

POWER ROOT BERHAD

Registration No. 200601013517 (733268-U)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED 30 JUNE 2021

(The figures below are unaudited)

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	Current Year Quarter	Preceding Year Quarter	Current Year To Date	Preceding Year To Date
	30 JUNE 2021 RM'000	30 JUNE 2020 RM'000	30 JUNE 2021 RM'000	30 JUNE 2020 RM'000
Revenue	74,679	83,917	74,679	83,917
Other income	545	442	545	442
Raw material used	(35,021)	(37,028)	(35,021)	(37,028)
Staff costs	(15,423)	(13,692)	(15,423)	(13,692)
Depreciation and amortisation expenses	(1,795)	(1,581)	(1,795)	(1,581)
Other operating expenses	(19,748)	(18,408)	(19,748)	(18,408)
Finance costs	(20)	(69)	(20)	(69)
Profit before taxation	3,217	13,581	3,217	13,581
Taxation	(1,173)	(2,842)	(1,173)	(2,842)
Profit for the period	2,044	10,739	2,044	10,739
Other comprehensive income				
Fair value of available for sale of financial assets	(90)	34	(90)	34
Translation differences on foreign operation	46	7	46	7
Other comprehensive income net of tax	(44)	41	(44)	41
Total comprehensive income	2,000	10,780	2,000	10,780
Profit attributable to:				
Owners of the Company	2,008	10,732	2,008	10,732
Non-controlling interests	36	7	36	7
	2,044	10,739	2,044	10,739
Total comprehensive income attributable to:				
Owners of the Company	1,962	10,774	1,962	10,774
Non-controlling interests	38	6	38	6
	2,000	10,780	2,000	10,780
Earnings per share attributable to owners of the Company(sen)				
Basic (note B12)	0.5	2.6	0.5	2.6
Diluted (note B12)	0.5	2.4	0.5	2.4

(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 2021)

POWER ROOT BERHAD

Registration No. 200601013517 (733268-U)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2021

(The figures below are unaudited)

	(Unaudited) As at 30 JUNE 2021	(Audited) As at 31 MARCH 2021
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	98,058	98,915
Investment properties	8,934	8,947
Other investments	2,405	2,479
Deferred tax assets	2,720	1,941
	112,117	112,282
Current assets		
Inventories	58,660	64,136
Trade and other receivables	87,080	79,880
Fixed deposits	-	1,036
Cash and bank balances	91,665	85,096
Tax recoverable	7,149	6,296
	244,554	236,444
TOTAL ASSETS	356,671	348,726
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	252,178	251,524
Other reserves	7,825	7,908
Retained earnings	5,989	6,098
	265,992	265,530
Non-controlling interests	509	471
TOTAL EQUITY	266,501	266,001
Non-current liabilities		
Loans and borrowings	82	191
Current liabilities		
Trade and other payables	83,865	75,684
Loans and borrowings	4,106	511
Dividend payable	2,117	6,339
	90,088	82,534
TOTAL LIABILITIES	90,170	82,725
TOTAL EQUITY AND LIABILITIES	356,671	348,726
Net assets per share attributable to ordinary equity holders of the parent (RM)	0.63	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 2021)

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FIRST QUARTER ENDED 30 JUNE 2021

(The figures below are unaudited)

