

KUMPULAN POWERNET BERHAD

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

3RD QUARTERLY REPORT
on Group Results ended
31 March 2019

(The figures have not been audited)

Company No.

419227 X

1.

KUMPULAN POWERNET BERHAD

(Incorporated in Malaysia)

Unaudited interim financial report for the 2rd financial quarter ended 31 March 2019

The Directors of Kumpulan Powernet Berhad are pleased to announce the unaudited interim financial report for the 3rd financial quarter ended 31 March 2019.

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
9 MONTHS PERIOD ENDED 31 MARCH 2019****CUMULATIVE QUARTER
9 months ended****31 Mar 2019 31 Mar 2018
RM'000 RM'000****Cash flow from operating activities**

Loss before taxation (1,826) (3,448)

Adjustments for : -

Depreciation for property, plant and equipment 309 832

Depreciation for investment property - 121

Reversal of impairment on trade receivables - (28)

Loss/(Gain) on disposal of property, plant and equipments 3 -

Property, plant and equipments written off - 9

Loss on liquidation of a subsidiary company - 43

Written off of inventory - 72

Interest income 2 (20)

Interest expense 1 133

Operating loss before changes in working capital (1,511) (2,286)**Changes in working capital**

Inventories 306 (89)

Receivables (104) (810)

Payables 3,958 (5,695)

Net cash flows used in operation 2,649 (8,880)

Tax paid - (136)

Tax refund - 23

Interest received 1 20

Net cash used in operating activities 2,650 (8,973)**Cash flow from investing activities**

Purchase of property, plant and equipment - (20)

Net cash used in investing activities - (20)**Cash flow from financing activities**

Interest paid - (132)

Proceed from issuance of share - 12,092

Proceed placed for fixed deposit - 280

Advances from Repayment to a director (4,717) -

Drawdown/(Repayment) of term loan (750) 776

Net cash from financing activities (5,467) 13,016**Net change in cash and cash equivalents** (2,817) 4,023

Company No.

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419227 X

Cash and cash equivalents at beginning of financial period	4,485	665
Effect of currency translation differences	-	(9)
	<u>4,485</u>	<u>656</u>
Cash and cash equivalents at end of financial year	<u>1,668</u>	<u>4,679</u>
Cash and cash equivalents at the end of the financial year comprises the following : -		
Cash and bank balance	1,668	4,579
Short term deposits	-	100
	<u>1,668</u>	<u>4,679</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 March 2019**

	(Unaudited) 31-03-2019 RM'000	(Audited) 30-06-2018 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	14,468	13,521
Investment properties	4,649	8,272
Total non-current assets	19,117	21,793
Current assets		
Inventories	8,530	8,836
Trade receivables	425	458
Other receivables, deposits and prepayments	543	406
Deposits placed with licensed banks	-	309
Cash and bank balances	1,668	4,176
Total current assets	11,166	14,185
TOTAL ASSETS	30,283	35,978
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	28,994	28,994
Accumulated losses	(11,904)	(9,766)
Reserves	4,805	4,805
Total equity attributable to owners of the parent	21,895	24,033
Non-controlling interests	(390)	(390)
Total equity	21,505	23,643

**Unaudited Condensed Consolidated Statements of Financial Position
as at 31 March 2019 (continued)**

	(Unaudited) 31-03-2019 RM'000	(Audited) 30-06-2018 RM'000
Non-current liabilities		
Deferred taxation	574	551
Borrowings	746	2,915
Total non-current liabilities	1,320	3,466
Current liabilities		
Trade payables	670	598
Other payables and accruals	5,528	1,642
Current tax liabilities	2	8
Amount due to directors	727	5,340
Borrowings	531	1,281
Total current liabilities	7,458	8,869
Total liabilities	8,778	12,335
TOTAL EQUITY AND LIABILITIES	30,283	35,978
Net assets per share attributable to ordinary equity holders of the Company (RM)	0.29	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 March 2019**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended		9 months ended	
	31-03-2019	31-03-2018	31-03-2019	31-03-2018
	RM'000	RM'000	RM'000	RM'000
Sales	425	1,439	1,272	4,445
Cost of sales	(691)	(1,806)	(1,649)	(5,049)
Gross profit/ (loss)	(266)	(367)	(377)	(604)
Other operating income	5	18	35	60
Distribution expenses	(57)	(136)	(164)	(410)
Administrative expenses	(376)	(610)	(1,256)	(2,292)
Gain/(Loss) in foreign exchange	(3)	(19)	(1)	(26)
Other operating expenses	-	-	-	(43)
Operating loss	(697)	(1,114)	(1,763)	(3,315)
Finance costs	(1)	(67)	(63)	(133)
Loss before tax	(698)	(1,181)	(1,826)	(3,448)
Taxation	-	(128)	-	(114)
Net loss for the financial period	(698)	(1,309)	(1,826)	(3,562)

