

POWER ROOT BERHAD

Company No.733268-U

(Incorporated In Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED 30 JUNE 2018

(The figures below are unaudited)

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	<u>Current Year Quarter</u>	<u>Preceding Year Quarter</u>	<u>Current Year To Date</u>	<u>Preceding Year To Date</u>
	<u>30 JUNE 2018</u> <u>RM'000</u>	<u>30 JUNE 2017</u> <u>RM'000</u> <u>(Restated)*</u>	<u>30 JUNE 2018</u> <u>RM'000</u>	<u>30 JUNE 2017</u> <u>RM'000</u> <u>(Restated)*</u>
Revenue	89,246	102,417	89,246	102,417
Other income	2,324	832	2,324	832
Raw material used	(42,938)	(50,468)	(42,938)	(50,468)
Staff cost	(11,412)	(11,744)	(11,412)	(11,744)
Depreciation and amortisation	(1,404)	(1,698)	(1,404)	(1,698)
Other operating expenses	(24,784)	(36,048)	(24,784)	(36,048)
Finance costs	(228)	(129)	(228)	(129)
Profit before taxation	10,804	3,162	10,804	3,162
Taxation	(1,543)	(74)	(1,543)	(74)
Profit for the period	9,261	3,088	9,261	3,088
Other comprehensive income				
Fair value of available for sale of financial assets	15	-	15	-
Translation differences on foreign operation	457	(343)	457	(343)
Other comprehensive income net of tax	472	(343)	472	(343)
Total comprehensive income	9,733	2,745	9,733	2,745
Profit attributable to:				
Owners of the Company	9,140	2,822	9,140	2,822
Non-controlling interest	121	266	121	266
	9,261	3,088	9,261	3,088
Total comprehensive income attributable to:				
Owners of the Company	9,597	2,508	9,597	2,508
Non-controlling interest	136	237	136	237
	9,733	2,745	9,733	2,745
Earnings per share attributable to owners of the Company(sen)				
Basic (note B12)	2.8	0.9	2.8	0.9
Diluted (note B12)	2.7	0.8	2.7	0.8

*The comparative figures for Preceding Year Quarter has been restated to be consistent with the current year quarter presentation due to the adoption of MFRS 15 in the current financial period as stated in Note A2 of Part A Explanatory Notes in Accordance with MFRS 134 of this report.

(The Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Audited Annual Financial Report for the financial year ended 31 March 2018)

POWER ROOT BERHAD

Company No.733268-U
(Incorporated In Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**AS AT 30 JUNE 2018**

(The figures below are unaudited)

	(Unaudited) As at 30 JUNE 2018	(Audited) As at 31 MARCH 2018
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	75,679	75,285
Investment properties	1,793	1,808
Intangible assets	33	37
Other investments	-	5,970
Deferred tax assets	1,216	1,617
	78,721	84,717
Current assets		
Inventories	57,074	69,644
Trade and other receivables	149,470	140,220
Fixed deposits	14,191	20,903
Cash and bank balances	32,059	30,519
Tax recoverable	10,008	9,917
	262,802	271,203
TOTAL ASSETS	341,523	355,920
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	215,604	215,511
Other reserves	(6,094)	(6,647)
Retained earnings/(Accumulated losses)	7,248	(274)
	216,758	208,590
Non-controlling interest	376	240
TOTAL EQUITY	217,134	208,830
Non-current liabilities		
Long term borrowings	114	287
Current liabilities		
Trade payables, other payables and accruals	101,950	107,023
Taxation	130	-
Short term borrowings	20,577	31,692
Dividend payable	1,618	8,088
	124,275	146,803
TOTAL LIABILITIES	124,389	147,090
TOTAL EQUITY AND LIABILITIES	341,523	355,920
Net assets per share attributable to ordinary equity holders of the parent (RM)	0.66	0.63

Notes:-

(The Unaudited Condensed Consolidated Statements of Financial Position should be read in conjunction with the Audited Annual Financial Report for the financial year ended 31 March 2018)

POWER ROOT BERHAD

Company No.733268-U
(Incorporated In Malaysia)

