

KUMPULAN POWERNET BERHAD

(Company No.: 419227-X)

Unaudited Condensed Consolidated Statements of Financial Position as at 31 March 2016

	(Unaudited) As at 31/03/16 RM'000	(Audited) As at 31/12/14 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	29,173	26,437
	<u>29,173</u>	<u>26,437</u>
Current Assets		
Receivables, deposits and prepayments	1,976	2,264
Inventories	4,265	4,095
Investment securities	-	8
Tax recoverable	191	277
Deposits placed with licensed banks	389	687
Cash and bank balances	448	536
	<u>7,269</u>	<u>7,867</u>
TOTAL ASSETS	<u>36,442</u>	<u>34,304</u>
EQUITY & LIABILITIES		
Equity attributable to owners of the parents		
Share capital	56,375	56,375
Reserves	(27,077)	(27,485)
	<u>29,298</u>	<u>28,890</u>
Non-controlling interests	(785)	(752)
Total Equity	<u>28,513</u>	<u>28,138</u>
Non-Current Liabilities		
Deferred taxation	2	2
Long term borrowings	3,834	4,251
	<u>3,836</u>	<u>4,253</u>
Current Liabilities		
Payables and accruals	3,515	998
Short term borrowings	578	915
	<u>4,093</u>	<u>1,913</u>
Total Liabilities	7,929	6,166
TOTAL EQUITY AND LIABILITIES	<u>36,442</u>	<u>34,304</u>
	-	-
Net assets per share attributable to ordinary equity holders of the Company (RM)	0.52	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 fourth quarter ended 31 March 2016

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended		15 months ended	
	31/03/16	31/03/15	31/03/16	31/03/15*
	RM'000	RM'000	RM'000	RM'000
Continuing operations				
Revenue	1,112	1,320	6,192	N/A
Cost of Sales	(917)	(1,605)	(6,530)	N/A
	195	(285)	(338)	N/A
Other income	2	(11)	24	N/A
Administrative expenses	(813)	(666)	(3,251)	N/A
Distribution expenses	(79)	(83)	(426)	N/A
Forex gain/(losses)	6	55	267	N/A
Other non-operating expenses	(22)	(36)	(153)	N/A
Operating profit / (loss) from operations	(711)	(1,026)	(3,877)	N/A
Finance costs	(32)	(1)	(237)	N/A
Profit / (Loss) before taxation	(743)	(1,027)	(4,114)	N/A
Taxation	-	-	-	N/A
Profit / (Loss) for the financial period	(743)	(1,027)	(4,114)	N/A
Profit / (Loss) attributable to:				
Owners of the parent	(741)	(1,019)	(4,081)	N/A
Non-controlling interests	(2)	(8)	(33)	N/A
Earnings / (Loss) per ordinary share attributable to owners of the parent (sen)				
Basic	(1.31)	(1.81)	(7.24)	N/A

* Due to the change in the current financial year end from 31 December 2015 to 30 June 2016, there were no comparative financial information available for the 15-month financial period 31 March 2015.

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 fourth quarter ended 31 March 2016

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended		15 months ended	
	31/03/16	31/03/15	31/03/16	31/03/15*
	RM'000	RM'000	RM'000	RM'000
Net profit/(loss) for the financial period	(743)	(1,027)	(4,114)	N/A
Other comprehensive income/(loss):				
Translation of foreign operations	513	37	61	N/A
Other comprehensive income/(loss) for the financial period	<u>513</u>	<u>37</u>	<u>61</u>	<u>N/A</u>
Total comprehensive income/(loss) for the financial period	<u>(230)</u>	<u>(990)</u>	<u>(4,053)</u>	<u>N/A</u>
Attributable to:				
Owners of the parent	(228)	(982)	(4,020)	N/A
Non-Controlling Interests	<u>(2)</u>	<u>(8)</u>	<u>(33)</u>	<u>N/A</u>
Total comprehensive income/(loss) for the period	<u>(230)</u>	<u>(990)</u>	<u>(4,053)</u>	<u>N/A</u>

* Due to the change in the current financial year end from 31 December 2015 to 30 June 2016, there were no comparative financial information available for the 15-month financial period 31 March 2015.

