

KUMPULAN POWERNET BERHAD
199701003731 (419227-X)

Unaudited Condensed Consolidated Statements of Financial Position as at 30 September 2019

	(Unaudited) 30/9/2019 RM'000	(Audited) 30/6/2019 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	12,649	12,769
Property investment	8,033	8,090
Total non-current assets	20,682	20,859
Current assets		
Inventories	7,387	8,921
Trade, other receivables, deposits and prepayments	19,057	9,772
Cash and bank balances	9,976	1,506
Total current assets	36,420	20,199
TOTAL ASSETS	57,102	41,058
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	28,994	28,994
Accumulated losses	(3,524)	(4,472)
Total equity attributable to owners of the Company	25,470	24,522
Non-controlling interests	(395)	(395)
Total equity	25,075	24,127
Non-current liabilities		
Deferred tax liabilities	1,035	551
Borrowings	2,400	2,348
Total non-current liabilities	3,435	2,899
Current liabilities		
Trade, other payables and accruals	17,294	12,608
Borrowings	721	957
Loan from shareholder	10,000	-
Provision for tax	577	467
Total current liabilities	28,592	14,032
Total liabilities	32,027	16,931
TOTAL EQUITY AND LIABILITIES	57,102	41,058
Net assets per share attributable to ordinary equity holders of the Company (RM)	0.33	0.32

Unaudited Condensed Consolidated Statements of Comprehensive Income for the Quarter and Year-to-date ended 30 September 2019

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended		3 months ended	
	30/9/2019	30/9/2018	30/9/2019	30/9/2018
	RM'000	RM'000	RM'000	RM'000
Revenue	11,162	1,460	11,162	1,460
Cost of sales	(7,966)	(1,179)	(7,966)	(1,179)
Gross Profit	3,196	281	3,196	281
Other income	3	56	3	56
Selling and distribution expenses	(25)	(117)	(25)	(117)
Administrative expenses	(1,410)	(459)	(1,410)	(459)
Other expenses	(207)	-	(207)	-
Profit/(loss) from operations	1,557	(239)	1,557	(239)
Finance costs	(32)	(89)	(32)	(89)
Profit/(loss) before tax	1,525	(328)	1,525	(328)
Taxation	(577)	-	(577)	-
Profit/(loss) net of tax	948	(328)	948	(328)
Other comprehensive income/(expenses):				
Item that is or may be reclassified subsequently to profit or loss				
Foreign currency translation	-	91	-	91
Total comprehensive income/(loss) for the financial year	948	(237)	948	(237)
Profit/(loss) attributable to:				
Owners of the parent	948	(328)	948	(328)
Non-controlling interests	-	-	-	-
	948	(328)	948	(328)
Total comprehensive income/(loss) attributable to:				
Owners of the parent	948	(237)	948	(237)
Non-controlling interests	-	-	-	-
	948	(237)	948	(237)
Earnings per share attributable to owners of the parent (sen per share)				
- basic	1.24	(0.43)	1.24	(0.43)
- diluted	1.24	(0.43)	1.24	(0.43)

Unaudited Condensed Consolidated Statements of Changes of Equity for the Year-to-date ended 30 September 2019

	← Attributable to equity shareholder of the Company →				Total RM'000	Non- Controlling Interest RM'000	Total Equity RM'000
	Share Capital RM'000	Foreign Currency Translation Reserve RM'000	Asset Revaluation Reserves RM'000	Accumulated Losses RM'000			
As at 1 July 2019	28,994	(104)	4,912	(9,280)	24,522	(395)	24,127
Net profit for the period	-	-	-	948	948	-	948
Foreign currency translation	-	-	-	-	-	-	-
Total comprehensive income for the financial year	-	-	-	948	948	-	948
As at 30 September 2019	28,994	(104)	4,912	(8,332)	25,470	(395)	25,075
As at 1 July 2018	28,994	(107)	4,912	(9,766)	24,033	(390)	23,643
Net profit/(loss) for the financial period	-	-	-	486	486	(5)	481
Foreign currency translation	-	3	-	-	3	-	3
Total comprehensive income/(loss) for the financial period	-	3	-	486	489	(5)	484
As at 30 June 2019	28,994	(104)	4,912	(9,280)	24,522	(395)	24,127

Unaudited Condensed Consolidated Statements of Cash Flow for Year-to-date ended 30 September 2019

