

POWER ROOT BERHADCompany No. 733268-U
(Incorporated In Malaysia)**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2017**

(The figures below are unaudited)

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	Current Year Quarter 30 SEPTEMBER 2017 RM'000	Preceding Year Quarter 30 SEPTEMBER 2016 RM'000	Current Year To Date 30 SEPTEMBER 2017 RM'000	Preceding Year To Date 30 SEPTEMBER 2016 RM'000
Revenue	119,654	99,316	228,880	204,391
Other income	537	1,839	1,369	5,925
Raw material used	(60,121)	(44,753)	(112,312)	(92,140)
Staff cost	(11,219)	(10,965)	(22,963)	(21,087)
Depreciation and amortisation	(1,660)	(1,616)	(3,358)	(3,180)
Other operating expenses	(36,179)	(29,495)	(77,313)	(68,014)
Finance costs	(124)	(81)	(253)	(194)
Profit before taxation	10,888	14,245	14,050	25,701
Taxation	(901)	(1,098)	(975)	(2,219)
Profit for the period	9,987	13,147	13,075	23,482
Other comprehensive income				
Translation differences on foreign operation	(128)	457	(471)	732
Other comprehensive income net of tax	(128)	457	(471)	732
Total comprehensive income	9,859	13,604	12,604	24,214
Profit attributable to:				
Owners of the Company	9,711	12,232	12,533	21,636
Non-controlling interest	276	915	542	1,846
	9,987	13,147	13,075	23,482
Total comprehensive income attributable to:				
Owners of the Company	9,716	12,593	12,224	22,217
Non-controlling interest	143	1,011	380	1,997
	9,859	13,604	12,604	24,214
Earnings per share attributable to owners of the Company(sen)				
Basic (note B10)	3.0	4.1	3.9	7.2
Diluted (note B10)	2.9	3.9	3.7	6.9

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Annual Financial Report for the financial year ended 31 March 2017)

POWER ROOT BERHAD

Company No.733268-U
(Incorporated In Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**AS AT 30 SEPTEMBER 2017**

(The figures below are unaudited)

	(Unaudited) As at 30 SEPTEMBER 2017 RM'000	(Audited) As at 31 MARCH 2017 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	77,264	77,860
Investment properties	1,824	1,848
Intangible assets	44	52
Other investments	5,881	4,090
Deferred tax assets	310	285
	85,323	84,135
Current assets		
Inventories	46,730	49,319
Trade and other receivables	168,897	153,815
Fixed deposits	11,606	15,245
Cash and bank balances	47,966	52,967
Tax recoverable	6,448	4,647
	281,647	275,993
TOTAL ASSETS	366,970	360,128
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	215,288	214,815
Other reserves	(6,070)	(5,191)
Retained earnings	32,252	41,302
	241,470	250,926
Non-controlling interest	326	842
TOTAL EQUITY	241,796	251,768
Non-current liabilities		
Long term borrowings	595	919
Current liabilities		
Trade payables, other payables and accruals	99,599	96,141
Taxation	289	157
Short term borrowings	24,691	11,143
	124,579	107,441
TOTAL LIABILITIES	125,174	108,360
TOTAL EQUITY AND LIABILITIES	366,970	360,128
Net assets per share attributable to ordinary equity holders of the parent (RM)	0.73	0.76

Notes:-

(The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Annual Financial Report for the financial year ended 31 March 2017)

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND QUARTER ENDED**30 SEPTEMBER 2017**

(The figures below are unaudited)

