

**KUMPULAN POWERNET BERHAD**

(Company No. 419227-X)

**Unaudited Condensed Consolidated Statements of Financial Position as at 30 June 2011**

	<b>As at 30/06/11 RM'000</b>	<b>Audited As at 31/12/10 RM'000</b>
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	22,847	23,574
	<u>22,847</u>	<u>23,574</u>
<b>Current Assets</b>		
Receivables, deposits and prepayments	4,664	5,177
Inventories	7,275	6,103
Investment securities	4	5
Tax recoverable	299	255
Deposits placed with licensed banks	6,538	7,069
Cash and cash equivalents	604	1,593
	<u>19,384</u>	<u>20,202</u>
<b>TOTAL ASSETS</b>	<u>42,231</u>	<u>43,776</u>
<b>EQUITY &amp; LIABILITIES</b>		
<b>Equity attributable to owners of the parents</b>		
Share capital	56,375	56,375
Reserves	(16,135)	(14,369)
	<u>40,240</u>	<u>42,006</u>
<b>Non-controlling interests</b>	(54)	41
<b>Total Equity</b>	<u>40,186</u>	<u>42,047</u>
<b>Non-Current Liabilities</b>		
Deferred taxation	236	236
Borrowings	51	34
	<u>287</u>	<u>270</u>
<b>Current Liabilities</b>		
Payables and accruals	1,045	1,029
Short term borrowings	713	430
	<u>1,758</u>	<u>1,459</u>
<b>Total Liabilities</b>	2,045	1,729
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>42,231</u>	<u>43,776</u>
 Net assets per share attributable to ordinary equity holders of the Company (RM)	 0.71	 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 second quarter ended 30 June 2011**

	INDIVIDUAL QUARTER 3 months ended		CUMULATIVE QUARTER 6 months ended	
	30/06/11 RM'000	30/06/10 RM'000	30/06/11 RM'000	30/06/10 RM'000
<b>Continuing operations</b>				
Revenue	3,401	4,807	6,320	9,169
Other income	64	14	95	33
Operating expenses	(3,826)	(4,681)	(8,077)	(9,214)
Other expenses	35	(112)	(63)	(301)
Other non-operating expenses	(1)	(7)	(1)	(7)
Operating profit / (loss) from operations	(327)	21	(1,726)	(320)
Finance costs	(5)	(13)	(22)	(28)
Profit / (Loss) before taxation	(332)	8	(1,748)	(348)
Taxation	(19)	(20)	(39)	(40)
Profit / (Loss) for the financial period	(351)	(12)	(1,787)	(388)
Profit / (Loss) attributable to:				
Owner of the parent	(273)	(19)	(1,677)	(397)
Non-controlling interests	(78)	7	(110)	9
Earnings / (Loss) per ordinary share attributable to owners of the parent (sen)				
Basic	(0.48)	(0.03)	(2.97)	(0.70)

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 second quarter ended 30 June 2011**

	INDIVIDUAL QUARTER 3 months ended		CUMULATIVE QUARTER 6 months ended	
	30/06/11 RM'000	30/06/10 RM'000	30/06/11 RM'000	30/06/10 RM'000
Net profit / (loss) for the financial period	(351)	(12)	(1,787)	(388)
Other comprehensive income/(loss):				
Translation of foreign operations	(83)	(1)	(73)	(45)
Total comprehensive income for the financial period	(434)	(13)	(1,860)	(433)
Attributable to:				
Equity holders of the Company	(354)	(20)	(1,751)	(431)
Non-Controlling Interest	(80)	7	(109)	(2)
Total comprehensive income for the peirod	(434)	(13)	(1,860)	(433)

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 second quarter ended 30 June 2011**

	Non-distributable Asset			Accumulated Losses	Total	Non-Controlling interest	Total equity
	Share Capital	Revaluation Reserves	Translation reserve				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 January 2011	56,375	916	(255)	(15,030)	42,006	41	42,047
Net profit / (loss) for the period	-	-	-	(1,678)	(1,678)	(110)	(1,788)
Other comprehensive income / (loss)	-	-	(88)	-	(88)	15	(73)
Total comprehensive income / (loss) for the financial period	-	-	(88)	(1,678)	(1,766)	(95)	(1,861)
As at 30 June 2011	<u>56,375</u>	<u>916</u>	<u>(343)</u>	<u>(16,708)</u>	<u>40,240</u>	<u>(54)</u>	<u>40,186</u>

