


Company No: 1242774 - U

Certified True Copy


.....
SHERINA FLORIDA BINTI MAT ISA
Chartered Accountant
MIA 34792

TELEKOSANG HYDRO TWO SDN. BHD.
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS
30 JUNE 2019


WAN NADZIR & CO.
Chartered Accountants

Company No: 1242774 - U

TELEKOSANG HYDRO TWO SDN. BHD.
(Incorporated in Malaysia)

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SHERIN KORIDA BINTI MAT ISA
Chartered Accountant
MIA 34792

TELEKOSANG HYDRO TWO SDN. BHD.
(Incorporated in Malaysia)

CORPORATE INFORMATION

| | |
|-----------------------------|--|
| Board of Directors | : Saridah binti Mohd Dun Baevinraj Thiagarajah (Appointed on 1.10.2018) Nurhaida binti Abu Sahid (Appointed on 1.10.2018) Datuk Haji Jamalul Kiram bin Mohd Zakaria (Appointed on 7.3.2019) Ronald Ong (Appointed on 7.3.2019) Beroz Nikmal bin Mirdin (Resigned on 1.10.2018) Jeriol @ Douglas Joinol (Resigned on 7.3.2019) Datuk Hajah Rosmawati binti Haji Lasuki (Resigned on 7.3.2019) |
| Company Secretaries | : Hasbi bin Tangge |
| Registered Office | : No F-3-7 Block F Lot 37 3rd Floor, Lorong Plaza Utama Alamesra, 88400 Kota Kinabalu, Sabah, Malaysia. |
| Principal Place of Business | : Suite 2, 2nd Floor, Block A, Iramanis Centre Jalan Lintas, 88450 Kota Kinabalu, Sabah. |
| Auditors | : Wan Nadzir & Co. Chartered Accountants |
| Banker | : CIMB Bank Berhad |

Company No: 1242774 - U



 SHERIN FLORIDA BINTI MAT ISA
 Chartered Accountant
 MIA 34792

TELEKOSANG HYDRO TWO SDN. BHD.
 (Incorporated in Malaysia)

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The Company is principally engaged in the development of small hydro - power scheme.

There have been no significant changes in the nature of the activity of the Company during the financial year.

FINANCIAL RESULTS

| | RM |
|---------------------------------|----------------------|
| Net loss for the financial year | <u><u>55,272</u></u> |

DIVIDENDS

There were no dividends paid or declared by the Company since end the previous financial period.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

During the financial year, the following shares were issued:-

| <u>Date of issue</u> | <u>Purpose of issue</u> | <u>Class of share</u> | <u>Number</u> | <u>Terms of issue</u> |
|----------------------|-------------------------|-----------------------|---------------|-----------------------|
| 7.5.2019 | Working capital | Preference | 2,500,000 | Cash |

There were no debentures issued during the financial year.

Company No: 1242774 - U

TELEKOSANG HYDRO TWO SDN. BHD.
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INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements of the Company were made out, the Directors took reasonable steps: -

- a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and have satisfied themselves that there were no bad debts to be written-off and no allowance for doubtful debts was required; and
- b) to ensure that any current assets which were unlikely to be realized in the ordinary course of business including their values as shown in the accounting records of the Company have been written down to an amount which they might be expected so to realize.

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

- a) which would render it necessary to write off any bad debts or to make any allowance for doubtful debts in the financial statements of the Company; or
- b) which would render the values attributed to current assets in the financial statements of the Company misleading; or
- c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

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

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

- a) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- b) any contingent liability of the Company which has arisen since the end of the financial year.

OTHER STATUTORY INFORMATION

The Directors state that:-

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 which would render any amount stated in the financial statements misleading.

In the opinion of Directors:-

- a) the results of the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature which is likely to affect substantially the results of the operations of the Company for the current financial period in which this report is made.

Company No: 1242774 - U

TELEKOSANG HYDRO TWO SDN. BHD.
(Incorporated in Malaysia)

DIRECTORS

The names of the Directors of the company in the office during the financial year and at the date of this report are:-

Saridah binti Mohd Dun
Baevinraj Thiagarajah (Appointed on 1.10.2018)
Nurhaida binti Abu Sahid (Appointed on 1.10.2018)
Datuk Haji Jamalul Kiram bin Mohd Zakaria (Appointed on 7.3.2019)
Ronald Ong (Appointed on 7.3.2019)
Beroz Nikmal bin Mirdin (Resigned on 1.10.2018)
Jeriol @ Douglas Joinol (Resigned on 7.3.2019)
Datuk Hajah Rosmawati binti Haji Lasuki (Resigned on 7.3.2019)

DIRECTORS' INTERESTS

According to the register required to be kept under Section 59 of the Companies Act, 2016, none of the Directors held any shares in the Company during the financial year.