	Current Year To Date	Preceding Year To Date
	30 SEPTEMBER 2017	30 SEPTEMBER 2016
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	14,050	25,701
Adjustments for:-		
Amortisation of intangible assets	8	8
Depreciation on investment properties	25	13
Depreciation on property, plant and equipment	3,325	3,159
Gain on disposal of property, plant and equipment	(15)	(136)
Finance cost	253	194
Interest income	(661)	(586)
Unrealised loss / (gain) on foreign exchange	22	(3,579)
Reversal of impairment on trade receivables	(315)	(354)
Equity settled share-based payment transactions	470	182
Operating profit before changes in working capital	<u>17,162</u>	<u>24,602</u>
Changes in working capital:-		
Change in inventories	2,589	7,616
Change in trade and other receivables	(14,789)	(19,538)
Change in trade and other payables	3,458	8,206
Cash generated from operations	<u>8,420</u>	<u>20,886</u>
Interest paid	(253)	(194)
Interest received	661	586
Tax paid / (refund)	(2,669)	918
Net cash from operating activities	<u>6,159</u>	<u>22,196</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(3,130)	(3,160)
Increase in other investments	(1,792)	(4,016)
Proceeds from issue of share capital	473	216
Acquisition of investment in a subsidiary	(9,216)	-
Proceeds from disposal of property, plant and equipment	46	140
Net cash used in investing activities	<u>(13,619)</u>	<u>(6,820)</u>
Cash flows from financing activities		
Dividend paid to owners of the Company	(12,945)	(16,432)
Dividend paid to non-controlling interest	(318)	(400)
Drawdown of other short-term bank borrowings	13,529	233
Drawdown of hire purchases	-	1,270
Repurchase of treasury shares	(1,040)	(2,094)
Repayment of hire purchase obligations	(197)	(15)
Repayment from joint venture	-	51
Repayment of term loans	(109)	(100)
Net cash used in financing activities	<u>(1,080)</u>	<u>(17,487)</u>
Net decrease in cash and cash equivalents	(8,540)	(2,111)
Effects of changes in foreign exchange rates	(100)	158
Cash and cash equivalents at beginning of the year	<u>68,212</u>	<u>71,359</u>
Cash and cash equivalents at end of the period	<u>59,572</u>	<u>69,406</u>
Cash and cash equivalents comprise:		
Fixed deposits with licensed banks	11,606	18,796
Cash and bank balances	<u>47,966</u>	<u>50,610</u>
	<u>59,572</u>	<u>69,406</u>

(The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Annual Financial Report for the financial year ended 31 March 2017)

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SECOND QUARTER ENDED

30 SEPTEMBER 2017

(The figures below are unaudited)

	/ ----- Attributable to Equity Holders of the Parent ----- /						Distributable Retained Earnings RM'000	Total RM'000	Non-controlling Interest RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Treasury Shares RM'000	Translation Reserve RM'000	Fair Value Reserve RM'000	Share Option Reserve RM'000				
At 1 April 2016	60,815	103,169	(8,055)	1,119	-	2,220	78,290	237,558	2,687	240,245
Profit for the period	-	-	-	-	-	-	21,636	21,636	1,846	23,482
Other comprehensive income for the period	-	-	-	-	-	-	-	581	151	732
- Translation differences on foreign operation	-	-	-	581	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	581	-	-	21,636	22,217	1,997	24,214
Contributions by and distribution to owners of the Company										
- Issue of ordinary shares pursuant to the ESOS	62	154	-	-	-	-	-	216	-	216
- Share-based payment transaction	-	-	-	-	-	182	-	182	-	182
- Own shares acquired	-	-	(2,094)	-	-	-	-	(2,094)	-	(2,094)
- Dividend to owner of the company / non-controlling interests	-	-	-	-	-	-	(16,432)	(16,432)	(400)	(16,832)
Total transactions with owners of the Company	62	154	(2,094)	-	-	182	(16,432)	(18,128)	(400)	(18,528)
At 30 September 2016	60,877	103,323	(10,149)	1,700	-	2,402	83,494	241,647	4,284	245,931
At 1 April 2017	214,815	-	(10,149)	2,536	(9)	2,431	41,302	250,926	842	251,768
Profit for the period	-	-	-	-	-	-	12,533	12,533	542	13,075
Other comprehensive income for the period	-	-	-	-	-	-	-	(309)	(162)	(471)
- Translation differences on foreign operation	-	-	-	(309)	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	(309)	-	-	12,533	12,224	380	12,604
Contributions by and distribution to owners of the Company										
- Issue of ordinary shares pursuant to the ESOS	473	-	-	-	-	-	-	473	-	473
- Share-based payment transaction	-	-	-	-	-	470	-	470	-	470
- Own shares acquired	-	-	(1,040)	-	-	-	-	(1,040)	-	(1,040)
- Acquisition of investment in a subsidiary	-	-	-	-	-	-	(8,638)	(8,638)	(578)	(9,216)
- Dividend to owner of the company / non-controlling interests	-	-	-	-	-	-	(12,945)	(12,945)	(318)	(13,263)
Total transactions with owners of the Company	473	-	(1,040)	-	-	470	(21,583)	(21,680)	(896)	(22,576)
At 30 September 2017	215,288	-	(11,189)	2,227	(9)	2,901	32,252	241,470	326	241,796

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Annual Financial Report for the financial year ended 31 March 2017)