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FIRST QUARTER ENDED
30 JUNE 2018**

(The figures below are unaudited)

	Current Year To Date	Preceding Year To Date
	30 JUNE 2018	30 JUNE 2017
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	10,804	3,162
Adjustments for:-		
Amortisation of intangible assets	4	4
Depreciation on investment properties	15	15
Depreciation on property, plant and equipment	1,385	1,679
Loss on disposal of property, plant and equipment	186	11
Finance costs	228	129
Finance income	(226)	(316)
Unrealised (gain) / loss on foreign exchange	(1,302)	373
Reversal of impairment loss on trade receivables	-	(217)
Equity settled share-based payment transactions	96	72
Dividend income from unit trust funds	(7)	(40)
Operating profit before changes in working capital	<u>11,183</u>	<u>4,872</u>
Changes in working capital:-		
Changes in inventories	12,570	2,006
Changes in trade and other receivables	(7,948)	(19,072)
Changes in trade and other payables	<u>(13,161)</u>	<u>1,325</u>
Cash generated from / (used in) operations	2,644	(10,869)
Interest received	226	316
Tax paid	<u>(1,103)</u>	<u>(1,286)</u>
Net cash from / (used in) operating activities	<u>1,767</u>	<u>(11,839)</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(1,646)	(1,843)
Proceeds from issue of share capital	93	267
Decrease in other investment	5,992	-
Proceeds from disposal of property, plant and equipment	29	18
Net cash from / (used in) investing activities	<u>4,468</u>	<u>(1,558)</u>
Cash flows from financing activities		
Interest paid	(228)	(129)
(Repayment) / drawdown of other short-term bank borrowings	(11,132)	5,274
Repayment of hire purchase obligations	(98)	(106)
Repayment of term loans	<u>(58)</u>	<u>(46)</u>
Net cash (used in) / from financing activities	<u>(11,516)</u>	<u>4,993</u>
Net decrease in cash and cash equivalents	(5,281)	(8,404)
Effects of changes in foreign exchange rates	109	(95)
Cash and cash equivalents at beginning of the year	<u>51,422</u>	<u>68,212</u>
Cash and cash equivalents at end of the period	<u>46,250</u>	<u>59,713</u>
Cash and cash equivalents comprise:		
Fixed deposits with licensed banks	14,191	3,143
Cash and bank balances	<u>32,059</u>	<u>56,570</u>
	<u>46,250</u>	<u>59,713</u>

(The Unaudited Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Audited Annual Financial Report for the financial year ended 31 March 2018)

POWER ROOT BERHAD

Company No.733268-U
(Incorporated In Malaysia)

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

30 JUNE 2018

(The figures below are unaudited)

	/ ----- Attributable to owners of the Company ----- /						Total RM'000	Non-controlling interest RM'000	Total equity RM'000
	/ ----- Non-distributable ----- /			Distributable					
	Share capital RM'000	Treasury shares RM'000	Exchange fluctuation reserve RM'000	Fair value reseve RM'000	Share option reserve RM'000	Retained earnings / (Accumulated losses) RM'000			
At 1 April 2017	214,815	(10,149)	2,536	(9)	2,431	41,302	250,926	842	251,768
Profit for the period	-	-	-	-	-	2,822	2,822	266	3,088
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-
- Translation differences on foreign operation	-	-	(314)	-	-	-	(314)	(29)	(343)
Total comprehensive income for the period	-	-	(314)	-	-	2,822	2,508	237	2,745
Contributions by and distribution to owners of the Company	-	-	-	-	-	-	-	-	-
- Issue of ordinary shares pursuant to the ESOS	267	-	-	-	-	-	267	-	267
- Share-based payment transaction	-	-	-	-	72	-	72	-	72
Total transactions with owners of the Company	267	-	-	-	72	-	339	-	339
At 30 June 2017	215,082	(10,149)	2,222	(9)	2,503	44,124	253,773	1,079	254,852
At 1 April 2018	215,511	(11,189)	1,611	(15)	2,946	(274)	208,590	240	208,830
Profit for the period	-	-	-	-	-	9,140	9,140	121	9,261
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-
- Translation differences on foreign operation	-	-	442	-	-	-	442	15	457
- Fair value of available for sale financial assets	-	-	-	15	-	-	15	-	15
Total comprehensive income for the period	-	-	442	15	-	9,140	9,597	136	9,733
Contributions by and distribution to owners of the Company	-	-	-	-	-	-	-	-	-
- Issue of ordinary shares pursuant to the ESOS	93	-	-	-	-	-	93	-	93
- Share-based payment transaction	-	-	-	-	96	-	96	-	96
- Dividend to owners of the Company	-	-	-	-	-	(1,618)	(1,618)	-	(1,618)
Total transactions with owners of the Company	93	-	-	-	96	(1,618)	(1,429)	-	(1,429)
At 30 June 2018	215,604	(11,189)	2,053	-	3,042	7,248	216,758	376	217,134