KUMPULAN POWERNET BERHAD

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(Company No.: 419227-X)

**Unaudited Condensed Consolidated Statements of Comprehensive Income
for the 3 months period ended as at 31 March 2019**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended		9 months ended	
	31-03-2019	31-03-2018	31-03-2019	31-03-2018
	RM'000	RM'000	RM'000	RM'000
		(Restated)		
Loss attributable to:				
Owners of the parent	(698)	(1,309)	(1,826)	(3,562)
Non-controlling interests	-	-	-	-
	(698)	(1,309)	(1,826)	(3,562)
Loss per ordinary share attributable to owners of the parent (sen)				
- basic	(2.41)	(4.51)	(6.30)	(12.28)
- diluted	(2.41)	(4.51)	(6.30)	(12.28)

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 9 months period ended 31 March 2019

	← Non-distributable →				Total	Non-Controlling Interest	Total Equity
	Share Capital	Asset Revaluation Reserves	Translation Reserve	Accumulated Losses			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 July 2018	29,005	4,912	(112)	(8,349)	25,456	(402)	25,054
Net loss for the period	-	-	-	(1,825)	(1,825)	-	(1,825)
Foreign currency translation	-	-	-	(1)	(1)	-	(1)
Total comprehensive loss for the financial period	-	-	-	(1,826)	(1,826)	-	(1,826)
As at 31 March 2019	29,005	4,912	(112)	(10,175)	23,630	(402)	23,228
As at 1 July 2017	16,913	4,912	(3)	(4,787)	17,035	(402)	16,633
Issuance of shares	12,092	-	-	-	12,092	-	12,092
Net loss for the financial year	-	-	-	(3,562)	(3,562)	-	(3,562)
Foreign currency translation	-	-	(109)	-	(109)	-	(109)
Total comprehensive loss for the financial year	-	-	(109)	(3,562)	(3,671)	-	(3,671)
As at 31 March 2018	29,005	4,912	(112)	(8,349)	25,456	(402)	25,054

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 3rd financial quarter ended 31 March 2019****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 Mar 2019</u> RM'000	Cumulative quarter 9 months ended <u>31 Mar 2018</u> RM'000
REVENUE		
Manufacturing	425	4,011
Investment	20	434
Trading and others	-	-
Total revenue	<u>445</u>	<u>4,445</u>
RESULTS		
Manufacturing	558	(3,521)
Investment	-	(41)
Trading and others	140	-
(Loss)/Profit before taxation	<u>(698)</u>	<u>(3,562)</u>
Taxation	-	-
(Loss)/Profit for the financial period	<u>(698)</u>	<u>(3,562)</u>

	Unaudited as at <u>31 Mar 2019</u> RM'000	Audited as at <u>30 June 2018</u> RM'000
ASSETS		
Manufacturing	15,688	31,067
Investment	24,649	2,123
Trading and others	7,891	2,788
Total assets	<u>48,228</u>	<u>35,978</u>
LIABILITIES		
Manufacturing	18,821	9,561
Investment	2,836	1,952
Trading and others	7,284	822
Total liabilities	<u>28,941</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 <u>31 Mar 2019</u> RM'000
<u>Cost</u>	
As at 1.01.2019	36,838
Additions	1,556
Written off	-
As at 31.03.2019	<u>38,394</u>
<u>Accumulated depreciation and amortisation</u>	
As at 1.01.2019	23,720
Charge for the financial period	206
Written off	-
As at 31.03.2019	<u>23,926</u>
<u>Net book value</u>	
As at 31.03.2019	<u>14,468</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 Mar 2019</u> RM'000
<u>Stated at cost</u>	
Held for	
- Manufacture	
Raw materials	811
Packing materials and loose tools	-
Work-in-progress	581
	<hr/>
	1,392
- Development Properties	6,900
- Sale	
Finished products	238
	<hr/>
	<u>8,530</u>

M14. Capital commitments

There was no Capital commitment authorised by the Directors for the financial period under review as at 31 March 2019.

