

KUMPULAN POWERNET BERHAD

(Company No.: 419227-X)

Unaudited Condensed Consolidated Statements of Financial Position as at 30 September 2015

	As at 30/09/15 RM'000	Audited As at 31/12/14 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	25,871	26,437
Available for sale investments	-	-
Other investments	-	-
Investment in jointly controlled entity	-	-
	<u>25,871</u>	<u>26,437</u>
Current Assets		
Receivables, deposits and prepayments	1,935	2,264
Inventories	3,930	4,095
Investment securities	-	8
Tax recoverable	241	277
Deposits placed with licensed banks	508	687
Cash and cash equivalents	211	536
	<u>6,825</u>	<u>7,867</u>
TOTAL ASSETS	<u><u>32,696</u></u>	<u><u>34,304</u></u>
EQUITY & LIABILITIES		
Equity attributable to owners of the parents		
Share capital	56,375	56,375
Reserves	(29,698)	(27,485)
	<u>26,677</u>	<u>28,890</u>
Non-controlling interests	(738)	(752)
Total Equity	<u>25,939</u>	<u>28,138</u>
Non-Current Liabilities		
Deferred taxation	2	2
Long term borrowings	3,765	4,251
	<u>3,767</u>	<u>4,253</u>
Current Liabilities		
Payables and accruals	2,066	998
Short term borrowings	924	915
	<u>2,990</u>	<u>1,913</u>
Total Liabilities	6,757	6,166
TOTAL EQUITY AND LIABILITIES	<u><u>32,696</u></u>	<u><u>34,304</u></u>
	-	-
Net assets per share attributable to ordinary equity holders of the Company (RM)	0.47	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 third quarter ended 30 September 2015

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended		9 months ended	
	30/09/15	30/09/14	30/09/15	30/09/14
	RM'000	RM'000	RM'000	RM'000
Continuing operations				
Revenue	1,148	1,538	3,843	4,880
Cost of Sales	(1,600)	(1,470)	(4,538)	(5,405)
	(452)	68	(695)	(525)
Other income	10	37	-	98
Administrative expenses	(583)	(784)	(1,881)	(2,557)
Distribution expenses	(111)	(90)	(264)	(331)
Forex gain/(losses)	99	(70)	193	(52)
Other non-operating expenses	(41)	-	(77)	(4)
Operating profit / (loss) from operations	(1,078)	(839)	(2,724)	(3,371)
Finance costs	(8)	(71)	(18)	(112)
Profit / (Loss) before taxation	(1,086)	(910)	(2,742)	(3,483)
Taxation		-	-	
Profit / (Loss) for the financial period	(1,086)	(910)	(2,742)	(3,483)
Profit / (Loss) attributable to:				
Owners of the parent	(1,079)	(893)	(2,714)	(3,390)
Non-controlling interests	(7)	(17)	(28)	(93)
Earnings / (Loss) per ordinary share attributable to owners of the parent (sen)				
Basic	(1.91)	(1.58)	(4.81)	(6.01)

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 third quarter ended 30 September 2015.

	INDIVIDUAL QUARTER 3 months ended		CUMULATIVE QUARTER 9 months ended	
	30/09/15 RM'000	30/09/14 RM'000	30/09/15 RM'000	30/09/14 RM'000
Net profit/(loss) for the financial period	(1,086)	(910)	(2,742)	(3,483)
Other comprehensive income/(loss):				
Translation of foreign operations	(60)		(321)	
Other comprehensive income/(loss) for the financial period	(60)	-	(321)	-
Total comprehensive income/(loss) for the financial period	(1,146)	(910)	(3,063)	(3,483)
Attributable to:				
Owners of the parent	(1,400)	(893)	(3,035)	(3,390)
Non-Controlling Interests	(7)	(17)	(28)	(93)
Total comprehensive income/(loss) for the period	(1,407)	(910)	(3,063)	(3,483)

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 third quarter ended 30 September 2015

	← 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 2015	56,375	916	(124)	(28,277)	28,890	(752)	28,138
Net profit / (loss) for the period	-	-	-	(2,742)	(2,742)	13	(2,729)
Other comprehensive income / (loss)	-	-	529	-	529	1	530
Total comprehensive income/ (loss) for the financial period	-	-	529	(2,742)	(2,213)	14	(2,199)
As at 30 September 2015	56,375	916	405	(31,019)	26,677	(738)	25,939

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 third quarter ended 30 September 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	-	-	-	(3,483)	(3,483)	(93)	(3,576)
Other comprehensive income / (loss)	-	-	149	-	149	43	192
Total comprehensive income/ (loss) for the financial period	-	-	149	(3,483)	(3,334)	(50)	(3,384)
As at 30 September 2014	56,375	916	101	(27,894)	29,498	(674)	28,824

