

POWER ROOT BERHAD

Company No.733268-U
(Incorporated In Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THIRD QUARTER ENDED 31 DECEMBER 2018

(The figures below are unaudited)

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	Current Year Quarter 31 DECEMBER 2018 RM'000	Preceding Year Quarter 31 DECEMBER 2017 RM'000 (Restated)*	Current Year To Date 31 DECEMBER 2018 RM'000	Preceding Year To Date 31 DECEMBER 2017 RM'000 (Restated)*
Revenue	81,870	107,386	258,409	321,246
Other income	1,104	618	4,291	1,987
Raw material used	(39,606)	(55,393)	(124,959)	(163,875)
Staff cost	(12,476)	(14,239)	(35,772)	(37,202)
Depreciation and amortisation	(1,427)	(1,527)	(4,242)	(4,885)
Other operating expenses	(21,114)	(29,960)	(69,271)	(96,083)
Finance costs	(145)	(175)	(530)	(428)
Profit before taxation	8,206	6,710	27,926	20,760
Taxation	(1,168)	(136)	(4,611)	(1,111)
Profit for the period	7,038	6,574	23,315	19,649
Other comprehensive income				
Fair value of available for sale of financial assets	-	-	15	-
Translation differences on foreign operation	(67)	(742)	698	(1,213)
Other comprehensive income net of tax	(67)	(742)	713	(1,213)
Total comprehensive income	6,971	5,832	24,028	18,436
Profit attributable to:				
Owners of the Company	6,977	6,416	23,047	18,949
Non-controlling interest	61	158	268	700
	7,038	6,574	23,315	19,649
Total comprehensive income attributable to:				
Owners of the Company	6,912	5,697	23,737	17,921
Non-controlling interest	59	135	291	515
	6,971	5,832	24,028	18,436
Earnings per share attributable to owners of the Company(sen)				
Basic (note B12)	1.8	1.7 **	5.9	4.9 **
Diluted (note B12)	1.7	1.6 **	5.7	4.7 **

*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.

** For comparative purpose, the Earnings Per Share for the corresponding quarter and year to date ended 31 December 2017 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 2018)

POWER ROOT BERHAD

Company No.733268-U
(Incorporated In Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**AS AT 31 DECEMBER 2018**

(The figures below are unaudited)

	(Unaudited) As at 31 DECEMBER 2018 RM'000	(Audited) As at 31 MARCH 2018 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	77,142	75,285
Investment properties	1,773	1,808
Intangible assets	25	37
Other investments	-	5,970
Deferred tax assets	1,237	1,617
	80,177	84,717
Current assets		
Inventories	58,133	69,644
Trade and other receivables	124,010	140,220
Fixed deposits	25,723	20,903
Cash and bank balances	41,626	30,519
Tax recoverable	9,067	9,917
	258,559	271,203
TOTAL ASSETS	338,736	355,920
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	218,866	215,511
Other reserves	(5,983)	(6,647)
Retained earnings/(Accumulated losses)	7,761	(274)
	220,644	208,590
Non-controlling interest	531	240
TOTAL EQUITY	221,175	208,830
Non-current liabilities		
Long term borrowings	16	287
Current liabilities		
Trade payables, other payables and accruals	95,338	107,023
Taxation	125	-
Short term borrowings	15,384	31,692
Dividend payable	6,698	8,088
	117,545	146,803
TOTAL LIABILITIES	117,561	147,090
TOTAL EQUITY AND LIABILITIES	338,736	355,920
Net assets per share attributable to the ordinary equity holders of the Company (RM)	0.55	0.53 *

*For comparative purpose, the net assets per share attributable to the ordinary equity holders of the Company as at 31 March 2018 had been adjusted to reflect the bonus issue of 1 for every 5 existing ordinary shares which was completed on 23 July 2018

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

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**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THIRD QUARTER ENDED
31 DECEMBER 2018**

(The figures below are unaudited)