	CUMULATIVE QUARTER	
	3 months ended	
	30/9/2019	30/9/2018
	RM'000	RM'000
Cash Flows from Operating Activities		
Profit/(loss) before taxation	1,525	(328)
Adjustments for :-		
Depreciation for property investment	39	39
Depreciation for property, plant and equipment	168	214
Gain on disposal of property, plant and equipments	-	(40)
Realised loss in foreign exchange	(2)	(3)
Interest income	(3)	(12)
Interest expense	32	89
Operating profit/(loss) before working capital changes	1,759	(41)
Decrease in inventories	1,534	218
Increase in trade and other receivables	(9,285)	(447)
Increase/(decrease) in trade and other payables	4,723	(162)
Cash outflows from operations	(1,269)	(432)
Interest received	3	12
Net cash inflows/(outflows) from operation activities	(1,266)	(420)
Cash Flows from Investing Activities		
Acquisition of property, plant and equipment	(48)	-
Proceeds from disposal of property, plant and equipment	-	40
Net cash inflows/(outflows) from investing activities	(48)	40
Cash Flows from Financing Activities		
Interest paid	(32)	(89)
Loan from shareholder	10,000	-
Repayment of loan payable	(184)	(368)
Net cash inflows/(outflows) from financing activities	9,784	(457)
Net increase/(decrease) in cash and cash equivalents	8,470	(837)
Effect of exchange rate changes	-	4
Cash and cash equivalents at beginning of year	1,506	4,485
Cash and cash equivalents at end of year	9,976	3,652
Cash and cash equivalents at the end of year comprised:-		
Cash and bank balances	9,768	3,342
Fixed deposits with licensed banks	208	310
	9,976	3,652

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PART A: NOTES TO UNAUDITED CONSOLIDATED QUARTERLY RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019

A1. Basis of Preparation

The condensed interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134 Interim Financial Reporting and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 June 2019.

A2. Changes in accounting policies

The accounting policies adopted by Kumpulan Powernet Berhad ("KPower") and its subsidiaries ("Group") in this interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 30 June 2019, except for the newly-issued Malaysian Financial Reporting Standards ("MFRS") and amendment to standards to be applied by all Entities Other Than Private Entities for the financial period beginning on or after 1 January 2019:-

- MFRS 16, Leases
- Amendments to MFRS 3, Business Combinations
- Amendments to MFRS 9, Financial Instruments
- Amendments to MFRS 112, Income Taxes
- Amendments to MFRS 119, Employee Benefits
- Amendments to MFRS 123, Borrowing Costs
- Amendments to MFRS 128, Investments in Associates
- IC Interpretation 23, Uncertainty over Income Tax Treatments

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group:

MFRS/ Amendment/ Interpretation	Effective date
Amendments to MFRS 3: Business Combinations (Annual Improvements to MFRS Standards 2015-2018 Cycle)	1 January 2020
Amendments to MFRS 101, Presentation of Financial Statements and MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material	1 January 2020
MFRS 17, Insurance Contracts	1 January 2021
128, Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be Confirmed

The Group plans to apply from the annual period beginning on 1 July 2020 for the accounting standard that is effective for annual periods beginning on or after 1 January 2020. The Group does not plan to apply MFRS 17, Insurance Contracts that is effective for annual period beginning on or after 1 January 2021 as it is not applicable to the Group.

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PART A: NOTES TO UNAUDITED CONSOLIDATED QUARTERLY RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019 (CONTINUED)

A2. Changes in accounting policies (Continued)

The initial application for the abovementioned accounting standards, amendments or interpretations are not expected to have any material financial impacts to the financial statements of the Group.

(a) Basis of measurement

The financial statements have been prepared on the historical cost basis other than disclosed in the report.

(b) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency.

(c) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements.

A3. Changes in debt and equity securities

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

A4. Dividends

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

A5. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 30 June 2019 was not subject to any qualification.

A6. 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.

A7. Unusual items due to their nature, size or incidence

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.

A8. 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 year, which have material effects on the financial position or performance in the current interim period under review.

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**PART A: NOTES TO UNAUDITED CONSOLIDATED QUARTERLY RESULTS FOR THE FIRST QUARTER ENDED
30 SEPTEMBER 2019 (CONTINUED)****A9. Segment information**

The segment information for the current period ended 30 September 2019 as follows:

	INDIVIDUAL QUARTER	CUMULATIVE QUARTER
	3 months ended	3 months ended
	30/9/2019	30/9/2019
	RM'000	RM'000
Revenue		
Property Development	6,604	6,604
Manufacturing	93	93
Property Investment	196	196
Construction related activities	5,063	5,063
Elimination of inter-segment	(794)	(794)
Total revenue	11,162	11,162
Profit/(Loss) before taxation		
Property Development	2,186	2,186
Manufacturing	(679)	(679)
Property Investment	21	21
Construction related activities	(3)	(3)
Profit/(loss) for the financial period	1,525	1,525
Assets		
Property Development	21,350	21,350
Manufacturing	15,011	15,011
Property Investment	8,462	8,462
Construction related activities	39,691	39,691
Elimination of inter-segment	(27,412)	(27,412)
Total assets	57,102	57,102
Liabilities		
Property Development	17,510	17,510
Manufacturing	19,696	19,696
Property Investment	7,928	7,928
Construction related activities	15,495	15,495
Elimination of inter-segment	(28,602)	(28,602)
Total liabilities	32,027	32,027

A10. Property, plant and equipment

	Current financial quarter as at 30/09/19 RM'000
Cost	
As at 1.07.2019	48,342
Additions	48
As at 30.09.2019	48,390
Accumulated depreciation and amortisation	
As at 1.07.2019	-27,501
Charge for the financial period	(207)
As at 30.09.2019	-27,708
Net book value	
As at 30.09.2019	20,682

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PART A: NOTES TO UNAUDITED CONSOLIDATED QUARTERLY RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019 (CONTINUED)**A11. 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.

