEAN, South Asia, Central Asia, Middle East regions as well as matured markets in Europe within the sustainable energy and utilities segments.

Our strategy is also to widen the Group's product offerings by including wind, biomass and solar energy in our renewable energy portfolio. I believe that with these expansions, the Group will be on the right track to achieve its aspiration to emerge as a leading regional player in the field of sustainable energy and utilities.

The future will bring opportunities as well as new challenges. The recent upheaval from the COVID-19 pandemic has exposed KPower into the medical textiles segment leveraging on our decades of experience in the textile industry. With such visibility, I believe that KPower can contribute and play a bigger role in the medical segment with a focus to enhance our shareholders' value in the long run.

I am also happy to note that our venture into the logistic industry has been formalised by the acquisition of Chemtrax. Chemtrax is an experienced and profitable operator that has more than 20 years of experience specialising in transporting in amongst others, chemical product that is critical in the process of manufacturing of nitrile glove. With the acquisition, we will be able to leverage on their expertise to provide logistics needs within the network of the major shareholders under one roof, thus ensuring the growth of this segment.

ACKNOWLEDGEMENT

I wish to acknowledge the prudent guidance of our Board and their commitment to integrity, good governance and transparency as they ensure the stewardship of KPower. With long-term shareholder value as a priority, the Board oversees our Company's strategic direction, including our practices, guidelines and policies related to environmental, social and governance ("ESG") factors.

On behalf of the Board, I would also like to record my appreciation to Dato' Haji Roshidi bin Haji Hashim and Mr. Fong Wai @ Foong Kai Ming for their invaluable service to KPower during their tenure and I wish them the very best in their future endeavours.

I am pleased to welcome Ms. Sarah Azreen binti Abdul Samat to the Board of KPower as a Non-Independent Non-Executive Director, and I hope that with the new addition, KPower will forge ahead building greater achievements.

On behalf of the Board, I would also like to thank all our employees for their unstinting commitment and dedication in supporting the Group's major change in business direction and sustainability while handling the impact of the COVID-19 pandemic.

On behalf of the Company, I would like to extend my appreciation to our valued stakeholders including our associates/partners, investors, shareholders and customers for their continuous support towards the Group. Your confidence in us has helped make the Group what it is today and together, we shall continue to achieve greater heights.

On behalf of the Board, I am happy to inform that we are proposing to distribute 2.26 sen per share as Final Dividend to the shareholders. This represents our token of appreciation for your unceasing support.

Dato' Dr. Ir. Ts. Mohd Abdul Karim bin Abdullah
Non-Independent Non-Executive Chairman

GROUP MANAGING DIRECTOR'S STATEMENT

"Our ambition is to drive a high-performance culture, putting innovation and growth at the heart of KPower, remaining true to our values and our purpose - sustainability through diversity."

MUSTAKIM BIN MAT NUN

Dear shareholders,

I am delighted to put forward KPower's 2020 Annual Report after an exciting year of entering a period of significant change in our Group's business strategies and direction especially our remarkable achievements in sustainable energy and utilities segment. These changes were brought on board with the emergence of New Major Shareholders and management in KPower leveraging on their track record and established platforms in energy and utilities market segments. With the new leadership at the helm, the Group has been growing exponentially during the year, primarily contributed by the diversification of our principal activities to include construction related activities and specialised engineering services focusing in sustainable energy and utilities segment. The new logo of the Group symbolises the strength of our leadership to steer the Group to be a formidable regional player under the green and sustainability spectrum.

This major change in business strategies have been well received by the capital market with the significant increase in KPower's share price since 1 July 2019 from RM0.845 to RM3.29 on 14 October 2020, peaking at RM3.62 on 1 September 2020. Our market capitalisation stood at an excess of RM350 million reaching a new height since the listing of KPower in 2002.

GROUP PERFORMANCE

The Group has delivered a commendable financial performance for the financial year ended 30 June 2020. The Group managed to meet and exceed the financial target that we had set out for the year. During the financial year, the Group recorded a revenue of RM95.84 million, an increase of 625% from FYE2019. In tandem with the increase in revenue, the net profit improved to RM12.78 million compared to RM0.48 million in the previous financial year, a significant 2,556% increase from FYE2019.

From our origin as a manufacturer of warp-knitted fabrics, we have managed to shift KPower to focus on the sustainable energy and utilities segment after the takeover that was completed on 20 June 2019 by Dato' Dr. Ir. Ts. Mohd Abdul Karim and Grand Deal Vision Sdn. Bhd. With the emergence of New Major Shareholders, we assembled and appointed several key leaderships whom we believe are fully committed and capable to steer and bring KPower to greater heights.

The strategic planning of diversifying KPower's business activities to include construction related activities and specialised engineering services focusing on sustainable energy and utilities segment, and by leveraging on the New Major Shareholders and key management's experience and track records, have given an edge to KPower in securing multiple projects in relation to the engineering, procurement, construction, commissioning and completion ("EPCC") of green and sustainable projects in Malaysia, Nepal, Indonesia and Laos. We have secured approximately RM1.4 billion orderbook where out of the total, 90% is under the sustainable energy and utilities segment.

Our Group's foray into specialised EPCC for sustainable energy and utilities sector were well received by the market as we successfully completed equity fund raising exercise raising approximately RM70 million to part-fund the working capital for the secured projects under this segment. We expect to further increase our orderbook by RM2.0 billion by the end of financial year 2021 and correspondingly, the Company may embark on future fund-raising exercises to support the growth.

We will further enhance our competitive edge in this segment by venturing and building our capabilities in other renewable energy spectrum such as large scale solar projects and other solar programmes initiated by various Governments, either as an EPCC or as the project owner. KPower has recently participated in the bidding for the development of the fourth cycle of Large-Scale Solar (LSS4) power plant projects for a 50 MW capacity as a concession holder.

Besides hydropower and solar energy projects, we have also ventured into the logistics segment via the acquisition of Chemtrax. KPower believes with this new venture, the Group will be able to provide logistics solutions tailored to specific services through captive market within the sustainable energy and utilities segment. The logistics solutions are expected to complement various business activities and value chain of our existing business within the Group and the major shareholders' platforms.

The on-going COVID-19 pandemic has caused global economic slowdown in early 2020. As the Malaysian Government enforced MCO which started on 18 March 2020, any travel and social gathering had been restricted as well as the closures of non-essential businesses, which included our manufacturing and property development segments. Notwithstanding, the impact of COVID-19 on our Group's financial performance during the year was marginal as our sustainable energy construction related activities are considered as essential services and able to continue with minimal disruption.

Moving forward, we shall remain focused on expanding our core businesses, capabilities and resources to execute the awarded construction projects as well as securing new contracts for the upcoming year. In line with our aspirations to be a leading regional player under the sustainable energy and utilities segment, we intend to expand our footprints in terms of hydropower energy projects into other countries within ASEAN and South Asia. We will also widen our product offerings to include hybrid wind/solar energy projects targeting the Europe, Middle-East and Central Asia markets.

We are optimistic that this segment will continue to drive our business forward given the momentum we are seeing in our orderbook growth and the global increase in renewable energy by about 1.5% in Q1, 2020 as stated by the International Energy Agency (IEA). Hydropower itself accounted for more than 70% of the Southeast Asia region's renewable energy installed capacity where the total hydropower installed capacity in ASEAN stood at 46,617 MW in 2018, and is projected to grow to 51,666 MW by 2024, representing a compound annual growth rate ("CAGR") of 1.7% throughout the said period as projected by Protégé Associates Sdn. Bhd. in their report dated 18 May 2020.

In light of the COVID-19 pandemic and other business challenges that may arise, KPower is taking a step further and actively seeking for opportunities in other segments to expand our revenue streams and earning base. Through our manufacturing activities, we are aggressively exploring into medical textile which has opened up several opportunities in the healthcare and technologies segment within the regional market. As these segments are relatively new to our Group, any opportunity shall be thoroughly considered and backed by the right knowledge and experience.

PEOPLE

Our performance was driven by our tireless and dedicated people. We are of the view that it is imperative that we nurture and develop our talents as these people are fundamental to the long-term success of KPower.

One of the initiatives that we have undertaken during the financial year was reviewing the remuneration structure of the Group to ensure that it remained relevant with the industry benchmarks as well as commensurate with the value delivered according to the needs of our growing business. We also devote our resources to various training programmes to build and develop our talents' capabilities.

With our growth comes higher activities across various aspects of the Group. To ensure continuous and sustainable growth, employing the right personnel with the right skillset is critical. To cater for this growth, we have also increased our workforce to ensure equitable workload balance thus ensuring a good work-life balance in our organisation.

We, at KPower, always care for our employees' wellbeing and safety. We recognised the importance of using corporate sport events to improve health and wellbeing of our employees as well as influence engagement, culture and staff retention. The Group has been organising sports activities such as bowling, futsal and hiking through KPower Sports Club to foster employee engagement, team bonding and team building as well as corporate social responsibility.

We have also undertaken several measures and action plans during this COVID-19 pandemic to ensure that our employees work in a safe environment as well as to comply with the requirements of the MCO which include, implementing Work From Home policy, exercising physical distancing measures and regular body temperature monitoring as well COVID-19 testing and quarantine.

Moreover, during the pressing time, we made sure our staff are kept protected by maintaining the existing salaries and benefits for all our employees despite the complete halt of our development of Sentul projects and textile manufacturing activities arising from the MCO.

COMMUNITIES AND RESPONSIBILITIES

We at KPower believe that we are a part of the bigger communities around us. We appreciate our nature, its people and in these trying times we strive hard to do our best for our employees and our communities. During the year, we have participated in various initiatives across Malaysia and Laos. We distributed face masks across Malaysia and Laos, initiated an awareness programme which covers 500 kilometres in rural Sabah and made a donation to a special school in Penang. We also distributed food and beverages within Belum Orang Asli communities in Royal Belum Forest, Perak.

APPRECIATION

On behalf of the Group, I extend my gratitude to KPower's stakeholders including the Board of Directors, shareholders, regulators, customers, consultants, contractors, suppliers and community for their invaluable support to me in my first year as the Group Managing Director of KPower.

Looking back at the past year, the members of KPower team have shown their great efforts in building such a successful transformation from a loss-making textile manufacturing Group to a Group with a significant presence in the sustainable energy and utilities segment. Thank you for all of your dedication and commitment. I very much look forward to work together and deliver our commitment to increase stakeholders' value.

Let's grow together sustainably and responsibly.

Mustakim bin Mat Nun
Group Managing Director

BOARD OF DIRECTORS

1. **DATO' DR. IR. TS. MOHD ABDUL KARIM BIN ABDULLAH**
   Non-Independent Non-Executive Chairman
2. **MUSTAKIM BIN MAT NUN**
   Deputy Chairman and Group Managing Director
3. **SARAH AZREEN BINTI ABDUL SAMAT**
   Non-Independent Non-Executive Director
4. **DATO' ARIVALAGAN A/L ARUJUNAN**
   Non-Independent Non-Executive Director
5. **KOK PAULINE**
   Independent Non-Executive Director
6. **TAN YEE HOU**
   Independent Non-Executive Director

MANAGEMENT TEAM

1. **MUSTAKIM BIN MAT NUN**
   Deputy Chairman and Group Managing Director
2. **AMIRUL AFIF BIN ABD AZIZ**
   Group Chief Financial Officer
3. **MUHAMMAD SYUKRI BIN SULAIMAN**
   Senior Vice President
   Head of Corporate Finance and Investor Relations
4. **ZAINAL AZWADI BIN ZAINAL ABIDIN**
   Senior Vice President
   Head of Supply Chain Management and Acting Head of Risk Management
5. **KHAIRULAKLAM BIN OMAR**
   Senior Vice President
   Head of Project Development
6. **KAMALULARIFFIN BIN AHMAD**
   Vice President
   Head of Project Implementation
7. **LILIK HARIANTI BINTI SAIJAN**
   Vice President
   Head of Corporate Resources & Administration
8. **PUTERI NUR QISTINA BINTI ABD. RAHMAN**
   Manager
   Acting Head of Finance

DATO' DR. IR. TS. MOHD ABDUL KARIM BIN ABDULLAH

Non-Independent Non-Executive Chairman

- 55, Male, Malaysian.
- Date of Appointment as Non-Independent Non-Executive Deputy Chairman: 28 June 2019
- Date of Redesignation as Non-Independent Non-Executive Chairman: 28 November 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. Since January 2020, he holds the title of Professional Technologist ("Ts") from Malaysia Board of Technologists.

He is the founder, Group Managing Director and Group CEO of Serba Dinamik Holdings Berhad, Non-Independent Non-Executive Chairman of Sarawak Consolidated Industries Berhad and Non-Executive Chairman of BiON PLC (listed on AIM).

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

He is the chairperson of the Investment Committee of the 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.

MUSTAKIM BIN MAT NUN

Deputy Chairman and Group Managing Director

- 47, Male, Malaysian.
- Date of Appointment as Managing Director: 28 June 2019
- Date of Redesignation as Deputy Chairman and Group Managing Director: 28 November 2019

He has more than 23 years of experience in investment banking and corporate finance, including undertaking various corporate exercises such as funding transactions of debt and equity (Islamic and conventional), mergers and acquisitions, project financing, corporate restructuring and private finance initiatives projects. He specialises in energy and utilities sectors; especially in renewable energy such as hydro, solar and thermal power plant projects and other infrastructure projects, through his involvement in investments, development and construction of renewable energy power plants, water and waste water-related projects in both Malaysia and overseas markets.

He currently sits on the Board of OHP Capital Sdn. Bhd. and all its subsidiaries, 3p Capital Sdn. Bhd., Loyal Engineering Sdn. Bhd. and Majestic Offshore Sdn. Bhd. He was previously attached to Elaf Bank B.S.C. (C) Bahrain from 2009 to 2011. His previous stints include PricewaterhouseCoopers, Malaysian International Merchant Bankers Berhad and Bank Muamalat Malaysia Berhad.

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

He is a member of the Investment Committee of the Company.

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.

SARAH AZREEN BINTI ABDUL SAMAT
Non-Independent Non-Executive Director

- 45, Female, Malaysian.
- Date of Appointment: 28 November 2019

Sarah has approximately 20 years of experience in corporate finance transactions involving equity issuance, mergers and acquisitions, corporate restructuring and corporate valuation.

She started her career in investment banking with Malaysian International Merchant Bankers Berhad in 2001 after obtaining her professional qualifications from PricewaterhouseCoopers. Her career in Corporate Finance has then continued to develop through AmInvestment Bank Berhad, Aseambankers Malaysia Berhad (now known as Maybank Investment Bank Berhad) and RHB Investment Bank Berhad.

Sarah is currently the Executive Director of 3p Capital Advisers Sdn. Bhd., a company licensed with the Securities Commission Malaysia, which provides advisory services to the capital market players.

She holds a degree in Bachelor of Commerce (Accounting) from University of Canberra, Australia and was accredited as a certified practising accountant by CPA Australia in 2001. She is also a holder of Capital Markets Services Representative's Licence (CMSRL). She is the chairperson of the Nomination Committee, Remuneration Committee and Risk Management Committee as well as a member of the Audit Committee and Investment Committee of the Company.

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.

DATO' ARIVALAGAN A/L ARUJUNAN
Non-Independent Non-Executive Director

- 55, Male, Malaysian.
- Date of Appointment as Executive Director: 30 November 2017
- Date of Redesignation as Non-Independent Non-Executive Director: 28 November 2019

He is currently the 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 is a member of the Investment Committee and Risk Management Committee of the 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 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

- 37, Male, Malaysian.
- Date of Appointment: 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 is a member of the Audit Committee, Nomination Committee, Remuneration Committee and Risk Management Committee of the 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 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

- 36, Female, Malaysian.
- Date of Appointment: 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 where she headed 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 is the chairperson of the Audit Committee and a member of the Nomination Committee, Remuneration Committee, and Risk Management Committee of the Company.

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

MUSTAKIM BIN MAT NUN
Deputy Chairman and Group Managing Director

- 47, Male, Malaysian.
- Date of Appointment as Managing Director: 28 June 2019
- Date of Redesignation as Group Managing Director: 28 November 2019

For details of Mustakim bin Mat Nun's profile, please refer to page 25 of this Annual Report.

AMIRUL AFIF BIN ABD AZIZ
Group Chief Financial Officer

- 44, Male, Malaysian.
- Date of Appointment: 29 August 2019

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

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

Amirul holds a Bachelor's Degree in Commerce and Management (Accounting) and a 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.

MUHAMMAD SYUKRI BIN SULAIMAN
Senior Vice President
Head of Corporate Finance and Investor Relations

- 44, Male, Malaysian.
- Date of Appointment: 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 JF Apex Securities Berhad. He also has vast experience in 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 a 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 BIN ZAINAL ABIDIN
Senior Vice President
Head of Supply Chain Management and
Acting Head of Risk Management

- 47, Male, Malaysian.
- Date of Appointment as SVP, Head of Supply Chain Management: 5 July 2019
- Date of Appointment as Acting Head of Risk Management: 1 April 2020

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.

KHAIRULAKLAM BIN OMAR
Senior Vice President
Head of Project Development

- 42, Male, Malaysian.
- Date of Appointment: 5 July 2019

He has 20 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 and gas, food and beverage as well as 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 (with an extended Degree Program in 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.

KAMALULARIFFIN BIN AHMAD
Vice President
Head of Project Implementation

- 45, Male, Malaysian.
- Date of Appointment: 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.

LILIK HARIANTI BINTI SAIJAN
Vice President
Head of Corporate Resources & Administration

- 44, Female, Malaysian.
- Date of Appointment: 15 July 2019

Lilik has 20 years of experience in human resources and recruitment covering 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.

PUTERI NUR QISTINA BINTI ABD. RAHMAN
Manager
Acting Head of Finance

- 31, Female, Malaysian.
- Date of Appointment: 1 April 2020

Qistina has 10 years of experience in audit exposing her to various industries including automotive, property investment, property management, marketing, construction, hospitality and leisure.

Her previous experience includes holding various positions in the Audit and Assurance Department for Deloitte KassimChan and Ernst & Young.

She holds a Chartered Institute of Management Accountants (CIMA) from London Business School and Finance, UK and a Bachelor (Hons) of Accountancy from Universiti Teknologi MARA.

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 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.

With the new shareholders and management, KPower has shifted its focus to the sustainable energy and utilities segment. This shift in focus aligns with the aspiration of the Group to be environmentally conscious and responsible while operating in a space that is resilient and future proof.

Leveraging on the shareholders and management's experiences, networks and knowledge; KPower has also expanded regionally and has experienced an extraordinary jump in our financial results in FYE2020. Despite the global economic slowdown in 2020 due to the COVID-19 pandemic, the Group saw strong progress during this financial year, with key operating and financial metrics improving significantly from the previous FYE2019.

Contribution from the new sustainable energy and utilities segment has also eclipsed the legacy business contribution compared to previous years. This marked KPower's foray into this new sustainable segment of the future.

Operating and shifting into this sustainable and green space has clearly transformed KPower into a regional player, rejuvenated the Group and provided KPower with a platform and clear path to the future.

Financial Performance Review

The sustainable energy and utilities segment has helped the Group to record a 625% growth in revenue. The Group recorded RM95.84 million as compared to RM13.21 million in FYE2019.

625%

growth in revenue.

Revenue

The sustainable energy and utilities segment has helped the Group to record a 625% growth in revenue. The Group recorded RM95.84 million as compared to RM13.21 million in FYE2019. This is mainly attributable to the contracts won both locally and internationally in the energy and utilities segment. These construction related activities and specialised engineering projects are the main contributor to the total revenue during the FYE2020 representing 83.02% of the total revenue.

