

KUMPULAN POWERNET BERHAD
(Company No. 419227-X)

Unaudited Condensed Consolidated Statements of Financial Position as at 30 June 2014

	As at 30/06/14 RM'000	Audited As at 31/12/13 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	27,253	27,929
	<u>27,253</u>	<u>27,929</u>
Current Assets		
Receivables, deposits and prepayments	2,058	2,553
Inventories	4,327	4,429
Investment securities	5	8
Tax recoverable	250	228
Deposits placed with licensed banks	1,213	2,227
Cash and cash equivalents	814	846
	<u>8,667</u>	<u>10,291</u>
TOTAL ASSETS	<u><u>35,920</u></u>	<u><u>38,220</u></u>
EQUITY & LIABILITIES		
Equity attributable to owners of the parents		
Share capital	56,375	56,375
Reserves	(25,911)	(23,542)
	<u>30,464</u>	<u>32,833</u>
Non-controlling interests	(666)	(624)
Total Equity	<u><u>29,798</u></u>	<u><u>32,209</u></u>
Non-Current Liabilities		
Deferred taxation	2	2
Long term borrowings	4,471	-
	<u>4,473</u>	<u>2</u>
Current Liabilities		
Payables and accruals	904	6,009
Short term borrowings	745	-
	<u>1,649</u>	<u>6,009</u>
Total Liabilities	6,122	6,011
TOTAL EQUITY AND LIABILITIES	<u><u>35,920</u></u>	<u><u>38,220</u></u>
Net assets per share attributable to ordinary equity holders of the Company (RM)	0.54	0.58

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 2013.

KUMPULAN POWERNET BERHAD
(Company No. 419227-X)

Unaudited Condensed Consolidated Statements of Comprehensive Income
For the second quarter ended 30 June 2014

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended		6 months ended	
	30/06/14	30/06/13	30/06/14	30/06/13
	RM'000	RM'000	RM'000	RM'000
Continuing operations				
Revenue	1,609	1,150	3,342	2,573
Cost of Sales	(2,045)	(1,736)	(3,935)	(3,752)
	(436)	(586)	(593)	(1,179)
Other income	55	18	61	38
Administrative expenses	(918)	(989)	(1,773)	(1,879)
Distribution expenses	(142)	(53)	(241)	(104)
Forex gain/(losses)	(3)	(25)	18	(29)
Other non-operating expenses	(3)	-	(4)	-
Operating profit / (loss) from operations	(1,447)	(1,635)	(2,532)	(3,153)
Finance costs	(38)	(2)	(41)	(4)
Profit / (Loss) before taxation	(1,485)	(1,637)	(2,573)	(3,157)
Taxation	-	-	-	4
Profit / (Loss) for the financial period	(1,485)	(1,637)	(2,573)	(3,153)
Profit / (Loss) attributable to:				
Owners of the parent	(1,445)	(1,583)	(2,496)	(3,018)
Non-controlling interests	(39)	(54)	(76)	(135)
Earnings / (Loss) per ordinary share attributable to owners of the parent (sen)				
Basic	(2.56)	(2.81)	(4.43)	(5.35)

KUMPULAN POWERNET BERHAD
 (Company No. 419227-X)

Unaudited Condensed Consolidated Statements of Comprehensive Income
For the second quarter ended 30 June 2014

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended		6 months ended	
	30/06/14	30/06/13	30/06/14	30/06/13
	RM'000	RM'000	RM'000	RM'000
Net profit/(loss) for the financial period	(1,485)	(1,637)	(2,573)	(3,153)
Other comprehensive income/(loss):				
Translation of foreign operations	31	(10)	128	7
Other comprehensive income/(loss) for the financial period	31	(10)	128	7
Total comprehensive income/(loss) for the financial period	(1,454)	(1,647)	(2,445)	(3,146)
Attributable to:				
Owners of the parent	(1,425)	(1,588)	(2,403)	(3,012)
Non-Controlling Interests	(29)	(59)	(42)	(134)
Total comprehensive income/(loss) for the period	(1,454)	(1,647)	(2,445)	(3,146)

KUMPULAN POWERNET BERHAD

(Company No. 419227-X)

Unaudited Condensed Consolidated Statements of Changes in Equity For the second quarter ended 30 June 2014

	← 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 2014	56,375	916	(48)	(24,411)	32,832	(624)	32,208
Net profit / (loss) for the period	-	-	-	(2,496)	(2,496)	(76)	(2,572)
Other comprehensive income / (loss)	-	-	128	-	128	34	162
Total comprehensive income/ (loss) for the financial period	-	-	128	(2,496)	(2,368)	(42)	(2,410)
As at 30 June 2014	56,375	916	80	(26,907)	30,464	(666)	29,798

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 2013.

