

KUMPULAN POWERNET BERHAD

(Company No. 419227-X)

Unaudited Condensed Consolidated Statements of Financial Position as at 31 March 2012

	As at 31/03/12 RM'000	Audited As at 31/12/11 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	21,240	21,636
	<u>21,240</u>	<u>21,636</u>
Current Assets		
Receivables, deposits and prepayments	5,845	5,972
Inventories	6,777	6,667
Investment securities	5	4
Tax recoverable	296	288
Deposits placed with licensed banks	8,007	7,567
Cash and cash equivalents	1,130	782
	<u>22,060</u>	<u>21,280</u>
TOTAL ASSETS	<u><u>43,300</u></u>	<u><u>42,916</u></u>
EQUITY & LIABILITIES		
Equity attributable to owners of the parents		
Share capital	56,375	56,375
Reserves	(14,297)	(15,199)
	<u>42,078</u>	<u>41,176</u>
Non-controlling interests	(272)	(223)
Total Equity	<u>41,806</u>	<u>40,953</u>
Non-Current Liabilities		
Deferred taxation	231	232
Borrowings	10	20
	<u>241</u>	<u>252</u>
Current Liabilities		
Payables and accruals	1,191	1,078
Short term borrowings	62	633
	<u>1,253</u>	<u>1,711</u>
Total Liabilities	1,494	1,963
TOTAL EQUITY AND LIABILITIES	<u><u>43,300</u></u>	<u><u>42,916</u></u>
Net assets per share attributable to ordinary equity holders of the Company (RM)	0.75	0.73

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 2011.

KUMPULAN POWERNET BERHAD
(Company No. 419227-X)

Unaudited Condensed Consolidated Statements of Comprehensive Income
For the first quarter ended 31 March 2012

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended		3 months ended	
	31/03/12	31/03/11	31/03/12	31/03/11
	RM'000	RM'000	RM'000	RM'000
Continuing operations				
Revenue	5,732	2,919	5,732	2,919
Cost of Sales	(3,403)	(2,941)	(3,403)	(2,941)
	2,329	(22)	2,329	(22)
Other income	26	31	26	31
Administrative expenses	(1,085)	(1,146)	(1,085)	(1,146)
Distribution expenses	(179)	(164)	(179)	(164)
Forex gain/(losses)	(174)	(98)	(174)	(98)
Other non-operating expenses	1	-	1	-
Operating profit / (loss) from operations	918	(1,399)	918	(1,399)
Finance costs	(16)	(17)	(16)	(17)
Profit / (Loss) before taxation	902	(1,416)	902	(1,416)
Taxation	(15)	(20)	(15)	(20)
Profit / (Loss) for the financial period	887	(1,436)	887	(1,436)
Profit / (Loss) attributable to:				
Owner of the parent	936	(1,404)	936	(1,404)
Non-controlling interests	(49)	(32)	(49)	(32)
Earnings / (Loss) per ordinary share attributable to owners of the parent (sen)				
Basic	1.66	(2.49)	1.66	(2.49)

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 2011.

KUMPULAN POWERNET BERHAD
(Company No. 419227-X)

Unaudited Condensed Consolidated Statements of Comprehensive Income
For the first quarter ended 31 March 2012

	INDIVIDUAL QUARTER 3 months ended		CUMULATIVE QUARTER 3 months ended	
	31/03/12 RM'000	31/03/11 RM'000	31/03/12 RM'000	31/03/11 RM'000
Net profit / (loss) for the financial period	887	(1,436)	887	(1,436)
Other comprehensive income/(loss):				
Translation of foreign operations	(34)	10	(34)	10
Other comprehensive income for the financial period	(34)	10	(34)	10
Total comprehensive income for the financial period	853	(1,426)	853	(1,426)
Attributable to:				
Equity holders of the Company	896	(1,397)	896	(1,397)
Non-Controlling Interest	(43)	(29)	(43)	(29)
Total comprehensive income for the period	853	(1,426)	853	(1,426)

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 2011.

