



**KUALA LUMPUR**

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Taman Perindustrian Tago  
Sri Damansara  
52200 Kuala Lumpur  
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Fax No. : 03-6272 2186

**SELANGOR**

Lot T3-5, Level 3, KPMG Tower  
8 First Avenue, Bandar Utama  
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Fax No. : 03-7725 7618

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# Corporate Information

## BOARD OF DIRECTORS

Y.M. Tengku Shamsulbhari bin Tengku Azman Shah, SMK.	Independent Non-Executive Chairman
Low Chee Yen	Managing Director
How Say Swee	Executive Director
Wong Fuei Boon	Executive Director
See Thuan Po	Executive Director
Datuk Sarchu bin Sawal	Non-Independent Non-Executive Director
Ong Kheng Swee	Independent Non-Executive Director
Tea Choo Keng	(Alternate Director to Y.M. Tengku Shamsulbhari bin Tengku Azman Shah, SMK.)
Tan Sri Dato' Sri Abdul Halil bin Abd Mutalif	Independent Non-Executive Director (Resigned on 1 June 2010)

## COMPANY SECRETARIES

Rokiah binti Abdul Latiff (LS 0000194)  
Noriah binti Md Yusof (LS 0009298)

## SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd  
Level 6, Symphony House  
Block D13, Pusat Dagangan Dana 1  
Jalan PJU 1A/46  
47301 Petaling Jaya, Selangor  
Tel : 03 – 7841 8000  
Fax : 03 – 7841 8008

## REGISTERED OFFICE

31-04, Level 31, Menara Landmark  
Mail Box 172, No. 12  
Jalan Ngee Heng  
80000 Johor Bahru, Johor  
Tel : 07 – 2781 338  
Fax : 07 – 2239 330

## CORPORATE OFFICE

Lot T3-5, Level 3  
KPMG Tower  
No. 8, First Avenue  
Bandar Utama  
47800 Petaling Jaya, Selangor  
Website : [www.powerroot.com](http://www.powerroot.com)

## BUSINESS ADDRESS

No. 1, Jalan Sri Plentong  
Taman Perindustrian Sri Plentong  
81750 Masai, Johor

## PRINCIPAL BANKERS

EON Bank Berhad  
Malayan Banking Berhad  
United Overseas Bank (Malaysia) Berhad

## AUDITORS

KPMG (AF: 0758)  
Level 14, Menara Ansar  
65, Jalan Trus  
80000 Johor Bahru, Johor

## STOCK EXCHANGE LISTING

The Main Market of  
Bursa Malaysia Securities Berhad  
Stock Name : Natbio  
Stock Code : 7237  
Date of Listing : 14 May 2007

# Corporate Structure

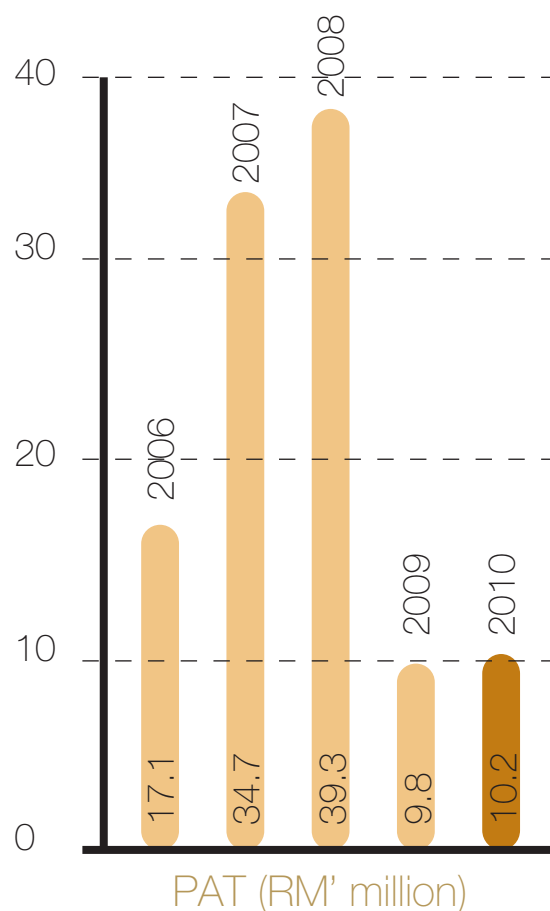
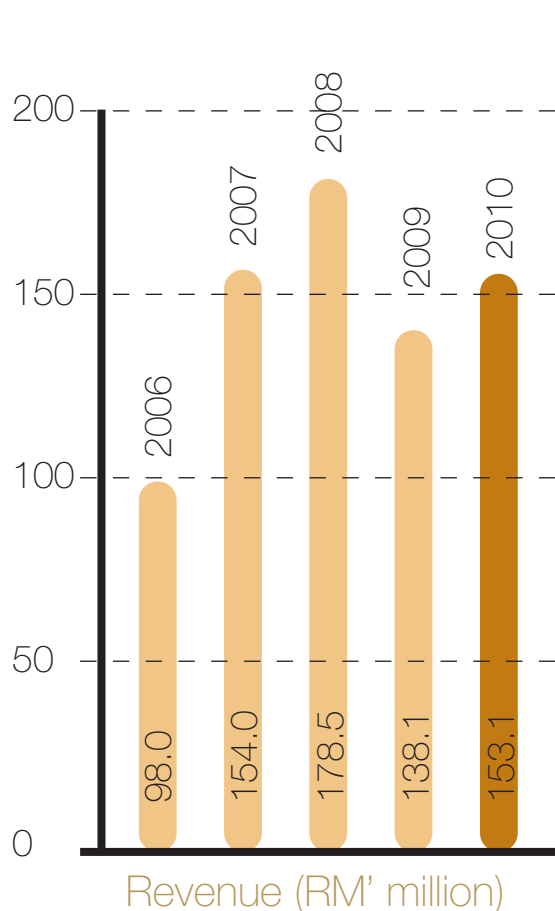


• Power Root (M) Sdn. Bhd.	100%
• Power Root Marketing Sdn. Bhd.	100%
• Power Root Manufacturing Sdn. Bhd.	100%
• Power Root Nenergy Sdn. Bhd.	100%
• PR Global Assets Limited	100%
• Power Impian International Sdn. Bhd.	100%
• PT. Natbio Marketing Indonesia	100%
• Power Root (Shanghai) Food Trading Co., Ltd	100%
• Synergy Distribution FZC	51%

# Financial Highlights

Financial year ended 28/29 February

	2006 ^ RM' 000	2007 ^ RM' 000	2008 RM' 000	2009 RM' 000	2010 RM' 000
Revenue	98,047	153,966	178,479	138,146	153,107
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	26,207	47,241	50,135	13,092	17,764
Profit Before Taxation ("PBT")	23,414	44,283	47,977	9,367	12,982
Profit After Taxation ("PAT")	17,179	34,653	39,260	9,759	10,181
Earnings Per Share ("EPS")					
Gross EPS (sen)*	8.23	15.57	16.87	3.12	4.33
Net EPS (sen)*	6.04	12.19	13.80	3.25	3.39