This was followed by the property development segment with 15.66%, textile manufacturing with 0.68% and property investment segment with 0.63%.

Gross Profit

The Group's gross profit has shown a growth of 505% from RM4.61 million in FYE2019 to RM27.89 million in FYE2020. After several years of negative growth, the Group has managed to record positive numbers for two (2) consecutive periods.

505%

gross profit growth

Profit Before and After Tax

Having taken over the reins of the Company for over a year, the management has been able to institute changes internally and position the Company in line with our vision.

While we are in the preliminary process of transformation, the Group has reported a jump of 1,805% in profit before tax ("PBT") in FYE2020 to RM17.91 million from RM0.94 million from the year before. Meanwhile profit after tax ("PAT") increased by 2,556% to RM12.78 million for FYE2020 from RM0.48 million in FYE2019.

2,556%

profit after tax growth

Finance Costs and Income Tax

Finance costs decreased by 51% to approximately RM0.11 million in FYE2020, reflecting a decrease in average net debt during the year.

The Group reported tax rate is based on the statutory rate of 24% (2019: 24%) of the estimated assessable profit for the year. In FYE2020, the Group recorded RM5.13 million in income tax expense.

Principal Activities

The Group's current principal business is construction related activities and specialised engineering services relating to sustainable energy and utilities.

The Group is also involved in manufacturing of textiles, property development and property investment.

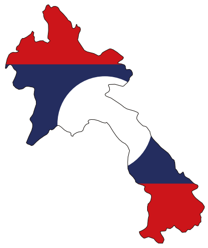
- **Construction Related Activities**

With the new focus into the sustainable energy and utilities segment, KPower has diversified its principal activities into construction related activities and specialised engineering services during FYE2020. This new segment, construction related activities has become the largest contributor of revenue for the Group and overtaken property development's contribution. **The construction related activities segment recorded RM79.57 million of revenue, contributing 83.02% to the total revenue of the Group during the financial year under review.** The revenue generated from construction related activities mainly arise from preliminary works on the construction projects.

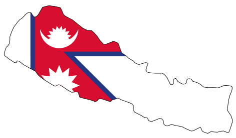
The Group is involved in the overall management of the project including project management, supply of labour, construction, installation, testing, commissioning and completion of the project. In FYE2020, KPower has expanded its presence regionally through this segment by securing projects in Laos and Nepal.

RM79.57 million
revenue

Laos



Nepal



- **Property Development**

The next largest segment contributed RM15.01 million to the revenue, accounting for 15.66% of the Group's revenue. Save for the Sentul Project under KPower Development, our Company does not have any other on-going development projects.

The Company takes further comfort that our sole property development project is fully sold thus the revenue is secured limiting our exposure to market risk. While we face challenges in construction from the shutdown during the MCO, the Company has recommenced construction and is working hard towards completing the Sentul Project.

- **Manufacturing**

The Group's textile manufacturing segment under PISB has registered 0.68% of the total revenue or RM0.66 million for FYE2020 - a fall due to volatile fabric demand as COVID-19 pandemic has impacted the global economic demand, increasing competition from both local and overseas manufacturers, uncertain supplies as well as increasing cost of raw materials.

- **Property Investment**

The property investment has generated RM0.61 million, representing the remaining 0.63% of the total revenue during the financial year. The property is managed by a third-party agency due to the location of the property.

Financial Position

The Group's total assets stood at approximately RM167.23 million as at 30 June 2020. **Total assets increased by RM126.17 million or 307% from FYE2019 due to an increase in cash and bank balances, trade receivables as well as contract assets relating to construction contracts.**

The Group's borrowings stood at RM1.98 million as at 30 June 2020 comprising term loan. The total borrowings during this FYE2020 decreased by RM1.32 million, resulting in a decrease in gearing ratio from 0.14 in FYE2019 to 0.02 in FYE2020, following the repayment of borrowings.

Cash Flow

The Group's operating cash flow is at a comfortable level at RM10.61 million compared to cash used of RM1.60 million in FYE2019, due to collections from contract customers from projects acquired in FYE2020 and two Private Placement exercises that were completed during the financial year under review.

RM10.61 million
operating cash flow

CAPITAL MANAGEMENT

The Group has adopted a disciplined approach in respect of its capital management to enhance its long-term financial stability as well as allowing the Group to pursue its long-term vision and mission. In doing so, the Group aims to maintain an optimal capital structure that provides flexible access to financial markets to ensure the availability of funds to meet its financial obligations, thus maintaining a healthy gearing ratio.

The capital structure of the Group consists of debt which includes borrowings, cash and cash equivalents, and equity attributable to equity holders of the Company.

The Group actively and regularly reviews and manages its capital structure with the objectives of ensuring that the Group will be able to meet its financial obligations 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.

DIVIDENDS

The Group's dividend policy is to distribute a dividend of at least 20% of its consolidated profit after tax attributable to the owners of the Company for each financial year as per its announcement on 27 November 2019.

Based on our performance in FYE2020, the Board of Directors of KPower has proposed a single tier dividend based on 20% of profit after tax representing 2.26 sen per share in respect of the FYE2020.

20%
dividend

CORPORATE EXERCISES

On 13 November 2019, Dato' Dr. Ir. Ts. Mohd Abdul Karim bin Abdullah has made a mandatory takeover offer to acquire all the remaining ordinary shares in KPower at a cash consideration of RM1.00 per share. As a result, Dato' Karim and his Persons Acting in Concert ("PACs") held a total of 40,648,378 shares or approximately 53.38% stake in KPower during the period.

Other than that, KPower has undertaken several fund-raising exercises in order to ensure that our operations continue to run optimally and efficiently across the value chain specifically in our core businesses.

One of the fund-raising exercises includes the completion of a private placement exercise on 19 February 2020, with issuance of 7.61 million shares, raising total proceeds of RM13.3 million ("Private Placement I"). The proceeds have been earmarked for business expansion and working capital for GBI Contract.

Subsequent to the Private Placement I, the Group has diversified its principal activities to include construction related activities, in line with the New Major Shareholders and key management plans to expand into the sustainable energy and utilities segment.

Further, on 30 June 2020, the Company completed another private placement exercise ("Private Placement II") with issuance of 29.32 million shares, raising total proceeds of RM55.4 million. The proceeds raised from this fund-raising exercise were allocated to finance the construction costs of KPower's construction related activities and specialised engineering services.

The abovementioned utilisation of proceeds shall be read in conjunction with the Announcements dated 21 January 2020 and 19 May 2020 made by the Company as well as Circular dated 5 June 2020.

KPower's construction related activities and specialised engineering services are mainly in the sustainable energy and utilities segment.

Outlook

- **Construction Related Activities**

KPower's construction related activities and specialised engineering services are mainly in the sustainable energy and utilities segment. While projects secured are mostly hydropower related projects, there remain huge opportunities in this segment not only in hydro segments but also in other areas of this industry.

As the global economy is experiencing slowdown due to the COVID-19 pandemic, the energy sector is also impacted by this economic downturn. However, the renewable energy segment continues to be resilient.

According to the International Energy Agency ("IEA"), the sudden halt in economic activities affected global energy demand in the Q1 2020. Compared to the first quarter of 2019, the energy demand for the first quarter of 2020 declined by 3.8%, specifically on coal, oil, nuclear power and natural gas. However, renewable energy demand increased by about 1.5% in Q1 2020. Renewables are resilient to lower electricity demand because they are generally dispatched before other electricity sources due to their low operating costs or priority due to regulations.

Hydropower accounted for more than 70% of the Southeast Asia region's renewable energy installed capacity.

In Malaysia, hydropower is the largest clean and renewable energy source. Hydropower is expected to grow from 6,165 MW of installed capacity in 2018, to 6,928 MW by 2024. More interesting is in the area of small hydropower plants in Malaysia. Protégé Associates Sdn. Bhd. ("Protégé") expects it to grow from 59.3 MW in 2018 to 225 MW by 2024, representing a compound annual growth rate of 24%.

Hydropower accounted for more than 70% of the Southeast Asia region's renewable energy installed capacity. Protégé expects the outlook of the ASEAN hydropower industry to remain positive.

The total hydropower installed capacity in ASEAN stood at 46,617 MW in 2018, and is projected to grow to 51,666 MW by 2024, representing a CAGR of 1.7% throughout the said period.

Protégé projects the revenue of the construction industry in Malaysia to increase from RM66.25 billion in 2019 to RM79.50 billion in 2024, registering a CAGR of 3.7% of which the local civil engineering and special trade works market is projected to increase from RM36.66 billion in 2019 to RM45.32 billion in 2024, representing a CAGR of 4.3% during the said period.

The COVID-19 pandemic has certainly taken its toll on the world with lockdowns imposed to contain the spread of the pandemic amplifiying its impact on the economy.

However, we believe the industry that we operate in namely energy, utilities and infrastructure will remain resilient.

This is especially true in the clean and green segment of the industry. In the long term the economy will grow as such demand for these basic utilities will remain strong.

Utilising our network, experience, know-how and technical capabilities, we are confident in securing more projects in these segments locally and abroad in the future.

- **Property Development**

Despite the economic headwinds, Malaysian property market is expected to remain manageable in the coming years. Various incentives are given by the Malaysian Government in the effort to cushion-off the negative impact on the property market. As Bank Negara Malaysia expects the Malaysian economy to rebound in 2021, in tandem with projected global recovery, the property market is anticipated to move in a similar trajectory. Jabatan Pernilaian dan Perkhidmatan Harta Malaysia will continue to monitor and evaluate the expected impact of the pandemic on the Malaysian property market and provide advisory to the government in ensuring that the market remains sustainable.

Taking into account the issues experienced by the property market before, which was then further compounded by the COVID-19 pandemic, the management treads very carefully in this segment. However, KPower Development is open to considering any opportunities that have good returns, manageable risks with efficient capital outlay.

Despite the economic headwinds Malaysian property market is expected to remain manageable in the coming years.

- **Manufacturing**

In the manufacturing sector, prolonged factory closures in key industrial hubs in the COVID-19 affected countries, has disrupted production activity across the global supply chain. As countries implement containment measures, firms are only able to operate at limited capacity amid labour and logistics constraints, resulting in domestic firms facing difficulty in procuring inputs from source countries. The disruptions in production abroad has also lowered demand for Malaysian manufactured products, which are often used as input in the affected economies' exports to the rest of the world. Overall, this would compound the effects of weaker final demand from affected countries, thus weighing further on Malaysia's manufacturing activity and exports performance.

Nonetheless, the Malaysian economy is expected to benefit from the eventual improvement in global demand, which will aid to lift growth in the export-oriented sectors. As risks from the pandemic subside, consumer sentiments can also be expected to gradually improve when travel restrictions are eased and tourism and travel activities resume. Malaysia's domestic growth prospects are therefore projected to improve towards the end of the year and subsequently in 2021.

In our textile manufacturing segment, the pandemic has disrupted supply chain as well as operations and worse, worldwide demand for the industry. We have since resumed operations and received small orders from our clients. Nevertheless, this segment will prove to be challenging and will improve together with the improvement in the global economy.

Currently, KPower is viewing medical-grade fabric production as one of the options to transform the business and is in the midst of discussion with potential technology partners to produce medical-grade fabric and other medical related products.

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- **Property Investment**

After the reassessment on the units and facilities at the Nightingale House and its operational costs, KPower has decided to mark the property for disposal. Due to the location of the asset, the disposal of the asset will allow for a more efficient utilisation of resources of the Group. This will free up the tied-up resources and allow it to be re-deployed into the more profitable core business of the Group. The Liverpool property is in the midst of the process of identifying potential buyers. The terms and conditions of the disposal have yet to be finalised at this juncture.

The Group focuses on sustainability principles when formulating and implementing business strategies to achieve its goals.

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.

Through this Sustainability Statement ("the 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 is made in accordance with the Main Market Listing Requirements and Sustainability Reporting Guide of Bursa Malaysia Securities Berhad.

SUSTAINABILITY GOVERNANCE

The Group's sustainability strategy is led by the Board of Directors and is delegated, implemented and monitored by the Management.

SCOPE AND BOUNDARY OF THE SUSTAINABILITY STATEMENT

This Sustainability Statement serves the purpose of reporting on the summary of events for FYE2020, which is from 1 July 2019 to 30 June 2020. Where relevant, it also includes some events that occurred in July up to early October 2020.

The Statement covers the activities of KPower and all its subsidiaries involved in the business of construction related activities and specialised engineering services relating to sustainable energy and utilities, manufacturing, property development and property investment.

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 enquiries related to this Sustainability Statement can be directed to investor@kpower.com.my.

STAKEHOLDERS ENGAGEMENT

The Group acknowledges the need to conduct a continuous dialogue and information sharing with the relevant stakeholders i.e. employees, shareholders/investors, customers, suppliers, media, government & regulators and community in a timely, effective and transparent manner.

Stakeholder	Key Area of Focus	Engagement Method	Frequency of Engagement
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
Shareholders/ Investors	Business performance review	Quarterly financial reports	Quarterly
	Operation in compliance with applicable laws and regulations	Annual Report	Annually
	Investors engagement	Investors relationship channels	On-going
	Corporate development	Announcement to Bursa Securities	On-going
	Information and communication	Feedback to enquiries	As required
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	Direct engagement, exhibitions and roadshows	On-going
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, review and correspondences	On-going
Media	Timely and accurate information	Press release and direct engagement	As required
Government & Regulators	Regulatory compliance	Site visit, meetings and consistent engagement	As required
	Permits and licenses	Verification/inspection	As required
Community	Social responsibilities	Community engagements programmes	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

The principles of sustainability are integral in the pursuit of KPower's economic growth. With 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.

KPower's performance has improved tremendously since the new management took over. The Group's revenue continues to increase from RM13.2 million in FYE2019 to RM95.8 million in FYE2020. Profit after tax rises from RM0.48 million in FYE2019 to RM12.78 million in FYE2020.

RM95.8 million

revenue in FYE2020

ENVIRONMENTAL

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 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 Group encourages all employees on conserving electricity and water as the Group acknowledges the significance of environmental preservation. The Group and its subsidiaries have managed to control the electricity and water consumption at 3% of the total operating expenses.

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

SOCIAL

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 diverse 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.

With the new management stepping in, 41% of the total employees in KPower and its subsidiaries are new recruits, as at FYE2020. As the Group continues to grow, it will continue to create more job opportunities in the future.

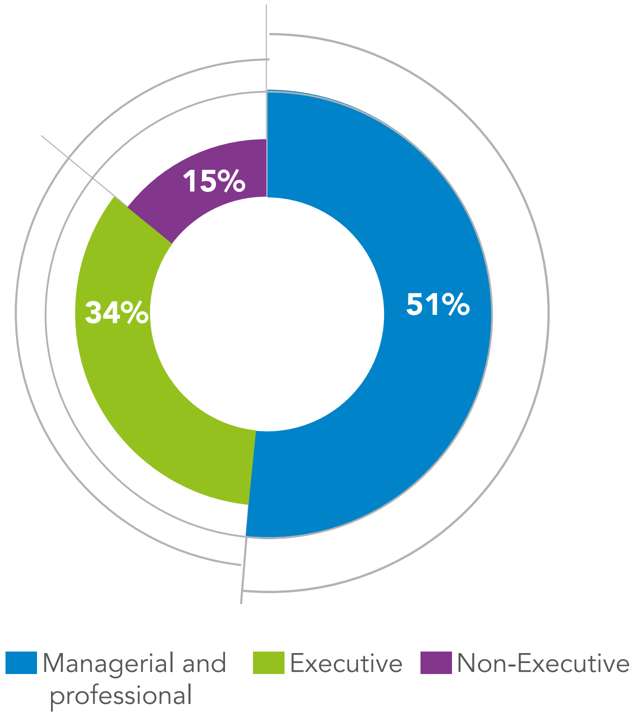
41%

new recruits as at FYE2020

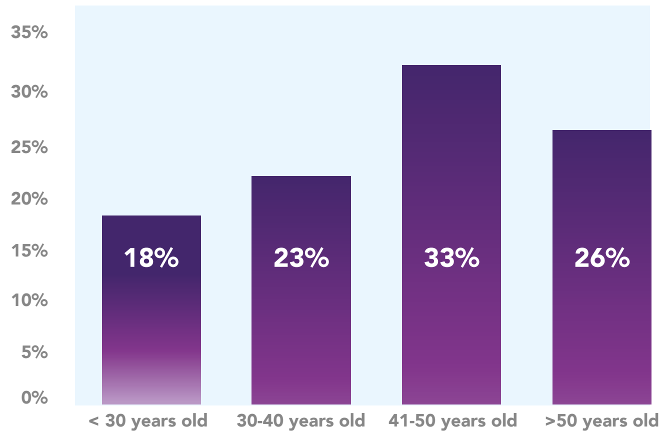
Workplace Diversity

Total Employees in the Group: 73

- Employees by Job Function

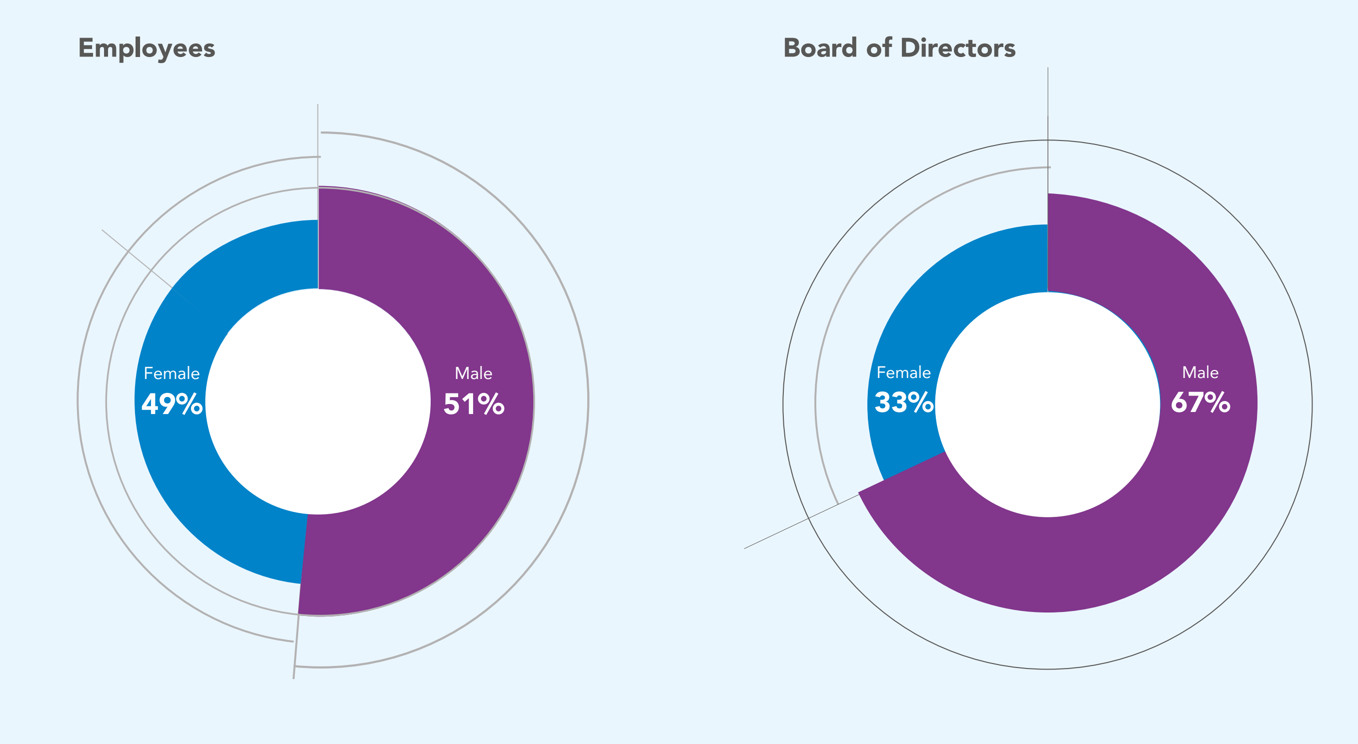


- Age Group Composition



**Note: all figures are based on data as at 14 October 2020*

• Gender Composition



Benefits for Staff

1. Pilgrimage Leave (Hajj Leave)
2. Exam leave
3. Group Takaful Coverage (Term Life, Hospitalisation & Surgical)
4. Outpatient care
5. Dental care
6. Vision care
7. Executive health screening

COVID-19 Response

The World Health Organization (WHO) has declared COVID-19 a global pandemic on 11 March 2020. As at 14 October 2020, WHO reported that the number of global cases had exceeded 38 million with over a million loss of life.

