

**KUMPULAN POWERNET BERHAD**

(Company No.: 419227-X)

**Unaudited Condensed Consolidated Statements of Financial Position as at 30 June 2015**

	As at 30/06/15 RM'000	Audited As at 31/12/14 RM'000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	25,792	26,437
Available for sale investments	-	-
Other investments	-	-
Investment in jointly controlled entity	-	-
	<u>25,792</u>	<u>26,437</u>
<b>Current Assets</b>		
Receivables, deposits and prepayments	1,810	2,264
Inventories	4,067	4,095
Investment securities	-	8
Tax recoverable	304	277
Deposits placed with licensed banks	642	687
Cash and cash equivalents	495	536
	<u>7,318</u>	<u>7,867</u>
<b>TOTAL ASSETS</b>	<u><u>33,110</u></u>	<u><u>34,304</u></u>
<b>EQUITY &amp; LIABILITIES</b>		
<b>Equity attributable to owners of the parents</b>		
Share capital	56,375	56,375
Reserves	<u>(29,216)</u>	<u>(27,485)</u>
	27,159	28,890
<b>Non-controlling interests</b>	(730)	(752)
<b>Total Equity</b>	<u>26,429</u>	<u>28,138</u>
<b>Non-Current Liabilities</b>		
Deferred taxation	2	2
Long term borrowings	<u>3,740</u>	<u>4,251</u>
	3,742	4,253
<b>Current Liabilities</b>		
Payables and accruals	2,057	998
Short term borrowings	<u>882</u>	<u>915</u>
	2,939	1,913
<b>Total Liabilities</b>	6,681	6,166
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>33,110</u></u>	<u><u>34,304</u></u>
	-	-
Net assets per share attributable to ordinary equity holders of the Company (RM)	0.48	0.51

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 2014.

**KUMPULAN POWERNET BERHAD**

(Company No.: 419227-X)

**Unaudited Condensed Consolidated Statements of Comprehensive Income for the second quarter ended 30 June 2015**

	INDIVIDUAL QUARTER 3 months ended		CUMULATIVE QUARTER 6 months ended	
	30/06/15 RM'000	30/06/14 RM'000	30/06/15 RM'000	30/06/14 RM'000
<b>Continuing operations</b>				
Revenue	1,375	1,609	2,695	3,342
Cost of Sales	(1,333)	(2,045)	(2,938)	(3,935)
	42	(436)	(243)	(593)
Other income	1	55	(10)	61
Administrative expenses	(632)	(918)	(1,298)	(1,773)
Distribution expenses	(70)	(142)	(153)	(241)
Forex gain/(losses)	39	(3)	94	18
Other non-operating expenses	-	(3)	(36)	(4)
Operating profit / (loss) from operations	(620)	(1,447)	(1,646)	(2,532)
Finance costs	(9)	(38)	(10)	(41)
Profit / (Loss) before taxation	(629)	(1,485)	(1,656)	(2,573)
Taxation		-	-	
Profit / (Loss) for the financial period	(629)	(1,485)	(1,656)	(2,573)
Profit / (Loss) attributable to:				
Owners of the parent	(616)	(1,446)	(1,635)	(2,497)
Non-controlling interests	(13)	(39)	(21)	(76)
Earnings / (Loss) per ordinary share attributable to owners of the parent (sen)				
Basic	(1.09)	(2.56)	(2.90)	(4.43)

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 2014.

**KUMPULAN POWERNET BERHAD**

(Company No.: 419227-X)

**Unaudited Condensed Consolidated Statements of Comprehensive Income for the second quarter ended 30 June 2015.**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended		6 months ended	
	30/06/15 RM'000	30/06/14 RM'000	30/06/15 RM'000	30/06/14 RM'000
Net profit/(loss) for the financial period	(629)	(1,485)	(1,656)	(2,573)
Other comprehensive income/(loss):				
Translation of foreign operations	(24)	31	(61)	128
Other comprehensive income/(loss) for the financial period	(24)	31	(61)	128
Total comprehensive income/(loss) for the financial period	(653)	(1,454)	(1,717)	(2,445)
Attributable to:				
Owners of the parent	(640)	(1,425)	(1,696)	(2,403)
Non-Controlling Interests	(13)	(29)	(21)	(42)
Total comprehensive income/(loss) for the period	(653)	(1,454)	(1,717)	(2,445)

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 2014.

