

**Unaudited Condensed Consolidated Statements of Financial Position as at 31 March 2010**

	<b>As at 31/03/10 RM'000</b>	<b>Audited As at 31/12/09 RM'000</b>
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	22,742	22,937
Investment in quoted shares	6	13
	<u>22,748</u>	<u>22,950</u>
<b>Current Assets</b>		
Receivables, deposits and prepayments	5,042	5,060
Inventories	6,803	6,953
Current tax assets	245	234
Cash and cash equivalents	8,502	8,571
	<u>20,592</u>	<u>20,818</u>
<b>TOTAL ASSETS</b>	<u><u>43,340</u></u>	<u><u>43,768</u></u>
<b>EQUITY &amp; LIABILITIES</b>		
<b>Equity attributable to equity holders of the Company</b>		
Share capital	56,375	56,375
Reserves	(15,292)	(14,870)
	<u>41,083</u>	<u>41,505</u>
<b>Non-Controlling Interest</b>	10	8
<b>Total Equity</b>	<u><u>41,093</u></u>	<u><u>41,513</u></u>
<b>Non-Current Liabilities</b>		
Deferred tax liabilities	15	16
Hire purchase creditors	227	329
	<u>242</u>	<u>345</u>
<b>Current Liabilities</b>		
Payables and accruals	1,303	1,212
Short term borrowings	702	698
	<u>2,005</u>	<u>1,910</u>
<b>Total Liabilities</b>	2,247	2,255
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>43,340</u></u>	<u><u>43,768</u></u>
Net assets per share attributable to ordinary equity holders of the Company (RM)	0.73	0.74

The Unaudited Condensed Consolidated Statements of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2009.

**KUMPULAN POWERNET BERHAD**

(Company No.: 419227-X)

**Unaudited Condensed Consolidated Income Statement  
For the first quarter ended 31 March 2010**

	INDIVIDUAL QUARTER 3 months ended		CUMULATIVE QUARTER 3 months ended	
	31.03.10 RM'000	31.03.09 RM'000	31.03.10 RM'000	31.03.09 RM'000
Revenue	4,362	4,411	4,362	4,411
Operating expenses	(4,533)	(4,373)	(4,533)	(4,373)
Other income / (expenses)	(170)	226	(170)	226
Operating (loss) / profit	(341)	264	(341)	264
Finance costs	(15)	(25)	(15)	(25)
(Loss) / Profit before tax	(356)	239	(356)	239
Tax expense	(20)	(56)	(20)	(56)
(Loss) / Profit for the period	(376)	183	(376)	183
Profit attributable to:				
Equity holders of the Company	(378)	158	(378)	158
Non-Controlling Interest	2	25	2	25
Earnings per share attributable to equity holders of the Company (Sen)				
Basic	(0.67)	0.28	(0.67)	0.28

The Unaudited Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with Audited Financial Statements for the year ended 31 December 2009.

**KUMPULAN POWERNET BERHAD**

(Company No.: 419227-X)

**Unaudited Condensed Consolidated Statement of Changes in Equity  
For the first quarter ended 31 March 2010**

2009

	Non-distributable			Total	Minority interest RM'000	Total equity
	Share Capital RM'000	Translation reserve RM'000	Accumulated Losses RM'000	RM'000		RM'000
As at 1 January 2010	56,375	(71)	(14,799)	41,505	8	41,513
Foreign currency translation	-	(44)	-	(44)	-	(44)
Net loss for the period	-	-	(378)	(378)	2	(376)
As at 31 March 2010	<u>56,375</u>	<u>(115)</u>	<u>(15,177)</u>	<u>41,083</u>	<u>10</u>	<u>41,093</u>

The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2009.

**KUMPULAN POWERNET BERHAD**

(Company No.: 419227-X)