HOLDING COMPANY

The ultimate holding company of the company is Jentayu Capital Sdn. Bhd., a company incorporated and domiciled in Malaysia.

The immediate holding company of the company is Senja Optima Sdn. Bhd., a company incorporated and domiciled in Malaysia.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

Since the end of the previous financial period, no Director has received or become entitled to receive any benefits by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a Company in which he has a substantial financial interest.

AUDITORS' REMUNERATION

The amount paid as remuneration of the auditors for the financial year ended 30 June 2019 is as disclosed in Note 12 to the financial statements.

INDEMNITY AND INSURANCE COSTS

There were no indemnity given to or insurance effected for any other officers or auditors of the Company.

Company No: 1242774 - U

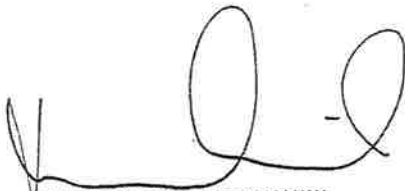

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SHERIN FLORIDA BINTI MAT ISA
Chartered Accountant
MIA 34792

TELEKOSANG HYDRO TWO SDN. BHD.
(Incorporated in Malaysia)

AUDITORS

The auditors, Wan Nadzir & Co., have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the Director.



.....
Nurhaida binti Abu Sahid
Director



.....
Raevinraj Thangarajah
Director

Ipoh
Dated: **12 DEC 2019**

Company No: 1242774 - U

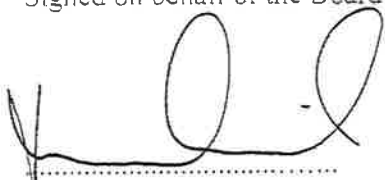
TELEKOSANG HYDRO TWO SDN. BHD.
(Incorporated in Malaysia)

STATEMENT BY DIRECTOR

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

We, Nurhaida binti Abu Sahid and Baevinraj Thiagarajah, being two of the Director of Telekosang Hydro Two Sdn. Bhd., do hereby state that in the opinion of the Director, the financial statements set out on pages 10 to 24 are drawn up in accordance with Malaysian Private Entities Reporting Standard and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the state of affairs of the Company as at 30 June 2019 and of financial performance and cash flows of the Company for the financial year ended on that date.

Signed on behalf of the Board of Director in accordance with a resolution of the Director.


.....
Nurhaida binti Abu Sahid
Director


.....
Baevinraj Thiagarajah
Director

Ipoh
Dated: **12 DEC 2019**

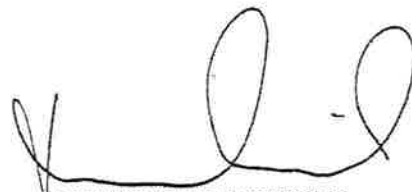
STATUTORY DECLARATION

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

I, Nurhaida bin Abu Sahid being the Director primarily responsible for the financial management of Telekosang Hydro Two Sdn. Bhd., do solemnly and sincerely declare that the financial statements set out on pages 10 to 24 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declaration Act, 1960.

Subscribed and solemnly declared
by the above named
at Ipoh in the State of
Perak Darul Ridzuan
this day of **12 DEC 2019**




.....
Nurhaida binti Abu Sahid



WAN NADZIR & CO.

Chartered Accountants

AF1234

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SHERINA FLORIDA BINTI MAT ISA
Chartered Accountant
MIA 34792

AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORTS TO THE MEMBERS OF TELEKOSANG HYDRO TWO SDN. BHD. (Company No: 1242774 - U)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Telekosang Hydro Two Sdn. Bhd., which comprise the statement of financial position as at 30 June 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flow for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 10 to 24.

