

KUMPULAN POWERNET BERHAD

(Company No: 419227 X)
(Incorporated In Malaysia)

2ND QUARTERLY REPORT
on Group Results ended
31 December 2018

(The figures have not been audited)

Company No.

419227 X

1.

KUMPULAN POWERNET BERHAD

(Incorporated in Malaysia)

Unaudited interim financial report for the 2nd financial quarter ended 31 December 2018

The Directors of Kumpulan Powernet Berhad are pleased to announce the unaudited interim financial report for the 2nd financial quarter ended 31 December 2018.

This interim financial report is prepared in accordance with MFRS 134 "Interim Financial Reporting" and paragraph 9.22 of the Bursa Malaysia Listing Requirements and should be read in conjunction with the audited annual financial statements of Kumpulan Powernet Berhad for the financial year ended 30 June 2018.

There was no qualification in the audit report in the most recent audited annual financial statements.

KUMPULAN POWERNET BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW FOR THE
6 MONTHS PERIOD ENDED 31 DECEMBER 2018

	CUMULATIVE QUARTER	
	6 months ended	
	<u>31 Dec 2018</u>	<u>31 Dec 2017</u>
	RM'000	RM'000
Cash flow from operating activities		
Loss before taxation	(1,440)	(2,267)
Adjustments for : -		
Depreciation for property, plant and equipment	206	583
Depreciation for investment property	-	81
Reversal of impairment on trade receivables	-	(28)
Loss/(Gain) on disposal of property, plant and equipments	(40)	-
Property, plant and equipments written off	-	9
Loss on liquidation of a subsidiary company	(22)	43
Interest income	-	(5)
Interest expense	100	66
Operating loss before changes in working capital	<u>(1,196)</u>	<u>(1,518)</u>
Changes in working capital		
Inventories	242	(261)
Receivables	(383)	(726)
Payables	110	(6,365)
Net cash flows used in operation	<u>(1,227)</u>	<u>(8,870)</u>
Tax paid	-	14
Tax refund	-	-
Interest received	22	5
Net cash used in operating activities	<u>(1,205)</u>	<u>(8,851)</u>
Cash flow from investing activities		
Purchase of property, plant and equipment	-	17
Net cash used in investing activities	<u>-</u>	<u>17</u>
Cash flow from financing activities		
Interest paid	(100)	(66)
Proceed from issuance of share	-	12,092
Proceed placed for fixed deposit	(3)	-
Advances from Repayment to a director	(433)	699
Drawdown/(Repayment) of term loan	(1,198)	923
Net cash from financing activities	<u>(1,734)</u>	<u>13,468</u>
Net change in cash and cash equivalents	<u>(2,939)</u>	<u>4,780</u>

Company No.

419227 X

3.

Cash and cash equivalents at beginning of financial period	5,439	665
Effect of currency translation differences	(5)	(6)
	<u>5,434</u>	<u>659</u>
Cash and cash equivalents at end of financial year	<u>2,495</u>	<u>5,439</u>
Cash and cash equivalents at the end of the financial year comprises the following : -		
Cash and bank balance	2,183	5,339
Short term deposits	312	100
	<u>2,495</u>	<u>5,439</u>

The Unaudited Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2018.

**Unaudited Condensed Consolidated Statements of Financial Position
as at 31 December 2018**

	(Unaudited) 31-12-2018 RM'000	(Audited) 30-06-2018 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	13,118	13,521
Investment properties	8,118	8,272
Total non-current assets	21,236	21,793
Current assets		
Inventories	8,594	8,836
Trade receivables	555	458
Other receivables, deposits and prepayments	692	406
Deposits placed with licensed banks	312	309
Cash and bank balances	2,183	4,176
Total current assets	12,336	14,185
TOTAL ASSETS	33,572	35,978
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	28,994	28,994
Accumulated losses	(11,206)	(9,766)
Reserves	4,805	4,805
Total equity attributable to owners of the parent	22,593	24,033
Non-controlling interests	(390)	(390)
Total equity	22,203	23,643

**Unaudited Condensed Consolidated Statements of Financial Position
as at 31 December 2018 (continued)**

	(Unaudited) 31-12-2018 RM'000	(Audited) 30-06-2018 RM'000
Non-current liabilities		
Deferred taxation	551	551
Borrowings	2,645	2,915
Total non-current liabilities	3,196	3,466
Current liabilities		
Trade payables	446	598
Other payables and accruals	1,904	1,642
Current tax liabilities	8	8
Amount due to directors	4,907	5,340
Borrowings	908	1,281
Total current liabilities	8,173	8,869
Total liabilities	11,369	12,335
TOTAL EQUITY AND LIABILITIES	33,572	35,978
Net assets per share attributable to ordinary equity holders of the Company (RM)	0.30	0.32

The Unaudited Condensed Consolidated Statements of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2018.