	Non-distributable Asset			Accumulated Losses	Total	Non-Controlling interest	Total equity
	Share Capital	Revaluation Reserves	Translation reserve				
	RM'000	RM'000	RM'000	RM'000	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 / (loss)	-	-	(34)	-	(34)	(11)	(45)
Total comprehensive income / (loss) for the financial period	-	-	(34)	(408)	(442)	9	(433)
As at 30 June 2010	<u>56,375</u>	<u>-</u>	<u>(105)</u>	<u>(15,207)</u>	<u>41,063</u>	<u>17</u>	<u>41,080</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 second quarter ended 30 June 2011**

	<b>CUMULATIVE QUARTER</b>	
	<b>6 months ended</b>	
	<b>30/06/11</b>	<b>30/06/10</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flow from operating activities</b>		
Profit / (loss) before taxation	(1,748)	(348)
Adjustments for :-		
Non-cash items	1,005	762
Non-operating items	(70)	(11)
<b>Operating profit / (loss) before changes in working capital</b>	<u>(813)</u>	<u>403</u>
<b>Changes in working capital</b>		
Net change in current assets	(887)	(944)
Net change in current liabilities	16	763
<b>Net cash flows (used in)/from operation</b>	<u>(1,684)</u>	<u>222</u>
Tax paid	(83)	(63)
Tax refund	-	-
Interest paid	(12)	(3)
Interest received	56	50
<b>Net cash (used in)/from operating activities</b>	<u>(1,723)</u>	<u>206</u>
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	(33)	(856)
Proceeds from sales of property, plant and equipment	48	2
Interest received	36	32
<b>Net cash (used in) from investing activities</b>	<u>51</u>	<u>(822)</u>
<b>Cash flow from financing activities</b>		
Repayment of hire purchase	(211)	(206)
Drawdown/(Repayment) of short term borrowings	181	(121)
Interest paid	(10)	(25)
<b>Net cash used in financing activities</b>	<u>(40)</u>	<u>(352)</u>
<b>Net change in cash and cash equivalents</b>	<u>(1,712)</u>	<u>(968)</u>
<b>Cash and cash equivalents at beginning of year</b>	8,605	8,412
<b>Effect of currency translation differences</b>	(61)	(91)
	<u>8,544</u>	<u>8,321</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>6,832</u></u>	<u><u>7,353</u></u>
<b>Cash and cash equivalents at the end of the financial period comprises the following :-</b>		
Cash and bank balance	604	913
Short term deposits	6,538	6,705
Bank overdraft (included in the short term borrowings)	(310)	(265)
	<u>6,832</u>	<u>7,353</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 SECOND QUARTER ENDED 30 JUNE 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 19	Extinguishing Financial Liabilities with Equity Instruments

Other than the effect of the application of FRS 3 (Revised) and FRS 127 (Revised) described below, the Directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application:

Revised FRS 3 Business Combinations and Amendment to FSS 127 Consolidated and Separate Financial Statements

The revised standards are effective for annual periods beginning on or after 1 July 2010. The revised FRS 3 introduces a number of changes which will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. The amendments to FRS 127 require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amendments to FRS 127 require all losses attributable to minority interest to be absorbed by minority interest. Any excess and any further losses exceeding the minority interest in the equity of a subsidiary are no longer charged against the Group's interest. Profit or loss attributable to non-controlling for prior years is not restated. Other consequential amendments have been made to FRS 107 Statement of Cash Flow, FRS 112 Income Taxes, FRS 121 The Effects of Changes in Foreign Exchange Rates. The changes from revised FRS 3 and Amendments to FRS 127 will affect future acquisitions or loss of control and transactions with minority interests.

**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 six months ended 30 June 2011 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	6,304	2,253	4,051
Trading	2,271	59	2,212
Investment & Others	57	-	57
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Consolidation	8,632	2,312	6,320
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		<b>Profit/(Loss)</b>	<b>Total assets</b>
		<b>Before taxation</b>	<b>employed</b>
		<b>RM'000</b>	<b>RM'000</b>
Manufacturing		(1,534)	43,107
Trading		(243)	1,976
Investment & Others		(1,638)	42,640
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Elimination of inter-segment		(3,415)	87,723
		1,667	(45,492)
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Consolidation		(1,748)	42,231

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

The valuations of property, plant and equipment have been brought forward without amendments from the financial statements for the financial year ended 31 December 2010.

**A10. Material events subsequent to the end of the financial period**

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 financial period.