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

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Company does not cover the Directors' Report and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements of the Company, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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



AUDITORS' REPORT (CONTINUED)

INDEPENDENT AUDITORS' REPORTS TO THE MEMBERS OF TELEKOSANG HYDRO TWO SDN. BHD. (Company No: 1242774 - U)

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

AUDITORS' REPORT (CONTINUED)

INDEPENDENT AUDITORS' REPORTS TO THE MEMBERS OF TELEKOSANG HYDRO TWO SDN. BHD. (Company No: 1242774 - U)

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

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

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

Other Matters

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



WAN NADZIR & CO.
No. AF: 1234
Chartered Accountants



MOHAMAD SHARIFF BIN SAREPUDIN
Approval No. 03035/04/2021 J
Partner of the Firm

Ipoh

Date: 12 DEC 2019

Company No: 1242774 - U

TELEKOSANG HYDRO TWO SDN. BHD.
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Chartered Accountant
MIA 34792

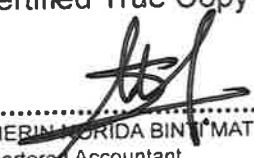
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

| | <u>Note</u> | <u>2019</u> RM | <u>2018</u> RM |
|--|-------------|-------------------|-------------------|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 4 | 31,345,686 | 1,983,917 |
| Total non-current assets | | 31,345,686 | 1,983,917 |
| CURRENT ASSETS | | | |
| Other receivable | 5 | 15,320 | - |
| Cash and bank balances | | 4,443,820 | 25,340 |
| Total current assets | | 4,459,140 | 25,340 |
| TOTAL ASSET | | 35,804,826 | 2,009,257 |
| EQUITY | | | |
| Share capital | 6 | 50,265 | 50,265 |
| Accumulated losses | | (77,763) | (22,491) |
| Total equity | | (27,498) | 27,774 |
| NON-CURRENT LIABILITIES | | | |
| Redeemable preference shares | 7 | 2,500,000 | - |
| Total non-current liabilities | | 2,500,000 | - |
| CURRENT LIABILITIES | | | |
| Trade payable | | 10,038,894 | - |
| Other payables | 8 | 21,700 | 333,824 |
| Amount due to related company | 9 | 198,091 | - |
| Amount due to ultimate holding company | 10 | 23,073,638 | 1,647,659 |
| Total current liabilities | | 33,332,323 | 1,981,483 |
| TOTAL LIABILITIES | | 35,832,323 | 1,981,483 |
| TOTAL EQUITY AND LIABILITIES | | 35,804,825 | 2,009,257 |

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

Company No: 1242774 - U

TELEKOSANG HYDRO TWO SDN. BHD.
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 SHERINA FLORIDA BIN MAT ISA
 Chartered Accountant
 MIA 34792

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**


| | <u>Share capital</u> RM | <u>Accumulated losses</u> RM | <u>Total</u> RM |
|---|--------------------------------|-------------------------------------|--------------------|
| At 11 August 2017 (date of incorporation) | 50,265 | - | 50,265 |
| Net loss for the financial period | - | (22,491) | (22,491) |
| At 30 June 2018 | 50,265 | (22,491) | 27,774 |
| Net loss for the financial year | - | (55,272) | (55,272) |
| At 30 June 2019 | 50,265 | (77,763) | (27,498) |

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

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TELEKOSANG HYDRO TWO SDN. BHD.
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Chartered Accountant
MIA 34792


**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

| | | 1.7.2018 to 30.6.2019 RM | 11.8.2017 to 30.6.2018 RM |
|---|----|-----------------------------------|------------------------------------|
| Revenue | 11 | - | - |
| Cost of sales | | - | - |
| Gross profit | | - | - |
| Other operating income | | 204 | 16 |
| Administrative expenses | | (55,476) | (22,507) |
| Loss before taxation | 12 | (55,272) | (22,491) |
| Taxation | 13 | - | - |
| Net loss for the financial year/period/ Total comprehensive loss | | (55,272) | (22,491) |

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

Company No: 1242774 - U

TELEKOSANG HYDRO TWO SDN. BHD.
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MIA 34792