	Current Year To Date	Preceding Year To Date
	31 DECEMBER 2018	31 DECEMBER 2017
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	27,926	20,760
Adjustments for:-		
Amortisation of intangible assets	11	11
Depreciation on investment properties	35	35
Depreciation on property, plant and equipment	4,196	4,839
Gain on disposal of property, plant and equipment	(132)	(15)
Bad debts written off	156	-
Finance costs	530	428
Finance income	(810)	(986)
Unrealised loss on foreign exchange	212	573
Reversal of impairment loss on trade receivables	-	(355)
Equity settled share-based payment transactions	289	566
Dividend income from unit trust funds	(7)	(141)
Operating profit before changes in working capital	<u>32,406</u>	<u>25,715</u>
Changes in working capital:-		
Changes in inventories	11,511	(3,935)
Changes in trade and other receivables	15,842	(11,477)
Changes in trade and other payables	<u>(11,685)</u>	<u>8,683</u>
Cash generated from operations	<u>48,074</u>	<u>18,986</u>
Interest received	810	986
Tax paid	<u>(3,256)</u>	<u>(4,804)</u>
Net cash from operating activities	<u>45,628</u>	<u>15,168</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(5,741)	(5,251)
Decrease/(increase) in other investment	5,992	(1,699)
Proceeds from disposal of property, plant and equipment	354	46
Acquisition of investment in a subsidiary	-	(9,216)
Net cash from / (used in) investing activities	<u>605</u>	<u>(16,120)</u>
Cash flows from financing activities		
Dividend paid to owners of the Company	(16,402)	(25,881)
Dividend paid to non-controlling interest	-	(318)
Interest paid	(530)	(428)
Issuance of share capital	3,355	500
(Repayment) / drawdown of other short-term bank borrowings	(16,173)	13,412
Repurchase of treasury shares	(315)	(1,040)
Drawdown of hire purchase	75	-
Repayment of hire purchase obligations	(300)	(300)
Repayment of term loans	<u>(181)</u>	<u>(164)</u>
Net cash used in financing activities	<u>(30,471)</u>	<u>(14,219)</u>
Net increase/(decrease) in cash and cash equivalents	<u>15,762</u>	<u>(15,171)</u>
Effects of changes in foreign exchange rates	<u>165</u>	<u>(494)</u>
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>67,349</u>	<u>52,547</u>
Cash and cash equivalents comprise:		
Fixed deposits with licensed banks	25,723	13,225
Cash and bank balances	<u>41,626</u>	<u>39,322</u>
	<u>67,349</u>	<u>52,547</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)

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

31 DECEMBER 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	-	-	-	-	-	18,949	18,949	700	19,649
Other comprehensive income for the period	-	-	-	-	-	-	(1,028)	(185)	(1,213)
- Translation differences on foreign operation	-	-	(1,028)	-	-	-	(1,028)	(185)	(1,213)
Total comprehensive income for the period	-	-	(1,028)	-	-	18,949	17,921	515	18,436
Contributions by and distribution to owners of the Company									
- Issue of ordinary shares pursuant to the ESOS	500	-	-	-	-	-	500	-	500
- Share-based payment transaction	-	-	-	-	566	-	566	-	566
- Own shares acquired	-	(1,040)	-	-	-	-	(1,040)	-	(1,040)
- Acquisition of investment in a subsidiary	-	-	-	-	-	(8,638)	(8,638)	(578)	(9,216)
- Dividend to owner of the company / non-controlling interests	-	-	-	-	-	(25,881)	(25,881)	(318)	(26,199)
Total transactions with owners of the Company	500	(1,040)	-	-	566	(34,519)	(34,493)	(896)	(35,389)
At 31 December 2017	215,315	(11,189)	1,508	(9)	2,997	25,732	234,354	461	234,815
At 1 April 2018	215,511	(11,189)	1,611	(15)	2,946	(274)	208,590	240	208,830
Profit for the period	-	-	-	-	-	23,047	23,047	268	23,315
Other comprehensive income for the period	-	-	-	-	-	-	675	23	698
- Translation differences on foreign operation	-	-	675	-	-	-	675	23	698
- Fair value of available for sale financial assets	-	-	-	15	-	-	15	-	15
Total comprehensive income for the period	-	-	675	15	-	23,047	23,737	291	24,028
Contributions by and distribution to owners of the Company									
- Issue of ordinary shares pursuant to the ESOS	3,355	-	-	-	-	-	3,355	-	3,355
- Share-based payment transaction	-	-	-	-	289	-	289	-	289
- Own shares acquired	-	(315)	-	-	-	-	(315)	-	(315)
- Dividend to owners of the Company	-	-	-	-	-	(15,012)	(15,012)	-	(15,012)
Total transactions with owners of the Company	3,355	(315)	-	-	289	(15,012)	(11,683)	-	(11,683)
At 31 December 2018	218,866	(11,504)	2,286	-	3,235	7,761	220,644	531	221,175

(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)

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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 third quarter ended 31 December 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 RM 5.5 million and RM 7.7 million have been reclassified as a deduction against revenue for the current year quarter ended 31 December 2018 and preceding year quarter ended 31 December 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.

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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 300,000 new ordinary share of RM0.563 each pursuant to the Employees Share Option Scheme.
- Repurchase of 250,000 of its own share from the open market for a total consideration of RM 315,416 for the current financial period. The repurchase transactions were financed by internally generated funds. The shares purchased are being held as treasury shares in accordance with Section 127(4) of the Companies Act, 2016.

A8. Dividend Paid

A first 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 October 2018.

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A9. Segmental Reporting

Analysis by geographical segment for the period ended 31 December 2018:

	Current quarter ended 31 December 2018	Current year to date 31 December 2018
Revenue	RM'000	RM'000
Malaysia	43,659	125,508
Oversea	38,211	132,901
	-----	-----
	81,870	258,409
	=====	=====

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

Subsequent to the quarter under review, the Group had on 24 January 2019 received a clearance letter that the closure of its 100% owned subsidiary, Synergy Distribution FZE (SDF) has been completed in United Arab Emirates.