**Unaudited Condensed Consolidated Statements of Comprehensive Income
for the 3 months period ended as at 31 December 2018**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended		6 months ended	
	31-12-2018	31-12-2017	31-12-2018	31-12-2017
	RM'000	RM'000	RM'000	RM'000
Sales	847	1,685	2,307	1,685
Cost of sales	(958)	(1,709)	(2,137)	(1,709)
Gross profit/ (loss)	(111)	(24)	170	(24)
Other operating income	30	10	86	10
Distribution expenses	(107)	(159)	(224)	(159)
Administrative expenses	(880)	(1,073)	(1,323)	(1,073)
Gain/(Loss) in foreign exchange	2	(6)	2	
Other operating expenses	-	-	-	-
Operating loss	(1,066)	(1,252)	(1,289)	(1,246)
Finance costs	(62)	(29)	(151)	(29)
Loss before tax	(1,128)	(1,281)	(1,440)	(1,275)
Taxation	-	-	-	-
Net loss for the financial period	(1,128)	(1,281)	(1,440)	(1,275)

**Unaudited Condensed Consolidated Statements of Comprehensive Income
for the 3 months period ended as at 31 December 2018**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended		6 months ended	
	31-12-2018	31-12-2017	31-12-2018	31-12-2017
	RM'000	RM'000	RM'000	RM'000
		(Restated)		
Loss attributable to:				
Owners of the parent	(1,128)	(1,281)	(1,440)	(1,275)
Non-controlling interests	-	-	-	-
	<u>(1,128)</u>	<u>(1,281)</u>	<u>(1,440)</u>	<u>(1,275)</u>
Loss per ordinary share attributable to owners of the parent (sen)				
- basic	(3.89)	(4.42)	(4.97)	(1.67)
- diluted	<u>(3.89)</u>	<u>(4.42)</u>	<u>(4.97)</u>	<u>(1.67)</u>

The Unaudited Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2018.

Unaudited Condensed Consolidated Statements of Changes of Equity for the 6 months period ended 31 December 2018

	← 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 July 2018	28,994	4,912	(107)	(9,766)	24,033	(390)	23,643
Net loss for the period	-	-	-	(1,440)	(1,440)	-	(1,440)
Foreign currency translation	-	-	-	-	-	-	-
Total comprehensive loss for the financial period	-	-	-	(1,440)	(1,440)	-	(1,440)
As at 31 December 2018	28,994	4,912	(107)	(11,206)	22,593	(390)	22,203
As at 1 July 2017	16,913	4,912	(3)	(4,787)	17,035	(402)	16,633
Issuance of shares	12,081	-	-	-	12,081	-	12,081
Acquisition of subsidiaries	-	-	-	-	-	10	10
Net loss for the financial year	-	-	-	(4,979)	(4,979)	2	(4,977)
Foreign currency translation	-	-	(104)	-	(104)	-	(104)
Total comprehensive loss for the financial year	-	-	(104)	(4,979)	(5,083)	2	(5,081)
As at 30 June 2018	28,994	4,912	(107)	(9,766)	24,033	(390)	23,643

The Unaudited Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2018.

KUMPULAN POWERNET BERHAD

(Incorporated in Malaysia)

**NOTES TO THE INTERIM FINANCIAL REPORT
for the 2nd financial quarter ended 31 December 2018****Basis of preparation**

The interim financial report is unaudited and has been prepared in accordance with MFRS 134 “Interim Financial Reporting” and paragraph 9.22 of the Bursa Malaysia Listing Requirements. The interim financial report also complies with IAS 34 “Interim Financial Reporting” issued by the International Accounting Standards Board.

The interim financial report has been prepared on a condensed basis and as such it should be read in conjunction with the audited annual financial statements for the financial year ended 30 June 2018. The notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the financial year ended 30 June 2018.