**STATEMENT OF CASH FLOW
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**


| | 1.7.2018 to 30.6.2019 RM | 11.8.2017 to 30.6.2018 RM |
|---|-----------------------------------|------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Loss before taxation | (55,272) | (22,491) |
| Adjustments for:- | | |
| Depreciation of property, plant and equipment | 103 | - |
| Operating loss before working capital changes | (55,169) | (22,491) |
| Changes in working capital:- | | |
| Receivables | (15,320) | - |
| Payables | 9,726,770 | 333,824 |
| Ultimate holding company | 21,624,070 | 1,647,659 |
| Related company | 198,091 | - |
| Net cash generated from operating activities | 31,280,351 | 1,958,992 |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (29,361,871) | (1,983,917) |
| Net cash used in investing activities | (29,361,871) | (1,983,917) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Issuance of ordinary shares | - | 50,265 |
| Issuance of redeemable preference shares | 2,500,000 | - |
| Net cash generated from financing activities | 2,500,000 | 50,265 |
| CASH AND CASH EQUIVALENTS | | |
| Net increase | 4,418,480 | 25,340 |
| At beginning of financial year/period | 25,340 | - |
| At end of financial year/period | 4,443,820 | 25,340 |

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

Company No: 1242774 - U

TELEKOSANG HYDRO TWO SDN. BHD.
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Chartered Accountant
MIA 34792

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2019

1. GENERAL INFORMATION

The Company is principally engaged in the development of small hydro - power scheme.

There have been no significant changes in the nature of the activity of the Company during the financial year.

The Company is a private limited liability company, incorporated and domiciled in Malaysia.

The ultimate holding company of the Company is Jentayu Capital Sdn. Bhd., a private limited liability company, incorporated and domiciled in Malaysia.

The immediate holding company of the Company is Senja Optima Sdn. Bhd., a private limited liability company, incorporated and domiciled in Malaysia.

The registered office of the Company is located at No F-3-7 Block F Lot 37 3rd Floor, Lorong Plaza Utama Alamesra, 88400 Kota Kinabalu, Sabah.

The principal place of business of the Company is located at Suite 2, 2nd Floor, Block A, Iramanis Centre Jalan Lintas, 88450 Kota Kinabalu, Sabah.

The Company has not employed any employees in the company since the date of its incorporation.

The financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the Directors on 12 December 2019.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Statement of compliance

The financial statements of the Company have been prepared in accordance with Malaysian Private Entities Reporting Standard ('MPERS') and the requirements of the Companies Act, 2016 in Malaysia.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis unless otherwise disclosed.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with MPERS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

TELEKOSANG HYDRO TWO SDN. BHD.
(Incorporated in Malaysia)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

2.4 Use of estimates and judgements (continued)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation and uncertainty and critical judgments in applying accounting policies that have significant effect on the amount recognized in the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by the company, unless otherwise stated.

3.1 Property, plant and equipment

a. Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. Cost also may include transfers from equity of any gain or loss on qualifying hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other operating income" or "other operating expenses" respectively in profit or loss.

TELEKOSANG HYDRO TWO SDN. BHD.
(Incorporated in Malaysia)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Property, plant and equipment (continued)

b. Subsequent cost

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day to day servicing of property, plant and equipment are recognised in profit or loss as incurred.

c. Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Property, plant and equipment under construction such as capital work-in-progress are not depreciated until the assets are ready for their intended use.

Capital work-in-progress are not depreciated but are subject to impairment test if there is any indication of impairment.

The principal annual rates for the current year are as follow: -

| | |
|-----------------|-----|
| Air conditioner | 20% |
|-----------------|-----|

If there is an indication that there has been a significant change since the last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits, the Company would review its present depreciation method and, if current expectations differ, the Company would amend the residual value, depreciation method or useful life to reflect the new pattern.

3.2 Impairment of non-financial assets

The carrying amounts of non-financial assets (i.e. property, plant and equipment, investment property, and intangible assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or cash-generating units. For the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes.

TELEKOSANG HYDRO TWO SDN. BHD.
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Impairment of non-financial assets (continued)

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs 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 risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

3.3 Financial instruments

a. Initial recognition and measurement

A financial asset or financial liability is recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially at the transaction price (including transaction costs except in the initial measurement of a financial asset or financial liability that is measured at fair value through profit or loss) unless the arrangement constitutes, in effect, a financing transaction.

If the arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

b. Subsequent measurement

Debt instruments that meet the following conditions are measured at amortised cost using the effective interest method:

- i. returns to the holder are determinable, e.g. a fixed amount and/or variable rate of return benchmark against a quoted or observable interest rate;
- ii. there is no contractual provision that could result in the holder losing the principal amount or any interest attributable to the current or prior periods; and
- iii. prepayment option, if any, is not contingent on future events

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

b. Subsequent measurement (continued)

Debt instruments that are classified as current assets or current liabilities are measured at the undiscounted amount of the cash or other consideration expected to be paid or received unless the arrangement constitutes, in effect, a financing transaction.