KUMPULAN POWERNET BERHAD
(Company No. 419227-X)

Unaudited Condensed Consolidated Statements of Changes in Equity
For the first quarter ended 31 March 2012

	← Non-distributable →			Distributable	Total	Non-Controlling interest	Total equity
	Share Capital	Asset Revaluation Reserves	Translation reserve	Accumulated Losses			RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 January 2012	56,375	916	(173)	(15,942)	41,176	(223)	40,953
Net profit / (loss) for the period	-	-	-	936	936	(49)	887
Other comprehensive income / (loss)	-	-	(34)	-	(34)	-	(34)
Total comprehensive income/ (loss) for the financial period	-	-	(34)	936	902	(49)	853
As at 31 March 2012	56,375	916	(207)	(15,006)	42,078	(272)	41,806

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 2011.

KUMPULAN POWERNET BERHAD
(Company No. 419227-X)

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

	← Non-distributable →			Distributable	Total	Non- Controlling interest	Total equity
	Share Capital RM'000	Asset Revaluation Reserves RM'000	Translation reserve RM'000	Accumulated Losses 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	-	-	-	(1,404)	(1,404)	(32)	(1,436)
Other comprehensive income / (loss)	-	-	7	-	7	3	10
Total comprehensive income/ (loss) for the financial period	-	-	7	(1,404)	(1,397)	(29)	(1,426)
As at 31 March 2011	56,375	916	(248)	(16,434)	40,609	12	40,621

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 2011.

KUMPULAN POWERNET BERHAD

(Company No. 419227-X)

**Unaudited Condensed Consolidated Statements of Cash Flow
For the first quarter ended 31 March 2012**

	CUMULATIVE QUARTER	
	3 months ended	
	31/03/12	31/03/11
	RM'000	RM'000
Cash flow from operating activities		
Profit / (loss) before taxation	902	(1,416)
Adjustments for :-		
Depreciation	394	438
Impairment loss on receivables	-	6
Write down of inventories	-	193
Unrealised loss on foreign exchange	40	-
Reversal of impairment loss on receivables	(1)	(1)
Loss on disposal of property, plant and equipment	-	4
Interest income	(48)	(41)
Interest expense	15	6
Operating profit / (loss) before changes in working capital	<u>1,302</u>	<u>(811)</u>
Changes in working capital		
Inventories	(108)	(51)
Receivables	87	1,129
Payables	114	90
Net cash flows (used in)/from operation	<u>1,395</u>	<u>357</u>
Tax paid	(25)	(31)
Interest paid	(14)	(1)
Interest received	26	23
Net cash (used in)/from operating activities	<u>1,382</u>	<u>348</u>
Cash flow from investing activities		
Purchase of property, plant and equipment	(20)	(10)
Interest received	22	18
Net cash (used in) from investing activities	<u>2</u>	<u>8</u>
Cash flow from financing activities		
Repayment of hire purchase	(21)	(113)
Drawdown/(Repayment) of short term borrowings	(454)	69
Interest paid	(1)	(5)
Net cash used in financing activities	<u>(476)</u>	<u>(49)</u>
Net change in cash and cash equivalents	<u>908</u>	<u>307</u>
Cash and cash equivalents at beginning of financial period	8,242	8,632
Effect of currency translation differences	(13)	(14)
Cash and cash equivalents at end of financial period	<u>9,137</u>	<u>8,925</u>
Cash and cash equivalents at the end of the financial period comprises the following :-		
Cash and bank balance	1,130	2,054
Short term deposits	8,007	7,104
Bank overdraft (included in the short term borrowings)	-	(233)
	<u>9,137</u>	<u>8,925</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 2011.

KUMPULAN POWERNET BERHAD

(Company No. 419227-X)

NOTES TO THE UNAUDITED CONSOLIDATED QUARTERLY RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2012

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 2011.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2011.

In conjunction with the planned convergence of FRSs with International Financial Reporting Standards as issued by the International Accounting Standards Board on 1 January 2012, the MASB had on 19 November 2011 issue a new MASB approved accounting standards, MFRSs (“MFRSs Framework”) for application in the annual periods beginning on or after 1 January 2012.

