

NATURAL BIO RESOURCES BERHAD

Company No.733268-U
(Incorporated In Malaysia)

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE FIRST QUARTER ENDED**31 MAY 2008**

(The figures below are unaudited)

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	Current Quarter 31 May 2008 RM'000	Preceding Year Quarter 31 May 2007 RM'000	Current Year To Date 31 May 2008 RM'000	Preceding Year To Date 31 May 2007 RM'000
Revenue	30,842	44,461	30,842	44,461
Other income	82	180	82	180
Change in inventories of finished goods	77	2,763	77	2,763
Raw material used	(11,363)	(19,595)	(11,363)	(19,595)
Staff cost	(3,087)	(3,084)	(3,087)	(3,084)
Depreciation and amortisation	(959)	(564)	(959)	(564)
Other operating expenses	(13,670)	(13,892)	(13,670)	(13,892)
Finance costs	(291)	(697)	(291)	(697)
Profit before taxation	1,631	9,572	1,631	9,572
Income tax expense	(448)	(2,216)	(448)	(2,216)
Profit after taxation	<u>1,183</u>	<u>7,356</u>	<u>1,183</u>	<u>7,356</u>
Attributable to:				
Ordinary equity holders of the parent	1,183	7,356	1,183	7,356
Minority interest	-	-	-	-
	<u>1,183</u>	<u>7,356</u>	<u>1,183</u>	<u>7,356</u>
Earnings per share (sen)				
Basic (note B13)	0.4	3.1	0.4	3.1
Diluted (note B13)	N/A	N/A	N/A	N/A

Notes:-

(The condensed consolidated income statements should be read in conjunction with the audited financial statements for the financial year ended 29 February 2008 and accompanying explanatory notes attached to the interim financial statements.)

NATURAL BIO RESOURCES BERHADCompany No.733268-U
(Incorporated In Malaysia)**CONDENSED CONSOLIDATED BALANCE SHEET****AS AT 31 MAY 2008**

(The figures below are unaudited)

	(Unaudited) As at 31 May 2008 RM'000	(Audited) As at 29 Feb 2008 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	61,977	60,865
Intangible assets	185	189
Goodwill on consolidation	4,830	4,829
	<u>66,992</u>	<u>65,883</u>
Current assets		
Inventories	39,913	41,380
Trade receivables	52,421	62,180
Other receivables, deposits and prepayments	6,297	3,690
Fixed deposits	61,982	59,966
Cash and bank balances	7,126	9,043
	<u>167,739</u>	<u>176,259</u>
TOTAL ASSETS	<u>234,731</u>	<u>242,142</u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital	60,000	60,000
Share premium	100,056	100,056
Retained earnings	40,036	38,853
Equity attributable to equity holders of the parent	<u>200,092</u>	<u>198,909</u>
Non-current liabilities		
Long term borrowings	14,486	15,159
Deferred taxation	1,808	1,711
	<u>16,294</u>	<u>16,870</u>
Current liabilities		
Trade payables	5,433	11,444
Other payables and accruals	11,063	13,412
Taxation	328	66
Short term borrowings	1,521	1,441
Bank overdraft	-	-
	<u>18,345</u>	<u>26,363</u>
TOTAL LIABILITIES	<u>34,639</u>	<u>43,233</u>
TOTAL EQUITY AND LIABILITIES	<u>234,731</u>	<u>242,142</u>
Net assets per share attributable to ordinary equity holders of the parent (RM)	0.67	0.66

Note:-

(The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the financial year ended 29 February 2008 and accompanying explanatory notes attached to the interim financial statements.)

NATURAL BIO RESOURCES BERHADCompany No.733268-U
(Incorporated In Malaysia)**CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE FIRST QUARTER ENDED
31 MAY 2008**

(The figures below are unaudited)