Investments in non-puttable ordinary shares, and investments in non-convertible and non-puttable preference shares are measured at cost less impairment, unless the shares are publicly traded or their fair value can otherwise be measured reliably, in which case the investments are measured at fair value with changes in fair value recognised in profit or loss.

All other financial assets or financial liabilities not measured at amortised cost or cost less impairment are measured at fair value with changes recognised in profit or loss.

All financial assets (except for financial assets measured at fair value through profit or loss) are assessed at each reporting date whether there is any objective evidence of impairment. An impairment loss is measured as follows:

c. Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or are settled, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset derecognised and the consideration received, including any newly created rights and obligations, is recognised in profit or loss.

A financial liability or part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3.4 Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

a. Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognized as a deduction from equity, net of any related income tax benefit.

b. Ordinary shares

Ordinary shares are classified as equity.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Revenue

There is no revenue generated by the company during the year ended.

3.6 Income tax

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

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

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accountings nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

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

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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4. PROPERTY, PLANT AND EQUIPMENT

| | Capital Work-in- progress RM | Office equipment RM | <u>2019</u> RM | <u>2018</u> RM |
|---|---------------------------------------|---------------------------|-------------------|-------------------|
| Cost | | | | |
| At the beginning of financial year/period | 1,983,917 | - | 1,983,917 | - |
| Additions | 29,361,312 | 560 | 29,361,872 | 1,983,917 |
| At end of financial year/period | 31,345,229 | 560 | 31,345,789 | 1,983,917 |
| Accumulated depreciation | | | | |
| At the beginning of financial year/period | - | - | - | - |
| Charge for the year/period | - | 103 | 103 | - |
| At end of financial year/period | - | 103 | 103 | - |
| Net carrying value | | | | |
| At 30.6.2019 | 31,345,229 | 457 | 31,345,686 | - |
| At 30.6.2018 | 1,983,917 | - | - | 1,983,917 |

The Capital work-in-progress is in respect of preparation and set up costs for small-hydropower plants.

Impairment assessment

The Company assessed whether there were an indicators of impairment during the financial year. In doing this, management considered the current environments and performance of the capital work-in-progress.

Management has made estimates about the future results and key assumptions applied to cash flow projection of the capital work-in-progress in determining their recoverable amounts using the Value-In-Use model ("VIU"). These key assumptions include forecast growth in future revenues and operating profit margins, as well as determining an appropriate pre-tax discount rate and growth rate. Management has determined that the recoverable amounts are in excess of the carrying amounts of the capital work-in-progress and no impairment has been recorded in the current year.

5. OTHER RECEIVABLE

| | <u>2019</u> RM | <u>2018</u> RM |
|------------|-------------------|-------------------|
| Prepayment | 15,320 | - |

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6. SHARE CAPITAL

| | No. of shares <u>2019</u> Unit | Amount <u>2019</u> RM | No. of shares <u>2018</u> Unit | Amount <u>2018</u> RM |
|--|--------------------------------------|-----------------------------|--------------------------------------|-----------------------------|
| <u>Ordinary shares:-</u> | | | | |
| At beginning of financial year/ Date of incorporation | 71,500 | 50,265 | 2 | 2 |
| Issued during the financial year/ period | - | - | 71,498 | 50,263 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At end of the financial year/ period | <u>71,500</u> | <u>50,265</u> | <u>71,500</u> | <u>50,265</u> |

The issuance of new ordinary shares by the Company subsequent to the reporting date has no par value and is as follow :-

- a. On 11 September 2017, the issued and paid up capital was increased from RM2 to RM50,000 by the issuance of 49,998 ordinary shares at an issue price of RM1 each for cash to provide for additional working capital. The newly issued shares rank pari passu with their existing shares of the Company except that the shares do not rank for any interim dividends declared for the financial period.
- b. On 25 January 2018, the issued and paid up capital was increase from RM50,000 to RM50,050 by the issuance of 50 ordinary shares at an issue price of RM1 each for cash to provide for additional working capital. The newly issued shares rank pari passu with their existing shares of the Company except that the shares do not rank for any interim dividends declared for the financial period.
- c. On 2 February 2018, the issued and paid up capital was increased from RM50,050 to RM50,265 by the issuance of 21,450 ordinary shares at an issue price of RM0.01 each for cash to provide for additional working capital. The newly issued shares rank pari passu with their existing shares of the Company except that the shares do not rank for any interim dividends declared for the financial period.