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 quarter and period ended 31 March 2016

15 months ended 31 March 2016

	← 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	-	-	-	(4,081)	(4,081)	(33)	(4,114)
Surplus on revaluation of property	-	4,428	-	-	4,428	-	4,428
Other comprehensive income / (loss)	-	-	61	-	61	-	61
Total comprehensive income/ (loss) for the financial period	-	4,428	61	(4,081)	408	(33)	375
As at 31 March 2016	56,375	5,344	(63)	(32,358)	29,298	(785)	28,513
As at 1 January 2014	56,375	916	(48)	(24,410)	32,833	(624)	32,209
Net profit / (loss) for the period	-	-	-	(3,867)	(3,867)	(127)	(3,994)
Surplus on revaluation of property	-	-	-	-	-	-	-
Other comprehensive income / (loss)	-	-	(76)	-	(76)	(1)	(77)
Total comprehensive income/ (loss) for the financial period	-	-	(76)	(3,867)	(3,943)	(128)	(4,071)
As at 31 December 2014	56,375	916	(124)	(28,277)	28,890	(752)	28,138

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 Cash Flow for the fourth quarter ended 31 March 2016

	CUMULATIVE QUARTER	
	15 months ended	
	31/03/16	31/12/15*
	RM'000	RM'000
Cash flow from operating activities		
Profit/(Loss) before taxation	(4,114)	N/A
Adjustments for :-		
Depreciation	1,999	N/A
Unrealised (gain)/loss on foreign exchange	104	N/A
Interest income	(24)	N/A
Interest expense	219	N/A
Operating profit / (loss) before changes in working capital	<u>(1,816)</u>	<u>N/A</u>
Changes in working capital		
Inventories	(170)	N/A
Receivables	315	N/A
Payables	2,516	N/A
Net cash flows (used in)/from operation	<u>845</u>	<u>N/A</u>
Tax paid	(27)	N/A
Tax refund		N/A
Interest paid	(15)	N/A
Interest received	20	N/A
Net cash (used in)/from operating activities	<u>823</u>	<u>N/A</u>
Cash flow from investing activities		
Purchase of property, plant and equipment	-	N/A
Proceeds from sales of property, plant and equipment	-	N/A
Acquisition of subsidiary	-	N/A
Interest received	9	N/A
Net cash from investing activities	<u>9</u>	<u>N/A</u>
Cash flow from financing activities		
Interest paid	(219)	N/A
Fixed deposit held as security value	400	N/A
Drawn down of term loan		N/A
Repayment of term loan	(902)	N/A
Short term borrowings		N/A
Net cash from/(used in) financing activities	<u>(721)</u>	<u>N/A</u>
Net change in cash and cash equivalents	<u>111</u>	<u>N/A</u>
Cash and cash equivalents at beginning of financial period	723	N/A
Effect of currency translation differences	<u>(97)</u>	
	<u>626</u>	<u>N/A</u>
Cash and cash equivalents at end of financial period	<u>737</u>	<u>N/A</u>
Cash and cash equivalents at the end of the financial period comprises the following :-		
Cash and bank balance	448	N/A
Short term deposits	389	N/A
	<u>837</u>	<u>N/A</u>
Less: Fixed deposits held as security value	(100)	-
	<u>737</u>	<u>N/A</u>
	-	

* Due to the change in the current financial year end from 31 December 2015 to 30 June 2016, there were no comparative financial information available for the 15-month financial period 31 March 2015.

