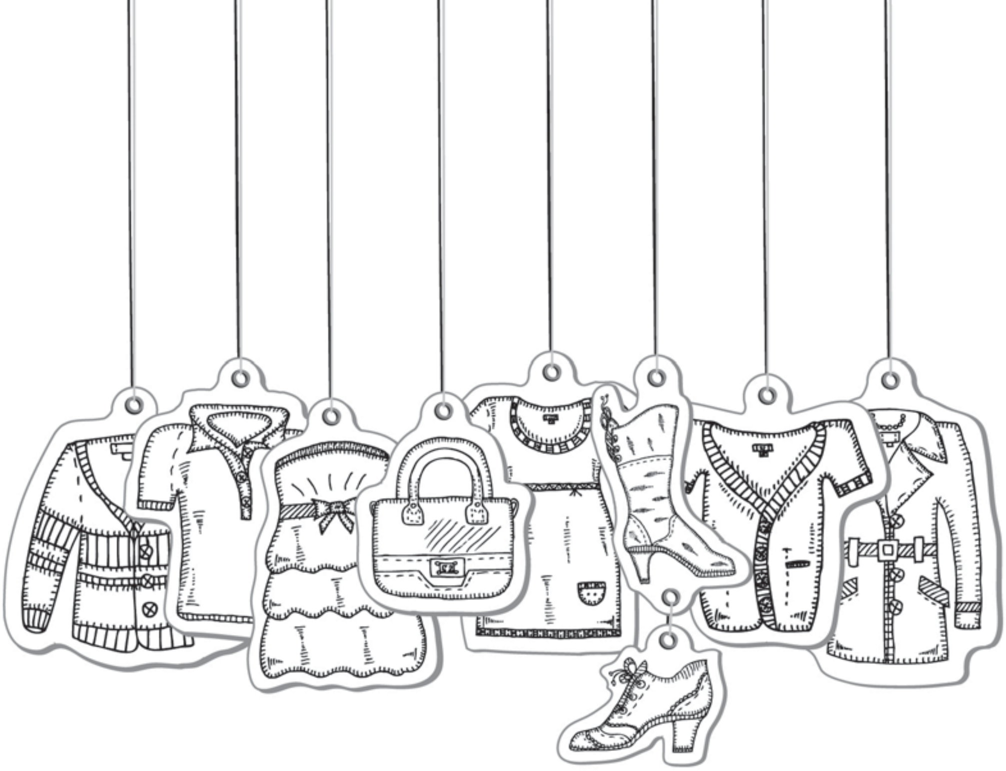


ANNUAL REPORT 2013

KUMPULAN POWERNET BERHAD

CONTENTS

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the **Seventeenth Annual General Meeting** ("17th AGM") of Kumpulan Powernet Berhad will be held at the Auditorium, Level 4, The Podium, Wisma Synergy, No. 72, Pesiaran Jubli Perak, Seksyen 22, 40000 Shah Alam, Selangor Darul Ehsan on Monday, 30 June 2014 at 9.30 a.m. for the following businesses:

1. To receive the audited financial statements for the financial year ended 31 December 2013 together with the Reports of the Directors' and Auditors' thereon. **Please refer to Explanatory Note**

2. To approve the payment of Directors' fees of RM51,200 in respect of the financial year ended 31 December 2013. **Resolution 1**

3. To re-elect the following Directors:

   3.1 Loo Pak Soon **Resolution 2**
   3.2 Oh Hock Lye **Resolution 3**

4. To re-appoint Messrs Baker Tilly Monteiro Heng as auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 4**

5. **As Special Business**

   To consider and, if thought fit, pass with or without modifications, the following resolution:

   Ordinary Resolution - Authority to allot and issue shares **Resolution 5**

   "THAT subject always to the Companies Act, 1965 ("the Act"), Articles of Association of the Company and/or approvals of the relevant authorities, the Directors be and are hereby authorised and empowered pursuant to Section 132D of the Act to allot and issue new shares in the Company, from time to time and upon such terms and conditions, 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 10% of the issued and paid-up share capital of the Company for the time being AND THAT the Directors be and are hereby empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad AND THAT such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

6. To transact any other business of which due notice shall have been given.

BY ORDER OF THE BOARD

HO TSAE FENG
Secretary

Selangor Darul Ehsan
6 June 2014

Notes:

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 16 June 2014 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this meeting.

2. A member of the Company entitled to attend and vote at the general meeting is entitled to appoint up to two (2) proxies to attend and vote in his/her stead. There shall be no restriction as to the qualification of the proxy. Where a member appoints two (2) proxies, he shall specify the proportion of his shareholdings to be represented by each proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.

3. A member of the Company who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with shares of the Company standing to the credit of the said securities account.

4. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, which holds ordinary shares in the Company for multiple beneficial owners in one 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.

5. The instrument appointing a proxy in the case of an individual shall be signed by the appointer or his/her attorney duly authorised in writing and in the case of a corporation, the instrument appointing a proxy must be under its common seal or under the hand of an officer or attorney duly authorised.

6. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed (or a notarially certified copy of such power or authority) shall be deposited at the Registered Office of the Company at Level 3, East Wing, Wisma Synergy, No. 72, Pesiaran Jubli Perak, Seksyen 22, 40000 Shah Alam, Selangor Darul Ehsan not less than 48 hours before the time appointed for holding the meeting or any other adjournment thereof.

EXPLANATORY NOTES ON ORDINARY BUSINESS

Agenda 1 - Audited Financial Statements for financial year ended 31 December 2013

The audited financial statements for the financial year ended 31 December 2013 are for discussion only under Agenda 1, as it does not require shareholders' approval under the provisions of Section 169(1) and (3) of the Act. Hence, it will not be put for voting.

Resolutions 2 and 3 - Re-election of Directors

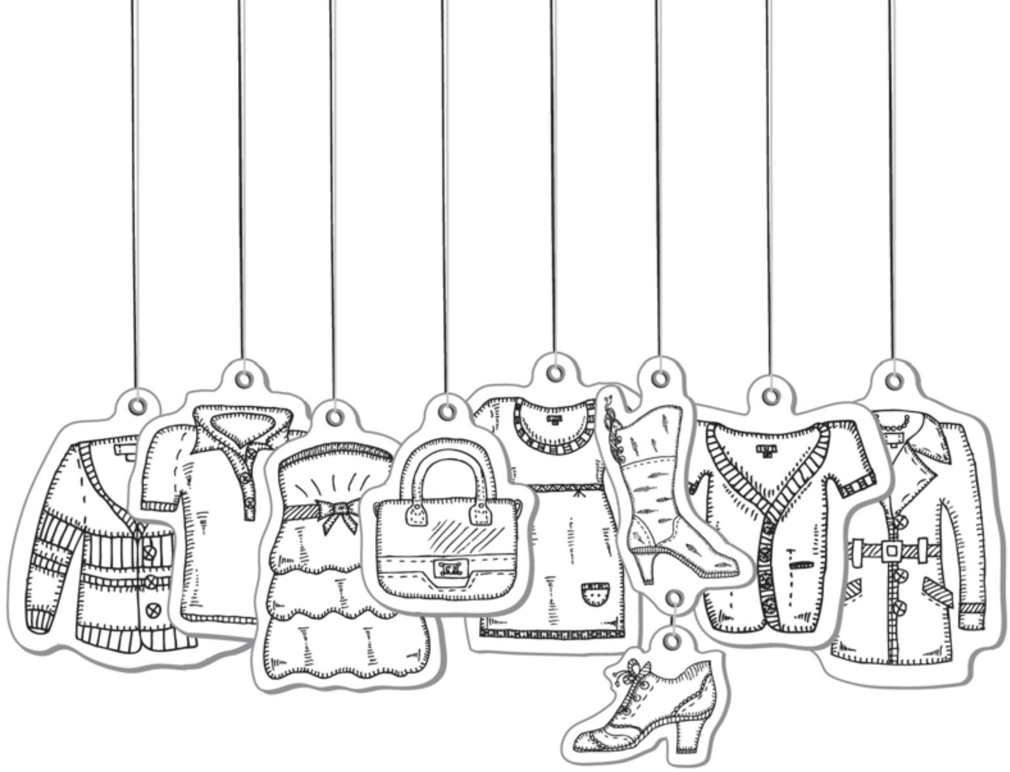
Details of the Directors standing for re-election under proposed Resolution 2 and Resolution 3 are stated in the Directors' profile on pages 10 and 11 of this Annual Report. Their shareholdings in the Company are stated on page 106 of this Annual Report.

EXPLANATORY NOTE ON SPECIAL BUSINESS

Resolution 5 - Authority to allot and issue shares

The Company had, at the Sixteenth Annual General Meeting held on 24 June 2013, obtained its shareholders' approval for the general mandate for issuance of shares pursuant to Section 132D of the Act. The Company did not issue any new shares pursuant to this mandate obtained as at the date of this notice. The Ordinary Resolution pursuant to Section 132D of the Act is a renewal of the general mandate for issuance of shares by the Company. This resolution, if passed, will empower the Directors, from the date of the 17th AGM until the next Annual General Meeting ("AGM") to allot and issue new shares of the Company up to an amount not exceeding in total 10% of the issued and paid-up share capital of the Company for the time being and for such purposes as the Directors consider would be in the best interests of the Company. This would avoid any delay and cost involved in convening a general meeting to specifically approve the aforesaid. This authority, unless revoked or varied at a general meeting, will expire at the next AGM of the Company.

At this juncture, there is no decision to issue new shares. If there should be a decision to issue new shares after the general mandate is obtained, the Company will make an announcement in respect of the purpose and utilisation of proceeds arising from such issue.



CORPORATE INFORMATION

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Ahmad Sebi Bakar
(Executive Chairman cum Managing Director)

Loo Pak Soon
(Executive Director)

Oh Hock Lye
(Executive Director)

Lim Hong Liang
(Senior Independent Non-Executive Director)

Chim Wai Khuan
(Independent Non-Executive Director)

Noorsiha bt Ismail
(Independent Non-Executive Director)

AUDIT COMMITTEE

Chairman
Chim Wai Khuan

Members
Lim Hong Liang
Noorsiha bt Ismail

NOMINATION COMMITTEE

Chairman
Lim Hong Liang

Members
Chim Wai Khuan
Noorsiha bt Ismail

REMUNERATION COMMITTEE

Chairman
Chim Wai Khuan

Members
Oh Hock Lye
Noorsiha bt Ismail

RISK MANAGEMENT COMMITTEE

Chairman
Lim Hong Liang

Members
Oh Hock Lye
Noorsiha bt Ismail

COMPANY SECRETARY

Ho Tsae Feng

REGISTERED OFFICE

Level 3, East Wing, Wisma Synergy
No. 72, Pesiaran Jubli Perak
Seksyen 22, 40000 Shah Alam
Selangor Darul Ehsan
Tel : 03-5192 8822
Fax : 03-5192 8811

CORPORATE OFFICE

Ground Floor, West Wing, Wisma Synergy
No. 72, Pesiaran Jubli Perak
Seksyen 22, 40000 Shah Alam
Selangor Darul Ehsan
Tel : 03-5191 1868
Fax : 03-5191 0898

SHARE REGISTRAR

Insurban Corporate Services Sdn Bhd
149, Jalan Aminuddin Baki
Taman Tun Dr. Ismail
60000 Kuala Lumpur
Tel : 03-7729 5529
Fax : 03-7728 5948

AUDITORS

Baker Tilly Monteiro Heng
Chartered Accountants
Baker Tilly MH Tower
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Tel : 03-2297 1000
Fax : 03-2282 9980

PRINCIPAL BANKERS

Alliance Bank Malaysia Berhad
Malayan Banking Berhad
RHB Bank Berhad

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

WEBSITE

www.powernet.com.my

CORPORATE STRUCTURE

KUMPULAN POWERNET BERHAD

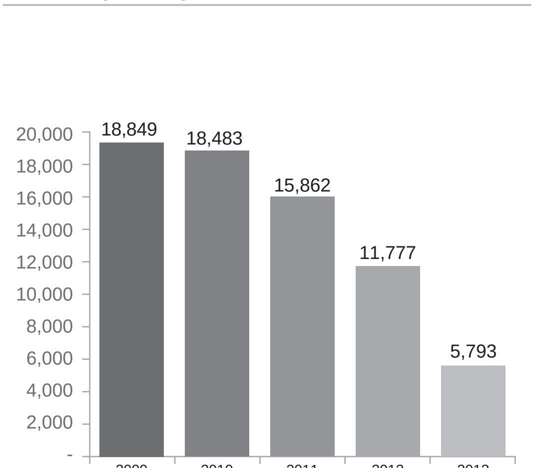
- Powernet Industries Sdn Bhd — **100%**
  - Powerfit Industries Sdn Bhd — **88.37%**
  - Powernet Trading (M) Sdn Bhd — **100%**
- Powernet Properties Sdn Bhd — **100%**
- Hypergize Link Sdn Bhd — **100%**
  - Powernet Products (UK) Limited — **75%**
- Zelinn Limited — **100%**

FIVE YEARS GROUP FINANCIAL SUMMARY

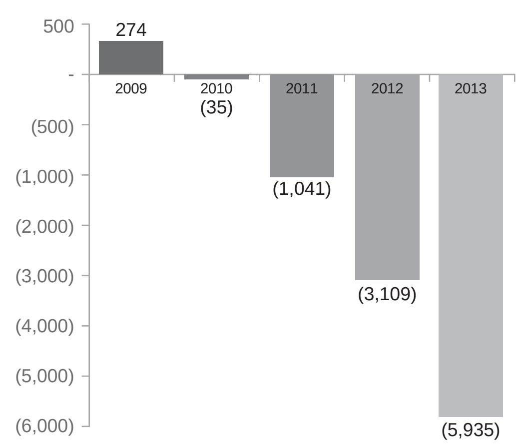
	FY 31 Dec 2009 RM'000	FY 31 Dec 2010 RM'000	FY 31 Dec 2011 RM'000	FY 31 Dec 2012 RM'000	FY 31 Dec 2013 RM'000
OPERATING RESULT					
Revenue	18,849	18,483	15,862	11,777	5,793
Operating profit/(loss)	274	(35)	(1,041)	(3,109)	(5,935)
Profit/(Loss) before taxation	177	(102)	(1,097)	(3,137)	(5,946)
Profit/(Loss) attributable to equity holders of the Company	113	(231)	(912)	(2,980)	(5,488)
KEY STATEMENTS OF FINANCIAL POSITION DATA					
Total assets	43,768	43,776	42,916	38,840	38,220
Total liabilities	2,255	1,729	1,963	1,055	6,011
Paid-up capital	56,375	56,375	56,375	56,375	56,375
Shareholders' equity	41,505	42,006	41,176	38,165	32,833

	FY 31 Dec 2009	FY 31 Dec 2010	FY 31 Dec 2011	FY 31 Dec 2012	FY 31 Dec 2013
SHARE INFORMATION					
Per share (sen)					
Basic earnings/(loss)	0.20	(0.41)	(1.62)	(5.29)	(9.73)
Net assets	74	75	73	68	58

Revenue (RM'000)

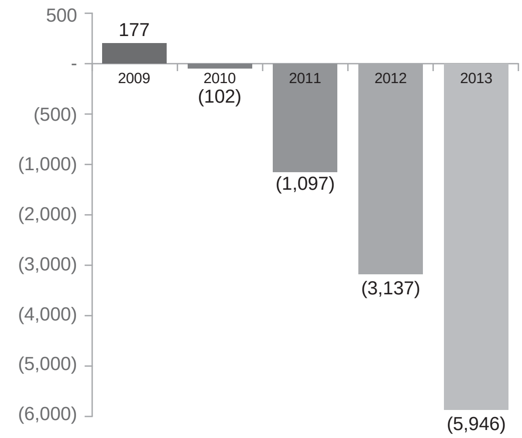


Operating profit/(loss) (RM'000)

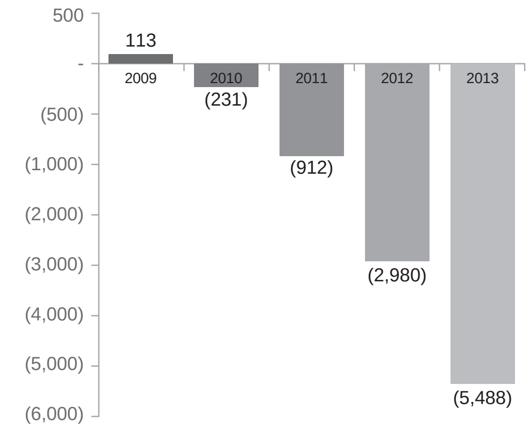


FIVE YEARS GROUP FINANCIAL SUMMARY
(continued)

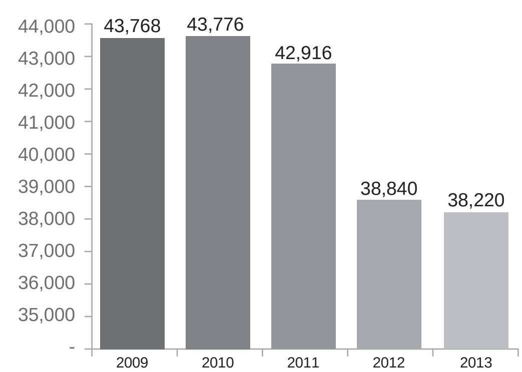
Profit/(Loss) before taxation (RM'000)



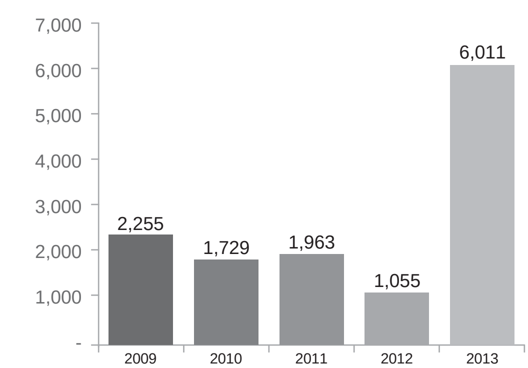
Profit/(Loss) attributable to equity holders of the Company (RM'000)



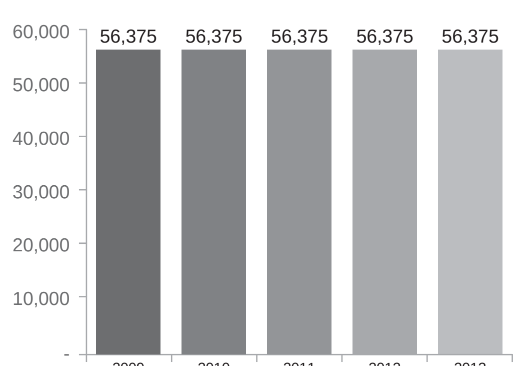
Total assets (RM'000)



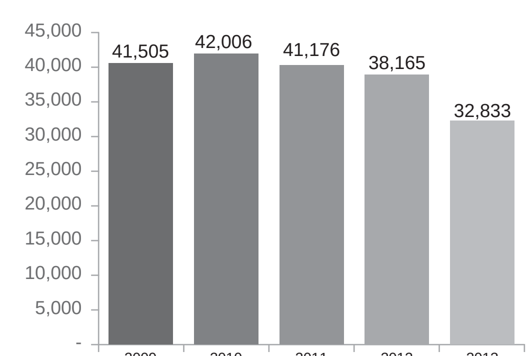
Total liabilities (RM'000)

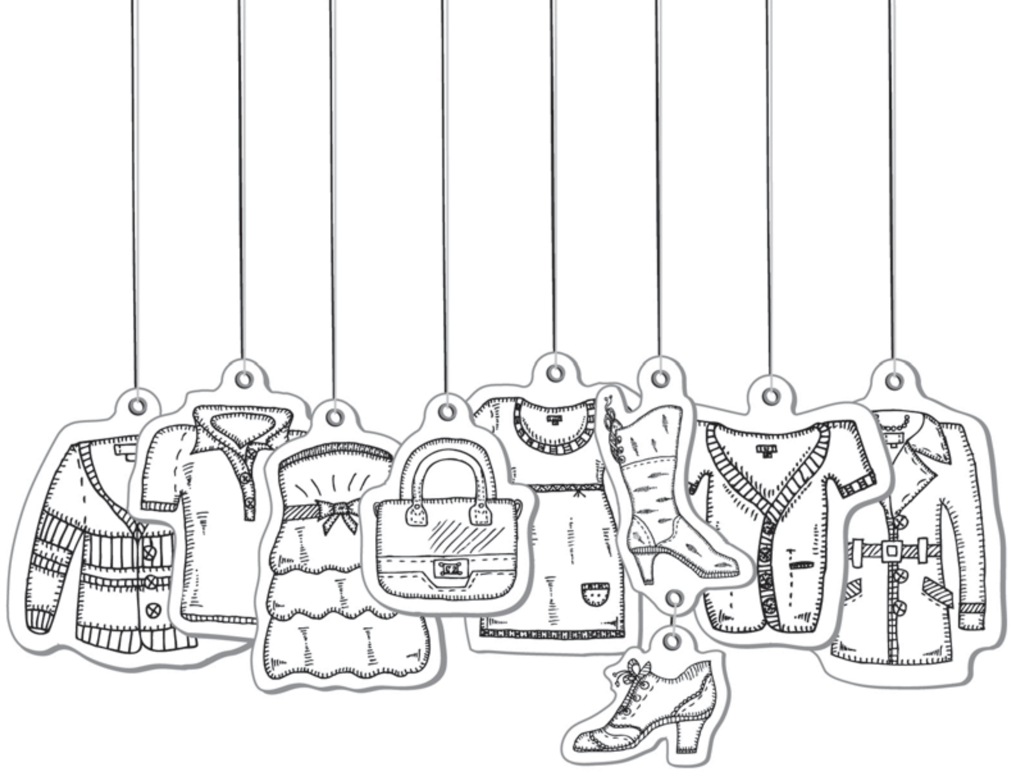


Paid-up capital (RM'000)



Shareholders' equity (RM'000)





DIRECTORS

DIRECTORS

DATO' AHMAD SEBI BAKAR
Executive Chairman cum Managing Director
Malaysian - aged 66

Dato' Ahmad Sebi Bakar was appointed to the Board on 12 January 2002. He holds a Bachelor of Arts (Hons) degree from the University of Malaya, Kuala Lumpur, a Diploma in Journalism from the Thomson Foundation, United Kingdom and a Master of Arts from Michigan State University, United States of America. He was the Editor of the Malay Mail, a member of the New Straits Times Press Group, from 1976 to 1982 and subsequently the Group Editor of Berita Harian from 1983 to 1986. From 1986 to 1989, he was the Managing Director of Sistem Televisyen Malaysia Bhd and a director of the New Straits Times Press Group from 1988 to 1989. He was also the Non-Executive Chairman of Unified Communications Holdings Limited (now known as Captii Limited), an indirect subsidiary of Advance Synergy Berhad which is listed on the Singapore Exchange Securities Trading Limited, from December 2003 to June 2006.