**A12. Changes in contingent liabilities**

As at 23 August 2011, there were no outstanding of corporate guarantee for banking facilities granted to its subsidiary companies.



**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 30 June 2011 is as follows:-

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 01/04/11 – 30/06/11 (RM'000)	Preceding Year Corresponding Quarter 01/04/10 – 30/06/10 (RM'000)	Current Year To Date 01/01/11 – 30/06/11 (RM'000)	Preceding Corresponding Year 01/01/10 – 30/06/10 (RM'000)
Revenue	3,401	4,807	6,320	9,169
(Loss)/Profit before taxation	(332)	8	(1,748)	(348)
(Loss)/Profit after taxation (before non-controlling interest)	(351)	(12)	(1,787)	(388)
(Loss)/Profit after taxation (after non-controlling interest)	(273)	(19)	(1,677)	(397)

The Group achieved revenue of RM3.401 million and recorded a loss before taxation and non-controlling interest of RM0.332 million and loss after taxation and non-controlling interest of RM0.273 million for the current quarter ended 30 June 2011. The poor performance was attributable to the low sales contributed largely by the sluggish demand for our products in Europe.

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

	Current Quarter 01/01/11-31/03/11 RM'000	Preceding Quarter 01/01/11 – 31/03/11 RM'000
Revenue	3,401	2,919
Loss before taxation	(332)	(1,416)
Loss after taxation (before non-controlling interest)	(351)	(1,436)
Loss after taxation (after non-controlling interest)	(273)	(1,404)

The Group achieved revenue of RM3.401 million in current quarter under review compared to RM2.919 million in preceding quarter, an increase of 16.50%.

With the improved sales, the Group reported loss before taxation of RM0.332 million compared to loss before taxation of RM1.416 million in the preceding quarter. The better performance for the current quarter was also attributable to effective cost control, improvement in production process and stabilised yarn prices due to stock pile created to prevent fluctuations.

**B3. Current year prospects**

The global economy continues to be influenced by volatile commodity prices and debts crisis in European region. With the recent downgrading of credit rating of the United States of America and a threat of recession looming, there are further uncertainties to the global economy.

With so many negative factors prevailing, the prospects of the Group for the remaining of the year continue to be challenging. However, we expect the performance to improve based on our orders book.

**B4. Profit forecast**

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

**B5. Taxation**

	<b>Individual Quarter</b> 3 months ended 30/06/11 (RM'000)	<b>Cumulative Quarter</b> 6 months ended 30/06/11 (RM'000)
Current tax expense	19	39
Deferred tax expense	-	-
Total	19	39

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 June 2011.

Total investment in quoted securities as at 30 June 2011 are as follows:-

	RM'000
At cost	13
Impairment loss	(8)
Fair value loss recognised in profit and loss	(1)
At carrying amount	<u>4</u>
At market value	<u>4</u>

**B8. Status of corporate proposals**

There were no corporate proposals as at 23 August 2011.

**B9. Borrowing and debt securities**

	<b>Secured RM'000</b>	<b>Unsecured RM'000</b>	<b>Total RM'000</b>
Current			
Trust receipts	181	-	181
Overdraft	310	-	310
Hire purchase creditors	222	-	222
	<u>713</u>	<u>-</u>	<u>713</u>
Non-current			
Hire purchase creditors	51	-	51
	<u>51</u>	<u>-</u>	<u>51</u>
	<u>764</u>	<u>-</u>	<u>764</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. Financial instruments**

## a) Derivatives

The Group does not have any outstanding derivatives as at the date of this report.

## b) Gain/Loss arising from fair value changes in financial liabilities

There were no gain/loss arising from the fair value changes in financial liabilities for the current financial period.

**B11. Changes in material litigation**

There is no material litigation pending as at 23 August 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 owners of the parents of RM0.273 million. The number of ordinary shares in issue during the current period is 56,375,000.

**B14. Realised and unrealized profits/losses disclosure**

The breakdown of the retained profits / (accumulated losses) of the Group as at 30 June 2011, into realized and unrealized profits is as follows:

	<b>Current Quarter 30/06/11</b>	<b>Preceding Quarter 31/03/11</b>
- Realised losses	(30,235)	(29,479)
- Unrealised	<u>(130)</u>	<u>(136)</u>
	(30,365)	(29,615)
Add : Consolidation adjustments	<u>13,657</u>	<u>13,180</u>
	<u>(16,708)</u>	<u>(16,435)</u>

By Order of the Board

Ho Tsae Feng  
Company Secretary  
Date : 23 August 2011