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A. EXPLANATORY NOTES IN ACCORDANCE WITH MFRS 134

A1. Basis of Preparation

The unaudited condensed consolidated interim financial statements for the second quarter ended 30 September 2017 have been prepared in accordance with Malaysia Financial Reporting Standards ("MFRS") 134 Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). The unaudited condensed consolidated interim financial statements of the Power Root Berhad ("Power Root") and its subsidiaries, namely Power Root (M) Sdn. Bhd., Power Root Marketing Sdn. Bhd., Power Root Manufacturing Sdn. Bhd., Power Root Nenergy Sdn. Bhd., Power Impian International Sdn. Bhd., Power Root Distributor Sdn. Bhd., Ali Cafe Sdn. Bhd., Power Root Support Services Sdn. Bhd., PT Natbio Marketing Indonesia, Power Root (Shanghai) Food Trading Co. Ltd., Synergy Distribution FZE, PR Global Assets Limited, Power Root ME FZCO and PR Manufacturing ME LLC (collectively known as "Power Root Group" or "The Group"), should be read in conjunction with the audited financial statements for the financial year ended 31 March 2017.

The accounting policy and method of computation adopted in these interim financial statement of the Group are consistent with those adopted for the annual financial statements for the financial year ended 31 March 2017.

A2. Audit Report of Preceding Annual Financial Statements

The audited financial statements of the Group for the financial year ended 31 March 2017 were not subject to any qualification.

A3. Seasonality or Cyclical Factors

Generally, the Group does not have any significant seasonal sales cycle, except during the Muslim fasting month, where sales would be lower.

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. Issuance, Cancellations, Repurchases, Resale and Repayments of Debt and Equity Securities

There were no issuance, cancellations, repurchases, resale and repayments of debt and equity securities for the quarter under review except for the following:

- Issuance of 306,000 new ordinary share of RM0.675 each pursuant to the Employees Share Option Scheme.

A7. Dividend Paid

A fourth interim single tier dividend of 4.0 sen per ordinary share for the financial year ended 31 March 2017, was paid on 4 July 2017.

A8. Segmental Reporting

Analysis by geographical segment for the period ended 30 September 2017:

	Current quarter ended 30 September 2017	Current year to date 30 September 2017
Revenue	RM'000	RM'000
Malaysia	56,048	114,070
Oversea	63,606	114,810
	-----	-----
	119,654	228,880
	=====	=====

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

A9. Material Events Subsequent to the end of the Quarter under review

There were no material events subsequent to the end of the quarter under review.

A10. Changes in the composition of the Group

During the quarter under review, the Company had on 1 August 2017 entered into a Share Sale Agreement ("SSA") with Chay Hock Chang ("CHC" or "Vendor") for the proposed acquisition by Power Root of the three (3) ordinary shares of United Arab Emirated Dirham ("AED") 100,000 each, representing 6% of equity interest in Power Root ME FZCO ("PRMF") ("PRMF Shares") ("Sale Shares"), an existing 91% owned subsidiary company of Power Root for a total purchase consideration of approximately AED7.9 million (equivalent to RM9.2 million).

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A10. Changes in the composition of the Group (Cont'd)

The Acquisition has been completed following the delivery of the original share certificates for the Sale Shares and a valid and registrable memorandum of transfer for the Sale Shares duly executed in favour of Power Root or its nominee(s) by the Vendor on 17 September 2017.

On 28 September 2017, the Company had incorporated a 95% owned subsidiary, Alicafe Roasters Sdn. Bhd. ("ARSB") ("Incorporation").

ARSB is a private limited company under the Companies Act 2016 and has an issued and paid-up share capital of RM100.00 comprising 100 ordinary shares. ARSB is 95% owned by Power Root and the remaining 5% is held by Tan Nan Sze. ARSB is principally engaged in the business of distribution of various beverages.

A11. 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.

A12. Material Capital Commitments

The outstanding capital commitments at the end of the current quarter are as follows:

	Current quarter ended 30 September 2017 RM'000
Property, plant and equipment	
Contracted but not provided for	3,706
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A13. 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 30 September 2017

The Group recorded a revenue of RM 119.7 million for the second quarter ended 30 September 2017 representing an increase of RM 20.4 million or 20.5% as compared to the previous year's corresponding quarter of RM 99.3 million. The increase was mainly attributable to the increase in overseas sales.

The Group recorded a profit before tax of RM 10.9 million for the current quarter which was a decrease of RM 3.3 million from the previous year's corresponding quarter's profit before tax of RM 14.2 million. The decrease in profit before tax was mainly due to increase in material cost and loss on foreign exchange in the current quarter.