	Current Year To Date 31 May 2008 RM'000	Preceding Year To Date 31 May 2007 RM'000
Cash flows for operating activities		
Profit before tax	1,631	9,572
Adjustments for:-		
Non-cash items	963	546
Non-operating items	(221)	468
Operating profit before changes in working capital	<u>2,373</u>	<u>10,586</u>
Changes in working capital:-		
Net change in current assets	10,541	(15,136)
Net change in current liabilities	(8,358)	2,310
Net cash from operations	<u>4,556</u>	<u>(2,240)</u>
Interest paid	(268)	(594)
Tax paid	(2,013)	(2,243)
Net cash from/for operating activities	<u>2,275</u>	<u>(5,077)</u>
Cash flows for investing activities		
Interest received	490	126
Proceeds from disposal of equipment	-	1
Purchase of plant and equipment	(2,072)	(780)
Net cash for investing activities	<u>(1,582)</u>	<u>(653)</u>
Cash flows from financing activities		
Dividends paid	-	-
Drawdown of other short-term bank borrowings	-	4,566
Payment of listing expenses	-	(5,716)
Proceeds from public issue	-	120,821
Repayment of hire purchase liabilities	(222)	(337)
Repayment of term loan	(372)	(63)
Net cash for/from financing activities	<u>(594)</u>	<u>119,271</u>
Net increase in cash and cash equivalents	99	113,541
Cash and cash equivalents at beginning of the period	<u>69,009</u>	<u>5,428</u>
Cash and cash equivalents at end of the period	<u><u>69,108</u></u>	<u><u>118,969</u></u>
Cash and cash equivalents comprise:		
Fixed deposits with licensed banks	61,982	100,835
Cash and bank balances	7,126	18,134
	<u>69,108</u>	<u>118,969</u>

Notes:-

(The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the financial year ended 29 February 2008 and accompanying explanatory notes attached to the interim financial statements.)

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED
31 MAY 2008**

(The figures below are unaudited)

	Attributable to Equity Holders of the Parent			Total Equity RM'000
	Share Capital RM'000	Non-Distributable Share Premium RM'000	Distributable Retained Profit RM'000	
At 1 March 2008	60,000	100,056	38,853	198,909
Issue of shares	-	-	-	-
Listing expenses	-	-	-	-
Profit for the period	-	-	1,183	1,183
At 31 May 2008	60,000	100,056	40,036	200,092

Note:-

(The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 29 February 2008 and accompanying explanatory notes attached to the interim financial statements.)

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A. EXPLANATORY NOTES IN ACCORDANCE WITH FRS 134

A1. Basis of Preparation

The unaudited condensed interim financial statements for the first quarter ended 31 May 2008 have been prepared in accordance with Financial Reporting Standards ("FRS") 134₂₀₀₄ Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and Chapter 9 Appendix 9B of the Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities"). The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Natural Bio Resources Berhad ("Natural Bio") and its subsidiaries, namely Power Root (M) Sdn. Bhd., Power Root Marketing Sdn. Bhd., Power Root Manufacturing Sdn. Bhd. and Power Root Nenergy Sdn. Bhd. (collectively known as "Natural Bio Group" or "The Group") for the financial year ended 29 February 2008.

The accounting policies and methods of computation adopted in these interim financial statements of the Group are consistent with those adopted for the annual financial statements for the financial year ended 29 February 2008.

The following revised FRS have been issued and are effective for financial periods beginning on or after 1 July 2007 and will be effective for the Group's and the Company's financial statements for the financial year ending 28 February 2009:

FRS 107	Cash Flow Statements
FRS 112	Income Taxes
FRS 118	Revenue
FRS 121	The Effects of Changes in Foreign Exchange Rates Net Investment in a Foreign Operation
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets

The FRS 139 - Financial Instruments: Recognition and Measurement has been issued and the effective date has yet to be determined by MASB. The Company will apply this standard when it becomes effective.

A2. Audit Report of Preceding Annual Financial Statements

The audited financial statements of the Group for the financial year ended 29 February 2008 were not subject to any qualification.

A3. Seasonality or Cyclical Factors

The Group's operations for the current quarter under review were not significantly affected by any seasonal or cyclical factors.

A4. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no other items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature size or incidence during the quarter under review.

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A5. Material Change in Estimates

There were no material changes in estimates of amounts reported that have a material effect on the results for the quarter under review.

A6. Issuances, Cancellations, Repurchases, Resale and Repayments of Debt and Equity Securities

There were no issuance and repayment of debts and equity securities, share buy-backs, share cancellation, shares held as treasury shares and resale of treasury shares for the quarter under review.