He was conferred the Ahli Mangku Negara (A.M.N.) by the Yang Di-Pertuan Agong, DYMM Tuanku Haji Ahmad Shah Al-Mustain Billah Ibni Almarhum Sultan Abu Bakar in 1983, the Justice of Peace (J.P.) by DYMM Sultan Azlan Muhibbuddin Shah Ibni Almarhum Sultan Yusoff Izzuddin Shah Ghafarullah, Sultan of Perak, in 1986 and the Dato' Setia Diraja Kedah (D.S.D.K.) by DYMM Tuanku Alhaj Abdul Halim Mu'adzam Shah Ibni Almarhum Sultan Badlishah, Sultan of Kedah, in 1988.

Currently, he sits on the Board of various companies including Advance Synergy Berhad, in which he holds the position as Executive Chairman since 9 April 1991 and redesignated as Group Executive Chairman on 28 September 2012. He is actively involved in social and charitable work and is the Chairman of several non-profit organisations, namely, the privately funded Orphanage Foundation of Malaysia (YATIM) and in the past Bosnia Action Front, Malaysia. He was also the President of the Malaysian National Writers Association (PENA) from 1992 to 2008.

Dato' Ahmad Sebi Bakar does not have any family relationship with any director and/or major shareholder of Kumpulan Powernet Berhad, nor he has any conflict of interest with Kumpulan Powernet Berhad, except that he is also a director and major shareholder of Advance Synergy Berhad, Suasana Dinamik Sdn Bhd (which is also a major shareholder of Advance Synergy Berhad) and Bright Existence Sdn Bhd. Both Advance Synergy Berhad and Suasana Dinamik Sdn Bhd are deemed major shareholders of Kumpulan Powernet Berhad and Bright Existence Sdn Bhd is a major shareholder of Kumpulan Powernet Berhad. His son is also a director of Suasana Dinamik Sdn Bhd as well as a director and substantial shareholder of Bright Existence Sdn Bhd. He has no convictions for any offences within the past 10 years.

LOO PAK SOON
Executive Director
Malaysian - aged 51

Loo Pak Soon was appointed to the Board on 12 January 2002. He holds a Bachelor of Commerce (Hons) degree in Finance from the University of Windsor, Canada. He has over 8 years experience in the commercial and merchant banking sector. From 1984 to 1993, he has worked with the AmBank Group, United Overseas Bank (Malaysia) Bhd, Affin Bank Bhd and NCK Corporation Bhd. In 1993, he joined Powernet Industries Sdn Bhd as an Executive Director - Finance, a position he still holds.

Loo Pak Soon does not have any family relationship with any director and/or major shareholder of Kumpulan Powernet Berhad, nor he has any conflict of interest with Kumpulan Powernet Berhad. He has no convictions for any offences within the past 10 years other than traffic offences.

DIRECTORS
(continued)

OH HOCK LYE
Executive Director
Malaysian - aged 49

Oh Hock Lye was appointed to the Board on 12 January 2002. He holds a Bachelor of Science degree in Business Administration majoring in Finance and International Business from the University of the Pacific, United States of America and a Master of Business Administration majoring in Finance from the California State University, United States of America. After graduating in 1989, he joined Pizza Hut Inc., United States of America as Assistant Manager and was promoted to Manager in the same year.

Oh Hock Lye is a member of the Remuneration Committee and Risk Management Committee of Kumpulan Powernet Berhad.

Oh Hock Lye does not have any family relationship with any director and/or major shareholder of Kumpulan Powernet Berhad, nor he has any conflict of interest with Kumpulan Powernet Berhad. He has no convictions for any offences within the past 10 years other than traffic offences.

LIM HONG LIANG
Senior Independent Non-Executive Director
Malaysian - aged 55

Lim Hong Liang was appointed to the Board on 12 January 2002. On 27 January 2006, he was redesignated from the position of Executive Director to Non-Executive Director. Subsequently, he was redesignated to Independent Non-Executive Director on 12 August 2008 and Senior Independent Non-Executive Director on 7 March 2013. He holds a Master of Commerce from the University of New South Wales, Australia. He was a bank officer at Lee Wah Bank Limited (now known as United Overseas Bank (Malaysia) Berhad) from 1984 to 1989. He subsequently joined the Security Pacific Bank Limited (now known as AmBank Berhad) as an Assistant Vice President from 1989 to 1990. He left in 1990 and joined Malpac Holdings Berhad, as an Executive Director, a position he still holds. He is also a director of APB Resources Berhad.

He is the Chairman of the Nomination Committee and Risk Management Committee as well as member of the Audit Committee of Kumpulan Powernet Berhad.

Lim Hong Liang does not have any family relationship with any director and/or major shareholder of Kumpulan Powernet Berhad, nor he has any conflict of interest with Kumpulan Powernet Berhad. He has no convictions for any offences within the past 10 years other than traffic offences.

DIRECTORS
(continued)

CHIM WAI KHUAN
Independent Non-Executive Director
Malaysian - aged 63

Chim Wai Khuan was appointed to the Board on 7 March 2013. He is a member of the Malaysian Institute of Accountants. He has vast experience in auditing, taxation and management consultancy services while he was attached to several accounting firms in Malaysia and the United Kingdom from 1974 to 1985. Currently, he manages his own practice under the name WK Co., an audit firm and also practicing as a Chartered Accountant and Corporate and Management Consultant.

He is also an independent non-executive director of United U-Li Corporation Berhad and Gabungan PA Holdings Berhad.

Chim Wai Khuan has been appointed as the Chairman of the Audit Committee and Remuneration Committee as well as member of the Nomination Committee of Kumpulan Powernet Berhad.

Chim Wai Khuan does not have any family relationship with any director and/or major shareholder of Kumpulan Powernet Berhad, nor he has any conflict of interest with Kumpulan Powernet Berhad. He has no convictions for any offences within the past 10 years other than traffic offences.

NOORSIHA BT ISMAIL
Independent Non-Executive Director
Malaysian - aged 52

Noorsiha bt Ismail was appointed to the Board on 7 March 2013. She holds a Diploma in Secretarial Science accredited from University Teknologi MARA (UiTM) and a professional Diploma in Early Childhood Education and passed with distinction from University of Malaya. She has worked as confidential secretary in local companies such as Kumpulan Fima Berhad, Sistem Televisyen Malaysia Berhad (TV3) and The New Straits Times Press (M) Bhd for more than 15 years. In June 2000, she was appointed to the Board of Berita Publishing Sdn Bhd and subsequently appointed as special assistant to Editor-in-Chief (EIC). She represented the EIC in attending meetings/events from time to time, In January 2004, she was appointed as Projects Coordinator. She has vast experience and expertise in organising signature events for all in-house magazines as well as other promotional activities. She left Berita Publishing Sdn Bhd in December 2004 and still actively involved in charity projects from time to time.

Noorsiha bt Ismail has been appointed as member of the Audit Committee, Nomination Committee, Remuneration Committee as well as Risk Management Committee of Kumpulan Powernet Berhad.

Noorsiha bt Ismail does not have any family relationship with any director and/or major shareholder of Kumpulan Powernet Berhad, nor she has any conflict of interest with Kumpulan Powernet Berhad. She has no convictions for any offences within the past 10 years other than traffic offences.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors ("Board" or "Directors") recognises the importance of practising the highest standards of Corporate Governance in the Malaysian Code on Corporate Governance 2012 ("Code") and is committed to ensuring that the business and operations of the Company and its subsidiaries ("the Group") are in line with the principles and recommendations advocated in the Code.

The Board is pleased to disclose below a description of how the Group has applied the principles and recommendations laid down in the Code.

1. Establish clear roles and responsibilities

1.1 Clear functions of the Board and Management

The Board assumes responsibility in corporate governance and has established various processes and committees to assist them in discharging their responsibilities. The major responsibilities of the directors consist of the Group's strategies and directions, shareholders' and investors' relationship, annual budget, capital expenditure, financial matters, risk management and adequacy of internal controls.

Beyond the matters reserved for the Board's decision, the Board has delegated the authority to achieve the corporate objective to the Executive Directors. The Executive Directors remain accountable to the Board for the authority that is delegated to them, and for the performance of the Group.

The Board has established and delegates certain responsibilities to the Board Committees, namely Audit Committee, Nomination Committee, Remuneration Committee and Risk Management Committee, which operates within defined terms of reference and operating procedures.

1.2 Clear roles and responsibilities

The respective roles and responsibilities of the Board and Management have been clearly defined. The Board has discharged its responsibilities in the best interests of the Company in pursuit of an integrated regulatory and commercial objective. The following are among the key responsibilities of the Board:

- Reviewing and adopting the Company's strategic plans;
- Overseeing the conduct of the Company's business;
- Identifying principal risks and ensuring the implementation of appropriate systems to manage them;
- Succession planning;
- Overseeing the development and implementation of a communication policy for the Company;
- Reviewing the adequacy and integrity of management information and internal control system of the Company;
- Establishing and formalising strategies on promoting sustainability. Attention shall be given to environmental, social and governance; and
- Upholding integrity in financial reporting.

In addition, there is a schedule of matters reserved specifically for the Board's decision.

1.3 Formalised ethical standards through Code of Ethics

The Company's Codes of Ethics for Directors and employees continue to govern the standards of ethics and good conduct expected of Directors and employees respectively. A summary of the Codes of Ethics is available on the corporate website.

1.4 Strategies promoting sustainability

The Board promotes good corporate governance in the application of sustainability practices throughout the Company, the benefits of which are believed to translate into better corporate performance. A detailed statement on sustainability activities, demonstrating the Company's commitment to its environmental, social and governance clearly outlines on pages 33 and 34 in this Annual Report.

1.5 Board meetings and access to information and advice

During the financial year ended 31 December 2013, four (4) Board meetings were held, where it deliberated upon and considered a variety of matters including the Group's corporate developments, financial results, investments and strategic decisions and directions of the Group. All proceedings from the Board meetings are minuted and signed by the Chairman of the meeting.

Details of attendance of each Director at the Board Meetings held during the financial year are set out below:

Name of Directors	Number of Meetings Attended
Dato' Ahmad Sebi Bakar	4/4
Loo Pak Soon	4/4
Oh Hock Lye	4/4
Lim Hong Liang	4/4
Chim Wai Khuan *(appointed on 7 March 2013)*	3/3
Noorsiha bt Ismail *(appointed on 7 March 2013)*	3/3
Johari Low bin Abdullah @ Low Han Hing *(resigned on 7 March 2013)*	1/1
Abdul Azim bin Mohd Aras *(resigned on 7 March 2013)*	1/1

The Directors are supplied with full and timely information including agendas, financial, operational and corporate developments for them to discharge their duties effectively. The Directors have full access to the advice and services of the Company Secretary and senior management. The Directors also have access to all information within the Company whether as a full Board or in their individual capacity. The Directors whether as full Board or in their individual capacity, may in furtherance of their duties, take independent professional advice at the Company's expense, if required.

Prior to Board meetings, the Agenda for each meeting together with reports and papers containing information relevant to the business of the meetings (including information on major financial, operational and corporate matters as well as activities and performance of the Group and minutes of the Board Committees and Board meetings) are circulated to the Board members to provide time for the Board members to read and contemplate the issues. During Board meetings, management provides further details on each issue raised for discussion or as supplementary information.

1.6 Qualified and competent Company Secretary

A qualified Company Secretary was appointed by the Board to play a supportive role to the Board who facilitates overall compliance with the relevant regulatory requirements, codes or guidance and legislations. In performing this duty, the Company Secretary carries out, among others, the following tasks:

- Attending Board and Board Committee meetings and ensuring that these meetings are properly convened and proceedings are properly recorded;
- Ensuring that all appointments to the Board and Committees are properly made;
- Facilitating the provision of information as may be requested by the Directors from time to time;
- Maintaining records for the purposes of meeting statutory obligations; and
- Supporting the Board in ensuring adherence to Board policies and procedures from time to time.

1.7 Board Charter

The Board has formally adopted a Board Charter that clearly sets out the roles and responsibilities of the Board and Board Committees and the processes and procedures for convening their meetings. The Board Charter is accessible to the public on the Company's website within a dedicated Investor Relations section at www.powernet.com.my and any updates thereof will be uploaded to the website accordingly. It serves as a source of reference and primary induction literature for prospective Board members and senior management insight into the fiduciary and leadership functions of the Directors of the Company. It is also intended to assist the Board in assessing its collective performance and that of each individual Director.

The Board Charter will be reviewed periodically to keep it up to date with changes in regulations and best practices and ensure its effectiveness and relevance to the Board's objectives. The Board Charter was last updated in November 2013.

2. Strengthen composition

2.1 Nomination Committee

The Nomination Committee was established on 8 February 2002. The members of the Nomination Committee consist of exclusively Independent Non-Executive Directors, as follows:

Lim Hong Liang	(Chairman, Senior Independent Non-Executive Director)
Chim Wai Khuan *(Appointed on 7 March 2013)*	(Member, Independent Non-Executive Director)
Noorsiha bt Ismail *(Appointed on 7 March 2013)*	(Member, Independent Non-Executive Director)
Abdul Azim bin Mohd Aras *(Resigned on 7 March 2013)*	(Chairman, Independent Non-Executive Director)
Johari Low bin Abdullah @ Low Han Hing *(Resigned on 7 March 2013)*	(Member, Senior Independent Non-Executive Director)

The duties and functions of the Nomination Committee include the following:

- Assessing and recommending to the Board the candidate of directors, appointment of director to Board Committees, review of board's succession plans and training programmes for the Board;
- Annually assesses the effectiveness of the Board as a whole, the Board Committees and contribution and performance of each Director, including Independent Non-Executive Directors, as well as the Managing Director /Chief Executive Office on an on-going basis;
- Annually reviews the required mix of skills, experience and other qualities, including core competencies of Non-Executive Directors;
- Annually reviews the Board structure, size and composition and make recommendations to the Board with regard to any adjustments that are deemed necessary;
- Assist the Board to assess the independence of all the independent directors annually; and
- Facilitate Board induction and training programmes.

During the financial year ended 31 December 2013, the Nomination Committee has met twice and carried out activities in accordance with its terms of reference which includes among others, the following:

(a) recommended to the Board on the new candidates for appointment as directors in place of independent directors who have served the Company for more than nine years and the corresponding changes to the composition of the Board Committees;

(b) recommended to the Board on the re-election of directors who retire by rotation at the forthcoming AGM of the Company in accordance with the Company's Articles of Association;

(c) reviewed the Board's size and composition having regard to the independence of all the independent directors, diversity (including gender diversity), required mix of skills and experience and other qualities, including core competencies, integrity and time commitment which the directors should bring to the Board in meeting the current and future needs of the Company;

(d) assessed (i) the effectiveness of the Board as a whole; (ii) the Board Committees and (iii) the contribution of each individual director;

(e) reviewed the training undertaken by Directors and recommended the Directors to attend programs/courses/seminars continuously in meeting the training needs of each director to keep abreast with the current developments in laws, regulations and business practices in order to aid them in discharging their duties; and

(f) reviewed the terms of reference of this Committee which the latest version of the same was uploaded onto the Company's website.

2.2 Develop, maintain and review criteria for recruitment and annual assessment of Directors

a. Criteria for recruitment and assessment

The Board appoints its members through a formal and transparent selection process. This process which involves (1) identification of candidates for directorships, (2) evaluation of suitability of candidates, (3) deliberation by the Nomination Committee and (4) recommendation to the Board, has been reviewed, approved and adopted by the Board. New candidates shall be considered and evaluated by the Nomination Committee. In making these, due consideration is given to the required mix of skills, knowledge, expertise and experience, professionalism, integrity, competencies, time commitment, gender diversity and other qualities that the proposed directors should bring to the Board and to the respective Board Committees. The decision as to who shall be appointed shall be the responsibility of the full Board after considering the recommendations of the Nomination Committee.

The Company Secretary, whose appointment and removal should be a matter for the Board as a whole, is responsible for ensuring that all appointments of Directors are properly made and all necessary information are obtained from the Directors, for the Company's own records and for purposes of meeting the requirements of the Act, Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and other regulatory requirements.

In accordance with the Company's Articles of Association, one-third (1/3) of the Directors retires from office at each AGM but shall be eligible for re-election. Directors who are appointed by the Board during each financial year are subject to election by shareholders at the next AGM following their appointments. The election of Director is voted separately. The Articles of Association of the Company provide that all Directors shall submit themselves for re-election at least once every three (3) years. Sufficient information on the personal profile, meeting attendance and the shareholdings in the Company of each Director standing for re-election are furnished in this Annual Report.

b. Gender diversity policy

The Board recognises that gender diversity in the boardroom as critical element for efficient functioning of the Board and good governance practises. The Board has included gender diversity as one of the new criteria for appointment of new directors to promote the representation of women in the composition of the Board. Presently, there is one (1) female Director on the Board of the Company. The Board aims to appoint additional female representation on the Board as soon as practicable in order to reach at least 30% female representation on the Board in the near term.

2.3 Remuneration policies

a. Remuneration policy and procedure

The Remuneration Committee is responsible for recommending to the Board the remuneration framework for Directors as well as the remuneration packages of Executive Directors. The Board as a whole determines the remuneration of Non-Executive Directors with individual Directors abstaining from decisions in respect of their individual remuneration. The remuneration packages will be reviewed annually by the Remuneration Committee after taking into consideration various factors including the Directors' fiduciary duties, time commitment, Company performance and market conditions.

The policy practised on Directors' remuneration by the Remuneration Committee is to provide the remuneration necessary to attract, retain and motivate Directors of the quality required to manage the business of the Company and to align the interest of the Directors with those of the shareholders.

b. Remuneration committee

The Remuneration Committee was established on 8 February 2002. The members of the Remuneration Committee consist of a majority of Non-Executive Directors, as follows:

Chim Wai Khuan *(Appointed on 7 March 2013)*	(Chairman, Independent Non-Executive Director)
Oh Hock Lye	(Member, Executive Director)
Noorsiha bt Ismail *(Appointed on 7 March 2013)*	(Member, Independent Non-Executive Director)
Abdul Azim bin Mohd Aras *(Resigned on 7 March 2013)*	(Chairman, Independent Non-Executive Director)
Johari Low bin Abdullah @ Low Han Hing *(Resigned on 7 March 2013)*	(Member, Senior Independent Non Executive Director)

The duties and functions of the Remuneration Committee are as follows:

- To recommend to the Board the remuneration of the Executive Chairman and Executive Directors;
- To ensure that a fair differential between the remuneration of Board members and other levels of management is maintained;
- To conduct continued assessment of individual Executive Directors to ensure that remuneration is directly related to corporate and individual performance;
- To obtain the advice and information from external source, if necessary, to compare the remuneration currently earned by the Executive Directors and those paid to Executive Directors of other companies of a similar size in a comparable industry sector;
- To ensure that the base salary element is competitive but fair; and
- To provide an objective and independent assessment of the benefits granted to Executive Directors.

The terms of reference of the Remuneration Committee is reviewed by the Remuneration Committee annually and the latest version was uploaded onto the Company's website.

The Remuneration Committee shall meet at least once a year and additional meetings can be scheduled if the Chairman of the Committee considers necessary. During the financial year ended 31 December 2013, the Remuneration Committee met once and resolved that there was no requirement to make any changes to the existing remuneration packages.

c. Remuneration package

For the financial year ended 31 December 2013, the aggregate remuneration received by the Directors of the Company from the Group categorised into the appropriate components are as follows:

Category	Salaries & Bonuses RM	Benefits-in-Kind RM	Fees Payable RM	Total RM
Executive	540,780	16,500	-	557,280
Non-Executive	-	-	51,200	51,200
Total	**540,780**	**16,500**	**51,200**	**608,480**

An analysis of the number of Directors whose remuneration, paid by the Group, falls in respective bands of RM50,000 is set out below:

	Number of Directors	
Range of Remuneration	**Executive**	**Non-Executive**
RM50,000 and below	-	3
RM100,001 to RM150,000	1	-
RM150,001 to RM200,000	1	-
RM250,001 to RM300,000	1	-
Total	**3**	**3**

3. Reinforce Independence

3.1 Annual Assessment of Independence

In line with Recommendation 3.1 of the Code, the Board, through the Nomination Committee, shall assess independence of its Independent Non-Executive Directors annually in accordance with the criteria and prescribed by the Listing Requirements of Bursa Securities and the independent directors are required to affirm their commitment to bring independent and objective judgement upon their appointment and annually thereafter.