**KUMPULAN POWERNET BERHAD**

(Company No.: 419227-X)

**Unaudited Condensed Consolidated Statements of Changes of Equity for the second quarter ended 30 June 2015**

	← Non-distributable Asset →			Accumulated Losses RM'000	Total RM'000	Non- Controlling Interest RM'000	Total Equity RM'000
	Share Capital RM'000	Revaluation Reserves RM'000	Translation Reserve RM'000				
As at 1 January 2015	56,375	916	(124)	(28,277)	28,890	(752)	28,138
Net profit / (loss) for the period	-	-	-	(1,656)	(1,656)	21	(1,635)
Other comprehensive income / (loss)	-	-	(75)	-	(75)	1	(74)
Total comprehensive income/ (loss) for the financial period	-	-	(75)	(1,656)	(1,731)	22	(1,709)
As at 30 June 2015	56,375	916	(199)	(29,933)	27,159	(730)	26,429

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 2014.

**KUMPULAN POWERNET BERHAD**

(Company No.: 419227-X)

**Unaudited Condensed Consolidated Statements of Changes of 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	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 Cash Flow for the second quarter ended 30 June 2015**

	<b>CUMULATIVE QUARTER</b>	
	<b>6 months ended</b>	
	<b>30/06/15</b>	<b>31/12/14</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flow from operating activities</b>		
Profit/(Loss) before taxation	(1,656)	(3,994)
Adjustments for :-		
Depreciation	941	1,668
Write back of inventories	-	(791)
Write down of inventories	-	19
Unrealised (gain)/loss on foreign exchange	(61)	(130)
Gain on disposal of property, plant and equipments	-	(125)
Interest income	(9)	(40)
Interest expense	10	135
<b>Operating profit / (loss) before changes in working capital</b>	<u>(775)</u>	<u>(3,258)</u>
<b>Changes in working capital</b>		
Inventories	28	1,106
Receivables	454	420
Payables	1,059	(5,011)
<b>Net cash flows (used in)/from operation</b>	<u>766</u>	<u>(6,743)</u>
Tax paid	(27)	(49)
Interest paid	(10)	(10)
Interest received	-	35
<b>Net cash (used in)/from operating activities</b>	<u>729</u>	<u>(6,767)</u>
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	-	(31)
Proceeds from sales of property, plant and equipment	-	125
Interest received	-	5
<b>Net cash from investing activities</b>	<u>-</u>	<u>99</u>
<b>Cash flow from financing activities</b>		
Interest paid	(9)	(125)
Fixed deposit held as security value	100	200
Drawn down of term loan	-	5,222
Repayment of term loan	(472)	(303)
Short term borrowings	(269)	247
<b>Net cash from/(used in) financing activities</b>	<u>(650)</u>	<u>5,241</u>
<b>Net change in cash and cash equivalents</b>	<u>79</u>	<u>(1,427)</u>
<b>Cash and cash equivalents at beginning of financial period</b>	<u>723</u>	<u>2,373</u>
<b>Effect of currency translation differences</b>	<u>(65)</u>	<u>(223)</u>
	<u>658</u>	<u>2,150</u>
<b>Cash and cash equivalents at end of financial period</b>	<u>737</u>	<u>723</u>
<b>Cash and cash equivalents at the end of the financial period comprises the following :-</b>		
Cash and bank balance	495	536
Short term deposits	642	687
	<u>1,137</u>	<u>1,223</u>
Less: Fixed deposits held as security value	(400)	(500)
	<u>737</u>	<u>723</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 2014.

## **KUPMPULAN POWERNET BERHAD**

(Company No. 419227-X)

### **NOTES TO UNAUDITED CONSOLIDATED QUARTERLY RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2015**

#### **A. Explanatory notes to interim financial reports**

##### **A1. Basis of preparation**

The interim report is unaudited and has been prepared in compliance with the Malaysia Financial Reporting Standards ("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 2014.