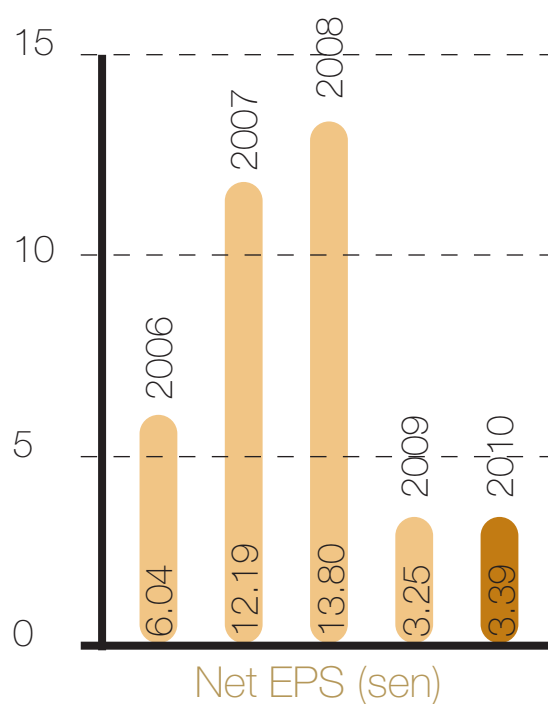
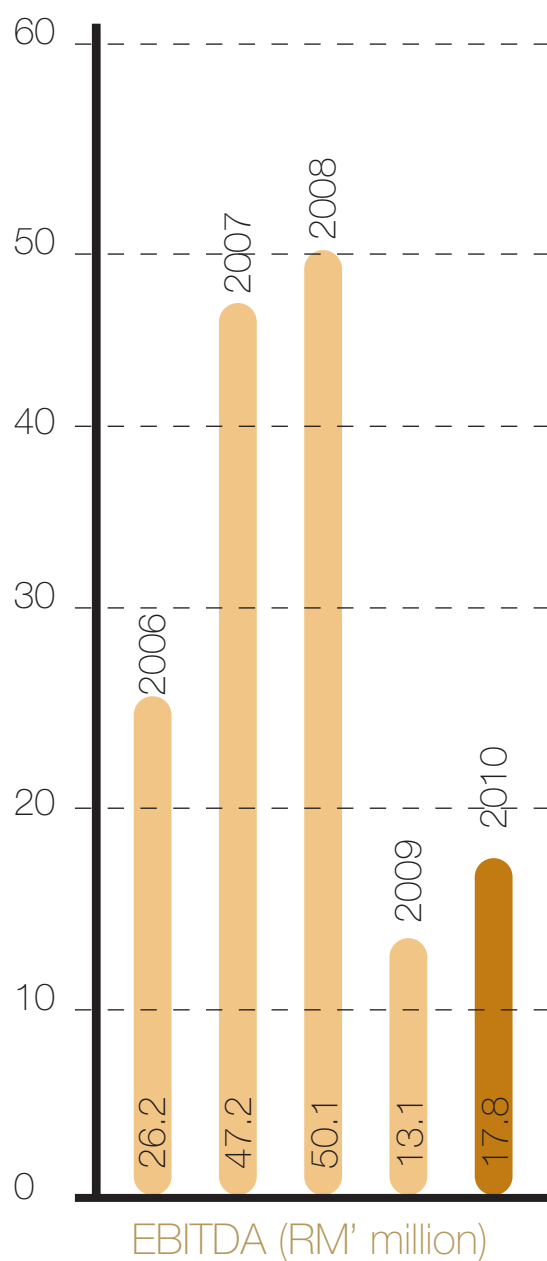


# Financial Highlights

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Notes:

- \* The Gross and Net EPS for the financial years ended 28 February 2006 to 2007 were calculated based on the weighted average number of ordinary shares as in the financial ended 29 February 2008 of 284,375,000.
- ^ Assuming that the Group was in existence since 1 March 2003 and results of a certain subsidiary was pro rated to reflect a 12 months period ended 28 February for the relevant years under review.





# Directors' Profile

## Y.M. Tengku Shamsulbhari bin Tengku Azman Shah, SMK.

Independent Non-Executive Chairman

**Y.M. Tengku**, a Malaysian aged 52, was appointed as our Independent Non-Executive Chairman on 2 February 2007. He is the son of Y.A.M. Tengku Azman Shah Alhaj Ibni Almarhum Sultan Hishamuddin Alam Shah Alhaj, the Tengku Bendahara of Selangor Darul Ehsan. He is also the member of the Audit Committee and the Chairman of the Nomination and Remuneration Committees.

Y.M. Tengku graduated with a Diploma in Finance from the Institute of Cost & Executive Accountants, London. He is the director and shareholder of several private companies undertaking the businesses of manufacturing, logistics management and construction. He is also the Vice President of the Persatuan Pedagang dan Pengusaha Melayu Negeri Selangor and Ketua Bahagian Negeri Selangor Persatuan Bekas Pasukan Keselamatan Negara, Malaysia.

Y.M. Tengku does not have any family relationship with any Director or substantial shareholder of the Company, nor does he have any conflict of interest with the Group. He does not hold any other directorships in other listed entities and has not been convicted of any offences within the past ten (10) years.

He attended 5 out of 5 Board meetings held during the financial year ended 28 February 2010.



## Low Chee Yen

Managing Director

**Low Chee Yen**, a Malaysian aged 35, was appointed as our Managing Director on 2 February 2007. He is also a member of the Nomination and Remuneration Committees. He is one of the founding members of the Group and has 10 years of experience in the food and beverage industry. He started his career in direct marketing before venturing into his own business drink concentrates manufacturing in 1998. With his vision and belief on the potential of functional instant beverages, he set up Power Root (M) Sdn Bhd and Power Root Marketing Sdn Bhd, wholly owned subsidiaries of Natural Bio Resources Berhad with the other founding directors.

Mr. Low does not have any family relationship with any Director or substantial shareholder of the Company, nor does he have any conflict of interest with the Group. He does not hold any other directorships in other listed entities and has not been convicted of any offences within the past ten (10) years.

He attended 5 out of 5 Board meetings held during the financial year ended 28 February 2010.

# Directors' Profile

Cont'd

## How Say Swee

Executive Director

**How Say Swee**, a Malaysian aged 47, was appointed as our Executive Director on 2 February 2007. He is also one of the founding members of our Group. He operated several retail food outlets before forming Power Root (M) Sdn Bhd and Power Root Marketing Sdn Bhd, wholly owned subsidiaries of Natural Bio Resources Berhad with the other founding members. He has been involved in the food retailing business for 18 years.

Mr. How does not have any family relationship with any Director or substantial shareholder of the Company, nor does he have any conflict of interest with the Group. He does not hold any other directorships in other listed entities and has not been convicted of any offences within the past ten (10) years.

He attended 5 out of 5 Board meetings held during the financial year ended 28 February 2010.

## Wong Fuei Boon

Executive Director

**Wong Fuei Boon**, a Malaysian aged 44, was appointed as our Executive Director on 2 February 2007. He is also one of the founding members of our Group. Prior to his involvement in our business, he owned and operated several mini-markets in Johor Bahru. Together with the other founding members, he formed Power Root (M) Sdn Bhd and Power Root Marketing Sdn Bhd, wholly owned subsidiaries of Natural Bio Resources Berhad. To further channel his efforts and time on our Group, he divested his mini-markets business in January 2006. He has 22 years of working experience in the sales of consumer products, out of which 10 years were in the food and beverage industry.

Mr. Wong does not have any family relationship with any Director or substantial shareholder of the Company, nor does he have any conflict of interest with the Group. He does not hold any other directorships in other listed entities and has not been convicted of any offences within the past ten (10) years.

He attended 5 out of 5 Board meetings held during the financial year ended 28 February 2010.





# Directors' Profile

Cont'd

## See Thuan Po

Executive Director

**See Thuan Po**, a Malaysian aged 34, was appointed as our Executive Director on 27 October 2007. He holds a second upper honours degree in Accounting and Finance from the London School of Economics and Political Science and is member of the Institute of Chartered Accountants of England and Wales.

His career path included auditing with Clarke & Co. Chartered Accountants, London for more than 3 years and investment banking with CIMB Investment Bank Berhad, having tenures with the Corporate Finance and Structure Investment Divisions for approximately 5 years.

Mr. See does not have any family relationship with any Director or substantial shareholder of the Company, nor does he have any conflict of interest with the Group. He does not hold any other directorships in other listed entities and has not been convicted of any offences within the past ten (10) years.

He attended 5 out of 5 Board meetings held during the financial year ended 28 February 2010.

## Datuk Sarchu bin Sawal

Non-Independent Non-Executive Director

**Datuk Sarchu bin Sawal**, a Malaysian aged 61, was appointed as our Non-Independent Non-Executive Director on 18 June 2007. He is also the member of Audit Committee. He graduated with a Bachelor of Economic (Statistics) from University of Malaya in year 1973 and subsequently obtained a Master in Business Administration (Finance) from Catholic University of Leuven, Belgium in year 1977. Datuk Sarchu has been with the Felda Group since 1974. He is currently the Chief Executive of Koperasi Permodalan Felda Berhad.