During the financial year ended 31 December 2013, the Board, through the Nomination Committee, has conducted such assessment on all the independent directors and the Board is satisfied with the level of independence demonstrated by all the independent directors.

3.2 Tenure of Independent Directors

As recommended by the Code, the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board subject to re-designation as a Non-Independent Director. In observing the recommendation of the Code, as recommended by the Nomination Committee, two (2) new independent directors were appointed on 7 March 2013 in place of Mr Johari Low bin Abdullah @ Low Han Hing and Mr Abdul Azim bin Mohd Aras who have served as Independent Non-Executive Directors of the Company for more than nine (9) years.

Notwithstanding the above, the Board holds the view that a Director's independence cannot be determined arbitrarily with reference to a set period of time. The Group benefits from long serving Directors, who possess detailed knowledge of the Group's business and have proven commitment, experience and competence to effectively advise and oversee management. The Board is also of the view that the fiduciary duties of Directors as promulgated in the Act are paramount for all Directors, irrespective of their status and therefore, tenure is not the main assessment criteria for independence of directors.

3.3 Shareholders' approval for the re-appointment of Non-Executive Director

The Nomination Committee is tasked to assess and assist the Board in recommending and providing justification for shareholders' consideration and approval in the event an Independent Director is to remain independent after serving a cumulative term of nine (9) years.

3.4 Separation of positions of the Chairman and Chief Executive Officer

The Executive Chairman carries out the functions, as the Chairman of the Board and the Managing Director of the Group. Although the Board is mindful of the combined roles, they are of the opinion that they are comfortable that there is no undue risks involved as all related party transactions are dealt with in accordance with the Listing Requirements of Bursa Securities. Besides this, the Board has identified Mr Lim Hong Liang as the Senior Independent Non-Executive Director of the Company, to whom concerns regarding the Group may be conveyed.

3.5 Composition of the Board

The Board is responsible for the corporate governance and the overall performance of the Group, including its strategic directions, development, control, performance, standards of conducts and critical business issues.

The Board currently consists of six (6) Directors as listed below:

- One (1) Executive Chairman cum Managing Director
- Two (2) Executive Directors
- Three (3) Independent Non-Executive Directors

The presence of three (3) Independent Non-Executive Directors representing 50% of the total number of Directors fulfils a pivotal role in ensuring that there is balance of power and authority.

The Board, as a whole, brings a wide range of experience and expertise in the areas of business, commercial and financial for effective direction and management of the Group's business. A brief profile of each Director is presented on pages 10 to 12 of this Annual Report.

All major matters and issues are referred to the Board for consideration and approval. The Executive Chairman and the Executive Directors are entrusted with the task of running the business of the Group and implementation of the policies and strategies adopted by the Board. The roles and contributions of Independent Directors also provide an element of objectivity, independent judgment and balance on the Board. Together, their representations on the Board fairly reflect the investment of the minority shareholders of the Company and in addition, carry sufficient weight for decision making.

The Board noted the recommendation of the Code which states that the Board must comprise a majority of Independent Directors where the Chairman of the Board is not an Independent Director. The Executive Chairman cum Managing Director, Dato' Ahmad Sebi Bakar is not an Independent Director and is also a major shareholder. However, by virtue of his significant interest in the Company, the Board believe that Dato' Ahmad Sebi Bakar will act in the best interest of the shareholders as a whole and will strive to protect and enhance the long-term shareholder value and the financial performance of the Group.

4. Foster Commitment

4.1 Time commitment

Directors are to devote sufficient time and effort to carry out their responsibilities. The Board obtains this commitment from Directors at the time of appointment.

The Group recognises that its Directors may be invited to become directors of other companies and the Directors are therefore at liberty to accept other Board appointments so long as such appointments are not in conflict with the business of the Group and do not adversely affect the Directors' performance as a member of the Board. In maintaining and monitoring the limitation on directorship as required by the Listing Requirements of Bursa Securities, the Directors upon appointment, and from time to time during their tenure, will notify the Company Secretary of their directorship in other companies for disclosure to the Board at Board meetings. The Board is of the opinion that the provision of the Act and Listing Requirements of Bursa Securities are sufficient to ensure adequate commitment given by the Directors to perform their duties. Each Director, moreover, is able to discern an appropriate amount of time to commit to the Company without it being formally regulated.

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities and this is demonstrated by the attendance record of the Directors at the meetings of the Board and Board Committees for the financial year ended 31 December 2013 as set out below:

Name of Director	Board	Audit Committee	Nomination Committee	Remuneration Committee	Risk Management Committee
Dato' Ahmad Sebi Bakar	4/4	-	-	-	-
Loo Pak Soon	4/4	-	-	-	-
Oh Hock Lye	4/4	-	-	1/1	1/1
Lim Hong Liang	4/4	5/5	2/2	-	1/1
Chim Wai Khuan *(Appointed on 7 March 2013)*	3/3	4/4	1/1	1/1	-
Noorsiha bt Ismail *(Appointed on 7 March 2013)*	3/3	4/4	1/1	1/1	1/1
Johari Low bin Abdullah @ Low Han Hing *(Resigned on 7 March 2013)*	1/1	1/1	1/1	-	-
Abdul Azim bin Mohd Aras *(Resigned on 7 March 2013)*	1/1	1/1	1/1	-	-

To facilitate the Directors' time planning, an annual meeting calendar is prepared and circulated to them before the beginning of every year. It provides the scheduled dates for meetings of the Board and Board Committees as well as the AGM. Further, the Directors are constantly updated with the closed periods for dealings in securities by Directors based on the targeted dates of announcements of the Group's quarterly results.

4.2 Training

All the members of the Board have attended the Mandatory Accreditation Programme as prescribed by Bursa Securities. The Board acknowledges the importance of continuous education and training to enable the Board to effectively discharge its duties and responsibilities. During the financial year ended 31 December 2013, all the Directors have attended the following training programmes:

Name of Directors	Date	Programmes/courses/seminars
Chim Wai Khuan	8 and 9 April 2013	Tax Strategies For Sdn Bhd
	7 November 2013	Strategic Leadership & People Management Skills
	21 November 2013	Common Offences Committed by Directors under CA 1965 – Pitfalls and Remedies
Noorsiha bt Ismail	10 and 11 April 2013	Mandatory Accreditation Programme for Directors of Public Listed Companies
	4 June 2013	Audit Committee Seminar 2013
Dato' Ahmad Sebi Bakar	7 November 2013	Strategic Leadership & People Management Skills
Loo Pak Soon	7 November 2013	Strategic Leadership & People Management Skills
Oh Hock Lye	7 November 2013	Strategic Leadership & People Management Skills
Lim Hong Liang	28 November 2013	PLC Directors' Training 1st session: Family Business Dilemma; and 2nd session: Highlights of Budget 2014.

The Directors have also been regularly updated on developments in corporate governance, relevant laws, regulations and business practices as a continuing effort to train and equip themselves to effectively discharge their duties. The Board shall evaluate and determine the training needs of its Directors on a continuous basis pursuant to the Listing Requirements of Bursa Securities.

5. Uphold integrity in financial reporting

5.1 Compliance with applicable financial reporting standards

The Board aims to provide and present a balanced and understandable assessment of the Group's financial performance and prospects at the financial year, primarily through the Annual Financial Statements and Quarterly Results announcements to shareholders as well as Chairman's Statement and review of operations in the Annual Report. The Audit Committee assists the Board in ensuring accuracy, adequacy and completeness of information for disclosures.

The Audit Committee meets on a quarterly basis to review the integrity and reliability of the Quarterly Results. At least twice a year, the Audit Committee will meet to review the integrity and reliability of the Group's annual financial results in the presence of the external auditors, prior to recommending them for the Board's approval and issuance to shareholders.

The Statement by Directors pursuant to Section 169(15) of the Act is set out on page 99 of this Annual Report and the Statement explaining the Directors' responsibility for preparing the annual audited financial statements pursuant to paragraph 15.26(a) of the Listing Requirements of Bursa Securities is set out in item 5.2(c) of this Statement.

5.2 Assessment of suitability and independence of external auditors

a. Relationship with auditors

The Company's external auditors have continued to report to members of the Company on their findings which are included as part of the Company's financial reports with respect to each year's audit on the statutory financial statements. In doing so, the Company has established a formal and transparent relationship with the auditors to meet their professional requirements.

The roles of the Audit Committee in relation to both the internal and external auditors are described in the Audit Committee Report.

b. Audit Committee

The composition, terms of reference and summary of activities of the Audit Committee during the financial year which includes the assessment of suitability and independence of internal auditors as recommended by the Code are disclosed in the Audit Committee Report on pages 25 to 29 of this Annual Report.

For the financial year ended 31 December 2013, the Audit Committee met the external auditors thrice (with private sessions in the absence of the executive directors and the management) to discuss the audit plan, audit findings and the Company's audited financial statements. The external auditors had provided assurance that they have complied with the requirements for independence.

Pursuant to Section 290.151 of the By-Laws of the Malaysian Institute of Accountants (On Professional Ethics, Conduct and Practice) where individual shall not be a key audit partner for more than 5 years in respect of the audit of any public interest entity, there is a rotation of audit partner in respect of the audit for financial year ended 31 December 2013 since Messrs Baker Tilly Monteiro Heng was appointed as the Company's external auditors in October 2008. Being satisfied with the performance, technical competency and fulfillment of criteria on independence, the Audit Committee recommended the re-appointment of the external auditors to the Board upon which the shareholders' approval will be sought at the forthcoming AGM.

c. Statement on directors' responsibility for preparing financial statements

The Directors are required by the Act to prepare the financial statements for each financial year in accordance with the applicable approved accounting standards to give a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and of the results of the Group and the Company for the financial year. The Directors have the responsibility for ensuring that the Group and the Company keep accounting records which disclose with reasonable accuracy the financial position of the Group and the Company which enable them to ensure that the financial statements comply with the Act.

The Directors consider that in presenting the financial statements, the Group has used appropriate accounting policies that are consistently applied and supported by prudent judgments and estimates. The financial statements of certain subsidiary companies have also been prepared on a going concern basis as the Directors have reasonable expectation, having made enquiries that the Group has adequate resources to continue in operational existence for the foreseeable future.

6. Recognise and manage risks

6.1 Sound framework to manage risks

a. Internal control

The Board acknowledges its overall responsibility for maintaining a sound risk management framework and internal control system to safeguard shareholders' investment, the Company's assets and the need to review the adequacy and integrity of those systems regularly. In establishing and reviewing the system of internal control, the Directors recognise that the system of internal control can only provide reasonable but not absolute assurance against the risk of material misstatement or loss.

The Statement on Risk Management and Internal Control furnished on pages 30 and 31 of this Annual Report provides an overview on the state of risk management and internal control within the Group.

b. Risk Management Committee

The Risk Management Committee was established on 27 June 2002. The members of the Risk Management Committee consist of Executive and Non-Executive Directors, as follows:

Lim Hong Liang	(Chairman, Senior Independent Non-Executive Director)
Oh Hock Lye	(Member, Executive Director)
Noorsiha bt Ismail *(Appointed on 7 March 2013)*	(Member, Independent Non-Executive Director)
Abdul Azim bin Mohd Aras *(Resigned on 7 March 2013)*	(Member, Independent Non-Executive Director)

The duties and functions of the Risk Management Committee include the following:

- Review, identify and communicate to the Board the critical risks;
- Recommend to the Board action plan both short-term and long-term to manage the risks; and
- Set guidelines on risk profiles.

During the financial year ended 31 December 2013, one (1) meeting was held and attended by all members of the Risk Management Committee.

6.2 Internal audit function

The Group's internal audit function was undertaken by a selected team of outsourced internal audit consultants who are independent of the activities audited by the external auditors. The function is performed with impartiality, proficiency and due professional care. The outsourced internal audit consultants report to the Audit Committee, and regularly reviews and appraises the effectiveness of the governance, risk management and internal control processes within the Group's key operations. The Audit Committee Report and Statement on Risk Management and Internal Control as set out on pages 25 to 29 and pages 30 and 31 of this Annual Report provides an overview of the internal audit function.

7. Ensure timely and high quality disclosure

7.1 Corporate Disclosure Policy

The Board had in place a Corporate Disclosure Policy to set out the policies and procedures following the emphasis of Bursa Securities as outlined in its Corporate Disclosure Guide.

7.2 Leverage on information technology for effective dissemination of information

As recommended by the Code, the Company has leveraged on information technology for broader and effective ways to communicate with both its shareholders and stakeholders. Shareholders and members of the public can also obtain information on the Company through the Bursa Securities website at www.bursamalaysia.com and the Company's own website at www.powernet.com.my. The Company has established a dedicated section for Investor Relations on its website. All announcements, including full versions of its quarterly results announcement and annual report are published and accessible.

8. Strengthen relationship between Company and shareholders

8.1 Encourage shareholder participation at general meetings

The Group strives to maintain open channels of dialogue with its shareholders and investors, in order to provide them with the clearest and most complete picture of the Company's performance and financial position.

In line with best practice of the Code, the Notice of Meeting of the AGM is sent to shareholders at least 21 days ahead of the meeting date together with the financial statements and agenda for the meeting. In addition, the Notice of Meeting will be advertised in a local daily newspaper.

To enhance the quality and value of the AGM, the Board ensures that, for re-election of Directors, the Notice of AGM identifies the Directors standing for re-election or election with a brief description to include matters such as age, relevant experience, list of directorships in public companies, date of appointment to the Board, details of participation in Board Committees and whether the particular Director is independent. In addition, each item of special business included in the Notice of AGM will be accompanied by a full explanation of the effects of a proposed resolution.

The Company has removed the limit on the number of proxies to be appointed by an exempt authorised nominee with shares in the Company for multiple beneficial owners in one securities account to allow greater participation of beneficial owners of shares at general meeting of the Company.

8.2 Encourage poll voting

As recommended by the Code, the Board should encourage poll voting for substantive resolutions. The Board is of the view that with the current level of shareholders' attendance at AGM, voting by show of hands continues to be efficient. However, the Board will consider electronic poll voting as a viable voting option for its shareholders provided that it is able to satisfy itself that the infrastructure is reliable and cost effective.

8.3 Effective communication and proactive engagement

The Group communicates with its shareholders and investors primarily through its AGM, Annual Report, Quarterly Financial Statements and the various announcements made to the Bursa Securities. The AGM is the principal forum for dialogue with shareholders. At each AGM, the shareholders are encouraged to participate in question and answer session and raise questions about the resolutions being proposed at the meeting and also about the Group's business and affairs. The Board members are in attendance to respond to shareholders' queries during the AGM.

Additionally, a press conference is held immediately after the AGM upon request.

ADDITIONAL COMPLIANCE INFORMATION

(1) SANCTIONS AND/OR PENALTIES

During the financial year, there were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies.

(2) NON-AUDIT FEES

The amount of non-audit fees paid to external auditors for the financial year ended 31 December 2013 was RM8,000.

(3) MATERIAL CONTRACTS

There were no material contracts entered into by the Company and its subsidiaries involving Directors' and/or major shareholders' interests, either still subsisting at the end of the financial year ended 31 December 2013 or entered into since the end of the previous financial year.

AUDIT COMMITTEE REPORT

A. ESTABLISHMENT AND COMPOSITION

The Audit Committee was established by the Board on 12 January 2002. The Board shall ensure that the composition of the Audit Committee complies with the requirements as prescribed in the Listing Requirements of Bursa Securities.

The members of the Audit Committee during the financial year ended 31 December 2013 are as follows:

Chim Wai Khuan *(appointed on 7 March 2013)*	(Chairman / Independent Non-Executive Director)
Lim Hong Liang	(Member / Senior Independent Non-Executive Director)
Noorsiha bt Ismail *(appointed on 7 March 2013)*	(Member / Independent Non-Executive Director)
Johari Low bin Abdullah @ Low Han Hing *(resigned on 7 March 2013)*	(Chairman / Senior Independent Non-Executive Director)
Abdul Azim bin Mohd Aras *(resigned on 7 March 2013)*	(Member / Independent Non-Executive Director)

B. SUMMARY OF THE TERMS OF REFERENCE

(1) Membership

(a) The Audit Committee shall be appointed by the Board from amongst the Directors of the Company and shall be composed exclusively of Non-Executive Directors of no fewer than three (3) members, of whom the majority shall be independent.

(b) The Audit Committee shall include at least one person who is a member of the Malaysian Institute of Accountants or alternatively a person who must have at least three (3) years' working experience and have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967 or is a member of one of the associations of accountants specified in Part II of the said Schedule or alternatively a person who has fulfilled such other requirements as prescribed or approved by Bursa Securities.

(c) No alternate director shall be appointed as a member of the Audit Committee.

(d) The Chairman of the Audit Committee shall be an Independent Non-Executive Director and shall be appointed by the Board.

(e) The appointment of an Audit Committee member terminates when the member ceases to be a Director.

(f) If one or more members of the Audit Committee resign, die or for any other reason cease to be a member, and the vacancy causes a breach of the Listing Requirements of Bursa Securities, the Board shall, within three (3) months of the event, appoint such number of new members as may be required to comply with the Listing Requirements of Bursa Securities.

(g) The Board shall review the term of office of Audit Committee members no less than once every three (3) years.

(2) Authority

The Audit Committee is authorised by the Board, in accordance with the procedures to be determined by the Board (if any) and at the cost of the Company, to:

(a) investigate any matter within the Audit Committee's terms of reference;

(b) have resources which are reasonably required to enable it to perform its duties;

(c) have full and unrestricted access to any information pertaining to the Company or the Group;

B. SUMMARY OF THE TERMS OF REFERENCE (continued)

(2) Authority (continued)

(d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);

(e) obtain independent professional or other advice as necessary; and

(f) convene meetings with the external auditors, internal auditors or both, excluding the attendance of the other directors and employees of the Company, whenever deemed necessary.

(3) Functions

(a) The functions of the Audit Committee shall be, amongst others, to review the following and report the same to the Board:

(i) with the external auditors, the nature and scope of the audit and the audit plan;

(ii) with the external auditors, their evaluation of the system of internal controls;

(iii) with the external auditors, their management letter and the management's response;

(iv) with the external auditors, their audit report;

(v) the assistance given by the employees to the external auditors;

(vi) recommendation, evaluation, assessment and monitoring on the suitability, independence, nomination, appointment, replacement or re-appointment of the external auditors and their audit fees as well as matters pertaining to resignation or dismissal or change of the external auditors;

(vii) the determination of the scope and fee of the external audit and ensures that the audit is comprehensive;

(viii) the quarterly results and year end financial statements, prior to the approval by the Board, focusing particularly on:
(aa) any changes in or implementation of major accounting policy and practices changes;
(bb) significant adjustments arising from the audit;
(cc) significant and unusual events;
(dd) the going concern assumption; and
(ee) compliance with accounting standards and other legal requirements;

(ix) any related party transaction and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity; and

(x) any other matters as directed by the Board.

(b) The Audit Committee shall establish an internal audit function which is independent of the activities it audits.

(c) The internal auditor shall report directly to the Audit Committee and shall have direct access to the Chairman of the Audit Committee.

(d) All proposals by management regarding the appointment, transfer or dismissal of the internal auditor shall require the prior approval of the Audit Committee.

B. SUMMARY OF THE TERMS OF REFERENCE (continued)

(3) Functions (continued)

(e) To review the following and report the same to the Board:

(i) the determination of the internal audit plan and review the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work; and

(ii) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.

(f) The Audit Committee shall prepare an annual report to the Board that provides a summary of the activities of the Audit Committee for inclusion in the Company's annual report.

(g) The Audit Committee may report any breaches of the Listing Requirements of Bursa Securities, which have not been satisfactorily resolved, to Bursa Securities.

C. AUDIT COMMITTEE MEETINGS

The quorum of the meeting shall be two (2) members present, both of whom shall be Independent Directors.

The Head of Finance, the Head of Internal Audit, and a representative of the external auditors shall normally attend meetings. Other Board members and employees may attend any particular meeting only at the Audit Committee's invitation, specific to the relevant meeting. However, at least twice a year the Audit Committee shall meet with the external auditors without any Executive Directors present.

The Chairman shall call for meetings, to be held not less than four (4) times a year. The external auditors may request a meeting if they consider one necessary.

The Company Secretary shall be the Secretary of the Audit Committee. The Secretary of the Audit Committee shall record attendance of all members and invitees and take minutes to record the proceedings of every meeting of the Audit Committee. All minutes of meetings shall be circulated to every member of the Board.

During the financial year ended 31 December 2013, five (5) meetings were held. The attendance of the then members' of the Audit Committee is as follows:

Audit Committee Members	No. of Meetings Attended
Chim Wai Khuan *(appointed on 7 March 2013)*	4/4
Lim Hong Liang	5/5
Noorsiha bt Ismail *(appointed on 7 March 2013)*	4/4
Johari Low bin Abdullah @ Low Han Hing *(resigned on 7 March 2013)*	1/1
Abdul Azim bin Mohd Aras *(resigned on 7 March 2013)*	1/1

The Executive Director - Finance, Finance Manager also attended all the meetings held during the financial year. The representatives of the external auditors and the outsourced internal audit consultants attended these meetings upon invitation.

