

POWER ROOT BERHADCompany No.733268-U
(Incorporated In Malaysia)**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED 30 JUNE 2019**

(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 2019</u> <u>RM'000</u>	<u>30 JUNE 2018</u> <u>RM'000</u>	<u>30 JUNE 2019</u> <u>RM'000</u>	<u>30 JUNE 2018</u> <u>RM'000</u>
Revenue	94,228	89,246	94,228	89,246
Other income	1,162	2,324	1,162	2,324
Raw material used	(43,590)	(42,938)	(43,590)	(42,938)
Staff cost	(14,132)	(11,412)	(14,132)	(11,412)
Depreciation and amortisation	(1,564)	(1,404)	(1,564)	(1,404)
Other operating expenses	(22,546)	(24,784)	(22,546)	(24,784)
Finance costs	(166)	(228)	(166)	(228)
Profit before taxation	13,392	10,804	13,392	10,804
Taxation	(1,087)	(1,543)	(1,087)	(1,543)
Profit for the period	12,305	9,261	12,305	9,261
Other comprehensive income				
Fair value of available for sale of financial assets	-	15	-	15
Translation differences on foreign operation	25	457	25	457
Other comprehensive income net of tax	25	472	25	472
Total comprehensive income	12,330	9,733	12,330	9,733
Profit attributable to:				
Owners of the Company	12,178	9,140	12,178	9,140
Non-controlling interest	127	121	127	121
	12,305	9,261	12,305	9,261
Total comprehensive income attributable to:				
Owners of the Company	12,199	9,597	12,199	9,597
Non-controlling interest	131	136	131	136
	12,330	9,733	12,330	9,733
Earnings per share attributable to owners of the Company(sen)				
Basic (note B12)	3.1	2.3 *	3.1	2.3
Diluted (note B12)	3.0	2.3 *	3.0	2.3

* For comparative purpose, the Earning Per Share for the corresponding quarter and year to date ended 30 June 2018 had been adjusted to reflect the bonus issue of 1 for every 5 existing ordinary shares which was completed on 23 July 2018

(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 2019)

POWER ROOT BERHAD

Company No.733268-U
(Incorporated In Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**AS AT 30 JUNE 2019**

(The figures below are unaudited)

	(Unaudited) As at 30 JUNE 2019	(Audited) As at 31 MARCH 2019
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	80,643	78,363
Investment properties	1,758	1,768
Intangible assets	18	22
Deferred tax assets	2,855	1,529
	85,274	81,682
Current assets		
Inventories	59,222	66,680
Trade and other receivables	122,702	117,878
Fixed deposits	11,195	15,338
Cash and bank balances	56,403	41,506
Tax recoverable	10,104	9,070
	259,626	250,472
TOTAL ASSETS	344,900	332,154
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	220,397	220,130
Other reserves	(6,656)	(7,338)
Retained earnings	18,197	6,019
	231,938	218,811
Non-controlling interest	508	377
TOTAL EQUITY	232,446	219,188
Non-current liabilities		
Long term borrowings	559	19
Current liabilities		
Trade payables, other payables and accruals	91,620	87,657
Short term borrowings	20,275	18,591
Dividend payable	-	6,699
	111,895	112,947
TOTAL LIABILITIES	112,454	112,966
TOTAL EQUITY AND LIABILITIES	344,900	332,154
Net assets per share attributable to ordinary equity holders of the parent (RM)	0.58	0.54

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 2019)

POWER ROOT BERHADCompany No.733268-U
(Incorporated In Malaysia)**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FIRST QUARTER ENDED
30 JUNE 2019**

(The figures below are unaudited)

	Current Year To Date	Preceding Year To Date
	30 JUNE 2019	30 JUNE 2018
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	13,392	10,804
Adjustments for:-		
Amortisation of intangible assets	4	4
Depreciation on investment properties	10	15
Depreciation on property, plant and equipment	1,550	1,385
(Gain) / Loss on disposal of property, plant and equipment	(179)	186
Finance costs	166	228
Finance income	(269)	(226)
Unrealised gain on foreign exchange	(294)	(1,302)
Equity settled share-based payment transactions	661	96
Dividend income from unit trust funds	-	(7)
Operating profit before changes in working capital	<u>15,041</u>	<u>11,183</u>
Changes in working capital:-		
Changes in inventories	7,458	12,570
Changes in trade and other receivables	(4,530)	(7,948)
Changes in trade and other payables	3,963	(13,161)
Cash generated from operations	<u>21,932</u>	<u>2,644</u>
Interest received	269	226
Tax paid	(3,447)	(1,103)
Net cash from operating activities	<u>18,754</u>	<u>1,767</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(3,793)	(1,646)
Proceeds from issue of share capital	267	93
Decrease in other investment	-	5,992
Proceeds from disposal of property, plant and equipment	226	29
Net cash (used in) / from investing activities	<u>(3,300)</u>	<u>4,468</u>
Cash flows from financing activities		
Dividend paid to owners of the Company	(6,699)	-
Interest paid	(166)	(228)
Drawdown / (repayment) of other short-term bank borrowings	1,578	(11,132)
Drawdown of hire purchase	853	-
Repayment of hire purchase obligations	(144)	(98)
Repayment of term loans	(62)	(58)
Net cash used in financing activities	<u>(4,640)</u>	<u>(11,516)</u>
Net increase / (decrease) in cash and cash equivalents	10,814	(5,281)
Effects of changes in foreign exchange rates	(60)	109
Cash and cash equivalents at beginning of the year	<u>56,844</u>	<u>51,422</u>
Cash and cash equivalents at end of the period	<u>67,598</u>	<u>46,250</u>
Cash and cash equivalents comprise:		
Fixed deposits with licensed banks	11,195	14,191
Cash and bank balances	<u>56,403</u>	<u>32,059</u>
	<u>67,598</u>	<u>46,250</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 2019)