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 FOURTH QUARTER ENDED 31 March 2016

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 fifteen months ended 31 March 2016 are as follows:-

	Revenue	Inter-segment	Total
	RM'000	Sales	RM'000
		RM'000	
Manufacturing	5,388	362	5,026
Trading	43	22	21
Investment & Others	1,145	-	1,145
Consolidation	6,576	384	6,192
			-
		Profit / (Loss)	Total assets
		before taxation	employed
		RM'000	RM'000
Manufacturing		(4,225)	21,338
Trading		(79)	4
Investment & Others		190	15,100
		(4,114)	36,442
Elimination of inter-segment		-	-
Consolidation		(4,114)	36,442
		-	-

A9. Valuation of property, plant and equipment

The valuations of the property in Bentong has been revalued to RM14 million as at 31 March 2016.

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 RM4.412 million as at 23 May 2016. This liability had been reflected under Consolidated Financial Statements of the Group.

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 March 2016 is as follows:-

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter	Preceding Year Corresponding Quarter	15 months Ended	15 months Ended
	01/01/16 - 31/03/16 (RM'000)	01/01/15 - 31/03/15 (RM'000)	31/03/16 (RM'000)	31/03/15 (RM'000)
Revenue	1,112	1,320	6,192	N/A
Profit/(Loss) before taxation	(743)	(1,027)	(4,114)	N/A
Profit/(Loss) after taxation (before non-controlling interest)	(743)	(1,027)	(4,114)	N/A
Profit/(Loss) after taxation (after non-controlling interest)	(741)	(1,019)	(4,081)	N/A

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter	Preceding Year Corresponding Quarter	15 months Ended	15 months Ended
	01/01/16 - 31/03/16 (RM'000)	01/01/15 - 31/03/15 (RM'000)	31/03/16 (RM'000)	31/03/15 (RM'000)
Revenue				
- Manufacturing	952	1,016	5,026	N/A
- Trading	-	21	21	N/A
- Investment & others	160	283	1,145	N/A
	1,112	1,320	6,192	N/A

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	15 months Ended	15 months Ended
	01/01/16 - 31/03/16 (RM'000)	01/01/15 - 31/03/15 (RM'000)	31/03/16 (RM'000)	31/03/15 (RM'000)
Profit/(Loss) before taxation				
- Manufacturing	(712)	(1,169)	(4,225)	N/A
- Trading	(2)	(27)	(79)	N/A
- Investment & others	(29)	169	190	N/A
	(743)	(1,027)	(4,114)	N/A

B1. Review of performance (continued)Revenue

Revenue for the quarter dipped by 15.8% to RM1.112 million as compared to RM1.320 million in the corresponding quarter of the preceding year. The Group has recorded a revenue of RM6.19 million for the cumulative 15 months ended 31 March 2016.

During the quarter, the manufacturing, trading, and investment segment recorded a revenue of RM0.95 million, RM0 and RM0.16 million a declined of 6.3%, 100.0% and 43.5% respectively as compared to RM1.0 million, RM0.02 million and RM0.28 million in the corresponding quarter of the preceeding year. The decrease in the manufacturing segment was attributable to lower demand for our textile products. The Group's decision to cease the trading segment resulted no activities since preceeding quarter. The decrease in the investment segment was due to lower intake of student tenants in the current academic year.

Profit / (Loss) before taxation

The Group's losses before taxation for the quarter was lower at RM0.74 million compared to RM1.02 million in the previous quarter of preceding year. Trimming of expenses during the quarter has contributed to lower losses for the Group inspite of decline in revenue. The Group immediate attention shall be focus on increasing the revenue base while continue to cost control. The Group has implemented a Minimum Order Quantity (MOQ) set at a minimum 200 meters per order to reduce the production cost and thus increasing Group's profit margin. The Group has also implemented others measures like MOQ Surcharge and revised our pricing structure to improve our Group's profit margin.