MFRS 134 - Paragraph 16**M1. Accounting policies and methods**

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the audited annual financial statements for the financial year ended 30 June 2018, except for the adoption of the following new Malaysian Financial Reporting Standards (MFRSs), Amendments to MFRSs and IC interpretations with effect from 1 July 2018:

MFRS 9: Financial Instruments

Amendments to MFRS 15 (Revenue from Contracts with Customers)

Clarification to MFRS 15 (Revenue from Contracts with Customers)

IC Interpretation 22 (Foreign Currency Transaction and Advanced Consideration)

Amendments to MFRS 1 (Annual Improvements to MFRSs 2014-2016 Cycle)

The adoption of the above standards, amendments and interpretations do not have significant impact on the financial statements of the Group.

M2. Disclosure of audit report qualification and status of matters raised

The auditors' report most recent audited financial statements for the financial year ended 30 June 2018 did not contain any qualification.

M3. Seasonal or cyclical factors

The results of the operations of the Group for the current financial quarter and financial year-to-date were not significantly affected by seasonal or cyclical factors.

M4. Unusual items

There were no items affecting assets, liabilities, equity, net income or cash flows that were unusual in nature, size or incidence during the current interim period under review.

M5. Material changes in estimates of amounts reported

There were no material changes in estimates of amounts reported in prior interim period of the current financial year or in prior financial years, which have material effects on the financial position or performance in the current interim period under review.

M6. Changes in debt and equity securities

There were no issuance and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the financial year-to-date.

M7. Dividends

The Board does not recommend any dividend payment for the current period under review.

M8. Segment information

The Group is principally involved in the manufacturing of warp-knitted fabrics and property development.

	Individual quarter 3 months ended <u>31 Dec 2018</u> RM'000	Cumulative quarter 6 months ended <u>31 Dec 2017</u> RM'000
REVENUE		
Manufacturing	659	1,889
Investment	35	298
Trading and others	153	120
Total revenue	<u>847</u>	<u>2,307</u>
RESULTS		
Manufacturing	(840)	(1,118)
Investment	(51)	(91)
Trading and others	<u>(237)</u>	<u>(247)</u>
(Loss)/Profit before taxation	(1,128)	(1,456)
Taxation	<u>-</u>	<u>-</u>
(Loss)/Profit for the financial period	<u>(1,128)</u>	<u>(1,456)</u>

	Unaudited as at 31 Dec 2018 RM'000	Audited as at 31 Dec 2017 RM'000
ASSETS		
Manufacturing	16,020	31,067
Investment	8,477	2,123
Trading and others	9,075	2,788
Total assets	<u>33,572</u>	<u>35,978</u>
LIABILITIES		
Manufacturing	18,488	9,561
Investment	7,882	1,952
Trading and others	(14,944)	822
Total liabilities	<u>11,426</u>	<u>12,335</u>

M9. Property, plant and equipment

There was no change to the valuation of property, plant and equipment brought forward from the most recent audited annual financial statements.

	Current financial quarter as at 31 Dec 2018 RM'000
<u>Cost</u>	
As at 1.10.2018	36,838
Additions	-
Written off	-
As at 31.12.2018	<u>36,838</u>
<u>Accumulated depreciation and amortisation</u>	
As at 1.10.2018	23,514
Charge for the financial period	206
Written off	-
As at 31.12.2018	<u>23,720</u>
<u>Net book value</u>	
As at 31.12.2018	<u>13,118</u>

M10. Material events subsequent to the end of the financial period

There were no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the current financial quarter under review other than the matter disclosed in the preceding paragraph.

M11. Changes in composition of the Group

There were no significant changes in the composition of the Group for the current financial quarter under review.

M12. Contingent liabilities

There were no contingent liabilities which become enforceable that may have a material effect on the assets or financial position of the Group for the current financial period.

M13. Inventories

	Current financial quarter as at <u>31 Dec 2018</u> RM'000
<u>Stated at cost</u>	
Held for	
- Manufacture	
Raw materials	838
Packing materials and loose tools	71
Work-in-progress	465
	<u>1,374</u>
- Development Properties	6,900
- Sale	
Finished products	320
	<u>8,594</u>

M14. Capital commitments

There was no Capital commitment authorised by the Directors for the financial period under review as at 31 December 2018.

M15. Extraordinary item

There was no extraordinary item.

M16. Related party transactions

There was no related party transactions for the period under review.