	Current Year To Date	Preceding Year To Date
	30 JUNE 2021 RM'000	30 JUNE 2020 RM'000
Cash flows from operating activities		
Profit before tax	3,217	13,581
Adjustments for:-		
Amortisation of intangible assets	-	4
Depreciation on investment properties	47	10
Depreciation on property, plant and equipment	1,748	1,567
Gain on disposal of property, plant and equipment	(20)	-
Loss on disposal of other investments	-	24
Finance costs	20	69
Finance income	(137)	(257)
Reversal of impairment loss on property, plant and equipment	-	(180)
Property, plant and equipment written off	-	160
(Reversal of impairment loss)/Impairment loss on trade receivables	(8)	8
Unrealised (gain)/loss on foreign exchange	(7)	563
Equity settled share-based payment transactions	119	133
Dividend income from other investment	(78)	-
Write down of inventories	166	186
Operating profit before changes in working capital	5,067	15,868
Changes in working capital:-		
Changes in inventories	5,310	(9,580)
Changes in trade and other receivables	(7,187)	(10,042)
Changes in trade and other payables	8,181	(5,450)
Cash generated from/(used in) operations	11,371	(9,204)
Interest received	137	257
Tax paid	(2,805)	(3,402)
Net cash generated from/(used in) operating activities	8,703	(12,349)
Cash flows from investing activities		
Acquisition of property, plant and equipment		
- property, plant and equipment	(873)	(708)
- investment properties	(34)	-
Proceeds from disposal of other investment	-	89
Increase in other investment	(13)	(290)
Dividend income from other investment	78	-
Proceeds from disposal of property, plant and equipment	21	-
Net cash used in investing activities	(821)	(909)
Cash flows from financing activities		
Dividend paid to owners of the Company	(6,339)	(14,343)
Interest paid	(20)	(69)
Drawdown of other short-term bank borrowings	3,614	7,505
Proceeds from issue of share capital	498	12,064
Net sale of treasury shares	-	1,565
Repayment of hire purchase obligations	(128)	(137)
Subscription of shares by non-controlling interests in subsidiaries	-	324
Net cash (used in)/generated from financing activities	(2,375)	6,909
Net increase/(decrease) in cash and cash equivalents	5,507	(6,349)
Effects of changes in foreign exchange rates	26	(8)
Cash and cash equivalents at beginning of the year	86,132	110,073
Cash and cash equivalents at end of the year	91,665	103,716
Cash and cash equivalents comprise:		
Fixed deposits with licensed banks	-	16,982
Cash and bank balances	91,665	86,734
	91,665	103,716

(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 2021)

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

30 JUNE 2021

(The figures below are unaudited)

	Attributable to owners of the Company									
	Share capital	Treasury shares	Exchange fluctuation reserve	Fair value reserve	Share option reserve	Distributable retained earnings	Total	Non-controlling interest	Total equity	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 April 2020	230,942	(6,263)	2,684	(217)	8,440	17,675	253,261	477	253,738	
Profit for the period	-	-	-	-	-	10,732	10,732	7	10,739	
Other comprehensive income for the period	-	-	8	-	-	-	8	(1)	7	
- Translation differences on foreign operation	-	-	-	-	-	-	-	-	-	
- Equity investment measured at fair value through other comprehensive expenses	-	-	-	34	-	-	34	-	34	
Total comprehensive income for the period	-	-	8	34	-	10,732	10,774	6	10,780	
Contributions by and distribution to owners of the Company	203	-	-	-	(47)	-	156	-	156	
- Issue of ordinary shares pursuant to the ESOS	11,908	-	-	-	-	-	11,908	-	11,908	
- Issue of ordinary shares pursuant to the exercise of Warrant	-	-	-	-	133	-	133	-	133	
- Share-based payment transaction	-	2,076	-	-	-	663	2,759	-	2,759	
- Treasury shares sold	-	(1,194)	-	-	-	-	(1,194)	-	(1,194)	
- Own shares acquired	-	-	-	-	-	(16,532)	(16,532)	-	(16,532)	
- Dividends to owners of the Company	12,111	882	-	-	86	(15,849)	(2,770)	-	(2,770)	
Changes in ownership interests in subsidiaries	-	-	-	-	-	251	251	73	324	
Total transactions with owners of the Company	12,111	882	-	-	86	(15,598)	(2,519)	73	(2,446)	
At 30 June 2020	243,053	(5,381)	2,692	(183)	8,526	12,809	261,516	556	262,072	
At 1 April 2021	251,524	(3,090)	2,276	(120)	8,842	6,098	265,530	471	266,001	
Profit for the period	-	-	-	-	-	2,008	2,008	36	2,044	
Other comprehensive income for the period	-	-	44	-	-	-	44	2	46	
- Translation differences on foreign operation	-	-	-	-	-	-	-	-	-	
- Equity investment measured at fair value through other comprehensive expenses	-	-	-	(90)	-	-	(90)	-	(90)	
Total comprehensive income for the year	-	-	44	(90)	-	2,008	1,962	38	2,000	
Contributions by and distribution to owners of the Company	654	-	-	-	(156)	-	498	-	498	
- Issue of ordinary shares pursuant to the ESOS	-	-	-	-	119	-	119	-	119	
- Share-based payment transaction	-	-	-	-	-	(2,117)	(2,117)	-	(2,117)	
- Dividends to owners of the Company	654	-	-	-	(37)	(2,117)	(1,500)	-	(1,500)	
Total transactions with owners of the Company	654	-	-	-	(37)	(2,117)	(1,500)	-	(1,500)	
At 30 June 2021	252,178	(3,090)	2,320	(210)	8,805	5,989	265,992	509	266,501	

(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 2021)

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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 2021 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., Power Root HK-China Co. Ltd., PR Global Assets Limited, Power Root ME FZCO, PRME Food Manufacturing LLC (*formerly known as PRME Foodstuff Trading LLC*), Alicafe Roasters Sdn Bhd, Superwrapz International Sdn. Bhd. and French Patisserie Sdn. Bhd. (*formerly known as Ah Huat International 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 2021.