SDF was incorporated on 2 November 2006 in United Arab Emirates as a private limited company under the laws of United Arab Emirates and has a paid-up capital of AED 150,000.00 (equivalent to RM 168,000.00). SDF was principally engaged in general trading of food stuff before it become dormant.

A11. 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 32.99% to 26.40% upon issuance of new shares in JTASB on 17 December 2018 as the Group did not participate in this exercise.

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

A12. 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.

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A13. Material Capital Commitments

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

	Current quarter ended 31 December 2018 RM'000
Property, plant and equipment	
Contracted but not provided for	6,637
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A14. 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 2018

The Group recorded a revenue of RM 81.9 million for the third quarter ended 31 December 2018 representing a decrease of RM 25.5 million or 23.7% as compared to the previous year's corresponding quarter of RM 107.4 million. The decrease was mainly attributable to the decrease in both local and overseas sales.

The Group recorded a profit before tax of RM 8.2 million for the current quarter which was an increase of RM 1.5 million from the previous year's corresponding quarter's profit before tax of RM 6.7 million. The increase in profit before tax was mainly due to favourable sales mix, lower operating and staff cost in the current quarter.

B2. Variation of Results for the Current Quarter Ended 31 December 2018 against the Immediate Preceding Quarter

The Group recorded a revenue of RM 81.9 million for the current quarter, represented a decrease of RM 5.4 million or 6.2% when compared to the revenue recorded for the immediate preceding quarter ended 30 September 2018 of RM 87.3 million. The decrease was mainly attributable to the decrease in overseas sales.

The Group's profit before tax of RM 8.2 million for the current quarter, represented a decrease of RM 0.7 million or 7.9% as compared to the profit before tax of RM 8.9 million for the immediate preceding quarter ended 30 September 2018. The decrease in profit before tax was mainly due to lower revenue recorded in the current quarter.

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

To maintain our competitive edge in this challenging operating environment, the Group will focus in improving its operational efficiencies and manage its cost more efficiently in the current financial year.

The Group will also increase its efforts in launching new products over this year and strengthen its existing distribution network.

B4. Variance of Profit Forecast

There was no profit forecast made during the financial period under review.

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B5. Tax Expense

Taxation comprises the following:-

	Individual quarter ended		Cumulative quarter ended	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
In respect of the current period:-				
Taxation	1,520	828	4,596	1,828
Deferred taxation (income)/expenses	(261)	(58)	106	(83)
	<u>1,259</u>	<u>770</u>	<u>4,702</u>	<u>1,745</u>
In respect of the previous period:-				
Taxation	(365)	(599)	(365)	(599)
Deferred taxation (income)/expenses	274	(35)	274	(35)
	<u>1,168</u>	<u>136</u>	<u>4,611</u>	<u>1,111</u>

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

	Individual quarter ended 31 December		Cumulative quarter ended 31 December	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Depreciation and amortisation	1,427	1,527	4,242	4,885
Net (gain)/loss on foreign exchange	(435)	1,820	(2,515)	3,692
Gain on disposal of property, plant and equipment	(161)	-	(132)	(15)
Dividend income from unit trust funds	-	(50)	(7)	(141)
Finance income	(311)	(325)	(810)	(986)
Finance costs	145	175	530	428
(Reversal of written down)/ written down of inventories	73	(52)	630	(30)
Reversal of impairment loss on trade receivables	-	(40)	-	(355)
Bad debt written off	156	-	156	-

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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	166
Hire purchase payables	331
Bankers' Acceptance	14,887
	<hr/> 15,384
<u>Long Term Borrowings</u>	
Hire purchase payables	16
Total	<hr/> 15,400 <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 ("Nutri Fresh") 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.
- (ii) Teo Hong Tai Sdn Bhd ("THT") 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.

The sum of RM1,078,894.86 was paid by Nutri Fresh and THT (collective referred as "Defendants") on 12 September 2018. By mutual agreement, the outstanding amount was settled by the Defendants after setting off substantiated amounts with the last instalment to be paid on 7 March 2019.

B9. Dividend Proposed

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

B10. Derivatives

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

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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	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Profit attributable to owners of the Company (RM'000)	6,977	6,416	23,047	18,949
Weighted average number of shares in issue ('000)	395,334	388,092	393,625	388,133
Basic EPS (sen)	<u>1.8</u>	<u>1.7</u>	<u>5.9</u>	<u>4.9</u>

Diluted EPS

	Current quarter ended		Cumulative quarter ended	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Profit attributable to owners of the Company (RM'000)	6,977	6,416	23,047	18,949
Weighted average number of ordinary shares ('000)	395,334	388,092	393,625	388,133
Effect of share option in issue ('000)	10,859	17,608	10,638	18,378
Total weighted average number of ordinary shares ('000) (diluted)	406,193	405,700	404,263	406,511
Diluted EPS (sen)	<u>1.7</u>	<u>1.6</u>	<u>5.7</u>	<u>4.7</u>

For comparative purpose, the Earning Per Share for the corresponding quarter and year to date ended 31 December 2017 had been adjusted to reflect the bonus issue of 1 for every 5 existing ordinary shares which was completed on 23 July 2018.