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 Cumulative quarter 9 months ended 31 Mar 2019	Corresponding Cumulative quarter 9 months ended 31 Mar 2018	Increase/(Decrease)	
	RM'000	RM'000	RM'000	%
Group turnover	2,732	4,445	(1,713)	39
Gross profit/(loss) from operations	(96)	(604)	(508)	(84.00)
Group loss before taxation	(2,138)	(3,422)	(1,284)	(37.00)
Group loss for the financial period	(2,138)	(3,562)	(1,424)	(40.00)

The Group's turnover for the current cumulative quarter ended 31 March 2019 recorded a lower amount of RM2.732 million compared to previous corresponding quarter of RM4.445 million, a decrease of RM1.713 million or 39.00%. The decrease is mainly due to lower customer demand in domestic market.

The Group made a gross loss of RM96 million from operations for the current cumulative quarter ended 31 March 2019 as compared to a loss of RM604 million reported in previous year corresponding quarter. The reason is mainly due to steps taken by the management to reduce or control expenses of the group.

The Group's loss for the financial period ended 31 March 2019 reported a lower amount of RM2.138 million compared to previous year corresponding quarter of RM3.422 million, a decrease of RM1.284 million or 37% mainly due to lower 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 Mar 2019	Preceding financial quarter 3 months ended 31 Dec 2018	Increase/(Decrease)	
	RM'000	RM'000	RM'000	%
Group turnover	425	847	(422)	50.00
Gross (loss)/profit from operations	(266)	(111)	155	140.00
Group (loss)/profit before taxation	(698)	(1,128)	(430)	38.00
Group (loss)/ profit for the financial period	(698)	(1,128)	(430)	-

The Group's turnover for the current financial quarter ended 31 March 2019 was at RM0.425 million compared to RM0.847 million in the preceding financial quarter, a decrease of RM0.422 million or 50.00% mainly due to lower customers demand.

The gross loss from operations for the current financial quarter was at RM0.266 million compared to loss from operation of RM0.111 million in the preceding quarter, an increase of RM0.155 million. This is mainly due to lower sales for the current financial quarter. However the loss before taxation at RM0.698 million compared with RM1.128 million for the preceding quarter was RM0.430 million or 38.00% lower. This is mainly due to action taken by the management to reduce management and other cost where possible.

B3. Prospects

The Group operation result for the next quarter ending 30 June 2019 is still projected to continue making losses, a much lower figure. The management restructuring exercise implemented since the last quarter has taken effect. The sales is expected to increase since May 2019 and coupled with the reduction of expenses the loss for the last quarter is expected to improved.

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 March		Cumulative quarter 9 months ended 31 March	
	<u>2019</u> RM'000	<u>2018</u> RM'000	<u>2019</u> RM'000	<u>2018</u> RM'000
(Loss)/Profit attributable to owners of the Company	<u>(698)</u>	<u>(1,309)</u>	<u>(1,826)</u>	<u>(3,562)</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>(2.41)</u>	<u>(4.51)</u>	<u>(6.30)</u>	<u>(12.28)</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 Mar 2019 <u>RM'000</u>	Cumulative quarter 9 months ended 31 Mar 2019 <u>RM'000</u>
Profit before taxation has been arrived at after charging/(crediting):		
Interest income	6	22
Depreciation and amortisation of property, plant and equipment	175	570
Gain on disposal of fixed assets	(3)	(43)
(Profit)/Loss on foreign exchange		
- Realised	(3)	(1)
- Unrealised	-	1
	<u>-</u>	<u>1</u>

Date of authorisation for issue

The Board of Directors authorised this interim financial report for issue on 27 May 2019.

By order of the Board

Wong Youn Kim
Company Secretary

Kuala Lumpur,
31 May 2019