The MFRSs Framework is mandatory for adoption by all entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities subject to the application of MFRSs 141 *Agriculture* and/or IC Int 15 *Agreements for the Construction of Real Estate* (“*Transitioning Entities*”). The Transitioning Entities are given an option to defer adoption of the MFRSs Framework for an additional one year. Transitioning Entities also includes those entities that consolidate or equity account or proportionately consolidate another entity that has chosen to continue to apply the FRSs Framework for annual periods beginning on or after 1 January 2012.

Accordingly, the Group and the Company which are not Transitioning Entities are required to adopt the MFRSs Framework effective from 1 January 2012.

The adoption of the MFRSs does not have significant impact on the interim financial statements of the Group.

A2. Audit report of preceding annual financial statements

The audited financial statements for the financial year ended 31 December 2011 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 2012 are as follows:-

	Revenue	Inter-segment	Total
	RM'000	Sales	RM'000
		RM'000	
Manufacturing	5,702	365	5,337
Trading	502	133	369
Investment & Others	42	16	26
Consolidation	6,246	514	5,732

	Profit / (Loss)	Total assets
	before taxation	employed
	RM'000	RM'000
Manufacturing	946	44,357
Trading	(46)	972
Investment & Others	898	43,502
Elimination of inter-segment	1,798	88,831
	(896)	(45,531)
Consolidation	902	43,300

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 2011.

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

The Company provided corporate guarantee for banking facilities granted to its subsidiary companies amounting to RM0.098 million as at 22 May 2012.

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 2012 is as follows:-

	INVIDIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Corresponding Year To Date
	01/01/12 - 31/03/12 (RM'000)	01/01/11 - 31/03/11 (RM'000)	01/01/12 - 31/03/12 (RM'000)	01/01/11 - 31/03/11 (RM'000)
Revenue	5,732	2,919	5,732	2,919
Profit/(Loss) before taxation	902	(1,416)	902	(1,416)
Profit/(Loss) after taxation (before non-controlling interest)	887	(1,436)	887	(1,436)
Profit/(Loss) after taxation (after non-controlling interest)	936	(1,404)	936	(1,404)

An analysis of the above results based on the operating segments are as follows:

	INVIDIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Corresponding Year To Date
	01/01/12 - 31/03/12 (RM'000)	01/01/11 - 31/03/11 (RM'000)	01/01/12 - 31/03/12 (RM'000)	01/01/11 - 31/03/11 (RM'000)
Revenue				
- Manufacturing	5,337	1,656	5,337	1,656
- Trading	369	1,240	369	1,240
- Investment	26	23	26	23
	5,732	2,919	5,732	2,919

	INVIDIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Corresponding Year To Date
	01/01/12 - 31/03/12 (RM'000)	01/01/11 - 31/03/11 (RM'000)	01/01/12 - 31/03/12 (RM'000)	01/01/11 - 31/03/11 (RM'000)
Profit/(Loss) before taxation				
- Manufacturing	981	(1,227)	981	(1,227)
- Trading	(72)	(159)	(72)	(159)
- Investment	(7)	(30)	(7)	(30)
	902	(1,416)	902	(1,416)

B1. Review of performance (continued)

For the current quarter and year to-date, the Group recorded higher sales from manufacturing segment as compared to the preceding year corresponding period with revenue of RM5.337 million, an increase of 222.28%. However, revenue from trading declined substantially by 70% to RM0.369 million due to poor demand for our products from our UK subsidiary, which is badly affected by the Eurozone debts crisis.

Overall, the Group achieved higher revenue of RM5.732 million as compared to RM2.919 million in the corresponding period of the preceding year. The higher revenue was attributable to higher contribution from laminated products.

In line with the higher revenue, the manufacturing segment posted higher pre-tax profits, contributing RM0.981 million for the current quarter as compared to loss of RM1.227 million in the corresponding period of the preceding year. The trading segment reported loss before taxation of RM0.072 million compared to loss before taxation of RM0.159 million in the corresponding period of the preceding year. Despite the lower revenue, the loss before taxation is lower mainly attributable to costs cutting measure to mitigate the impacts of slow down in Europe region.