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 2021.

A2. Audit Report of Preceding Annual Financial Statements

The audited financial statements of the Group for the financial year ended 31 March 2021 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.

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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.

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 884,000 new ordinary share at an exercise price of RM 0.563 each pursuant to the Employees Share Option Scheme.

A7. Dividend Paid

A third interim single tier dividend of 1.5 sen per ordinary share in respect of the financial year ended 31 March 2021, was paid on 9 April 2021.

A8. Segmental Reporting

The Group operates principally in Malaysia with the manufacturing and distribution of beverages products (i.e. Fast Moving Consumers Goods) being the core business of the Group. The Group's assets and liabilities are basically in Malaysia.

The Group has two reportable segments, distinguished by Malaysia entities and overseas entities, which form the main basis of how the Chief Operating Decision Maker ("CODM") (i.e. the Chief Executive Officer) reviews the Group's operations on a quarterly basis. Malaysia entities includes the manufacturing and marketing companies in Malaysia, while the overseas entities include the marketing companies overseas in Middle East, China and Hong Kong. Non-reportable entities include the rest of subsidiaries.

Performance is measured based on segment profit before tax as management believes that such information is the most relevant in evaluating the results of the operation.

Segment assets and liabilities information is neither included in the internal management reports nor provided regularly to the CODM. Hence, no disclosure is made on segment assets and liabilities.

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A8. Segmental Reporting (Cont'd)**Current quarter ended 30 June 2021**

	Reportable Segment		Non-Reportable Segment	Total RM'000
	Malaysia Entities RM'000	Overseas Entities RM'000	Other Entities RM'000	
Segment Profit	<u>4,598</u>	<u>(248)</u>	<u>(250)</u>	<u>4,100</u>
<i>Included in the measure of segment profit are:</i>				
Revenue from external customers	56,344	18,245	90	74,679
Inter-segment revenue	<u>17,432</u>	<u>591</u>	<u>197</u>	<u>18,220</u>

Current year to date 30 June 2021

	Reportable Segment		Non-Reportable Segment	Total RM'000
	Malaysia Entities RM'000	Overseas Entities RM'000	Other Entities RM'000	
Segment Profit	<u>4,598</u>	<u>(248)</u>	<u>(250)</u>	<u>4,100</u>
<i>Included in the measure of segment profit are:</i>				
Revenue from external customers	56,344	18,245	90	74,679
Inter-segment revenue	<u>17,432</u>	<u>591</u>	<u>197</u>	<u>18,220</u>

Reconciliation of reportable segment profit:

	Current quarter ended 30 June 2021 RM'000	Current year to date 30 June 2021 RM'000
Total segment profit	4,100	4,100
Consolidation adjustments	<u>(883)</u>	<u>(883)</u>
Total consolidated profit	<u>3,217</u>	<u>3,217</u>

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A8. Segmental Reporting (Cont'd)

Analysis of revenue by geographical segment for the period ended 30 June 2021:

	Current quarter ended 30 June 2021 RM'000	Current year to date 30 June 2021 RM'000
Revenue		
Malaysia	44,140	44,140
Overseas:		
- Middle East	19,620	19,620
- Other	10,919	10,919
	<u>74,679</u>	<u>74,679</u>

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

There were no changes in the composition of the Group during the quarter under review.

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:

	Current quarter ended 30 June 2021 RM'000
Contracted but not provided for :-	
Property, plant and equipment	7,875
	<u>7,875</u>

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 2021

The Group recorded a revenue of RM 74.7 million for the first quarter ended 30 June 2021 representing a decrease of RM 9.2 million or 11.0% as compared to the previous year's corresponding quarter of RM 83.9 million. The decrease was mainly attributable to lower export market revenue in the current quarter compared to the corresponding quarter in the previous year.