**Unaudited Condensed Consolidated Cash Flow Statement  
For the first quarter ended 31 March 2010**

	<b>CUMULATIVE QUARTER</b>	
	<b>3 months ended</b>	
	<b>31.03.10</b>	<b>31.03.09</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flow from operating activities</b>		
Profit / (loss) before taxation	(356)	239
Adjustments for :-		
Non-cash items	370	428
Non-operating items	(47)	(17)
<b>Operating profit / (loss) before changes in working capital</b>	<u>(33)</u>	<u>650</u>
<b>Changes in working capital</b>		
Net change in current assets	16	170
Net change in current liabilities	300	247
<b>Net cash flows (used in)/from operation</b>	<u>283</u>	<u>1,067</u>
Tax paid	(31)	(49)
Tax refund	-	5
Interest paid	(2)	(5)
Interest received	23	38
<b>Net cash (used in)/from operating activities</b>	<u>273</u>	<u>1,056</u>
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	(169)	(48)
Interest received	17	4
<b>Net cash (used in) from investing activities</b>	<u>(152)</u>	<u>(44)</u>
<b>Cash flow from financing activities</b>		
Repayment of hire purchase	(102)	(201)
Drawdown/(Repayment) of short term borrowings	(3)	(106)
Interest paid	(13)	(20)
<b>Net cash used in financing activities</b>	<u>(118)</u>	<u>(327)</u>
<b>Net change in cash and cash equivalents</b>	<u>3</u>	<u>685</u>
<b>Cash and cash equivalents at beginning of year</b>	8,412	6,741
<b>Effect of currency translation differences</b>	(78)	39
	<u>8,334</u>	<u>6,780</u>
<b>Cash and cash equivalents at end of year</b>	<u>8,337</u>	<u>7,465</u>
<b>Cash and cash equivalents at the end of the financial period comprises the following :-</b>		
Cash and bank balance	1,840	2,062
Short term deposits	6,577	5,659
Bank overdraft (included in the short term borrowings)	(80)	(256)
	<u>8,337</u>	<u>7,465</u>

The Unaudited Condensed Consolidated Cash Flow Statements should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2009.

**NOTES TO THE UNAUDITED CONSOLIDATED QUARTERLY RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2010**

**A. Explanatory notes to the interim financial report**

**A1. Basis of preparation**

The interim financial report is unaudited and has been prepared in compliance with the Financial Reporting Standards (“FRS”) 134, “Interim Financial Reporting” issued by the Malaysian Accounting Standards Board (“MASB”) and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The accounting policies and methods of computation adopted by the Group in this interim report are consistent with those adopted in the financial statements for the year ended 31 December 2009.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2009.

The Group has applied the following accounting standards, amendments and interpretations that have been issued by the MASB with effect from 1 January 2010:

**FRSs, Amendments to FRS and Interpretations**

FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 101	Presentation of Financial Statements (Revised)
FRS 123	Borrowing Costs (Revised)
FRS 139	Financial Instruments: Recognition and Measurement
Amendment to FRS 1	First-time Adoption of Financial Reporting Standards
Amendment to FRS 7	Financial Instruments: Disclosures
Amendment to FRS 8	Operating Segments
IC Interpretation 10	Interim Financial reporting and Impairment

The adoption of the above FRSs, IC Interpretations and Amendments to FRSs does not have any material financial effects on the financial statements of the Company.

**A2. Audit report of preceding annual financial statements**

The audit report of the Group’s annual financial statements for the year ended 31 December 2009 was not subject to any qualification.

**A3. Seasonal or cyclical factors**

The demands for the Group’s products are not subjected to cyclical factors.

**A4. Unusual items**

There were no items affecting the assets, liabilities, equity, net income, or cash flow that were unusual because of their nature, size, or incidence.

**A5. Material changes in accounting estimates**

There were no material changes in respect of amounts reported in prior interim periods of the current financial year or prior financial year that have a material effect on the current quarter.

**A6. Issuance, cancellations or repayments of debt and equity securities**

There were no issuance and repayments of debt and equity securities, share buy-back, share cancellations, shares held as treasury shares during the current quarter under review.

**A7. Dividend paid**

No dividend was paid during the current quarter under review.

**A8. Segmental information**

Segmental analysis of the results and assets employed for the three months ended 31 March 2010 are as follows:-

	<b>Revenue</b>	<b>Inter-segment</b>	<b>Total</b>
	<b>RM'000</b>	<b>Sales</b>	
		<b>RM'000</b>	<b>RM'000</b>
Manufacturing	4,008	942	3,066
Trading	1,354	81	1,273
Investment & Others	23	-	23
<hr/>			
Consolidation	5,385	1,023	4,362
<hr/>			
	<b>Profit/(Loss)</b>	<b>Total assets</b>	
	<b>Before taxation</b>	<b>employed</b>	
	<b>RM'000</b>	<b>RM'000</b>	
Manufacturing	(322)	44,850	
Trading	30	1,722	
Investment & Others	(435)	43,512	
<hr/>			
Elimination of inter-segment	(727)	90,084	
	371	(46,744)	
<hr/>			
Consolidation	(356)	43,340	
<hr/>			

**A9. Valuations of property, plant and equipment**

The valuations of property, plant and equipment have been brought forward, without amendments from the previous annual report.

**A10. Events subsequent to the balance sheet date**

On 23 April 2010, the Company's wholly owned subsidiary, Zelinn Limited entered into a Sales & Purchase Agreement with Net Services PLC to acquire an office building known as 32 Water Edges Business Park, Modwen Road, Salford at a total purchase consideration of GBP 141,000 or equivalent to RM0.760 million.

Except for the above, there were no material events subsequent to the end of the financial period that has not been reflected in the financial statements for the period under review:

**A11. Changes in composition of the Group**

There were no material changes in the composition of the Group for the current quarter.