Datuk Sarchu does not have any family relationship with any Director or substantial shareholder of the Company, nor does he have any conflict of interest with the Group. He also sits in the Board of Felda Marketing Services Sdn. Bhd., Commerce-KPF Ventures Sdn. Bhd., Gold Coin (M) Group Sdn. Bhd., Felda Trading Sdn. Bhd. and KPF Holdings Sdn. Bhd. He has not been convicted of any offences within the past ten (10) years.

He attended 5 out of 5 Board meetings held during the financial year ended 28 February 2010.



# Directors' Profile

Cont'd

## Ong Kheng Swee

Independent Non-Executive Director

**Ong Kheng Swee**, a Malaysian aged 52, was appointed as our Independent Non-Executive Director on 15 February 2008. He is also the Chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee.

Mr. Ong is a Fellow of the Association of Chartered Certified Accountants of United Kingdom, a member of the Malaysian Institute of Accountants and a Fellow of the Malaysian Institute of Taxation. He held various senior positions in both the professional sector (having worked with two major international accounting firms) and in the commercial sector as financial controller, group finance director and management consultant in various industries including petrochemicals, ceramic tiles, automotive components, minerals and glass. He is also an Independent Non-Executive Director of Yi-Lai Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad.

Mr. Ong does not have any family relationship with any Director or substantial shareholder of the Company, nor does he have any conflict of interest with the Group. He has not been convicted of any offences within the past ten (10) years.

He attended 5 out of 5 Board meetings during the financial year ended 28 February 2010.

## Tea Choo Keng

Alternate Director to Y.M. Tengku Shamsulbhari bin Tengku Azman Shah, SMK.

**Tea Choo Keng**, a Malaysian aged 42, was appointed as the Alternate Director to Y.M. Tengku on 2 February 2007. He graduated with a law degree (LL.B Hons) from the University of Hull (United Kingdom) in 1991. He was called to Bar and admitted as the advocate and solicitor in 1993. He set up his own legal practice under the name of Messrs Tea & Company in year 1994. He is now the managing partner of Messrs Tea, Kelvin Kang & Co, a legal firm in Johor Bahru.

Mr. Tea does not have any family relationship with any Director or substantial shareholder of the Company, nor does he have any conflict of interest with the Group. He does not hold any other directorships in other listed entities and has not been convicted of any offences within the past ten (10) years.

He attended 4 out of 5 Board meetings held during the financial year ended 28 February 2010.



# Directors' Profile

Cont'd

## Tan Sri Dato' Sri Abdul Halil bin Abdul Mutalif

Independent Non-Executive Director

**Tan Sri Dato' Sri Abdul Halil bin Abdul Mutalif**, a Malaysian aged 64, was appointed as our Independent Non-Executive Director on 15 February 2007. He was formerly the Director-General of the Royal Malaysian Customs for five (5) years before he retired on October 2005. After graduating from University Malaya with B.A. (Hons) in History in 1970, he began his career as an Administrative and Diplomatic Services Officer and served at various government departments and ministries, where he held key positions.

From year 1990 to year 2000, he was seconded to Langkawi Development Authority ("LADA") which was under the purview of the Ministry of Finance as General Manager. During the secondment to LADA, he was responsible for the overall development of the Langkawi islands. In year 2000, he was subsequently seconded to the Royal Malaysian Customs to assume the position of Director-General of Customs. During his tenure as Director-General of the Royal Malaysian Customs, yearly revenue collections increased from RM16 billion prior to his appointment to RM25 billion upon his retirement. He also sits on the board of directors of several private limited companies. He is presently an Independent Non-Executive Director of Sanichi Technology Berhad, a company listed on ACE Market of Bursa Malaysia Securities Berhad.

Tan Sri Dato' Sri Abdul Halil does not have any family relationship with any Director or substantial shareholder of the Company, nor does he have any conflict of interest with the Group. He has not been convicted of any offences within the past ten (10) years.

He attended 3 out of 5 Board meetings during the financial year ended 28 February 2010.





# Significant Events

## Corporate Social Responsibility (“CSR”) – Partnerships with S.R.J.K. Puay Chai 2 and S.R.K. Bandar Penawar

Over the financial year ended 2010, we continued our partnership with S.R.J.K. Puay Chai 2, Bandar Utama for our CSR Programme. The CSR Programme is to promote education, the well-being and the welfare of the school children as well as for the development of the school. The partnership activities include sponsoring school functions, funding educational material and also the general maintenance of the school.

Further to that, we also expanded our initiatives by partnering with another school located in Kota Tinggi, Johor – S.R.K. Bandar Penawar.



## Restoran Alicafé

Over the financial year ended 28 February 2010, the Group launched two (2) additional outlets located at USJ Sentral in the Klang Valley and Nusa Bestari in Johor Bahru. In March 2010, we added a new outlet in Jusco Bandaraya Melaka. The outlets offer a mix of local and western delicacies and drinks, catered mainly to the public.



## Significant Events

Cont'd



## Business Development

In January 2010, the Power Root Group ventured into the Multi-Level Marketing realm through its wholly-owned subsidiary, Power Impian International Sdn. Bhd., distributing health and beauty products. Premised with a strong financial foundation from its holding company, offering quality products at affordable prices, a comprehensive compensation plan and ample training for its Associates, we believe that the partnership between Power Impian and its Associates will grow from strength to strength.





# Significant Events

Cont'd

## Ambassadors of the Group

For the financial year ended 28 February 2010, our Group commissioned Rosyam Noor, Farah Diana and Raymond Lam as ambassadors for its products and brands. Over the financial year, we carried out a nationwide road show, including Singapore, providing our consumers the opportunity to meet our ambassadors in person. Going forward, we intend to continue promoting such activities with the purposes of strengthening the bond between the Group, our ambassadors and ultimately our consumers. Further to that, we would also like to welcome Dafi, a young popular Artist/Singer as our new ambassador for the coming financial year.





## Significant Events

Cont'd

### Power Root Consumer Ground Events

To further enhance the customer relationship and interaction, the Group has aggressively held consumer road shows and promotional activities at various states in Malaysia over the financial year ended 28 February 2010.

These events comprise of road shows at nationwide shopping malls and super/hypermarkets located in Malaysia and Singapore.



### Sponsorship of the FIFA World Cup 2010

Similar to the FIFA World Cup 2006, we are the co-sponsors of the Live Broadcast of the FIFA World Cup 2010. Other than playing a part in bringing football to the homes of the Malaysian public, our Group is of the view that this sponsorship will propel the brand building efforts and sustaining the marketing momentum for our products.

# Significant Events

Cont'd

## Brand Excellence Award

To further attest Power Root's compulsion for excellence performance in its branding and marketing field, we have been bestowed with the Brand Excellence Award 2009 (Merchandise) from the Ministry of International Trade and Industry, acknowledging our efforts in the promotion of Malaysian made products made available abroad.



## Participation in Shanghai World Expo 2010

We are one (1) of the ten (10) selected local commercial companies to participate as part of the Malaysia Contingent in the Shanghai World Expo 2010. We would like to express our appreciation to the Ministry of Tourism Malaysia for providing us the platform to promote our brands and products in the Malaysia Pavilion to the visitors of the EXPO over the period of May 2010 to October 2010, of which our products are promoted to potential export distributors and business associates and also the public at large.



# Significant Events

Cont'd

## “You Can Be A Millionaire 2” Consumer Contest

In view of the popular demand and the success of the campaign of the previous “You Can Be A Millionaire” Consumer Contest, in May 2009, we launched the 2nd season of our “You Can Be A Millionaire 2” Consumer Contest. The contest was carried out over the eight (8) months period commencing from May 2009 to December 2009. Other than rewarding our consumers, this too is to also encourage new consumers to consume our products. Similarly, the grand prize was RM1 million worth of Premium Certificates issued by Bank Simpanan Nasional to one (1) winner. Further to that, we also gave away daily prizes of RM500 and consumers also took home monthly prizes ranging from RM1,000 to RM10,000.