(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 2018)

POWER ROOT BERHAD

Company No. 733268-U

(Incorporated in Malaysia)

A. EXPLANATORY NOTES IN ACCORDANCE WITH MFRS 134

A1. Basis of Preparation

The unaudited condensed consolidated interim financial statements for the first quarter ended 30 June 2018 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, P.R. Manufacturing ME LLC and Alicafe Roasters Sdn Bhd (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 2018.

A2. Significant accounting policies

The accounting policy and method 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 31 March 2018, except for changes arising from the adoption of MFRS 15 "Revenue from Contracts with Customers".

The Group has adopted MFRS 15 in the current financial period. Under MFRS 15, the Group had reclassified the sales related expenses as a deduction against revenue which was treated as marketing expenses previously. Sales related expenses of RM5.8 million and RM6.0 million have been reclassified as a deduction against revenue for the current year quarter ended 30 June 2018 and preceding year quarter ended 30 June 2017 respectively. The adoption of MFRS 15 has no significant financial impact to the Group.

The Group has assessed the estimated impact that the application of MFRS 15 will have on its consolidated financial statements. Comparatives for the financial statements have been reclassified and restated to conform to the current year's presentation under MFRS 15.

A3. Audit Report of Preceding Annual Financial Statements

The audited financial statements of the Group for the financial year ended 31 March 2018 were not subject to any qualification.

POWER ROOT BERHAD

Company No. 733268-U
(Incorporated in Malaysia)

A4. 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.

A5. 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.

A6. 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.

A7. 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 138,000 new ordinary share of RM0.675 each pursuant to the Employees Share Option Scheme.

A8. Dividend Paid

A third interim single tier dividend of 2.5 sen per ordinary share in respect of the financial year ended 31 March 2018, was paid on 2 April 2018.

A9. Segmental Reporting

Analysis by geographical segment for the period ended 30 June 2018:

	Current quarter ended 30 June 2018	Current year to date 30 June 2018
Revenue	RM'000	RM'000
Malaysia	38,193	38,193
Oversea	51,053	51,053
	-----	-----
	89,246	89,246
	=====	=====

POWER ROOT BERHAD

Company No. 733268-U

(Incorporated in Malaysia)

A9. Segmental Reporting (Cont'd)

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.

A10. Material Events Subsequent to the end of the Quarter under review

At the Extraordinary General Meeting held on 29 June 2018, the shareholders of the Company approved the following:

- (i) proposed bonus issue of up to 71,236,337 new ordinary shares in the Company ("Bonus Shares") on the basis of one (1) bonus share for every five (5) existing ordinary shares in the Company ("Proposed Bonus Issue of Shares"); and
- (ii) proposed issue of up to 71,236,337 free warrants ("Warrants") on the basis of one (1) warrant for every five (5) existing ordinary shares in the Company ("Proposed Free Warrants Issue").

(Collectively referred to as "Proposals")

The Proposed Bonus Issue of Shares and the Proposed Free Warrants Issue were completed following the listing of and quotation for 66,933,804 Bonus Shares and 65,591,464 Warrants on the Main Market of Bursa Securities on 23 July 2018 and 27 July 2018 respectively.

