

POWER ROOT BERHAD

Registration No. 200601013517 (733268-U)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2020

(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 SEPTEMBER 2020 RM'000	30 SEPTEMBER 2019 RM'000	30 SEPTEMBER 2020 RM'000	30 SEPTEMBER 2019 RM'000
Revenue	79,676	100,095	163,592	194,323
Other income	794	1,351	1,237	2,513
Raw material used	(38,551)	(44,648)	(75,579)	(88,238)
Staff costs	(11,311)	(12,538)	(25,003)	(26,670)
Depreciation and amortisation expenses	(1,642)	(1,541)	(3,223)	(3,105)
Other operating expenses	(17,163)	(26,340)	(35,571)	(48,886)
Finance costs	(73)	(164)	(142)	(330)
Profit before taxation	11,730	16,215	25,311	29,607
Taxation	(3,258)	(2,671)	(6,100)	(3,758)
Profit for the period	8,472	13,544	19,211	25,849
Other comprehensive income				
Fair value of available for sale of financial assets	(157)	-	(123)	-
Translation differences on foreign operation	(543)	290	(536)	315
Other comprehensive income net of tax	(700)	290	(659)	315
Total comprehensive income	7,772	13,834	18,552	26,164
Profit attributable to:				
Owners of the Company	8,453	13,440	19,185	25,618
Non-controlling interests	19	104	26	231
	8,472	13,544	19,211	25,849
Total comprehensive income attributable to:				
Owners of the Company	7,774	13,721	18,548	25,920
Non-controlling interests	(2)	113	4	244
	7,772	13,834	18,552	26,164
Earnings per share attributable to owners of the Company(sen)				
Basic (note B12)	2.0	3.4	4.6	6.5
Diluted (note B12)	1.9	3.2	4.3	6.1

(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 2020)

POWER ROOT BERHAD

Registration No. 200601013517 (733268-U)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2020

(The figures below are unaudited)

	(Unaudited) As at 30 SEPTEMBER 2020 RM'000	(Audited) As at 31 MARCH 2020 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	86,276	79,689
Investment properties	9,041	1,727
Intangible assets	-	6
Other investments	1,510	1,146
Deferred tax assets	1,292	1,706
	98,119	84,274
Current assets		
Inventories	74,078	64,860
Trade and other receivables	98,913	114,815
Fixed deposits	1,699	27,035
Cash and bank balances	85,305	83,038
Tax recoverable	1,799	2,551
	261,794	292,299
TOTAL ASSETS	359,913	376,573
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	248,018	230,942
Other reserves	9,404	4,644
Retained earnings	11,666	17,675
	269,088	253,261
Non-controlling interests	554	477
TOTAL EQUITY	269,642	253,738
Non-current liabilities		
Loans and borrowings	409	664
Current liabilities		
Trade and other payables	84,751	100,045
Loans and borrowings	5,111	7,783
Dividend payable	-	14,343
	89,862	122,171
TOTAL LIABILITIES	90,271	122,835
TOTAL EQUITY AND LIABILITIES	359,913	376,573
Net assets per share attributable to ordinary equity holders of the parent (RM)	0.64	0.62

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 2020)

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2020

(The figures below are unaudited)

