

KUMPULAN POWERNET BERHAD
(Company No. 419227-X)

Unaudited Condensed Consolidated Statements of Financial Position as at 30 June 2013

	As at 30/06/13 RM'000	Audited As at 31/12/12 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	19,627	20,232
	<u>19,627</u>	<u>20,232</u>
Current Assets		
Receivables, deposits and prepayments	2,142	2,412
Inventories	5,048	5,651
Investment securities	6	6
Tax recoverable	326	351
Deposits placed with licensed banks	7,361	8,696
Cash and cash equivalents	1,257	1,492
	<u>16,140</u>	<u>18,608</u>
TOTAL ASSETS	<u><u>35,767</u></u>	<u><u>38,840</u></u>
EQUITY & LIABILITIES		
Equity attributable to owners of the parents		
Share capital	56,375	56,375
Reserves	<u>(21,222)</u>	<u>(18,210)</u>
	35,153	38,165
Non-controlling interests	(514)	(380)
Total Equity	<u><u>34,639</u></u>	<u><u>37,785</u></u>
Non-Current Liabilities		
Deferred taxation	232	232
	<u>232</u>	<u>232</u>
Current Liabilities		
Payables and accruals	896	735
Short term borrowings	-	88
	<u>896</u>	<u>823</u>
Total Liabilities	1,128	1,055
TOTAL EQUITY AND LIABILITIES	<u><u>35,767</u></u>	<u><u>38,840</u></u>
Net assets per share attributable to ordinary equity holders of the Company (RM)	0.62	0.68

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 2012.

KUMPULAN POWERNET BERHAD
(Company No. 419227-X)

Unaudited Condensed Consolidated Statements of Comprehensive Income
For the second quarter ended 30 June 2013

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended		6 months ended	
	30/06/13	30/06/12	30/06/13	30/06/12
	RM'000	RM'000	RM'000	RM'000
Continuing operations				
Revenue	1,150	3,036	2,573	8,768
Cost of Sales	(1,736)	(2,784)	(3,752)	(6,187)
	(586)	252	(1,179)	2,581
Other income	18	66	38	92
Administrative expenses	(989)	(1,036)	(1,879)	(2,121)
Distribution expenses	(53)	14	(104)	(165)
Forex gain/(losses)	(25)	147	(29)	(27)
Other non-operating expenses	-	(1)	-	-
Operating profit / (loss) from operations	(1,635)	(558)	(3,153)	360
Finance costs	(2)	(8)	(4)	(24)
Profit / (Loss) before taxation	(1,637)	(566)	(3,157)	336
Taxation	-	-	4	(15)
Profit / (Loss) for the financial period	(1,637)	(566)	(3,153)	321
Profit / (Loss) attributable to:				
Owners of the parent	(1,583)	(564)	(3,018)	372
Non-controlling interests	(54)	(2)	(135)	(51)
Earnings / (Loss) per ordinary share attributable to owners of the parent (sen)				
Basic	(2.81)	(1.00)	(5.35)	0.66

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 2012.

KUMPULAN POWERNET BERHAD
(Company No. 419227-X)

Unaudited Condensed Consolidated Statements of Comprehensive Income
For the second quarter ended 30 June 2013

	INDIVIDUAL QUARTER 3 months ended		CUMULATIVE QUARTER 6 months ended	
	30/06/13 RM'000	30/06/12 RM'000	30/06/13 RM'000	30/06/12 RM'000
Net profit / (loss) for the financial period	(1,637)	(566)	(3,153)	321
Other comprehensive income/(loss):				
Translation of foreign operations	(10)	40	7	6
Other comprehensive income for the financial period	(10)	40	7	6
Total comprehensive income for the financial period	(1,647)	(526)	(3,146)	327
Attributable to:				
Owners of the parent	(1,588)	(518)	(3,012)	378
Non-Controlling Interests	(59)	(8)	(134)	(51)
Total comprehensive income for the period	(1,647)	(526)	(3,146)	327

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 2012.