The Group takes seriously the safety and health of all employees. Hence, the Group has applied the following measures in accordance to the government's order during the period of time.

Measures	Actions taken
Work from Home Policy	• KPower implemented Work From Home ("WFH") policy for all of the staff working in the office (KPower and its subsidiaries) during the MCO period. This is to ensure that all staff can work from home while maintaining the quality and efficiency within the period. • During the period of WFH, every employee must remain contactable at all times by the Company. The staff are not allowed to go on a holiday, travel to their hometown or anywhere else outside their current residential area except to the workplace. In the event of violation of the above obligations, action shall be taken against the staff.
Attendance and Working Hour	• The working hour is as per usual which is from 9.00 a.m. – 6.00 p.m. All staff were to report their attendance to their respective supervisor every morning.
Productivity Measurements	• Head of Departments (HOD) of each Department are encouraged to conduct daily group meetings online. • Employees shall update their superior on their daily tasks and complete the task assigned by his/her superior on time.
Security and Confidentiality	• All staff shall ensure internet security for linking laptop/computer to protect business-sensitive documents. • Maintain confidentiality for all process related work – sharing platform. • All documents that have been brought home by the employees must be kept properly and shall not be accessible by others.
Face Mask and Meetings	• As part of the preventive measures, the Group recommends to avoid all face-to-face meetings unless it is urgent. Instead, all meetings are recommended to be conducted via tele-conference or video-conference. • The Group also provides free face masks and replenishable hand sanitisers to all staff. • All staff and visitors are required to wear face mask when attending any face-to-face meetings regardless if the meeting is held within or outside of the office. • All staff and visitors, if applicable, are required to record their attendance and temperature as well as daily check-in with MySejahtera application.

We believe that we are a part of the bigger community around us and we strive to do our best by taking one step further to care for the society, especially the less fortunate.

The Group places great importance on social responsibility and ethical practices to make a difference to the world. We believe that we are a part of the bigger community around us and we strive to do our best by taking one step further to care for the society, especially the less fortunate. The Group has made contributions and participated in several events for the year 2020 to make lasting positive impact to the community, summarised as follows:

CONTRIBUTIONS FOR THE COMMUNITY

7 February 2020
Donation for Orang Asli in Royal Belum Forest

On 7 February 2020, KPower contributed to Orang Asli in Royal Belum Forest, Perak by donating food and beverages to approximately 300 people.

13 March 2020
Donation for a Special School in Pulau Pinang

On 13 March 2020, KPower made a donation to SMK Pendidikan Khas Persekutuan, Pulau Pinang during the school's 29th Parents - Teachers Association Annual General Meeting. Currently, the school accommodates 109 students and 51 teachers. The donation made will be put to good use for the students' activities and developments.

FIGHTS AGAINST COVID-19

Upon the first case of COVID-19 on 4 February 2020, increasing confirmed cases had compelled the Malaysian government to enforce the MCO starting from 18 March until 9 June 2020. The uptrend in reported cases in Malaysia caused demand for face masks to surge as manufacturers struggled to fill orders within the country. The huge gap in demand and supply caused the price for face masks to increase tremendously and became too costly for many. Answering the call from the Government of Malaysia, KPower initiated efforts to procure and distribute face masks to Malaysians in need.

30 April 2020
Face mask to the state of Perak

On 30 April 2020, the Company made a donation in the form of face masks to the Perak state government to distribute the face masks to Perak residents.

25 May 2020
Face mask for Laos

On 25 May 2020, KPower donated 30,000 face masks to Laos through the representative of the Embassy of Malaysia in Laos following the COVID-19 outbreak across the globe.

20 June - 31 August 2020
Ride for Humanity Sabah

Recognising the lack of awareness and information on COVID-19 in rural areas, KPower together with Trek Finder Tours Sdn. Bhd. organised 'Ride for Humanity'. The programme covered 500km across the Crocker Range, Sabah in over 3 months.

On every weekend starting from 20 June until 31 August 2020, a number of cyclists volunteered to participate in distributing face masks and hand sanitisers to Sabah citizens, especially to the people residing at rural areas in the highlands and the traders in small markets (tamu) along the roadside. Concurrently, the group of volunteers helped in spreading awareness on COVID-19 and the importance of keeping good hygiene.

EMPLOYEE ENGAGEMENT PROGRAMMES

KPower has established our Sports Club during the year under review.

8 July 2020
Bowling tournament within KPower staff

Our first employee engagement programme was the bowling tournament with the KPower Group's staff. The winning team won RM200 worth of cash.

11 September 2020
Friendly futsal match with Serba Dinamik

On 11 September 2020, KPower's futsal-enthusiasts arranged a futsal match with a group of staff from Serba Dinamik Holdings Berhad.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("Board") of the Company is fully committed to upholding high standards of corporate governance throughout the Group's operations with the ultimate objective of safeguarding the interests of all stakeholders and enhancing shareholder value.

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") and Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad except where stated otherwise.

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

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

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 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, Group 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 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 ensures the implementation of appropriate internal controls.

Practice 1.2 – Chairman

The Chairman of the Board is a Non-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 decisions 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 provide a fair opportunity to all directors to participate actively and constructively during the meetings.

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

The roles of Chairman and Group Managing Director ("GMD") 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 all directors to 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 GMD is responsible for efficient and effective management of the business operations and strategic direction of the Company.

Practice 1.4 – Company Secretaries

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

The Company Secretaries also ensure that the Board is kept well informed on any regulatory requirements and updates 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 Secretaries advise and circulate relevant guidelines on new and amended statutory and regulatory requirements from time to time for the Board's reference and brief the Board on these updates at Board meetings. The Company Secretaries ensure that the Company and its Directors operate within the law.

The Company Secretaries also attend all Board and Board Committee meetings and ensure that the discussions on key issues and decisions thereon are properly recorded. The Company Secretaries are directly accountable to the Board on all matters in relation to the proper functioning of the Board, maintenance of the corporate documents of the Board, facilitating the Board's communication 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 Secretaries.

Practice 1.5 – Information and support for Directors

The Board of Directors' Meeting is held on a quarterly basis to deliberate and approve the quarterly results and at other times as required. There were nine (9) Board meetings held during the financial year ended 30 June 2020.

Board meeting is 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 sufficient time for the directors 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 written resolutions where relevant information on the subject matter was enclosed.

All the Directors have 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.

The number of meetings attended by each Director during the financial year are set out as follows:

Name of Directors	Number of Meetings Attended
Dato' Dr. Ir. Ts. Mohd Abdul Karim bin Abdullah	7/9
Mustakim bin Mat Nun	9/9
Sarah Azreen binti Abdul Samat (Appointed on 28 November 2019)	2/3
Dato Arivalagan a/l Arujunan	9/9
Kok Pauline	8/9
Tan Yee Hou	9/9
Dato' Haji Roshidi bin Haji Hashim (Retired on 28 November 2019)	4/5
Fong Wai @ Foong Kai Ming (Retired on 28 November 2019)	4/5

Practice 2.1 – Board Charter

The Board Charter sets out the roles and responsibilities, composition and processes of 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 five (5) Board Committees, namely Audit Committee, Nomination Committee, Remuneration Committee, Risk Management Committee and Investment 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 Director 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 establish a corporate culture that promotes ethical conduct throughout the Company and ensure 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, honesty 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) Code of Conduct and Ethics;

b) Whistle-blowing Policy; and

c) Anti-Bribery and Anti-Corruption Policy.

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. The Board 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. Appointed management officials are charged with these responsibilities. This policy is to provide an avenue for all employees of the Group 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 raises any issues internally will also be protected against any adverse and detrimental actions for disclosing any improper conduct committees or about to be committed with the Group, 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 Group treats all reports in 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.

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 Group.

During the Financial Year Ended 30 June 2020, the Board has six (6) Directors comprising four (4) Non-Independent and Non-Executive Directors, including the Chairman, Deputy Chairman and Group Managing Director, and two (2) Independent and Non-Executive Directors.

Consequently, the constitution of the Independent Directors of the Company is less than half (50%) and does not meet with the MCCG Practice 4.1 requirement. However, the Board complies with the Paragraph 15.02(1) of MMLR of Bursa Malaysia Listing Requirements, which is to have at least 2 directors or 1/3 of the board of directors of a listed issuer, whichever is the higher, are independent directors. The Board and the Nomination Committee are aware of such a departure from the MCCG Practice 4.1 and are identifying the right candidates.

There is a balance of power and authority in the Board as the GMD is responsible for making the day-to-day business and operational decisions and implementation of Board policies while the Independent and 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 and Non-Executive Directors have a 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 objective 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 redesignation 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 appointments when the need arises. The Nomination Committee is responsible for assessing and making recommendations to the Board of Directors 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, 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 Director was appointed:

- Sarah Azreen binti Abdul Samat
  (Appointed on 28 November 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 programmes. The proposed date for Annual General Meeting ("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 the 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 recruitment 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. Women directors in the composition of the Board have increased by 19% during FYE2020, making it up to a total of 33%.

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 programmes and performance evaluation on effectiveness of the Board, Board Committees 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 comprises two (2) Independent Non-Executive Directors and chaired by a Non-Independent Non-Executive Director. Any decision by the Nomination Committee will be based on the majority basis.

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, amongst others, 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 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 relevant.

Particulars of the seminars and courses attended by the Directors during the financial year are as follows:

Name of Directors	Date	Seminar/Training Course Title
Dato' Dr. Ir. Ts. Mohd Abdul Karim bin Abdullah	10 - 11 July 2019	Sabah Oil & Gas Exhibition and Conference 2018
	20 – 21 July 2019	Beyond Paradigm Summit
	4 September 2019	Round table talk 2019 – OIC Today
	18 - 19 September 2019	MOGSC: ASEAN HSSE Loss Prevention & Professional Development
	12 - 13 November 2019	Vendor Innovation Partnership Program 2019
	18 – 21 December 2019	KL Summit 2019
	12 February 2020	KONVENITA - From Zero to Hero
	20 February 2020	Raising Defences: Section 17A, MACC
Mustakim bin Mat Nun	11 - 12 November 2019	Mandatory Accreditation Programme (MAP)
	18 – 21 December 2019	KL Summit 2019
Sarah Azreen binti Abdul Samat	19 August 2019	Business Foresight Forum 2019: New Business Directions 2025 - Catalysts for Change (SIDC)
	29 August 2019	How the US-China Trade War Will Move Forward (Moffett Consultancy)
	10 April 2020	Corporate Liability Under COVID-19 - Are We Ready?
Dato' Arivalagan a/l Arujunan*	-	-
Kok Pauline	27 - 28 June 2019	MFRS 15 and MPERS S34 - Application to Construction Contracts and Property Development Activities.
	15 October 2019	Evaluating Effective Internal Audit Function - Audit Committee's Guide On How To.
	10 April 2020	Corporate Liability Under COVID-19 - Are We Ready?
Tan Yee Hou	15 October 2019	Evaluating Effective Internal Audit Function - Audit Committee's Guide On How To.
	11-12 November 2019	Mandatory Accreditation Programme (MAP)
	18 – 21 December 2019	KL Summit 2019
	10 April 2020	Corporate Liability Under COVID-19 - Are We Ready?
	24 April 2020	Tax Impact of COVID-19

Note: *The Director was not able to attend any training during the financial year due to his time and work commitment.

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 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 to the Directors;

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.

As at 30 June 2020, the Remuneration Committee comprises two (2) Independent Non-Executive Directors and chaired by a Non-Independent Non-Executive Director. A total of two (2) meetings were held during the financial year. The attendance record of each member during the financial year are as follows:

Name of Directors	Number of Meetings Attended
Sarah Azreen binti Abdul Samat (Appointed on 28 November 2019)	1/1
Kok Pauline	2/2
Tan Yee Hou	2/2
Dato' Haji Roshidi bin Haji Hashim (Retired on 28 November 2019)	1/1

Practice 7.1 – Remuneration of Directors

Details of the Directors' remuneration of each Director during the financial year ended 30 June 2020 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)
Dato' Dr. Ir. Ts. Mohd Abdul Karim bin Abdullah	149.50	-	-	-	149.50
Mustakim bin Mat Nun	124.25	-	-	-	124.25
Sarah Azreen binti Abdul Samat (Appointed on 28 November 2019)	53.50	-	-	-	53.50
Dato' Arivalagan a/l Arujunan	96.00	-	-	-	96.00
Kok Pauline	75.50	-	-	-	75.50
Tan Yee Hou	76.00	-	-	-	76.00
Dato' Haji Roshidi bin Haji Hashim (Retired on 28 November 2019)	43.50	-	-	-	43.50
Fong Wai @ Foong Kai Ming (Retired on 28 November 2019)	22.00	-	-	-	22.00

Practice 7.2 – Remuneration of Senior Management

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

Remuneration Range	Number of Senior Management
RM100,000 to RM200,000	2
RM200,001 to RM300,000	4
RM300,001 to RM400,000	2

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.

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 chaired by an Independent Non-Executive Director, with one Independent Non-Executive Director and one Non-Independent Non-Executive Director as the members of the Committee. 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 under Board Charter which are available on the Company's website.

Practice 8.3 – Oversight of External Auditors

The Group engaged the External Auditors to perform 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, reappointment 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 Auditors 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 7 October 2020, reviewed the suitability and independence of the External Auditors i.e. Messrs. Al Jafree Salihin Kuzaimi PLT ("ASK") and is satisfied with their independence and performance. Thus, the Audit Committee has recommended to the Board to table the reappointment 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. There were three meetings held between the External Auditors and the Audit Committee during the financial year without the presence of the other Directors and key management to discuss any issues that may require the attention of the Audit Committee.

Practice 9.1 and 9.2 – 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 Group'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 Bursa Malaysia 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 Group'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 business objectives. The Group's overall risk appetite is based on assessment of the Group'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 Group's risk management and internal control practices. The Board is responsible for ensuring that the Group complies with all applicable provisions of law and regulations and ensures that appropriate risk management systems are in place throughout the Group.

The Risk Management Committee assists the Board to oversee and review the effectiveness of the Group'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 Group from achieving its objectives and strategies.

Compliance relating to risk recognition and management is presented in the Group'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 Company's internal audit function is outsourced to an independent professional firm, namely Tricor Axcelasia Sdn. Bhd. (formerly known as Axcelasia Columbus Sdn. Bhd.) ("Axcelasia") which reports functionally directly to the AC. 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 Board, through the AC conducts annual review on the effectiveness of the internal audit function including assessing the quality of audit review and ensuring that the Internal Auditors have sufficient knowledge and experience to perform their role effectively.

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.

Practice 11.1 – Communication with Stakeholders

The Group is committed to ensure that timely, accurate and complete information about the Group 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 Group's disclosure requirements are fulfilled and overseeing the implementation of the Group's communication policy. The Group strives to promote a better understanding of the Group through investor relations activities. Apart from general meetings, the Group has in place the following initiatives to facilitate effective communication 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 Malaysia, which include timely release of financial results on a quarterly basis. Concurrent with these releases, the Group posts all announcements on its website;
- Attending to shareholders' and investors' emails and phone enquiries; and
- The Group's website at www.kpower.com.my under the Investor Relations section, which contains annual reports, quarterly report announcements and other corporate information on Kumpulan Powernet Berhad; and
- Timely release of quarterly announcements and full year financial reports reflects the Board's accountability to its shareholders.

Practice 12.1 – Notice of General Meeting

General meeting is an important platform for the shareholders to exercise their rights in the Group, either in the Annual General Meeting or Extraordinary General Meeting.

The Notice of General Meetings 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 to 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 Group. 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 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 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, with the exception of Dato' Haji Roshidi bin Haji Hashim, the former Independent and Non-Executive Chairman, who was absent on the 22nd AGM which was also the date of his retirement. The Group's External Auditors also attended 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 and Remote Shareholders' Participation at General Meetings

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 Group conducts a poll voting on each resolution tabled during the general meetings to support shareholders' participation. 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. The outcome of the meeting is announced to Bursa Malaysia on the same day, which is also accessible on the Group's website.

An Extraordinary General Meeting ("EGM") was conducted entirely through live streaming from the broadcast venue at Tricor Boardroom on 22 June 2020. Shareholders attended, posted their questions to the Board via real time submission of typed texts, and voted remotely for the EGM via the Remote Participation and Voting facilities provided by Tricor Investor & Issuing House Services Sdn. Bhd. via its TIIH Online website at https://tiih.online.

AUDIT COMMITTEE REPORT

A. COMPOSITION AND ATTENDANCE

The Audit Committee which comprises two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director is in compliance with Paragraph 15.09(1)(a) and (b) of the MMLR of Bursa Securities which states that the audit committee must be composed of no fewer than 3 members; and that all the audit committee members must be non-executive directors, with a majority of them being independent directors.

There were six (6) meetings held during the financial year 2020. The Audit Committee members and details of attendance of each member at the Audit Committee meetings held during the financial year ended 30 June 2020 are as follows:-

Name of Directors	Designation	Directorate	Number of Meetings Attended
Kok Pauline	Chairman	Independent Non-Executive Director	6/6
Tan Yee Hou	Member	Independent Non-Executive Director	6/6
Sarah Azreen binti Abdul Samat (Appointed on 28 November 2019)	Member	Non-Independent Non-Executive Director	2/2
Dato' Haji Roshidi Haji Hashim (Retired on 28 November 2019)	Member	Independent Non-Executive Chairman	4/4

During the financial year, the Audit Committee meetings 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 2020.

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.

B. ACTIVITIES OF THE AUDIT COMMITTEE

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

Overseeing Financial Reporting

- Reviewed the unaudited quarterly consolidated financial results prior to recommending them to the Board for their consideration and approval to release the quarterly results to Bursa Malaysia Securities Berhad. The reviews included detailed discussions with the Group Managing Director, Group Chief Financial Officer and senior finance personnel to ensure compliance with the provisions of the Companies Act 2016 and the applicable approved accounting standards as issued by Malaysian Accounting Standards Board.
- Reviewed the annual audited consolidated financial statements of the Company and its subsidiaries which included detailed discussions with the Group Managing Director, Group Chief Financial Officer, senior finance personnel and external auditors which covers the financial position and performance for the financial year and ensure that it complied with all disclosures and regulatory requirements before recommending the same for approval by the Board.

Reviewed Statements for inclusion in Annual Report

- Reviewed the Statement on Risk Management and Internal Control pursuant to paragraph 15.26(b) of the MMLR of Bursa Securities and recommended the same to the Board for inclusion in the Annual Report.

Reviewed Recurrent Related Party Transactions Monitoring of the Group

- Reviewed the related party transactions ("RRPT") and conflict of interest situations that may arise within the Company and ensure the Company's compliance with the Listing Requirements.

C. EXTERNAL AUDITORS

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

- Identify 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 risks, and obtain 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 exists 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.

During the financial year ended 30 June 2020, the total cost incurred on the external audit function amounted to approximately RM92,000.