	Current Year To Date 30 SEPTEMBER 2020 RM'000	Preceding Year To Date 30 SEPTEMBER 2019 RM'000
Cash flows from operating activities		
Profit before tax	25,311	29,607
Adjustments for:-		
Amortisation of intangible assets	6	8
Bad debts written off	3	-
Depreciation on investment properties	32	20
Depreciation on property, plant and equipment	3,185	3,077
Loss/(Gain) on disposal of property, plant and equipment	4	(325)
Loss on disposal of other investments	24	-
Finance costs	142	330
Finance income	(407)	(557)
Reversal of impairment loss on property, plant and equipment	(180)	-
Property, plant and equipment written off	160	-
Reversal of impairment loss on trade receivables	(510)	-
Unrealised loss/(gain) on foreign exchange	603	(284)
Equity settled share-based payment transactions	265	1,562
Write down of inventories	272	-
Operating profit before changes in working capital	<u>28,910</u>	<u>33,438</u>
Changes in working capital:-		
Changes in inventories	(9,490)	6,725
Changes in trade and other receivables	15,814	(12,472)
Changes in trade and other payables	<u>(15,294)</u>	<u>7,328</u>
Cash generated from operations	19,940	35,019
Interest received	407	557
Tax (paid)/refund	<u>(4,921)</u>	<u>3,092</u>
Net cash generated from operating activities	<u>15,426</u>	<u>38,668</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment		
- property, plant and equipment	(10,078)	(4,619)
- investment properties	(7,346)	-
Proceeds from disposal of other investment	89	-
Increase in other investment	(608)	(226)
Proceeds from disposal of property, plant and equipment	35	549
Net cash used in investing activities	<u>(17,908)</u>	<u>(4,296)</u>
Cash flows from financing activities		
Dividend paid to owners of the Company	(41,387)	(18,140)
Interest paid	(142)	(330)
(Repayment)/Drawdown of other short-term bank borrowings	(2,653)	1,312
Proceeds from issue of share capital	16,957	1,644
Net sale of treasury shares	6,850	7,016
Drawdown of hire purchase	-	1,043
Repayment of hire purchase obligations	(274)	(320)
Subscription of shares by non-controlling interests in subsidiaries	324	-
Repayment of term loans	-	(105)
Net cash used in financing activities	<u>(20,325)</u>	<u>(7,880)</u>
Net (decrease)/increase in cash and cash equivalents	(22,807)	26,492
Effects of changes in foreign exchange rates	(262)	104
Cash and cash equivalents at beginning of the period	<u>110,073</u>	<u>56,844</u>
Cash and cash equivalents at end of the period	<u>87,004</u>	<u>83,440</u>
Cash and cash equivalents comprise:		
Fixed deposits with licensed banks	1,699	23,759
Cash and bank balances	<u>85,305</u>	<u>59,681</u>
	<u>87,004</u>	<u>83,440</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 2020)

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

30 SEPTEMBER 2020
(The figures below are unaudited)

		Attributable to owners of the Company								
		Treasury shares	Exchange fluctuation reserve	Fair value reserve	Share option reserve	Distributable Retained earnings	Total	Non-controlling interest	Total equity	
Share capital	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 April 2019	220,130	(11,504)	2,031	-	2,135	6,019	218,811	377	219,188	
Profit for the period	-	-	-	-	-	25,618	25,618	231	25,849	
Other comprehensive income for the period	-	-	302	-	-	-	302	13	315	
- Translation differences on foreign operation	-	-	302	-	-	-	302	13	315	
Total comprehensive income for the period	-	-	302	-	-	25,618	25,920	244	26,164	
Contributions by and distribution to owners of the Company										
- Issue of ordinary shares pursuant to the ESOS	1,635	-	-	-	-	-	1,635	-	1,635	
- Issue of ordinary shares pursuant to the exercise of Warrant	9	-	-	-	-	-	9	-	9	
- Share-based payment transaction	-	-	-	-	1,562	-	1,562	-	1,562	
- Treasury shares sold	2,443	4,573	-	-	-	-	7,016	-	7,016	
- Dividends to owners of the Company	-	-	-	-	-	(11,441)	(11,441)	-	(11,441)	
	4,087	4,573	-	-	1,562	(11,441)	(1,219)	-	(1,219)	
At 30 September 2019	224,217	(6,931)	2,333	-	3,697	20,196	243,512	621	244,133	
At 1 April 2020	230,942	(6,263)	2,684	(217)	8,440	17,675	253,261	477	253,738	
Profit for the period	-	-	-	-	-	19,185	19,185	26	19,211	
Other comprehensive income for the period	-	-	(514)	-	-	-	(514)	(22)	(536)	
- Translation differences on foreign operation	-	-	(514)	-	-	-	(514)	(22)	(536)	
- Fair value of available for sale financial assets	-	-	-	(123)	-	-	(123)	-	(123)	
Total comprehensive income for the period	-	-	(514)	(123)	-	19,185	18,548	4	18,552	
Contributions by and distribution to owners of the Company										
- Issue of ordinary shares pursuant to the ESOS	726	-	-	-	(119)	-	607	-	607	
- Issue of ordinary shares pursuant to the exercise of Warrant	16,350	-	-	-	-	-	16,350	-	16,350	
- Share-based payment transaction	-	-	-	-	265	-	265	-	265	
- Treasury shares sold	-	6,445	-	-	-	1,599	8,044	-	8,044	
- Own shares acquired	-	(1,194)	-	-	-	-	(1,194)	-	(1,194)	
- Dividends to owners of the Company	17,076	5,251	-	-	146	(27,044)	(27,044)	-	(27,044)	
Change in ownership interests in subsidiaries	-	-	-	-	-	(25,445)	(2,972)	-	(2,972)	
Total transactions with owners of the Company	17,076	5,251	-	-	146	(25,194)	(2,721)	73	(2,648)	
At 30 September 2020	248,018	(1,012)	2,170	(340)	8,586	11,666	269,088	554	269,642	

