

NATURAL BIO RESOURCES BERHAD

Company No.733268-U
(Incorporated In Malaysia)

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SECOND QUARTER ENDED**31 AUGUST 2008**

(The figures below are unaudited)

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	Current Quarter 31 August 2008 RM'000	Preceding Year Quarter 31 August 2007 RM'000	Current Year To Date 31 August 2008 RM'000	Preceding Year To Date 31 August 2007 RM'000
Revenue	44,760	48,269	75,604	92,730
Other income	(57)	532	24	712
Change in inventories of finished goods	(1,907)	(850)	(1,830)	1,913
Raw material used	(17,763)	(19,708)	(29,126)	(39,303)
Staff cost	(3,374)	(2,958)	(6,461)	(6,042)
Depreciation and amortisation	(1,065)	(648)	(2,024)	(1,212)
Other operating expenses	(15,382)	(10,305)	(29,052)	(24,197)
Finance costs	(270)	(409)	(561)	(1,106)
Profit before taxation	4,942	13,923	6,574	23,495
Income tax expense	(1,492)	(3,268)	(1,940)	(5,484)
Profit after taxation	3,450	10,655	4,634	18,011
Attributable to:				
Ordinary equity holders of the parent	3,450	10,655	4,634	18,011
Minority interest	-	-	-	-
	3,450	10,655	4,634	18,011
Earnings per share (sen)				
Basic (note B13)	1.2	3.6	1.5	6.7
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 AUGUST 2008**

(The figures below are unaudited)

	(Unaudited) As at 31 August 2008 RM'000	(Audited) As at 29 February 2008 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	68,186	60,865
Intangible assets	181	189
Goodwill on consolidation	4,830	4,829
	<u>73,197</u>	<u>65,883</u>
Current assets		
Inventories	34,948	41,380
Trade receivables	63,293	62,180
Other receivables, deposits and prepayments	9,087	3,690
Fixed deposits	47,489	59,966
Cash and bank balances	19,411	9,043
	<u>174,228</u>	<u>176,259</u>
TOTAL ASSETS	<u>247,425</u>	<u>242,142</u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital	60,000	60,000
Share premium	100,055	100,056
Retained earnings	43,487	38,853
Equity attributable to equity holders of the parent	<u>203,542</u>	<u>198,909</u>
Non-current liabilities		
Long term borrowings	13,992	15,159
Deferred taxation	1,737	1,711
	<u>15,729</u>	<u>16,870</u>
Current liabilities		
Trade payables	12,923	11,444
Other payables and accruals	11,878	13,412
Taxation	1,884	66
Short term borrowings	1,469	1,441
Bank overdraft	-	-
	<u>28,154</u>	<u>26,363</u>
TOTAL LIABILITIES	<u>43,883</u>	<u>43,233</u>
TOTAL EQUITY AND LIABILITIES	<u>247,425</u>	<u>242,142</u>
Net assets per share attributable to ordinary equity holders of the parent (RM)	0.68	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.)

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE SECOND QUARTER ENDED
31 AUGUST 2008**

(The figures below are unaudited)

	Current Year To Date 31 August 2008 RM'000	Preceding Year To Date 31 August 2007 RM'000
Cash flows for operating activities		
Profit before tax	6,574	23,495
Adjustments for:-		
Non-cash items	2,032	1,219
Non-operating items	(504)	219
Operating profit before changes in working capital	<u>8,102</u>	<u>24,933</u>
Changes in working capital:-		
Net change in current assets	3,854	(19,846)
Net change in current liabilities	(56)	(6,337)
Net cash from/for operations	<u>11,900</u>	<u>(1,250)</u>
Interest paid	(523)	(1,107)
Tax paid	(4,027)	(4,455)
Net cash from/for operating activities	<u>7,350</u>	<u>(6,812)</u>
Cash flows for investing activities		
Interest received	1,028	866
Proceeds from disposal of equipment	-	1
Purchase of plant and equipment	(9,346)	(6,101)
Net cash for investing activities	<u>(8,318)</u>	<u>(5,234)</u>
Cash flows from financing activities		
Dividends paid	-	-
Drawdown of other short-term bank borrowings	-	(24,498)
Payment of listing expenses	-	(5,716)
Proceeds from public issue	-	120,821
Repayment of hire purchase liabilities	(384)	(245)
Repayment of term loan	(757)	(144)
Net cash for/from financing activities	<u>(1,141)</u>	<u>90,218</u>
Net decrease/increase in cash and cash equivalents	(2,109)	78,172
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>66,900</u></u>	<u><u>83,600</u></u>
Cash and cash equivalents comprise:		
Fixed deposits with licensed banks	47,489	77,657
Cash and bank balances	<u>19,411</u>	<u>5,943</u>
	<u><u>66,900</u></u>	<u><u>83,600</u></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 SECOND QUARTER ENDED
31 AUGUST 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	100,055	38,853	198,908
Issue of shares	-	-	-	-
Listing expenses	-	-	-	-
Profit for the period	-	-	4,634	4,634
At 31 August 2008	60,000	100,055	43,487	203,542

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 second quarter ended 31 August 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 Nergy 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

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 Cyclicity 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.

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.

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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 August 2008 RM'000
Revenue	
Malaysia	64,848
Oversea	10,756

	75,604
	=====

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.

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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

There were no material capital commitments for the quarter under review.