B2. Variation of Results for the Current Quarter Ended 30 September 2017 against the Immediate Preceding Quarter

The Group recorded a revenue of RM 119.7 million for the current quarter, represented an increase of RM 10.5 million or 9.6% when compared to the revenue recorded for the immediate preceding quarter ended 30 June 2017 of RM 109.2 million. The increase was mainly attributable to the increase in overseas sales.

The Group's profit before tax of RM 10.9 million for the current quarter, represented an increase of RM 7.7 million or 240.6% as compared to the profit before tax of RM 3.2 million for the immediate preceding quarter ended 30 June 2017. The increase in profit before tax was mainly due to improved sales and lower advertisement and promotional ("A&P") spending in the current quarter.

B3. Group's Prospects for the financial year ending 31 March 2018 ("FYE 2018")

The Group believes that the operating environment remains challenging in Malaysia due to the weak consumer sentiment and due to the intensity in competition. It is the intention of the Group to strengthen its distribution networks, optimise its operational efficiencies and carry out promotional activities to increase its revenues.

For the export markets, the Group foresees steady growth through growing its existing export markets and to developing new markets and also through the development of new products.

The Group will strive to achieve better results for the financial year ending 31 March 2018.

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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	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
In respect of the current period:-				
Taxation	713	1,338	1,000	1,803
Deferred taxation (income)/expenses	188	(240)	(25)	416
	<u>901</u>	<u>1,098</u>	<u>975</u>	<u>2,219</u>
In respect of the previous period:-				
Taxation	-	-	-	-
Deferred taxation (income)/expenses	-	-	-	-
	<u>901</u>	<u>1,098</u>	<u>975</u>	<u>2,219</u>

B6. Notes to the Statement of Comprehensive Income

	Individual quarter ended 30 September		Cumulative quarter ended 30 September	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Depreciation and amortization	1,660	1,616	3,358	3,180
Loss/(Gain) on foreign exchange	569	(1,914)	1,872	(3,727)
Gain on disposal of property, plant and equipment	(4)	(136)	(15)	(136)
Interest Income	(345)	(276)	(661)	(586)
Interest expenses	124	81	253	194
Written down of inventories	1	17	22	20
Reversal of impairment on trade receivables	(98)	(354)	(315)	(354)

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B7. Group Borrowings and Debt Securities

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

	RM'000
<u>Short Term Borrowings</u>	
Term Loans	240
Hire purchase payables	394
Bankers' Acceptance	24,057
	<u>24,691</u>
<u>Long Term Borrowings</u>	
Term Loans	215
Hire purchase payables	380
Total	<u>25,286</u>

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

B8. 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.

B9. Dividend Proposed

The board of directors has proposed to declare a second interim single tier dividend of 2.5 sen per ordinary share in respect of the financial year ending 31 March 2018.

B10. Earnings Per Share ("EPS")

Basic EPS

	Current quarter ended		Cumulative quarter ended	
	30 September 2017	30 September 2016	30 September 2017	30 September 2016
Profit attributable to owners of the Company (RM'000)	9,711	12,232	12,533	21,636
Weighted average number of shares in issue ('000)	323,402	298,612	323,461	298,786
Basic EPS (sen)	<u>3.0</u>	<u>4.1</u>	<u>3.9</u>	<u>7.2</u>

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B10. Earnings Per Share (“EPS”) (Cont’d)

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

	Current quarter ended		Cumulative quarter ended	
	30 September 2017	30 September 2016	30 September 2017	30 September 2016
Profit attributable to owners of the Company (RM'000)	9,711	12,232	12,533	21,636
Weighted average number of ordinary shares ('000)	323,402	298,612	323,461	298,786
Effect of share option in issue ('000)	14,219	15,041	14,820	15,278
Total weighted average number of ordinary shares ('000) (diluted)	337,621	313,653	338,281	314,064
Diluted EPS (sen)	<u>2.9</u>	<u>3.9</u>	<u>3.7</u>	<u>6.9</u>

The diluted EPS is calculated by dividing the net profit attributable to the equity holder of the parent by the weighted average number of ordinary share in issue during the financial period, adjusted for the dilutive effects of all potential ordinary shares, i.e. Employees Share Option Scheme.

B11. Realised and Unrealised Profits / Losses Disclosure

	Current year to date 30 September 2017 RM'000	As at 31 March 2017 RM'000
Total retained earnings of the Company and its subsidiaries:-		
Realised profit	55,935	53,965
Unrealised profit	288	2,777
	-----	-----
	56,223	56,742
Less: Consolidation adjustments	(23,971)	(15,440)
	-----	-----
Retained earnings	<u>32,252</u>	<u>41,302</u>
	=====	=====