The Group losses decline RM0.28 million to RM0.74 million or 27.6% compared to RM1.02 million in the previous quarter of preceeding year mainly contributed from manufacturing segment of RM0.45 million to RM0.712 million or 39.1% lower compared to RM1.17 million in previous quarter of preceeding year mainly due to cost cutting exercise implemented during the year and expansion of Group activities into commission dyeing and setting services which generate higher profit margin, Trading decline RM0.025 million or 92.6% to RM0.002 million compared to RM0.02 million due to ceased operation and Investment segment loss of RM0.029 compared to a gain of RM0.16 million in previous quarter of preceeding year due to lower intake of student tenants in the current academic year.

B2. Variation of results against preceding quarter

A comparison of the results of the current quarter ended 31 March 2016 against preceding quarter is as follows:-

	Current Quarter 01/01/16 - 31/03/16 (RM'000)	Preceding Quarter 01/10/15 - 31/12/15 (RM'000)
Revenue	1,112	1,237
Profit/(Loss) before taxation	(743)	(629)
Profit/(Loss) after taxation (before non-controlling interest)	(743)	(629)
Profit/(Loss) after taxation (after non-controlling interest)	(741)	(626)

	Current Quarter 01/01/16 - 31/03/16 (RM'000)	Preceding Quarter 01/10/15 - 31/12/15 (RM'000)
Revenue		
- Manufacturing	952	980
- Trading	-	-
- Investment & others	160	257

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 01/01/16 - 31/03/16	Preceding Quarter 01/10/15 - 31/12/15
Profit/ (Loss) before taxation		
- Manufacturing	(712)	(528)
- Trading	(2)	-
- Investment & others	(29)	(101)

During the quarter, the revenue of the Group decrease by 10.1% to RM1.112 million as compared to preceding quarter of RM1.237 million. Manufacturing segment recorded revenue of RM0.95 million a slight decrease of RM0.028 million from RM0.98 million during the quarter. There were no trading revenue as all sales were transacted through the manufacturing segment. Investment segment decreased RM0.09 million to RM0.16 million compared to RM0.25 million in last quarter due to lower intake of the the current academic period student tenants.

The manufacturing segment recorded higher losses of RM0.71 million as compared to RM0.52 million in the preceding quarter mainly due to lower demand for our textile products. The trading segment has ceased operation. The investment segment recorded a lower losses of RM0.03 million compared to losses of RM0.1 million in the preceding quarter mainly due to lower repair and maintenance and traveling cost.

B3. Prospects

The market condition is expected to be challenging for the current financial year.

Despite of the market condition, the Group has taken the effort to consolidate the position of the Group through rationalizing and optimizing its current asset base, New ideas has been introduced to gain market share on existing products of the Group through increasing busines from existing customers and recouping business from loss customers. The Group has also expanded services by providing commission dyeing and setting for our customers which is expected to generate higher profit margin for the Group.

B4. Profit forecast

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

B5. Taxation

	Individual Quarter 3 months ended 31/03/16 (RM'000)	Cumulative Quarter 15 months ended 31/03/16 (RM'000)
Current tax expense	-	-
Deferred tax expense	2	2
Total	<u>2</u>	<u>2</u>

B6. Status of corporate proposals

On 26 February 2016, HLIB had, on behalf of the Board, announced that Powernet Properties Sdn Bhd "PPSB" had entered into a Sales and Purchase Agreement "SPA" with SSF Home Builder "SSF", whereby SSF agrees to sell and PPSB agrees to purchase the sole and exclusive development rights to carry out and complete a commercial development on the Land owned by Yayasan Bekas Wakil Rakyat (MUBARAK) Malaysia for the Project Purchase Consideration of RM6.90 million.