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

30 JUNE 2019

(The figures below are unaudited)

	/ ----- Attributable to owners of the Company ----- /						Total	Non-controlling interest	Total equity
	/ ----- Non-distributable ----- /			Distributable					
	Share capital	Treasury shares	Exchange fluctuation reserve	Fair value reserve	Share option reserve	Retained earnings / (Accumulated losses)			
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
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 owner 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
At 1 April 2019	220,130	(11,504)	2,031	-	2,135	6,019	218,811	377	219,188
Profit for the period	-	-	-	-	-	12,178	12,178	127	12,305
Other comprehensive income for the period									
- Translation differences on foreign operation	-	-	21	-	-	-	21	4	25
- Fair value of available for sale financial assets	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	21	-	-	12,178	12,199	131	12,330
Contributions by and distribution to owners of the Company									
- Issue of ordinary shares pursuant to the ESOS	267	-	-	-	-	-	267	-	267
- Share-based payment transaction	-	-	-	-	661	-	661	-	661
Total transactions with owners of the Company	267	-	-	-	661	-	928	-	928
At 30 June 2019	220,397	(11,504)	2,052	-	2,796	18,197	231,938	508	232,446

(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 2019)

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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 first quarter ended 30 June 2019 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, PRME Foodstuff Trading 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 2019.

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 2019.

A2. Audit Report of Preceding Annual Financial Statements

The audited financial statements of the Group for the financial year ended 31 March 2019 were not subject to any qualification.

A3. Seasonality or Cyclicity 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 474,000 new ordinary share of RM 0.563 each pursuant to the Employees Share Option Scheme.

A7. Dividend Paid

A third interim single tier dividend of 1.7 sen per ordinary share in respect of the financial year ending 31 March 2019, was paid on 2 April 2019.

A8. Segmental Reporting

Analysis by geographical segment for the period ended 30 June 2019:

	Current quarter ended 30 June 2019	Current year to date 30 June 2019
Revenue	RM'000	RM'000
Malaysia	49,070	49,070
Oversea	45,158	45,158
	-----	-----
	94,228	94,228
	=====	=====

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

Subsequent to the quarter under review, the Group had on 6 August 2019 completed the incorporation of its 75.1% owned subsidiary, Super Wrap ME Sdn Bhd ("SWME").

SWME is a private limited company under the Companies Act 2016 and has a paid up capital of RM1,000 comprising 1,000 ordinary shares.

SWME will be engaged in trading and distribution of non-food related products.

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A9. Material Events Subsequent to the end of the Quarter under review (Con't)

The Group has received notification on 18 August 2019 that its 97% owned subsidiary, Power Root ME FZCO ("PRME") has completed de-registration of its 49% owned subsidiary, P.R. Manufacturing ME LLC ("PR Manufacturing ME") in United Arab Emirates ("U.A.E.") ("De-registration").

PR Manufacturing ME was incorporated on 19 May 2013 as a limited liability company in Al Jazeera Al Hamra Industrial Zone under the laws of Ras Al Khaimah and the U.A.E.. PR Manufacturing ME has a paid-up capital of United Arab Emirates, Dirham ("UAE Dhs.") 1,000,000 (equivalent to RM1,137,000) divided into 1,000 shares of UAE Dhs. 1,000 each ("Shares"). PRME holds 49% or 490 Shares of PR Manufacturing ME and the remaining 51% or 510 Share is held by WSY Investment LLC (formerly known as RAKIA Investment LLC). PR Manufacturing ME was dormant since its incorporation.

A10. Changes in the composition of the Group

During the quarter under review, the Group had on 25 April 2019 completed the incorporation of its 100% owned subsidiary, Power Root HK-China Company Limited ("PRHCL")

PRHCL was incorporated as a limited company in Hong Kong under the Companies Ordinance. PRHCL has a paid-up share capital of Hong Kong Dollar ("HKD") 1 (equivalent to RM0.50) comprising 1 ordinary share.

PRHCL will be engaged in trading of beverage products.