A11. Changes in the composition of the Group

The Company has received notification on 10 April 2018 that its 97% owned subsidiary, Power Root ME FZCO ("PRME") has completed incorporating its 49% subsidiary, P R M E Food Trading L.L.C ("PRMEFT") ("Incorporation").

PRMEFT was incorporated on 27 February 2018 as a limited liability company in the United Arab Emirates ("U.A.E") under the laws of U.A.E. PRMEFT has a paid-up capital of United Arab Emirates, Dirham ("UAE Dhs.") 300,000 (equivalent to RM316,000) divided into 300 shares of UAE Dhs. 1,000 each ("Shares"). PRME holds 49% or 147 Shares of PRMEFT and the remaining 51% or 153 Shares is held by Corporate Forma General Trading LLC.

PRMEFT will be engaged in trading of beverage products. It is currently dormant.

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.

POWER ROOT BERHAD

Company No. 733268-U
(Incorporated in Malaysia)

A13. Material Capital Commitments

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

	Current quarter ended 30 June 2018 RM'000
Property, plant and equipment	
Contracted but not provided for	5,699
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A14. Material Related Party Transactions

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

POWER ROOT BERHAD

Company No. 733268-U

(Incorporated in Malaysia)

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 June 2018

The Group recorded a revenue of RM 89.2 million for the first quarter ended 30 June 2018 representing a decrease of RM 13.2 million or 12.9% as compared to the previous year's corresponding quarter of RM 102.4 million. The decrease was mainly attributable to the decrease in local sales.

The Group recorded a profit before tax of RM 10.8 million for the current quarter which was an increase of RM 7.6 million from the previous year's corresponding quarter's profit before tax of RM 3.2 million. The increase in profit before tax was mainly due to lower advertising and promotion spending incurred in Middle East region, lower administrative costs and gain on foreign exchange in the current quarter.

B2. Variation of Results for the Current Quarter Ended 30 June 2018 against the Immediate Preceding Quarter

The Group recorded a revenue of RM 89.2 million for the current quarter, represented an increase of RM 16.0 million or 21.9% when compared to the revenue recorded for the immediate preceding quarter ended 31 March 2018 of RM 73.2 million. The increase was mainly attributable to the increase in overseas sales.

The Group's profit before tax of RM 10.8 million for the current quarter, represented an increase of RM 21.3 million or 202.9% as compared to the loss before tax of RM 10.5 million for the immediate preceding quarter ended 31 March 2018. The increase in profit before tax was mainly due to improved sales revenue, favorable sales mix, lower administrative costs and gain on foreign exchange in the current quarter.

B3. Group's Prospects for the financial year ending 31 March 2019 ("FYE 2019")

The Group will focus on the improvement in the operational efficiencies and cost management activities in the coming year to maintain its competitive edge in this challenging operating environment.

For the export market, the Group will also increase its activities in growing its existing export markets and to developing new markets through the new products development and strengthening its distribution networks.

POWER ROOT BERHAD

Company No. 733268-U
(Incorporated in Malaysia)

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 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
In respect of the current period:-				
Taxation	1,142	287	1,142	287
Deferred taxation (income)/expenses	401	(213)	401	(213)
	<u>1,543</u>	<u>74</u>	<u>1,543</u>	<u>74</u>
In respect of the previous period:-				
Taxation	-	-	-	-
Deferred taxation (income)/expenses	-	-	-	-
	<u>1,543</u>	<u>74</u>	<u>1,543</u>	<u>74</u>

B6. Notes to the Statements of Profit or Loss and Other Comprehensive Income

	Individual quarter ended 30 June		Cumulative quarter ended 30 June	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Depreciation and amortisation	1,404	1,698	1,404	1,698
Net (gain)/loss on foreign exchange	(1,540)	1,303	(1,540)	1,303
Loss on disposal of property, plant and equipment	186	11	186	11
Dividend income from unit trust funds	(7)	(40)	(7)	(40)
Finance income	(226)	(316)	(226)	(316)
Finance costs	228	129	228	129
Written down of inventories	558	21	558	21
Reversal of impairment loss on trade receivables	-	(217)	-	(217)

