

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

	As at 30/09/10 RM'000	Audited As at 31/12/09 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	22,801	22,937
Investment in quoted shares	5	13
	<u>22,806</u>	<u>22,950</u>
Current Assets		
Receivables, deposits and prepayments	6,202	5,060
Inventories	6,887	6,953
Current tax assets	252	234
Cash and cash equivalents	7,274	8,571
	<u>20,615</u>	<u>20,818</u>
TOTAL ASSETS	<u>43,421</u>	<u>43,768</u>
EQUITY & LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	56,375	56,375
Reserves	(15,448)	(14,870)
	<u>40,927</u>	<u>41,505</u>
Non-Controlling Interest	42	8
Total Equity	<u>40,969</u>	<u>41,513</u>
Non-Current Liabilities		
Deferred tax liabilities	4	16
Hire purchase creditors	56	329
	<u>60</u>	<u>345</u>
Current Liabilities		
Payables and accruals	1,519	1,212
Short term borrowings	873	698
	<u>2,392</u>	<u>1,910</u>
Total Liabilities	2,452	2,255
TOTAL EQUITY AND LIABILITIES	<u>43,421</u>	<u>43,768</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 third quarter ended 30 September 2010**

	INDIVIDUAL QUARTER 3 months ended		CUMULATIVE QUARTER 9 months ended	
	30.09.10 RM'000	30.09.09 RM'000	30.09.10 RM'000	30.09.09 RM'000
Revenue	4,615	4,775	13,784	13,638
Operating expenses	(4,508)	(4,729)	(13,722)	(13,488)
Other income / (expenses)	(183)	72	(458)	345
Operating profit / (loss)	(76)	118	(396)	495
Finance costs	(10)	(21)	(38)	(65)
Profit / (Loss) before tax	(86)	97	(434)	430
Tax expense	(25)	(29)	(65)	(116)
Profit / (Loss) for the period	(111)	68	(499)	314
Profit / (Loss) attributable to:				
Equity holders of the Company	(136)	70	(533)	272
Non-Controlling Interest	25	(2)	34	42
Earnings / (Loss) per share attributable to equity holders of the Company (Sen)				
Basic	(0.24)	0.12	(0.95)	0.48

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 third quarter ended 30 September 2010**

	INDIVIDUAL QUARTER 3 months ended		CUMULATIVE QUARTER 9 months ended	
	30.09.10 RM'000	30.09.09 RM'000	30.09.10 RM'000	30.09.09 RM'000
Net profit / (loss) for the financial period	(111)	68	(499)	314
Other comprehensive income:				
Translation of foreign operations	(1)	(47)	(46)	50
Total comprehensive income for the peirod	(112)	21	(545)	364
Attributable to:				
Equity holders of the Company	(125)	34	(567)	309
Non-Controlling Interest	13	(13)	22	55
Total comprehensive income for the peirod	(112)	21	(545)	364

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 third quarter ended 30 September 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	-	-	(545)	(545)	46	(499)
Other comprehensive income / (expenses)	-	(33)	-	(33)	(12)	(45)
As at 30 September 2010	<u>56,375</u>	<u>(104)</u>	<u>(15,344)</u>	<u>40,927</u>	<u>42</u>	<u>40,969</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 third quarter ended 30 September 2010**

	CUMULATIVE QUARTER	
	9 months ended	
	30.09.10	30.09.09
	RM'000	RM'000
Cash flow from operating activities		
Profit / (loss) before taxation	(434)	430
Adjustments for :-		
Non-cash items	1,216	1,163
Non-operating items	3	(75)
Operating profit / (loss) before changes in working capital	<u>785</u>	<u>1,518</u>
Changes in working capital		
Net change in current assets	(1,289)	332
Net change in current liabilities	436	(120)
Net cash flows (used in)/from operation	<u>(68)</u>	<u>1,730</u>
Tax paid	(94)	(179)
Tax refund	-	47
Interest paid	(6)	(21)
Interest received	72	119
Net cash (used in)/from operating activities	<u>(96)</u>	<u>1,696</u>
Cash flow from investing activities		
Purchase of property, plant and equipment	(1,039)	(152)
Proceeds from sales of property, plant and equipment	2	171
Interest received	48	21
Net cash (used in) from investing activities	<u>(989)</u>	<u>40</u>
Cash flow from financing activities		
Repayment of hire purchase	(312)	(394)
Drawdown/(Repayment) of short term borrowings	41	(83)
Interest paid	(32)	(44)
Net cash used in financing activities	<u>(303)</u>	<u>(521)</u>
Net change in cash and cash equivalents	<u>(1,388)</u>	<u>1,215</u>
Cash and cash equivalents at beginning of year	8,412	6,741
Effect of currency translation differences	(81)	83
	<u>8,331</u>	<u>6,824</u>
Cash and cash equivalents at end of year	<u>6,943</u>	<u>8,039</u>
Cash and cash equivalents at the end of the financial period comprises the following :-		
Cash and bank balance	738	1,224
Short term deposits	6,536	7,025
Bank overdraft (included in the short term borrowings)	(331)	(210)
	<u>6,943</u>	<u>8,039</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 THIRD QUARTER ENDED 30 SEPTEMBER 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 nine months ended 30 September 2010 are as follows:-

