

KUMPULAN POWERNET BERHAD
(Company No. 419227-X)

Unaudited Condensed Consolidated Statements of Financial Position as at 31 December 2013

	As at 31/12/13 RM'000	Audited As at 31/12/12 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	27,929	20,232
	<u>27,929</u>	<u>20,232</u>
Current Assets		
Receivables, deposits and prepayments	2,552	2,412
Inventories	4,429	5,651
Investment securities	9	6
Tax recoverable	227	351
Deposits placed with licensed banks	2,227	8,696
Cash and cash equivalents	846	1,492
	<u>10,290</u>	<u>18,608</u>
TOTAL ASSETS	<u><u>38,219</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>(23,538)</u>	<u>(18,210)</u>
	32,837	38,165
Non-controlling interests	(624)	(380)
Total Equity	<u><u>32,213</u></u>	<u><u>37,785</u></u>
Non-Current Liabilities		
Deferred taxation	2	232
	<u>2</u>	<u>232</u>
Current Liabilities		
Payables and accruals	6,004	735
Short term borrowings	-	88
	<u>6,004</u>	<u>823</u>
Total Liabilities	6,006	1,055
TOTAL EQUITY AND LIABILITIES	<u><u>38,219</u></u>	<u><u>38,840</u></u>
Net assets per share attributable to ordinary equity holders of the Company (RM)	0.58	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 fourth quarter ended 31 December 2013

	INDIVIDUAL QUARTER 3 months ended		CUMULATIVE QUARTER 12 months ended	
	31/12/13 RM'000	31/12/12 RM'000	31/12/13 RM'000	31/12/12 RM'000
Continuing operations				
Revenue	1,667	1,528	5,793	11,777
Cost of Sales	(2,060)	(2,346)	(7,723)	(10,325)
	(393)	(818)	(1,930)	1,452
Other income	21	37	106	165
Administrative expenses	(1,084)	(1,069)	(3,913)	(4,266)
Distribution expenses	(224)	(77)	(389)	(303)
Forex gain/(losses)	91	27	275	(157)
Other non-operating expenses	1	2	3	-
Operating profit / (loss) from operations	(1,588)	(1,898)	(5,848)	(3,109)
Finance costs	(4)	3	(11)	(28)
Profit / (Loss) before taxation	(1,592)	(1,895)	(5,859)	(3,137)
Taxation	230	15	234	-
Profit / (Loss) for the financial period	(1,362)	(1,880)	(5,625)	(3,137)
Profit / (Loss) attributable to:				
Owners of the parent	(1,306)	(1,817)	(5,402)	(2,980)
Non-controlling interests	(56)	(63)	(223)	(157)
Earnings / (Loss) per ordinary share attributable to owners of the parent (sen)				
Basic	(2.32)	(3.22)	(9.58)	(5.29)

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 fourth quarter ended 31 December 2013

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended		12 months ended	
	31/12/13 RM'000	31/12/12 RM'000	31/12/13 RM'000	31/12/12 RM'000
Net profit / (loss) for the financial period	(1,362)	(1,880)	(5,625)	(3,137)
Other comprehensive income/(loss):				
Translation of foreign operations	112	(45)	53	(31)
Other comprehensive income for the financial period	112	(45)	53	(31)
Total comprehensive income for the financial period	(1,250)	(1,925)	(5,572)	(3,168)
Attributable to:				
Owners of the parent	(1,188)	(1,862)	(5,328)	(3,011)
Non-Controlling Interests	(62)	(63)	(244)	(157)
Total comprehensive income for the period	(1,250)	(1,925)	(5,572)	(3,168)

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 fourth quarter ended 31 December 2013

	← Non-distributable →				Total		Total
	Share Capital RM'000	Asset Revaluation Reserves RM'000	Translation Reserve RM'000	Accumulated Losses RM'000	RM'000	Non- Controlling Interest RM'000	Equity RM'000
As at 1 January 2013	56,375	916	(204)	(18,922)	38,165	(380)	37,785
Net profit / (loss) for the period	-	-	-	(5,402)	(5,402)	(223)	(5,625)
Other comprehensive income / (loss)	-	-	74	-	74	(21)	53
Total comprehensive income/ (loss) for the financial period	-	-	74	(5,402)	(5,328)	(244)	(5,572)
As at 31 December 2013	<u>56,375</u>	<u>916</u>	<u>(130)</u>	<u>(24,324)</u>	<u>32,837</u>	<u>(624)</u>	<u>32,213</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 2012.

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 →				Total		Total
	Share Capital RM'000	Asset Revaluation Reserves RM'000	Translation Reserve RM'000	Accumulated Losses RM'000	RM'000	Non- Controlling Interest RM'000	Equity 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)	-	-	(31)	-	(31)	-	(31)
Total comprehensive income/ (loss) for the financial period	-	-	(31)	(2,980)	(3,011)	(157)	(3,168)
As at 31 December 2012	<u>56,375</u>	<u>916</u>	<u>(204)</u>	<u>(18,922)</u>	<u>38,165</u>	<u>(380)</u>	<u>37,785</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 2012.