A12. Changes in composition of the Group

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

A13. 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.

A14. Inventories

**Current financial quarter
as at 30/09/19
RM'000**

Stated at cost

Held for

- Manufacturing:

Raw materials	835
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Work-in-progress	684
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1,519

Development Properties

- Construction:

Work-in-progress	5,868
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7,387

A15. Capital commitments

There was no capital commitment authorised by the Directors for the financial period under review as at 30 September 2019.

A16. Finance income and finance expense

	Individual period		Cumulative period	
	3 months ended		3 months ended	
	30/9/2019	30/9/2018	30/9/2019	30/9/2018
	RM'000	RM'000	RM'000	RM'000
Finance income	3	12	3	12
Finance expense	(32)	(89)	(32)	(89)

A17. Loan from shareholder

The loan from shareholder is non-interest bearing.

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PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA**B1. Performance Review By Segments**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended		3 months ended	
	30/9/2019	30/9/2018	30/9/2019	30/9/2018
	RM'000	RM'000	RM'000	RM'000
Revenue				
Property Development	6,604	-	6,604	-
Manufacturing	93	1,349	93	1,349
Property Investment	196	111	196	111
Construction related activities	5,063	-	5,063	-
Elimination of inter-segment	(794)	-	(794)	-
Total revenue	11,162	1,460	11,162	1,460
Profit/(Loss) before taxation				
Property Development	2,186	(11)	2,186	(11)
Manufacturing	(679)	(278)	(679)	(278)
Property Investment	21	(39)	21	(39)
Construction related activities	(3)	-	(3)	-
Profit/(Loss) for the financial period	1,525	(328)	1,525	(328)

(a) Property Development SegmentFor the quarter ended 30 September 2019

Property development segment's revenue for the quarter was mainly derived from the recognition of revenue arising from the sales of the office units pursuant to the property development projects in Sentul, based on the percentage of completion of 40% as at 30 September 2019. During this quarter, this segment generated revenue of RM6.60 million and recorded profit before tax ("PBT") of RM2.19 million. No comparison is available as there was no property development activities being carried out during the previous corresponding quarter ("Q1FY2018").

(b) Manufacturing SegmentFor the quarter ended 30 September 2019

The manufacturing segment recorded revenue of RM0.09 million in the current quarter as compared to revenue of RM1.35 million representing a decrease of 93% as compared to Q1FY2018. In corresponding, the loss before tax ("LBT") stood at RM0.68 million as compared to RM0.28 million in Q1FY2018. The decrease was mainly due to the rationalising exercise currently being undertaken by the new management in relation to the factory operation.

(c) Property Investment SegmentFor the quarter ended 30 September 2019

The property investment segment recorded revenue of RM0.20 million in the current quarter as compared to revenue of RM0.11 million in Q1FY2018 representing an increase of 77%. In corresponding, the PBT stood at RM0.02 million as compared to LBT of RM0.04 million in Q1FY2018. The increase is mainly attributed to the increase in the average room and occupancy rates.

(d) Construction Related Activities SegmentFor the quarter ended 30 September 2019

No comparison available as this is a new revenue generating segment for the company. Nonetheless the revenue recorded this quarter is attributable to construction projects in Malaysia and Indonesia. The company will seek its shareholders' approval for the diversification of the principal activities of KPower and its subsidiaries, to include construction related activities in due course.

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**PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA
(CONTINUED)****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 30/9/2019 RM'000	Immediate preceding quarter 30/6/2019 RM'000	Increase / (Decrease)	
			RM'000	%
Group revenue	11,162	11,970	(808)	(7)
Gross profit from operations	1,557	2,860	(1,303)	(46)
Group profit before taxation	1,525	2,766	(1,241)	(45)
Group profit for the financial period	948	2,307	(1,359)	(59)

As at 30 September 2019, the Group recorded a slight decrease in revenue of 7% as compared to the immediate preceding quarter ("Q4FY2019") mainly due to the decrease in the revenue contribution from the manufacturing segment. The gross profit from operations for the current financial quarter was at RM1.56 million representing a decrease of 46% as compared to Q4FY2019. Notwithstanding this, the Group recorded PBT of RM1.53 million and profit after tax ("PAT") of RM0.95 million representing a decrease of 45% and 59% respectively, as compared to Q4FY2019. The decrease in the PBT and PAT levels were due to the increase in administrative costs due to amongst others, new hires, appointment of consultants and business development activities.