D. INTERNAL AUDIT FUNCTION

The Company's internal audit function is outsourced to an independent professional firm, namely Tricor Axcelasia Sdn. Bhd. (formerly known as Axcelasia Columbus Sdn. Bhd.) which reports functionally directly to the Audit Committee. The internal auditor regularly reviews and appraises the effectiveness of the governance, risk management and internal control processes within the Company's key operations. Summary of the work of the Internal Audit function during the financial year are as follows:

- To review Recurrent Related Party Transactions
- To perform one (I) cycle of risk-based internal audit for the Financial Year 2020 and Financial Year 2021 covering key management and operating processes of the company; and
- To perform follow-up assessment on management's implementation of prior internal audit recommendations.

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 2020, the total cost incurred on the internal audit function amounted to approximately RM25,000.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors of KPower is pleased to present this Statement on Risk Management and Internal Control ("Statement") which has been prepared pursuant to paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and as guided by the Statement on Risk Management and Internal Controls: Guidelines for Directors of Listed Issuers and Malaysian Code on Corporate Governance. This Statement outlines the nature and scope of risk management and internal control of the Group during the financial year ended 30 June 2020.

A. RESPONSIBILITY OF THE BOARD

The Board of KPower is responsible for the adequacy and effectiveness of the Group's risk management and internal control system. The Board affirms that there is an established and an ongoing process to identify, assess and monitor key risks applicable to the Group's business activities. The Board, through the Risk Management Committee ("RMC") has been involved in articulating, implementing and reviewing the Group's risk management and internal control.

The Board is also 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 Board acknowledges the importance of internal audit function and has engaged the services of Axcelasia's service whose principal responsibility is to assist the Audit Committee in providing independent assessments on the adequacy, efficiency and effectiveness of internal control systems and ensuring the Group's operation compliance with standard operating procedures within the Group.

Axcelasia undertakes regular and systematic review of the risk identification procedures and control processes implemented by the Management and conducts audits that encompass reviewing critical areas that the Group faces, providing the Audit Committee and the Board with sufficient independent assurance that the system of internal control is effective in identifying and addressing potential risks.

The Internal Audit team continues 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, is being reviewed and approved by the Audit Committee annually. The Audit Committee oversees 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 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.

For the financial year ended 30 June 2020, the Internal Audit team has carried out their review according to the approved internal audit plan. The review covered the assessment on the adequacy and effectiveness of the Group's risk management and internal control system. Upon completion, the internal audit observations, recommendations and management comments were reported to the Audit Committee. The Audit Committee reviews internal control matters and updates the Board on significant issues for the Board's attention and action.

In the financial year ended 30 June 2020, 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.

Risk Management

The Board recognises its responsibilities over the governance of risks and has set in place management procedures for ensuring a sound system of risk management and internal controls by embedding a structured Risk Management Plan ("RMP"). The RMP shall act as a guiding manual and reference for the Management in implementing the process of identifying, evaluating and managing significant risks applicable to their respective areas of business and in formulating suitable internal controls to mitigate and control these risks.

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. The risk responses and internal controls that the Management has taken and/or is taking are documented in the risk templates.

The Board regards risk management as an integral part of the Group's business operations and has oversight over this critical area through the Risk Management Committee and Audit Committee. The Risk Management Committee and Audit Committee, supported by the Internal Audit team, provides an independent assessment of the effectiveness of the Group's RMP framework and reports to the Board. The Group's RMP is consistent with the RMP framework and involves systematically identifying, analysing, risk response planning, monitoring and control and risk management closeout. This framework helps to reduce the uncertainties surrounding the Group's internal and external environment.

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.

Risk Management functions are being overseen by the Group Chief Financial Officer and Head of Risk who 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.

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 RMP initiatives clustered into key strategic areas, as part of the Group's efforts to ensure smooth RMP 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.

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. 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 PISB are consistently pursued by the Group.

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 at the Group level 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, review 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 continuously updated to proactively manage current and potential security threats to our Group's data and content arising from physical and logical access.

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 Risk Management Committee and Audit Committee has reviewed the risk management updates as well as the progress of compliance status of the internal control and risk management system.

b) Our Audit Committee 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 Audit Committee 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 Group Chief Financial Officer and Head of Risk 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 2020, 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.

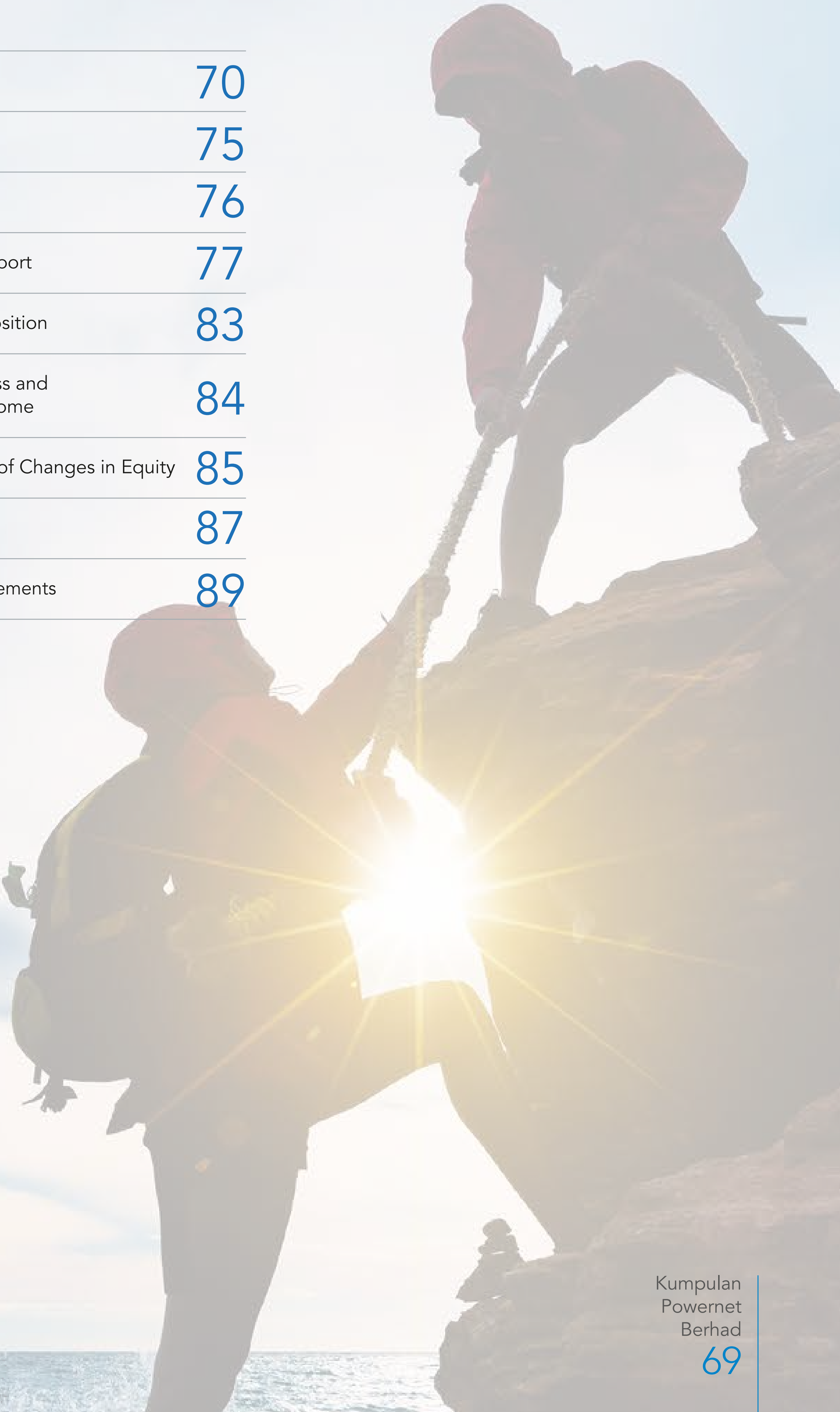
STATEMENT ON DIRECTORS' RESPONSIBILITY

STATEMENT ON DIRECTORS' RESPONSIBILITY
IN RESPECT OF THE ANNUAL AUDITED FINANCIAL STATEMENTS
(Pursuant to Paragraph 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 2020 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 2020, 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.

FINANCIAL STATEMENT



DIRECTORS' REPORT

The Directors hereby with pleasure submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2020.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding and provision of construction services. There have been no significant changes in the nature of these activities during the financial year.

SUBSIDIARIES

The principal activities of the subsidiaries are set out in Note 8 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the parent	12,786	12,220
Non-controlling interests	(10)	-
	12,776	12,220

RESERVES AND PROVISIONS

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

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year.

On 7 October 2020, the Board of Directors declared a final dividend of 2.26 sen per ordinary share totalling RM2,557,162 in respect of the financial year ended 30 June 2020. The dividend will be recognised in subsequent financial year.

DIRECTORS

The names of the Directors of the Company in office since the beginning of the financial year to the date of the report are:

Dato' Dr. Ir. Ts. Mohd Abdul Karim Bin Abdullah	
Dato' Arivalagan A/L Arujunan	
Kok Pauline	
Mustakim Bin Mat Nun	
Tan Yee Hou	
Sarah Azreen Binti Abdul Samat	(Appointed on 28 November 2019)
Fong Wai @ Foong Kai Ming	(Retired on 28 November 2019)
Dato' Haji Roshidi Bin Haji Hashim	(Retired on 28 November 2019)

DIRECTORS (CONTINUED)

The names of the Directors of the Company's subsidiaries in office since the beginning of the financial year to the date of this report are:

Powernet Industries Sdn. Bhd.

Amirul Afif Bin Abd Aziz	(Appointed on 19 July 2019)
Muhammad Syukri Bin Sulaiman	(Appointed on 19 July 2019)
Moo Yong Kong Meng	(Resigned on 22 July 2019)
Fong Wai @ Foong Kai Ming	(Resigned on 22 July 2019)
Leong Siew Ming	(Resigned on 22 July 2019)

Powernet Properties Sdn. Bhd.

Dato' Dr. Ir. Ts. Mohd Abdul Karim Bin Abdullah	(Appointed on 19 July 2019)
Mustakim Bin Mat Nun	(Appointed on 19 July 2019)
Amirul Afif Bin Abd Aziz	(Appointed on 19 July 2019)
Datuk Lee Chong Hoon	(Resigned on 22 July 2019)
Yap Yee Ping	(Resigned on 22 July 2019)

Hypergize Link Sdn. Bhd.

Mustakim Bin Mat Nun	(Appointed on 19 July 2019)
Amirul Afif Bin Abd Aziz	(Appointed on 19 July 2019)
Muhammad Syukri Bin Sulaiman	(Appointed on 19 July 2019)
Datuk Lee Chong Hoon	(Resigned on 22 July 2019)
Yap Yee Ping	(Resigned on 22 July 2019)

Zelinn Limited

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

CBG Builders Sdn. Bhd.

Chew Chee Bor
Yap Yee Ping

CBG Capital Sdn. Bhd.

Chew Chee Bor
Yap Yee Ping

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 26 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' AND OFFICERS' 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:

	Number of ordinary shares			
	At 1.7.2019	**Bought**	**Sold**	**At 30.6.2020**
The Company				
Direct interests:				
Dato' Dr. Ir. Ts. Mohd Abdul Karim Bin Abdullah	15,263,141	23,191,937	-	38,455,078
Mustakim Bin Mat Nun	-	351,500	-	351,500
Deemed interests:				
Mustakim Bin Mat Nun^	7,750,000	9,150,000	-	16,900,000
Sarah Azreen Binti Abdul Samat#	7,750,000	9,150,000	-	16,900,000

^ *Deemed interested by virtue of his shareholding in Grand Deal Vision Sdn. Bhd. pursuant to Section 8(4) of the Companies Act 2016.*

Deemed interested by virtue of her shareholding in Grand Deal Vision Sdn. Bhd. pursuant to Section 8(4) of the Companies Act 2016. Sarah Azreen Binti Abdul Samat was appointed as a Director on 28 November 2019.

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.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company issued 7,614,994 and 29,317,727 new ordinary shares at a price of RM1.75 and RM1.89 per ordinary share by way of private placement.

Other than above, there was no other change in the issued and paid-up capital of the Company, nor issuances of debentures by the Company, 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:

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

(ii) to ensure that any current assets which were unlikely to realised in the ordinary course of business had 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) which would render it necessary to write off any bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(ii) which 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 of the Group and the Company which would render any amount stated in the respective financial statements misleading.

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

(i) any charge on the assets of the Group or of the Company which 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 which has arisen since the end of the financial year.

No contingent liability or other liability of the Group or of the Company 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 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 2020 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.

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.

AUDITORS

The auditors, Al Jafree Salihin Kuzaimi PLT, have expressed their willingness to accept the appointment.

The auditors' remuneration is disclosed in Note 24 to the financial statements.

AUDITORS' INDEMNITY

To the extent permitted by law, the Company has agreed to indemnity its auditors, Al Jafree 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 Al Jafree 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.

Dato' Dr. Ir. Ts. Mohd Abdul Karim Bin Abdullah
Director

Mustakim Bin Mat Nun
Director

Kuala Lumpur

Date: 7 October 2020

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act 2016

We, Dato' Dr. Ir. Ts. Mohd Abdul Karim Bin Abdullah and Mustakim Bin Mat Nun, being two of the Directors of 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 2020 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:

Dato' Dr. Ir. Ts. Mohd Abdul Karim Bin Abdullah
Director

Mustakim Bin Mat Nun
Director

Kuala Lumpur

Date: 7 October 2020

STATUTORY DECLARATION

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

I, Amirul Afif Bin 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 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 Bin Abd Aziz
at Kuala Lumpur in the Federal Territory
on 7 October 2020

Amirul Afif Bin Abd Aziz

Before me,

PESURUHJAYA SUMPAH
W613
Wong Choong Kin @ Donny
BC/W/41/
01.07.2018-31.12.2020
MALAYSIA

B3-6-12 Solaris Dutamas
No. 1, Jalan Dutamas 1
50480 Kuala Lumpur

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KUMPULAN POWERNET BERHAD

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Kumpulan Powernet Berhad, which comprise the statements of financial position as at 30 June 2020 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of 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 83 to 139.

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 2020, and of their financial performance and their 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 audit 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 statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditors' responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

Key Audit Matters	How our audit addressed the key audit matters
1) Revenue recognition : (a) Construction related activities The Group and the Company involves in the construction related activities during the year, the Group and the Company recognised the revenue generated from the construction related activities using the input method using the percentage of completion method. The Group and the Company recognised the revenue amounting to RM79,571,000 and RM67,794,000 respectively during the year which represents 83% and 96% of the Group and the Company total revenue during the year.	Our procedures included, amongst others: In assessing the revenue recognised from construction related activities - We walked through the process and test the Groups' internal controls on the revenue recognition and tested the operating effectiveness of the controls; - We have agreed the contract price in the input method calculation to the latest contract and variation orders (if any); - We have agreed the budget in the percentage of completion calculation to the budget approved by the top management; - We evaluated the appropriateness of the basis of the approved budget with the management and discussed and challenged the significant basis applied in their budget; - We have selected samples based on materiality to vouch for the actual cost incurred during the year to ensure existence and completeness of the percentage of completion; - We have obtained the statement of account from active creditors to ensure the completeness of the actual cost recorded; - We have performed the cut-off tests to ensure revenue recognised for the financial year are recognised in correctly. - We have re-calculated the percentage of completion to ensure mathematical accuracy.
(b) Property development For the financial year ended 30 June 2020, revenue of RM15,010,000 and cost of sales of RM8,886,000 from property development activities account for approximately 16% and 13% 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	In assessing the revenue recognised from property development activity - We obtained an understanding of the process in deriving the stage of completion which includes verifying the certified workdone 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

Key Audit Matters	How our audit addressed the key audit matters
1) Revenue recognition (cont'd.) method or overtime 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 and construction related activities based on percentage of completion method are disclosed in Note 2.18 (i) & (v) respectively to the financial statements.	Our procedures included, amongst others (cont'd.): - 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.
2) Impairment of property, plant and equipment and investment property As at 30 June 2020, the Group has significant balances of non-current assets. The significance amount of non current assets were contributed by a freehold land and building in Bentong and investment property located in Liverpool which amounting to RM11,828,000 and RM7,626,000 representing 58% and 37% of the Group non-current assets respectively. In accordance with MFRS 136: Impairment of Assets, the Group is required to perform impairment test for its cash generating unit ("CGU") whenever there is an indication that the CGU may be impaired by comparing the carrying amount with its recoverable amount. Recoverable amount is defined as the higher of fair value less costs of disposal ("FVLCD") and value-in-use ("VIU"). The Group has adopted to use fair value less cost of disposal as the assessments of impairment for the property, plant and equipment and investment property. Arising from the impairment assessment of the property, plant and equipment and investment property, the Group recognised impairment loss on its investment property amounting to RM245,000 in the current financial year. Refer to the disclosures of property, plant and equipment and investment property in Note 4 and Note 6 to the financial statements respectively.	Our procedures included, amongst others: - We obtained the latest market value of the property, plant and equipment and investment property and compared it against the carrying amount of the property, plant and equipment and investment property; - We re-calculated the impairment assessment for mathematical accuracy; - We evaluated the appropriateness of the work of the management expert. We corroborated the expert's work, tested source data and reviewed the expert's report and conclusion; and - We evaluated the objectivity, independence and expertise of the management expert by inquiring the management experts regarding the years of experience and qualifications.

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 Directors' Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the Annual Report 2020, which is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not and will 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 identified above 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 on the other information that we obtained prior to the date of this auditors' report, 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.

When we read the Annual Report 2020, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and take appropriate action.

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 the 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 or 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 (cont'd)

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 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’s or 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 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 of the Company, including the disclosures, and whether the financial statements of the Group and 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. 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.

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 or 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 8 to the financial statements.

Other matters

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.