The Grand Finale was held in Bukit Merah Laketown Resort, Perak and the finale was aired on TV3 on 31 Jan 2010. Ten (10) finalists were identified and the final three (3) remaining were none other than Mr. Md Zaidil Adha bin Mat Hussin Iqbal, Mr. Farhan bin Abdul Rahiu and Ms. Lee Kheng Mei. After a very intense final challenge round, Mr. Md Zaidil Adha prevailed and was bestowed as our 2nd Power Root Millionaire.

Going forward, in April 2010, we launched our 3rd season of the “You Can Be A Millionaire 3” Consumer Contest and judging from the previous two (2) contests, we believe that the response in terms of participants and branding awareness will continue to grow.



# Chairman's Statement

Dear shareholders,

On behalf of the Board of Directors, I am pleased to present to you the Annual Report of Natural Bio Resources Berhad for the financial year ended 28 February 2010.

## Financial Performance

For the financial year ended 28 February 2010 ("FYE 2010"), the Group recorded a revenue of RM153.1 million, an increase of approximately 10.8% from the revenue of RM138.1 million recorded in FYE 2009. This increase stemmed from the improved results arising from the domestic market. The Group recorded a Profit After Tax ("PAT") of approximately RM10.2million (RM9.8 million – FYE 2009), representing a slight increase of 4.1% when compared to the PAT recorded for the FYE 2009.

## Dividends

On 8 December 2009, the Company paid an interim single tier dividend of 2.0 sen per ordinary share amounting to RM6 million in respect of the current financial year.

The Board is pleased to recommend a final single tier dividend of 2.0 sen per ordinary share in respect of the current financial year under review, subject to the approval of the shareholders at the forthcoming Annual General Meeting.

As such, the total dividends paid and payable for the FYE 2010 would be 4.0 sen per share amounting to RM12 million, being a dividend payout ratio of more than 100% of PAT.

## Product and Market Developments

We believe that the continuous development and expansion of our product offering is pertinent in meeting the needs of our consumers.

As such, over the FYE 2010, our Group increased its product range by launching three (3) new products in Malaysia namely (i) Oligo (instant premixed chocolate malt), (ii) Alicafé Classic 240ml (can drink) and (iii) Oligo 240ml (can drink).

On the export front, the Group further extended its market reach by penetrating new export markets such as Singapore and the Republic of China, focusing on Shanghai, Guangzhou and Hong Kong. It is our intention to build up our presence and profile in these markets. For instance, the participation of our Group in the EXPO 2010 Shanghai, China under the Malaysian contingent provides a "global" platform to expose our brands and products, not only to the Chinese public, but also to all other visitors from other nations.

In January 2010, the Group ventured into the Multi-Level Marketing realm through its wholly-owned subsidiary, Power Impian International Sdn. Bhd., distributing health and beauty products. As at the end of May 2010, Power Impian currently has approximately 7,500 Associates. Leveraging on the Power Root Group's brand name, coupled with quality and affordable products and a comprehensive compensation plan, we believe that this new business division will continue to grow and ultimately contribute positively to the Group.

# Chairman's Statement

Cont'd

## Operational Review

Subsequent to the achievements of attaining the HACCP and GMP accreditations, we further pursued in improving our operational standards by attaining the ISO-22000:2005 and ISO-9001:2008 accreditations over the FYE 2010. Further to that, we were also bestowed the Brand Excellence Award 2009 from the Ministry of International Trade and Industry.

For the coming financial year ending 28 Feb 2011, we have started the 3rd season of the "You Can Be a Millionaire 3" Consumer Contest and are also the co-sponsor for the live telecast of the FIFA World Cup 2010 in Malaysia. Such events will further strengthen our brand presence, cementing our position as front-runners in our FMCG segment and through our contest, reward our loyal customers and at the same time, attract new consumers.

It is the Group's focus to continue to emphasize and invest in human capital, product innovation and not relent on our promotional and brand building efforts.

## Industry Outlook

The Group is of the view that consumers remain cautious in their spending behavior. The uncertainty in the "global" markets and the rising cost of living further dampens the propensity to consume. As such, we believe that it is pertinent that we continue with our promotional and brand efforts to sustain the market momentum for the demand of our products and

explore in other related businesses to fuel growth. With our strong financial position and prudence, we believe we will be able to achieve our goals and weather the challenges ahead.

## Change in Board of Directors

On 1 June 2010, Tan Sri Dato' Sri Abdul Halil bin Mutalif retired from being our Independent Non-Executive Director. I wish to express my sincere appreciation to Tan Sri for his contributions and services during his tenure, and wish him all the best in his future endeavours.

## Appreciation

On behalf of the Board, I would like to take this opportunity to thank our shareholders as well as other stakeholders for their continuous support and trust given to us. I would also like to express our gratitude to the management and staff for their commitment and dedication.

Last but not least, I would like to thank my Board of Directors for their counsel and contribution throughout the year.

**Y.M. Tengku Shamsulbhari bin Tengku Azman Shah, SMK.**  
Chairman

# Corporate Governance Statement

The Board of Directors ("Board") of Natural Bio Resources Berhad ("NatBio" or "the Company") is committed to ensuring that the highest standards of corporate governance is applied and practiced throughout the Group.

Pursuant to paragraph 15.25 of Bursa Malaysia's Listing Requirements, the Board is pleased to outline below the manner the Company has applied the Principles and complied with the Best Practices of the Malaysian Code on Corporate Governance ("the Code").

## BOARD OF DIRECTORS

### Board Responsibilities

The Board leads and controls the Group and assumes overall responsibility for the strategic direction, corporate governance, business conduct and risk management of the Group.

### Board Balance

The Board currently comprises eight (8) members of whom four (4) are Executive Directors, three (3) are Independent Non-Executive Directors and one (1) is a Non-Independent Non-Executive Director. The composition of Independent Non-Executive Directors is in compliance with Paragraph 15.02 of Bursa Malaysia Main Market Listing Requirements on Board composition. The Board members possess diverse backgrounds and brings with them a broad range of business knowledge, skills and expertise in fields such as marketing, operations and finance.

The Executive Directors are primarily responsible for the implementation of policies set by the Board and managing the Group's operations. The Independent Non-Executive Directors provide objective and independent judgment on issues of strategy, performance, governance, policies and resources. The Board is of the opinion that its composition fairly reflects the investment of minority shareholders and possesses the required mix of skills and experience required for the effective discharge of the Board's duties and responsibilities. The Board has not nominated a Senior Independent Non Executive Director to whom concerns may be conveyed as it is satisfied that such concerns can be conveyed effectively to any member or the Chairman of the Board.

There is a clear division of the respective role and responsibility of the Chairman and the Managing Director. The Chairman is primarily responsible for the effective and efficient conduct and working of the Board whilst the Managing Director is responsible for managing the Group's business operations and implementation of policies and strategies approved by the Board.

Profiles of the Directors are presented on pages 6 to 10 of this Annual Report.



# Corporate Governance Statement

Cont'd

## BOARD OF DIRECTORS (Continued)

### Board Meetings

During the financial year ended 28 February 2010, the Board met five (5) times and the attendances of the directors are as follows:

Name of Director	Designation	No. of Meeting Attended
Y.M. TENGKU SHAMSULBHARI BIN TENGKU AZMAN SHAH, SMK.	Chairman, Independent Non-Executive Director	5/5
TEA CHOO KENG	Alternate Director to Y.M. Tengku Shamsulbhari Bin Tengku Azman Shah, SMK.	4/5
LOW CHEE YEN	Managing Director	5/5
WONG FUEI BOON	Executive Director	5/5
HOW SAY SWEE	Executive Director	5/5
TAN SRI DATO' SRI ABDUL HALIL BIN MUTALIF (Resigned on 1 June 2010)	Independent Non-Executive Director	3/5
DATUK SARCHU BIN SAWAL	Non-Independent Non-Executive Director	5/5
SEE THUAN PO	Executive Director	5/5
ONG KHENG SWEE	Independent Non Executive Director	5/5

All directors have complied with the minimum attendance at Board meetings as stipulated by the Bursa Securities Listing Requirements.

The Board has a schedule of matters specifically reserved to itself for decision, which includes the overall Group strategy and direction, acquisitions and divestments of major assets, major investments, consideration of significant financial matters and review of operating and financial performance of the Group.

