

KUMPULAN POWERNET BERHAD

(Company No.: 419227-X)

Unaudited Condensed Consolidated Statements of Financial Position as at 31 March 2011

	As at 31/03/11 RM'000	Audited As at 31/12/10 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	23,132	23,574
	<u>23,132</u>	<u>23,574</u>
Current Assets		
Receivables, deposits and prepayments	3,901	5,177
Inventories	5,963	6,103
Investment Securities	5	5
Current tax assets	266	255
Deposits placed with licensed banks	7,104	7,069
Cash and cash equivalents	2,204	1,593
	<u>19,443</u>	<u>20,202</u>
TOTAL ASSETS	<u>42,575</u>	<u>43,776</u>
EQUITY & LIABILITIES		
Equity attributable to owners of the parents		
Share capital	56,375	56,375
Reserves	(15,766)	(14,369)
	<u>40,609</u>	<u>42,006</u>
Non-Controlling Interest	12	41
Total Equity	<u>40,621</u>	<u>42,047</u>
Non-Current Liabilities		
Deferred tax liabilities	237	236
Hire purchase creditors	23	34
	<u>260</u>	<u>270</u>
Current Liabilities		
Payables and accruals	1,121	1,029
Short term borrowings	573	430
	<u>1,694</u>	<u>1,459</u>
Total Liabilities	1,954	1,729
TOTAL EQUITY AND LIABILITIES	<u>42,575</u>	<u>43,776</u>
Net assets per share attributable to ordinary equity holders of the Company (RM)	0.72	0.75

The Unaudited Condensed Consolidated Statements of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2010.

KUMPULAN POWERNET BERHAD

(Company No.: 419227-X)

**Unaudited Condensed Consolidated Statements of Comprehensive Income
For the first quarter ended 31 March 2011**

	INDIVIDUAL QUARTER 3 months ended		CUMULATIVE QUARTER 3 months ended	
	31/03/11 RM'000	31/03/10 RM'000	31/03/11 RM'000	31/03/10 RM'000
Continuing operations				
Revenue	2,919	4,362	2,919	4,362
Other income	31	19	31	19
Operating expenses	(4,251)	(4,533)	(4,251)	(4,533)
Other expenses	(98)	(189)	(98)	(189)
Other non-operating expenses	-	-	-	-
Operating profit / (loss)	(1,399)	(341)	(1,399)	(341)
Finance costs	(17)	(15)	(17)	(15)
Profit / (Loss) before taxation	(1,416)	(356)	(1,416)	(356)
Tax expense	(20)	(20)	(20)	(20)
Profit / (Loss) for the period	(1,436)	(376)	(1,436)	(376)
Profit / (Loss) attributable to:				
Equity holders of the Company	(1,404)	(378)	(1,404)	(378)
Non-Controlling Interest	(32)	2	(32)	2
Earnings / (Loss) per share attributable to equity holders of the Company (Sen)				
Basic	(2.49)	(0.67)	(2.49)	(0.67)

The Unaudited Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2010.

KUMPULAN POWERNET BERHAD

(Company No.: 419227-X)

**Unaudited Condensed Consolidated Statements of Comprehensive Income
For the first quarter ended 31 March 2011**

	INDIVIDUAL QUARTER 3 months ended		CUMULATIVE QUARTER 3 months ended	
	31/03/11 RM'000	31/03/10 RM'000	31/03/11 RM'000	31/03/10 RM'000
Net profit / (loss) for the financial period	(1,436)	(376)	(1,436)	(376)
Other comprehensive income:				
Translation of foreign operations	10	(43)	10	(43)
Total comprehensive income for the peirod	(1,426)	(419)	(1,426)	(419)
Attributable to:				
Equity holders of the Company	(1,397)	(410)	(1,397)	(410)
Non-Controlling Interest	(29)	(9)	(29)	(9)
Total comprehensive income for the peirod	(1,426)	(419)	(1,426)	(419)

The Unaudited Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2010.