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 third quarter ended 30 September 2015

	CUMULATIVE QUARTER	
	9 months ended	
	30/09/15	31/12/14
	RM'000	RM'000
Cash flow from operating activities		
Profit/(Loss) before taxation	(2,742)	(3,994)
Adjustments for :-		
Depreciation	1,343	1,668
Write back of inventories	-	(791)
Write down of inventories	-	19
Unrealised (gain)/loss on foreign exchange	26	(130)
Gain on disposal of property, plant and equipments	-	(125)
Write off on property, plant and equipment		
Interest income		(40)
Interest expense	18	135
Operating profit / (loss) before changes in working capital	<u>(1,355)</u>	<u>(3,258)</u>
Changes in working capital		
Inventories	165	1,106
Receivables	329	420
Payables	1,068	(5,011)
Net cash flows (used in)/from operation	<u>207</u>	<u>(6,743)</u>
Tax paid	(27)	(49)
Interest paid	(18)	(10)
Interest received		35
Net cash (used in)/from operating activities	<u>162</u>	<u>(6,767)</u>
Cash flow from investing activities		
Purchase of property, plant and equipment	-	(31)
Proceeds from sales of property, plant and equipment	-	125
Interest received		5
Net cash from investing activities	<u>-</u>	<u>99</u>
Cash flow from financing activities		
Interest paid		(125)
Fixed deposit held as security value	155	200
Drawn down of term loan	-	5,222
Repayment of term loan	(626)	(303)
Short term borrowings	120	247
Net cash from/(used in) financing activities	<u>(351)</u>	<u>5,241</u>
Net change in cash and cash equivalents	<u>(189)</u>	<u>(1,427)</u>
Cash and cash equivalents at beginning of financial period	723	2,373
Effect of currency translation differences	(65)	(223)
	<u>658</u>	<u>2,150</u>
Cash and cash equivalents at end of financial period	<u>469</u>	<u>723</u>
Cash and cash equivalents at the end of the financial period comprises the following :-		
Cash and bank balance	211	536
Short term deposits	508	687
	<u>719</u>	<u>1,223</u>
Less: Fixed deposits held as security value	(250)	(500)
	<u>469</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 THIRD QUARTER ENDED 30 SEPTEMBER 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 nine months ended 30 September 2015 are as follows:-

	Revenue	Inter-segment	Total
	RM'000	Sales	RM'000
	RM'000	RM'000	RM'000
Manufacturing	3,356	262	3,094
Trading	41	20	21
Investment & Others	728	-	728
Consolidation	4,125	282	3,843

	Profit / (Loss)	Total assets
	before taxation	employed
	RM'000	RM'000
Manufacturing	(2,985)	21,461
Trading	(77)	30
Investment & Others	320	11,205
Elimination of inter-segment	(2,742)	32,696
Consolidation	(2,742)	32,696

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

There were no material events subsequent to the end of financial period that has not been reflected in the financial statements for the period under review.

A11. Change 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 RM4.689 million as at 20 November 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 September 2015 is as follows:-

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 01/07/15 - 30/09/15 (RM'000)	Preceding Year Corresponding Quarter 01/07/14 - 30/09/14 (RM'000)	Current Year To Date 01/01/15 - 30/09/15 (RM'000)	Preceding Corresponding Year To Date 01/01/14 - 30/09/14 (RM'000)
Revenue	1,148	1,538	3,843	4,880
Profit/(Loss) before taxation	(1,086)	(910)	(2,742)	(3,483)
Profit/(Loss) after taxation (before non-controlling interest)	(1,086)	(910)	(2,742)	(3,483)
Profit/(Loss) after taxation (after non-controlling interest)	(1,079)	(893)	(2,714)	(3,390)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 01/07/15 - 30/09/15 (RM'000)	Preceding Year Corresponding Quarter 01/07/14 - 30/09/14 (RM'000)	Current Year To Date 01/01/15 - 30/09/15 (RM'000)	Preceding Corresponding Year To Date 01/01/14 - 30/09/14 (RM'000)
Revenue				
- Manufacturing	1,038	1,231	3,094	3,678
- Trading	0	9	21	324
- Investment & others	110	298	728	878
	1,148	1,538	3,843	4,880

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 01/07/15 - 30/09/15 (RM'000)	Preceding Year Corresponding Quarter 01/07/14 - 30/09/14 (RM'000)	Current Year To Date 01/01/15 - 30/09/15 (RM'000)	Preceding Corresponding Year To Date 01/01/14 - 30/09/14 (RM'000)
Profit/(Loss) before taxation				
- Manufacturing	(955)	(623)	(2,985)	(3,416)
- Trading	(50)	(416)	(77)	(628)
- Investment & others	(81)	129	320	561
	(1,086)	(910)	(2,742)	(3,483)

B1. Review of performance (continued)Revenue

Revenue for the quarter dipped by 25% to RM1.148 million as compared to corresponding quarter of the preceding year. For the nine months cumulative total, revenue of the Group decreased by RM1.037 million or 21.3% to RM3.843 million compared to preceding year corresponding period.