KUMPULAN POWERNET BERHAD

(Company No. 419227-X)

**Unaudited Condensed Consolidated Statements of Cash Flow
For the fourth quarter ended 31 December 2013**

	CUMULATIVE QUARTER	
	12 months ended	
	31/12/13	31/12/12
	RM'000	RM'000
Cash flow from operating activities		
Profit/(Loss) before taxation	(5,859)	(3,137)
Adjustments for :-		
Depreciation	1,559	1,581
Impairment (gain) on investment	(3)	(2)
Write back of inventories	(1)	(1,118)
Write down of inventories	431	427
Unrealised (gain)/loss on foreign exchange	(65)	49
Impairment loss on receivables	152	-
Write off on property, plant and equipment	-	4
Interest income	(199)	(240)
Interest expense	11	28
Operating profit / (loss) before changes in working capital	(3,974)	(2,408)
Changes in working capital		
Inventories	792	1,707
Receivables	(224)	3,550
Payables	5,271	(343)
Net cash flows (used in)/from operation	1,865	2,506
Tax paid	(64)	(99)
Tax refund	185	36
Interest paid	(5)	(21)
Interest received	99	121
Net cash (used in)/from operating activities	2,080	2,543
Cash flow from investing activities		
Purchase of property, plant and equipment	(9,216)	(203)
Interest received	100	119
Net cash from investing activities	(9,116)	(84)
Cash flow from financing activities		
Interest paid	(6)	(7)
Fixed deposit held as security value	(700)	(2,000)
Repayment of hire purchase	(20)	(73)
Repayment of short term borrowings	(68)	(385)
Net cash (used in) financing activities	(794)	(2,465)
Net change in cash and cash equivalents	(7,830)	(6)
Cash and cash equivalents at beginning of financial period	10,188	8,242
Effect of currency translation differences	15	(48)
	10,203	8,194
Cash and cash equivalents at end of financial period	2,373	8,188
Cash and cash equivalents at the end of the financial period comprises the following :-		
Cash and bank balance	846	1,492
Short term deposits	2,227	8,696
	3,073	10,188
Less: Fixed deposits held as security value	(700)	(2,000)
	2,373	8,188

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 FOURTH QUARTER ENDED 31 DECEMBER 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 Malaysian Financial Reporting Standards (“MFRS”) 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 twelve months ended 31 December 2013 are as follows:-

	Revenue	Inter-segment	Total
	RM'000	Sales	RM'000
		RM'000	
Manufacturing	5,892	725	5,167
Trading	548	109	439
Investment & Others	253	66	187
Consolidation	6,693	900	5,793
		Profit / (Loss)	Total assets
		before taxation	employed
		RM'000	RM'000
Manufacturing		(5,799)	27,179
Trading		(531)	252
Investment & Others		(7,344)	39,311
		(13,674)	66,742
Elimination of inter-segment		7,815	(28,523)
Consolidation		(5,859)	38,219

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

On 22 December 2013, following the conversion of the 2,000,000 Redeemable Convertible Unsecured Loan Stocks ("RCULS") of Powerfit Industries Sdn Bhd ("PFSB") (issued on 23 December 2008) into 2,000,000 ordinary shares of RM1.00 each pursuant to the terms of issue of the RCULS, the Company's indirect equity interest in PFSB (held via Powernet Industries Sdn Bhd, a wholly-owned subsidiary of the Company) has increased from 79.07% to 88.37%.

Other than the above, 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 RM0.163 million as at 24 February 2014.

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 2013 is as follows:-

	INVIDIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Corresponding Year To Date
	01/10/13 - 31/12/13 (RM'000)	01/10/12 - 31/12/12 (RM'000)	01/01/13 - 31/12/13 (RM'000)	01/01/12 - 31/12/12 (RM'000)
Revenue	1,667	1,528	5,793	11,777
Profit/(Loss) before taxation	(1,592)	(1,895)	(5,859)	(3,137)
Profit/(Loss) after taxation (before non-controlling interest)	(1,362)	(1,880)	(5,625)	(3,137)
Profit/(Loss) after taxation (after non-controlling interest)	(1,306)	(1,817)	(5,402)	(2,980)

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
	01/10/13 - 31/12/13 (RM'000)	01/10/12 - 31/12/12 (RM'000)	01/01/13 - 31/12/13 (RM'000)	01/01/12 - 31/12/12 (RM'000)
Revenue				
- Manufacturing	1,459	1,322	5,167	10,440
- Trading	103	171	439	1,216
- Investment	105	35	187	121
	1,667	1,528	5,793	11,777

	INVIDIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Corresponding Year To Date
	01/10/13 - 31/12/13 (RM'000)	01/10/12 - 31/12/12 (RM'000)	01/01/13 - 31/12/13 (RM'000)	01/01/12 - 31/12/12 (RM'000)
Profit/(Loss) before taxation				
- Manufacturing	(1,692)	(1,844)	(5,562)	(2,931)
- Trading	(95)	(76)	(531)	(184)
- Investment	195	25	234	(22)
	(1,592)	(1,895)	(5,859)	(3,137)

B1. Review of performance (continued)

For the current quarter, the Group recorded higher revenue of RM1.667 million as compared to the preceding year corresponding period, an increase of 9.09%. The increase was attributable to higher revenue of RM0.137 million from the manufacturing segment for the current quarter, an increase of 10.36%, due to increase demand for our products. Revenue from trading segment was lower by 39.7% due to lower sales in our UK. For the investment segment, revenue was higher by 200% due to recognition of revenue from student accommodation rental in UK.

