

Unaudited Condensed Consolidated Statements of Financial Position as at 30 June 2010

	As at 30/06/10 RM'000	Audited As at 31/12/09 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	23,040	22,937
Investment in quoted shares	6	13
	<u>23,046</u>	<u>22,950</u>
Current Assets		
Receivables, deposits and prepayments	6,005	5,060
Inventories	6,799	6,953
Current tax assets	257	234
Cash and cash equivalents	7,618	8,571
	<u>20,679</u>	<u>20,818</u>
TOTAL ASSETS	<u><u>43,725</u></u>	<u><u>43,768</u></u>
EQUITY & LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	56,375	56,375
Reserves	(15,312)	(14,870)
	<u>41,063</u>	<u>41,505</u>
Non-Controlling Interest	17	8
Total Equity	<u>41,080</u>	<u>41,513</u>
Non-Current Liabilities		
Deferred tax liabilities	15	16
Hire purchase creditors	139	329
	<u>154</u>	<u>345</u>
Current Liabilities		
Payables and accruals	1,824	1,212
Short term borrowings	667	698
	<u>2,491</u>	<u>1,910</u>
Total Liabilities	2,645	2,255
TOTAL EQUITY AND LIABILITIES	<u><u>43,725</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 second quarter ended 30 June 2010**

	INDIVIDUAL QUARTER 3 months ended		CUMULATIVE QUARTER 6 months ended	
	30.06.10 RM'000	30.06.09 RM'000	30.06.10 RM'000	30.06.09 RM'000
Revenue	4,807	4,452	9,169	8,863
Operating expenses	(4,681)	(4,386)	(9,214)	(8,759)
Other income / (expenses)	(105)	47	(275)	273
Operating profit / (loss)	21	113	(320)	377
Finance costs	(13)	(19)	(28)	(44)
Profit / (Loss) before tax	8	94	(348)	333
Tax expense	(20)	(31)	(40)	(87)
Profit / (Loss) for the period	(12)	63	(388)	246
Profit / (Loss) attributable to:				
Equity holders of the Company	(19)	44	(397)	202
Non-Controlling Interest	7	19	9	44
Earnings / (Loss) per share attributable to equity holders of the Company (Sen)				
Basic	(0.03)	0.08	(0.70)	0.36

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 Statements of Comprehensive Income
For the second quarter ended 30 June 2010**

	INDIVIDUAL QUARTER 3 months ended		CUMULATIVE QUARTER 6 months ended	
	30.06.10 RM'000	30.06.09 RM'000	30.06.10 RM'000	30.06.09 RM'000
Net profit / (loss) for the financial period	(12)	63	(388)	246
Other comprehensive income:				
Translation of foreign operations	(1)	73	(45)	97
Total comprehensive income for the peirod	(13)	136	(433)	343
Attributable to:				
Equity holders of the Company	(20)	99	(442)	275
Non-Controlling Interest	7	37	9	68
Total comprehensive income for the peirod	(13)	136	(433)	343

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 second quarter ended 30 June 2010****2010**

	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
Net profit / (loss) for the period	-	-	(408)	(408)	20	(388)
Other comprehensive income / (expenses)	-	(34)	-	(34)	(11)	(45)
As at 30 June 2010	<u>56,375</u>	<u>(105)</u>	<u>(15,207)</u>	<u>41,063</u>	<u>17</u>	<u>41,080</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 second quarter ended 30 June 2010**

	CUMULATIVE QUARTER	
	6 months ended	
	30.06.10	30.06.09
	RM'000	RM'000
Cash flow from operating activities		
Profit / (loss) before taxation	(348)	333
Adjustments for :-		
Non-cash items	762	802
Non-operating items	(11)	(39)
Operating profit / (loss) before changes in working capital	<u>403</u>	<u>1,096</u>
Changes in working capital		
Net change in current assets	(944)	34
Net change in current liabilities	763	261
Net cash flows (used in)/from operation	<u>222</u>	<u>1,391</u>
Tax paid	(63)	(87)
Tax refund	-	47
Interest paid	(3)	(13)
Interest received	50	74
Net cash (used in)/from operating activities	<u>206</u>	<u>1,412</u>
Cash flow from investing activities		
Purchase of property, plant and equipment	(856)	(102)
Proceeds from sales of property, plant and equipment	2	23
Interest received	32	9
Net cash (used in) from investing activities	<u>(822)</u>	<u>(70)</u>
Cash flow from financing activities		
Repayment of hire purchase	(206)	(294)
Drawdown/(Repayment) of short term borrowings	(121)	76
Interest paid	(25)	(31)
Net cash used in financing activities	<u>(352)</u>	<u>(249)</u>
Net change in cash and cash equivalents	<u>(968)</u>	<u>1,093</u>
Cash and cash equivalents at beginning of year	8,412	6,741
Effect of currency translation differences	(91)	159
	<u>8,321</u>	<u>6,900</u>
Cash and cash equivalents at end of year	<u>7,353</u>	<u>7,993</u>
Cash and cash equivalents at the end of the financial period comprises the following :-		
Cash and bank balance	913	1,442
Short term deposits	6,705	6,764
Bank overdraft (included in the short term borrowings)	(265)	(213)
	<u>7,353</u>	<u>7,993</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 SECOND QUARTER ENDED 30 JUNE 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 30 June 2010 are as follows:-