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 August 2008

The Group recorded revenue of RM44.8 million for the second quarter ended 31 August 2008, representing a decrease of RM3.5 million or 7% 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 and (ii) lower sales volume as a result of the increase in the price of our products since March 2008.

Similarly, the decrease in the Group's profit after tax ("PAT") of approximately RM7.2 million, from RM3.5 million recorded for this quarter as compared to previous year's corresponding quarter PAT of RM10.7 million was due to the factors as set out above as well as higher advertisement and promotional expenses incurred over this quarter as compared to the previous year's corresponding quarter.

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

The Group recorded revenue of RM44.8 million for the second quarter ended 31 August 2008, representing an increase of RM14.0 million or 45% when compared to the revenue recorded for the last quarter ended 31 May 2008 of RM30.8 million. The increase in sales mainly stemmed from the Group's new marketing campaign in this quarter such as sponsoring air time for "EURO Cup 2008" in June 2008 and the launch of "You Can Be A Millionaire" in August 2008.

With the increase in revenue, the Group's PAT for the quarter ended 31 August 2008 of RM3.5 million was higher by RM2.3 million when compared to the PAT for the quarter ended 31 May 2008 of RM1.2 million.

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

Despite the strong macroeconomics of Malaysia, the recent collapse of the global financial industry to a certain extent has affected the general domestic market sentiment. By and large, consumers have become more selective and more cautious in their spending patterns. The Group is of the view that the weak consumer market remains the biggest challenge to the Malaysian Food and Beverage industry. Nonetheless, the management believes that with the Group's strong balance sheet position and innovative and aggressive marketing campaigns, it is well poised to weather the slowdown in the economy. Further, the Group will continue to pursue its existing initiatives of (i) continuing its aggressive domestic promotional campaigns, (ii) developing and launching new products and (iii) growing its export markets.

On the local front, the launch of the Group's Consumer Contest entitled "You Can Be A Millionaire" in August 2008 has kick-started the Group's sales for the 2nd quarter ended 31 August 2008. The response from the participants of this contest has been promising despite the lower sales recorded during the Ramadan month in September 2008. The Management is optimistic that the response for the coming months will continue to grow throughout the contest period which will culminate in February 2009 when the "millionaire" winner will be announced.

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The Group is expected to launch its new freeze-dried coffee range namely, (i) Alicafé Premier (with extracts of Oligofructose and Ginseng), (ii) Alicafé Premier – non sugar (with extracts of Oligofructose and Ginseng), (iii) Per'l Café Premier (with extracts of Oligofructose and Collagen) and (iv) Per'l Café Premier – non sugar (with extracts of Oligofructose and Collagen) (“**New Freeze Dried Coffee Products**”) within the 3rd quarter ending 30 November 2008 (“**3Q**”). The new products will cater to the segment of consumers whose preferences are for coffee products without the said traditional local herbs and represents an new extension of the Group’s product lines.

On the export front, the Group is expected to resume sales to Taiwan and launch its products to the Republic of Korea by the end of 3Q. The Group intends to invest appropriately in these markets with the view of developing these markets into significant sources of future revenue and profitability for the Group.

Taking into consideration the above, the Group will continue with its constant monitoring of the market conditions and the direction it may take. Barring any unforeseen circumstances, the Group hopes to record growth for its results for the coming quarters.

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 August 2008 RM'000	31 August 2007 RM'000	31 August 2008 RM'000	31 August 2007 RM'000
In respect of the current period:-				
Taxation	1,457	3,092	1,885	5,322
Deferred taxation	35	176	55	162
	<u>1,492</u>	<u>3,268</u>	<u>1,940</u>	<u>5,484</u>
In respect of the previous period:-				
Taxation	-	-	-	-
Deferred taxation	-	-	-	-
	<u>1,492</u>	<u>3,268</u>	<u>1,940</u>	<u>5,484</u>

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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.

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 August 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 Aug 2008 RM'000	Amount not utilised RM'000	Timeframe for utilisation
Capital expenditure	25,800	24,759	1,041	By February 2009
Research & Development	1,100	-	1,100	By February 2009
Advertisement & Promotions	40,000	20,810	19,190	By February 2009
Repayment of bank borrowings	19,950	9,625	10,325	By February 2009
Working Capital	28,470	28,470	-	By February 2009
Estimated Listing Expenses	5,500	5,500	-	By August 2008
TOTAL	120,820	89,164	31,656	

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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	1,182
Hire Purchase Payables	287
Trade Finance	-
Bank overdraft	-
	<hr/> 1,469
<u>Long Term Borrowings</u>	
Term Loans	13,084
Hire Purchase Payables	908
	<hr/> 13,992
Total	<hr/> 15,461 <hr/>

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

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

The Board has deliberated and resolved to propose an interim tax free dividend of 1.0 sen per share of which the book closure date is to be determined at a later date.

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B13. Earnings Per Share (“EPS”)

Basic EPS

	Current quarter ended		Cumulative quarter ended	
	31 August 2008	31 August 2007	31 August 2008	31 August 2007
Profit for the period (RM'000)	3,450	10,655	4,634	18,011
Weighted average number of shares in issue ('000)	300,000	300,000	300,000	268,750
Basic EPS (sen)	<u>1.2</u>	<u>3.6</u>	<u>1.5</u>	<u>6.7</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.