For the financial period ended 31 December 2013, the Group recorded lower revenue of RM5.793 million as compared to preceding year corresponding period, a decrease of 50.8%. Revenue derived from manufacturing segment was lower at RM5.167 million as compared to RM10,440 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 remains low in Europe. For the trading segment, there was a decline in revenue by 63.8% to RM0.439 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 was higher by 35.2% due to the acquisition of a 36 room property in the UK for rental of student accommodation which was completed in December 2013.

The loss before taxation of the Group for the current quarter of RM1.592 million was lower as compared to RM1.895 million in the same period last year. The manufacturing segment posted lower loss of RM1.692 million for the current quarter as compared to a loss of RM1.844 million in the corresponding period last year due to higher revenue. The trading segment reported higher loss before taxation of RM0.095 million as compared to loss before taxation of RM0.076 million in the preceding year corresponding period, mainly attributable to lower revenue from our UK subsidiary. The investment segment posted a higher profit of RM0.195 million due to profit generated from our new investment, i.e. rental income of student accommodation.

For the financial period ended 31 December 2013, the Group reported a loss before taxation of RM5.859 million as compared to a loss before taxation of RM3.137 million recorded in the preceding year corresponding period. The manufacturing segment posted a higher loss at RM5.562 million as compared to a loss of RM2.931 million in the corresponding period last year due to lower revenue. The trading segment reported a higher loss before taxation of RM0.531 million as compared to a loss before taxation of RM0.184 million in the preceding year corresponding period, mainly attributable to lower revenue from our UK subsidiary. For the investment segment, a profit before taxation of RM0.234 million was reported as compared to a loss of RM0.022 million in the preceding year corresponding period due to higher investment income from rental income of student accommodation.

B2. Variation of results against preceding quarter

A comparison of the results of the current quarter ended 31 December 2013 against the preceding quarter is as follows:

	Current Quarter 01/10/13 - 31/12/13 (RM'000)	Preceding Quarter 01/07/13 - 30/09/13 (RM'000)
Revenue	1,667	1,553
Profit/(Loss) before taxation	(1,592)	(1,110)
Profit/(Loss) after taxation (before non-controlling interest)	(1,362)	(1,110)
Profit/(Loss) after taxation (after non-controlling interest)	(1,306)	(1,078)

B2. Variation of results against preceding quarter (Continued)

	Current Quarter 01/10/13 - 31/12/13 (RM'000)	Preceding Quarter 01/07/13 - 30/09/13 (RM'000)
Revenue		
- Manufacturing	1,459	1,391
- Trading	103	131
- Investment	105	31

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

	Current Quarter 01/10/13 - 31/12/13 (RM'000)	Preceding Quarter 01/07/13 - 30/09/13 (RM'000)
Profit/ (Loss) before taxation		
- Manufacturing	(1,692)	(998)
- Trading	(95)	(163)
- Investment	195	51

The Group recorded higher revenue of RM1.667 million for the current quarter as compared to RM1.553 million in the preceding quarter. The Group reported higher pre-tax losses of RM1.592 million for the current quarter due to provision on doubtful debts of RM0.152million and write down of inventories of RM0.112million.

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

Manufacturing segment reported loss before taxation of RM1.692 million as compared to loss before taxation of RM0.998 million in the preceding quarter due to provision made on mentioned above. For the trading segment, it reported loss before taxation of RM0.095 million as compared to loss before taxation of RM0.163 million in the preceding quarter due to cost saving while the investment segment reported profit before taxation of RM0.195 million as compared to loss before taxation of RM0.051 million in the preceding quarter due to higher revenue from rental of student accommodation.

B3. Prospects

The Group's performance continues to remain poor in the fourth quarter due to the demand for our products in Europe persistent poor. However, the conditions are now showing sign of improvement with many new product development requested. We expect the market to pick up towards the second quarter of the next financial year.

B4. Profit forecast

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

B5. Taxation

	Individual Quarter 3 months ended 31/12/13 (RM'000)	Cumulative Quarter 12 months ended 31/12/13 (RM'000)
Current tax expense	-	4
Deferred tax expense	230	230
Total	<u>230</u>	<u>234</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 24 February 2014.

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 24 February 2014.

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 RM1.306 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 2013, into realised and unrealised losses is as follows:

	Current Quarter 31/12/13 (RM'000)	Preceding Quarter 30/09/13 (RM'000)
Realised losses	(49,609)	(48,020)
Unrealised	142	239
	<hr/>	<hr/>
	(49,467)	(47,781)
Add: Consolidation adjustments	25,143	24,763
	<hr/>	<hr/>
	(24,324)	(23,018)

By Order of the Board

Ho Tsae Feng
Company Secretary
Date : 24 February 2014