KUMPULAN POWERNET BERHAD
(Company No. 419227-X)

Unaudited Condensed Consolidated Statements of Changes in Equity
For the second quarter ended 30 June 2013

	← Non-distributable →			Accumulated Losses RM'000	Total RM'000	Non- Controlling Interest RM'000	Total Equity RM'000
	Share Capital RM'000	Asset Revaluation Reserves RM'000	Translation Reserve RM'000				
As at 1 January 2013	56,375	916	(204)	(18,922)	38,165	(380)	37,785
Net profit / (loss) for the period	-	-	-	(3,018)	(3,018)	(135)	(3,153)
Other comprehensive income / (loss)	-	-	6	-	6	1	7
Total comprehensive income/ (loss) for the financial period	-	-	6	(3,018)	(3,012)	(134)	(3,146)
As at 30 June 2013	56,375	916	(198)	(21,940)	35,153	(514)	34,639

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 2012.

KUMPULAN POWERNET BERHAD
(Company No. 419227-X)

Unaudited Condensed Consolidated Statements of Changes in Equity
For the second quarter ended 30 June 2012

	← Non-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
As at 1 January 2012	56,375	916	(173)	(15,942)	41,176	(223)	40,953
Net profit / (loss) for the period	-	-	-	372	372	(51)	321
Other comprehensive income / (loss)	-	-	6	-	6	-	6
Total comprehensive income / (loss) for the financial period	-	-	6	372	378	(51)	327
As at 30 June 2012	56,375	916	(167)	(15,570)	41,554	(274)	41,280

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 2012.

KUMPULAN POWERNET BERHAD
(Company No. 419227-X)

Unaudited Condensed Consolidated Statements of Cash Flow
For the second quarter ended 30 June 2013

	CUMULATIVE QUARTER	
	6 months ended	
	30/06/13	30/06/12
	RM'000	RM'000
Cash flow from operating activities		
Profit/(Loss) before taxation	(3,157)	336
Adjustments for :-		
Depreciation	777	787
Write down of inventories	319	-
Unrealised loss on foreign exchange	25	(68)
Reversal of impairment loss on receivables	-	(1)
Interest income	(80)	(92)
Interest expense	4	21
Operating profit / (loss) before changes in working capital	<u>(2,112)</u>	<u>983</u>
Changes in working capital		
Inventories	283	404
Receivables	248	2,345
Payables	160	43
Net cash flows (used in)/from operation	<u>(1,421)</u>	<u>3,775</u>
Tax paid	(42)	(29)
Tax refund	68	-
Interest paid	(4)	(18)
Interest received	29	36
Net cash (used in)/from operating activities	<u>(1,370)</u>	<u>3,764</u>
Cash flow from investing activities		
Purchase of property, plant and equipment	(136)	(189)
Interest received	51	56
Net cash from investing activities	<u>(85)</u>	<u>(133)</u>
Cash flow from financing activities		
Interest paid	-	(3)
Fixed deposit held as security value	(2,000)	-
Repayment of hire purchase	(20)	(41)
Repayment of short term borrowings	(68)	(454)
Net cash (used in) financing activities	<u>(2,088)</u>	<u>(498)</u>
Net change in cash and cash equivalents	<u>(3,543)</u>	<u>3,133</u>
Cash and cash equivalents at beginning of financial period	10,188	8,242
Effect of currency translation differences	(27)	(2)
	<u>10,161</u>	<u>8,240</u>
Cash and cash equivalents at end of financial period	<u>6,618</u>	<u>11,373</u>
Cash and cash equivalents at the end of the financial period comprises the following :-		
Cash and bank balance	1,257	1,065
Short term deposits	7,361	10,308
	<u>8,618</u>	<u>11,373</u>
Less: Fixed deposits held as security value	(2,000)	-
	<u>6,618</u>	<u>11,373</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 2012.

KUMPULAN POWERNET BERHAD

(Company No. 419227-X)

NOTES TO THE UNAUDITED CONSOLIDATED QUARTERLY RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2013

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 2012.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2012.