AL JAFREE SALIHIN KUZAIMI PLT	**AHMAD ALJAFREE BIN MOHD RAZALLI**
AF: 1522	**No. 01768/05/2021 J**
CHARTERED ACCOUNTANTS	**CHARTERED ACCOUNTANT**

Dated: 7 October 2020

Selangor, Malaysia

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2020

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Non-current assets					
Property, plant and equipment	4	12,287	12,769	154	4
Right-of-use assets	5	511	-	511	-
Investment property	6	7,626	8,090	-	-
Intangible assets	7	11	-	11	-
Investment in subsidiaries	8	-	-	26,490	24,917
		20,435	20,859	27,166	24,921
Current assets					
Inventories	9	2,017	1,510	-	-
Contract assets	10	6,155	-	-	-
Contract cost assets	11	2,760	7,411	-	-
Trade and other receivables	12	43,565	9,474	29,600	3
Deposits and prepayments	13	2,491	298	2,126	37
Cash and bank balances	14	89,805	1,506	87,680	214
		146,793	20,199	119,406	254
Total assets		167,228	41,058	146,572	25,175
Equity					
Share capital	15	97,730	28,994	97,730	28,994
Reserve	16	4,676	4,808	-	-
Retained earnings / (accumulated losses)		3,506	(9,280)	7,501	(4,719)
Total equity attributable to:					
Owners of the parent		105,912	24,522	105,231	24,275
Non-controlling interest		(4)	(395)	-	-
Total equity		105,908	24,127	105,231	24,275
Non-current liabilities					
Lease liabilities	17	254	-	254	-
Deferred tax liabilities	18	6	551	6	2
Borrowings	19	1,420	2,348	-	-
		1,680	2,899	260	2
Current liabilities					
Trade and other payables	20	53,444	12,608	38,279	898
Contract liabilities	10	2,663	-	84	-
Lease liabilities	17	269	-	269	-
Borrowings	19	565	957	-	-
Provision for taxation		2,699	467	2,449	-
		59,640	14,032	41,081	898
Total liabilities		61,320	16,931	41,341	900
Total equity and liabilities		167,228	41,058	146,572	25,175

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Revenue	21	95,843	13,217	70,394	2,529
Cost of sales	22	(67,944)	(8,607)	(45,783)	-
Gross profit		27,899	4,610	24,611	2,529
Other income	23	1,436	124	182	21
Selling and distributions expenses		(104)	(6)	-	(5)
Administrative expenses		(9,773)	(2,819)	(7,756)	(638)
Other expenses		(1,447)	(754)	(172)	-
Profit from operations		18,011	1,155	16,865	1,907
Finance costs	27	(105)	(215)	(31)	-
Profit before tax	24	17,906	940	16,834	1,907
Income tax expense	28	(5,130)	(459)	(4,614)	-
Profit net of tax		12,776	481	12,220	1,907
Other comprehensive income:					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation		(132)	3	-	-
Total comprehensive income for the financial year		12,644	484	12,220	1,907
Profit attributable to:					
Owners of the parent		12,786	486	12,220	1,907
Non-controlling interests		(10)	(5)	-	-
		12,776	481	12,220	1,907
Total comprehensive income attributable to:					
Owners of the parent		12,654	489	12,220	1,907
Non-controlling interests		(10)	(5)	-	-
		12,644	484	12,220	1,907
Earnings per share attributable to owners of the parent (sen per share)					
Basic	29	16.14	0.64	-	-
Diluted	29	16.14	0.64	-	-

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

		Attributable to owners of the Company						
		Non-Distributable						
	Note	Share capital RM'000	Foreign currency translation reserves RM'000	Asset revaluation reserve RM'000	Distributable retained earnings/ (accumulated losses) RM'000	Total RM'000	Non-controlling interest RM'000	Total equity RM'000
Group								
At 1 July 2019		28,994	(104)	4,912	(9,280)	24,522	(395)	24,127
Net profit for the financial year		-	-	-	12,786	12,786	(10)	12,776
Foreign currency translation		-	(132)	-	-	(132)	-	(132)
Total comprehensive income for the year		-	(132)	-	12,786	12,654	(10)	12,644
Transaction with owners:								
Issue of share capital	15	68,736	-	-	-	68,736	-	68,736
Deconsolidation of subsidiaries		-	-	-	-	-	401	401
As at 30 June 2020		97,730	(236)	4,912	3,506	105,912	(4)	105,908
Group								
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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Note	Share capital RM'000	Retained earnings/ (accumulated losses) RM'000	Total RM'000
Company				
As at 1 July 2018		28,994	(6,626)	22,368
Total comprehensive income for the year		-	1,907	1,907
As at 30 June 2019		28,994	(4,719)	24,275
Total comprehensive income for the year		-	12,220	12,220
Transaction with owners:				
Issue of share capital	15	68,736	-	68,736
As at 30 June 2020		97,730	7,501	105,231

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash flows from operating activities				
Profit before tax	17,906	940	16,834	1,907
Adjustments for:				
Allowance for impairment loss on:				
- trade and other receivables	143	-	-	-
- investment property	245	-	-	-
Amortisation of intangible assets	1	-	1	-
Depreciation of investment property	170	155	-	-
Depreciation of property, plant and equipment	649	936	15	2
Depreciation of right-of-use assets	249	-	249	-
Reversal of term loan	(745)	-	-	-
Interest expense	105	215	31	-
Unrealised loss on foreign exchange	222	2	141	2
Inventories written off	333	-	-	-
Interest income	(69)	(28)	(64)	(21)
Operating profit before changes in working capital	19,209	2,220	17,207	1,890
Changes in working capital				
Inventories	(841)	(596)	-	-
Contract assets	(6,155)	-	-	-
Contract cost assets	4,651	511	-	-
Trade and other receivables	(37,689)	(12,003)	(33,400)	(4,508)
Trade and other payables	32,144	8,239	27,381	116
Contract liabilities	2,663	-	84	-
Cash inflows generated from/ (used in) operations	13,982	(1,629)	11,272	(2,502)
Interest received	69	28	64	(21)
Tax paid	(3,443)	-	(2,161)	-
Net cash inflows generated from/ (used in) operating activities	10,608	(1,601)	9,175	(2,523)

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Cash flows from investing activities				
Purchase of property, plant and equipment	(167)	(272)	(165)	-
Purchase of intangible assets	(12)	-	(12)	-
Net cash used in investing activities	(179)	(272)	(177)	-
Cash flows from financing activities				
Issuance of share capital	68,736	-	68,736	-
Interest paid	(74)	(215)	-	-
Advances from a Director	10,000	-	10,000	-
Repayment of loans payables	(575)	(891)	-	-
Payments for the principal portion of lease liability	(268)	-	(268)	-
Placements in bank restricted for use	(20)	-	-	-
Net cash inflows / (used in) financing activities	77,799	(1,106)	78,468	-
Net increase / (decrease) in cash and cash equivalents	88,228	(2,979)	87,466	(2,523)
Effect of exchange rate changes	51	-	-	-
Cash and cash equivalents at beginning of year	1,506	4,485	214	2,737
Cash and cash equivalents at end of year	89,785	1,506	87,680	214
Cash and cash equivalents at end of year comprised:				
Cash and bank balances	81,573	1,228	79,468	6
Deposits with licensed banks	8,212	278	8,212	208
	89,785	1,506	87,680	214

1. GENERAL 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 activities of the Company are investment holding and provision of construction services. The principal activities of the subsidiaries are stated in Note 8 to the financial statements.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 7 October 2020.

2. 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

On 1 July 2019, the Group and the Company adopted the following new and amended MFRSs and Interpretations Committee ("IC") Interpretations and Annual Improvement to MFRSs mandatory for annual financial periods beginning on or after 1 July 2019.

MFRS/ Amendment / Interpretation	**Effective date**
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 Venture (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

The adoption of the above new and amended MFRSs, IC interpretations and Annual Improvements to MFRSs did not have any material effect on the financial performance or position of the Group and the Company except as discussed below:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (Continued)

MFRS 16 Leases

MFRS 16 has replaced 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. Subject to certain exceptions, the right-of-use asset is initially measured at cost and subsequently measured at cost, 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 has also been 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.

The Group adopted MFRS 16 using the modified retrospective approach and the Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets). The Group has leases of certain office equipment (i.e., printing and photocopying machines) that are considered of low value.

The impact of MFRS 16 to the Group and the Company are as disclosed in Note 5 and 17.

2.3 Standards issued but not yet effective

MFRS/ Amendment/ Interpretation	Effective date
Amendments to MFRS 3 Definition of a Business	1 January 2020
Amendments to MFRS 101 Presentation of Financial Statements - Definition of Material	1 January 2020
Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material	1 January 2020
Revised Conceptual Framework for Financial Reporting	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform	1 January 2020
MFRS 17 Insurance Contracts	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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (Continued)

Unless otherwise described below, the new MFRSs, Amendments to MFRSs, IC Interpretations and Annual Improvements to MFRSs above are expected to have no significant impact on the financial statements of the Company upon their initial application except for the changes in presentation and disclosures of financial information arising from the adoption of the above new MFRS, Amendments to MFRSs, Annual Improvements to MFRSs and IC Interpretations.

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. The consolidated financial statements are prepared using uniform accounting policies for like transactions in similar circumstances.

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

(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 the amount of the investors' returns.

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

(i) the size of the Company’s holding of voting rights relative to the size and dispersion of holdings of other vote holders;

(ii) potential voting rights held by the Company, other vote holders or other parties;

(iii) rights arising from other contractual arrangements; and

(iv) any additional facts and circumstances that indicated that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders’ meeting.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

The Group reassesses whether it controls an entity if facts and circumstances indicate that there are changes to one or more of the elements of control.

All intra-group balances, transactions, income and expenses are eliminated in full on consolidation and the consolidated financial statements reflect external transactions only.

All subsidiary companies are consolidated using the acquisition method of accounting from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Under the acquisition method of accounting, the cost of an acquisition is measured as the aggregate of the fair values of the assets acquired, liabilities incurred or assumed and equity instruments issued at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed are measured at their fair values at the acquisition date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation (Continued)

The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interests in the subsidiary. Acquisition-related costs are expensed as incurred.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interests in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

The excess of the fair value of the consideration transferred, the amount of any non- controlling interest in the acquiree and the acquisition date fair value of any previous equity interests in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. Goodwill is stated at cost less accumulated impairment losses. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition.

Non-controlling interests are the part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the shareholders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

When a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific standard.

Any retained interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained investment at the date when control is lost and its fair value is recognised in profit or loss.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Group. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised in retained earnings within equity attributable to the shareholders of the Company.

2.5 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) Foreign currency transaction

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 at the date of transactions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency (Continued)

(a) Foreign currency transaction (Continued)

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

(b) Operations denominated in functional currencies other than Ringgit Malaysia ("RM")

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non-wholly- owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

2.6 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property, plant and equipment (Continued)

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
Electrical installation and air conditioner and renovation	10 years
Plant and machinery	10 years

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.

2.7 Intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

2.8 Investment property

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Investment property (Continued)

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 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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial instruments - initial recognition and subsequent measurement

(i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("OCI"), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures 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. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under *MFRS 15: Revenue from Contract with Customers* ("MFRS 15").

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost are disclosed in Note 10, 11 and 12.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial instruments - initial recognition and subsequent measurement (Continued)

(i) Financial assets (Continued)

Subsequent measurement (Continued)

Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under *MFRS 32 Financial Instruments :* Presentation and are not held for trading. The classification is determined on an instrument-by- instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group have not designated any financial assets at fair value through OCI.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes unquoted equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on unquoted equity investments are also recognised as other income in profit or loss when the right of payment has been established.

The Group have not designated any financial assets at fair value through profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial instruments - initial recognition and subsequent measurement (continued)

(i) Financial assets (Continued)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's statement of financial position) when:

(i) The rights to receive cash flows from the asset have expired; or

(ii) The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

(a) the Group has transferred substantially all the risks and rewards of the asset, or

(b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial instruments - initial recognition and subsequent measurement (continued)

(ii) Financial liabilities

Initial recognition and measurement

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

Financial liabilities are classified, at initial recognition, as financial liabilities at amortised cost or financial liabilities at fair value through profit or loss.

The Group and the Company initially measure a financial liability at its fair value minus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the issue of the financial liability.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss.

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.

Gain or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in *MFRS 9: Financial Instruments* ("MFRS 9") are satisfied. The Group have not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost

Financial liabilities are measured at amortised cost using the effective interest method, which allocates interest expenses at a constant rate over the term of the financial liabilities. The effective interest rate is calculated at initial recognition and is the rate that discounts the estimated future cash flows (including all fees and points paid that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability to the amortised cost of the financial liability.

Subsequent to initial recognition, the amortised cost of a financial liability is the amount at initial recognition minus principal repayments, plus the cumulative amortisation using the effective interest 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.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. 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 the statement of profit or loss.

(iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 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.

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

2.12 Inventories

(i) 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.

(ii) 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:

(a) Raw materials: purchase costs on a first-in first-out basis.

(b) Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.

2.13 Contract assets and contract liabilities

A contract asset is the right of the Group or the Company to consideration in exchange for goods or services that it has transferred to the customer when that right is conditional upon future performance but not through the passage of time. If the Group or the Company has performed its obligation by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised and presented net of any amounts that has been recognised as receivables. Contract asset is presented as the excess of cumulative revenue earned or recognised in profit or loss over the billings to date to the customer. Contract assets are subject to impairment assessment in accordance of MFRS 9.

A contract liability is the obligation of the Group or the Company to transfer goods and services to a customer for which it has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration or the Group or the Company has a right to an amount of consideration that is unconditional before it transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group or the Company performs its obligation under the contract. Contract liability is the excess of the billings to date to the customer over the cumulative revenue earned or recognised in profit or loss. Contract liabilities include advance payment and downpayments received from customers and other amounts where the Group or the Company has billed before the goods are delivered or services are provided to the customers.

2.14 Contract cost assets

(i) Incremental costs of obtaining a contract

The incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer which they would not have incurred if the contract had not been obtained. The incremental costs of obtaining a contract with a customer are recognised as contract cost assets when the Group expects those costs to be recoverable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Contract cost assets (Continued)

(ii) Costs to fulfil a contract

The costs incurred in fulfilling a contract with a customer who are not within the scope of other MFRSs, such as MFRS 102: Inventories, MFRS 116: Property, Plant and Equipment and MFRS 138: Intangible Assets, are recognised as contract cost assets when all of the following criteria are met:

- costs relate directly to a contract or to an anticipated contract that can be specifically identified;
- the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

Contract cost assets are initially measured at cost and amortised on a systematic basis that is consistent with the pattern of revenue recognition to which the asset relates. An impairment loss is recognised in the profit and loss when the carrying amount of the contract cost exceeds the expected revenue less expected cost that will be incurred. Where the impairment condition no longer exists or has improved, the impairment loss is reversed to the extent that the carrying amount of the contract cost does not exceed the amount that would have been recognised had there been no impairment loss recognised previously.

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.

2.16 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.

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.

2.17 Leases

The Group assess at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

The Group applies a single recognition and measurement approach for all lease, except for short term leases and leases of low-value- asset. The Group recognises lease liablities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Leases (Continued)

As a lessee (Continued)

(i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised. Initial direct costs, incurred, and lease payments made at or before commmencement date less any lease incentives received. Right-of-use assets are depreciated on straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If the ownership of the leased assets transfer to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liablities measured at the present value of lease payments to be made over the lease term.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease terms reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) a change in the assessment of an option to purchase the underlying asset.

(iii) Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for the short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises lease payments associated with these leases as an expense over the lease term.

(iv) Extension options

The Group in applying their judgement, determine the lease term as the noncancellable term of the lease, together with any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that creates an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group and the Company reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Leases (Continued)

As a lessor

Leases where the Group retains substantially all the risks and rewards of ownership ofthe 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 lease income.

When the assets are leased out under an operating lease, the asset is included in the statements of financial position based on the nature of the asset. Lease income is recognised over the term of the lease on a straight-line basis.

2.18 Revenue

(i) Revenue from constructions related activities

The Group and the Company involves in the constructions related activities, in which the Group considers whether there are promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated.

For contracts relating to constructions related activities, the Group is responsible for the overall management of the project and identifies various services to be provided, including project management, supply of labour, construction, installation, testing, commissioning and completion of the project.

In such contracts, the Group determined that the goods and services are not distinct and generally accounts for them as a single performance obligation. Depending on the terms of each contract, the Group and the Company has determined control is transferred at a point in time or over time.

(ii) 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.

(iii) Rental income

Revenue income is recognised in profit or loss as it accrues, based on rates agreed with tenants.

(iv) Interest income

Interest income is recognised using the effective interest method.

(v) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Revenue (Continued)

(v) Revenue from property development (Continued)

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.

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.

The Group recognises revenue over time using the output 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.

(vi) Management fee

Management fees are recognised in profit or loss as it accrues at contracted rates.

2.19 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Deferred tax (Continued)

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 liabilitieswill be realised simultaneously.

2.20 Operating segment

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. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

2.21 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 asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 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.

2.23 Earnings for ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group or the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's and of the Company's financial statements requires management to make judgement, 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:

Classification between investment property and property, plant and equipment

The Group has developed certain criteria based on *MFRS 140: Investment property* 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.

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

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:

a) Impairment of financial assets

The Group 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 considers 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 financial assets carried at amortised costs at the reporting date is disclosed in Note 10, 11 and 12.

b) Useful lives of plants and equipments

The cost of plants and equipments are depreciated on a straight-line basis over the plant and equipment's estimated useful lives. Management estimates the useful lives of these plants and equipments (excludes freehold land, factory and buildings) to be within 4 to 10 years. The carrying amount of the Group's plants and equipments at 30 June 2020 was RM459,000 (2019: RM430,000) as disclosed in Note 4 to the financial statements.

c) Revenue recognition of property development activities and construction contracts

The Group recognises property development activities and construction contracts based on stage of completion method. The stage of completion of the property development activities and construction contracts is measured in accordance with the accounting policies set out in Notes 2.18.

Significant judgement is required in determining the stage of completion, the extent of the costs incurred and the estimated total revenue and costs, as well as recoverability of the property development projects. Substantial changes in cost estimates, particularly in complex projects have had, and can in future periods have, a significant effect on the Group's profitability. In making the judgement, the Group evaluates based on past experience, external economic factors and by relying on the work of specialists.

d) Leases

The Group assesses at lease commencement by applying significant judgement whether it is reasonably certain to exercise the extension options. Group entities consider all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

The Group also applied judgement and assumptions in determining the incremental borrowing rate of the respective leases. Group entities first determine the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

4. PROPERTY, PLANT AND EQUIPMENT

Group 2020	Note	Freehold land RM'000	Factory and buildings RM'000	Furniture and fittings RM'000	Office equipment and computers 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 2019		4,800	9,200	117	605	214	2,583	19,623	37,142
Additions		-	-	40	83	-	44	-	167
At 30 June 2020		4,800	9,200	157	688	214	2,627	19,623	37,309
Accumulated depreciation and impairment loss									
At 1 July 2019		-	1,661	112	580	214	2,484	19,322	24,373
Depreciation for the financial year	24	-	511	7	15	-	23	93	649
At 30 June 2020		-	2,172	119	595	214	2,507	19,415	25,022
Carrying amounts at 30 June 2020		4,800	7,028	38	93	-	120	208	12,287

Group 2019	Note	Freehold land RM'000	Factory and buildings RM'000	Furniture and fittings RM'000	Office equipment and computers 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)
Adjustments *		-	-	-	(256)	1	(34)	(1,814)	(2,103)
At 30 June 2019		4,800	9,200	117	605	214	2,583	19,623	37,142
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	24	-	511	2	215	5	-	2,306	3,039
Disposals		-	-	-	(277)	(47)	(128)	(2,932)	(3,384)
Impairment loss	24	-	-	-	-	-	-	(2,015)	(2,015)
Adjustments *		-	-	-	(210)	-	(60)	(1,833)	(2,103)
At 30 June 2019		-	1,661	112	580	214	2,484	19,322	24,373
Carrying amounts at 30 June 2019		4,800	7,539	5	25	-	99	301	12,769

* The adjustments line item are made to be consistent with current year financial statements presentation and classification.

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Furniture and fittings RM'000	Equipment office and computers RM'000	Renovation RM'000	Total RM'000
Cost				
At 1 July 2018/ 30 June 2019/ 1 July 2019	77	244	-	321
Additions	40	81	44	165
At 30 June 2020	117	325	44	486
Accumulated depreciation				
At 1 July 2018	77	238	-	315
Depreciation for the financial year	-	2	-	2
At 30 June 2019/ 1 July 2019	77	240	-	317
Depreciation for the financial year	3	9	3	15
At 30 June 2020	80	249	3	332
Carrying amounts:				
At 30 June 2020	37	76	41	154
At 30 June 2019	-	4	-	4

5. RIGHT-OF-USE ASSETS

Group/Company	Office RM'000
At 1 July 2019, recognition of right-of-use assets upon adoption of MFRS 16	760
Depreciation for the financial year	(249)
At 30 June 2020	511

The following are the amounts recognised in profit or loss:

Depreciation expense of right-of-use assets	249
Interest expense on lease liabilities (Note 27)	31
Total amount recognised in profit or loss	280

Extension of option

The lease of buildings contain extension options exercisable by the Group up to 1 year before the end of the non-cancellable contract period. Where applicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencements whether its is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control. The discounted lease liabilities recognised is RM760,660. The Group borrowing rate is 5.25%.