D. SUMMARY OF ACTIVITIES

The Audit Committee carried out its duties as set out in its Terms of Reference. The following activities were carried out by the Audit Committee during the financial year ended 31 December 2013:

- Reviewed the quarterly unaudited financial results prior to submission to the Board for approval;
- Reviewed the External Auditors' audit plan on the nature and scope of audit work;
- Reviewed unusual transactions or significant related party transactions of the Group;
- Reviewed the recurrent related party transactions of the Group of a revenue or trading nature;
- Reviewed the audit findings, auditing and accounting issues arising from the statutory audit for the financial year ended 31 December 2012;
- Reviewed the annual audited financial statements for the financial year ended 31 December 2012 prior to submission to the Board for approval;
- Reviewed the internal audit plan on the adequacy and coverage of the audit activities of the Group;
- Reviewed the internal audit reports on the adequacy and effectiveness of internal control systems and risk management including audit recommendations and the Management's responses thereto;
- Reviewed the resource requirements of the internal audit function;
- Reviewed the Audit Committee Report, Statement on Corporate Governance and Statement on Risk Management and Internal Control and recommended to the Board for inclusion in the Annual Report for the financial year ended 31 December 2012;
- Convened meetings with the External Auditors without the presence of the Management to discuss issues arising from their review;
- Reviewed the audit fees payable to the External Auditors; and
- Considered and recommended to the Board the re-appointment of External Auditors.

E. INTERNAL AUDIT FUNCTION

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

- Appraising the adequacy and integrity of internal controls and management information systems;
- Ascertaining the effectiveness of management in identifying principal risks and to manage such risks through appropriate systems of internal control;
- Ascertaining the level of compliance with the Group's plans, policies, procedures and adherence to laws and regulations;
- Appraising the effectiveness of administrative controls applied and the reliability and integrity of data that are produced within the Group;
- Ascertaining the adequacy of controls for safeguarding the Group's assets from losses of all kinds; and
- Conducting special reviews or investigations requested by Management or by the Audit Committee.

E. INTERNAL AUDIT FUNCTION (continued)

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 concerned for attention and necessary action. A follow-up review will subsequently be performed to determine whether corrective actions have been taken by the Management.

During the financial year ended 31 December 2013, the total cost incurred for the outsourced internal audit function was RM3,500.00.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

Introduction

The Code sets out the Principles and Recommendations for the Board of a company listed on the Bursa Securities to establish a sound risk management framework and internal controls system to safeguard shareholders' investment and the Group's assets. The Board is committed to establish a sound framework to manage risks and is pleased to provide the following statement in accordance with paragraph 15.26(b) of the Listing Requirement of Bursa Securities and guided by Principle 6 and Recommendation 6.1 of the Code on recognising and managing risks within the Group.

Board Responsibilities

The Board acknowledges its responsibilities for establishing a sound risk management framework and internal control system to manage risks. The Board's responsibilities include:

- determine the Group's level of risk tolerance and actively identify, assess and monitor key business risks to safeguard shareholders' investments and the Group's assets;
- committed to articulating, implementing and reviewing the Group's internal controls system for risk management; and
- periodic testing and/or conduct of the effectiveness and efficiency of the internal controls procedures and processes to ensure that the system is viable and robust.

However, due to the limitations inherent in any internal control system, it should be noted that such system is designed to manage rather than to eliminate the risk of failure to achieve the Group's business objectives. Therefore, the system can only provide a reasonable and not absolute assurance against material misstatement or loss. The internal control system or framework of the Group covers, inter-alia, risk management, financial, operational and compliance controls.

Accompanying the maintenance of an appropriate internal control system, is an on-going process to identify, evaluate, monitor and manage principal risks faced by the Group and this process is regularly reviewed by the Board and accords with the "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers" published by the Task Force on Internal Control.

The process is undertaken by the Audit Committee which reports its findings to the Board. Whilst the Audit Committee has delegated the implementation of the internal controls system within an established framework to the management, it is assisted by an internal audit function which provides an independent assessment and the relevant assurance on the effectiveness, adequacy and integrity of the internal control based on findings from internal audit reviews carried out during the financial year.

Control Environment

The Board is ultimately responsible for the implementation and maintenance of the Group's internal processes and procedures. The Board has put in place the following processes to provide a certain degree of assurance to the Board as to the operation and validity of the system on internal control within the Group:

- Rigorous review of the quarterly financial results, statutory annual financial statements and reports by evaluating the reasons for unusual variances noted thereof by the Board and Audit Committee before the announcement to Bursa Securities;
- The Executive Directors are closely involved in the running of the business and operations of the Group and report to the Board on significant changes in the business and external environment, which affect the operations of the Group at large; and
- The Board has in place an organisational structure with formally defined lines of responsibilities, proper segregation of duties and delegation of authority. A process of hierarchical reporting has been established, which provides for a documented and auditable trail of accountability. The procedures include the establishment of limits of authority and monitoring of credit limits and terms to reduce the exposure of credit risks.

The organisation structure of the Company and its subsidiaries have clear defined lines of accountability and authorities for all aspects of the business. Clear terms of reference have been written for the Board Committees namely the Audit Committee, Nomination Committee, Remuneration Committee and Risk Management Committee.

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

Control Environment (continued)

Standard operating procedures which include ISO Quality Management System of Powernet Industries Sdn Bhd are documented and reviewed. There are regular internal quality audits and surveillance audits conducted by certified bodies to monitor compliance with procedures as well as to identify and monitor operational issues for Powernet Industries Sdn Bhd.

Risk Management Framework

The process of determining and managing key risks form part of the Group's internal control environment. The Board regards risk management as an integral part of the business operations. The Risk Management Committee has an ongoing process for identifying, monitoring and managing risk that may affect the achievement of the business objectives and operational requirements of the Group.

A Risk Management Committee was set up to assist the Group in the risk management process. The main functions of the Risk Management Committee are to recommend an appropriate risk management policy to the Board and maintain overall risk profile of the Group.

The risk profile on its adequacy and effectiveness is reviewed annually and periodically, when necessity arises. Risk identified is monitored and significant failing, if any is reported to the Board. This process has been in place throughout the financial year under review.

Internal Audit Function

Internal audit plays a critical role in the objective assessment of the Group's business processes by providing the Audit Committee of the Board with reasonable independent assurance on the effectiveness and integrity of the Group's system of internal control.

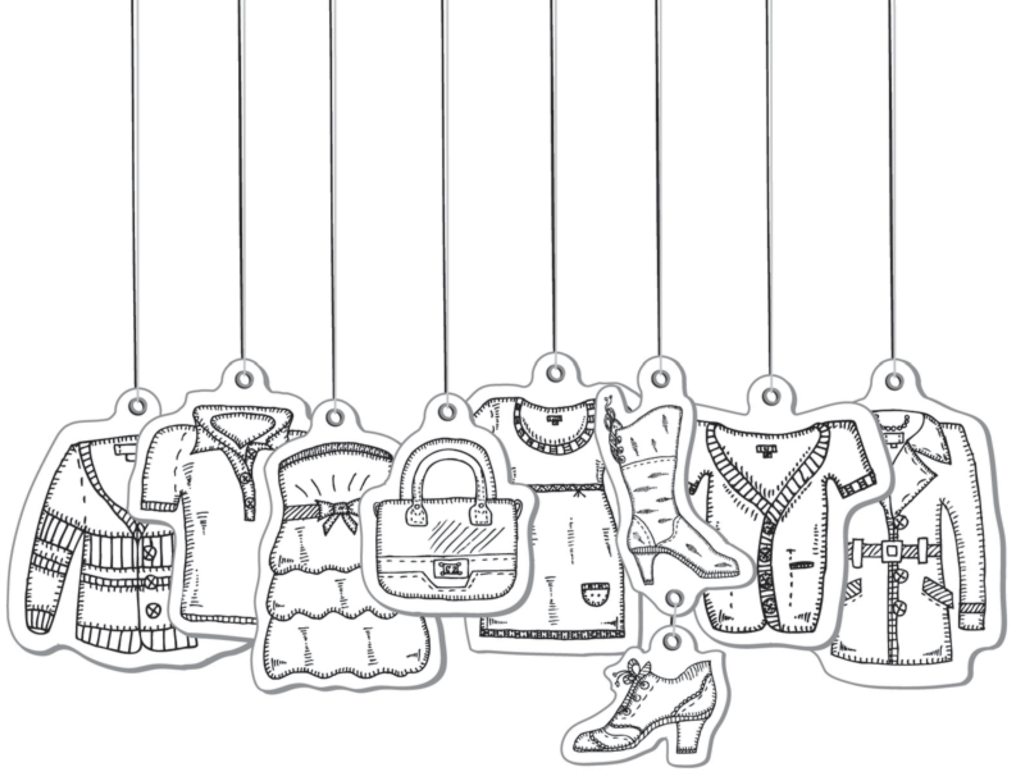
During the financial year, the Audit Committee engages the services of an external professional firm, to provide independent internal audit services to the Group, who reports independently to the Audit Committee. The internal audit function provides the Audit Committee with periodic reports, based on the audits conducted, highlighting observations, recommendations and management action plans to improve the internal control system and contribute towards improving the Group's risk management.

The key role of the internal audit function is to assess management's adherence to establish policies and procedures as well as to act as an independent sounding board to the Audit Committee concerning areas of weaknesses or deficiencies in the risk management, governance and control processes for appropriate remedial measures to be carried out by the management.

Risk Management Committee also assists the Board and the Audit Committee to indentify critical risks that the Group faces and proposes management action plans to manage the risks on an ongoing basis. The committee will present the Group's risk profile and control measures to the Audit Committee.

Board's Conclusion

Based on the processes set out above, the Board with the assurance from the Executive Director-Finance, is of the view that an appropriate internal control system, procedures and processes in operation during the year in review was reasonably adequate and sufficient to safeguard the assets of the Group and interest of shareholders. No significant control failures or weaknesses that would result in material losses and require disclosure in the Group's Annual Report were identified during the review.



CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the Annual Report of Kumpulan Powernet Berhad ("Company") and its group of companies ("Group") for the financial year ended 31 December 2013.

FINANCIAL RESULTS

The performance of our company continues to be affected by the poor global market conditions in 2013. Group revenue declined from RM11.78 million to RM5.79 million for the financial year ended 31 December 2013, a drop of 50.8% from the previous financial year. The Group's total assets and shareholders' funds as at 31 December 2013 stood at RM38.22 million and RM32.21 million respectively and net tangible assets at 57.1 sen per share. The balance sheet however, remains healthy with cash reserves of RM3.07 million and no gearing. The net loss per share for the year amounted to RM5.49 million and 9.73 sen respectively.

OPERATIONS REVIEW

Group performance was weak throughout the four quarters of the financial year. Focus during the year was on cost cutting measures and improvement on efficiency. But implementation of the minimum wage has an adverse impact on the operating costs as wages were increased by as high as 65%. However, we managed to reduce management expenses from RM4.42 million to RM3.64 million as the number of factory staff was brought down as well as savings on other general expenses. Going forward, we will continue to stay lean while doubling our efforts to widening the market base in our core business as well.

In order to diversify our business gradually, we have invested GBP1.6 million (approximately RM8.1 million at the then prevailing rate) into the purchase of a freehold property, comprising 36-bedroom student accommodation units in the centre of Liverpool, United Kingdom ("UK"). This investment enables us to venture into student lodging business in the UK, which has proven so far to be more stable and more resilient in past economic recessions. The property is currently enjoying a 100% occupancy rate and will contribute positively to the Group in the coming financial year.

CORPORATE SOCIAL REPONSIBILITY (CSR)

The Group acknowledges the importance of CSR and views it as an extension of the Group's effort in fostering a strong corporate governance culture. The Group participates in the ACHIEVE CSR Programme ("ACHIEVE") whose goal is to pool and focus the efforts and resources of like-minded corporations that share the common desire to support and implement meaningful CSR activities. The ACHIEVE Committee was formed with our Group participating as committee members, to spearhead CSR activities via synergistic collaboration with identified organisations.

Environment

The Group actively supports the initiatives on environmental activities and will step up its efforts in "going green". We have installed facilities to tap ground water, and a water treatment plant to treat water, thus our water is recycled and reusable. The empty space at our factory premises is being utilised to plant agriculture products for staff benefit and eventually for commercial purposes as well.

Marketplace

Our Board is committed to ensuring that the highest standards of corporate governance are practiced in accordance with the Code. The Board's statement pertaining to the implementation of the guidelines of the Code during the year under review is contained in the Statement on Corporate Governance in this Annual Report.

CHAIRMAN'S STATEMENT
(continued)

Social Commitment

The Group's mission is to create value for its shareholders, customers, employees and suppliers, and seeking maximum efficiency and profitability, in both economic and energy terms.

We are a Group that respects the social and labour values of the countries where we are present. The Group is committed to complying with the laws of the countries in which it operates and fosters compliance with employment regulations that respect freedom of association and negotiation, prohibit child exploitation and eliminate all kinds of job discrimination.

Workplace

In this regard, the Group is committed to personnel management characterised by internal and external training, open communication, retaining talent, diversity and equality, conducive work environment and health and safety at work. Improvements are ongoing at the factory premises to ensure that our entire production process is truly professional and systematic.

In order to achieve this high production standard, we have a scheduled training and development programme for staff conducted by external and internal parties to improve and develop continuously the knowledge base of our employees.

As regards to health and safety at work, the Group not only complies with the existing regulations in force, but also has a Risk Management Committee, overseeing and implementing safety requirements on a continuous basis.

PROSPECT

The revenue of the Group is expected to be stable for the first 2 quarters with clear signals of business picking up steadily towards the second half of the year. The diversification into student's accommodation business will improve the performance of the Group. Nevertheless, we expect 2014 to continue to be very challenging for the Group.

DIVIDENDS

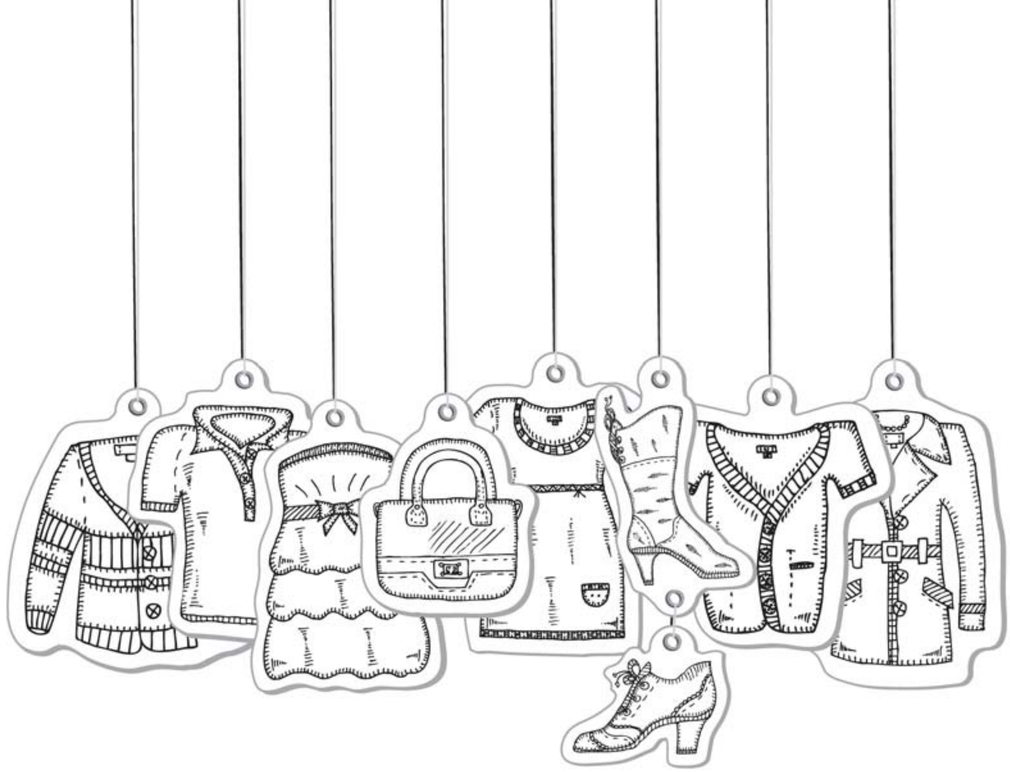
The Board does not recommend any dividend for the financial year ended 31 December 2013.

APPRECIATION

On behalf of the Board of Directors, I would like to express my heartfelt appreciation to our valued shareholders, customers, regulatory authorities, bankers, suppliers and business associates for your continued support, confidence and trust.

I would also like to thank our fellow directors, the management team and our staff for your dedication, commitment and invaluable contribution to the Group.

DATO' AHMAD SEBI BAKAR
Executive Chairman cum Managing Director



FINANCIAL STATEMENTS

DIRECTORS' REPORT
for the financial year ended 31 December 2013

DIRECTORS' REPORT

The Directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding. The principal activities of the subsidiaries are stated in Note 5 to the financial statements. There have been no significant changes in the nature of these principal activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Net loss for the financial year	(5,711)	(7,613)
Attributable to:		
Owners of the parent	(5,488)	(7,613)
Non-controlling interests	(223)	-
	(5,711)	(7613)

DIVIDEND

No dividends were paid or declared by the Company since the end of the previous financial year.

The Directors do not recommend the payment of any dividends in respect of the financial year ended 31 December 2013.

RESERVES AND PROVISIONS

All material transfers to and from reserves and provisions during the financial year have been disclosed in the financial statements.

BAD AND DOUBTFUL DEBTS

Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment, and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances that would render the amount written off for bad debts or the amount of the allowance for doubtful debts, in the financial statements of the Group and of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps to ensure that any current assets, other than debts, which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the Group and of the Company had been written down to an amount that they might be expected to be realised.

At the date of this report, the Directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

(i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person, or

(ii) any contingent liabilities in respect of the Group and of the Company that has arisen since the end of the financial year.

In the opinion of the Directors, no contingent liabilities or other liabilities of the Group and 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, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Company, which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company for the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature.

No item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company did not issue any shares or debentures.

DIRECTORS

The names of the Directors of the Company in office since the date of the last report and at the date of this report are:

Dato' Ahmad Sebi Bakar
Loo Pak Soon
Oh Hock Lye
Lim Hong Liang
Chim Wai Khuan
Noorsiha bt Ismail

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, the interests of those Directors who held office at the end of the financial year in shares in the Company and its related corporations during the financial year ended 31 December 2013 are as follows:

	Number of ordinay shares of RM1.00 each			
	At 01.01.2013	Bought	Sold	At 31.12.2013
The Company				
Kumpulan Powernet Berhad				
Direct interest in shares				
Loo Pak Soon	2,778,600	-	-	2,778,600
Oh Hock Lye	82,500	-	-	82,500
Lim Hong Liang	200,750	-	-	200,750
Deemed interest in shares				
Dato' Ahmad Sebi Bakar #	*25,546,433	-	-	*25,546,433
Oh Hock Lye	**1,476,675	-	-	**1,476,675

* Deemed interest held through Bright Existence Sdn Bhd and Advance Synergy Berhad.
** Deemed interest held through Megalpha Sdn Bhd and this includes his spouse's interest in the ordinary shares of the Company which shall be treated as his interest in the ordinary shares of the Company pursuant to Section 134(12)(c) of the Companies Act, 1965.
# By virtue of his interest in the Company, Dato' Ahmad Sebi Bakar is also deemed to be interested in the shares of all investee companies (including subsidiaries) to the extent that the Company has an interest.

Other than as disclosed above, none of the other Directors in office at the end of the financial year had any interest in shares in the Company and its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than the benefits included in the aggregate amount of emoluments received or due and receivable by the Directors of the Company as shown in Note 25 to the financial statements) 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, other than certain Directors who have significant financial interests in companies which traded with companies in Group in the ordinary course of business, as disclosed in Note 25 to the financial statements.

Neither during nor at the end of the financial year was the Company or any of its related corporations a party to any arrangement, whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

Details of the significant event is disclosed in Note 31 to the financial statements.

DIRECTORS' REPORT
for the financial year ended 31 December 2013 (continued)

REMUNERATION COMMITTEE

The Remuneration Committee reviews and recommends to the Board of Directors, the Company's remuneration policy for Executive Directors to ensure that they are appropriately rewarded for their contribution to the Group.

The members of the Remuneration Committee during the financial year ended 31 December 2013 are as follows:

Chim Wai Khuan (Chairman, Independent Non-Executive Director)	- appointed on 7 March 2013
Oh Hock Lye (Member, Executive Director)	
Noorsiha bt Ismail (Member, Independent Non-Executive Director)	- appointed on 7 March 2013
Abdul Azim bin Mohd Aras (Chairman, Independent Non-Executive Director)	- resigned on 7 March 2013
Johari Low bin Abdullah @ Low Han Hing (Member, Senior Independent Non-Executive Director)	- resigned on 7 March 2013

AUDITORS

The auditors, Messrs Baker Tilly Monteiro Heng, have expressed their willingness to continue in office.