A11. Changes in Contingent Liabilities or Contingent Assets

There were no contingent liabilities or contingent assets arise 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 June 2019
	RM'000
Property, plant and equipment	
Contracted but not provided for	3,974

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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 June 2019

The Group recorded a revenue of RM 94.2 million for the first quarter ended 30 June 2019 representing an increase of RM 5.0 million or 5.6% as compared to the previous year's corresponding quarter of RM 89.2 million. The increase was mainly attributable to the increase in local sales.

The Group recorded a profit before tax of RM 13.4 million for the current quarter which was an increase of RM 2.6 million from the previous year's corresponding quarter's profit before tax of RM 10.8 million. The increase in profit before tax was mainly due to improved sales and favourable sales mix in the current quarter.

B2. Variation of Results for the Current Quarter Ended 30 June 2019 against the Immediate Preceding Quarter

The Group recorded a revenue of RM 94.2 million for the current quarter, represented an increase of RM 14.6 million or 18.3% when compared to the revenue recorded for the immediate preceding quarter ended 31 March 2019 of RM 79.6 million. The increase was mainly attributable to the increase in both local and overseas sales.

The Group's profit before tax of RM 13.4 million for the current quarter, represented an increase of RM 4.2 million or 45.7% as compared to the profit before tax of RM 9.2 million for the immediate preceding quarter ended 31 March 2019. The increase in profit before tax was mainly due to improved sales in the current quarter.

B3. Group's Prospects for the financial year ending 31 March 2020 ("FYE 2020")

The Group is mindful of the keen competition in the beverage market as players aim to increase shelf space and consumer mind share. Nonetheless, the Group remains optimistic of its prospects for the current financial year, leveraging on its extensive experience over two decades.

Going forward, the Group will leverage on the momentum of ongoing marketing campaigns and also execute new programmes in order to maintain awareness of the Group's product range and create opportunities for enduring engagement with consumers.

Internally, the Group would maintain efforts to optimise and develop the local and international distribution network as part of the overall strategy of focusing on achieving better returns on investment (ROI). In addition to that, the Group will continue to enhance operational efficiencies and cost management measures.

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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 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
In respect of the current period:-				
Taxation	2,413	1,142	2,413	1,142
Deferred taxation (income)/expenses	(1,326)	401	(1,326)	401
	<u>1,087</u>	<u>1,543</u>	<u>1,087</u>	<u>1,543</u>
In respect of the previous period:-				
Taxation	-	-	-	-
Deferred taxation (income)/expenses	-	-	-	-
	<u>1,087</u>	<u>1,543</u>	<u>1,087</u>	<u>1,543</u>

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

	Individual quarter ended 30 June		Cumulative quarter ended 30 June	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Depreciation and amortisation	1,564	1,404	1,564	1,404
Gain/loss on foreign exchange	(556)	(1,540)	(556)	(1,540)
(Gain)/loss on disposal of property, plant and equipment	(179)	186	(179)	186
Dividend income from unit trust funds	-	(7)	-	(7)
Finance income	(269)	(226)	(269)	(226)
Finance costs	166	228	166	228
Written down of inventories	-	558	-	558

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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	43
Hire purchase payables	388
Bankers' Acceptance	19,844
	<u>20,275</u>
<u>Long Term Borrowings</u>	
Hire purchase payables	559
Total	<u>20,834</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 defendants 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 first interim single tier dividend of 2.0 sen per ordinary share in respect of the financial year ending 31 March 2020.

B10. Derivatives

There were no outstanding derivatives at the end of the quarter under review.

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

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 2019		As at 30 June 2018	
	Notional Value RM'000	Fair Value RM'000	Notional Value RM'000	Fair Value RM'000
Forward Exchange Contract	<u>-</u>	<u>-</u>	<u>699</u>	<u>730</u>

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B11. Disclosure of gains/losses arising from fair value changes of financial liabilities (Con't)

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.

B12. Earnings Per Share ("EPS")

Basic EPS

	Current quarter ended		Cumulative quarter ended	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
Profit attributable to owners of the Company (RM'000)	12,178	9,140	12,178	9,140
Weighted average number of shares in issue ('000)	394,485	390,535	394,485	390,535
Basic EPS (sen)	<u>3.1</u>	<u>2.3</u>	<u>3.1</u>	<u>2.3</u>

Diluted EPS

	Current quarter ended		Cumulative quarter ended	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
Profit attributable to owners of the Company (RM'000)	12,178	9,140	12,178	9,140
Weighted average number of ordinary shares ('000)	394,485	390,535	394,485	390,535
Effect of share option in issue ('000)	11,744	11,077	11,744	11,077
Total weighted average number of ordinary shares ('000) (diluted)	406,229	401,612	406,229	401,612
Diluted EPS (sen)	<u>3.0</u>	<u>2.3</u>	<u>3.0</u>	<u>2.3</u>

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B12. Earnings Per Share (“EPS”) (Cont’d)

For comparative purpose, the Earning Per Share for the corresponding quarter and year to date ended 30 June 2018 had been adjusted to reflect the bonus issue of 1 for every 5 existing ordinary shares which was completed on 23 July 2018.