(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 2020)

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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 2020 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 and Superwrapz 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 2020.

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 2020.

A2. Audit Report of Preceding Annual Financial Statements

The audited financial statements of the Group for the financial year ended 31 March 2020 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 134,600 new ordinary share at an exercise price of RM 0.563 each pursuant to the Employees Share Option Scheme.
- Issuance of 203,500 new ordinary share at an exercise price of RM 1.558 each pursuant to the Employees Share Option Scheme.
- Issuance of 51,000 new ordinary share at an exercise price of RM 1.15 each pursuant to the Employees Share Option Scheme.
- Issuance of 2,884,420 new ordinary share of RM1.54 each arising from the exercise of warrants.
- Resale of 2,501,700 of its own shares to the open market for a total consideration of RM5,284,729 for the current financial period.

A7. Dividend Paid

A single tier interim dividend of 4.0 sen per ordinary share comprising of (i) a fourth interim single tier dividend of 2.0 sen each and (ii) a special interim single tier dividend of 2.0 sen each in respect of the financial year ended 31 March 2020, was paid on 3 July 2020.

A single tier interim dividend of 2.5 sen per ordinary share comprising of (i) a first interim single tier dividend of 2.0 sen each and (ii) a special interim single tier dividend of 0.5 sen each in respect of the financial year ending 31 March 2021, was paid on 30 September 2020.

A8. Segmental Reporting

Analysis by geographical segment for the period ended 30 September 2020:

	Current quarter ended 30 September 2020	Current year to date 30 September 2020
Revenue	RM'000	RM'000
Malaysia	44,792	78,040
Overseas:		
- Middle East	27,096	65,331
- Other	7,788	20,221
	-----	-----
	79,676	163,592
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A8. Segmental Reporting (Cont'd)

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.

A10. Changes in the composition of the Group

During the quarter under review, the Group had disposed of its 75.1% owned subsidiary, Super Wrap ME Sdn Bhd ("SWME") on 8 July 2020 at cost and resulted the SWME no longer the subsidiary of the Group. SWME was a dormant company since its incorporation.

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 September 2020 RM'000
Contracted but not provided for :-	
Property, plant and equipment	16,281
	<hr/>

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 2020

The Group recorded a revenue of RM 79.7 million for the second quarter ended 30 September 2020 representing a decrease of RM 20.4 million or 20.4 % as compared to the previous year's corresponding quarter of RM 100.1 million. The decrease was mainly attributed by decrease in export market revenue in the current quarter.

The Group recorded a profit before tax of RM 11.7 million for the current quarter which was a decrease of RM 4.5 million from the previous year's corresponding quarter's profit before tax of RM 16.2 million. The decrease in profit before tax was mainly due to lower revenue and loss in foreign exchange in the current quarter (compared to gain in foreign exchange in previous year's corresponding quarter), which was offset to a certain extent by lower operating expenses and reversal of impairment loss from trade receivables in the current quarter.

B2. Variation of Results for the Current Quarter Ended 30 September 2020 against the Immediate Preceding Quarter

The Group recorded a revenue of RM 79.7 million for the current quarter, representing a decrease of RM 4.2 million or 5.0% when compared to the revenue recorded for the immediate preceding quarter ended 30 June 2020 of RM 83.9 million. The decrease was mainly attributed by decrease in export market revenue in the current quarter.