On behalf of the Board,

LOO PAK SOON
Director

OH HOCK LYE
Director

Kuala Lumpur
Date: 22 April 2014

STATEMENTS OF FINANCIAL POSITION
as at 31 December 2013

		Group		Company	
	Note	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	27,929	20,232	-	-
Investment in subsidiaries	5	-	-	13,529	21,107
Total non-current assets		27,929	20,232	13,529	21,107
Current assets					
Inventories	6	4,429	5,651	-	-
Trade receivables	7	2,084	1,971	-	-
Other receivables, deposits and prepayments	8	469	441	-	18
Amount due from subsidiaries	9	-	-	15,937	12,027
Investment securities	10	8	6	-	-
Tax recoverable		228	351	40	54
Deposits placed with licensed banks	11	2,227	8,696	323	4,206
Cash and bank balances		846	1,492	67	35
Total current assets		10,291	18,608	16,367	16,340
TOTAL ASSETS		38,220	38,840	29,896	37,447
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	12	56,375	56,375	56,375	56,375
Accumulated losses	13	(24,410)	(18,922)	(27,337)	(19,724)
Reserves	13	868	712	-	-
Total equity attributable to owners of the parent		32,833	38,165	29,038	36,651
Non-controlling interests					
Total equity		(624)	(380)	-	-
		32,209	37,785	29,038	36,651
Non-current liability					
Deferred taxation	14	2	232	2	2
Total non-current liability		2	232	2	2
Current liabilities					
Trade payables	15	29	115	-	-
Other payables and accruals	16	5,980	620	81	99
Amount due to subsidiaries	9	-	-	775	695
Borrowings	17	-	88	-	-
Total current liabilities		6,009	823	856	794
Total liabilities		6,011	1,055	858	796
TOTAL EQUITY AND LIABILITIES		38,220	38,840	29,896	37,447

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME
for the financial year ended 31 December 2013

		Group		Company	
	Note	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Continuing operations					
Revenue	19	5,793	11,777	94	121
Cost of sales		(7,723)	(10,325)	-	-
Gross (loss)/profit		(1,930)	1,452	94	121
Other operating income		106	165	-	-
Distribution expenses		(470)	(303)	-	-
Administrative expenses		(3,641)	(4,423)	(129)	(159)
Other operating expenses		-	-	(7,578)	(3,498)
Operating loss	20	(5,935)	(3,109)	(7,613)	(3,536)
Finance costs	21	(11)	(28)	-	-
Loss before tax		(5,946)	(3,137)	(7,613)	(3,536)
Taxation	22	235	-	-	-
Net loss for the financial year		(5,711)	(3,137)	(7,613)	(3,536)
Other comprehensive income/(expenses), net of tax:					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation		135	(31)	-	-
Total comprehensive loss for the financial year		(5,576)	(3,168)	(7,613)	(3,536)
Loss attributable to:					
Owners of the parent		(5,488)	(2,980)	(7,613)	(3,536)
Non-controlling interests		(223)	(157)	-	-
		(5,711)	(3,137)	(7,613)	(3,536)
Total comprehensive loss attributable to:					
Owners of the parent		(5,332)	(3,011)	(7,613)	(3,536)
Non-controlling interests		(244)	(157)	-	-
		(5,576)	(3,168)	(7,613)	(3,536)
Loss per ordinary share attributable to owners of the parent (sen)					
- basic	23	(9.73)	(5.29)		
- diluted	23	(9.73)	(5.29)		

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2013

	Attributable to owners of the parent						
	Non-Distributable						
	Share Capital RM'000	Foreign Currency Translation Reserve RM'000	Asset Revaluation Reserve RM'000	Accumulated Losses RM'000	Total RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
Group							
At 1 January 2012	56,375	(173)	916	(15,942)	41,176	(223)	40,953
Foreign currency translation	-	(31)	-	-	(31)	-	(31)
Other comprehensive expenses	-	(31)	-	-	(31)	-	(31)
Net loss for the financial year	-	-	-	(2,980)	(2,980)	(157)	(3,137)
Total comprehensive loss for the financial year	-	(31)	-	(2,980)	(3,011)	(157)	(3,168)
At 31 December 2012	56,375	(204)	916	(18,922)	38,165	(380)	(37,785)
Foreign currency translation	-	156	-	-	156	(21)	135
Other comprehensive expenses	-	156	-	-	156	(21)	135
Net loss for the financial year	-	-	-	(5,488)	(5,488)	(223)	(5,711)
Total comprehensive loss for the financial year	-	156	-	(5,488)	(5,332)	(244)	(5,576)
At 31 December 2013	56,375	(48)	916	(24,410)	32,833	(624)	32,209

	Share Capital RM'000	Accumulated Losses RM'000	Total RM'000
Company			
At 1 January 2012	56,375	(16,188)	40,187
Total comprehensive loss for the financial year	-	(3,536)	(3,536)
At 31 December 2012	56,375	(19,724)	36,651
Total comprehensive loss for the financial year	-	(7,613)	(7,613)
At 31 December 2013	56,375	(27,337)	29,038

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
for the financial year ended 31 December 2013

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES:				
Loss before tax	(5,946)	(3,137)	(7,613)	(3,536)
Adjustments for:				
Allowance for impairment on				
- investment in subsidiaries	-	-	7,578	3,498
- trade receivables, net	127	-	-	-
Bad debts written off	25	-	-	-
Depreciation	1,559	1,581	-	6
Fair value gain on investment securities	(2)	(2)	-	-
Interest expenses	11	28	-	-
Interest income	(229)	(240)	(94)	(121)
Written off on property, plant and equipment	-	4	-	-
Unrealised (gain)/loss on foreign exchange	(112)	49	-	-
Write back of inventories	(34)	(1,118)	-	-
Write down of inventories	431	427	-	-
Operating cash flows before changes in working capital	(4,170)	(2,408)	(129)	(153)
Changes in working capital:				
Inventories	825	1,707	-	-
Receivables	(228)	3,550	18	(18)
Payables	5,274	(343)	(18)	(4)
Cash flows from/(used in) operations	1,701	2,506	(129)	(175)
Interest paid	(11)	(21)	-	-
Interest received	195	121	94	121
Tax paid	(64)	(99)	-	-
Tax refunded	191	36	14	-
Net cash flows from/(used in) operating activities	2,012	2,543	(21)	(54)

STATEMENTS OF CASH FLOWS
for the financial year ended 31 December 2013 (continued)

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of property, plant and equipment	(9,216)	(203)	-	-
Interest received	34	119	-	-
Net cash flows used in investing activities	(9,182)	(84)	-	-
CASH FLOWS FROM FINANCING ACTIVITIES:				
Net change in amount due from subsidiaries	-	-	(3,830)	139
Fixed deposits held as security value	1,300	(2,000)	-	-
Interest paid	-	(7)	-	-
Payments to hire purchase payables	(20)	(73)	-	-
Net change in short term borrowings	(68)	(385)	-	-
Net cash flows from/(used in) financing activities	1,212	(2,465)	(3,830)	139
NET CHANGE IN CASH AND CASH EQUIVALENTS	(5,958)	(6)	(3,851)	85
Effects of exchange rate changes on cash and cash equivalents	143	(48)	-	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	8,188	8,242	4,241	4,156
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	2,373	8,188	390	4,241
ANALYSIS OF CASH AND CASH EQUIVALENTS:				
Cash and bank balances	846	1,492	67	35
Deposits placed with licensed banks	2,227	8,696	323	4,206
	3,073	10,188	390	4,241
Less: Fixed deposits held as security value	(700)	(2,000)	-	-
	2,373	8,188	390	4,241

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is principally engaged in investment holding. The principal activities of the subsidiaries are stated in Note 5 to the financial statements. There have been no significant changes in the nature of these principal activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

The registered office of the Company is located at Level 3, East Wing, Wisma Synergy, No.72, Pesiaran Jubli Perak, Seksyen 22, 40000 Shah Alam, Selangor Darul Ehsan.

The principal place of business of the Company is located at Ground Floor, West Wing, Wisma Synergy, No.72, Pesiaran Jubli Perak, Seksyen 22, 40000 Shah Alam, Selangor Darul Ehsan.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 22 April 2014.

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 the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements of the Group and of the Company have been prepared under the historical cost basis, except as disclosed in the significant accounting policies in Note 2.3 to the financial statements.

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

2.2 New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int

(a) **Adoption of New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Int and Amendments to IC Int**

The Group and the Company had adopted the following new and revised MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int that are mandatory for the current financial year:

New MFRSs

MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement

Revised MFRSs

MFRS 119	Employee Benefits
MFRS 127	Separate Financial Statements
MFRS 128	Investments in Associates and Joint Ventures

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Int and Amendments to IC Int (continued)

(a) **Adoption of New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Int and Amendments to IC Int (continued)**

Amendments/Improvements to MFRSs

MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
MFRS 7	Financial Instruments: Disclosures
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 101	Presentation of Financial Statements
MFRS 116	Property, Plant and Equipment
MFRS 132	Financial Instruments: Presentation
MFRS 134	Interim Financial Reporting

New IC Int

IC Int 20	Stripping Costs in the Production Phase of a Surface Mine

Amendments to IC Int

IC Int 2	Members' Shares in Co-operative Entities & Similar Instruments

The adoption of the above new and revised MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int do not have any effect on the financial statements of the Group and of the Company except for those as discussed below:

MFRS 10 Consolidated Financial Statements and MFRS 127 Separate Financial Statements (Revised)

MFRS 10 replaces the consolidation part of the former MFRS 127 Consolidated and Separate Financial Statements. The revised MFRS 127 will deal only with accounting for investment in subsidiaries, joint controlled entities and associates in the separate financial statements of an investor and require the entity to account for such investments either at cost, or in accordance with MFRS 139 *Financial Instruments: Recognition and Measurement*.

MFRS 10 brings about convergence between MFRS 127 and IC Int 112 Consolidation-Special Purpose Entities, which interprets the requirements of MFRS 10 in relation to special purpose entities. MFRS 10 introduces a new single control model to identify a parent-subsidiary relationship by specifying that "an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee". It provides guidance on situations when control is difficult to assess such as those involving potential voting rights, or in circumstances involving agency relationships, or where the investor has control over specific assets of the entity, or where the investee entity is designed in such a manner where voting rights are not the dominant factor in determining control.

The Group adopted MFRS 10 in the current financial year. This resulted in changes to the accounting policies as disclosed in Note 2.3(a)(ii) to the financial statements. The adoption of MFRS 10 has no significant impact to the financial statements of the Group.

MFRS 12 Disclosures of Interests in Other Entities

MFRS 12 is a single disclosure standard for interests in subsidiaries, jointly controlled entities, associates and unconsolidated structured entities. The disclosure requirements in this MFRS are aimed at providing standardised and comparable information that enable users of financial statements to evaluate the nature of, and risks associated with, the entity's interests in other entities, and the effects of those interests on its financial position, financial performance and cash flows. The requirements in MFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries. MFRS 12 disclosures are provided in Note 5 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Int and Amendments to IC Int (continued)

(a) **Adoption of New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Int and Amendments to IC Int (continued)**

MFRS 13 Fair Value Measurement

MFRS 13 defines fair value and sets out a framework for measuring fair value, and the disclosure requirements about fair value. This standard is intended to address the inconsistencies in the requirements for measuring fair value across different accounting standards. As defined in this standard, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As a result of the guidance in MFRS 13, the Group reassessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair values measurement of liabilities.

Application of MFRS 13 has not materially impacted the fair value measurements of the Group. MFRS 13 requires more extensive disclosures. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 4 and 28 to the financial statements.

Amendments to MFRS 101 Presentation of Financial Statements

The amendments to MFRS 101 introduces a grouping of items presented in other comprehensive income. Items that will be reclassified to profit or loss at future point in time have to be presented separately from items that will not be reclassified.

These amendments also clarify the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The amendments clarify that the opening statement of financial position presented as a result of retrospective restatement or reclassification of items in financial statements does not have to be accompanied by comparative information in the related notes. As a result, the Group has not included comparative information in respect of the opening statement of financial position as at 1 January 2012.

The amendments also introduce new terminology, whose use is not mandatory, for the statement of comprehensive income and income statement. Under the amendments, the ‘statement of comprehensive income’ is renamed as the ‘statement of profit or loss and other comprehensive income’.

The above amendments affect presentation only and have no impact on the Group’s financial position or performance.

Amendments to MFRS 7 Financial Instruments: Disclosures

Amendments to MFRS 7 addresses disclosures to include information that will enable users of an entity’s financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity’s recognised financial assets and recognised financial liabilities, on the entity’s financial position.

Amendment to MFRS 116 Property, Plant and Equipment

Amendment to MFRS 116 clarifies that items such as spare parts, stand-by equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Int and Amendments to IC Int (continued)

(a) **Adoption of New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Int and Amendments to IC Int (continued)**

Amendments to MFRS 10 Consolidated Financial Statements, MFRS 11 Joint Arrangements and MFRS 12 Disclosure of Interests in Other Entities

Amendments to MFRS 10 clarifies that the date of initial application is the beginning of the annual reporting period for which this MFRS is applied for the first time. Consequently, an entity is not required to make adjustments to the previous accounting if the consolidation conclusion reached upon the application of MFRS 10 is the same as previous accounting or the entity had disposed of its interests in investees during a comparative period. When applying MFRS 10, these amendments also limit the requirement to present quantitative information required by Paragraph 28(f) of MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors to the annual period immediately preceding the date of initial application. A similar relief is also provided in MFRS 11 and MFRS 12. Additionally, entities would no longer be required to provide disclosures for unconsolidated structure entities in periods prior to the first annual period that MFRS 12 is applied.

If, upon applying MFRS 10, an entity conclude that it shall consolidate an investee that was not previously consolidated and that control was obtained before the effective date of the revised versions of these standards issued by the Malaysian Accounting Standards Board in November 2011, these amendments also clarify that an entity can apply the earlier versions of MFRS 3 Business Combinations and MFRS 127.

These amendments are not expected to have any significant impact on the financial results and position of the Group and the Company.

Amendment to MFRS 132 Financial Instruments: Presentation

Amendment to MFRS 132 clarifies that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with MFRS 112 Income Taxes.

Amendment to MFRS 134 Interim Financial Reporting

To be consistent with the requirements in MFRS 8 Operating Segments, the amendment to MFRS 134 clarifies that an entity shall disclose the total assets and liabilities for a particular reportable segment only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Int and Amendments to IC Int (continued)

(b) **New MFRS, Amendments/Improvements to MFRSs and New IC Int that are issued, but not yet effective and have not been early adopted**

The Group and the Company have not adopted the following new MFRS, amendments/improvements to MFRSs and new IC Int that have been issued by the Malaysian Accounting Standards Board ("MASB") as at the date of authorisation of these financial statements but are not yet effective for the Group and the Company:

		Effective for financial periods beginning on or after
New MFRS		
MFRS 9	Financial Instruments	To be announced by the MASB
Amendments/Improvements to MFRSs		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 July 2014
MFRS 2	Share-based Payment	1 July 2014
MFRS 3	Business Combinations	1 July 2014
MFRS 7	Financial Instruments: Disclosures	Applies when MFRS 9 is applied
MFRS 8	Operating Segments	1 July 2014
MFRS 9	Financial Instruments	To be announced by the MASB
MFRS 10	Consolidated Financial Statements	1 January 2014
MFRS 12	Disclosure of Interests in Other Entities	1 January 2014
MFRS 13	Fair Value Measurement	1 July 2014
MFRS 116	Property, Plant and Equipment	1 July 2014
MFRS 119	Employee Benefits	1 July 2014
MFRS 124	Related Party Disclosures	1 July 2014
MFRS 127	Separate Financial Statements	1 January 2014
MFRS 132	Financial Instruments: Presentation	1 January 2014
MFRS 136	Impairment of Assets	1 January 2014
MFRS 138	Intangible Assets	1 July 2014
MFRS 139	Financial Instruments: Recognition and Measurement	1 January 2014
MFRS 139	Financial Instruments: Recognition and Measurement	Applies when MFRS 9 is applied
MFRS 140	Investment Property	1 July 2014
New IC Int		
IC Int 21	Levies	1 January 2014

A brief discussion on the above significant new MFRS, amendments/improvements to MFRSs and new IC Int are summarised below. Due to the complexity of these new standards, the financial effects of their adoption are currently still being assessed by the Group and the Company.

MFRS 9 Financial Instruments

MFRS 9 specifies how an entity should classify and measure financial assets and financial liabilities.

This standard requires all financial assets to be classified based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial asset. Financial assets are to be initially measured at fair value. Subsequent to initial recognition, depending on the business model under which these assets are acquired, they will be measured at either fair value or at amortised cost.

In respect of the financial liabilities, the requirements are generally similar to the former MFRS 139. However, this standard requires that for financial liabilities designated as at fair value through profit or loss, changes in fair value attributable to the credit risk of that liability are to be presented in other comprehensive income, whereas the remaining amount of the change in fair value will be presented in the profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Int and Amendments to IC Int (continued)

(b) **New MFRS, Amendments/Improvements to MFRSs and New IC Int that are issued, but not yet effective and have not been early adopted (continued)**

MFRS 9 Financial Instruments (Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139)

The new hedge accounting model represents a substantial overhaul of hedge accounting that will enable entities to better reflect their risk management activities in their financial statements. The most significant improvements apply to those that hedge non-financial risk, and they are expected to be of particular interest to non-financial institutions. As a result of these changes, users of the financial statements will be provided with better information about risk management and about the effect of hedge accounting on the financial statements. The MFRS 9 hedge accounting model, if adopted, applies prospectively with limited exceptions.

As part of the Amendments, an entity is now allowed to change the accounting for liabilities that it has elected to measure at fair value, before applying any of the other requirements in MFRS 9. This change in accounting would mean that gains caused by a worsening in the entity's own credit risk on such liabilities are no longer recognised in profit or loss. The Amendments will facilitate earlier application of this long-awaited improvement to financial reporting.

The Amendments also remove the mandatory effective date from MFRS 9.

Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards

Amendments to MFRS 1 relates to the IASB's Basis for Conclusions which is not an integral part of the Standard. The Basis for Conclusions clarifies that a first-time adopter is permitted but not required to apply a new or revised Standard that is not yet mandatory but is available for early application.

Amendments to MFRS 2 Share-based Payment

Amendments to MFRS 2 clarifies the definition of 'vesting conditions' by separately defining 'performance condition' and 'service condition' to ensure consistent classification of conditions attached to a share-based payment.

Amendments to MFRS 3 Business Combinations

Amendments to MFRS 3 clarifies that when contingent consideration meets the definition of financial instrument, its classification as a liability or equity is determined by reference to MFRS 132 Financial Instruments: Presentation. It also clarifies that contingent consideration that is classified as an asset or a liability shall be subsequently measured at fair value at each reporting date and changes in fair value shall be recognised in profit or loss.

In addition, amendments to MFRS 3 clarifies that MFRS 3 excludes from its scope the accounting for the formation of all types of joint arrangements (as defined in MFRS 11 *Joint Arrangements*) in the financial statements of the joint arrangement itself.

Amendments to MFRS 8 Operating Segments

Amendments to MFRS 8 requires an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments. This includes a brief description of the operating segments that have been aggregated and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics.

The Amendments also clarifies that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly to the chief operating decision maker.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Int and Amendments to IC Int (continued)

(b) **New MFRS, Amendments/Improvements to MFRSs and New IC Int that are issued, but not yet effective and have not been early adopted (continued)**

Amendments to MFRS 10 Consolidated Financial Statements, MFRS 12 Disclosure of Interests in Other Entities and MFRS 127 Separate Financial Statements

Amendments to MFRS 10 introduces an exception to the principle that all subsidiaries shall be consolidated. The amendments define an investment entity and require a parent that is an investment entity to measure its investment in particular subsidiaries at fair value thorough profit or loss in accordance with MFRS 139 Financial Instruments: Recognition and Measurement instead of consolidating those subsidiaries in its consolidated financial statements. Consequently, new disclosure requirements related to investment entities are introduced in amendments to MFRS 12 and MFRS 127.

In addition, amendments to MFRS 127 also clarifies that if a parent is required, in accordance with paragraph 31 of MFRS 10, to measure its investment in a subsidiary at fair value through profit or loss in accordance with MFRS 139, it shall also account for its investment in that subsidiary in the same way in its separate financial statements.

Amendments to MFRS 13 Fair Value Measurement

Amendments to MFRS 13 relates to the IASB's Basis for Conclusions which is not an integral part of the Standard. The Basis for Conclusions clarifies that when IASB issued IFRS 13, it did not remove the practical ability to measure short-term receivables and payables with no stated interest rate at invoice amounts without discounting, if the effect of discounting is immaterial.

The Amendments also clarifies that the scope of the portfolio exception of MFRS 13 includes all contracts accounted for within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement* or MFRS 9 *Financial Instruments*, regardless of whether they meet the definition of financial assets or financial liabilities as defined in MFRS 132 *Financial Instruments: Presentation*.

Amendments to MFRS 116 Property, Plant and Equipment and MFRS 138 Intangible Assets

Amendments to MFRS 116 and MFRS 138 clarifies the accounting for the accumulated depreciation/amortisation when an asset is revalued. It clarifies that:

- the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset; and

- the accumulated depreciation/amortisation is calculated as the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses.

Amendments to MFRS 119 Employee Benefits

Amendments to MFRS 119 provides a practical expedient in accounting for contributions from employees or third parties to defined benefit plans.

