

# **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 third quarter ended 31 December 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 other than the following:

- Issuance of 522,000 new ordinary share of RM 0.563 each pursuant to the Employees Share Option Scheme.
- Issuance of 330,500 new ordinary share of RM 1.558 each pursuant to the Employees Share Option Scheme.
- Issuance of 104,000 new ordinary share of RM 1.15 each pursuant to the Employees Share Option Scheme.

### A7. Dividend Paid

A first interim single tier dividend of 2.0 sen per ordinary share in respect of the financial year ended 31 March 2020, was paid on 1 October 2019.

### A8. Segmental Reporting

Analysis by geographical segment for the period ended 31 December 2019:

	Current quarter ended 31 December 2019	Current year to date 31 December 2019
<b>Revenue</b>	<b>RM'000</b>	<b>RM'000</b>
Malaysia	43,630	136,341
Overseas	57,743	159,355
	-----	-----
	101,373	295,696
	=====	=====

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 22 January 2020 completed the incorporation of its wholly owned subsidiary, Superwrapz International Sdn Bhd ("SISB").

SISB is a private limited company under the Companies Act 2016 and has a paid up capital of RM100.00 comprising 100 ordinary shares.

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

SISB is principally engaged in the business of trading and dealing of non-food related products. It is currently dormant.

### **A10. Changes in the composition of the Group**

There were no changes in the composition of the Group during the period under review save for the equity interest of the Group in its associated company, JT Apps Sdn Bhd ("JTASB") was diluted from 26.40% to 13.20% upon the issuance of new shares in JTASB on 18 November 2019 as the Group did not participate in this exercise.

JTASB is in the business of providing Information Technology related products and services.

### **A11. Changes in Contingent Liabilities or Contingent Assets**

There were no contingent liabilities or contingent assets that have arisen 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:

	<b>Current quarter ended 31 December 2019 RM'000</b>
Property, plant and equipment	
Contracted but not provided for :-	4,226

### **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 31 December 2019**

The Group recorded a revenue of RM 101.4 million for the third quarter ended 31 December 2019 representing an increase of RM 19.5 million or 23.8% as compared to the previous year's corresponding quarter of RM 81.9 million. The increase was mainly attributable to the increase in overseas sales.

The Group recorded a profit before tax of RM 16.5 million for the current quarter which was an increase of RM 8.3 million from the previous year's corresponding quarter's profit before tax of RM 8.2 million. The increase in profit before tax was mainly due to improved sales and reversal of impairment loss on trade receivables in the current quarter.

#### **B2. Variation of Results for the Current Quarter Ended 31 December 2019 against the Immediate Preceding Quarter**

The Group recorded a revenue of RM 101.4 million for the current quarter, representing an increase of RM 1.3 million or 1.3% when compared to the revenue recorded for the immediate preceding quarter ended 30 September 2019 of RM 100.1 million. The increase was mainly attributable to the increase in overseas sales.

The Group's profit before tax of RM 16.5 million for the current quarter, represented an increase of RM 0.3 million or 1.9% as compared to the profit before tax of RM 16.2 million for the immediate preceding quarter ended 30 September 2019.

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

The Group remains optimistic of its overall prospects in the current financial year, but is mindful of potential hurdles in sales for the final quarter of the year due to the sugar tax hike in the Middle East and the outbreak of the COVID19 virus epidemic in China. In efforts to mitigate the impact of these issues, we will be focusing our efforts in other countries to reduce our reliance on the affected countries and to introduce products at affordable price points.

We will also look to increase marketing and promotional activities to heighten brand awareness for our existing and newly-launched products, as we aim to build and strengthen brand familiarity and loyalty.

Further, the Group will continue to maintain efforts in improving production efficiencies and minimising costs as part of its strategy to maximise operational efficiency and enhance returns on investment (ROI).

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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	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
In respect of the current period:-				
Taxation	5,049	1,520	9,968	4,596
Deferred taxation (income)/expenses	(1,300)	(261)	(2,461)	106
	<u>3,749</u>	<u>1,259</u>	<u>7,507</u>	<u>4,702</u>
In respect of the previous period:-				
Taxation	(1,083)	(365)	(1,083)	(365)
Deferred taxation (income)/expenses	452	274	452	274
	<u>3,118</u>	<u>1,168</u>	<u>6,876</u>	<u>4,611</u>

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

	Individual quarter ended 31 December		Cumulative quarter ended 31 December	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Depreciation and amortisation	1,484	1,427	4,589	4,242
Loss/(gain) on foreign exchange	1,106	(435)	(25)	(2,515)
Gain on disposal of property, plant and equipment	(83)	(161)	(408)	(132)
Dividend income from unit trust funds	-	-	-	(7)
Finance income	(441)	(311)	(998)	(810)
Finance costs	122	145	452	530
Written down of inventories	(3)	73	46	630
Bad debts written off	-	156	-	156
Reversal of impairment loss on trade receivables	6,182	-	6,182	-

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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:

	<b>RM'000</b>
<u>Short Term Borrowings</u>	
Hire purchase payables	508
Bankers' Acceptance	9,563
	<u>10,071</u>
<u>Long Term Borrowings</u>	
Hire purchase payables	830
<b>Total</b>	<b><u>10,901</u></b>

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 third interim single tier dividend of 2.0 sen and ii) a special interim single tier dividend of 1.5 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	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Profit attributable to owners of the Company (RM'000)	13,084	6,977	38,702	23,047
Weighted average number of shares in issue ('000)	404,652	395,334	398,412	393,625
Basic EPS (sen)	<u>3.2</u>	<u>1.8</u>	<u>9.7</u>	<u>5.9</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.

#### Diluted EPS

	Current quarter ended		Cumulative quarter ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Profit attributable to owners of the Company (RM'000)	13,084	6,977	38,702	23,047
Weighted average number of ordinary shares ('000)	404,652	395,334	398,412	393,625
Effect of share option in issue and warrants conversion ('000)	21,821	10,859	30,018	10,638
Total weighted average number of ordinary shares ('000) (diluted)	426,473	406,193	428,430	404,263
Diluted EPS (sen)	<u>3.1</u>	<u>1.7</u>	<u>9.0</u>	<u>5.7</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 and warrants conversion.