A2. Audit report of preceding annual financial statements

The audited financial statements for the financial year ended 31 December 2012 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 2013 are as follows:-

	Revenue	Inter-segment	Total
	RM'000	Sales	
		RM'000	RM'000
Manufacturing	2,712	395	2,317
Trading	268	63	205
Investment & Others	83	32	51
Consolidation	3,063	490	2,573
		Profit / (Loss)	Total assets
		before taxation	employed
		RM'000	RM'000
Manufacturing		(2,872)	30,052
Trading		(344)	511
Investment & Others		(12)	37,591
		(3,228)	68,154
Elimination of inter-segment		71	(32,387)
Consolidation		(3,157)	35,767

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 2012.

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 RM0.091 million as at 27 August 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 30 June 2013 is as follows:-

	INVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Corresponding Year To Date
	01/04/13 - 30/06/13 (RM'000)	01/04/12 - 30/06/12 (RM'000)	01/01/13 - 30/06/13 (RM'000)	01/01/12 - 30/06/12 (RM'000)
Revenue	1,150	3,036	2,573	8,768
Profit/(Loss) before taxation	(1,637)	(566)	(3,157)	336
Profit/(Loss) after taxation (before non-controlling interest)	(1,637)	(566)	(3,153)	321
Profit/(Loss) after taxation (after non-controlling interest)	(1,583)	(564)	(3,018)	372

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

	INVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Corresponding Year To Date
	01/04/13 - 30/06/13 (RM'000)	01/04/12 - 30/06/12 (RM'000)	01/01/13 - 30/06/13 (RM'000)	01/01/12 - 30/06/12 (RM'000)
Revenue				
- Manufacturing	1,086	2,378	2,317	7,715
- Trading	38	633	205	1,002
- Investment	26	25	51	51
	1,150	3,036	2,573	8,768

	INVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Corresponding Year To Date
	01/04/13 - 30/06/13 (RM'000)	01/04/12 - 30/06/12 (RM'000)	01/01/13 - 30/06/13 (RM'000)	01/01/12 - 30/06/12 (RM'000)
Profit/(Loss) before taxation				
- Manufacturing	(1,444)	(592)	(2,872)	389
- Trading	(192)	71	(273)	(1)
- Investment	(1)	(45)	(12)	(52)
	(1,637)	(566)	(3,157)	336

B1. Review of performance (continued)

For the current quarter, the Group recorded lower revenue of RM1.15 million as compared to the preceding year corresponding period, a decrease of 66.18%. The decline was attributable to a lower revenue of RM0.038 million from the trading segment for the current quarter a decrease of 93.99%, due to poor demand for our products via our UK subsidiary, which is badly affected by the Eurozone debts crisis. Revenue from manufacturing was lower by 54.33% due to reduction in orders on laminated products. For the investment segment, revenue was slightly higher by 0.04%.

For the financial period ended 30 June 2013, the Group recorded lower revenue of RM2.573 million as compared to preceding year corresponding period, a decrease of 70.65%. Revenue derived from manufacturing segment was lower at RM2.317 million as compared to RM7.715 million in the preceding year corresponding period. The lower revenue from the manufacturing segment was attributable to lower sales due to poor demand for our products as the problem in the Eurozone continue to persist having a big impact on retail spending. This has resulted in a reduction in orders from customers as they have overstocked and is consolidating their position. For the trading segment, there was a decline in revenue by 79.54% to RM0.205 million as compared to last year corresponding period due to lower sales contributed largely by the sluggish demand for our products in Europe while the investment segment revenue remain the same as per last year corresponding period.

The loss before taxation of the Group for the current quarter of RM1.637 million was higher as compared to RM0.566 million in the same period last year. The manufacturing segment posted a higher loss of RM1.444 million for the current quarter as compared to a loss of RM0.592 million in the corresponding period last year due to lower revenue. The trading segment reported higher loss before taxation of RM0.192 million as compared to profit before taxation of RM0.071 million in the preceding year corresponding period, mainly attributable to lower revenue from our UK subsidiary. The investment segment posted a lower loss of RM0.001 million due to lower operational cost.