6. INVESTMENT PROPERTY

Group	Freehold land RM'000	Building RM'000	Total RM'000
2019			
Cost			
At 1 July 2018	1,196	7,776	8,972
Foreign exchange differences	(4)	129	125
At 30 June 2019/ 1 July 2019	1,192	7,905	9,097
Foreign exchange differences	(7)	(204)	(211)
At 30 June 2020	1,185	7,701	8,886
Accumulated depreciation and impairment loss			
At 1 July 2018	-	700	700
Depreciation for the financial year	-	155	155
Foreign exchange differences	-	152	152
At 30 June 2019/ 1 July 2019	-	1,007	1,007
Depreciation for the financial year	-	170	170
Impairment loss	-	245	245
Foreign exchange differences	-	(162)	(162)
At 30 June 2020	-	1,260	1,260
Carrying amounts:			
At 30 June 2020	1,185	6,441	7,626
At 30 June 2019	1,192	6,898	8,090

Included in investment property of the Group is asset charged to the licensed bank to secure credit facilities granted to the subsidiary as disclosed in Note 19(a) to the financial statements.

6. INVESTMENT PROPERTY (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 fair values of the investment property of the Group were assessed with reference to open market value of property in the similar vicinity. The fair value of the investment properties as at 30 June 2020 was substantially arrived at via valuations performed by independent external valuers.

The table below analyses the Group's non-financial assets measured at fair value at the reporting date, according to the levels in the fair value hierarchy:

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
2020			
Freehold land and building	-	7,626	-
2019			
Freehold land and building	-	9,221	-

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

Description	Location	Existing used
Nightingale House ("Property")	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.

7. INTANGIBLE ASSETS

Group/Company	Software RM'000
Cost	
At 30 June 2019/ 1 July 2019	-
Additions	12
At 30 June 2020	12
Accumulated amortisation	
At 30 June 2019/ 1 July 2019	-
Charge for the year	1
At 30 June 2020	1
Carrying amounts:	
At 30 June 2020	11
At 30 June 2019	-

8. INVESTMENT IN SUBSIDIARIES

	Note	Company 2020 RM'000	Company 2019 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)	28,159	26,586
Less: Allowance for impairment		(1,782)	(1,782)
		26,377	24,804
		26,490	24,917

(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.

8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Group's effective equity interest / voting rights 2020 %	2019 %	Principal activities
Powernet Industries Sdn. Bhd.	Malaysia	100	100	Manufacturing of warp-knitted fabrics
Powernet Properties Sdn. Bhd.	Malaysia	100	100	Property investment
Zelinn Limited *	British Virgin Islands	100	100	Investment holding
Hypergize Link Sdn. Bhd.	Malaysia	100	100	Investment holding
Kpower International (L) Ltd.	Malaysia	100	-	Construction related activities
CBG Capital Sdn. Bhd. #@	Malaysia	51	51	Dormant
CBG Builders Sdn. Bhd. #@	Malaysia	51	51	Dormant
Subsidiaries of Powernet Industries Sdn Bhd				
Cepsel Industries Sdn. Bhd. (formerly known as Powernet Trading (M) Sdn. Bhd.)	Malaysia	-	100	Trading of lingerie materials and accessories
Powerfit Industries Sdn. Bhd.	Malaysia	-	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 Al Jafree Salihin Kuzaimi PLT.

8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(b) On 4 June 2020, the Company has subscribed 100 ordinary shares representing 100% shareholding in Kpower International (L) Ltd. for a total cash consideration of USD100.

(c) Non-controlling interests in subsidiaries

	Carrying amount of non-controlling interests		Loss attributable to non-controlling interests	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
CBG Capital Sdn. Bhd.	(2)	(2)	-	-
CBG Builders Sdn. Bhd.	(2)	(2)	-	-
Powerfit Industries Sdn. Bhd.	-	(391)	-	(5)
	(4)	(395)	-	(5)

(d) Summarised financial information before intra-group elimination

	CBG Capital Sdn. Bhd. RM'000 49%	**CBG Builders Sdn. Bhd. RM'000** 49%
As at 30 June 2020		
Current assets	6	6
Current liabilities	(10)	(10)
Net assets	(4)	(4)
Year ended 30 June 2020		
Revenue	-	-
Loss for the year, representing total comprehensive loss for the year	(6)	(6)

During the year, there is no movement of cash flows from operation, investing and financing activities.

8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

	Powerfit Industries Sdn. Bhd. RM'000 9%	CBG Capital Sdn. Bhd. RM'000 49%	CBG Builders Sdn. Bhd. 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 year, representing total comprehensive loss for the financial year	(58)	(6)	(6)
2019			
Cash flows from operating activities, representing net increase in cash and cash equivalents	453	-	-

9. INVENTORIES

	Group	
	2020 RM'000	**2019 RM'000**
At lower of cost and net realizable value:		
Raw material	105	89
Work-in-progress	602	520
Manufactured inventories	145	199
Consumables	392	702
Trading	773	-
	2,017	1,510
Recognised in profit or loss:		
- Inventories recognised as cost of sales	151	1,180
- Inventories written off (Note 24)	333	-

10. CONTRACT ASSETS/(LIABILITIES)

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Contract assets				
Contract assets relating to construction contracts	6,155	-	-	-
Contract liabilities				
Contract liabilities relating to construction contracts	(2,663)	-	(84)	-

(a) The contract assets primarily relate to the Group's right to consideration for construction work completed on construction contracts but not yet billed as at the reporting date.

(b) The contract liabilities relate to advance considerations received from a customer for contracts of which the revenue will be recognised over the remaining contract term of the specific contract it relates to.

11. CONTRACT COST ASSETS

	Group	
	2020 RM'000	2019 RM'000
Costs to fulfill contract with customers		
At 1 July	7,411	6,900
Cost incurred during the year	-	511
Cost recognised in profit or loss during the year	(4,651)	-
At 30 June	2,760	7,411

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Trade receivables	43,351	9,450	29,597	-
Other receivables	214	24	3	3
	43,565	9,474	29,600	3

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade receivables

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Trade receivables	44,023	10,044	-	-
Less: Allowance for impairment	(672)	(594)	-	-
	43,351	9,450	-	-

Trade receivables are non-interest bearing and are generally on 30 days to 60 days (2019: 30 days to 60 days) credit terms. They recognised on their original invoice amount which represents their fair value on initial recognition.

Ageing analysis of trade receivables

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

	Group	
	2020 RM'000	2019 RM'000
Neither past due nor impaired	19,324	8,832
1 to 30 days past due not impaired	3,935	35
31 to 120 days past due not impaired	8,003	583
More than 120 days past due not impaired	12,089	-
	24,027	618
	43,351	9,450
Impaired	672	594
	44,023	10,044

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.

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

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	
	2020 RM'000	2019 RM'000
Individually impaired		
Trade receivables	672	594
Other receivables	65	-
Less: Allowance for impairment	(737)	(594)
	-	-
Movements in allowances accounts:		
At 1 July	594	594
Additions	143	-
At 30 June	737	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.

The currency exposure profile of trade receivables net of allowance for impairment losses is as follows:

	Group	
	2020 RM'000	2019 RM'000
US Dollar	15,984	-
British Pound	-	39
Malaysian Ringgit	27,367	9,411
	43,351	9,450

13. DEPOSITS AND PREPAYMENTS

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Deposits	(a)	1,992	81	1,809	37
Prepayments		499	217	317	-
		2,491	298	2,126	37

(a) Mainly related to business acquisition.

14. CASH AND BANK BALANCES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash at banks	81,583	1,222	79,463	4
Cash in hands	10	6	5	2
Deposits with licensed banks	8,212	278	8,212	208
	89,805	1,506	87,680	214
Cash and bank balances restricted for use	(20)	-	-	-
Cash and cash equivalents	89,785	1,506	87,680	214

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 earns interests at the respective short-term deposits rate ranging from 1.90% to 2.80% (2019: 3.30%).

Included in cash and bank balances restricted for use of the Group are amount of RM20,000 (2019: RM Nil) pertaining to payment to bank guarantee issued in favour of a third party.

The currency exposure profile of cash and cash equivalents is as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
British Pound	279	124	-	-
Malaysian Ringgit	89,506	1,382	87,680	214
	89,785	1,506	87,680	214

15. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares		Amount	
	2020 '000	2019 '000	2020 RM'000	2019 RM'000
Issued and fully paid:				
At 1 July	76,150	76,150	28,994	28,994
Issuance of ordinary shares	36,933	-	68,736	-
At 30 June 1	113,083	76,150	97,730	28,994

During the financial year, the Company issued 7,614,994 and 29,317,727 new ordinary shares at a price of RM1.75 and RM1.89 per ordinary share by way of private placement.

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

15. SHARE CAPITAL (CONTINUED)

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.

16. RESERVES

	Note	Group 2020 RM'000	Group 2019 RM'000
Foreign currency translation reserves	(a)	(236)	(104)
Revaluation reserves	(b)	4,912	4,912
		4,676	4,808

(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.

17. LEASE LIABILITIES

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Current	269	-	269	-
Non-current	254	-	254	-
	523	-	523	-

The lease liabilities are payable as follows:

	Future minimum lease payments RM'000	Interest or profit RM'000	Present value of minimum lease payments RM'000
2020			
Less than one year	290	(21)	269
Between one and two years	261	(7)	254
	551	(28)	523

18. 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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At 1 July	(551)	(551)	(2)	(2)
Recognised in profit or loss	545	-	(4)	-
At 30 June	(6)	(551)	(6)	(2)

Deferred tax liabilities of the Group

	Revaluation of factory and building RM'000	Property, plant and equipment RM'000	Right-of-use assets RM'000	Total RM'000
At 1 July 2019	(549)	(2)	-	(551)
Recognised in profit or loss	549	(7)	3	545
At 30 June 2020	-	(9)	3	(6)
At 1 July 2018	(549)	(2)	-	(551)
Recognised in profit or loss	-	-	-	-
At 30 June 2019	(549)	(2)	-	(551)

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

	Group	
	2020 RM'000	2019 RM'000
Tax effects of unused tax losses	21,432	20,404
Tax effects of unabsorbed capital allowance	9,440	9,440
At 30 June	30,872	29,844

19. BORROWINGS

	Note	Group 2020 RM'000	Group 2019 RM'000
Non-current			
Term loan I (secured)	(a)	1,420	2,004
Term loan II (unsecured)	(b)	-	344
		1,420	2,348
Current			
Term loan I (secured)	(a)	565	556
Term loan II (unsecured)	(b)	-	401
		565	957
Total borrowings		1,985	3,305

(a) Term loan I (secured)

	Group 2020 RM'000	Group 2019 RM'000
Term loan	1,985	2,560
Represented by:		
Current		
- Not later than one year	565	556
Non-current		
- Later than one year but not later than five years	1,420	2,004
	1,985	2,560

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 6 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.

19. 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	
	2020 RM'000	2019 RM'000
Term loan	-	745
Represented by:		
Current		
- Not later than one year	-	401
Non-current		
- Later than one year but not later than five years	-	344
	-	745

20. TRADE AND OTHER PAYABLES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Trade payables	26,279	961	22,293	104
Other payables	3,895	952	3,678	64
Accruals	7,837	5,262	1,578	-
Amount due to Directors	15,433	5,433	10,730	730
	53,444	12,608	38,279	898

The normal trade credit terms granted to the Group range from 30 days to 90 days (2019: 30 days to 90 days).

The amount due to directors are unsecured, non-interest bearing and repayable upon demand.

Included in accruals is accrued construction costs amounted RM6,945,482 (2019: RM4,908,612).

21. REVENUE

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Construction related activities	79,571	-	67,794	-
Property development	15,010	9,802	-	-
Sale of goods	656	2,669	-	-
Rental income	606	746	-	-
Management fees	-	-	2,600	2,529
	95,843	13,217	70,394	2,529
Timing of revenue recognition:				
- Goods transferred at a point in time	656	2,669	2,600	2,529
- Goods and services transferred over time	95,187	10,548	67,794	-
	95,843	13,217	70,394	2,529

22. COST OF SALES

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Construction costs	56,314	-	45,783	-
Property development costs	8,886	5,037	-	-
Cost of goods sold	2,744	3,570	-	-
	67,944	8,607	45,783	-

23. OTHER INCOME

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Realised foreign exchange gain	460	-	104	-
Interest income	69	28	64	21
Sales of scrap	81	34	-	-
Reversal of term loan	745	-	-	-
Others	81	62	14	-
	1,436	124	182	21

24. PROFIT BEFORE TAX

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Auditors' remuneration					
- current year		92	73	45	25
- prior year		24	15	-	-
- other services		5	-	5	-
Allowance for impairment on:					
- trade receivables and other receivables		143	-	-	-
Amortisation of intangible assets		1	-	1	-
Unrealised loss on foreign exchange		222	2	141	2
Depreciation of:					
- property, plant and equipment		649	936	15	2
- right-of-use assets		249	-	249	-
- investment property		170	155	-	-
Directors' remuneration	26	661	238	465	20
Employee benefits expenses	25	4,293	2,813	3,697	276
Loss on deconsolidation of subsidiaries		425	-	-	-
Loss on impairment of an investment property		245	-	-	-
Interest income		(69)	(28)	(64)	(21)
Reversal of term loan		(745)	-	-	-
Inventories written off		333	-	-	-

25. EMPLOYEE BENEFITS EXPENSES

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Salaries, wages, allowances and bonuses	3,837	2,366	3,308	258
Contributions to defined contribution plans	456	447	389	18
	4,293	2,813	3,697	276

26. DIRECTORS' REMUNERATION

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Fees	30	20	-	20
Other emoluments	631	218	465	-
	661	238	465	20

27. FINANCE COSTS

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Interest expense:				
- term loan	74	215	-	-
- lease liabilities	31	-	31	-
	105	215	31	-

28. INCOME TAX EXPENSE

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Malaysian income tax:				
- Current year	5,661	459	4,605	-
- Under provision in prior year	14	-	5	-
	5,675	459	4,610	-
Deferred tax (Note 18):				
- Current year	4	-	4	-
- Over provision in prior year	(549)	-	-	-
	5,130	459	4,614	-

28. INCOME TAX EXPENSE (CONTINUED)

The income tax is calculated at the statutory rate of 24% (2019: 24%) of the estimated assessable profit for the year.

A reconciliation of income tax applicable to profit 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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Profit before tax	17,906	940	16,834	1,907
Tax at Malaysian statutory tax rate of 24% (2019: 24%)	4,297	226	4,040	458
Tax effects arising from				
- non-deductible expenses	1,566	233	767	(458)
- utilisation of previously unrecognised tax losses	(198)	-	(198)	-
- over provision of deferred tax in prior year	(549)	-	-	-
- Under provision of income tax in prior year	14	-	5	-
	5,130	459	4,614	-

29. EARNINGS PER SHARE

Basic and diluted earnings per ordinary share

The calculation of basic and diluted earnings per ordinary share at 30 June 2020 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2020 RM'000	2019 RM'000
Profit attributable to ordinary shareholders	12,786	486
Weighted average number of ordinary shares at the beginning of year	76,150	76,150
Effect of ordinary shares on issue	3,075	-
Weighted average number of ordinary shares at the end of year	79,225	76,150

29. EARNINGS PER SHARE (CONTINUED)

	Group	
	2020	2019
Basic and diluted earnings per ordinary share (sen)	16.14	0.64

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

30. 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 are as follow:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Directors				
Fees	30	20	-	20
Salaries, bonuses and allowances	631	218	465	-
	661	238	465	20

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.

30. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue	28,000	-	28,000	-
Professional fees	495	-	495	-
Rental paid/payables to a Director related company	-	45	-	-

31. OPERATING SEGMENTS

The Group adopted *MFRS 8: Operating Segments* ("MFRS 8"). 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.

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 as follows:

Construction related activities	:	Engineering, procurement, construction and commissioning of energy utilities and infrastructure projects 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.
Property	:	The development and construction of commercial properties.

Except as indicated above, no operating segment has been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

Transfer prices between operating segments took place at terms agreed between the parties.

31. OPERATING SEGMENTS (CONTINUED)

	Construction related activities RM'000	Property RM'000	Manufacturing RM'000	Investment RM'000	Elimination RM'000	Note	Total RM'000
2020							
Revenue:							
External customers	79,571	15,010	656	606	-		95,843
Inter-segment	-	-	-	2,600	(2,600)	(a)	-
Results:							
Interest income	64	5	-	-	-		69
Interest expense	31	-	-	74	-		105
Depreciation	15	-	634	170	-		819
Other non-cash expenses	222	-	437	39	-		698
Segment results	14,720	6,470	(2,698)	(586)	-		17,906
Assets:							
Property, plant and equipment	154	-	12,133	-	-		12,287
Segment assets	150,976	21,397	14,743	8,410	(28,298)	(b)	167,228
Segment liabilities	45,879	16,285	20,526	8,208	(29,578)	(c)	61,320
2019							
Revenue:							
External customers	-	9,802	2,669	746	-		13,217
Inter-segment	-	-	-	2,529	(2,529)	(a)	-
Results:							
Interest income	-	7	1	20	-		28
Interest expense	-	-	89	126	-		215
Depreciation	-	-	1,089	2	-		1,091
Other non-cash expenses	-	-	-	4	-		4
Segment results	-	1,912	(2,691)	1,719	-		940
Assets:							
Property, plant and equipment	-	-	12,766	3	-		12,769
Segment assets	-	17,019	15,111	35,446	(26,518)	(b)	41,058
Segment liabilities	-	14,381	19,145	9,157	(25,752)	(c)	16,931

(a) Inter-segment revenues are eliminated on consolidation.

(b) Inter-segment assets are eliminated on consolidation.

(c) Inter-segment liabilities are eliminated on consolidation.

31. OPERATING 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 presentation of revenue and non-current assets as below is at gross before elimination of inter-company balances.

	Malaysia RM'000	ASEAN RM'000	Europe RM'000	Total RM'000
2020				
Revenue from external customers	62,667	32,570	606	95,843
Non-current assets	12,809	-	7,626	20,435
2019				
Revenue from external customers	12,471	-	746	13,217
Non-current assets	12,769	-	8,090	20,859

Information about major customers

Major customers' revenues are from transactions with external customers amounting to ten percent or more of the Group revenue.

The following are the major customers individually accounting for 10% or more of group revenue:

	Revenue 2020 RM'000	Revenue 2019 RM'000	Segment
Customer A	25,951	-	Construction related activities
Customer B	20,794	-	Construction related activities

32. CLASSIFICATION OF FINANCIAL INSTRUMENTS

The table below provides an analysis of financial instruments categorised as amortised cost.

	Carrying amount RM'000	Amortised cost RM'000
Group		
2020		
Financial assets		
Trade and other receivables	43,565	-
Deposits placed with licensed banks	8,212	-
Cash and bank balances	81,593	-
Total financial assets	133,370	-
Financial liabilities		
Trade and other payables	-	(53,444)
Lease liabilities	-	(523)
Borrowings	-	(1,985)
Total financial liabilities	-	(55,952)
2019		
Financial assets		
Trade and other receivables	9,474	-
Deposits placed with licensed banks	278	-
Cash and bank balances	1,228	-
Total financial assets	10,980	-
Financial liabilities		
Trade and other payables	-	(12,608)
Borrowings	-	(3,305)
Total financial liabilities	-	(15,913)
Company		
2020		
Financial assets		
Trade and other receivables	29,600	-
Deposit placed with licensed banks	8,212	-
Cash and bank balances	79,468	-
Total financial assets	117,280	-
Financial liabilities		
Trade and other payables	-	(38,279)
Lease liabilities	-	(523)
Total financial liabilities	-	(38,802)
2019		
Financial assets		
Deposit placed with licensed banks	208	-
Cash and bank balances	6	-
Total financial assets	214	-
Financial liabilities		
Trade and other payables	-	(898)
Total financial liabilities	-	(898)

33. 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.