Bursa Malaysia Listing Requirements (Part A of Appendix 9B)**B1. Review of financial performance of the Company and its subsidiaries**

	Current	Corresponding		
	Cumulative quarter 6 months ended 31 Dec 2018	Cumulative quarter 6 months ended 31 Dec 2017	Increase/(Decrease)	
	RM'000	RM'000	RM'000	%
Group turnover	2,307	1,685	622	37
Group profit/(loss) from operations	170	(24)	194	(14)
Group loss before taxation	(1,456)	(1,275)	(181)	-
Group loss for the financial period	(1,456)	(1,275)	(181)	-

The Group's turnover for the current cumulative quarter ended 31 December 2018 recorded a higher amount of RM2.307 million compared to previous corresponding quarter of RM1.685 million, an increase of RM622 million or 36.90%. The increase is mainly due to higher customer demand in domestic market.

The Group made a gross profit of RM0.17 million from operations for the current cumulative quarter ended 31 December 2018 as compared to a loss of RM0.024 million reported in previous year corresponding quarter. The reason is mainly due to increase demand/sales.

The Group's loss for the financial period ended 31 December 2018 reported a higher amount of RM1.456 million compared to previous year corresponding quarter of RM1.275 million, an increase of RM0.181 million or 14.2% mainly due to higher administration expenses incurred for the current quarters.

B2. Comments on material changes in result before taxation in the current financial quarter as compared with the immediate preceding financial quarter

	Current financial quarter 3 months ended 31 Dec 2018 RM'000	Preceding financial quarter 3 months ended 31 Sept 2018 RM'000	Increase/(Decrease)	
			RM'000	%
Group turnover	847	1,460	(613)	(42.00)
Group (loss)/profit from operations	(1,138)	(328)	(810)	
Group (loss)/profit before taxation	(1,138)	(328)	(810)	
Group (loss)/ profit for the financial period	(1,138)	(328)	(800)	

The Group's turnover for the current financial quarter ended 31 December 2018 was at RM0.847 million compared to RM1.460 million in the preceding financial quarter, a decrease of RM0.613 million or 42.00% mainly due to lower customers demand.

The Group loss from operations for the current financial quarter was at RM1.138 million compared to loss from operation of RM0.328 million in the preceding quarter, an increase of RM0.810 million. This is mainly due to lower sales and higher administrative cost incurred for the current financial quarter.

B3. Prospects

The Group operation result for the next quarter ending 31 March 2019 is projected to continue making losses albeit, a much lower figure. However the Board has restructured the management and hopefully the Group would be able to return to profitability with effect from the last quarter of the year.

B4. Variance of actual profit from forecast profit

This is not applicable as no profit forecast or profit guarantee had been published.

B5. Profit/(Loss) on sale of unquoted investments and/or properties

There was no sale of unquoted investments and/or properties for the current quarter.

B6. Quoted investments

The Group has not acquired any quoted investment during the period under review.

B7. Corporate proposal

There is no corporate proposal within 7 days before the date of issue of this interim financial report.

B8. Borrowings

There was no borrowing or debt security as at the end of the current interim period.

B9. Off balance sheet financial instruments

There were no financial instruments with off balance sheet risk within 7 days before the issue date of this interim report or entered into after the end of this interim period.

B10. Material litigation

There was no material litigation against the Group as at the reporting date.

B11. Dividends payable

No interim dividend has been declared during the current interim period under review.

B12. Earnings per share ("EPS")

	Current quarter 3 months ended 31 December		Cumulative quarter 6 months ended 31 December	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit attributable to owners of the Company	<u>(1,128)</u>	<u>(1,281)</u>	<u>(1,466)</u>	<u>(1,275)</u>
	No.	No.	No.	No.
Number of ordinary shares in issue ('000)	28,994	28,994	28,994	28,994
	Sen	Sen	Sen	Sen
Basic and diluted EPS	<u>(3.89)</u>	<u>(0.42)</u>	<u>(5.05)</u>	<u>4.40</u>

Basic EPS for the current quarter and cumulative quarter are calculated by dividing the profit attributable to owners of the Company by the number of ordinary shares in issue.

B13. Profit before taxation

	Individual quarter 3 months ended 31 Dec 2018 RM'000	Cumulative quarter 6 months ended 31 Dec 2018 RM'000
Profit before taxation has been arrived at after charging/(crediting):		
Interest income	(3)	(6)
Depreciation and amortisation of property, plant and equipment	7	14
Gain on disposal of fixed assets	(40)	(40)
(Profit)/Loss on foreign exchange		
- Realised	2	2
- Unrealised	1	3

Date of authorisation for issue

The Board of Directors authorised this interim financial report for issue on 28 February 2019.

By order of the Board

Wong Youn Kim
Company Secretary

Kuala Lumpur,
1 March 2019