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 →				Total		Total
	Share	Asset	Translation	Accumulated		Non-	Equity
	Capital	Revaluation	Reserve	Losses		Controlling	
	RM'000	Reserves	RM'000	RM'000	RM'000	Interest	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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	<u>56,375</u>	<u>916</u>	<u>(198)</u>	<u>(21,940)</u>	<u>35,153</u>	<u>(514)</u>	<u>34,639</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 2013.

KUMPULAN POWERNET BERHAD
(Company No. 419227-X)

Unaudited Condensed Consolidated Statements of Cash Flow
For the second quarter ended 30 June 2014

	CUMULATIVE QUARTER	
	6 months ended	
	30/06/14	30/06/13
	RM'000	RM'000
Cash flow from operating activities		
Profit/(Loss) before taxation	(2,573)	(3,157)
Adjustments for :-		
Depreciation	840	777
Impairment (gain) on investment	4	319
Unrealised (gain)/loss on foreign exchange	6	25
Interest income	(3)	(80)
Interest expense	(1)	4
Operating profit / (loss) before changes in working capital	<u>(1,727)</u>	<u>(2,112)</u>
Changes in working capital		
Inventories	101	283
Receivables	497	248
Payables	(5,105)	160
Net cash flows (used in)/from operation	<u>(6,234)</u>	<u>(1,421)</u>
Tax paid	(22)	(42)
Tax refund	-	68
Interest paid	(6)	(4)
Interest received	-	29
Net cash (used in)/from operating activities	<u>(6,262)</u>	<u>(1,370)</u>
Cash flow from investing activities		
Purchase of property, plant and equipment	(1)	(136)
Interest received	3	51
Net cash from investing activities	<u>2</u>	<u>(85)</u>
Cash flow from financing activities		
Fixed deposit held as security value	-	(2,000)
Repayment of hire purchase	-	(20)
Short term borrowings	5,216	(68)
Net cash from/(used in) financing activities	<u>5,216</u>	<u>(2,088)</u>
Net change in cash and cash equivalents	<u>(1,044)</u>	<u>(3,543)</u>
Cash and cash equivalents at beginning of financial period	2,373	10,188
Effect of currency translation differences	(2)	(27)
	<u>2,371</u>	<u>10,161</u>
Cash and cash equivalents at end of financial period	<u>1,327</u>	<u>6,618</u>
Cash and cash equivalents at the end of the financial period comprises the following :-		
Cash and bank balance	814	1,257
Short term deposits	1,213	7,361
	<u>2,027</u>	<u>8,618</u>
Less: Fixed deposits held as security value	(700)	(2,000)
	<u>1,327</u>	<u>6,618</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 2013.

KUMPULAN POWERNET BERHAD

(Company No. 419227-X)

NOTES TO THE UNAUDITED CONSOLIDATED QUARTERLY RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2014

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 2013.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2013.

A2. Audit report of preceding annual financial statements

The audited financial statements for the financial year ended 31 December 2013 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 2014 are as follows:-

	Revenue	Inter-segment	Total
	RM'000	Sales	
		RM'000	RM'000
Manufacturing	2,845	306	2,539
Trading	315	96	219
Investment & Others	584	-	584
Consolidation	3,744	402	3,342
		Profit / (Loss)	Total assets
		before taxation	employed
		RM'000	RM'000
Manufacturing		(2,793)	24,790
Trading		(212)	271
Investment & Others		432	40,505
Elimination of inter-segment		(2,573)	65,566
		-	(29,646)
Consolidation		(2,573)	35,920

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 2013.

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 RM5.382 million as at 26 August 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 30 June 2014 is as follows:

	INVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Corresponding Year To Date
	01/4/14 - 30/06/14 (RM'000)	01/04/13 - 30/06/13 (RM'000)	01/01/14 - 30/06/14 (RM'000)	01/01/13 - 30/06/13 (RM'000)
Revenue	1,609	1,150	3,342	2,573
Profit/(Loss) before taxation	(1,485)	(1,637)	(2,573)	(3,157)
Profit/(Loss) after taxation (before non-controlling interest)	(1,485)	(1,637)	(2,573)	(3,153)
Profit/(Loss) after taxation (after non-controlling interest)	(1,445)	(1,583)	(2,496)	(3,018)

	INVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Corresponding Year To Date
	01/4/14 - 30/06/14 (RM'000)	01/04/13 - 30/06/13 (RM'000)	01/01/14 - 30/06/14 (RM'000)	01/01/13 - 30/06/13 (RM'000)
Revenue				
- Manufacturing	1,197	1,086	2,539	2,317
- Trading	121	38	219	205
- Investment & others	291	26	584	51
	1,609	1,150	3,342	2,573