(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				
	Note	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**	**Carrying amount RM'000**
Group						
2020						
Financial liabilities						
Borrowing:						
- Term loan	19	-	-	1,985	1,985	1,985

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.

34. 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

Information regarding credit enhancements for trade receivables is disclosed in Note 12 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			
	2020		2019	
	RM'000	% of total	RM'000	% of total
By country:				
Malaysia	27,146	63	9,450	100
ASEAN	43,351	37	-	-

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 12 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 12 to the financial statements.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (continued)

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 amounts in the statements of financial position.

Financial guarantees

Risk management objective, policies and processes for managing the risk

The Company provides secured financial guarantee to a bank in respect of banking facilities granted to a subsidiary. The Company monitors on an ongoing basis the performance of the subsidiary 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 RM1,984,347 representing the outstanding banking facilities of a subsidiary as at the end of the reporting year.

At the reporting date, there was no indication that the subsidiary would fail to meet the terms as stated in the contract.

The financial guarantee has not been recognised due to the uncertainties of timing, costs and eventual outcome.

(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.

34. 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 %	On demand or within 1 year RM'000	1 to 5 years RM'000	More than 5 years RM'000	Total RM'000
Financial liabilities						
Group						
2020						
Lease liabilities	523	5.25	269	254	-	523
Trade payables	26,279	-	26,279	-	-	26,279
Other payables and accruals	11,732	-	11,732	-	-	11,732
Contract liabilities	2,663	-	2,663	-	-	2,663
Amount due to Directors	15,433	-	15,433	-	-	15,433
Borrowings	1,985	4.00	565	1,420	-	1,985
2019						
Trade payables	961	-	961	-	-	961
Other payables and accruals	6,214	-	6,214	-	-	6,214
Amount due to Directors	5,433	-	5,433	-	-	5,433
Borrowings	3,305	4.00	957	2,348	-	3,305
Financial liabilities						
Company						
2020						
Lease liabilities	523	5.25	269	254	-	523
Trade payables	22,293	-	22,293	-	-	22,293
Other payables and accruals	5,256	-	5,256	-	-	5,256
Contract liabilities	84	-	84	-	-	84
Amount due to Directors	10,730	-	10,730	-	-	10,730
2019						
Trade payables	104	-	104	-	-	104
Other payables and accruals	64	-	64	-	-	64
Amount due to Directors	730	-	730	-	-	730

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(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.

	Effective interest rate %	Within 1 year RM'000	1 to 5 years RM'000	More than 5 years RM'000	Total RM'000
Group					
2020					
Financial assets					
Deposits placed with licensed banks	1.90 - 2.80	8,212	-	-	8,212
Financial liabilities					
Term loan I	4%	565	1,420	-	1,985
2019					
Financial assets					
Deposits placed with licensed banks	3.30	278	-	-	278
Financial liabilities					
Term loan I	4%	556	2,004	-	2,560
Term loan II	18%	401	344	-	745

34. 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% (2019: 1%) on financial assets and liabilities of the Group which have variable interest rates at the reporting date would not have material impact to the Group profit net of tax.

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 United States Dollar ("USD").

The Group's exposure to foreign currency risks, based on carrying amounts at the reporting date are as follows:

	Group	
	2020	**2019**
	RM'000	**RM'000**
Financial assets and liabilities not held in functional currency		
Trade receivables		
United States Dollar	15,984	-
British pound	-	39
Cash and bank balances		
British pound	279	124

35. 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 19 to the financial statements), cash and cash equivalents (Statements of Cash Flows), and equity attributable to equity holders of the Company.

The Group's overall capital management strategy remains unchanged from 2019 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	
	2020 **RM'000**	**2019** **RM'000**
Total loans and borrowings (Note 19)	1,985	3,305
Less: Cash and cash equivalents	(1,985)	(1,506)
	-	1,799
Total equity	105,908	24,127
Net debt-to-equity ratios	-	0.07

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.

36. SUBSEQUENT EVENTS

(a) The COVID-19 pandemic has impacted significantly on the global and domestic economies. However, the Group continues to record strong numbers throughout the financial year ended 30 June 2020 despite the various challenges posed by COVID-19. This is underpinned by the Group's construction and construction related activities locally and abroad in the segment of energy, utilities and infrastructure.

Taking consideration of the barring unforeseen circumstances, the Board and the management are optimistic on the future direction of the Group.

(b) On 3 September 2020, the Company acquired 4,999,998 new ordinary shares at RM1 of Kpower Engineering Sdn. Bhd. (formerly known as Hypergize Link Sdn. Bhd.).

(c) On 11 September 2020, Hypergize Link Sdn. Bhd. changed its registered name as Kpower Engineering Sdn. Bhd.

(d) On 23 September 2020, the Company acquired 10,000,000 new ordinary shares at RM1 of Powernet Industries Sdn. Bhd.

37. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the Directors on 7 October 2020.

ADDITIONAL COMPLIANCE INFORMATION

UTILISATION OF PROCEEDS

The proceeds from Private Placement I and Private Placement II have been partially utilised in the following manner:

No. Description of Utilisation	Proposed utilisation (RM'000)	Amount utilised (RM'000)	Balance as at 14 October 2020 (RM'000)
Private Placement I			
1. Working capital	7,176	7,176	-
2. Business acquisition	6,000	3,500	2,500
3. Estimated expenses in relation to the Private Placement I*	118*	118	-
Private Placement II			
1. Working capital for construction business	48,386	15,874	32,512
2. General working capital	5,825	1,515	4,310
3. Estimated expenses in relation to the Private Placement II	1,200	1,200	-

*Note: * The proposed estimated expenses in relation to the Private Placement I was RM150,000. The unutilised balance of RM32,000 has been allocated to working capital.*

NON-AUDIT FEES

During the financial year ended 30 June 2020, approximately RM28,000 non-audit fees were paid to the internal auditor.

MATERIAL CONTRACTS INVOLVING DIRECTORS AND MAJOR SHAREHOLDERS

There is a material contract involving a director and major shareholder during the financial year ended 30 June 2020, as follows:

Letter of award dated 31 March 2020 from Kangsar Hidro Sdn. Bhd. ("KHSB") to undertake amongst others, the preliminary study, design, supply, construction, commissioning and completion of five (5) mini hydropower plants in Perak Darul Ridzuan, Malaysia.

KHSB is a joint venture entity between Yayasan Perak, a state agency under the Perak State of Malaysia (Yayasan Perak) and Kangsar Capital Sdn. Bhd. ("Kangsar Capital"), a wholly-owned subsidiary of OHP Ventures Sdn. Bhd.

Mustakim bin Mat Nun ("Interested Director") is the Deputy Chairman and Group Managing Director and substantial shareholder of KPower. Mustakim currently holds 0.50% direct interest in KPower and 14.94% indirect interest in KPower via Grand Deal Vision Sdn. Bhd. He is also the Director and major shareholder of OHP Ventures Sdn. Bhd., an indirect shareholder of KHSB with an effective interest of 85%, and accordingly, he is deemed interested in the contract.

Amirul Afif bin Abd Aziz is the Group Chief Financial Officer of KPower. As at 14 October 2020, he holds 0.29% direct interest in KPower. He is also the Director and major shareholder of OHP Ventures Sdn. Bhd., an indirect shareholder of KHSB with an effective interest of 85%, and accordingly, he is deemed interested in the contract.

RECURRENT RELATED PARTY TRANSACTIONS

In accordance with Paragraph 3.1.5 of Practice Note 12 of the MMLR of Bursa Securities, the details of the recurrent related party transactions transacted during the financial year ended 30 June 2020 pursuant to the shareholders' mandate are as follows:-

Related Party	Interested Director/Major Shareholder/Persons connected	Nature of Transaction	Total Value of Transaction (RM'000)
OHP Capital Sdn. Bhd. and its subsidiary companies ("OHP Group")	Mustakim Bin Mat Nun Amirul Afif bin Abd Aziz	Provision of construction and project management services by KPower for projects owned by OHP Group under the infrastructure, utility, energy and logistic sectors.	28,000

LIST OF PROPERTIES

Material Properties	Brief Description	Existing use	Tenure	Approx. age of building	Net book value	Location	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	120 years	USD 1,937,406	Liverpool, UK	27 June 2018
Bentong textile manufacturing factory Address: No. 53, 3 ¾ Mile, Jalan Bentong-Kuala Lumpur, 28700 Bentong, Pahang Darul Makmur, Malaysia	Building	Factory and office	Freehold	40 years	RM 12,764,556	Bentong, Pahang, Malaysia	29 July 2019

ANALYSIS OF SHAREHOLDINGS
AS AT 14 OCTOBER 2020

Number of Issued Shares : 113,082,662

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	283	6.73	13,843	0.01
100 – 1,000	1,152	27.38	797,771	0.71
1,001 – 10,000	2,180	51.82	8,442,471	7.47
10,001 – 100,000	504	11.98	14,901,778	13.18
100,001 - Less than 5% of issued capital	84	2.00	41,840,299	37.00
5,654,133 and above of issued capital	4	0.09	47,086,500	41.64
Total	**4,207**	**100.00**	**113,082,662**	**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	UOB KAY HIAN NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR MOHD ABDUL KARIM BIN ABDULLAH	13,500,400	11.94
2	MIDF AMANAH INVESTMENT NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR MOHD ABDUL KARIM BIN ABDULLAH(MGN-AKA0007M)	12,286,100	10.86
3	AMSEC NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR GRAND DEAL VISION SDN. BHD.	11,900,000	10.52
4	AMSEC NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR MOHD ABDUL KARIM BIN ABDULLAH	9,400,000	8.31
5	GRAND DEAL VISION SDN. BHD.	3,080,000	2.72

No.	Name	Holdings	%
6	JF APEX NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR INFO-TRAX SDN. BHD. (MARGIN)	2,798,448	2.47
7	HSBC NOMINEES (TEMPATAN) SDN. BHD. HSBC (M) TRUSTEE BHD FOR ALLIANZ LIFE INSURANCE MALAYSIA BERHAD (MEF)	2,644,100	2.34
8	MOHD ABDUL KARIM BIN ABDULLAH	2,461,778	2.18
9	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. EXEMPT AN FOR AIA BHD.	1,990,700	1.76
10	TOKIO MARINE LIFE INSURANCE MALAYSIA BHD. AS BENEFICIAL OWNER (TMEF)	1,938,300	1.71
11	CITIGROUP NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 19)	1,799,700	1.59
12	TOKIO MARINE LIFE INSURANCE MALAYSIA BHD. AS BENEFICIAL OWNER (PF)	1,784,007	1.58
13	AMSEC NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR GRAND DEAL VISION SDN.BHD (MX3891)	1,200,000	1.06
14	MOHD YUNUS BIN ABDUL KARIM	1,161,449	1.03
15	CIMB GROUP NOMINEES (TEMPATAN) SDN. BHD. CIMB COMMERCE TRUSTEE BERHAD FOR MAYBANK MALAYSIA SMALLCAP FUND	1,076,000	0.95
16	AMSEC NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR YONG ZHEN WEI	1,026,120	0.91
17	MALACCA EQUITY NOMINEES (TEMPATAN) SDN. BHD. EXEMPT AN FOR PHILLIP CAPITAL MANAGEMENT SDN. BHD.	999,900	0.88
18	MALACCA EQUITY NOMINEES (TEMPATAN) SDN. BHD. EXEMPT AN FOR PHILLIP CAPITAL MANAGEMENT SDN. BHD.	703,500	0.62
19	SIOW LOO SUN	696,749	0.62
20	YEOH YEW CHOO	580,000	0.51
21	CARTABAN NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR BARCLAYS CAPITAL SECURITIES LTD (SBL/PB)	555,800	0.49
22	TOKIO MARINE LIFE INSURANCE MALAYSIA BHD. AS BENEFICIAL OWNER (NPF)	537,000	0.47
23	HONG LEONG ASSURANCE BERHAD AS BENEFICIAL OWNER (UNITLINKED DP)	500,000	0.44

No.	Name	Holdings	%
24	HONG LEONG ASSURANCE BERHAD AS BENEFICIAL OWNER (UNITLINKED FLF)	500,000	0.44
25	LEE LAI MING	500,000	0.44
26	AMANAHRAYA TRUSTEES BERHAD AFFIN HWANG GROWTH FUND	441,200	0.39
27	RHB NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR MUSTAKIM BIN MAT NUN	421,500	0.37
28	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. ETIQA LIFE INSURANCE BERHAD (LIFE NON PAR)	378,200	0.33
29	AMANAHRAYA TRUSTEES BERHAD AFFIN HWANG PRINCIPLED GROWTH FUND	363,300	0.32
30	AMSEC NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR GRAND DEAL VISION SDN.BHD. (MX3884)	360,000	0.32

SUBSTANTIAL SHAREHOLDERS AS AT 14 OCTOBER 2020

	Direct		Indirect	
	No. of Shares	**%**	**No. of Shares**	**%**
Dato' Dr. Ir. Ts. Mohd Abdul Karim bin Abdullah*	37,648,278	33.29	-	-
Grand Deal Vision Sdn. Bhd.	16,900,000	14.94	-	-
Mustakim bin Mat Nun	569,700	0.50	16,900,000**	14.94
Sarah Azreen binti Abdul Samat	-	-	16,900,000**	14.94

Notes:-
** Held under Director's name and nominee accounts*
*** 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 14 OCTOBER 2020

	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Dato' Dr. Ir. Ts. Mohd Abdul Karim bin Abdullah*	37,648,278	33.29	-	-
Mustakim bin Mat Nun	569,700	0.50	16,900,000**	14.94
Sarah Azreen binti Abdul Samat	-	-	16,900,000**	14.94
Dato' Arivalagan a/l Arujunan	-	-	-	-
Kok Pauline	-	-	-	-
Tan Yee Hou	-	-	-	-

Notes:-

* *Held under Director's name and nominee accounts*

** *Deemed interested by virtue of his/her 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-Third Annual General Meeting ("**23rd AGM**") of Kumpulan Powernet Berhad ("**KPower**" **or** "**the Company**") will be conducted on a fully virtual basis through live streaming from the broadcast venue at **Tricor Leadership Room, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur** ("**Broadcast Venue**") using the Remote Participation and Voting facilities provided by Tricor Investor & Issuing House Services Sdn. Bhd. via TIIH Online website at https://tiih.online on **Wednesday, 9 December 2020 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 2020 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 a first and final single tier dividend of 2.26 sen per ordinary share in respect of the financial year ended 30 June 2020. **(Ordinary Resolution 1)**

3. To approve the payment of Directors' fees of up to RM698,400 for the period from the conclusion of the 23rd AGM until the next Annual General Meeting of the Company. **(Ordinary Resolution 2)** **[Please refer to Explanatory Note 2 on Ordinary Business]**

4. To approve the payment of Directors' benefits of up to RM323,410 for the period from the conclusion of the 23rd AGM until the next Annual General Meeting of the Company. **(Ordinary Resolution 3)** **[Please refer to Explanatory Note 2 on Ordinary Business]**

5. To re-elect the following Directors who retire pursuant to Clause 76(3) of the Constitution of the Company:- **[Please refer to Explanatory Note 3 on Ordinary Business]**

   (i) Ms Kok Pauline **(Ordinary Resolution 4)**
   (ii) Dato' Arivalagan A/L Arujunan **(Ordinary Resolution 5)**

6. To re-elect Cik Sarah Azreen Binti Abdul Samat who retires in accordance with Clause 78 of the Constitution of the Company. **(Ordinary Resolution 6)** **[Please refer to Explanatory Note 3 on Ordinary Business]**

7. To re-appoint Messrs Al Jafree Salihin Kuzaimi PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 7)**

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 8)** **[Please refer to Explanatory Note 1 on Special Business]**

   Authority to issue and allot shares pursuant to Sections 75 and 76 of the Companies Act 2016

   "THAT subject always to the Companies Act 2016 ("**the Act**"), the Constitution 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 issue and 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 pursuant to this Resolution does not exceed twenty per centum (20%) 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 FURTHER THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting ("**AGM**") of the Company."

9. Ordinary Resolution

(Ordinary Resolution 9)
[Please refer to Explanatory Note 2 on Special Business]

Proposed renewal of the existing shareholders' mandate for recurrent related party transactions of a revenue or trading nature

"THAT subject to the provisions of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, approval be and is hereby given to the Company and its subsidiaries ("**Group**") to enter into and give effect to the recurrent related party transactions of a revenue or trading nature with the related parties as set out in Section 2.2 of the Circular to Shareholders dated 30 October 2020 provided that such arrangements and/or transactions which are necessary for the Group's day-to-day operations are undertaken in the ordinary course of business, at arm's length basis, on normal commercial terms and transaction prices which are not more favourable to the related parties than those generally available to the public and not detrimental to the minority shareholders of the Company (hereinafter referred to as the (**"Proposed Renewal of RRPT Mandate"**).

THAT the Proposed Renewal of RRPT Mandate shall only continue to be in full force until:-

(i) the conclusion of the next Annual General Meeting ("**AGM**") of the Company at which time it will lapse, unless by a resolution passed at the said AGM, such authority is renewed;

(ii) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("**the Act**") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

(iii) revoked or varied by a resolution passed by the shareholders of the Company in a general meeting, whichever is earlier.

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or in the best interest of the Company to give effect to the Proposed Renewal of RRPT Mandate."

10. Ordinary Resolution

(Ordinary Resolution 10)
[Please refer to Explanatory Note 3 on Special Business]

Proposed share buy-back authority for the purchase up to ten percent (10%) of the total number of issued shares of the Company

THAT subject always to the Companies Act 2016 ("**the Act**"), the Constitution of the Company, Bursa Malaysia Securities Berhad Main Market Listing Requirements ("**Listing Requirements**") and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such number of issued shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:

(i) the aggregate number of issued shares in the Company ("**KPower Shares**") purchased ("**Purchased KPower Shares**") and/or held as treasury shares pursuant to this ordinary resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company as quoted on Bursa Securities as at point of purchase; and

(ii) the maximum fund to be allocated by the Company for the purpose of purchasing the shares shall not exceed the aggregate of the retained profits of the Company based on the latest audited financial statements and/or the latest management accounts (where applicable) available at the time of the purchase,

("**Proposed Share Buy-Back Authority**").

AND THAT the authority to facilitate the Proposed Share Buy-Back will commence immediately upon passing of this Ordinary Resolution and will continue to be in force until:

(a) the conclusion of the next Annual General Meeting ("**AGM**") of the Company following at which time the authority shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions;

(b) the expiration of the period within which the next AGM of the Company is required by law to be held; or

(c) revoked or varied by ordinary resolution passed by the shareholders of the Company at a general meeting,

whichever occurs first, but shall not prejudice the completion of purchase(s) by the Company of its own KPower Shares before the aforesaid expiry date and, in any event, in accordance with the Listing Requirements and any applicable laws, rules, regulations, orders, guidelines and requirements issued by any relevant authorities.