During the period, the manufacturing, trading, and investment segment declined by 15.8%, 93.5%, and 17.1% respectively. The decrease in the manufacturing segment was attributable to lower demand for our textile products, while the decrease in the 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. The decrease in the investment segment was due to lower intake of student tenants during the summer break.

Profit / (Loss) before taxation

The Group's losses before taxation for the quarter was higher at RM1.086 million compared to RM910K in the previous quarter of preceding year. The higher losses was due to the lower revenue and losses of RM81K suffered in investment segment.

However, the Group's losses before taxation of RM2.742 million was lower compared to RM3.483 million in the corresponding period last year. In spite of the lower revenue, the manufacturing segment posted lower losses of RM2.985 million as compared to a loss of RM3.416 million due to cost cutting measures implemented during the period. The trading segment reported lower losses of RM77K, an improvement of RM551K as a result of UK operation ceasing business. Profit reduce by RM241K in the investment segment due to higher expenses incurred on maintenance and lower intake of student tenants during summer break.

B2. Variation of results against preceding quarter

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

	Current Quarter 01/07/15 - 30/09/15 (RM'000)	Preceding Quarter 01/04/15 - 30/06/15 (RM'000)
Revenue	1,148	1,375
Profit/(Loss) before taxation	(1,086)	(629)
Profit/(Loss) after taxation (before non-controlling interest)	(1,086)	(629)
Profit/(Loss) after taxation (after non-controlling interest)	(1,079)	(616)

	Current Quarter 01/07/15 - 30/09/15 (RM'000)	Preceding Quarter 01/04/15 - 30/06/15 (RM'000)
Revenue		
- Manufacturing	1,038	1,040
- Trading	0	0
- Investment & others	110	335

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 01/07/15 - 30/09/15	Preceding Quarter 01/04/15 - 30/06/15
Profit/ (Loss) before taxation		
- Manufacturing	(955)	(861)
- Trading	(50)	0
- Investment & others	(81)	232

During the quarter, the revenue of the Group declined by 16.5% to RM1.148 million as compared to preceding quarter. Manufacturing segment recorded lower revenue of RM2K as compared to RM1.040 million in the preceding quarter. For the current quarter, manufacturing and investment segment posted decrease in revenue. Due to GST implementation, there were no trading revenue as all sales were transacted through the manufacturing segment. Investment segment decline was due to the poor intake of summer letting this year.

The manufacturing segment recorded higher losses of RM955K as compared to RM861K in the preceding quarter due to the lower margin recorded. The trading segment posted losses of RM50K for expenses incurred even though it has ceased trading due to GST implementation. The investment segment recorded a loss of RM81K compared to a profit of RM232K in the preceding quarter due to low summer break intake of students intake.

B3. Prospects

The economic condition continues to remain difficult and we have now focus our attention on increasing revenue while implementing cost cutting measures. Severe trimming of expenses has allowed the Group to record lower losses in spite of substantial decline in revenue. However, we remain optimistic for the next quarter to enhance our revenue through more aggressive marketing and recoup businesses from loss customers.

B4. Profit forecast

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

B5. Taxation

	Individual Quarter 3 months ended 30/09/15 (RM'000)	Cumulative Quarter 9 months ended 30/09/15 (RM'000)
Current tax expense	-	-
Deferred tax expense	-	-
Total	-	-

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 20 November 2015.

B7. Borrowings and debt securities

	Term Loan		Total
	(RM'000)	(RM'000)	(RM'000)
Current liabilities			
Term Loan	4,689	-	4,689
	<u>4,689</u>	<u>-</u>	<u>4,689</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 20 November 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 RM2.714 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 September 2015, into realised and unrealised losses is as follows:-

	Current	Preceding
	Quarter	Quarter
	30/09/15	30/06/15
	(RM'000)	(RM'000)
Realised losses	(66,735)	(63,961)
Unrealised	335	61
	<u>(66,400)</u>	<u>(63,900)</u>
Add: Consolidation adjustments	39,723	37,471
	<u>(26,677)</u>	<u>(26,429)</u>

By Order of the Board

Wong Youn Kim

Company Secretary

Date: 20 November 2015