	Revenue	Inter-segment	Total
	RM'000	Sales	RM'000
		RM'000	
Manufacturing	13,080	4,179	8,901
Trading	5,007	196	4,811
Investment & Others	72	-	72
<hr/>			
Consolidation	18,159	4,375	13,784
<hr/>			
		Profit/(Loss)	Total assets
		Before taxation	employed
		RM'000	RM'000
Manufacturing		(475)	44,451
Trading		164	2,875
Investment & Others		(699)	43,203
<hr/>			
Elimination of inter-segment		(1,010)	90,529
		576	(47,108)
<hr/>			
Consolidation		(434)	43,421
<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

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 RM0.515 million as at 23 November 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 September 2010 is as follows:-

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 01/07/10 – 30/09/10 (RM'000)	Preceding Year Corresponding Quarter 01/07/09 – 30/09/09 (RM'000)	Current Year To Date 01/01/10 – 30/09/10 (RM'000)	Preceding Corresponding Year 01/01/09 – 30/09/09 (RM'000)
Revenue	4,615	4,775	13,784	13,638
Profit/(loss) before taxation	(86)	97	(434)	430
Profit/(loss) after taxation (before non-controlling interest)	(111)	68	(499)	314
Profit/(loss) after taxation (after non-controlling interest)	(136)	70	(533)	272

The Group achieved revenue of RM4.615 million and recorded a loss before taxation and non-controlling interest of RM0.086 million and loss after taxation and non-controlling interest of RM0.136 million for the current quarter ended 30 September 2010. The lower revenue as compared to the corresponding quarter of the preceding year was attributable to the stronger exchange rate of Ringgit against the major trading currencies of USD and GBP by about 10% to 15.70%.

However, the Group recorded higher revenue of RM13.784 million for the nine (9) months period ended 30 September 2010 as compared to last year but recorded pre-tax losses of RM0.434 million and after tax losses and non-controlling interest of RM0.533 million.

The Group attributed the losses for the current quarter and year to foreign exchange losses as mentioned above and lower margin due to the unsteady uptrend in raw material prices during the year, while selling prices were maintained to remain competitive in the market.

B2. Variation of results against preceding quarter

	Current Quarter 01/07/10-30/09/10 RM'000	Preceding Quarter 01/04/10 – 30/06/10 RM'000
Revenue	4,615	4,807
(Loss) / Profit before taxation	(86)	8
Loss after taxation (before non-controlling interest)	(111)	(12)
Loss after taxation (after non-controlling interest)	(136)	(21)

For this quarter, the Group reported lower revenue as the USD weakened further during the quarter while unit sale was about the same. As a result, the Group reported a loss before taxation of RM0.086 million compared to profit before taxation of RM0.008 million in last quarter.

B3. Current year prospects

To improve the profit margin, the Group has implemented price increases of about 10% in the third quarter and this will be reflected in the coming quarter.

The Group has also implemented measures to improve production efficiencies through consolidation of product ranges and imposing minimum order quantities. With these measures in place, the Group expects performance for the fourth quarter to be improved.

B4. Profit forecast

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

B5. Taxation

	Individual Quarter 3 months ended 30.09.2010 (RM'000)	Cumulative Quarter 9 months ended 30.09.2010 (RM'000)
Current tax expense	36	76
Deferred tax expense	(11)	(11)
Total	25	65

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

B6. Unquoted Investments and properties

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 September 2010.

Total investment in quoted securities as at 30 September 2010 are as follows:-

	RM'000
At cost	13
At book value	5
At market value	5

B8. Status of corporate proposals

The Company had on 23 September 2010 announced that Fuwai Manufacturing Sdn. Bhd., an inactive wholly-owned subsidiary of the Company (held via Powernet Industries Sdn. Bhd., a wholly owned subsidiary of the Company), has been placed under members' voluntary winding-up on 23 September 2010 and Azrulyadi Bin Mohidin (NRIC No.740921-14-5591) of 4494-1, Kampung Segambut Luar, Segambut, 51200 Kuala Lumpur was appointed as the Liquidator.

Save for the above, there were no corporate proposals as at 23 November 2010.

B9. Borrowing and debt securities

	Secured RM'000	Unsecured RM'000	Total RM'000
Current			
Trust receipts	161	-	161
Overdraft	332	-	332
Hire purchase creditors	380	-	380
	<u>873</u>	<u>-</u>	<u>873</u>
Non-current			
Hire purchase creditors	56	-	56
	<u>56</u>	<u>-</u>	<u>56</u>
	<u>929</u>	<u>-</u>	<u>929</u>

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 23 November 2010 save as disclosed in Note A12.

B11. Changes in material litigation

There is no material litigation pending as at 23 November 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 RM0.136 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 : 23 November 2010