AND THAT the Directors of the Company be and are hereby authorised, at their discretion, to deal with the Purchased KPower Shares until all the Purchased KPower Shares have been dealt with by the Directors in the following manner as may be permitted by the Act, Listing Requirements, applicable laws, rules, regulations, guidelines, requirements and/or orders of any relevant authorities for the time being in force:

(i) To cancel any or all of the Purchased KPower Shares;

(ii) To retain any or all of the Purchased KPower Shares as treasury shares as defined in Section 127 of the Act;

And THAT the Directors of the Company be and are hereby authorised, at their discretion, where such Purchased KPower Shares are held as treasury shares as may be permitted by the Act:

(i) To distribute any or all of the Purchased KPower Shares as dividends to the shareholders of the Company;

(ii) To resell any or all of the Purchased KPower Shares;

(iii) To transfer any or all of the Purchased KPower Shares for the purposes of or under an employees' share scheme which may be established by the Company and/or its subsidiaries in the future;

(iv) To transfer any or all of the Purchased KPower Shares as purchase consideration for any acquisition that KPower might undertake in the future;

(v) To cancel any or all of the Purchased KPower Shares;

(vi) To sell, transfer or otherwise use any or all of the Purchased KPower Shares for such other purposes as the Minister may by order prescribe; and/or

(vii) To deal with the Purchased KPower Shares in any other manner as allowed by the Act, Listing Requirements, applicable laws, rules, regulations, guidelines, requirements and/or orders of any relevant authorities for the time being in force.

AND THAT the Directors of the Company be and are authorised to take all such steps as are necessary or expedient [including without limitation, the opening and maintaining of central depository account(s) under Securities Industry (Central Depositories) Act, 1991, and the entering into all other agreements, arrangements and guarantee with any party or parties] to implement, finalise and give full effect to the Proposed Share Buy-Back Authority with full powers to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed by the relevant authorities.

11. Special Resolution

(Special Resolution)
[Please refer to Explanatory Note 4 on Special Business]

Proposed change of Company's name from "Kumpulan Powernet Berhad" to "KPower Berhad" ("Proposed Change of Name")

"THAT the name of the Company be changed from "Kumpulan Powernet Berhad" to "KPower Berhad" with effect from the date of the Notice of Registration of New Name issued by the Companies Commission of Malaysia and that the Constitution of the Company be hereby amended accordingly, wherever the name of the Company appears.

AND THAT, the Directors and/or Secretary of the Company be and are hereby authorised to give effect to the Proposed Change of Name with full power to assent to any conditions, modifications, variations and/or amendments as may be required by the relevant authorities."

12. To consider any other business of which due notice shall have been given.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT subject to the approval of the shareholders at the 23rd AGM to be held on 9 December 2020, the first and final single tier dividend of 2.26 sen per ordinary share in respect of the financial year ended 30 June 2020 will be paid on 23 December 2020 to Depositors whose names appear in the Record of Depositors on 9 December 2020.

A Depositor shall qualify for entitlement to the dividend only in respect of:-

a) shares transferred into the depositor's securities account before 4:30 p.m. on 9 December 2020 in respect of transfers; and

b) shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

Wong Wai Foong (SSM P.C. No. 202008001472) (MAICSA 7001358)
Yap Sit Lee (SSM P.C. No. 202008001865) (MAICSA 7028098)
Company Secretaries

Kuala Lumpur
30 October 2020
Notes:-

1. **IMPORTANT NOTICE**

   The Broadcast Venue is **strictly for the purpose of complying with Section 327(2) of the Companies Act 2016** which requires the Chairman of the meeting to be present at the main venue of the meeting.

   Shareholders **WILL NOT BE ALLOWED** to attend the 23rd AGM in person at the Broadcast Venue on the day of the meeting.

   Shareholders are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "**participate**") remotely at the 23rd AGM via the Remote Participation and Voting facilities ("**RPV**") provided by Tricor Investor & Issuing House Services Sdn. Bhd. ("**Tricor**") via its TIIH Online website at https://tiih.online.

   Please read these Notes carefully and follow the procedures in the Administrative Guide for the 23rd AGM in order to participate remotely via RPV.

2. For the purpose of determining who shall be entitled to participate in this 23rd AGM via RPV, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company, the **Record of Depositors as at 30 November 2020**. Only a member whose name appears on this Record of Depositors shall be entitled to participate in this 23rd AGM via RPV.
3. A member who is entitled to participate in this 23rd AGM via RPV is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate in his/her place. A proxy may but need not be a member of the Company.
4. A member of the Company who is entitled to attend and vote at a general meeting of the Company may appoint not more than two (2) proxies to participate instead of the member at the 23rd AGM via RPV.
5. If two (2) proxies are appointed, the entitlement of those proxies to vote on a show of hands shall be in accordance with the listing requirements of the stock exchange.
6. Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 ("**Central Depositories Act**"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
7. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one 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. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.
8. Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

9. A member who has appointed a proxy or attorney or authorised representative to attend, participate, speak and vote at this 23rd AGM via RPV **must request his/her proxy to register himself/herself for RPV** via TIIH Online website at https://tiih.online. Procedures for RPV can be found in the Administrative Guide for the 23rd AGM.

10. The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the 23rd AGM or adjourned general meeting at which the person named in the appointment proposes to vote:

(i) In hard copy form

In the case of an appointment made in hard copy form, the proxy form must be deposited with the Share Registrar of the Company at 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, Malaysia 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, Malaysia.

(ii) By electronic means

The proxy form can be electronically lodged with the Share Registrar of the Company via TIIH Online at https://tiih.online. Kindly refer to the Administrative Guide for the 23rd AGM on the procedures for electronic lodgement of proxy form via TIIH Online.

11. Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly.

12. Last date and time for lodging the proxy form is **Monday, 7 December 2020 at 10.00 a.m.**

13. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Share Registrar of the Company at 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, Malaysia 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, Malaysia not less than forty-eight (48) hours before the time appointed for holding the 23rd AGM or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.

14. For a corporate member who has appointed an authorised representative, please deposit the **ORIGINAL** certificate of appointment of authorised representative with the Share Registrar of the Company at 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, Malaysia 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, Malaysia. The certificate of appointment of authorised representative should be executed in the following manner:

(i) If the corporate member has a common seal, the certificate of appointment of authorised representative should be executed under seal in accordance with the constitution of the corporate member.

(ii) If the corporate member does not have a common seal, the certificate of appointment of authorised representative should be affixed with the rubber stamp of the corporate member (if any) and executed by:

(a) at least two (2) authorised officers, of whom one shall be a director; or
(b) any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.

EXPLANATORY NOTES ON ORDINARY BUSINESS

1. **Audited Financial Statements for the financial year ended 30 June 2020**

   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 2 and 3 : Payment of Directors' fees and benefits**

   Pursuant to Section 230(1) of the Companies Act 2016, 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 proposed Ordinary Resolution 2 is to facilitate the payment of Directors' fees for the period from the conclusion of the 23rd AGM until the next AGM of the Company, calculated based on the size of the current Board of Directors ("**Board**") and expansion of Board Members.

   The proposed Ordinary Resolution 3 for the Directors' benefits such as meeting allowances payable to the Directors is calculated based on the current board size, expansion of Board Members and the number of scheduled meetings for the period from the conclusion of the 23rd AGM until the next AGM of the Company and Directors' Liability Insurance coverage.

   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 AGM for the under-provision.

3. **Ordinary Resolutions 4 to 6: Re-election of Directors**

   Ms Kok Pauline, Dato' Arivalagan A/L Arujunan and Cik Sarah Azreen Binti Abdul Samat are standing for re-election as Directors of the Company and being eligible, have offered themselves for re-election at the 23rd AGM.

   The Board has also through the Nomination Committee assessed the independence of Ms Kok Pauline and satisfied that she has complied with the criteria on independence as prescribed by the Listing Requirements of Bursa Securities.

EXPLANATORY NOTES ON SPECIAL BUSINESS

1. **Ordinary Resolution 8: Authority to issue and allot shares pursuant to Sections 75 and 76 of the Companies Act 2016**

   a. **Requirements under Paragraph 6.03(1) of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements")**

      Pursuant to Paragraph 6.03(1) of the Listing Requirements, listed issuers must not issue any new shares or convertible securities if the total number of those shares or convertible securities, when aggregated with the total number of any such ordinary shares or convertible securities issued during the preceding 12 months, exceeds 10% of the total number of issued shares (excluding any treasury shares) of the listed issuer for the time being ("**10% General Mandate**"), except where the shares or convertible securities are issued with the prior shareholder approval in a general meeting of the precise terms and conditions of the issue.

   b. **Relief measures granted by Bursa Securities**

      In view of the Coronavirus Disease 2019 ("**COVID-19**") pandemic outbreak, Government of Malaysia had on 18 March 2020 imposed Movement Control Order ("**MCO**") nationwide to curb the spread of the COVID-19 infection in Malaysia. Bursa Securities recognised the needs for listed issuers to raise funds quickly and efficiently during the challenging time to ensure the long-term sustainability and interest of the listed issuers and their shareholders. Therefore, Bursa Securities had vide its letter dated 16 April 2020 granted an additional relief measure which allows a listed issuer to seek its shareholders' approval at a general meeting to issue new securities for a higher general mandate under Paragraph 6.03 of the Listing Requirements of not more than 20% of the total number of issued shares (excluding treasury shares) and to utilise this 20% general mandate to issue new securities until 31 December 2021 ("**20% General Mandate**").

c. Rationale for Proposed Ordinary Resolution 8

The Company proposes to seek new shareholders' mandate to enable the Directors to issue and allot up to a maximum of 20% of the total number of issued shares (excluding treasury shares) of the Company for the time being pursuant to the 20% General Mandate under Ordinary Resolution 8.

The Proposed Ordinary Resolution 8, if passed, would provide additional 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 without having to convene a general meeting. This authority, unless revoked or varied by the Company in a general meeting, will expire at the next Annual General Meeting ("**AGM**") of the Company.

d. Statement by the Directors for the 20% General Mandate

The Board of Directors, having considered the current economic climate arising from the global COVID-19 pandemic and future financial needs of the Company and its subsidiaries, is of the view that the proposed Resolution 8 is in the best interest of the Company and the shareholders of the Company as the 20% General Mandate will give the Directors the flexibility and cost effectively to raise funds quickly and efficiently during this challenging time to ensure the long term sustainability of the Company and safeguard the interest of the Company and the shareholders.

e. 10% General Mandate

As at the date of this Notice, the Company had issued and allotted a total of 7,614,994 new ordinary shares of RM1.75 per share under a private placement exercise on 19 February 2020 ("**Private Placement**") pursuant to the general mandate which was approved by the shareholders at the Company's 22nd AGM held on 28 November 2019. The total proceeds raised from the Private Placement exercise and the status of utilisation are as follows:-

Utilisation purposes	Proposed utilisation (RM'000)	Actual utilisation (RM'000)	Balance (RM'000)	Expected utilisation timeframe
Working Capital	7,176	7,176	-	Within 6 months
Business Acquisition	6,000	3,500	2,500	Within 6 months
Estimated expenses in relation to the Private Placement I*	150	118*	-	Immediately
Total proceeds	**13,326**	**10,794**	**2,500**	-

Note:

****The proposed estimated expenses in relation to the Private Placement I was RM150,000. The unutilised balance of RM32,000 has been allocated to working capital.***

2. Ordinary Resolution 9: Proposed renewal of the existing shareholders' mandate for recurrent related party transactions of a revenue or trading nature

The proposed Ordinary Resolution 9, if passed, will allow the Group to enter into recurrent related party transactions made on an arm's length basis and on normal commercial terms which are not detrimental to the interest of the minority shareholders.

Please refer to the Circular to Shareholders dated 30 October 2020 for further information.

3. **Ordinary Resolution 10: Proposed share buy-back authority for the purchase up to ten percent (10%) of the total number of issued shares of the Company**

   The proposed Ordinary Resolution 10, if passed, will allow the Company to purchase its own shares through Bursa Malaysia Securities Berhad up to ten per centum (10%) of the total number of issued shares of the Company.

   Please refer to the Statement to Shareholders dated 30 October 2020 in relation to the Proposed Share Buy Back Authority for further details.

4. **Special Resolution: proposed change of Company's name**

   On 6 July 2020, the Company had announced to Bursa Malaysia Securities Berhad that the Board of Directors had proposed to change the Company's name from "Kumpulan Powernet Berhad" to "KPower Berhad".

   The approval of Companies Commission of Malaysia ("**CCM**") for the use of proposed name "KPower Berhad" which was obtained via CCM's email dated 6 July 2020 and the reservation of name is valid for a period of 30 days from 6 July 2020 ("**Validity Period**"). Subsequently, the Validity Period was extended by the CCM to 2 January 2021 (which may be further extended by the CCM).

   The Proposed Change of Company's name is subject to the approval of shareholders of the Company by way of Special Resolution which requires a majority of not less than three fourth of such members of the Company as being entitled so to do vote in person or by proxy at the forthcoming 23rd AGM to be convened on 9 December 2020.

   The proposed Special Resolution if passed, would change the Company's name to "KPower Berhad" upon issuance of Notice of Registration of new name by the CCM.

   Please refer to the Circular to Shareholders dated 30 October 2020 for further information.

KUMPULAN POWERNET BERHAD
[Company No. 199701003731 (419227-X)]

PROXY FORM

CDS Account No.

No. of shares held

I/We ____ Tel: ______________
[Full name in block and as per NRIC/Passport/Company No.]

of ____

____

being member(s) of **Kumpulan Powernet Berhad**, hereby appoint:

Full Name (in Block and as per NRIC/Passport)	NRIC/Passport No.	Proportion of Shareholdings	
Address		No. of Shares	%

and / or^

Full Name (in Block and as per NRIC/Passport)	NRIC/Passport No.	Proportion of Shareholdings	
Address		No. of Shares	%

or failing him/her, the Chairperson of the Meeting, as ^my/our proxy/proxies to vote for ^me/us and on ^my/our behalf at the Twenty-Third Annual General Meeting ("**23rd AGM**") of the Company which will be conducted on a fully virtual basis through live streaming from the broadcast venue at **Tricor Leadership Room, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur** ("**Broadcast Venue**") using the Remote Participation and Voting facilities provided by Tricor Investor & Issuing House Services Sdn. Bhd. via TIIH Online website at https://tiih.online on **Wednesday, 9 December 2020** at **10.00 a.m.** or any adjournment thereof, and to vote as indicated below:

Ordinary Resolution	**Description of Resolution**	**For**	**Against**
1.	First and final single tier dividend of 2.26 sen per ordinary share in respect of the financial year ended 30 June 2020		
2.	Payment of Directors' fees for the period from the conclusion of the 23rd AGM until the next Annual General Meeting of the Company		
3.	Payment of Directors' benefits for the period from the conclusion of the 23rd AGM until the next Annual General Meeting of the Company		
4.	Re-election of Ms Kok Pauline as Director		
5.	Re-election of Dato' Arivalagan A/L Arujunan as Director		
6.	Re-election of Cik Sarah Azreen Binti Abdul Samat as Director		
7.	Re-appointment of Messrs Al Jafree Salihin Kuzaimi PLT as Auditors of the Company and to authorise the Directors to fix their remuneration		
8.	Authority to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016		
9.	Proposed renewal of the existing shareholders' mandate for recurrent related party transactions of a revenue or trading nature		
10.	Proposed share buy-back authority for the purchase up to ten percent (10%) of the total number of issued shares of the Company		
Special Resolution			
1.	Proposed change of Company's name from "Kumpulan Powernet Berhad" to "KPower Berhad"		

Please indicate with an "X" in the space provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific direction, your proxy will vote or abstain as he thinks fit.

Signed this ___________ day of ________ 2020

____
Signature*
Member

Fold this flap for sealing

^Delete whichever is inapplicable

*Manner of execution:

(a) If you are an individual member, please sign where indicated.

(b) If you are a corporate member which has a common seal, this proxy form should be executed under seal in accordance with the constitution of your corporation.

(c) If you are a corporate member which does not have a common seal, this proxy form should be affixed with the rubber stamp of your company (if any) and executed by:

   (i) at least two (2) authorised officers, of whom one shall be a director; or

   (ii) any director and/or authorised officers in accordance with the laws of the country under which your corporation is incorporated.

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AFFIX
STAMP

KUMPULAN POWERNET BERHAD [199701003731 (419227-X)]

c/o TRICOR INVESTOR & ISSUING HOUSE SERVICES SDN. BHD.
[197101000970 (11324-H)]
Unit 32-01, Level 32, Tower A,
Vertical Business Suite,
Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi,
59200 Kuala Lumpur,
Malaysia.

1st fold here

Notes:-

1. **IMPORTANT NOTICE**

   The Broadcast Venue is **strictly for the purpose of complying with Section 327(2) of the Companies Act 2016** which requires the Chairman of the meeting to be present at the main venue of the meeting.

   Shareholders **will not be allowed** to attend this 23rd AGM in person at the Broadcast Venue on the day of the meeting.

   Shareholders are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, **"participate"**) remotely at this 23rd AGM via the Remote Participation and Voting (**"RPV"**) provided by Tricor Investor & Issuing House Services Sdn. Bhd. (**"Tricor"**) via its TIIH Online website at https://tiih.online.

   Please read these Notes carefully and follow the procedures in the Administrative Guide for the 23rd AGM in order to participate remotely via RPV.

2. For the purpose of determining who shall be entitled to participate in this 23rd AGM via RPV, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company, the **Record of Depositors as at 30 November 2020**. Only a member whose name appears on this Record of Depositors shall be entitled to participate in this 23rd AGM via RPV.

3. A member who is entitled to participate in this 23rd AGM via RPV is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate in his/her place. A proxy may but need not be a member of the Company.
4. A member of the Company who is entitled to attend and vote at a general meeting of the Company may appoint not more than two (2) proxies to participate instead of the member at the 23rd AGM via RPV.
5. If two (2) proxies are appointed, the entitlement of those proxies to vote on a show of hands shall be in accordance with the listing requirements of the stock exchange.
6. Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 (**"Central Depositories Act"**), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
7. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one 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. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.
8. Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
9. A member who has appointed a proxy or attorney or authorised representative to participate at the 23rd AGM via RPV **must request his/her proxy or attorney or authorised representative to register himself/herself for RPV** via TIIH Online website at https://tiih.online. Procedures for RPV can be found in the Administrative Guide for the 23rd AGM.
10. The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the 23rd AGM or adjourned general meeting at which the person named in the appointment proposes to vote:
    (i) In hard copy form

    In the case of an appointment made in hard copy form, the proxy form must be deposited with the Share Registrar of the Company at 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, Malaysia 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, Malaysia.

    (ii) By electronic means

    The proxy form can be electronically lodged with the Share Registrar of the Company via TIIH Online at https://tiih.online. Kindly refer to the Administrative Guide for the 23rd AGM on the procedures for electronic lodgement of proxy form via TIIH Online.
11. Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly.
12. Last date and time for lodging the proxy form is **Monday, 7 December 2020 at 10.00 a.m.**
13. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Share Registrar of the Company at 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, Malaysia 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, Malaysia not less than forty-eight (48) hours before the time appointed for holding the 23rd AGM or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
14. For a corporate member who has appointed an authorised representative, please deposit the **ORIGINAL** certificate of appointment of authorised representative with the Share Registrar of the Company at 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, Malaysia 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, Malaysia. The certificate of appointment of authorised representative should be executed in the following manner:
    (i) If the corporate member has a common seal, the certificate of appointment of authorised representative should be executed under seal in accordance with the constitution of the corporate member.

    (ii) If the corporate member does not have a common seal, the certificate of appointment of authorised representative should be affixed with the rubber stamp of the corporate member (if any) and executed by:

    (a) at least two (2) authorised officers, of whom one shall be a director; or

    (b) any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.

KPOWER

Sustainability Through Diversity

KUMPULAN POWERNET BERHAD
A Public Listed Company On Bursa Malaysia (Code: 7130)

C1-1-1, Solaris Dutamas, No. 1, Jalan Dutamas 1
50480 Kuala Lumpur, Malaysia.
T: 03 6203 2929 F: 03 6203 2939
E: enquiry@kpower.com.my