	Revenue	Inter-segment	Total
	RM'000	Sales	RM'000
		RM'000	
Manufacturing	8,682	2,721	5,961
Trading	3,298	140	3,158
Investment & Others	50	-	50
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Consolidation	12,030	2,861	9,169
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	Profit/(Loss)	Total assets	
	Before taxation	employed	
	RM'000	RM'000	
Manufacturing	(318)	45,003	
Trading	41	3,007	
Investment & Others	(474)	43,482	
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Elimination of inter-segment	(751)	91,492	
	403	(47,767)	
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Consolidation	(348)	43,725	
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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

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 RM1.514 million as at 26 August 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 30 June 2010 is as follows:-

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 01/04/10 – 30/06/10 (RM'000)	Preceding Year Corresponding Quarter 01/04/09 – 30/06/09 (RM'000)	Current Year To Date 01/01/10 – 30/06/10 (RM'000)	Preceding Corresponding Year 01/01/09 – 30/06/09 (RM'000)
Revenue	4,807	4,453	9,169	8,863
Profit/(loss) before taxation	8	94	(348)	333
Profit/(loss) after taxation (before non-controlling interest)	(12)	63	(388)	246
Profit/(loss) after taxation (after non-controlling interest)	(21)	44	(397)	202

The Group achieved revenue of RM4.807 million and recorded a profit before taxation and non-controlling interest of RM0.008 million and loss after taxation and non-controlling interest of RM0.021 million for the current quarter ended 30 June 2010.

The Group also recorded higher revenue of RM9.169 million for the period ended 30 June 2010 but recorded pre-tax losses of RM0.348 million and after tax losses and non-controlling interest of RM0.397 million.

Despite the higher revenue, profits declined as margins deteriorated due to higher raw material prices and strengthening of Ringgit against USD and GBP.

B2. Variation of results against preceding quarter

	Current Quarter 01/04/10-30/06/10 RM'000	Preceding Quarter 01/01/10 – 31/03/10 RM'000
Revenue	4,807	4,362
Loss before taxation	8	(356)
Loss after taxation (before non-controlling interest)	(12)	(376)
Loss after taxation (after non-controlling interest)	(21)	(378)

For this quarter, the Group's performance improved and recorded pre-tax profits of RM0.008 million and loss after tax and non-controlling interest of RM0.021 million on the back of higher revenue of RM4.807 million.

The improved performance is attributable to the higher revenue and lower foreign exchange losses during the quarter.

B3. Current year prospects

With the demand for our products picking up in the second quarter, the outlook for the rest of the year remains favorable as orders are gradually increasing. Barring any major deterioration in the financial health of our main trading nations in Europe, the Group's performance is expected to improve in the second half of the year.

B4. Profit forecast

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

B5. Taxation

	Individual Quarter 3 months ended 30.06.2010 (RM'000)	Cumulative Quarter 6 months ended 30.06.2010 (RM'000)
Current tax expense	20	40
Deferred tax expense	-	-
Total	20	40

The effective tax rates were higher than the statutory tax rate mainly due to the losses by certain subsidiaries.

B6. Unquoted Investments and properties

During the quarter under review, the Company's wholly owned subsidiary, Zelinn Limited acquired a freehold office building known as Unit 32, Water Edge Business Park, Modwen Road, Salford M5 3EZ in Manchester, United Kingdom for a total purchase consideration of GBP141,000 or equivalent to RM0.760 million.

Except for the above, there were no disposal of properties or investments during the current quarter under review.

B7. Quoted investments

There were no purchase or disposal of quoted securities for the current quarter ended 30 June 2010.

Total investment in quoted securities as at 30 June 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 August 2010.

B9. Borrowing and debt securities

	Secured RM'000	Unsecured RM'000	Total RM'000
Current			
Trust receipts	-	-	-
Overdraft	265	-	265
Hire purchase creditors	402	-	402
	<hr/> 667	<hr/> -	<hr/> 667
Non-current			
Hire purchase creditors	139	-	139
	<hr/> 139	<hr/> -	<hr/> 139
	<hr/> 806	<hr/> -	<hr/> 806

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 Company 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 August 2010 save as disclosed in Note A12.

B11. Changes in material litigation

There is no material litigation pending as at 26 August 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 RM0.021 million. The number of ordinary shares in issue during the current period is 56,375,000.

By Order of the Board

Ho Tsae Feng
Company Secretary
Date : 26 August 2010