The interim financial report should be read in conjunction with the financial statements of the Group for the financial year ended 31 December 2014.

##### **A2. Audit report of preceding annual financial statements**

The audited statements for the financial year ended 31 December 2014 were not subjected to any qualifications.

##### **A3. Seasonal or cyclical factors**

The demands for the Group's products are not subject 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 reports of the current financial year or prior financial year that have a material effect on the current quarter.

##### **A6. Issuance, cancellations or repayments of debts and equity securities**

There were no issuance, cancellations or repayments of debts and equity securities, share buy-back, share cancellations, shares held as treasury shares during the current quarter under review.

##### **A7. Dividend**

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 2015 are as follows:-

	Revenue RM'000	Inter-segment Sales RM'000	Total RM'000
Manufacturing	2,255	178	2,056
Trading	34	13	21
Investment & Others	618	-	618
<b>Consolidation</b>	<b>2,907</b>	<b>191</b>	<b>2,695</b>

  

	Profit / (Loss) before taxation RM'000	Total assets employed RM'000
Manufacturing	(2,030)	23,163
Trading	(27)	125
Investment & Others	401	9,822
<b>Elimination of inter-segment</b>	<b>(1,656)</b>	<b>33,110</b>
<b>Consolidation</b>	<b>(1,656)</b>	<b>33,110</b>

**A9. Valuation of property, plant and equipment**

The valuations of plant, property and equipment have been brought forward without amendments from the financial statements for the financial year ended 31 December 2014.

**A10. Material events subsequent to the end of the financial period**

On 7 July 2015, the Company has received documentary evidence on the transfer of the remaining 2,500 ordinary shares of GBP 1 each representing 25% equity interest in Powernet Products (UK) Limited ("PPUK") by Mr. John Burke to Hypergize Link Sdn Bhd, a wholly-owned subsidiary of the Company ("Hypergize") which is holding the other 75% equity interest in PPUK, at a cash consideration of GBP 1 (equivalent to RM5.598). Consequently thereto, PPUK became an indirect wholly-owned subsidiary of the Company held via Hypergize.

**A11. Change in composition of the Group**

There were no material changes in the composition of the Group for the current financial period, save for the disclosure of item A10 above.

**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 25 August 2015.



**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 2015 is as follows:-

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Corresponding Year To Date
	01/04/15 - 30/06/15 (RM'000)	01/04/14 - 30/06/14 (RM'000)	01/01/15 - 30/06/15 (RM'000)	01/01/14 - 30/06/14 (RM'000)
Revenue	1,375	1,609	2,695	3,342
Profit/(Loss) before taxation	(629)	(1,485)	(1,656)	(2,573)
Profit/(Loss) after taxation (before non-controlling interest)	(629)	(1,485)	(1,656)	(2,573)
Profit/(Loss) after taxation (after non-controlling interest)	(616)	(1,446)	(1,635)	(2,497)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Corresponding Year To Date
	01/04/15 - 30/06/15 (RM'000)	01/04/14 - 30/06/14 (RM'000)	01/01/15 - 30/06/15 (RM'000)	01/01/14 - 30/06/14 (RM'000)
Revenue				
- Manufacturing	1,040	1,197	2,056	2,539
- Trading	0	121	21	219
- Investment & others	335	291	618	584
	1,375	1,609	2,695	3,342

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Corresponding Year To Date
	01/04/15 - 30/06/15 (RM'000)	01/04/14 - 30/06/14 (RM'000)	01/01/15 - 30/06/15 (RM'000)	01/01/14 - 30/06/14 (RM'000)
Profit/(Loss) before taxation				
- Manufacturing	(861)	(1,640)	(2,030)	(2,793)
- Trading	0	(109)	(27)	(212)
- Investment & others	232	264	401	432
	(629)	(1,485)	(1,656)	(2,573)

**B1. Review of performance (continued)**Revenue

The revenue of the Group decreased by RM647K or 19.4% to RM2.695 million compared to preceding year corresponding period. The manufacturing and trading segment declined by 19.0% and 90.4% respectively and investment segment register an increase of 5.8%. The decrease in manufacturing segment was attributable to lower demand for our textile products, while the decrease in trading segment is due to the Group's decision to eventually wind up the trading segment as sales tax is no longer applicable with the implementation of GST. An increase was recorded for the investment segment as a result of higher rent and exchange rate.