### Supply of Information

The Directors has full access to all information and records of the Group. Each Board member is supplied with all relevant information and reports on financial, operational, corporate, regulatory, business development, and audit matters by way of Board papers before Board meetings or upon specific request. All Board Meetings are structured with a pre-set agenda and board papers and reports are circulated to all the directors prior to the meetings to give the directors sufficient time to consider and deliberate on the issues to be discussed at the meetings.

There are agreed upon procedures for the Directors, whether as a full Board or in their individual capacity, in furtherance of their fiduciary duties, to seek independent professional advice at the Company's expense, if necessary. In addition, all directors have access to the advice and services of the company secretary and senior management.

# Corporate Governance Statement

Cont'd

## BOARD OF DIRECTORS (Continued)

### Board Committees

In discharging its fiduciary duties, the Board of Directors is assisted by Board committees, namely the Audit Committee, the Nominating Committee and the Remuneration Committee.

All committees have written terms of references and operating procedures and the Board receives reports on their proceedings and deliberations. The Chairman of the respective committees will brief the Board on the matters discussed at the committee meetings and minutes of these meetings are circulated at the Board meetings.

### Appointments to the Board

The Nominating Committee is responsible for making recommendations for new appointments to the Board and ensures that it recruits only individuals of sufficient caliber, knowledge, experience and skills to fulfill the duties of a director appropriately.

The Nominating Committee reviews the effectiveness of the Board, its committees and the contributions of each individual director, including independent non-executive directors, on an annual basis. The Committee also keeps under review the Board structure, size, composition and mix of skills, business acumen and competencies required for the Board to effectively discharge its duties.

The Nominating Committee ("NC") comprises of the following Directors during the financial year under review:-

#### Chairman

Y.M. Tengku Shamsulbhari Bin Tengku Azman Shah, SMK. (Independent Non-Executive Director & Chairman)

#### Members

Low Chee Yen (Managing Director)

Ong Kheng Swee (Independent Non-Executive Director)

The Nomination Committee met once during the financial year.

The Nomination Committee comprises of a majority of independent non-executive directors and not exclusively of non-executive directors as recommended by the Code. The Board considers the inclusion of the Managing Director in the committee as invaluable in view of his in-depth and extensive knowledge of the business and industry.

### Re-election of Directors

Article 121 of the Articles of Association of the Company provides that at least one third of the Directors of the number nearest but not exceeding one third, shall retire by rotation at each Annual General Meeting. Article 126 of the Articles of Association of the Company also provides that a director who is appointed to the Board during the year shall be subject to re-election at the next Annual General Meeting to be held following his appointment.

# Corporate Governance Statement

Cont'd

## BOARD OF DIRECTORS (Continued)

### Director's Training

All the Directors have attended the Mandatory Accreditation Programme as prescribed by the Listing Requirements of Bursa Malaysia Securities Berhad. During the financial year, the Board members have attended the following seminars, either collectively or individually.

- Blue Ocean Strategy
- Investment Seminar 2010
- New Framework for Listings and Equity Fund Raisings for Main and ACE Market
- Executive Updates for Directors on Corporate Governance, FRS 139, FRS 7, FRS 8 and Bursa Listing Requirements
- Audit Committee Institute Roundtable discussion titled : Economic Downturn and Risk Oversight – Reassessing Risk in the Wake of Market Turmoil
- Corporate Governance Guide : Towards Boardroom Excellence

While Tan Sri Dato' Sri Abdul Halil Bin Abdul Mutalif and Mr. Tea Choo Keng did not attend any structured training for the financial year ended 28 February 2010, they have kept abreast of the major economic events and happenings in Malaysia and the region by their attendance at informal talks during the year.

Nevertheless, it is the Board's commitment to ensure all its directors to be equipped with adequate knowledge, skill and experience, through structured and unstructured training, in order for them to carry out their functions and responsibilities assigned to them diligently and professionally.

### Director's Remuneration

The principal objective of the Company's framework for directors' remuneration is to attract, retain and motivate Directors of the caliber needed to successfully manage the Group's business.

The Remuneration Committee is responsible for recommending to the Board the remuneration packages of the Executive Directors. None of the Executive Directors participated in any way in determining their individual remuneration. The Board as a whole determines the remuneration of the non-executive directors and the individual director concerned abstains from decisions pertaining to his own remuneration.

The Remuneration Committee ("RC") comprises of the following Directors during the financial year:-

#### Chairman

Y.M. Tengku Shamsulbhari Bin Tengku Azman Shah, SMK. (Chairman, Independent Non-Executive Director)

#### Members

Low Chee Yen (Managing Director)

Ong Kheng Swee (Independent Non-Executive Director)

The Remuneration Committee met once during the financial year.

# Corporate Governance Statement

Cont'd

## BOARD OF DIRECTORS (Continued)

### Director's Remuneration (Continued)

Details of Directors' Remuneration for the financial year ended 28 February 2010 are as follow:-

(a) Aggregate remuneration of Directors is as follows:

Categories of Remunerations	Executive Directors (RM'000)	Non-Executive Directors (RM'000)
Basic Salary, EPF & SOCSO	1,879	-
Fees	-	216
Others	170	-
Total	2,049	216

(b) The number of Directors whose total remuneration falls within the following categories:

Directors' Remuneration	Executive Directors	Non-Executive Directors
RM 50,000 and below	-	1
RM 50,001 – RM 100,000	-	3
RM 100,001 – RM 150,000	-	-
RM 150,001 – RM 200,000	-	-
RM 200,001 – RM 250,000	-	-
RM 250,001 – RM 300,000	-	-
RM 300,001 – RM 350,000	1	-
RM 350,001 – RM 400,000	-	-
RM 400,001 – RM 450,000	-	-
RM 450,001 – RM 500,000	2	-
RM 500,001 – RM 550,000	-	-
RM 550,001 – RM 600,000	-	-
RM 600,001 – RM 650,000	-	-
RM 650,001 – RM 700,000	-	-
RM 700,001 – RM 750,000	-	-
RM 750,001 – RM 800,000	1	-

The Board is of the view that the transparency and accountability aspects of corporate governance as applicable to Directors' Remuneration is adequately served by the "band disclosure" in accordance with the Bursa Malaysia Listing Requirements.

# Corporate Governance Statement

Cont'd

## SHAREHOLDERS AND INVESTORS

The Board recognizes the need for an effective communications policy with its shareholders.

In addition to various announcements made during the year, the timely release of annual reports, press releases and quarterly financial results provides shareholders with a regular update on the Group's operations and performance.

The Annual General Meeting ("AGM") is the principal forum for dialog between the Company and the shareholders. Shareholders are encouraged to and given the opportunity to participate in the proceedings effectively and vote on the matters in the Agenda. Members of the Board, Senior Management and the Auditors of the Company are present at the meeting to respond to any queries from the shareholders.

Senior management also regularly meets up with institutional investors and research analyst, upon their request, to brief them on the Group's performance and prospects.

## ACCOUNTABILITY AND AUDIT

### Financial Reporting

The Board of Directors takes responsibility for presenting a balanced and understandable assessment of the Group's financial performance and prospects principally through the annual financial statements to shareholders and quarterly announcement of financial results. The Audit Committee assists the Board in reviewing the information for disclosure to ensure compliance with accounting standards, completeness, accuracy and adequacy.

### Internal Control

The Board acknowledges its responsibility for maintaining a sound system of internal control and risk management framework to safeguard shareholders' investment and the Group's assets.

The Statement on Internal Control of the Group as set out on pages 31 to 32 of this Annual Report provides an overview on the state of internal controls of the Group throughout the financial year.

### Relationship with Auditors

Through the Audit Committee, the Board maintains a transparent and appropriate relationship with the external auditors. A summary of the activities of the Audit Committee during the year is set out in the Audit Committee Report on pages 27 to 28 of this Annual Report.