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
	01/4/14 - 30/06/14 (RM'000)	01/04/13 - 30/06/13 (RM'000)	01/01/14 - 30/06/14 (RM'000)	01/01/13 - 30/06/13 (RM'000)
Profit/(Loss) before taxation				
- Manufacturing	(1,640)	(1,444)	(2,793)	(2,872)
- Trading	(109)	(192)	(212)	(273)
- Investment & others	264	(1)	432	(12)
	(1,485)	(1,637)	(2,573)	(3,157)

B1. Review of performance (continued)Revenue

The Group recorded higher revenue of RM1.609 million as compared to the preceding year corresponding period, an increase of 39.91%. The increase was attributable to higher revenue of RM0.110 million from the manufacturing segment for the current quarter, an increase of 10.00%, due to increase demand for our products, while trading segment increased by 81.00%. For the investment & others segment, revenue was higher due to recognition of revenue from student accommodation rental in UK.

Profit/(Loss) before taxation

The Group's loss before taxation of RM1.485 million was lower as compared to RM1.637 million in the same period last quarter. The manufacturing segment posted higher loss of RM1.640 million as compared to a loss of RM1.444 million in the same period last quarter due to higher operating costs and reduced selling prices. The trading segment reported lower loss before taxation of RM0.109 million as compared to loss before taxation of RM0.192 million in the preceding year corresponding period, mainly attributable to reduced operating expenses from our UK subsidiary. The investment & others segment posted a profit of RM0.264 million due to profit generated from our new investment, i.e. rental income of student accommodation.

B2. Variation of results against preceding quarter

A comparison of the results of the current quarter ended 30 June 2014 against the preceding quarter is as follows:

	Current Quarter 01/4/14 - 30/06/14 (RM'000)	Preceding Quarter 01/01/14 - 31/03/14 (RM'000)
Revenue	1,609	1,733
Profit/(Loss) before taxation	(1,485)	(1,088)
Profit/(Loss) after taxation (before non-controlling interest)	(1,485)	(1,088)
Profit/(Loss) after taxation (after non-controlling interest)	(1,445)	(1,051)

	Current Quarter 01/4/14 - 30/06/14 (RM'000)	Preceding Quarter 01/01/14 - 31/03/14 (RM'000)
Revenue		
- Manufacturing	1,197	1,342
- Trading	121	98
- Investment & others	291	293

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 01/4/14 - 30/06/14 (RM'000)	Preceding Quarter 01/01/14 - 31/03/14 (RM'000)
Profit/ (Loss) before taxation		
- Manufacturing	(1,640)	(1,153)
- Trading	(109)	(103)
- Investment & others	264	168

The Group recorded lower revenue of RM1.609 million for the current quarter as compared to RM1.733 million in the preceding quarter. For the current quarter, revenue from trading and investment segment are higher than preceding quarter.

Manufacturing segment reported loss before taxation of RM1.640 million as compared to loss before taxation of RM1.153 million in the preceding quarter due to lower revenue, provision on doubtful debts and inventory write down. For the trading segment, it reported loss before taxation of RM0.109 million as compared to loss before taxation of RM0.103 million in the preceding quarter while the investment & others segment reported profit before taxation of RM0.264 million as compared to profit before taxation of RM0.168 million in the preceding quarter.

B3. Prospects

The Group's performance continues to remain poor in the second quarter due to the poor demand for our products. The demand is expected to remain sluggish in the third quarter as new product developments are expected to materialise towards the last quarter.

B4. Profit forecast

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

B5. Taxation

	Individual Quarter 3 months ended 30/06/14 (RM'000)	Cumulative Quarter 6 months ended 30/06/14 (RM'000)
Current tax expense	-	-
Deferred tax expense	-	-
Total	-	-

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 August 2014.

B7. Borrowing and debt securities

	Term Loan		Total
	(RM'000)	(RM'000)	(RM'000)
Current liabilities			
Term Loan	5,315	-	5,315
	<u>5,315</u>	<u>-</u>	<u>5,315</u>

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 August 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 RM2.496 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 2014, into realised and unrealised losses is as follows:

	Current	Preceding
	Quarter	Quarter
	30/06/14	31/03/14
	(RM'000)	(RM'000)
Realised losses	(59,563)	(58,077)
Unrealised	34	34
	<u>(59,529)</u>	<u>(58,043)</u>
Add: Consolidation adjustments	32,622	32,582
	<u>(26,907)</u>	<u>(25,461)</u>

By Order of the Board

Ho Tsae Feng
Company Secretary
Date : 26 August 2014