A7. Dividend Paid

No dividend was paid during the quarter.

A8. Segmental Reporting

Segmental information is presented on the basis of geographical segment, which is based on the geographical location of customers:-

	Cumulative quarter ended 31 May 2008 RM'000
Revenue	
Malaysia	23,054
Oversea	7,788
	<u>30,842</u>

No other segmental information such as segment assets, liabilities and result are presented as the Group is principally engaged within one industry, which involves the manufacturing and distribution of beverages and operates from Malaysia only.

A9. Valuation of Property, Plant and Equipment

The property, plant and equipment of the Group have not been revalued for the period under review.

A10. Material Events Subsequent to the End of the Quarter Under Review

There was no material event subsequent to the end of the quarter under review up to the date of this report which has not been reflected in the financial statements for the quarter under review.

A11. Changes in the composition of the Group

There were no changes in the composition of the Group during the quarter under review except for on 17 March 2008, the Company had acquired 100% equity interest in PR Global Assets Limited, a company incorporated in British Virgin Islands on 8 June 2006 for a cash consideration of USD3.00.

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A12. Changes in Contingent Liabilities or Contingent Assets

There were no changes in contingent liabilities or contingent assets since the last annual balance sheet date up to the date of this report.

A13. Material Capital Commitments

At the date of this report, the capital commitments not provided for of the Group is as follow: -

	2008
	RM'000
Property, plant and equipment – Approved but not contracted for	3,750
	=====

A14. Material Related Party Transactions

There were no material transactions entered by the Group with any related party.

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B. ADDITIONAL INFORMATION REQUIRED BY APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA SECURITIES

B1. Review of Group's Results for the Quarter Ended 31 May 2008

The Group recorded revenue of RM30.8 million for the first quarter ended 31 May 2008, representing a decrease of RM13.7 million or 31% when compared to the previous year's corresponding quarter. The decrease in sales stemmed from the weaker sales recorded in Malaysia due to (i) the weaker consumer market sentiment in Malaysia, (ii) increase in the price of our products to our key dealers effective from 1 March 2008 and (iii) the postponement of our marketing campaign (traditionally held during the first quarter of each financial year) to the second quarter of the financial year ending 28 February 2009.

Similarly, the decrease in the Group's profit after tax ("PAT") of approximately RM6.2 million, from RM1.2 million recorded for this quarter as compared to previous year's corresponding quarter PAT of RM7.4 million was due to the factors as set out above.

B2. Variation of Results For the Current Quarter Ended 31 May 2008 Against the Immediate Preceding Quarter

The Group recorded revenue of RM30.8 million for the first quarter ended 31 May 2008, representing a decrease of RM11.7 million or 28% when compared to the revenue recorded for the last quarter ended 29 February 2008 of RM42.5 million. The decrease in sales stemmed from the weaker sales recorded in Malaysia due to the reasons set out in Section B1 above.

With the decrease in revenue, the Group's PAT for the quarter ended 31 May 2008 of RM1.2 million was lower by RM9.2 million when compared to the PAT for the quarter ended 29 February 2008 of RM10.4 million.

B3. Group's Prospects for the financial year ending 28 February 2009 ("FYE 2009")

The operating environment for the food and beverage industry remains a trying and challenging one. In general, the food and beverage industry is faced with systemic risks such as escalating raw materials cost and weaker consumer sentiment in the local market as consumers on the whole become more cautious in their spending patterns. Our first quarter results have reflected the impact of these adverse conditions. Further to that, the recent hike in petrol and diesel prices and electricity rates would further increase the adversity to the already dampened operating conditions.

Despite these conditions, the Group is of the view that the results from the coming quarters for the FYE 2009 should improve as it continues to take measures to mitigate the impact of these issues through (i) growth in sales from its export markets, (ii) continuously focus on building brand awareness through exciting promotional campaigns and (iii) increase its product range.

Having already fully penetrated the Gulf Confederation Countries as well as Egypt, Syria and Lebanon, in May 2008, the Group rolled out its TV commercials in the Middle-East region to further promote and market the Group's brands and products. With a strong foothold established in the said region, the Group intends to build on this by expanding its market penetration efforts to other new countries close to the region.