POWER ROOT BERHAD

Company No. 733268-U
(Incorporated in Malaysia)

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	255
Hire purchase payables	394
Bankers' Acceptance	19,928
	<hr/> 20,577
<u>Long Term Borrowings</u>	
Term Loans	30
Hire purchase payables	84
Total	<hr/> 20,691 <hr/>

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

B8. Material Litigation

Power Root Marketing Sdn Bhd ("PRMK"), a wholly owned subsidiary of the Group, commenced civil suits against the following parties:-

- (i) Nutri Fresh Dairies Marketing Sdn Bhd and 3 others at the Kuching Session Court vide Civil Suit No. KCH-B52NCvC-11/4-2018 on 6 April 2018 for the recovery of debt amounting to the sum of RM766,012.34. This matter has been fixed for mention on 7 June 2018. On 7 June 2018, all parties informed to the Court that the parties are agreeable to Court mediation for an amicable settlement. The mediation date was fixed on 17 August 2018. However, the mediation has been adjourned to 27 September 2018 as the original mediation judge had been transferred to Putrajaya.
- (ii) Teo Hong Tai Sdn Bhd and 3 others at the Kuching Session Court vide Civil Suit No. KCH-B52NCvC-12/4-2018 on 6 April 2018 for the recovery of debt amounting to the sum of RM585,571.91. This matter has been fixed for hearing on 25 June 2018. On 25 June 2018, all parties informed to the Court that the parties are agreeable to Court mediation for an amicable settlement. The mediation date was fixed on 17 August 2018. However, the mediation has been adjourned to 27 September 2018 as the original mediation judge had been transferred to Putrajaya.

B9. Dividend Proposed

The board of directors has proposed to declare a first interim single tier dividend of 1.7 sen per ordinary share in respect of the financial year ending 31 March 2019.

POWER ROOT BERHAD

Company No. 733268-U
(Incorporated in Malaysia)

B10. Derivatives

The Group has entered into forward exchange contract to hedge its trade receivables.

Details of the derivative outstanding at the end of the quarter under review are as follows:

	As at 30 June 2018		As at 30 June 2017	
	Notional Value RM'000	Fair Value RM'000	Notional Value RM'000	Fair Value RM'000
Forward Exchange Contract	<u>699</u>	<u>730</u>	<u>-</u>	<u>-</u>

The Group uses forward exchange contracts to hedge its foreign currency risk. Most of the forward exchange contracts have maturities of less than one year at the end of the quarter under review.

There is no gain/(loss) recognised in the profit or loss arising from the fair value changes of the derivatives.

B11. Disclosure of gains/losses arising from fair value changes of financial liabilities

The Group did not have any financial liabilities measured at fair value through profit and loss at the end of the quarter under review.

B12. Earnings Per Share ("EPS")

Basic EPS

	Current quarter ended		Cumulative quarter ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
Profit attributable to owners of the Company (RM'000)	9,140	2,822	9,140	2,822
Weighted average number of shares in issue ('000)	323,601	323,520	323,601	323,520
Basic EPS (sen)	<u>2.8</u>	<u>0.9</u>	<u>2.8</u>	<u>0.9</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.

POWER ROOT BERHAD

Company No. 733268-U

(Incorporated in Malaysia)

B12. Earnings Per Share ("EPS") (Cont'd)

<u>Diluted EPS</u>	Current quarter ended		Cumulative quarter ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
Profit attributable to owners of the Company (RM'000)	9,140	2,822	9,140	2,822
Weighted average number of ordinary shares ('000)	323,601	323,520	323,601	323,520
Effect of share option in issue ('000)	10,968	15,231	10,968	15,231
Total weighted average number of ordinary shares ('000) (diluted)	334,569	338,751	334,569	338,751
Diluted EPS (sen)	<u>2.7</u>	<u>0.8</u>	<u>2.7</u>	<u>0.8</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.