The Group recorded a profit before tax of RM 3.2 million for the current quarter which was a decrease of RM 10.4 million from the previous year's corresponding quarter's profit before tax of RM 13.6 million. The decrease in profit before tax was mainly due to overall lower in revenue in current quarter as compared to preceding year's corresponding quarter.

B2. Variation of Results for the Current Quarter Ended 30 June 2021 against the Immediate Preceding Quarter

The Group recorded a revenue of RM 74.7 million for the current quarter, representing an increase of RM 9.7 million or 14.9% when compared to the revenue recorded for the immediate preceding quarter ended 31 March 2021 of RM 65.0 million. The increase was mainly attributable to higher export market revenue in the current quarter compared to the immediate preceding quarter.

The Group's profit before tax of RM 3.2 million for the current quarter, showed an increase of RM 1.7 million or 113.3% when compared to the profit before tax of RM 1.5 million for the immediate preceding quarter ended 31 March 2021. The higher profit before tax in the current quarter was mainly due to higher export market revenue in current quarter and higher write down of inventories in the immediate preceding quarter.

B3. Group's Prospects for the financial year ending 31 March 2022 ("FYE 2022")

With the emergence of new COVID-19 variants and resulting economic lockdowns being re-implemented globally, the Group remains cautious on its prospects for the coming financial year.

Power Root will continue to pursue bottom line enhancement measures by optimizing our sales force distribution locally and abroad, increasing product market coverage, improving on production efficiencies and launching new product variants to cater to changing customer tastes.

We will also continue with customized advertising and promotion activities together with targeted sampling in retail outlets that allow it to enhance product awareness.

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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 2021 RM'000	30 June 2020 RM'000	30 June 2021 RM'000	30 June 2020 RM'000
In respect of the current period:-				
Taxation	1,952	3,382	1,952	3,382
Deferred taxation income	(779)	(540)	(779)	(540)
	<u>1,173</u>	<u>2,842</u>	<u>1,173</u>	<u>2,842</u>
In respect of the previous period:-				
Taxation	-	-	-	-
Deferred taxation expenses	-	-	-	-
	<u>1,173</u>	<u>2,842</u>	<u>1,173</u>	<u>2,842</u>

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

	Individual quarter ended 30 June		Cumulative quarter ended 30 June	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Depreciation and amortisation	1,795	1,581	1,795	1,581
Gain on foreign exchange	(214)	(92)	(214)	(92)
(Gain)/Loss on disposal of				
- property, plant and equipment	(20)	-	(20)	-
- other investments	-	24	-	24
Property, plant and equipment written off	-	160	-	160
(Reversal of impairment loss)/ Impairment loss on				
- property, plant and equipment	-	(180)	-	(180)
- trade receivables	(8)	8	(8)	8
Dividend income from other investment	(78)	-	(78)	-
Finance income	(137)	(257)	(137)	(257)
Finance costs	20	69	20	69
Write down of inventories	166	186	166	186

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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 liabilities	492
Bankers' Acceptance	3,614
	<u>4,106</u>
<u>Long Term Borrowings</u>	
Hire purchase liabilities	82
Total	<u>4,188</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 0.5 sen per ordinary share in respect of the financial year ending 31 March 2022. The date of entitlement will be announced at a later date.

B10. Derivatives

The Group has entered into forward exchange contract to hedge its foreign currency fund.

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

	As at 30 June 2021		As at 30 June 2020	
	Notional Value RM'000	Fair Value RM'000	Notional Value RM'000	Fair Value RM'000
Forward Exchange Contract	2,997	2,942	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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B10. Derivatives (Cont'd)

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 2021	30 June 2020	30 June 2021	30 June 2020
Profit attributable to owners of the Company (RM'000)	2,008	10,732	2,008	10,732
Weighted average number of shares in issue ('000)	423,211	410,322	423,211	410,322
Basic EPS (sen)	<u>0.5</u>	<u>2.6</u>	<u>0.5</u>	<u>2.6</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.

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

Diluted EPS

	Current quarter ended		Cumulative quarter ended	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
Profit attributable to owners of the Company (RM'000)	2,008	10,732	2,008	10,732
Weighted average number of ordinary shares ('000)	423,211	410,322	423,211	410,322
Effect of share option in issue and warrants conversion ('000)	11,310	37,530	11,310	37,530
Total weighted average number of ordinary shares ('000) (diluted)	434,521	447,852	434,521	447,852
Diluted EPS (sen)	<u>0.5</u>	<u>2.4</u>	<u>0.5</u>	<u>2.4</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