

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 second quarter ended 30 September 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 296,000 new ordinary share of RM 0.563 each pursuant to the Employees Share Option Scheme.
- Issuance of 772,000 new ordinary share of RM 1.558 each pursuant to the Employees Share Option Scheme.

A7. Dividend Paid

A fourth interim single tier dividend of 2.9 sen per ordinary share in respect of the financial year ended 31 March 2019, was paid on 2 July 2019.

A8. Segmental Reporting

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

	Current quarter ended 30 September 2019	Current year to date 30 September 2019
Revenue	RM'000	RM'000
Malaysia	43,641	92,711
Oversea	56,454	101,612
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	100,095	194,323
	=====	=====

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.

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A10. Changes in the composition of the Group

1) During 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.

2) 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.

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 September 2019 RM'000
Property, plant and equipment	
Contracted but not provided for	4,341
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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 2019

The Group recorded a revenue of RM 100.1 million for the second quarter ended 30 September 2019 representing an increase of RM 12.8 million or 14.7% as compared to the previous year's corresponding quarter of RM 87.3 million. The increase was mainly attributable to the increase in overseas sales.

The Group recorded a profit before tax of RM 16.2 million for the current quarter which was an increase of RM 7.3 million from the previous year's corresponding quarter's profit before tax of RM 8.9 million. The increase in profit before tax was mainly due to improved sales and improved operation efficiency in the current quarter.

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

The Group recorded a revenue of RM 100.1 million for the current quarter, represented an increase of RM 5.9 million or 6.3% when compared to the revenue recorded for the immediate preceding quarter ended 30 June 2019 of RM 94.2 million. The increase was mainly attributable to the increase in overseas sales.

The Group's profit before tax of RM 16.2 million for the current quarter, represented an increase of RM 2.8 million or 20.9% as compared to the profit before tax of RM 13.4 million for the immediate preceding quarter ended 30 June 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 remains optimistic of its prospects in the current financial year, while keeping abreast of macro-scale developments in the beverage sector.

The various festive celebrations in the current financial quarter present multiple opportunities for the Group to enhance its marketing and promotional activities for existing and newly-launched products. The Group intends to further strengthen its brand equity with a view towards building brand familiarity and subsequent loyalty.

Moreover, the Group would sustain efforts to enhance returns on investment (ROI), improve production efficiencies and reinforce cost consciousness across all aspects, as part of the overall operations optimization discipline.

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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 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
In respect of the current period:-				
Taxation	2,506	1,934	4,919	3,076
Deferred taxation (income)/expenses	165	(34)	(1,161)	367
	<u>2,671</u>	<u>1,900</u>	<u>3,758</u>	<u>3,443</u>
In respect of the previous period:-				
Taxation	-	-	-	-
Deferred taxation (income)/expenses	-	-	-	-
	<u>2,671</u>	<u>1,900</u>	<u>3,758</u>	<u>3,443</u>

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

	Individual quarter ended 30 September		Cumulative quarter ended 30 September	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Depreciation and amortisation	1,541	1,411	3,105	2,815
Gain on foreign exchange	(575)	(540)	(1,131)	(2,080)
(Gain)/loss on disposal of property, plant and equipment	(146)	(157)	(325)	29
Dividend income from unit trust funds	-	-	-	(7)
Finance income	(288)	(273)	(557)	(499)
Finance costs	164	157	330	385
Written down of inventories	49	(1)	49	557

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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>	
Hire purchase payables	365
Bankers' Acceptance	19,579
	<u>19,944</u>
<u>Long Term Borrowings</u>	
Hire purchase payables	597
Total	<u>20,541</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 i) a second interim single tier dividend of 2.0 sen and ii) a special interim single tier dividend of 1.0 sen per ordinary share in respect of the financial year ending 31 March 2020. The date of entitlement will be announced later.

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

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B12. Earnings Per Share ("EPS")

Basic EPS

	Current quarter ended		Cumulative quarter ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
Profit attributable to owners of the Company (RM'000)	13,440	6,930	25,618	16,070
Weighted average number of shares in issue ('000)	396,098	395,006	395,292	392,770
Basic EPS (sen)	<u>3.4</u>	<u>1.8</u>	<u>6.5</u>	<u>4.1</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

	Current quarter ended		Cumulative quarter ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
Profit attributable to owners of the Company (RM'000)	13,440	6,930	25,618	16,070
Weighted average number of ordinary shares ('000)	396,098	395,006	395,292	392,770
Effect of share option in issue ('000)	18,870	11,433	24,509	10,766
Total weighted average number of ordinary shares ('000) (diluted)	414,968	406,439	419,801	403,536
Diluted EPS (sen)	<u>3.2</u>	<u>1.7</u>	<u>6.1</u>	<u>4.0</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, ie Employees Share Option Scheme.