B3. Prospects

The Company is confident that the expected segments and locations that the Company will be operating in will continue to register growth. By leveraging on the major shareholders' networking and management's vast experience, the Group shall focus in expanding into project management and construction related activities under the energy, utilities, infrastructure and logistic segments.

The Ministry of Finance, Malaysia (MOF) forecasted the global economy by 3.5% in 2020, supported by stronger GDP performance in emerging market and developing economies (EMDEs). Growth in EMDEs is anticipated to improve 4.7% in 2020 and ASEAN is forecasted to grow in 2020, largely attributed to robust domestic demand. Meanwhile International Monetary Fund in its World Economic Outlook published in October 2019, expected the emerging market and developed economy to grow by 4.8% in 2024 out growing the advanced economies that is expected to grow by 1.6%.

Locally, the MOF expects the Malaysian economy to remains robust with real GDP is expected to grow by 4.8% in 2020. The growth is underpinned by resilient domestic demand, particularly household spending following stable labour market and low inflation.

The above growth forecasts are derived despite the various global monetary headwind. The global economy is experiencing a broad-based slowdown and risks are tilted to the downside resulting from unresolved trade tensions, policy uncertainties and weakening business confidence. The continued escalation of trade disputes between the US and China, uncertainties from Brexit and other projects may continue to hamper global growth prospects.

However, the existing trade war is showing sign of positive resolution with the parties concerned realising the prolonged tension is having negative effect on not only in their economy but also globally. The pressure of internal politics, US election in 2020 and China weakening internal demand, have also hastened the move to resolve the trade impasse.

According to OECD Economic Outlook, November 2019, despite the bleak economic outlook it was suggested that governments take advantage of low interest rates to boost public spending in infrastructure, stimulate private investment, and support a greener environment. This move is also reflected in Malaysian government drive to meet its target of 20% electricity from renewable energy by year 2025. It is estimated that the green energy will require RM33 billion in new investments, which will come from the government, public-private partnership and private financing.

Taking cognisance of the above, the Board and the management are optimistic on the future direction of the Group at the back of the favourable prospects of the Malaysian economy, initiatives by the Malaysian Government in the renewable energy sector and positive signs to resolve the existing trade war. The management is currently in active negotiations with various parties with the intention to expand the Group's businesses regionally.

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PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA (CONTINUED)**B4. Variance of Actual Profit from Profit Forecast**

The Group did not provide any revenue or profit estimate, forecast, projection or internal targets in any previous announcement of public document.

B5. Corporate Proposal

On 30 October 2019, the Company had announced a proposed alteration of the existing memorandum and articles of association by replacing with a new constitution of the Company which will be tabled at the upcoming Annual General Meeting to be convened on 28 November 2019.

On 5 November 2019, the Company had announced a proposed shareholders' mandate for recurrent related party transactions of a revenue or trading nature ("Proposed RRPT"). The Company intends to seek shareholders' approval in respect of the Proposed RRPT at the forthcoming Extraordinary General Meeting to be convened on 28 November 2019.

B6. Borrowings

The Group's financing/borrowings are as follows:

	As at 30/09/19		As at 30/06/19	
	Current	Non-current	Current	Non-current
	RM '000	RM '000	RM '000	RM '000
Secured	360	1,999	556	2,004
Unsecured	361	401	401	344
Total borrowings	721	2,400	957	2,348

Currently, the Group does not have any hedging policy for borrowings denominated in foreign currency because the borrowings is used to finance the Group's international business which is also denominated in foreign currency. The Group monitors the foreign currency movement and will take the necessary steps to minimise the risk whenever deemed appropriate.

B7. Material Litigation

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

B8. Dividends Payable

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

B9. Earning Per Share ("EPS")

	INDIVIDUAL	CUMULATIVE
	QUARTER	QUARTER
	3 months ended	3 months ended
	30/9/2019	30/9/2019
Profit/(loss) attributable to owners of the Company (RM'000)	948	948
Number of ordinary shares in issue ('000)	76,150	76,150
Basic and diluted EPS (Sen)	1.24	1.24

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.

B10. Profit Before Taxation

	INDIVIDUAL	CUMULATIVE
	QUARTER	QUARTER
	3 months ended	3 months ended
	30/9/2019	30/9/2019
Profit/(loss) before taxation has been arrived at after charging/(crediting):		
Interest income	3	3
Depreciation and amortisation of property, plant and equipment	(207)	(207)
Gain on disposal of fixed assets	-	-
(Profit)/loss on foreign exchange		
- Realised	2	2