# Corporate Governance Statement

Cont'd

## ADDITIONAL COMPLIANCE INFORMATION

### Utilisation of Proceeds

For the financial year ended 28 February 2010, the status of utilisation of the gross proceeds of RM120.82 million raised from the public issue are as follows:-

	Proceeds raised	Status of utilization as at 28 February 2010	Amount not utilized	Revised Timeframe for utilisation
Purpose	RM'000	RM'000	RM'000	
Capital Expenditure	25,800	25,800	-	Not applicable
Research & Development	1,100	745	355	By July 2010
Advertisement & Promotional Expenses	40,000	37,455	2,545	By July 2010
Repayment of bank borrowings	19,950	19,950	-	Not applicable
Working Capital	28,470	28,470	-	Not applicable
Listing expenses	5,500	5,500	-	Not applicable
<b>Total</b>	<b>120,820</b>	<b>117,920</b>	<b>2,900</b>	

### Share Buybacks

There were no share buybacks transactions involved in the financial year ended 28 February 2010.

### Options, Warrants or Convertible Securities Exercised

For the financial year ended 28 February 2010, the Company did not grant any share options to its employees.

There were no other issues of warrants or convertible securities in respect of the financial year ended 28 February 2010.

### American Depositary Receipt ("ADR") or Global Depositary Receipt ("GDR")

The Company has not sponsored any ADR or GDR programme for the financial year ended 28 February 2010.

### Sanctions and/or Penalties

The Company and its subsidiaries, Directors and management have not been imposed with any sanctions and/or penalties by regulatory bodies.



# Corporate Governance Statement

Cont'd

## ADDITIONAL COMPLIANCE INFORMATION (Continued)

### Non-Audit Fees

During the financial year ended 28 February 2010, the non-audit fee incurred for services rendered to the Group amounted to RM5,000.

### Variation of Results

There were no profit estimations, forecasts or projections made or released by the Company during the financial year.

### Profit Guarantee

The Company did not give any profit guarantee during the financial year.

### Material Contracts Involving Directors/Substantial Shareholders' Interests

There were no material contracts by the Company and its subsidiaries involving Directors' and substantial shareholders' interest.

### Revaluation Policy on Landed Properties

The Company does not have a revaluation policy on landed properties.

### Recurrent Related Party Transaction

There were no recurrent related party transactions involved in the financial year ended 28 February 2010.

### Compliance Statement

The Board has throughout the financial year complied with the Best Practices set out in Part 2 of the Code, save for the following:-

Reference to the Code	Summary of the Principle / Best Practice	Board Comments
Part 2 AAVII	The Board to identify a Senior Independent Non-Executive Director	The Board has not nominated a Senior Independent Non-Executive Director to whom concerns may be conveyed as it is satisfied that such concerns can be conveyed effectively to any member or the Chairman of the Board.
Part 2 AAVIII	The Nomination Committee to be exclusively comprise Non-Executive Directors	The Nomination Committee presently comprises 3 members, one of whom is the Managing Director. The Board is of the opinion that the inclusion of the Managing Director in the Nomination Committee contributes positively to the functioning of the Committee and is able to provide recommendations to the Board from a different perspective.

# Audit Committee Report

## A. ESTABLISHMENT AND COMPOSITION

The Audit Committee comprises the following members:-

**Chairman :**

Mr. Ong Kheng Swee (Independent Non-Executive Director)

**Members :**

Y.M. Tengku Shamsulbhari bin Tengku Azman Shah, SMK. (Independent Non-Executive Director & Chairman)

Datuk Sarchu bin Sawal (Non-Independent Non-Executive Director)

## B. TERMS OF REFERENCE

The terms of reference of the Committee is set out on page 28 to 30 of this Annual Report.

## C. MEETINGS

During the financial year, the Audit Committee held six (6) meetings. Details of each member's meeting attendances are as follows:-

Name of Member	No. of Meetings Attended
Mr. Ong Kheng Swee	6/6
Y.M. Tengku Shamsulbhari bin Tengku Azman Shah, SMK.	6/6
Datuk Sarchu bin Sawal	6/6

The meetings were appropriately structured through the use of agendas, which were distributed to the members with sufficient notification.

The Executive Directors, the Chief Financial Officer and the external auditors, at the invitation of the Committee, may attend the Committee meetings.

## D. SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

The Committee carried out its duties in accordance with its terms of reference during the year.

The main activities undertaken by the Audit Committee during the financial year included the following:-

1. Reviewed and recommended for Board approval the quarterly unaudited financial statements to the Bursa Malaysia Securities Berhad ("Bursa Securities");
2. In respect of the quarterly and annual financial statements, reviewed the Company's compliance with the Bursa Securities' Listing Requirements, accounting standards promulgated by Malaysian Accounting Standards Board and other legal and regulatory requirements;
3. Reviewed the audit report and observations made by the external auditors on the audited financial statements that require appropriate management action and the management's response thereon and reporting them to the Board;
4. Considered and recommended to the Board for approval of the audit fees payable to the external auditors as disclosed in Note 14 to the financial statements;

# Audit Committee Report

Cont'd

## D. SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR (Continued)

5. Reviewed the external auditors' scope of work and audit plan for the financial year ended 28 February 2010;
6. Reviewed the independence and objectivity of the external auditors and the services provided, including non-audit services;
7. Reviewed the progress of the approved internal audit plan and internal audit reports, which highlighted internal audit findings, recommendations, management response and action plan as well as the follow-up on earlier reported agreed management action plans' implementation status. Discussed with management actions taken to improve and enhance the internal control systems based on the improvement opportunities highlighted in the internal audit reports;
8. Reviewed related party transactions entered into by the Group and ensured all transactions are at arms length's basis; and
9. Reviewed the annual report (which included the Corporate Governance Statement, Audit Committee Report and Statement on Internal Control), and the audited financial statements of the Group and recommended to the Board for approval.

## E. INTERNAL AUDIT FUNCTION

The internal audit function of the Group was outsourced to a professional consulting firm to undertake independent, objective, regular and systematic reviews of the internal controls system. The outsourced internal auditors report directly to the Audit Committee and conduct internal audit reviews according to the internal audit plans approved by the Audit Committee to ensure the adequacy of the scope, function and resources being allocated to the internal audit function. The cost incurred in connection with the internal audit function during the financial year amounted to RM 78,440.

The Group's internal auditors table the results of their review to the Audit Committee at their scheduled meetings, highlighting their findings, recommendations, areas of improvement opportunities, management response and action plan.

## F. TERMS OF REFERENCE OF THE AUDIT COMMITTEE

### Objectives

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling the following oversight objectives on the Group activities:-

- Assess the Group's processes relating to its risk management control environment;
- Oversee financial reporting; and
- Evaluate the internal and external audit processes.

### Composition

The Board shall elect and appoint Committee members from amongst their members, comprising no fewer than three (3) Directors, all of whom shall be Non-Executive Directors and a majority of whom shall be Independent Directors of the Company. No alternate Director of the Board shall be appointed as a member of the Committee.

The Board shall at all times ensure that at least one (1) member of the Committee shall be:-

- A member of the Malaysian Institute of Accountants ("MIA"); or
- If he or she is not a member of MIA, he must have at least (3) years of working experience and:-
  - i) He or she must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967; or
  - ii) He or she must be a member of the associations of accountants specified in Part II of the Accountants Act, 1967

# Audit Committee Report

Cont'd

## F. TERMS OF REFERENCE OF THE AUDIT COMMITTEE (Continued)

### Composition (Continued)

If a member of the Committee resigns or for any reason ceases to be a member with the result that the number of members is reduced below three (3), the Board shall within three (3) months of the event appoint such number of new members as may be required to fill the vacancy.

The Chairman of the Committee shall be an Independent Non-Executive Director.

The Board shall review the terms of office of each of its members at least once (1) every three (3) years.

### Quorum and Committee's Procedures

Meetings shall be conducted at least four (4) times annually, or more frequently as circumstances dictate.

In order to form a quorum for the meeting, the majority of the members present must be Independent Non-Executive Directors. In the absence of the Chairman, the members present shall elect a Chairman for the meeting from amongst the members present.

The Company Secretary or any other suitable person shall be appointed Secretary of the Committee ("the Secretary"). The Secretary, in conjunction with the Chairman, shall draw up an agenda, which shall be circulated together with the relevant support papers, at least one (1) week prior to each meeting to the members of the Committee. The minutes shall be circulated to members of the Board.

The Committee may, as and when deemed necessary, invite other Board members and senior management members to attend the meetings.