If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the related service is rendered, instead of attributing the contributions to the periods of service.

However, if the amount of the contributions is dependent on the number of years of service, an entity is required to attribute those contributions to periods of service using the same attribution method required by MFRS 119 for the gross benefit (i.e. either based on the plan's contribution formula or on a straight-line basis).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Int and Amendments to IC Int (continued)

(b) **New MFRS, Amendments/Improvements to MFRSs and New IC Int that are issued, but not yet effective and have not been early adopted (continued)**

Amendments to MFRS 124 Related Party Disclosures

Amendments to MFRS 124 clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.

Amendments to MFRS 132 Financial Instruments: Presentation

Amendments to MFRS 132 does not change the current offsetting model in MFRS 132. The amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’, that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. The amendments clarify that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.

Amendments to MFRS 136 Impairment of Assets

Amendments to MFRS 136 clarifies that disclosure of the recoverable amount (based on fair value less costs of disposal) of an asset or cash generating unit is required to be disclosed only when an impairment loss is recognised or reversed. In addition, there are new disclosure requirements about fair value measurement when impairment or reversal of impairment is recognised.

Amendments to MFRS 139 Financial Instruments: Recognition and Measurement

Amendments to MFRS 139 provides relief from discontinuing hedge accounting in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. As a result of the amendments, continuation of hedge accounting is permitted if as a consequence of laws or regulations, the parties to hedging instrument agree to have one or more clearing counterparties replace their original counterparty and the changes to the terms arising from the novation are consistent with the terms that would have existed if the novated derivative were originally cleared with the central counterparty.

Amendments to MFRS 140 Investment Property

Amendments to MFRS 140 clarifies that the determination of whether an acquisition of investment property meets the definition of both a business combination as defined in MFRS 3 and investment property as defined in MFRS 140 requires the separate application of both Standards independently of each other.

IC Int 21 Levies

IC Int 21 addresses the accounting for a liability to pay a government levy (other than income taxes and fine or other penalties that imposed for breaches of the legislation) if that liability is within the scope of MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*. This interpretation clarifies that an entity recognises a liability for a levy when the activity that triggers the payment of the levy, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is recognised progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specific minimum threshold is reached.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Significant Accounting Policies

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements:

(a) Basis of Consolidation and Subsidiaries

(i) Business combinations

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

The consideration transferred for acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

In a business combination achieved in stages, previously held equity interest in the acquiree is re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The excess of the cost of the acquisition over the net fair value of the Group's share of the identifiable net assets, liabilities and contingent liabilities represents goodwill. The policy for the recognition and measurement of impairment losses of goodwill is in accordance with Note 2.3(c)(ii) to the financial statements. Any excess of the net fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at the acquisition date either at fair value or at the proportionate share of the acquiree's identifiable net assets.

(ii) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group adopted MFRS 10, Consolidated Financial Statements in the current financial year. This resulted in changes to the following policies:

- Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In the previous financial years, control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

- Potential voting rights are considered when assessing control only when such rights are substantive. In the previous financial years, potential voting rights are considered when assessing control when such rights are presently exercisable.

- The Group considers it has de facto power an investee when, despite not having the majority of voting rights, it has the current liability to direct the activities of the investee that significantly affect the investee's return. In the previous financial years the Group did not consider de facto power in its assessment of control.

The change in accounting policy has been made retrospectively and in accordance with the transitional provision of MFRS 10. The adoption of MRFS 10 has no significant impact to the financial statements of the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Significant Accounting Policies (continued)

(a) **Basis of Consolidation and Subsidiaries (continued)**

(ii) **Subsidiaries (continued)**

In the Company's separate financial statements, investments in subsidiaries are stated at costs less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.4(c) to the financial statements. On disposal of such investments, the difference between the net disposal proceeds and their carrying amount is recognised as gain or loss in profit or loss.

In the Group's consolidated financial statements, the difference between the net disposal proceeds and the Group's share of the subsidiary's net assets as of the date of disposal including the cumulative amount of any exchange differences that relate to the subsidiary is recognised in profit or loss attributable to the parent.

Investment in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sales. The cost of investments include transaction costs.

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to the end of the financial year. The financial statements of the parent and its subsidiaries are all drawn up to the same reporting date.

(iii) **Acquisitions of non-controlling interests**

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interests holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) **Loss of control**

Upon the loss of control of subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) **Non-controlling interests**

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Loss applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(vi) **Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Significant Accounting Policies (continued)

(b) **Property, Plant and Equipment and Depreciation**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Certain buildings were subsequently shown at market value, based on valuations of external independent valuers, less subsequent accumulated depreciation and impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(c) to the financial statements.

Cost includes expenditure that is directly attributable to the acquisition of the asset. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss as incurred.

Freehold lands are not depreciated as it has an infinite life.

All other property, plant and equipment are depreciated on a straight line basis to write off the cost of each asset to its residual value over the estimated useful lives of the assets concerned. The annual rates used for this purpose are as follows:

Factory and buildings	2%
Office equipment and computers	10% – 25%
Motor vehicles	20%
Furniture and fittings	10%
Renovation	10%
Electrical installation and air conditioner	10%
Plant and machinery	5%

The residual values and useful lives of property, plant and equipment are reviewed, and adjusted if appropriate, at the end of each reporting date. The effects of any revisions of the residual values and useful lives are included in the statements of comprehensive income for the financial year which the changes arise.

Fully depreciated assets are retained in the accounts until the assets are no longer in use.

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 arising on derecognition of the asset is included in the profit or loss in the financial year the asset is derecognised.

Land and buildings at valuation are revalued by independent professional valuers at a regular interval of at least once in every five years with additional valuations in the intervening years where market conditions indicate that the carrying values of the revalued land and buildings materially differ from the market values.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Significant Accounting Policies (continued)

(c) Impairment of assets

(i) Impairment of Financial Assets

All financial assets (except for financial assets categorised as fair value through profit or loss and investment in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in the profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument is not reversed through the profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the profit or loss.

(ii) Impairment of Non-Financial Assets

The Group and the Company assess 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 and the Company make an estimate of the asset's recoverable amount.

For intangible assets that have an indefinite useful life and are not available for use, the recoverable amount is estimated at each reporting date or more frequently when indicators of impairment are identified.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows 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 risk specific to the asset. Where the carrying amounts of an asset exceed its recoverable amount, the asset is considered impaired and 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.

An impairment loss is recognised in the profit or loss in the period in which it arises.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Significant Accounting Policies (continued)

(c) Impairment of assets (continued)

(ii) Impairment of Non-Financial Assets (continued)

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed its carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in the profit or loss.

(d) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in-first-out basis for manufacturing and trading inventories.

The costs comprise the purchase price plus costs incurred to bring the inventories to their present locations and conditions. The cost of manufactured finished goods and work-in-progress consist of raw materials, direct labour and a proportion of manufacturing overheads.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

(e) Financial Instruments

Financial instruments are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contract provisions of the financial instrument.

A financial instrument is recognised initially, at its fair value, plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

The Group and the Company categorise the financial instruments as follows:

(i) Financial Assets

Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading, including derivatives, or are designated as such upon initial recognition.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised as other gains or losses in statements of comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Significant Accounting Policies (continued)

(e) Financial Instruments (continued)

(i) Financial Assets (continued)

Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market, trade and other receivables and cash and cash equivalents are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity and the Group have the positive intention and ability to hold the investment to maturity is classified as held-to-maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income, calculated using the effective interest method is recognised in profit and loss. Dividends on an available-for-sale equity instrument are recognised in profit and loss when the Group's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

(ii) Financial Liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated as fair value through profit or loss upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Significant Accounting Policies (continued)

(e) Financial Instruments (continued)

(iii) Financial Guarantee Contracts

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

Financial guarantee contracts are classified as deferred income and are amortised to profit or loss over the contractual period or, upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

(iv) Regular Way Purchase or Sale of Financial Assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention the marketplace concerned.

A regular way purchase or sale of financial asset is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

- the recognition of an asset to be received and the liability to pay for it on the trade date, and
- derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(v) Derecognition

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired or is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid is recognised in profit or loss.

(f) Provisions for Liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where 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. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(g) Borrowings

Borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the profit or loss over the period of the borrowings using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Significant Accounting Policies (continued)

(h) Finance Leases

Assets acquired by way of finance lease are stated at an amount equal to the lower of their fair values and the present value of minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses, if any. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance cost, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(i) Share Capital

Ordinary Shares

Ordinary shares are recorded at the nominal value and the consideration in excess of nominal value of shares issued, if any, is accounted for as share premium. Both ordinary shares and share premium are classified as equity.

Dividends on ordinary shares are recognised as liabilities when proposed or declared before the reporting date. A dividend proposed or declared after the reporting date, but before the financial statements are authorised for issue, is not recognised as a liability at the reporting date.

Cost incurred directly attributable to the issuance of the shares are accounted for as a deduction from share premium, if any, otherwise it is charged to profit or loss. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(j) Foreign Currencies

(i) Functional and Presentation Currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in RM, which is the Company's functional currency and presentation currency.

(ii) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of comprehensive income.

Non-monetary items which are measured at fair values denominated in foreign currencies are translated at the foreign exchange rate ruling at the date when the fair values was determined.

When a gain or loss on a non-monetary item is recognised directly in equity, any corresponding exchange gain or loss is recognised directly in equity. When a gain or loss on a non-monetary item is recognised in the statements of comprehensive income, any corresponding exchange gain or loss is recognised in the statements of comprehensive income.

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Significant Accounting Policies (continued)

(j) **Foreign Currencies (continued)**

(ii) **Transactions and Balances (continued)**

- assets and liabilities for each statements of financial position presented are translated at the closing rate at the reporting date;
- income and expenses for each statements of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates); and
- all resulting exchange differences are recognised as a separate component of equity

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the statements of comprehensive income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(k) **Revenue Recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognised revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) **Sales of goods**

Revenue is recognised upon delivery of products and customers' acceptance, net of returns and allowances, trade discounts and volume rebates and when the significant risk and rewards of ownership have been transferred to the buyer. 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.

(ii) **Services**

Revenue from services rendered is recognised in the profit or loss based on the value invoiced to the customers during the financial period.

(iii) **Dividend income**

Dividend income from subsidiaries are recognised when the right to receive the payment is established while dividends from associates and other investments are recognised when received.

(iv) **Interest income**

Interest income is recognised on an accruals basis unless collectability is in doubt in which recognition will be on a receipt basis.

(v) **Rental income**

Rental income is recognised on an accruals basis based on the agreed upon rental rates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Significant Accounting Policies (continued)

(l) **Taxation**

The tax expense in the profit or loss represents the aggregate amount of current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the reporting date.

Deferred tax is provided for, 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 financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that 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 difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at time of the transaction, affects neither accounting profit nor taxable profit.

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 that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised in the statements of comprehensive income, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(m) **Borrowing Costs**

Borrowing costs are charged to profit or loss as an expense in the period in which they are incurred.

(n) **Employee Benefits**

(i) **Short term employee benefits**

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

(ii) **Post-employment benefits**

The Group contributes to the Employees' Provident Fund, the national defined contribution plan. The contributions are charged to the profit or loss in the period to which they are related. Once the contributions have been paid, the Group has no further payment obligations.

(o) **Contingencies**

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Significant Accounting Policies (continued)

(p) Segment Reporting

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

(q) Cash and Cash Equivalents

For the purpose of statements of cash flows, cash and cash equivalents comprise cash in hand, bank balances, demand deposits and other 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. Cash and cash equivalents are stated net of bank overdrafts and deposits pledged to the financial institution.

(r) Fair Value Measurements

From 1 January 2013, the Group adopted MFRS 13, Fair Value Measurement which prescribed that fair value of an asset and liability is determined as the price that would be received to sell and asset or paid to transfer 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 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.

In accordance with the transitional provision of MFRS 13, the Group applied the new fair value measurement guidance prospectively, and has not provided any comparative fair value information for new disclosures. The adoption of MFRS 13 has not significantly affected the measurements of the Group's assets or liabilities other than additional disclosures.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

3.1 Judgements Made in Applying Accounting Policies

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

Classification and Impairment of Financial Assets

The Group has classified its other investments in securities as held for trading investment. In applying the accounting policy, the Group assesses its nature and the intention at each reporting date. Should the circumstances change in the future, the classification of these financial assets may no longer appropriate.

3.2 Key Sources of Estimation Uncertainty

The key assumption 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 as stated below:

(i) **Useful lives of property, plant and equipment**

The Group estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of property, plant and equipment are based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease the non-current assets.

(ii) **Impairment of investment in subsidiaries**

The Group tests investment in subsidiaries for impairment annually in accordance with its accounting policy. More regular reviews are performed if events indicate that this is necessary.

Significant judgement is required in the estimation of the present value of future cash flows generated by the subsidiaries, which involve uncertainties and are significantly affected by assumptions used and judgement made regarding estimates of future cash flows and discount rates. Changes in assumptions could significantly affect the results of the Group's tests for impairment of investment in subsidiaries.

During the financial year, an impairment loss of RM7,578,000/- for investment in subsidiaries was recognised based on the estimated recoverable amount.

(iii) **Impairment of non-current assets**

The Group reviews the carrying amount of its non-current assets, which include property, plant and equipment, to determine whether there is an indication that those assets have suffered an impairment loss in accordance with relevant accounting policies on the respective category of non-current assets. Independent professional valuations to determine the carrying amount of these assets will be procured when the need arise.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

3.2 Key Sources of Estimation Uncertainty (continued)

(iv) **Deferred tax assets**

Deferred tax assets are recognised for all unutilised tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management's judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(v) **Impairment for inventories**

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgements and estimates. Possible changes in these estimates could result in revisions to the valuations of inventories.

(vi) **Allowance for impairment**

The Group makes allowances for impairment based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analysed historical bad debts, customer credit creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment on receivables. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

(vii) **Income taxes**

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

4. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land RM'000	Factory and Buildings RM'000	Furniture and Fittings RM'000	Office Equipment and Computer RM'000	Motor Vehicles RM'000	Electrical Installation, Air Conditioner and Renovation RM'000	Plant and Machinery RM'000	Total RM'000
Group								
2013								
Cost/Valuation								
At 1 January 2013	2,184	9,939	610	1,518	985	2,967	26,939	45,142
Foreign exchange differences	13	28	-	2	-	1	2	46
Additions	1,208	7,850	-	16	-	2	140	9,216
At 31 December 2013	3,405	17,817	610	1,536	985	2,970	27,081	54,404
Representing:								
- At cost	1,405	8,271	610	1,536	985	2,970	27,081	42,858
- At valuation	2,000	9,546	-	-	-	-	-	11,546
	3,405	17,817	610	1,536	985	2,970	27,081	54,404

4. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold Land RM'000	Factory and Buildings RM'000	Furniture and Fittings RM'000	Office Equipment and Computer RM'000	Motor Vehicles RM'000	Electrical Installation, Air Conditioner and Renovation RM'000	Plant and Machinery RM'000	Total RM'000
Group								
2013								
Accumulated Depreciation								
At 1 January 2013	-	734	595	1,287	882	2,103	19,309	24,910
Foreign exchange differences	2	-	-	2	-	2	-	6
Depreciation for the financial year	-	399	5	84	47	177	847	1,559
At 31 December 2013	2	1,133	600	1,373	929	2,282	20,156	26,475
Carrying amounts at 31 December 2013	3,403	16,684	10	163	56	688	6,925	27,929
Representing:								
- At cost	1,403	8,230	10	163	56	688	6,925	17,475
- At valuation	2,000	8,454	-	-	-	-	-	10,454
	3,403	16,684	10	163	56	688	6,925	27,929

4. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold Land RM'000	Factory and Buildings RM'000	Furniture and Fittings RM'000	Office Equipment and Computer RM'000	Motor Vehicles RM'000	Electrical Installation, Air Conditioner and Renovation RM'000	Plant and Machinery RM'000	Total RM'000
Group								
2012								
Cost/Valuation								
At 1 January 2012	2,191	9,954	610	1,334	985	2,967	26,929	44,970
Foreign exchange differences	(7)	(15)	-	-	-	-	-	(22)
Additions	-	-	-	193	-	-	10	203
Disposals/Written off	-	-	-	(9)	-	-	-	(9)
At 31 December 2012	2,184	9,939	610	1,518	985	2,967	26,939	45,142
Representing:								
- At cost	184	393	610	1,518	985	2,967	26,939	33,596
- At valuation	2,000	9,546	-	-	-	-	-	11,546
	2,184	9,939	610	1,518	985	2,967	26,939	45,142

4. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold Land RM'000	Factory and Buildings RM'000	Furniture and Fittings RM'000	Office Equipment and Computer RM'000	Motor Vehicles RM'000	Electrical Installation, Air Conditioner and Renovation RM'000	Plant and Machinery RM'000	Total RM'000
Group								
2012								
Accumulated depreciation								
At 1 January 2012	-	362	585	1,211	781	1,925	18,470	23,334
Depreciation for the financial year	-	372	10	81	101	178	839	1,581
Disposals/Written off	-	-	-	(5)	-	-	-	(5)
At 31 December 2012	-	734	595	1,287	882	2,103	19,309	24,910
Carrying amounts at 31 December 2012	2,184	9,205	15	231	103	864	7,630	20,232
Representing:								
- At cost	184	373	15	231	103	864	7,630	9,400
- At valuation	2,000	8,832	-	-	-	-	-	10,832
	2,184	9,205	15	231	103	864	7,630	20,232

4. PROPERTY, PLANT AND EQUIPMENT (continued)

	Furniture and Fittings RM'000	Office Equipment RM'000	Total RM'000
Company			
2013			
Cost			
At 1 January 2013/31 December 2013	77	237	314
Accumulated Depreciation			
At 1 January 2013/31 December 2013	77	237	314
Carrying amounts at 31 December 2013	-	-	-
2012			
Cost			
At 1 January 2012/31 December 2012	77	237	314
Accumulated Depreciation			
At 1 January 2012	76	232	308
Depreciation for the financial year	1	5	6
Disposals/Written off	-	-	-
At 31 December 2012	77	237	314
Carrying amounts at 31 December 2012	-	-	-

(a) Included in property, plant and equipment of the Group are assets acquired under hire purchase instalment plans with the following carrying amounts:

	Group 2013 RM'000	Group 2012 RM'000
Plant and machinery	-	90
Motor vehicles	-	67
	-	157

(b) The Group had revalued certain of its freehold land and buildings based on professional valuations made by Henry Butcher Malaysia Sdn Bhd, an independent firm of professional valuers using comparison method of valuation conducted on 21 December 2010.

(c) Had the revalued freehold land and buildings been carried under the cost model, the carrying amounts of freehold land and buildings that would have been included in the financial statements of the Group as at 31 December 2013 would be as follows:

	Group 2013 RM'000	Group 2012 RM'000
Freehold land	811	811
Freehold factory and building	7,236	7,559
	8,047	8,370

4. PROPERTY, PLANT AND EQUIPMENT (continued)

(d) Fair value information

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Group			
2013			
Freehold land	-	2,000	-
Freehold factory and building	-	9,546	-
	-	11,546	-

The fair value of certain freehold land, factory and buildings of the Group are categorised as Level 2. The property is valued by an independent firm of professional valuers using comparison method of valuation. The comparison method entails comparing the subject property with similar properties that have been sold recently and those that are currently being offered for sale in the vicinity or other comparable localities.

The significant input into this valuation approach is price per square feet of comparable properties.

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Fair value hierarchy

The following analyses non-financial assets 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 non-financial assets

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

Transfer between Level 1 and 2 fair values

There is no transfer between 1 and 2 fair values during the financial year.

5. INVESTMENT IN SUBSIDIARIES

	Company 2013 RM'000	Company 2012 RM'000
Unquoted shares, at cost	40,043	40,043
Less: Accumulated impairment loss	(26,514)	(18,936)
	13,529	21,107

On 22 December 2013, following the conversion of the 2,000,000 Redeemable Convertible Unsecured Loan Stocks ("RCULS") of PFSB (issued on 23 December 2008) into 2,000,000 ordinary shares of RM1.00 each pursuant to the terms of issue of RCULS, the Company's indirect equity interest in PFSB (held in PISB, a wholly-owned subsidiary of the Company) has increased from 79.07% to 88.37%.

Details of the subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Group's Effective Equity Interest		Principal Activities
		2013	2012	
		%	%	
Powernet Industries Sdn Bhd ("PISB")	Malaysia	100	100	Manufacture of warp-knitted fabrics
Powernet Properties Sdn Bhd ("PPSB")	Malaysia	100	100	Property investment
Hypergize Link Sdn Bhd ("HLSB")	Malaysia	100	100	Investment holding
Zelinn Limited+	British Virgin Islands	100	100	Investment holding
Subsidiaries of PISB				
Powernet Trading (M) Sdn Bhd	Malaysia	100	100	Trading of lingerie materials and accessories
Powerfit Industries Sdn Bhd ("PFSB")	Malaysia	88	79	Manufacturing and sale of slit binding, bone casing, clips, hook and eye fittings, hook and eye tapes and hook and eye tape machines
Subsidiaries of HLSB				
Powernet Products (UK) Limited ("PPUK")+	United Kingdom	75	75	Converting, manufacturing and marketing of fabrics, hook and eye fittings etc

+ Companies audited by another firm of Chartered Accountants other than Baker Tilly Monteiro Heng.