KUMPULAN POWERNET BERHAD

(Company No.: 419227-X)

**Unaudited Condensed Consolidated Statements of Changes in Equity
For the first quarter ended 31 March 2011**

	Share Capital RM'000	Non-distributable Asset Revaluation Reserves RM'000	Translation reserve RM'000	Accumulated Losses RM'000	Total RM'000	Minority interest RM'000	Total equity RM'000
As at 1 January 2011	56,375	916	(255)	(15,030)	42,006	41	42,047
Net profit / (loss) for the period	-	-	-	(1,404)	(1,404)	(32)	(1,436)
Other comprehensive income / (expenses)	-	-	7	-	7	3	10
As at 31 March 2011	<u>56,375</u>	<u>916</u>	<u>(248)</u>	<u>(16,434)</u>	<u>40,609</u>	<u>12</u>	<u>40,621</u>

The Unaudited Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2010.

KUMPULAN POWERNET BERHAD

(Company No.: 419227-X)

**Unaudited Condensed Consolidated Statements of Cash Flow
For the first quarter ended 31 March 2011**

	CUMULATIVE QUARTER	
	3 months ended	
	31/03/11	31/03/10
	RM'000	RM'000
Cash flow from operating activities		
Profit / (loss) before taxation	(1,416)	(356)
Adjustments for :-		
Non-cash items	640	370
Non-operating items	(35)	(47)
Operating profit / (loss) before changes in working capital	<u>(811)</u>	<u>(33)</u>
Changes in working capital		
Net change in current assets	1,078	16
Net change in current liabilities	90	300
Net cash flows (used in)/from operation	<u>357</u>	<u>283</u>
Tax paid	(31)	(31)
Tax refund	-	-
Interest paid	(1)	(2)
Interest received	23	23
Net cash (used in)/from operating activities	<u>348</u>	<u>273</u>
Cash flow from investing activities		
Purchase of property, plant and equipment	(10)	(169)
Interest received	18	17
Net cash (used in) from investing activities	<u>8</u>	<u>(152)</u>
Cash flow from financing activities		
Repayment of hire purchase	(113)	(102)
Drawdown/(Repayment) of short term borrowings	69	(3)
Interest paid	(5)	(13)
Net cash used in financing activities	<u>(49)</u>	<u>(118)</u>
Net change in cash and cash equivalents	<u>307</u>	<u>3</u>
Cash and cash equivalents at beginning of year	8,632	8,412
Effect of currency translation differences	(14)	(78)
	<u>8,618</u>	<u>8,334</u>
Cash and cash equivalents at end of year	<u>8,925</u>	<u>8,337</u>
Cash and cash equivalents at the end of the financial period comprises the following :-		
Cash and bank balance	2,054	1,840
Short term deposits	7,104	6,577
Bank overdraft (included in the short term borrowings)	(233)	(80)
	<u>8,925</u>	<u>8,337</u>

The Unaudited Condensed Consolidated Statements of Cash Flow should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2010.

KUMPULAN POWERNET BERHAD (COMPANY NO.: 419227-X)

NOTES TO THE UNAUDITED CONSOLIDATED QUARTERLY RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2011

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 financial year ended 31 December 2010.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2010.

The Group has applied the following accounting standards, amendments and interpretations that have been issued by the MASB with effect from 1 January 2011:

FRSs, Amendments to FRS and IC Interpretations

FRS 1(Revised)	First-time Adoption of Financial Reporting Standards
FRS 3 (Revised)	Business Combinations
FRS 127 (Revised)	Consolidated and Separate Financial Statements
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards
Amendments to FRS 2	Share-based Payment
Amendments to FRS 3	Business Combinations
Amendments to FRS 5	Non-current Assets Held for Sales and Discontinued Operations
Amendments to FRS 7	Financial Instruments Disclosures
Amendments to FRS 101	Presentation of Financial Statements
Amendments to FRS 121	The Effects of Changes in Foreign Exchange Rate
Amendments to FRS 132	Financial Instruments : Presentation
Amendments to FRS 134	Interim Financial Reporting
Amendments to FRS 138	Intangible Assets
Amendments to FRS 139	Financial Instruments : Recognition and Measurement
IC Interpretation 4	Determining Whether an Arrangement Contains a Lease
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distributions of Non-cash Assets to Owners
IC Interpretation 17	Extinguishing Financial Liabilities with Equity Instruments

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

- A2. Audit report of preceding annual financial statements**
The audited financial statements for the financial year ended 31 December 2010 were 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 2011 are as follows:-

	Revenue	Inter-segment	Total
	RM'000	Sales	
		RM'000	RM'000
Manufacturing	2,956	1,300	1,656
Trading	1,272	32	1,240
Investment & Others	23	-	23
<hr/>			
Consolidation	4,251	1,332	2,919
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		Profit/(Loss)	Total assets
		Before taxation	employed
		RM'000	RM'000
Manufacturing		(1,227)	43,447
Trading		(159)	2,432
Investment & Others		(1,298)	43,001
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Elimination of inter-segment		(2,684)	88,880
		1,268	(46,305)
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Consolidation		(1,416)	42,575

A9. Valuations of property, plant and equipment

There is no valuation of property, plant and equipment during the current quarter under review.