The Chairman shall submit an annual report to the Board summarising the Committee's activities during the year and the related significant results and findings.

The Committee shall regulate the manner of proceedings of its meetings, having regard to normal conventions on such matter.

### Authority

The Committee is authorised to seek any information it requires from employees, who are required to cooperate with any request made by the Committee.

The Committee shall have full and unlimited access to any information pertaining to the Group.

The Committee shall have direct communication channels with the internal and external auditors and with senior management of the Group and shall be able to convene meetings with the external auditors, the internal auditors, or both, excluding the attendance of other directors and other employees of the Group, whenever deemed necessary.

The Committee shall have the resources that are required to perform its duties. The Committee can obtain, at the expense of the Company, outside legal or other independent professional advice it considers necessary.

Where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of Bursa Securities' Listing Requirements, the Committee shall promptly report such matter to Bursa Securities.

# Audit Committee Report

Cont'd

## F. TERMS OF REFERENCE OF THE AUDIT COMMITTEE (Continued)

### Responsibilities and Duties

In fulfilling its primary objectives, the Committee shall undertake the following responsibilities and duties:-

- 1) Review the appointment of external auditors, the audit fee and any question of resignation or dismissal before making recommendations to the Board;
- 2) Review the independence and objectivity of the external auditors and their services, including non-audit services and the professional fees, so as to ensure a proper balance between objectivity and value for money;
- 3) Review with the external auditor before the commencement of each audit, the audit scope and plan, including any changes to the planned scope of the audit plan;
- 4) Review major audit findings and the management's response during the year with management, external auditors and internal auditors, including the status of previous audit recommendations;
- 5) To discuss any problems and reservations arising from the interim and final audits and any matters the auditor may wish to discuss (in the absence of management where necessary);
- 6) For the outsourced internal audit function,
  - Review the adequacy of the internal audit scope and plan, functions and resources of the internal audit function and that it has the necessary authority to carry out its work; and
  - Review the internal audit program and the results of the internal audit process and where necessary action is taken on the recommendations of the internal audit function.
- 7) Review the adequacy and integrity of internal control systems, including enterprise risk management, management information system, and the internal auditors' and/or external auditors' evaluation of the said systems;
- 8) Review the quarterly results and the annual financial statements, prior to the approval by the Board focusing particularly on:-
  - Changes in or implementation of major accounting policy changes;
  - Significant or unusual events;
  - Compliance with accounting standards and other legal requirements; and
  - Going concern assumptions.
- 9) Review procedures in place to ensure that the Group is in compliance with the Companies Act, 1965, Bursa Securities' Listing Requirements and other legislative and reporting requirements;
- 10) Review any related party transaction and conflict of interest situation that may arise within the Company or the Group, including any transaction, procedure or course of conduct that raises question on management integrity;
- 11) Direct and where appropriate supervise any special projects or investigation considered necessary, and review investigation reports on any major defalcations, frauds and thefts;
- 12) Prepare reports as the circumstances dictate or at least once (1) a year, to the Board summarising the work performed in fulfilling the Committee's primary responsibilities; and
- 13) Any other activities, as authorised by the Board.

# Statement on Internal Control

## Introduction

Pursuant to paragraph 15.26(b) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, and as guided by the Statement on Internal Control: Guidance for Directors of Public Listed Companies ("the Guidance"), the Board is pleased to present the statement on the state of the internal controls of the Group for the financial year ended 28 February 2010.

## Board Responsibility

The Board affirms its overall responsibility for the Group's system of internal controls and risk management practices and reviewing its adequacy and integrity. The Group's system of internal controls includes the establishment and maintenance of an appropriate control environment and framework.

However, as there are inherent limitations in any system of internal control, such systems are designed to manage, rather than eliminate risks that may impede the achievement of the Group's business and corporate objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or losses.

## Risk Management Framework

The Board maintains an ongoing commitment for identifying, evaluating and managing significant risks faced by the Group during the financial year under review and the Board reviews the process. Significant risks were identified and assessed in terms of likelihood of their occurrence and the impact on the achievement of the Group's business and corporate objectives.

Risk management of the Group's operations is delegated to the Risk Management Committee comprising Executive Directors and Senior Management. The Risk Management Committee conducted periodic meetings to assess and monitor the Group's risk as well as discuss, deliberate and address matters associated with strategic, financial and operational aspects of the Group.

## Internal Audit Function

The Group's internal audit function is outsourced to an independent professional firm who provides the Audit Committee with much of the assurance it requires regarding the adequacy and integrity of the Group's system of internal control.

The Internal Audit function adopts a risk based approach and prepares its internal audit plan based on the Group's key risks profile. Regular internal audit reviews are performed based on the internal audit plan approved by Audit Committee and, upon the completion of the internal audit work, the internal audit reports are presented to the Audit Committee during its quarterly meetings. During the presentation, the internal audit findings and recommendations as well as management response and action plans are presented and deliberated. Update on the status of action plans as identified in the previous internal audit reports were also presented during the financial year under review for Audit Committee to review and deliberate.

## Other Key Elements Of Internal Controls

The following key processes have been established in reviewing the adequacy and integrity of the Group's system of internal controls:

- Clearly defined and structured lines of reporting and responsibility within the organization;
- Policies and standard operating procedures to regulate key operations in compliance with International Organisation for Standardisation ("ISO") certification;
- Regular Board and management meetings to assess the Group's performance and controls; and
- Executive Directors' close and direct involvement in operations, regular reviews of operational data including production, and marketing and financial data.



# Statement on Internal Control

Cont'd

## **Weaknesses in Internal Controls that Results in Material Losses**

The Board is not aware of any material losses incurred during the financial year under review as a result of weaknesses in internal control. Nevertheless, Management is committed to take appropriate measures to further strengthen existing control environment to reduce losses, if any, arising from the weakness of system of internal control.

## **Conclusion**

The Board is committed towards maintaining a sound system of internal control and an effective risk management framework throughout the Group and reaffirms its commitment to continuously review the internal controls and put in place appropriate structures and framework deemed necessary to further enhance the Group's system of internal controls.

# Financial Statements

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# Directors' Report

## For the year ended 28 February 2010

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 28 February 2010.

### Principal activities

The principal activities of the Company consist of investment holding. The principal activities of the subsidiaries are disclosed in Note 4 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

### Results

	Group RM	Company RM
Profit for the year	10,180,720	11,785,433

### Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review.

### Dividends

Since the end of the previous financial year, the Company paid:

- i) a final single tier dividend of 2 sen per ordinary share totalling RM6,000,000 in respect of the year ended 28 February 2009 on 28 August 2009; and
- ii) an interim single tier dividend of 2 sen per ordinary share totalling RM6,000,000 in respect of the year ended 28 February 2010 on 8 December 2009.

The final dividend recommended by Directors in respect of the year ended 28 February 2010 is 2 sen single tier dividend per ordinary share totalling RM6,000,000.

### Directors of the Company

Directors who served since the date of the last report are:

Directors	Alternate
Y.M. Tengku Shamsulbhari bin Tengku Azman Shah, SMK.	Mr. Tea Choo Keng
Mr. Low Chee Yen	
Mr. How Say Swee	
Mr. Wong Fuei Boon	
Mr. See Thuan Po	
Datuk Sarchu bin Sawal	
Mr. Ong Kheng Swee	
Y. Bhg. Tan Sri Dato' Sri Abdul Halil bin Abd Mutalif (resigned on 1 June 2010)	

# Directors' Report

Cont'd

## Directors' interests

The interests and deemed interests in the shares and options of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

Name of Directors	Interest	Number of ordinary shares of RM0.20 each			
		At 1 March 2009	Bought	Sold	At 28 February 2010
Company					
Mr. Low Chee Yen	Direct	52,253,330	1,494,400	--	53,747,730
Mr. How Say Swee	Direct	53,211,930	--	--	53,211,930
Mr. Wong Fuei Boon	Direct	53,573,430	--	--	53,573,430
Mr. Tea Choo Keng	Direct	900,000	--	--	900,000

Name of Directors	Interest	Number of ordinary shares of USD1.00 each			
		At date of appointment	Bought	Sold	At 28 February 2010
Subsidiary - PT. Natbio Marketing Indonesia					
Mr. Low Chee Yen	Direct	1,000*	--	--	1,000

\* The shares are held in trust for the Company.