5. INVESTMENT IN SUBSIDIARIES (continued)

Non-controlling interests in subsidiaries

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

	PFSB RM'000 12%	PPUK RM'000 25%	Total RM'000
2013			
Carrying amount of non-controlling interests	(345)	(279)	(624)
Total comprehensive loss attributable to non-controlling interests	(97)	(147)	(244)

	PFSB RM'000 21%	PPUK RM'000 25%	Total RM'000
2012			
Carrying amount of non-controlling interests	(248)	(132)	(380)
Total comprehensive loss attributable to non-controlling interests	(100)	(57)	(157)

Summarised financial information before intra-group elimination

	PFSB RM'000 12%	PPUK RM'000 25%
As at 31 December 2013		
Non-current assets	153	-
Current assets	100	55
Current liabilities	(589)	(304)
Net liabilities	(336)	(249)
Year ended 31 December 2013		
Revenue	130	94
Loss for the financial year	(56)	(126)
Total comprehensive loss	(56)	(126)
2013		
Cash flows from operating activities	78	(18)
Cash flows from investing activities	(1)	-
Cash flows from financing activities	(81)	-
Net decrease in cash and cash equivalents	(4)	(18)
Dividends paid to non-controlling interests	-	-

5. INVESTMENT IN SUBSIDIARIES (continued)

Non-controlling interests in subsidiaries (continued)

	PFSB RM'000 21%	PPUK RM'000 25%
As at 31 December 2012		
Non-current assets	303	1
Current assets	226	127
Current liabilities	(1,435)	230
Net (liabilities)/assets	(906)	358
Year ended 31 December 2012		
Revenue	336	349
Loss for the financial year	(100)	(57)
Total comprehensive loss	(100)	(57)
2012		
Cash flows from operating activities	69	14
Cash flows from investing activities	(2)	-
Cash flows from financing activities	(61)	(12)
Net increase in cash and cash equivalents	6	2
Dividends paid to non-controlling interests	-	-

6. INVENTORIES

	Group	
	2013 RM'000	2012 RM'000
At net realisable value		
Raw material	1,809	2,325
Work-in-progress	920	1,201
Manufactured inventories	680	1,084
Consumables	1,020	1,041
	4,429	5,651

During the financial year, there was a write down of inventories amounting to RM431,844 (2012: RM427,299) and the reversal of write down amounted to RM33,864 (2012: RM1,118,079).

7. TRADE RECEIVABLES

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Trade receivables	2,676	2,436	-	-
Less: Allowance for impairment	(592)	(465)	-	-
	2,084	1,971	-	-

Trade receivables are non-interest bearing and are generally on 30 days to 60 days (2012: 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 2013 RM'000	Group 2012 RM'000
Neither past due nor impaired	387	1,098
1 to 30 days past due not impaired	156	171
31 to 120 days past due not impaired	1,067	532
More than 120 day past due not impaired	474	170
	1,697	873
	2,084	1,971
Impaired	592	465
	2,676	2,436

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.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

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

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

	Group 2013 RM'000	Group 2012 RM'000
Individually impaired		
Trade receivables	592	465
Less: Allowance for impairment	(592)	(465)
	-	-

7. TRADE RECEIVABLES (continued)

	Group	
	2013 RM'000	2012 RM'000
Movements in allowance accounts:		
At 1 January	465	465
Allowance for the financial year	152	-
Reversal for the financial year	(25)	-
At 31 December	592	465

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.

8. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Other receivables	20	21	-	-
Deposits	348	263	-	-
Prepayments	101	157	-	18
	469	441	-	18

9. AMOUNT DUE FROM/(TO) SUBSIDIARIES

	Company	
	2013 RM'000	2012 RM'000
Amount due from subsidiaries	16,407	12,497
Less: Allowance for impairment	(470)	(470)
	15,937	12,027
Amount due to subsidiaries	775	695

The amount due from/(to) subsidiaries are unsecured, interest free and are repayment on demand.

10. INVESTMENT SECURITIES

	Group	
	2013 RM'000	2012 RM'000
Financial assets at fair value through profit or loss:		
Held for trading, quoted securities in Malaysia		
At 1 January	6	4
Net fair value gain	2	2
At 31 December	8	6

11. DEPOSITS PLACED WITH LICENSED BANKS

Included in deposits placed with licensed banks of the Group are an amount totalling of RM700,000 (2012: RM2,000,000) charged to licensed banks as security for banking facilities granted to certain subsidiaries. There is no utilisation of the credit facilities obtained by the Group as at 31 December 2013.

12. SHARE CAPITAL

	Group and Company			
	2013		2012	
	Number of Shares '000	RM'000	Number of Shares '000	RM'000
Ordinary shares of RM1.00 each				
Authorised:				
At the beginning/end of the financial year	100,000	100,000	100,000	100,000
Issued and fully paid:				
At the beginning/end of the financial year	56,375	56,375	56,375	56,375

13. RESERVES

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Non-Distributable				
Foreign currency translation reserve	(48)	(204)	-	-
Revaluation reserve	916	916	-	-
Total reserves	868	712	-	-
Accumulated losses	(24,410)	(18,922)	(27,337)	(19,724)
	(23,542)	(18,210)	(27,337)	(19,724)

(a) **Foreign currency translation reserve**

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.

14. DEFERRED TAXATION

(a) The amounts determined after appropriate offsetting, are as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Balance as at 1 January	(232)	(232)	(2)	(2)
Recognised in the profit or loss (Note 22)	230	-	-	-
Balance as at 31 December	(2)	(232)	(2)	(2)
Presented after approriate offsetting:	-	2,489	-	-
Deferred tax assets, net	(2)	(2,721)	(2)	(2)
Deferred tax liabilities, net	(2)	(232)	(2)	(2)

(b) The component and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

Deferred tax assets of the Group

	Unutilised tax losses RM'000	Unabsorbed capital allowance RM'000	Unabsorbed reinvestment allowance RM'000	Provision RM'000	Total RM'000
At 1 January 2013	350	1,669	13	457	2,489
Recognised in the profit or loss	(350)	(1,669)	(13)	(457)	(2,489)
At 31 December 2013	-	-	-	-	-
At 1 January 2012	-	1,422	206	950	2,578
Recognised in the profit or loss	350	247	(193)	(493)	(89)
At 31 December 2012	350	1,669	13	457	2,489

Deferred tax liabilities of the Group

	Revaluation of factory and building RM'000	Property, plant and equipment RM'000	Total RM'000
At 1 January 2013	(230)	(2,491)	(2,721)
Recognised in the profit or loss	230	2,489	2,719
At 31 December 2013	-	(2)	(2)
At 1 January 2012	(230)	(2,580)	(2,810)
Recognised in the profit or loss	-	89	89
At 31 December 2012	(230)	(2,491)	(2,721)

14. DEFERRED TAXATION (continued)

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

	Group	
	2013 RM'000	2012 RM'000
Property, plant and equipment	777	1,099
Unutilised tax losses	2,452	1,684
Unabsorbed reinvestment allowances	1,189	1,239
Deductible temporary differences	(54)	(872)
At 31 December	4,364	3,150

15. TRADE PAYABLES

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Trade payables	29	115	-	-

The normal trade credit terms granted to the Group range from 30 days to 90 days (2012: 30 days to 90 days).

16. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Other payables	5,304	186	-	-
Accruals	676	434	81	99
	5,980	620	81	99

Included in other payables is an advances from a director to part finance the acquisition of factory and building amounting to RM5,062,464.

17. BORROWINGS

	Group	
	2013 RM'000	2012 RM'000
Current liabilities		
Trust receipts	-	69
Hire purchase liabilities (Note 18)	-	19
Total borrowings	-	88

The banking facilities are secured by fixed deposits placed in a licensed bank as disclosed in Note 11 to the financial statements.

Trust receipts bear interest at 2% per annum above the base lending rate as at the end of previous reporting period.

18. HIRE PURCHASE LIABILITIES

	Group	
	2013 RM'000	2012 RM'000
Minimum lease payments:		
- not later than one year	-	20
- later than one year but not later than five years	-	-
	-	20
Less: Future finance charges	-	(1)
Present value of hire purchase liabilities	-	19
Representing by:		
Current (Note 17)	-	19

19. REVENUE

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Sale of goods	5,199	11,656	-	-
Rental income	470	-	-	-
Interest income	124	121	94	121
	5,793	11,777	94	121

20. OPERATING LOSS

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
After charging:				
Audit fee				
- statutory				
- current year	60	56	12	11
- prior year	2	-	1	-
- non statutory	8	8	8	8
Allowance for impairment on				
- investment in subsidiaries	-	-	7,578	3,498
- trade receivables	152	-	-	-
Bad debts written off	25	-	-	-
Depreciation	1,559	1,581	-	6
Director remuneration:				
- fees	51	51	51	51
- other emoluments	989	1,092	-	-
Realised loss on foreign exchange	-	72	-	-
Rental of equipment	-	1	-	-
Rental of premises	108	106	-	-
Staff costs				
- salaries, wages, allowances and bonuses	2,699	3,093	-	-
- contributions to defined contribution plans	312	346	-	-
Unrealised loss on foreign exchange	-	49	-	-
Written off on property, plant and equipment	-	4	-	-
Write down of inventories	431	427	-	-
And crediting:				
Fair value gain on investment securities	2	2	-	-
Interest income	105	119	-	-
Reversal of impairment on trade receivables	25	-	-	-
Realised gain on foreign exchange	40	-	-	-
Unrealised gain on foreign exchange	112	-	-	-
Write back of inventories	34	1,118	-	-

21. FINANCE COSTS

	Group 2013 RM'000	Group 2012 RM'000
Interest expenses		
- bank guarantee charges	1	2
- bank overdrafts	-	4
- hire purchase	-	3
- letter of credit	10	17
- others	-	2
	11	28

22. TAXATION

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Taxation				
- prior years	5	-	-	-
Deferred taxation				
- prior years (Note 14)	230	-	-	-
	235	-	-	-

The income tax is calculated at the Malaysian Statutory rate of 25% of the estimated assessable profit for the financial year.

A reconciliation of income tax applicable to loss before taxation 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	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Loss before tax	(5,946)	(3,137)	(7,613)	(3,536)
Tax at applicable tax rate of 25%				
Tax effects arising from	1,487	784	1,903	884
- non-deductibe expenses	(186)	(174)	(1,919)	(902)
- non-taxable income	95	51	16	18
- origination of deferred tax not recognised in the financial statements	(1,214)	(661)	-	-
- deferred taxation recognised in differences tax rate	(182)	-	-	-
- prior years	235	-	-	-
	235	-	-	-

23. LOSS PER ORDINARY SHARE

Basic Loss Per Ordinary Share

The basic loss per ordinary share of the financial year have been calculated based on the Group's loss for the financial year attributable to the owners of the parent of RM5,488,028 (2012: RM2,980,000) and on the weighted average number of ordinary shares in issue of RM56,375,000 (2012: RM56,375,000).

Diluted Loss Per Ordinary Share

Diluted loss per ordinary share is the same as the basic loss per ordinary share as there were no potential ordinary shares outstanding in both the current financial year and previous financial year.

24. FINANCIAL GUARANTEES

	Group	
	2013 RM'000	2012 RM'000
Bank guarantee issued in favour of various third party	82	118

25. 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) **Significant related party transactions and balances**

In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following significant transactions with related parties during the financial year.

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Transactions with directors Companies in which				
Dato' Ahmad Sebi Bakar, a Director, has interests:				
Rental expense charged by:				
- AESBI Power Systems Sdn Bhd	107	106	-	-
Electricity expense charged by:				
- AESBI Power Systems Sdn Bhd	20	23	-	-
Internal audit fees charged by:				
- Advance Synergy Berhad	3	6	3	6
Secretarial fees charged by:				
- Nagapura Management Corporation Sdn Bhd	7	15	-	-
Travelling expenses charged by:				
- Orient Escape Travel Sdn Bhd	88	89	-	-

25. SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(c) Key management personnel compensation

The remuneration of Directors during the financial year are as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Directors				
Fees	51	51	51	51
Salaries, bonuses and allowances	860	912	-	-
Contribution to defined contribution plans	129	180	-	-
	1,040	1,143	51	51

The estimated monetary value of other benefits received by the Director of the Group other than in cash amounted to RM16,500 (2012: RM24,000).

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.

26. OPERATING SEGMENTS

The Group adopted MFRS 8 Operating Segments. MFRS 8 requires the identification of operating segments on the basis of internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segments and assess their performance.

General Information

The information reported to the Management to make decisions about resources to be allocated and for assessing their performance is based on the business segments of the Group. The Group's operating segments are as follows:

Manufacturing : The manufacture and sale of warp-knitted fabrics, clips, hook and eye fitting, hook and eye tape machines.

Trading : The trading of lingerie materials and accessories.

Investment : Property investment and investment holding.

Services : The lamination of fabrics and fibrefill.

Measurement of Reportable Segments

Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the consolidated financial statements.

There are varying levels of integration between Manufacturing reportable segments and Trading and Investment reportable segments. This integration includes sales of inventory and rental of property. Inter-segment pricing is determined on a negotiated basis.

Performance is measured based on segment profit before tax and finance cost that are reviewed by the Group's chief operating decision maker. There are no significant changes from prior financial year in the measurement methods used to determine reported segment profit or loss.

All the Group's assets are allocated to reportable segments other than assets used centrally for the Group, current and deferred tax assets. Jointly used assets are allocated on the basis of the revenues earned by individual segments.

All the Group's liabilities are allocated to reportable segments other than liabilities incurred centrally for the Group, current tax liabilities and deferred tax liabilities. Jointly incurred liabilities are allocated in proportion to the segment assets.

26. OPERATING SEGMENTS (continued)

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

	Manufacturing RM'000	Trading RM'000	Investment RM'000	Elimination RM'000	Note	Consolidated RM'000
2013						
Revenue						
External customers	5,167	439	187	-		5,793
Inter-segment	725	140	65	(930)	A	-
Total revenue	5,892	579	252	(930)		5,793
Results						
Interest income	318	-	-	(213)		105
Interest expense	(224)	-	-	213		(11)
Depreciation	1,533	3	23	-		1,559
Other non-cash expenses	626	-	7,578	(7,646)	B	558
Taxation	(230)	(5)	-	-		(235)
Segment results	(5,576)	(532)	(7,344)	7,517	C	(5,935)
Assets						
Additions to assets other than financial instruments and non-current assets	158	-	9,058	-		9,216
Segment assets	27,179	252	40,861	(30,300)	D	37,992
Segment liabilities	16,744	2,301	11,235	(24,271)	E	6,009

26. OPERATING SEGMENTS (continued)

	Manufacturing RM'000	Trading RM'000	Investment RM'000	Elimination RM'000	Note	Consolidated RM'000
2012						
Revenue						
External customers	10,440	1,216	121	-		11,777
Inter-segment	1,359	357	65	(1,781)	A	-
Total revenue	11,799	1,573	186	(1,781)		11,777
Results						
Interest income	363	-	-	(244)		119
Interest expense	272	-	-	(244)		28
Depreciation	1,561	5	15	-		1,581
Other non-cash expenses	7,761	-	3,498	(10,828)	B	431
Segment results	(10,254)	(219)	(3,519)	10,883	C	(3,109)
Assets						
Additions to non-current assets other than financial instruments and deferred tax assets	10	193	-	-		203
Segment assets	32,817	599	38,945	(33,872)	D	38,489
Segment liabilities	16,658	2,039	2,053	(19,927)	E	823

Inter-segment revenue are eliminated upon consolidation and reflected in the elimination column. All other eliminations are part of detail reconciliation presented below.

A. Inter-segment revenues are eliminated on consolidation.

B. Other material non-cash expenses consist of the following items as presented in the respective notes to the financial statements:

	Group 2013 RM'000	Group 2012 RM'000
Allowance for impairment on trade receivables	152	-
Reversal of impairment on trade receivables	(25)	-
Written off on property, plant and equipment	-	4
Write down of inventories	431	427
	558	431

26. OPERATING SEGMENTS (continued)

C. Reconciliations of reportable segment revenues to profit or loss

	Group	
	2013 RM'000	2012 RM'000
Profit or loss		
Total profit or loss for reportable segments	(5,935)	(3,109)
Finance costs	(11)	(28)
Consolidated profit before tax	(5,946)	(3,137)
Taxation	235	-
Consolidated profit after tax	(5,711)	(3,137)

D. The following items are added to/(deducted from) segment assets to arrive at total assets reported in the consolidated statement of financial position:

	Group	
	2013 RM'000	2012 RM'000
Tax recoverable	228	351
Inter-segment assets	(30,528)	(34,223)
	(30,300)	(33,872)

E. The following items are added to/(deducted from) segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	Group	
	2013 RM'000	2012 RM'000
Deferred tax liabilities	2	232
Inter-segment liabilities	(24,273)	(20,159)
	(24,271)	(19,927)

26. 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 amounts of non-current assets do not include financial instruments and deferred tax assets.

	Malaysia RM'000	Asia Pacific Region RM'000	Europe RM'000	Others RM'000	Total RM'000
2013					
Revenue from external customers	624	4,882	263	24	5,793
Non-current assets	18,285	-	9,644	-	27,929
2012					
Revenue from external customers	895	10,031	801	50	11,777
Non-current assets	19,661	-	571	-	20,232

Information about a major customer

Major customers' revenues are from transactions with a single external customer amounting to ten percent or more of the Group revenue. A group of entities known to a reporting entity to be under common control shall be considered a single customer, and a government and entities known to the reporting entity to be under the control of that government shall be considered a single customer.

During the financial year, revenue was generated from one major customer amounting to RM1,383,667 and two major customers amounting to RM6,759,595 in the prior year.

27. CLASSIFICATION OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are measured on an on-going basis either at fair value or at amortised cost. The principal accounting policies in Note 2.3 to the financial statements describe how classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised.

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis.

	Loans and receivables RM'000	Fair value through profit or loss RM'000	Financial liabilities at amortised cost RM'000	Total RM'000
Group				
2013				
Financial Assets				
Trade receivables	2,084	-	-	2,084
Other receivables and deposits*	368	-	-	368
Investment securities	-	8	-	8
Deposits placed with licensed banks	2,227	-	-	2,227
Cash and bank balances	846	-	-	846
Total Financial Assets	5,525	8	-	5,533
Financial Liabilities				
Trade payables	-	-	29	29
Other payables and accruals	-	-	5,980	5,980
Total Financial Liabilities	-	-	6,009	6,009
2012				
Financial Assets				
Trade receivables	1,971	-	-	1,971
Other receivables and deposits*	284	-	-	284
Investment securities	-	6	-	6
Deposits placed with licensed banks	8,696	-	-	8,696
Cash and bank balances	1,492	-	-	1,492
Total Financial Assets	12,443	6	-	12,449
Financial Liabilities				
Trade payables	-	-	115	115
Other payables and accruals	-	-	620	620
Borrowings	-	-	88	88
Total Financial Liabilities	-	-	823	823

** excluded prepayments*

27. CLASSIFICATION OF FINANCIAL INSTRUMENTS (continued)

	Loans and receivables RM'000	Fair value through profit or loss RM'000	Financial liabilities at amortised cost RM'000	Total RM'000
Company				
2013				
Financial Assets				
Amount due from subsidiaries	15,937	-	-	15,937
Deposits placed with licensed banks	323	-	-	323
Cash and bank balances	67	-	-	67
Total Financial Assets	16,327	-	-	16,327
Financial Liabilities				
Other payables and accruals	-	-	81	81
Amount due from subsidiaries	-	-	775	775
Total Financial Liabilities	-	-	856	856
2012				
Financial Assets				
Amount due from subsidiaries	12,027	-	-	12,027
Deposits placed with licensed banks	4,206	-	-	4,206
Cash and bank balances	35	-	-	35
Total Financial Assets	16,268	-	-	16,268
Financial Liabilities				
Other payables and accruals	-	-	99	99
Amount due from subsidiaries	-	-	695	695
Total Financial Liabilities	-	-	794	794

28. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) **Determination of fair value**

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

	Note
Financial assets (current)	
Trade receivables	7
Other receivables and deposits	8
Amount due from subsidiaries	9
Deposits placed with licensed banks	11
Cash and bank balances	-
Financial liabilities (current)	
Trade payables	15
Other payables and accruals	16
Amount due to subsidiaries	9
Borrowings	17

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 year end to be significantly different from the values that would be eventually received or settled.

Quoted equity instruments
Fair value is determined directly by reference to their published market bid price at the reporting date.

(b) **Fair Value Information**

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.

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

		Group Level 1	
	Note	2013 RM'000	2012 RM'000
Financial Assets			
Investment securities:			
- Held for trading	10	8	6

The Group does not has any financial assets measured at Level 2 and 3 hierarchy. The financial liabilities of the Group are not carried at fair value by any valuation method measured at Level 1, 2 and 3.

Transfer between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year. (2012: no transfer in either directions)

29. 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, foreign currency risk and market price risk. The Group and the Company have adopted a financial risk management framework whose principal objective is to minimise the Group's and the Company's exposure to risks and/or costs associated with the financing, investing and operating activities of the Group and of the Company.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit Risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. The Company's exposure to credit risk arises principally from loan and advances to subsidiaries.

Receivables

Risk management objective, policies and processes for managing the risk
The management has a credit policy in place to monitor and minimise the exposure of default. Credit evaluations are performed on all customers requiring credit over certain amount.

Exposure to credit risk
At the reporting date, the Group's maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statements of financial position.

