

KUMPULAN POWERNET BERHAD
(Company No. 419227-X)

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

	As at 31/12/12 RM'000	Audited As at 31/12/11 RM'000	As at 01/01/11 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment	20,232	21,636	23,574
	<u>20,232</u>	<u>21,636</u>	<u>23,574</u>
Current Assets			
Receivables, deposits and prepayments	2,415	5,972	5,177
Inventories	5,651	6,667	6,103
Investment securities	6	4	5
Tax recoverable	350	288	255
Deposits placed with licensed banks	8,696	7,567	7,069
Cash and cash equivalents	1,492	782	1,593
	<u>18,610</u>	<u>21,280</u>	<u>20,202</u>
TOTAL ASSETS	<u><u>38,842</u></u>	<u><u>42,916</u></u>	<u><u>43,776</u></u>
EQUITY & LIABILITIES			
Equity attributable to owners of the parents			
Share capital	56,375	56,375	56,375
Reserves	(18,208)	(15,199)	(14,369)
	<u>38,167</u>	<u>41,176</u>	<u>42,006</u>
Non-controlling interests	(380)	(223)	41
Total Equity	<u><u>37,787</u></u>	<u><u>40,953</u></u>	<u><u>42,047</u></u>
Non-Current Liabilities			
Deferred taxation	231	232	236
Borrowings	-	20	34
	<u>231</u>	<u>252</u>	<u>270</u>
Current Liabilities			
Payables and accruals	736	1,078	1,029
Short term borrowings	88	633	430
	<u>824</u>	<u>1,711</u>	<u>1,459</u>
Total Liabilities	1,055	1,963	1,729
TOTAL EQUITY AND LIABILITIES	<u><u>38,842</u></u>	<u><u>42,916</u></u>	<u><u>43,776</u></u>
Net assets per share attributable to ordinary equity holders of the Company (RM)	0.68	0.73	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 2011.

KUMPULAN POWERNET BERHAD
(Company No. 419227-X)

Unaudited Condensed Consolidated Statements of Comprehensive Income
For the fourth quarter ended 31 December 2012

	INDIVIDUAL QUARTER 3 months ended		CUMULATIVE QUARTER 12 months ended	
	31/12/12 RM'000	31/12/11 RM'000	31/12/12 RM'000	31/12/11 RM'000
Continuing operations				
Revenue	1,528	5,932	11,777	15,862
Cost of Sales	(2,346)	(3,892)	(10,325)	(12,121)
	(818)	2,040	1,452	3,741
Other income	37	130	163	225
Administrative expenses	(1,069)	(1,030)	(4,266)	(4,441)
Distribution expenses	(77)	(105)	(303)	(565)
Forex gain/(losses)	27	(116)	(157)	-
Other non-operating expenses	2	-	2	(1)
Operating profit / (loss) from operations	(1,898)	919	(3,109)	(1,041)
Finance costs	3	(25)	(28)	(56)
Profit / (Loss) before taxation	(1,895)	894	(3,137)	(1,097)
Taxation	15	(23)	-	(79)
Profit / (Loss) for the financial period	(1,880)	871	(3,137)	(1,176)
Profit / (Loss) attributable to:				
Owner of the parent	(1,817)	940	(2,980)	(912)
Non-controlling interests	(63)	(69)	(157)	(264)
Earnings / (Loss) per ordinary share attributable to owners of the parent (sen)				
Basic	(3.22)	1.67	(5.29)	(1.62)

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 fourth quarter ended 31 December 2012

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended		12 months ended	
	31/12/12	31/12/11	31/12/12	31/12/11
	RM'000	RM'000	RM'000	RM'000
Net profit / (loss) for the financial period	(1,880)	871	(3,137)	(1,176)
Other comprehensive income/(loss):				
Translation of foreign operations	(45)	53	(29)	82
Other comprehensive income for the financial period	(45)	53	(29)	82
Total comprehensive income for the financial period	(1,925)	924	(3,166)	(1,094)
Attributable to:				
Equity holders of the Company	(1,862)	1,003	(3,009)	(828)
Non-Controlling Interest	(63)	(79)	(157)	(266)
Total comprehensive income for the period	(1,925)	924	(3,166)	(1,094)

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 fourth quarter ended 31 December 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	-	-	-	(2,980)	(2,980)	(157)	(3,137)
Other comprehensive income / (loss)	-	-	(29)	-	(29)	-	(29)
Total comprehensive income / (loss) for the financial period	-	-	(29)	(2,980)	(3,009)	(157)	(3,166)
As at 31 December 2012	56,375	916	(202)	(18,922)	38,167	(380)	37,787

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 fourth quarter ended 31 December 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	-	-	-	(912)	(912)	(264)	(1,176)
Other comprehensive income / (loss)	-	-	82	-	82	-	82
Total comprehensive income/ (loss) for the financial period	-	-	82	(912)	(830)	(264)	(1,094)
As at 31 December 2011	56,375	916	(173)	(15,942)	41,176	(223)	40,953

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 fourth quarter ended 31 December 2012