The Group's profit before tax of RM 11.7 million for the current quarter, representing a decrease of RM 1.9 million or 14.0% as compared to the profit before tax of RM 13.6 million for the immediate preceding quarter ended 30 June 2020. The decrease in profit before tax was mainly due to the lower revenue and loss in foreign exchange (compared to gain in foreign exchange in the immediate preceding quarter), which was offset by a reversal of impairment loss from trade receivables in the current quarter.

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B3. Group's Prospects for the financial year ending 31 March 2021 ("FYE 2021")

The Group's prospects for the rest of the financial year ending 31 March 2021 (FY2021) will be influenced by amongst others, the continuing socio-economic impacts of the COVID-19 pandemic in all our major markets and its impact on our ability to market and deliver our products efficiently and effectively.

The imposition of the Conditional Movement Control Order (CMCO) in the Klang Valley and Sabah from mid-October till mid-November 2020, followed by its extension to early December 2020 to cover all states in Peninsular Malaysia except Perlis, Pahang and Kelantan, has led to restricted opening hours in retail outlets such as grocery and convenience stores, food outlets and petrol kiosks, and restrictions on product sampling in supermarkets and hypermarkets. These would adversely impact customer footfall and purchase behaviour. Nonetheless, our distribution channels across Malaysia remains resilient, and the Group believes that the inelastic demand for coffee based beverages will eventually lead to normalised purchases.

The Group will continue to ensure that our manufacturing facilities, sales, marketing and other supporting functions are operating at optimal levels so as to achieve high yields in the respective Key Results Areas (KRA). These include strenuous efforts in reducing wastage and machinery downtime, streamlining supply chain functions, and ensuring adequate product coverage in all our markets.

Simultaneously, the Group strives to continue enhancing shareholder value, firstly by growing our profitability in a sustainable manner, and secondly, by maintaining our high dividend payout ratio in line with the net profits attributable to shareholders.

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	
	30 September 2020 RM'000	30 September 2019 RM'000	30 September 2020 RM'000	30 September 2019 RM'000
In respect of the current period:-				
Taxation	2,303	2,506	5,685	4,919
Deferred taxation income	955	165	415	(1,161)
	<u>3,258</u>	<u>2,671</u>	<u>6,100</u>	<u>3,758</u>
In respect of the previous period:-				
Taxation	-	-	-	-
Deferred taxation expenses	-	-	-	-
	<u>3,258</u>	<u>2,671</u>	<u>6,100</u>	<u>3,758</u>

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

	Individual quarter ended 30 September		Cumulative quarter ended 30 September	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Depreciation and amortisation	1,642	1,541	3,223	3,105
Loss/(Gain) on foreign exchange	708	(575)	616	(1,131)
Loss/(Gain) on disposal of				
- property, plant and equipment	4	(146)	4	(325)
- other investments	-	-	24	-
Property, plant and equipment written off	-	-	160	-
Bad debts written off	3	-	3	-
Reversal of impairment loss on property, plant and equipment	-	-	(180)	-
Finance income	(150)	(288)	(407)	(557)
Finance costs	73	164	142	330
Write down of inventories	86	49	272	49
Reversal of impairment loss on trade receivables	(518)	-	(510)	-

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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	511
Bankers' Acceptances	4,600
	<u>5,111</u>
<u>Long Term Borrowings</u>	
Hire purchase liabilities	409
Total	<u>5,520</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 second interim single tier dividend of 2.0 sen per ordinary share in respect of the financial year ending 31 March 2021. The date of entitlement will be announced at a later date.

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 2020	30 September 2019	30 September 2020	30 September 2019
Profit attributable to owners of the Company (RM'000)	8,453	13,440	19,185	25,618
Weighted average number of shares in issue ('000)	419,119	396,098	414,333	395,292
Basic EPS (sen)	<u>2.0</u>	<u>3.4</u>	<u>4.6</u>	<u>6.5</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 2020	30 September 2019	30 September 2020	30 September 2019
Profit attributable to owners of the Company (RM'000)	8,453	13,440	19,185	25,618
Weighted average number of ordinary shares ('000)	419,119	396,098	414,333	395,292
Effect of share option in issue and warrants conversion ('000)	34,105	30,793	35,258	24,509
Total weighted average number of ordinary shares ('000) (diluted)	453,224	426,891	449,591	419,801
Diluted EPS (sen)	<u>1.9</u>	<u>3.2</u>	<u>4.3</u>	<u>6.1</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.