In conjunction with the Proposed Project Acquisition, HLIB had on 26 February 2016, announced on behalf of the Board, that the Company proposes to undertake the following:

- (i) a proposed reduction of the issued and fully paid-up share capital of KPB via the cancellation of RM0.70 of the par value of every existing ordinary share of RM1.00 each in KPB pursuant to Section 64 of the Companies Act, 1965 ("Proposed Par Value Reduction");
- (ii) a proposed private placement of up to 16,912,500 new ordinary shares of RM0.30 each in KPB ("KPB Shares"), representing 30% of the issued and paid-up share capital of KPB upon completion of the Proposed Par Value Reduction ("Proposed Private Placement");
- (iii) a proposed diversification of the existing core business of KPB and its subsidiaries ("KPB Group") to include property development and property investment ("Proposed Diversification"); and
- (iv) proposed amendments to the Memorandum and Articles of Association of KPB to facilitate the Proposed Par Value Reduction and Proposed Diversification ("Proposed Amendments").

On 23 March 2016, HLIB, on behalf of the Board, had announced that the listing application for the listing of and quotation for up to 16,912,500 Placement Shares and 12,852,941 Consideration Shares had been submitted.

Subsequently, on 21 April 2016, HLIB, on behalf of the Board, announced that the abovementioned listing application submission has been withdrawn due to an amendment to the calculation of the percentage ratios pursuant to Paragraph 10.02(g) of the Listing Requirements in respect of the Proposed Project Acquisition. This amendment is warranted after taking into consideration the Proposed Project Consideration of RM6.9 million and the estimated cost of construction of the shop office due to the Landowner of RM2.1 million, which is an additional liability to be assumed by PPSB as part of the Proposed Project Acquisition. In view of the aforementioned amendment, a valuation report is required to be prepared and submitted to Bursa Securities pursuant to Paragraph 10.04(3)(a) of the Listing Requirements and the approval of shareholders of KPB for the Proposed Project Acquisition is required to be obtained pursuant to Paragraph 10.07 of the Listing Requirements.

Further thereto, it was also announced that the Board had decided to proceed with obtaining the relevant approvals for the Proposed Par Value Reduction, Proposed Amendments and Proposed Private Placement and that a listing application for the listing of and quotation for up to 16,912,500 Placement Shares had been submitted to Bursa Securities. The relevant approvals in respect of the Proposed Project Acquisition and Proposed Diversification will be sought for at a later date.

On 13 May 2016, HLIB, on behalf of the Board, had announced that Bursa Securities had, vide its letter dated 12 May 2016, subject to the conditions therein, approved the additional listing of and quotation for up to 16,912,500 Placement Shares to be issued pursuant to the Proposed Private Placement.

(RM'000)

B7. Current liabilities

Term Loan (Secured)

Long Term loan	3,834
Short Term loan	578
	<u>4,412</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 since the last financial year 2014 up 23 May 2016

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 RM4.081 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 31 March 2016, into realised and unrealised losses is as follows:-

	Current Quarter 31/03/16 (RM'000)	Preceding Quarter 31/12/15 (RM'000)
Realised losses	(66,033)	(70,106)
Unrealised	(71)	452
	<u>(66,104)</u>	<u>(69,654)</u>
Add: Consolidation adjustments	36,806	43,591
	<u>(29,298)</u>	<u>(26,063)</u>

B13. Disclosure pursuant to appendix 9B of main market listing requirement

	Individual	Cumulative
	Quarter	Quarter
	3 months	15 months
	ended	ended
	31/03/16	31/03/16
	(RM'000)	(RM'000)
(a) interest Income	2	24
(b) other Income including investment income	0	0
(c) interest expense	32	1
(d) depreciation and amortization	117	1,999
(e) provision for and write off of receivables	0	0
(f) provision for and write off of inventories	0	0
(g) gain or loss on disposal of quoted or unquoted investments	0	0
(h) impairment of assets	0	0
(i) foreign exchange gain or (loss)	6	267
(j) gain or loss on derivatives and	0	0
(k) exceptional items (with details)	0	0

By Order of the Board

Wong Youn Kim
Company Secretary
Date: 23 May 2016