	CUMULATIVE QUARTER	
	12 months ended	
	31/12/12	31/12/11
	RM'000	RM'000
Cash flow from operating activities		
(Loss) before taxation	(3,137)	(1,097)
Adjustments for :-		
Depreciation	1,580	1,613
Gain on derecognition of subsidiary	-	(4)
Fair value (gain)/loss on investment	(2)	1
Write (back)/down of inventories	405	517
Unrealised (gain)/loss on foreign exchange	44	(57)
(Reversal)/Provision of impairment loss on receivables	-	45
Loss/(Gain) on disposal of property, plant and equipment	(4)	(19)
Interest income	(284)	(207)
Interest expense	28	56
Operating profit / (loss) before changes in working capital	(1,370)	848
Changes in working capital		
Inventories	611	(1,081)
Receivables	3,515	(782)
Payables	(341)	52
Net cash flows (used in)/from operation	2,415	(963)
Tax paid	(98)	(142)
Tax refund	36	27
Interest paid	-	(30)
Interest received	121	117
Net cash (used in)/from operating activities	2,474	(991)
Cash flow from investing activities		
Purchase of property, plant and equipment	(203)	(218)
Proceeds from sales of property, plant and equipment	9	656
Interest received	163	90
Net cash (used in) from investing activities	(31)	528
Cash flow from financing activities		
Repayment of hire purchase	(72)	(391)
Drawdown/(Repayment) of short term borrowings	(386)	454
Interest paid	(28)	(27)
Net cash used in financing activities	(486)	36
Effect of exchange rate changes	(11)	64
Net change in cash and cash equivalents	1,946	(363)
Cash and cash equivalents at the beginning of the financial period	8,242	8,605
Cash and cash equivalents at the end of the financial period	10,188	8,242
Cash and cash equivalents at the end of the financial period comprises the following :-		
Cash and bank balance	1,492	782
Short term deposits	8,696	7,567
Bank overdraft (included in the short term borrowings)	-	(107)
	10,188	8,242

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 FOURTH QUARTER ENDED 31 DECEMBER 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 twelve months ended 31 December 2012 are as follows:-

	Revenue	Inter-segment	Total
	RM'000	Sales	
		RM'000	RM'000
Manufacturing	11,799	1,359	10,440
Trading	1,573	357	1,216
Investment & Others	186	65	121
Consolidation	13,558	1,781	11,777
		Profit / (Loss)	Total assets
		before taxation	employed
		RM'000	RM'000
Manufacturing		(4,931)	38,142
Trading		(219)	599
Investment & Others		(22)	42,449
		(5,172)	81,190
Elimination of inter-segment		2,035	(42,348)
Consolidation		(3,137)	38,842

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 RM0.118 million as at 26 February 2013.

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 December 2012 is as follows:-

	INVIDIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Corresponding Year To Date
	01/10/12 - 31/12/12 (RM'000)	01/10/11 - 31/12/11 (RM'000)	01/01/12 - 31/12/12 (RM'000)	01/01/11 - 31/12/11 (RM'000)
Revenue	1,528	5,932	11,777	15,862
Profit/(Loss) before taxation	(1,895)	894	(3,137)	(1,097)
Profit/(Loss) after taxation (before non-controlling interest)	(1,880)	871	(3,137)	(1,176)
Profit/(Loss) after taxation (after non-controlling interest)	(1,817)	940	(2,980)	(912)

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
	01/10/12 - 31/12/12 (RM'000)	01/10/11 - 31/12/11 (RM'000)	01/01/12 - 31/12/12 (RM'000)	01/01/11 - 31/12/11 (RM'000)
Revenue				
- Manufacturing	1,322	5,391	10,440	12,847
- Trading	171	506	1,216	2,898
- Investment	35	35	121	117
	1,528	5,932	11,777	15,862

	INVIDIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Corresponding Year To Date
	01/10/12 - 31/12/12 (RM'000)	01/10/11 - 31/12/11 (RM'000)	01/01/12 - 31/12/12 (RM'000)	01/01/11 - 31/12/11 (RM'000)
Profit/(Loss) before taxation				
- Manufacturing	(1,844)	1,052	(2,931)	(558)
- Trading	(76)	(80)	(184)	(481)
- Investment	25	(78)	(22)	(58)
	(1,895)	894	(3,137)	(1,097)

B1. Review of performance (continued)

For the current quarter, the Group recorded lower revenue of RM1.528 million as compared to the preceding year corresponding period, a decrease of 74.2%. The decline was mainly attributable to lower revenue of RM1.322 million from the manufacturing segment for the current quarter, a decrease of 75.5% due to poor demand for our products as worldwide sales declined bearing the brunt of the Eurozone debts crisis. Revenue from trading was lower by 66.2% while the investment segment revenue remains unchanged.

For the financial period ended 31 December 2012, the Group recorded lower revenue of RM11.777 million as compared to preceding year corresponding period, a decrease of 25.7%. Revenue derived from manufacturing segment was lower at RM10.44 million as compared to RM12.85 million in the preceding year corresponding period. The lower revenue from the manufacturing segment was attributable to lower sales in laminated products and warp-knitted fabrics. For the trading segment, there was a decline in revenue by 58% to RM1.216 million as compared to last year corresponding period due to lower sales contributed largely by the sluggish demand for our products in Europe. For the investment segment, revenue increased by 3.4% to RM0.121 million as compared to last year corresponding period.