For the financial period ended 30 June 2013, the Group reported a loss before taxation of RM3.157 million as compared to a profit before taxation of RM0.336 million recorded in the preceding year corresponding period. The manufacturing segment posted a higher loss at RM2.872 million as compared to a profit of RM0.389 million in the corresponding period last year due to lower revenue. The trading segment reported a higher loss before taxation of RM0.273 million as compared to a loss before taxation of RM0.001 million in the preceding year corresponding period, mainly attributable to lower revenue from our UK subsidiary. For the investment segment, a loss before taxation of RM0.012 million was reported as compared to a loss of RM0.052 million in the preceding year corresponding period due to lower operational cost.

B2. Variation of results against preceding quarter

A comparison of the results of the current quarter ended 30 June 2013 against the preceding quarter is as follows:

	Current Quarter 01/04/13 - 30/06/13 (RM'000)	Preceding Quarter 01/01/13 - 31/03/13 (RM'000)
Revenue	1,150	1,423
Profit/(Loss) before taxation	(1,637)	(1,520)
Profit/(Loss) after taxation (before non-controlling interest)	(1,637)	(1,516)
Profit/(Loss) after taxation (after non-controlling interest)	(1,583)	(1,435)

B2. Variation of results against preceding quarter (Continued)

	Current Quarter 01/04/13 - 30/06/13 (RM'000)	Preceding Quarter 01/01/13 - 31/03/13 (RM'000)
Revenue		
- Manufacturing	1,086	1,231
- Trading	38	167
- Investment	26	25

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

	Current Quarter 01/04/13 - 30/06/13 (RM'000)	Preceding Quarter 01/01/13 - 31/03/13 (RM'000)
Profit/ (Loss) before taxation		
- Manufacturing	(1,444)	(1,428)
- Trading	(192)	(81)
- Investment	(1)	(11)

The Group recorded lower revenue of RM1.150 million for the current quarter as compared to RM1.423 million in the preceding quarter. Due to lower revenue, the Group reported higher pre-tax losses of RM1.637 million for the current quarter.

For the current quarter, revenue for manufacturing and trading segment are lower than preceding quarter whereas investment segment is slightly higher than preceding quarter.

Manufacturing segment reported loss before taxation of RM1.444 million as compared to loss before taxation of RM1.428 million in the preceding quarter due to lower sales. For the trading segment, it reported loss before taxation of RM0.192 million as compared to loss before taxation of RM0.081 million in the preceding quarter while the investment segment reported loss before taxation of RM0.001 million as compared to loss before taxation of RM0.011 million in the preceding quarter.

B3. Prospects

The Group's performance has dipped in the second quarter due to the poorer demand for our products amidst economic uncertainties prevailing in Europe. The conditions are expected to pick up in the fourth quarter of this financial year.

B4. Profit forecast

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

B5. Taxation

	Individual Quarter 3 months ended 30/06/13 (RM'000)	Cumulative Quarter 6 months ended 30/06/13 (RM'000)
Current tax expense	-	-
Deferred tax expense	-	-
Total	<u>-</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 27 August 2013.

B7. Borrowing and debt securities

There were no borrowing and debt securities.

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 27 August 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 / (loss) per share for the current quarter under review is based on the net loss attributable to owners of the parent of RM1.583 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 30 June 2013, into realised and unrealised losses is as follows:

	Current Quarter 30/06/13 (RM'000)	Preceding Quarter 31/03/13 (RM'000)
Realised losses	(46,737)	(45,203)
Unrealised	(8)	17
	<hr/>	<hr/>
	(46,745)	(45,186)
Add: Consolidation adjustments	24,805	24,829
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	(21,940)	(20,357)
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By Order of the Board

Ho Tsae Feng
Company Secretary
Date : 27 August 2013