Fully paid ordinary shares, which have no par value, carry one vote per share and a right to dividends as and when declared by the Company.

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7. REDEEMABLE PREFERENCE SHARES

| | No. of shares <u>2019</u> Unit | Amount <u>2019</u> RM | No. of shares <u>2018</u> Unit | Amount <u>2018</u> RM |
|--|--------------------------------------|-----------------------------|--------------------------------------|-----------------------------|
| <u>Redeemable preference shares:-</u> | | | | |
| At beginning of financial year/ Date of incorporation | - | - | - | - |
| Issued during the financial year/ period | 2,500,000 | 2,500,000 | - | - |
| At end of the financial year/ period | 2,500,000 | 2,500,000 | - | - |

On 7 May 2019, 2,500,000 units of redeemable preference shares were issued at an issue price of RM1.00 each for cash to provide for additional working capital. The redeemable preference shares carry a mandatory dividend which will be redeemed out of retained profits, a fresh issue of shares or capital of the Company in compliance with relevant laws. The effective interest rate of the redeemable preference shares is 8.0% per annum.

8. OTHER PAYABLES

| | <u>2019</u> RM | <u>2018</u> RM |
|---------------------|-------------------|-------------------|
| Non-trade payables | 1,068 | - |
| Accrual of expenses | 20,632 | 333,824 |
| | <u>21,700</u> | <u>333,824</u> |

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9. AMOUNT DUE TO RELATED COMPANY

| | <u>Transaction</u> RM | Amount due as <u>at 30.6.2019</u> RM | <u>Transaction</u> RM | Amount due as <u>at 30.6.2018</u> RM |
|---|--------------------------|--|--------------------------|--|
| Advanced from related company - Telekosang Hydro One Sdn. Bhd. | 198,091 | 198,091 | - | - |

Amount due to related company is unsecured, interest-free and has no fixed terms of repayment.

10. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

| | <u>Transaction</u> RM | Amount due as <u>at 30.6.2019</u> RM | <u>Transaction</u> RM | Amount due as <u>at 30.6.2018</u> RM |
|--|--------------------------|--|--------------------------|--|
| Advanced from ultimate holding company | 21,425,979 | 23,073,638 | 1,647,659 | 1,647,659 |

Amount due to ultimate holding company is unsecured, interest-free and has no fixed terms of repayment.

11. REVENUE

There is no revenue generated during the financial year.

12. LOSS BEFORE TAXATION

Loss before taxation is stated after charging amongst other items the following: -

| | 1.7.2018 to <u>30.6.2019</u> RM | 11.8.2017 to <u>30.6.2018</u> RM |
|---|--|---|
| Auditors' remunerations | 15,000 | 1,000 |
| Depreciation of property, plant and equipment | <u>103</u> | <u>-</u> |

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13. TAXATION

There is no provision for taxation and a reconciliation of the statutory income tax rate to the effective income tax rate of the Company has not been presented as the Company has no chargeable income.

14. RELATED PARTIES DISCLOSURES

The balance related to related party is shown in Note 9 and 10 to the financial statements.

15. FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are categorized as follows:

| | <u>2019</u> | <u>2018</u> |
|--|-------------------|------------------|
| | RM | RM |
| <u>Financial assets - other loan receivables</u> | | |
| Cash and bank balances | 4,443,820 | 25,340 |
| | <u>4,443,820</u> | <u>25,340</u> |
| <u>Financial liabilities - other financial liabilities</u> | | |
| Trade payables | 10,038,894 | - |
| Other payables | 21,700 | 333,824 |
| Amount due to related company | 198,091 | - |
| Amount due to ultimate holding company | 22,875,547 | 1,647,659 |
| | <u>33,134,232</u> | <u>1,981,483</u> |

16. SUBSEQUENT EVENTS

On 1 July 2019, the Company had issued 12,500,000 units of redeemable preference shares at issue price of RM1.00 per share to ultimate holding company, Jentayu Capital Sdn. Bhd..

On 19 July 2019, the Company had issued 25,000,000 units of redeemable preference shares at issue price of RM1.00 per share to ultimate holding company, Jentayu Capital Sdn. Bhd..