Information regarding credit enhancements for trade receivables is disclosed in Note 7 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			
	2013		2012	
	RM'000	% of total	RM'000	% of total
By country:				
Europe	2,004	96.2	19	1.0
Asia	66	3.2	1,952	99.0
Others	14	0.7	-	-
	2,084	100.0	1,971	100.0

Financial assets that are neither past due nor impaired
Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 7 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 7 to the financial statements.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) **Credit Risk (continued)**

Inter company 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 represented by their carrying amounts in the statements of financial position.

Impairment losses
Information regarding impairment losses on loans and advances to subsidiaries is disclosed in Note 9 to the financial statements.

Financial guarantees

Risk management objective, policies and processes for managing the risk
The Group provides secured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the performance of the subsidiaries to meet the expectation of their customers in accordance with the original terms of a contract in due course.

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

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

(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.

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:

	On demand or Within 1 Year RM'000	2 to 5 Years RM'000	More than 5 Years RM'000	Total RM'000
Financial liabilities				
Group				
2013				
Trade payables	29	-	-	29
Other payables and accruals	5,980	-	-	5,980
Total undiscounted financial liabilities	6,009	-	-	6,009

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) **Liquidity Risk (continued)**

Maturity analysis (continued)

	On demand or Within 1 Year RM'000	2 to 5 Years RM'000	More than 5 Years RM'000	Total RM'000
Financial liabilities				
Group				
2012				
Trade payables	115	-	-	115
Other payables and accruals	620	-	-	620
Borrowings	88	-	-	88
Total undiscounted financial liabilities	823	-	-	823
Company				
2013				
Other payables and accruals	81	-	-	81
Amount due to subsidiaries	775	-	-	775
Total undiscounted financial liabilities	856	-	-	856
2012				
Other payables and accruals	99	-	-	99
Amount due to subsidiaries	695	-	-	695
Total undiscounted financial liabilities	794	-	-	794

(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 Company and the Group 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 outweigh the potential risk of interest rate fluctuation.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Interest Rate Risk (continued)

	Effective Interest Rate %	Within 1 Year RM'000	1 to 5 Years RM'000	More than 5 Years RM'000	Total RM'000
Group					
2013					
Financial Asset					
Deposits placed with licensed banks	2.70-3.20	2,227	-	-	2,227
2012					
Financial Asset					
Deposits placed with licensed banks	2.75-3.25	8,696	-	-	8,696
Financial Liabilities					
Trust Receipts	8.05-8.60	69	-	-	69
Hire purchase liabilities	5.06-5.24	19	-	-	19
Company					
2013					
Financial Asset					
Deposits placed with licensed banks	2.70-3.10	323	-	-	323
2012					
Financial Asset					
Deposits placed with licensed banks	2.75-3.10	4,206	-	-	4,206

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% on financial assets and liabilities of the Group and the Company which have variable interest rates at the reporting date would decrease and increase the profit/loss net of tax by RM16,703 and RM2,421 (2012: RM64,560 and RM31,545) respectively. This analysis assumes that all other variables remain constant.

A decrease in market interest rates by 1% on financial assets and liabilities of the Group and the Company 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.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(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 Company and the Group 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 outweigh 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 currencies giving rise to this risk are primarily United States Dollar ("USD") and Pound Sterling.

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

	Group	
	2013 RM'000	2012 RM'000
Financial assets and liabilities not held in functional currency		
Trade receivables		
United States Dollar	2,004	1,779
Pound Sterling	14	157
	2,018	1,936
Other receivables, prepayments and deposits		
United States Dollar	-	3
Pound Sterling	231	17
	231	20
Cash and bank balances		
United States Dollar	177	473
Pound Sterling	302	273
	479	746
Trade payables		
Pound Sterling	75	-
Other payables and accruals		
United States Dollar	-	6
Pound Sterling	5,423	59
	5,423	65

Sensitivity analysis for foreign currency risk
A 1% strengthening of the USD and Pound Sterling against the Group's functional currency at the reporting date would have decreased the loss net of tax of the Group by RM16,360 and RM36,567 (2012: RM16,868 and RM2,910) respectively. This analysis assumes that all other variables remain constant.

A 1% weakening of the USD and Pound Sterling against the Group's functional currency at the reporting date would have had equal but opposite effect on the amount shown above, on the basis that all other variables remain constant.

The exposure to currency risk of Group other than USD and Pound Sterling is not material and hence, sensitivity analysis is not presented.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Market Price Risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

Market price risk is the potential exposure due to changes in the market value of securities that flow through the investment of the Group.

No significant market price risk to the Group as at the reporting date as the investment of the Group is insignificant.

30. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group manages its capital structure by monitoring the capital and net debt on an ongoing basis. To maintain the capital structure, the group may adjust the dividend payment to shareholders.

There were no changes in the Group's approach to capital management during the financial year.

The Group is required to comply with the disclosure and necessary capital management as prescribed in the Main Market Listing Requirements of Bursa Securities.

31. SIGNIFICANT EVENT DURING THE FINANIAL YEAR

On 3 December 2013, the Company announced that Zelinn Limted, a wholly-owned subsidiary of the Company, has completed the acquisition of a freehold property known as The Lodge, 1 Princes Road, Liverpool, L8 1TG and registered at HM Land Registry with absolute title under title number MS865 for a cash consideration of £1,600,000 (equivalent to approximately RM8.1 million) (exclusive of value added tax chargeable) from Southerplus Limited, a company incorporated and registered in England and Wales with company number 02986184 whose registered office is at 308 Smithdown Road, Liverpool, Merseyside, United Kingdom, L15 5AJ pursuant to a Contract for the Sale of Freehold Land subject to Leases on 3 September 2013.

SUPPLEMENTARY INFORMATION
On The Disclosure Of Realised And Unrealised Profits Or Losses

On 25 March 2010, Bursa Securities issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of the Main Market Listing Requirements of Bursa Securities. The directive requires all listed issuers to disclose the breakdown of the accumulated losses as at the end of the reporting period, into realised and unrealised profits and losses.

On 20 December 2010, Bursa Securities further issued guidance on the disclosure and the format required.

Pursuant to the directive, the amounts of realised and unrealised profits or losses included in the accumulated losses of the Group and the Company as at 31 December 2013 are as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Total accumulated losses of the Company and its subsidiaries				
- Realised	(56,474)	(43,525)	(27,337)	(19,724)
- Unrealised	(67)	10	-	-
	(56,541)	(43,515)	(27,337)	(19,724)
Add : Consolidation adjustments	32,131	24,593	-	-
Total accumulated losses as per statements of financial position	(24,410)	(18,922)	(27,337)	(19,724)

The determination of realised and unrealised profits is based on Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits and Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Securities and should not be applied for any other purposes.

STATEMENT BY DIRECTORS
Pursuant to Section 169(15) of the Companies Act, 1965

We, **LOO PAK SOON** and **OH HOCK LYE**, being two of the Directors of the KUMPULAN POWERNET BERHAD, do hereby state that in the opinion of the Directors, the financial statements set out on pages 40 to 97 are properly drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2013 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out on page 98 to the financial statements have been compiled in accordance with the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants.

On behalf of the Board,

LOO PAK SOON
Director

OH HOCK LYE
Director

Kuala Lumpur
22 April 2014

STATUTORY DECLARATION
Pursuant to Section 169(16) of the Companies Act, 1965

I, **LOO PAK SOON**, being the Director primarily responsible for the financial management of KUMPULAN POWERNET BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 40 to 97, and the supplementary information set out on page 98 are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

LOO PAK SOON

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 22 April 2014.

Before me,

Commissioner for Oaths
ZULKIFLA MOHD DAHLIM
No. W541

Date: 22 April 2014

INDEPENDENT AUDITORS' REPORT
to the members of Kumpulan Powernet Berhad

Report on the Financial Statements

We have audited the financial statements of Kumpulan Powernet Berhad, which comprise the statements of financial position as at 31 December 2013 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 40 to 97.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Company's preparation of financial statements that give a true and fair view 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 Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2013 and of their financial performance and cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Companies Act, 1965 in Malaysia to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Companies Act, 1965 in Malaysia.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 5 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Companies Act, 1965 in Malaysia.

INDEPENDENT AUDITORS' REPORT
to the members Of Kumpulan Powernet Berhad (continued)

Other Reporting Responsibilities

The supplementary information set out in page 98 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

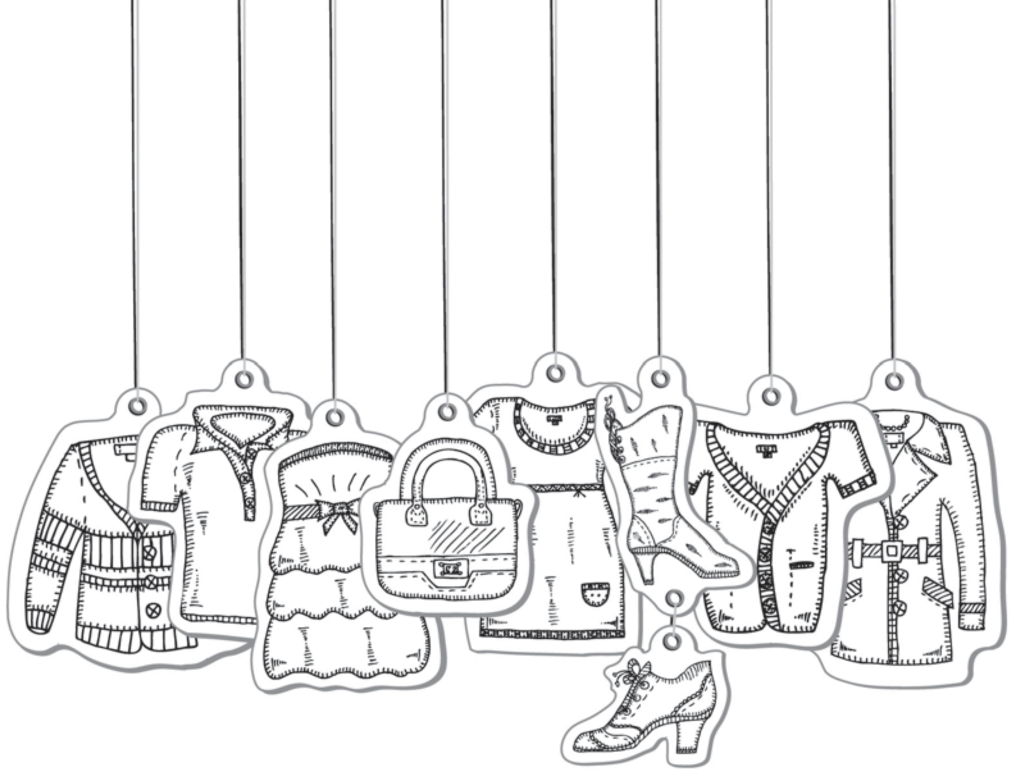
BAKER TILLY MONTEIRO HENG
No. AF 0117
Chartered Accountants

ANDREW HENG
No. 2935/08/14(J)
Chartered Accountant

Kuala Lumpur
22 April 2014

LIST OF PROPERTIES
as at 31 December 2013

Location	Description	Land/Area Built-up area	Usage	Tenure/ Approximate Age of Building	Net Book Value (RM)	Date of Valuation/ Acquisition
HS (M) 3440 & HS (M) 3152 Lot No. PT 12385 & PT 11980 Parcel Nos.15, 16, 20 to 24 & Parcel Nos. 9 to 14 Locality at Taman Benus Jaya Mukim of Bentong District of Bentong State of Pahang Darul Makmur	13 units of flats	Not applicable/ 493.5 sq.ft. each	Staff dwelling	Freehold / 15 years	316,327	21 December 2010
HSM 4170 Lot No. PT 15660 (Formerly known as Lot 2120 & Lot 2121) Locality at No.53, 3 3/4 Mile, Jalan Bentong-Kuala Lumpur, 28700 Mukim of Bentong District of Bentong State of Pahang Darul Makmur	Industrial land and Building	255,274.5 sq.ft./ Approximately 120,000 sq.ft	Office and factory	Freehold / 27 years	10,137,413	21 December 2010
Title Number GM977075 Unit 32, Waters Edge Business Park, Modwen Road Salford (M5 3EZ) United Kingdom	Land and Building	786 sq.ft. (73 sq m) 1,180 sq.ft. (109.60 sq m)	Office	Leasehold 999 years / 20 years	588,212	23 April 2010
Title Number MS865 The Lodge, 1 Princes Road, Liverpool, L8 1TG, United Kingdom	Land and Building	1,450 sq ft	Student dwelling	Freehold / 116 years	9,044,516	03 December 2013



ANALYSIS OF SHAREHOLDINGS

ANALYSIS OF SHAREHOLDINGS
as at 7 May 2014

SHARE CAPITAL

Authorised Share Capital	:	RM100,000,000
Issued and fully paid-up capital	:	RM56,375,000
Class of Shares	:	Ordinary shares of RM1.00 each
Voting rights	:	One (1) vote per ordinary share

ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Capital
Less than 100	268	24.52	14,386	0.03
100 – 1,000	66	6.04	34,676	0.06
1,001 – 10,000	620	56.72	1,755,336	3.11
10,001 – 100,000	117	10.70	3,160,074	5.61
100,001 to less than 5% of issued shares	19	1.74	19,602,670	34.77
5% and above of issued shares	3	0.27	31,807,858	56.42
Total	1,093	100.00	56,375,000	100.00

List of Thirty Largest Shareholders

No.	Name	No. of Shares Held	%
1.	SJ Sec Nominees (Tempatan) Sdn Bhd *(Bright Existence Sdn Bhd)*	13,332,550	23.65
2.	Advance Synergy Capital Sdn Bhd	11,275,308	20.00
3.	Cheng Kok Ding @ Tank Kok Ding	7,200,000	12.77
4.	Loo Pak Soon	2,778,600	4.93
5.	Azran bin Haji Abdul Rahman	2,749,100	4.88
6.	Banyan Sea Sdn Bhd	2,700,000	4.79
7.	Chew Lee Fong	2,520,000	4.47
8.	Chew Lee Hwa	2,445,300	4.34
9.	Cheng Chuen Fang	1,321,500	2.34
10.	Megalpha Sdn Bhd	965,050	1.71
11.	Bright Existence Sdn Bhd	938,575	1.66
12.	HDM Nominees (Tempatan) Sdn Bhd *(UOB Kay Hian Pte Ltd for Aminuddin bin Omar Azaddin)*	550,000	0.98

ANALYSIS OF SHAREHOLDINGS
as at 7 May 2014 (continued)

List of Thirty Largest Shareholders (continued)

No.	Name	No. of Shares Held	%
13.	Kam Kin Foong	511,625	0.91
14.	Chang Ching Chun	479,000	0.85
15.	SJ Sec Nominees (Tempatan) Sdn Bhd *(Pledged Securities Account for Chew Lee Hwa)*	433,400	0.77
16.	Chang Meei Ling	299,700	0.53
17.	Lau Sek Chai	242,570	0.43
18.	Lim Hong Liang	200,750	0.36
19.	CIMSEC Nominees (Tempatan) Sdn Bhd *(CIMB Bank for Lai Meng (MM1088))*	137,500	0.24
20.	Introscape Sdn Bhd	110,000	0.20
21.	Lee Kim Cher	110,000	0.20
22.	Syarikat Rimba Timur (RT) Sdn Bhd	110,000	0.20
23.	CIMSEC Nominees (Tempatan) Sdn Bhd *(CIMB Bank for Kok Choon Ming (MY1399))*	98,700	0.18
24.	Toh Chooi Seng	98,000	0.17
25.	Truly Home Development Sdn Bhd	97,600	0.17
26.	Tang Lean Yoke	96,250	0.17
27.	Lua Peng Sau	93,500	0.17
28.	Pang Iu @ Phang Joo	92,650	0.16
29.	Evelyn Lau Sie Jiong	85,300	0.15
30.	Oh Hock Lye	82,500	0.15
	Total	**52,155,028**	**92.53**

ANALYSIS OF SHAREHOLDINGS
as at 7 May 2014 (continued)

SUBSTANTIAL SHAREHOLDERS
(As shown in the Register of Substantial Shareholders)

	No. of Ordinary Shares of RM1.00 Each			
Name of Substantial Shareholders	**Direct**	**%**	**Indirect**	**%**
1) Bright Existence Sdn Bhd ①	14,271,125	25.31	-	-
2) Dato' Ahmad Sebi Bakar ①	-	-	25,546,433 ②	45.32
3) Advance Synergy Capital Sdn Bhd ①	11,275,308	20.00	-	-
4) Advance Synergy Berhad ①	-	-	11,275,308 ③	20.00
5) Cheng Kok Ding @ Tank Kok Ding ①	7,200,000	12.77	-	-
6) Suasana Dinamik Sdn Bhd ①	-	-	11,275,308 ④	20.00
7) Chew Lee Hwa	2,878,700	5.11	-	-

STATEMENT ON DIRECTORS' INTERESTS IN THE COMPANY
and related corporations as at 7 May 2014

In the Company	No. of Ordinary Shares of RM1.00 Each			
Name of Directors	**Direct**	**%**	**Indirect**	**%**
1) Dato' Ahmad Sebi Bakar ①	-	-	25,546,433 ②	45.32
2) Loo Pak Soon	2,778,600	4.93	-	-
3) Oh Hock Lye	82,500	0.15	1,476,675 ⑤	2.62
4) Lim Hong Liang	200,750	0.36	-	-
5) Chim Wai Khuan	-	-	-	-
6) Noorsiha bt Ismail	-	-	-	-

Notes:

① By virtue of their interest in the Company, they are also deemed to be interested in the shares of all investee companies (including subsidiaries) to the extent that the Company has an interest.

② Deemed interested by virtue of his substantial shareholding in Bright Existence Sdn Bhd and Advance Synergy Berhad.

③ Deemed interested by virtue of its substantial shareholding in Advance Synergy Capital Sdn Bhd.

④ Deemed interested by virtue of its substantial shareholding in Advance Synergy Berhad.

⑤ Deemed interested by virtue of his substantial shareholding in Megalpha Sdn Bhd and this includes his spouse's interest in the ordinary shares of the Company which shall be treated as his interest in the ordinary shares of the Company pursuant to Section 134(12)(c) of the Act.

KUMPULAN POWERNET BERHAD
(Company No. 419227-X)
(Incorporated in Malaysia)

Form of Proxy

No. of Shares Held	

I/We ______________________________ Contact No. ______________
(full name in block letters)

NRIC/Company No. ______________________ or CDS Account No. ______________
(for nominee companies only)

of ____
(full address)

being a shareholder/shareholders of **Kumpulan Powernet Berhad**, hereby appoint ______________

______________________________ NRIC No. ______________
(full name in block letters)

of ____
(full address)

or failing him/her ______________________________ NRIC No. ______________
(full name in block letters)

of ____
(full address)

or failing *him/her, THE CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us and on my/our behalf at the **Seventeenth Annual General Meeting** of the Company to be held at the Auditorium, Level 4, The Podium, Wisma Synergy, No. 72, Pesiaran Jubli Perak, Seksyen 22, 40000 Shah Alam, Selangor Darul Ehsan on Monday, 30 June 2014 at 9.30 a.m. and at any adjournment thereof and thereat to vote as indicated below:

Please indicate with (√) how you wish to cast your vote. If neither "**FOR**" nor "**AGAINST**" is indicated, the proxy will vote or abstain from voting at his/her discretion.

NO.	RESOLUTIONS	FOR	AGAINST
1.	Approval of the payment of Directors' fees.		
2.	Re-election of Loo Pak Soon as Director.		
3.	Re-election of Oh Hock Lye as Director.		
4.	Re-appointment of Messrs Baker Tilly Monteiro Heng as auditors of the Company and authorisation for the Directors to fix their remuneration.		
5.	Authorisation for Directors to allot and issue new shares pursuant to Section 132D of the Companies Act, 1965.		

**Strike out whichever is inapplicable.*

Dated this ____________ day of ______________________ 2014

____
Signature of Shareholder/Common Seal

Notes:

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 16 June 2014 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this meeting.
2. A member of the Company entitled to attend and vote at the general meeting is entitled to appoint up to two (2) proxies to attend and vote in his/her stead. There shall be no restriction as to the qualification of the proxy. Where a member appoints two (2) proxies, he shall specify the proportion of his shareholdings to be represented by each proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.
3. A member of the Company who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with shares of the Company standing to the credit of the said securities account.
4. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, which holds ordinary shares in the Company for multiple beneficial owners in one 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.
5. The instrument appointing a proxy in the case of an individual shall be signed by the appointer or his/her attorney duly authorised in writing and in the case of a corporation, the instrument appointing a proxy must be under its common seal or under the hand of an officer or attorney duly authorised.
6. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed (or a notarially certified copy of such power or authority) shall be deposited at the Registered Office of the Company at Level 3, East Wing, Wisma Synergy, No. 72, Pesiaran Jubli Perak, Seksyen 22, 40000 Shah Alam, Selangor Darul Ehsan not less than 48 hours before the time appointed for holding the meeting or any other adjournment thereof.

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AFFIX
STAMP

THE COMPANY SECRETARY
KUMPULAN POWERNET BERHAD
Level 3, East Wing, Wisma Synergy
No. 72, Pesiaran Jubli Perak
Seksyen 22, 40000 Shah Alam
Selangor Darul Ehsan
Malaysia

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KUMPULAN POWERNET BERHAD (419227-X)
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