Overall, the Group reported profit before taxation of RM0.902 million as compared to loss before taxation of RM1.416 in the corresponding period of the preceding year.

B2. Variation of results against preceding quarter

A comparison of the results of the current quarter ended 31 March 2012 against the preceding quarter is as follows:

	Current Quarter 01/01/12 - 31/03/12 (RM'000)	Preceding Quarter 01/10/11 - 31/12/11 (RM'000)
Revenue	5,732	5,932
Profit/(Loss) before taxation	902	894
Profit/(Loss) after taxation (before non-controlling interest)	887	872
Profit/(Loss) after taxation (after non-controlling interest)	936	941

Below is the analysis of the results based on the operating segments of the Group:

	Current Quarter 01/01/12 - 31/03/12 (RM'000)	Preceding Quarter 01/10/11 - 31/12/11 (RM'000)
Revenue		
- Manufacturing	5,337	5,391
- Trading	369	506
- Investment	26	35

B2. Variation of results against preceding quarter (continued)

	Current Quarter 01/01/12 - 31/03/12 (RM'000)	Preceding Quarter 01/10/11 - 31/12/11 (RM'000)
Profit/(Loss) before taxation		
- Manufacturing	981	1,052
- Trading	(72)	(80)
- Investment	(7)	(78)

The Group recorded revenue of RM5.732 million as compared to RM5.932 million of the preceding quarter. The profit before taxation was marginally higher due to lower write down of inventories as compared to previous quarter.

For the current quarter, revenue for manufacturing and investment segments are rather constant but the trading segments revenue declined by 27.07% to RM0.369 million due to slow demand of our products in the Europe region.

No major variance in term of percentage for profit before taxation for manufacturing and trading segment. However, investment segment reported a loss before taxation of RM0.007 million as compared to loss before taxation of RM0.078 million in the previous quarter mainly due to lower foreign exchange loss in the current quarter under review.

B3. Prospects

The Group has been performing well for the past two quarters. However, the still unresolved Eurozone sovereign debts crisis and structural issues like high employment, continued de-leveraging by banks, and restrained credit condition is expected to plague growth in the advanced economies. Exports are likely to slow down due to the poor retail sentiment and the uncertainty over the fate of the euro.

Thus, we expect the rest of the year to be very challenging for the Group.

B4. Profit forecast

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

B5. Taxation

	Individual Quarter 3 months ended 31/03/12 (RM'000)	Cumulative Quarter 3 months ended 31/03/12 (RM'000)
Current tax expense	16	16
Deferred tax expense	(1)	(1)
Total	15	15

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

B6. Status of corporate proposals

There were no corporate proposals as at 22 May 2012.

B7. Borrowing and debt securities

	Secured RM'000	Unsecured RM'000	Total RM'000
Current			
Hire purchase creditors	62	-	62
	<hr/> 62	<hr/> -	<hr/> 62
Non-current			
Hire purchase creditors	10	-	10
	<hr/> 10	<hr/> -	<hr/> 10
	<hr/> 72	<hr/> -	<hr/> 72

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.

B8. 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.

B9. Changes in material litigation

There is no material litigation pending as at 22 May 2012.

B10. Dividends

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

B11. Profit / (loss) per share

The calculation of basic profit per share for the current quarter under review is based on the net profit attributable to owners of the parent of RM0.936 million. The number of ordinary shares in issue during the current period is 56,375,000.

B12. Realised and unrealized profits/losses disclosure

The breakdown of the retained profits / (accumulated losses) of the Group as at 31 March 2012, into realized and unrealized profits is as follows:

	Current Quarter	Preceding Quarter
	31/03/12	31/12/11
	(RM'000)	(RM'000)
- Realised losses	(27,736)	(29,519)
- Unrealised	(1)	(2)
	<hr/>	<hr/>
	(27,737)	(29,521)
Add : Consolidation adjustments	12,731	13,579
	<hr/>	<hr/>
	(15,006)	(15,942)
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By Order of the Board

Ho Tsae Feng
Company Secretary
Date : 22 May 2012