Profit / (Loss) before taxation

The Group's losses before taxation of RM1.656 million was lower compared to RM2.573 million in the corresponding quarter last year. The manufacturing segment posted lower losses of RM2.030 million as compared to a loss of RM2.793 million. The trading segment reported lower losses at RM27K, an improvement of RM185K as a result of UK operation ceasing business. Profit reduce by RM31K in the investment segment due to higher expenses incurred on maintenance.

**B2. Variation of results against preceding quarter**

A comparison of the results of the current quarter ended 30 June 2015 against preceding quarter is as follows:-

	<b>Current Quarter 01/04/15 - 30/06/15 (RM'000)</b>	<b>Preceding Quarter 01/01/15 - 31/03/15 (RM'000)</b>
Revenue	1,375	1,320
Profit/(Loss) before taxation	(629)	(1,027)
Profit/(Loss) after taxation (before non-controlling interest)	(629)	(1,027)
Profit/(Loss) after taxation (after non-controlling interest)	(616)	(1,019)

	<b>Current Quarter 01/04/15 - 30/06/15 (RM'000)</b>	<b>Preceding Quarter 01/01/15 - 31/03/15 (RM'000)</b>
Revenue		
- Manufacturing	1,040	1,016
- Trading	0	21
- Investment & others	335	283

**B2. Variation of results against preceding quarter (continued)**

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

	<b>Current Quarter 01/04/15 - 30/06/15</b>	<b>Preceding Quarter 01/01/15 - 31/03/15</b>
Profit/ (Loss) before taxation		
- Manufacturing	(861)	(1,169)
- Trading	0	(27)
- Investment & others	232	169

The Company recorded higher revenue of RM1.375 million as compared to RM1.320 million in the preceding quarter. For the current quarter, manufacturing and investment posted increase in revenue. Due to GST implementation, there were no trading revenue.

The manufacturing segment recorded lower losses of RM861K as compared to RM1.169 million in the preceding quarter due to reduced expenditures arising from salary cuts to senior management staff. The trading segment has ceased trading due to GST implementation. The investment segment recorded higher profits of RM232K as compared to RM169K in the preceding quarter due to higher rent and exchange rate.

**B3. Prospects**

The economic condition continues to remain difficult and this has prompted customers to cut back on purchases as their business were also affected. The Marketing team is working hard to lure back the old customers and following up on potential customers.

**B4. Profit forecast**

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

**B5. Taxation**

	<b>Individual Quarter 3 months ended 30/06/15 (RM'000)</b>	<b>Cumulative Quarter 6 months ended 30/06/15 (RM'000)</b>
Current tax expense	-	-
Deferred tax expense	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

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

**B6. Status of corporate proposals**  
There were no corporate proposals as at 25 August 2015.

**B7. Borrowings and debt securities**

	Term Loan (RM'000)	(RM'000)	Total (RM'000)
<b>Current liabilities</b>			
Term Loan	4,622	-	4,622
	<u>4,622</u>	<u>-</u>	<u>4,622</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 fair value changes in financial liabilities for the current financial period.

**B9. Changes in material litigation**

There were no material litigation pending as at 25 August 2015.

**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 parent of RM1.635 million. The number of ordinary shares in issue during the current period is 56,375,000.

**B12. Realised and unrealised profit/losses disclosure**

The breakdown of the retained profits / (accumulated losses) of the Group as at 30 June 2015, into realised and unrealised losses is as follows:-

	Current Quarter 30/06/15 (RM'000)	Preceding Quarter 31/03/15 (RM'000)
Realised losses	(63,961)	(62,326)
Unrealised	61	29
	<u>(63,900)</u>	<u>(62,297)</u>
Add: Consolidation adjustments	37,471	34,423
	<u>(26,429)</u>	<u>(27,874)</u>

By Order of the Board

Ho Tsae Feng  
Company Secretary  
Date: 25 August 2015