**A12. Changes in contingent liabilities**

The Company provided corporate guarantee for banking facilities granted to its subsidiary companies amounting to RM0.415 million as at 26 May 2010.

**B. Additional Information Required by the Listing Requirements of Bursa Malaysia Securities Berhad**

**B1. Review of performance**

A comparison of the results of current quarter ended 31 March 2010 is as follows:-

	<b>Current Quarter ended 31/03/10 (RM'000)</b>	<b>Current Year to Date 01/01/10 - 31/03/10 (RM'000)</b>
Revenue	4,362	4,362
Loss before taxation	(356)	(356)
Loss after taxation (before non-controlling interest)	(376)	(376)
Loss after taxation (after non-controlling interest)	(378)	(378)

The Group achieved revenue of RM4.362 million and recorded a loss before taxation and non-controlling interest of RM0.356 million and loss after taxation and non-controlling interest of RM0.378 million for the current quarter ended 31 March 2010. The higher losses were attributable to lower profit margin due to higher raw material costs which had increased by 10 – 20% as compared to 2009 and the weaker USD against RM, our main trading currency. For the current quarter under review, the foreign currency loss amounted to RM0.181 million.

**B2. Variation of results against preceding quarter**

	<b>Current Quarter 01/01/10-31/03/10 RM'000</b>	<b>Preceding Quarter 01/10/09–31/12/09 RM'000</b>
Revenue	4,362	5,231
Loss before taxation	(356)	(238)
Loss after taxation (before non-controlling interest)	(376)	(230)
Loss after taxation (after non-controlling interest)	(378)	(159)

For this quarter, the Group reported a loss after taxation but before non-controlling interest of RM0.376 million as compared to a loss after taxation but before non-controlling interest of RM0.230 million in the previous quarter. Revenue decreased by 16.61% as demand for our products in Europe weakened.

Overall, the results of the Group were affected by lower margins due to higher raw material prices and weakening of USD against RM.



**B3. Current year prospects**

We expect performance to improve in the second quarter as the order book has increased. However, there remain concerns in the second half of the financial year over the uncertainties of the market due to the deteriorating financial health of our main trading nations in Europe. This coupled with raw material shortages and fluctuating prices will be a challenging factor for the Group.

We will continue to adopt a prudent approach of focusing on enhancing the concept of 'lean manufacturing', while stringently watching our overheads and increase production efficiencies by redesigning our business process.

**B4. Profit forecast**

Not applicable as no profit forecast and no profit guarantee was published.

**B5. Taxation**

	<b>Individual Quarter</b> 3 months ended 31.03.2010 (RM'000)	<b>Cumulative Quarter</b> 3 months ended 31.03.2010 (RM'000)
Current tax expense	20	20
Deferred tax expense	-	-
Total	20	20

**B6. Unquoted Investments and properties**

There were no sales of properties or investments during the current quarter under review.

**B7. Quoted investments**

There were no purchase or sales of quoted securities for the current quarter ended 31 March 2010.

Total investment in quoted securities as at 31 March 2010 are as follows:-

	RM'000
At cost	<u>13</u>
At book value	<u>6</u>
At market value	<u>6</u>

**B8. Status of corporate proposals**

There were no corporate proposals as at 26 May 2010.

**B9. Borrowing and debt securities**

	<b>Secured RM'000</b>	<b>Unsecured RM'000</b>	<b>Total RM'000</b>
Current			
Trust receipts	118	-	118
Overdraft	165	-	165
Hire purchase creditors	419	-	419
	<hr/> 702	<hr/> -	<hr/> 702
Non-current			
Hire purchase creditors	227	-	227
	<hr/> 227	<hr/> -	<hr/> 227
	<hr/> 929	<hr/> -	<hr/> 929

The above borrowings are denominated in Ringgit Malaysia and the banking facilities are granted to subsidiaries secured against the following:-

- (a) First charge over land and buildings belonging to a subsidiary
- (b) Corporate guarantee by the holding company namely, Kumpulan Powernet Berhad and a subsidiary company.

**B10. Off Balance Sheet financial instruments**

The Group does not have any financial instrument with off balance sheet risk as at 26 May 2010 save as disclosed in Note A12.

**B11. Changes in material litigation**

There is no material litigation pending as at 26 May 2010.

**B12. Dividends**

The Board does not recommend any dividend for the current period under review.

**B13. Profit / (loss) per share**

The calculation of basic loss per share for the current quarter under review is based on the net loss attributable to equity holders of the Company of RM0.378 million. The number of ordinary shares in issue during the current period is 56,375,000.

By Order of the Board

Chow Chooi Yoong  
Company Secretary  
Date : 26 May 2010