Whereas in Malaysia, from 1 August 2008 to 28 February 2009, the Group will implement its long awaited Power Root Consumer Contest entitled "You Can Be A Millionaire". Through this contest, the Group intends to give away prizes of more than RM3.5 million as well as to make

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one person a millionaire. The Group is of the view that such exciting promotional campaigns are means of rewarding and showing appreciation to its existing customers. Further to that, the Group believes that it also helps in brand building, encourage new consumers to try its products and ultimately, help in increasing its market share.

Barring any unforeseen circumstances, the Group is optimistic of meeting its objective of growing its revenue and market share for the FYE 2009.

B4. Variance of Profit Forecast

There was no profit forecast made during the financial period under review.

B5. Tax Expense

Taxation comprises the following:-

	Individual quarter ended		Cumulative quarter ended	
	31 May 2008 RM'000	31 May 2007 RM'000	31 May 2008 RM'000	31 May 2007 RM'000
In respect of the current period:-				
Taxation	428	2,230	428	2,230
Deferred taxation	20	(14)	20	(14)
	<u>448</u>	<u>2,216</u>	<u>448</u>	<u>2,216</u>
In respect of the previous period:-				
Taxation	-	-	-	-
Deferred taxation	-	-	-	-
	<u>448</u>	<u>2,216</u>	<u>448</u>	<u>2,216</u>

B6. Profit on Sale of Unquoted Investments and Properties

There was no disposal of unquoted investments and properties during the quarter under review and financial year-to-date.

B7. Purchase and Disposal of Quoted and Marketable Securities

There was no purchase or disposal of quoted and marketable securities during the quarter under review and financial year-to-date.

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B8. Status of Corporate Proposals Announced

- (i) There were no corporate proposals announced but not completed during the quarter under review.
- (ii) Utilisation Of Proceeds Received From Public Issue

As at 31 May 2008, the status of utilisation of the gross proceeds of RM120.82 million raised from the public issue of 75,000,000 new ordinary shares of RM0.20 each in Natural Bio pursuant to the listing of Natural Bio on the Bursa Securities are as follows:

Purpose	Proceeds Raised RM'000	Status of utilisation as at 31 May 2008 RM'000	Amount not utilised RM'000	Timeframe for utilisation
Capital expenditure	25,800	18,522	7,278	By February 2009
Research & Development	1,100	-	1,100	By February 2009
Advertisement & Promotions	40,000	12,762	27,238	By February 2009
Repayment of bank borrowings	19,950	9,625	10,325	By August 2008
Working Capital	28,470	27,914	556	By February 2009
Estimated Listing Expenses	5,500	5,500	-	By August 2008
TOTAL	120,820	74,323	46,497	

B9. Group Borrowings and Debt Securities

The Group's borrowings, all repayable in Ringgit Malaysia and secured, as at the end of the quarter under review are as follows:

	RM'000
<u>Short Term Borrowings</u>	
Term Loans	733
Hire Purchase Payables	788
Trade Finance	-
Bank overdraft	-
	<u>1,521</u>
<u>Long Term Borrowings</u>	
Term Loans	13,917
Hire Purchase Payables	569
	<u>14,486</u>
Total	<u>16,007</u>

The Group does not have any foreign borrowings and debt securities as at the date of this report.

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B10. Off Balance Sheet Financial Instruments

There were no off balance sheet financial instruments as at the date of this report.

B11. Material Litigation

The Group is not engaged in any material litigation either as plaintiff or defendant and the Directors do not have any knowledge of any proceedings pending or threatened against the Group as at the date of this report.

B12. Dividend Proposed

No dividend was declared or recommended for payment during the quarter under review.

B13. Earnings Per Share ("EPS")

Basic EPS

	Current quarter ended		Cumulative quarter ended	
	31 May 2008	31 May 2007	31 May 2008	31 May 2007
Profit for the period (RM'000)	1,183	7,356	1,183	7,356
Weighted average number of shares in issue ('000)	300,000	237,500	300,000	237,500
Basic EPS (sen)	<u>0.4</u>	<u>3.1</u>	<u>0.4</u>	<u>3.1</u>

Basic EPS is calculated by dividing the net profit attributable to the ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the period.

Diluted EPS

The Group does not have any convertible securities and accordingly diluted EPS is not applicable.