The loss before taxation of the Group for the current quarter is RM1.895 million whereas in the same period last year was recorded profit before taxation of RM0.894 million. The manufacturing segment posted losses of RM1.844 million for the current quarter as compared to profit of RM1.052 million in the corresponding period last year due to lower revenue. In spite of lower revenue, the trading segment recorded lower loss before taxation of RM0.076 million due to lower operational costs. The investment segment posted profit of RM0.025 million.

For the financial period ended 31 December 2012, the Group reported loss before taxation of RM3.137 million as compared to loss before taxation of RM1.097 million recorded in the preceding year corresponding period. The manufacturing segment posted higher pre-tax loss at RM2.931 million as compared to loss of RM0.558 million in the corresponding period last year due to lower revenue. The trading segment reported lower loss before taxation of RM0.184 million as compared to loss before taxation of RM0.481 million in the preceding year corresponding period, mainly attributable to cost cutting measures to mitigate the impact arising from the economic slow down in Europe region. For the investment segment, loss before taxation of RM0.022 million was reported as compared to loss of RM0.058 million in the preceding year corresponding period.

B2. Variation of results against preceding quarter

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

	Current Quarter 01/10/12 - 31/12/12 (RM'000)	Preceding Quarter 01/07/12 - 30/09/12 (RM'000)
Revenue	1,528	1,481
Profit/(Loss) before taxation	(1,895)	(1,578)
Profit/(Loss) after taxation (before non-controlling interest)	(1,880)	(1,578)
Profit/(Loss) after taxation (after non-controlling interest)	(1,817)	(1,535)

B2. Variation of results against preceding quarter (continued)

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

	Current Quarter 01/10/12 - 31/12/12 (RM'000)	Preceding Quarter 01/07/12 - 30/09/12 (RM'000)
Revenue		
- Manufacturing	1,322	1,403
- Trading	171	43
- Investment	35	35

	Current Quarter 01/10/12 - 31/12/12 (RM'000)	Preceding Quarter 01/07/12 - 30/09/12 (RM'000)
Profit/ (Loss) before taxation		
- Manufacturing	(1,844)	(1,476)
- Trading	(76)	(107)
- Investment	25	5

The Group recorded higher revenue of RM1.528 million for the current quarter as compared to RM1.481 million in the preceding quarter. Due to lower revenue, the Group reported pre-tax losses of RM1.895 million for the current quarter.

For the current quarter, revenue for manufacturing segment is lower than previous quarter and contribution from trading segment has increased significantly. The investment segment remains the same as compared to preceding quarter.

Manufacturing segment reported loss before taxation of RM1.844 million as compared to loss before taxation of RM1.476 million in the preceding quarter due to lower profit margin. For the trading segment, it reported loss before taxation of RM0.076 million as compared to loss before taxation of RM0.107 million in the previous quarter mainly due to higher revenue. The investment segment reported profit before taxation of RM0.025 million as compared to profit before taxation of RM0.005 million in the previous quarter.

B3. Prospects

The Group's performance has dipped in the fourth quarter due to the poorer demand for our products amidst economic uncertainties prevailing in Europe. The conditions are expected to prevail until the first quarter coming financial year and any reversal in trend is only likely to be in the second or third quarter of the next financial year.

Thus, we expect the next financial 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 31/12/12 (RM'000)	Cumulative Quarter 12 months ended 31/12/12 (RM'000)
Current tax expense	(16)	-
Deferred tax expense	1	-
Total	<u>(15)</u>	<u>-</u>

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 26 February 2013.

B7. Borrowing and debt securities

	Secured (RM'000)	Unsecured (RM'000)	Total (RM'000)
Current liabilities			
- Hire purchase liabilities	20	-	20
- Bank borrowings	68	-	68
	<u>88</u>	<u>-</u>	<u>88</u>

The above borrowings are denominated in Ringgit Malaysia and the banking facilities are granted to subsidiaries secured against the following:

- (a) Ownership of the Equipment belonging to a subsidiary.
- (b) Corporate guarantee by the Company and subsidiary companies.

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 26 February 2013.

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 loss attributable to owners of the parent of RM1.817 million. The number of ordinary shares in issue during the current period is 56,375,000.

B12. Realised and unrealised profits/losses disclosure

The breakdown of the retained profits / (accumulated losses) of the Group as at 31 December 2012, into realised and unrealised losses is as follows:

	Current Quarter 31/12/12 (RM'000)	Preceding Quarter 30/09/12 (RM'000)
Realised losses	(34,784)	(30,728)
Unrealised	91	(43)
	<hr/>	<hr/>
	(34,693)	(30,771)
Add: Consolidation adjustments	15,771	13,666
	<hr/> <hr/>	<hr/> <hr/>
	(18,922)	(17,105)

By Order of the Board

Ho Tsae Feng
Company Secretary
Date : 26 February 2013