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 RM1.858 million as at 24 May 2011.

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

B1. Review of performance

A comparison of the results of current quarter ended 31 March 2011 is as follows:-

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Corresponding Year
	01/01/11 – 31/03/11 (RM'000)	01/01/10 – 31/03/10 (RM'000)	01/01/11 – 31/03/11 (RM'000)	01/01/10 – 31/03/10 (RM'000)
Revenue	2,919	4,362	2,919	4,362
Profit/(loss) before taxation	(1,416)	(356)	(1,416)	(356)
Profit/(loss) after taxation (before non-controlling interest)	(1,436)	(376)	(1,436)	(376)
Profit/(loss) after taxation (after non-controlling interest)	(1,404)	(378)	(1,404)	(378)

The Group achieved revenue of RM2.919 million and recorded a loss before taxation and non-controlling interest of RM1.416 million and loss after taxation and non-controlling interest of RM1.404 million for the current quarter ended 31 March 2011. There was a substantial drop in revenue due to falling demand and poor retail sentiment in Europe. This contributed to the losses suffered by the Group during the quarter.

B2. Variation of results against preceding quarter

	Current Quarter 01/01/11-31/03/11 RM'000	Preceding Quarter 01/10/10 – 31/12/10 RM'000
Revenue	2,919	4,770
Profit / (Loss) before taxation	(1,416)	335
Profit / (Loss) after taxation (before non-controlling interest)	(1,436)	303
Profit / (Loss) after taxation (after non-controlling interest)	(1,404)	304

The Group achieved revenue of RM2.919 million in current quarter under review compared to RM4.770 million in preceding quarter, a decrease of 38.80%.

For this quarter, the Group reported loss before taxation of RM1.416 million compared to profit before taxation of RM0.335 million in the preceding quarter, mainly due to lower revenue coupled with escalating yarn prices and continuous weakening of our trading currency, i.e. USD against the Ringgit.

B3. Current year prospects

With the chaotic developments in the Middle East and the shortage of yarn supply in the market, we expect yarn prices to trend upwards and this will have an impact on our profitability in the near future. The poor retail sentiment in Europe is still prevalent for at least the second quarter of this year.

Nevertheless, the Management is taking all possible measures to tackle these headwinds and minimise their effects.

B4. Profit forecast

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

B5. Taxation

	Individual Quarter 3 months ended 31/03/11 (RM'000)	Cumulative Quarter 3 months ended 31/03/11 (RM'000)
Current tax expense	20	20
Deferred tax expense	-	-
Total	20	20

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 31 March 2011.

Total investment in quoted securities as at 31 March 2011 are as follows:-

	RM'000
At cost	13
At carrying amount	5
At market value	5

B8. Status of corporate proposals

There were no corporate proposals as at 24 May 2011.

B9. Borrowing and debt securities

	Secured RM'000	Unsecured RM'000	Total RM'000
Current			
Trust receipts	69	-	69
Overdraft	233	-	233
Hire purchase creditors	271	-	271
	<u>573</u>	<u>-</u>	<u>573</u>
Non-current			
Hire purchase creditors	23	-	23
	<u>23</u>	<u>-</u>	<u>23</u>
	<u>596</u>	<u>-</u>	<u>596</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 24 May 2011 save as disclosed in Note A12.

B11. Changes in material litigation

There is no material litigation pending as at 24 May 2011.

B12. Dividends

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

B13. Profit / (loss) per share

The calculation of basic profit / (loss) per share for the current quarter under review is based on the net loss attributable to equity holders of the Company of RM1.404 million. The number of ordinary shares in issue during the current period is 56,375,000.

B14. Realised and unrealized profits/losses disclosure

Total accumulated losses of the Company and its subsidiaries are as follows:

	Current Quarter 31/03/11	Preceding Quarter 31/12/10
- Realised	(16,435)	(15,021)
- Unrealised	(7)	(7)

By Order of the Board

Ho Tsae Feng
Company Secretary
Date : 24 May 2011