By virtue of their substantial shareholdings in the Company, Mr. Low Chee Yen, Mr. How Say Swee and Mr. Wong Fuei Boon are deemed to have interests in the ordinary shares of all the wholly-owned subsidiaries of the Company as disclosed in Note 4 to the financial statements.

None of the other Directors holding office at 28 February 2010 had any interest in the ordinary shares of the Company and of its related companies during the year.

## Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than as disclosed in Note 23 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## Issue of shares and debentures

There were no changes in the authorised, issued and paid-up capital of the Company during the financial year.

There were no debentures issued during the financial year.

# Directors' Report

Cont'd

## Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

At an extraordinary general meeting held on 24 April 2008, the Company's shareholders approved the establishment of an employees' share option scheme (ESOS). The maximum number of ESOS Shares to be offered and allotted to eligible Directors and employees of the Group under the Scheme shall not exceed in aggregate ten percent (10%) of the issued and paidup share capital of the Company at any point of time or any limit prescribed by any guidelines, rules and regulations of the relevant authorities within the duration of the Scheme.

The salient features of the ESOS scheme are, inter alia, as follows:

(a) The basis of allotment and maximum allowable allocation of ESOS Shares are as follows:

- i) Not more than fifty percent (50%) of ESOS Shares available under the Scheme shall be allocated in aggregate to Directors and senior management of the Group;
  - ii) Not more than ten percent (10%) of ESOS Shares available under the Scheme shall be allocated to any Directors or employee, who singly or collectively through persons connected with such Directors or employee, holds twenty percent (20%) or more of the issued and paid-up share capital of the Group.
- b) Any employee of the Group shall be eligible to participate in the Scheme if they attained eighteen (18) years of age and have been confirmed in service and have been in the employment of the Group for a period of six (6) months in the Group.
- c) Any Directors of the Group (excluding subsidiaries which are dormant) shall be eligible to participate in the Scheme if they attained eighteen (18) years of age and is existing Director of the Group.
- d) The option price for each share shall be a discount to the five (5) days weighted average market price of the shares of the Company immediately preceding the date of the offer, provided that the discount shall not exceed ten percent (10%); or at the par value of the shares, whichever is the higher.
- (e) The options granted may be exercised at any time within a period of five (5) years commencing from 12 May 2008.

As at todate, there are no options granted to eligible Directors or employees.

## Other statutory information

Before the balance sheets and income statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision has been made for doubtful debts, and
- ii) all current assets have been stated at the lower of cost and net realisable value.

At the date of this report, the Directors are not aware of any circumstances:

- i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.



# Directors' Report

## Cont'd

At the date of this report, there does not exist:

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the results of the operations of the Group and of the Company for the year ended 28 February 2010 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

### Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

.....  
Low Chee Yen

.....  
See Thuan Po  
Johor Bahru,

Date: 14 June 2010

# Statement by Directors pursuant to

Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 41 to 68, are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company at 28 February 2010 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

.....  
Low Chee Yen

.....  
See Thuan Po  
Johor Bahru,

Date: 14 June 2010

# Statutory declaration pursuant to

Section 169(16) of the Companies Act, 1965

I, Neo Kheng Boon, the officer primarily responsible for the financial management of NATURAL BIO RESOURCES BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 41 to 68 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed in Johor Bahru in the State of Johor on 14 June 2010.

.....  
Neo Kheng Boon

Before me:

**K. Amudalingam**  
PLP, PIS, PPN  
Commissioner for Oaths  
No: J-133

# Independent auditors' report to the members of

Natural Bio Resources Berhad

## Report on the Financial Statements

We have audited the financial statements of Natural Bio Resources Berhad, which comprise the balance sheets as at 28 February 2010 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 41 to 68.

### Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

# Independent auditors' report to the members of

## Natural Bio Resources Berhad

### Cont'd

#### Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 28 February 2010 and of their financial performance and cash flows for the year then ended.

#### Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- b) We have considered the accounts and the auditors' report of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 4 to the financial statements.
- c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- d) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

#### Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG  
Firm Number: AF 0758  
Chartered Accountants

Johor Bahru

Date: 14 June 2010

Ang Ah Leck  
Approval Number: 1991/09/11 (J)  
Chartered Accountant

# Balance sheets

At 28 February 2010

	Note	Group		Company	
		2010 RM	2009 RM	2010 RM	2009 RM
<b>Assets</b>					
Property, plant and equipment	3	81,933,395	74,128,166	418,440	519,414
Investments in subsidiaries	4	--	--	46,805,344	45,000,014
Intangible assets	5	5,385,271	5,003,175	--	--
Deferred tax assets	6	--	1,105,303	--	--
<b>Total non-current assets</b>		<b>87,318,666</b>	<b>80,236,644</b>	<b>47,223,784</b>	<b>45,519,428</b>
Inventories	7	25,366,189	37,320,210	--	--
Trade and other receivables	8	53,161,210	56,353,523	80,426,280	86,051,574
Tax recoverable		5,858,373	4,529,918	159,008	--
Other investment	9	1,421,523	--	1,421,523	--
Cash and cash equivalents	10	52,232,329	47,185,086	38,020,771	35,707,684
<b>Total current assets</b>		<b>138,039,624</b>	<b>145,388,737</b>	<b>120,027,582</b>	<b>121,759,258</b>
<b>Total assets</b>		<b>225,358,290</b>	<b>225,625,381</b>	<b>167,251,366</b>	<b>167,278,686</b>
<b>Equity</b>					
Share capital		60,000,000	60,000,000	60,000,000	60,000,000
Reserves		131,870,492	133,667,521	106,948,787	107,163,354
<b>Total equity attributable to equity holders of the Company/ Total equity</b>	11	<b>191,870,492</b>	<b>193,667,521</b>	<b>166,948,787</b>	<b>167,163,354</b>
<b>Liabilities</b>					
Deferred tax liabilities	6	734,407	--	13,000	20,000
Loans and borrowings	12	2,519,964	3,068,151	--	--
<b>Total non-current liabilities</b>		<b>3,254,371</b>	<b>3,068,151</b>	<b>13,000</b>	<b>20,000</b>
Trade and other payables	13	27,759,378	24,761,401	289,579	90,914
Loans and borrowings	12	2,424,839	4,123,890	--	--
Taxation		49,210	4,418	--	4,418
<b>Total current liabilities</b>		<b>30,233,427</b>	<b>28,889,709</b>	<b>289,579</b>	<b>95,332</b>
<b>Total liabilities</b>		<b>33,487,798</b>	<b>31,957,860</b>	<b>302,579</b>	<b>115,332</b>
<b>Total equity and liabilities</b>		<b>225,358,290</b>	<b>225,625,381</b>	<b>167,251,366</b>	<b>167,278,686</b>

The accompanying notes form an integral part of the financial statements.



# Income statements

For the year ended 28 February 2010

		Group		Company	
	Note	2010 RM	2009 RM	2010 RM	2009 RM
<b>Revenue</b>					
Goods sold		153,107,212	138,146,241	--	--
Dividend income		--	--	16,000,000	26,000,000
		153,107,212	138,146,241	16,000,000	26,000,000
Other income		1,180,119	2,678,764	1,454,612	2,397,523
Raw materials used		(65,936,301)	(56,371,905)	--	--
Marketing expenses		(28,125,990)	(36,610,270)	--	--
Staff costs		(16,930,750)	(14,849,737)	(199,349)	(492,344)
Depreciation and amortisation expenses		(5,407,901)	(4,438,427)	(102,526)	(72,915)
Other expenses		(24,609,334)	(18,199,530)	(1,175,991)	(569,360)
Total expenses		(141,010,276)	(130,469,869)	(1,477,866)	(1,134,619)
<b>Results from operating activities</b>		13,277,055	10,355,136	15,976,746	27,262,904
Finance costs		(294,642)	(988,025)	--	--
<b>Profit before tax</b>	14	12,982,413	9,367,111	15,976,746	27,262,904
Tax (expense)/income	15	(2,801,693)	391,709	(4,191,313)	(6,884,941)
<b>Profit for the year/</b>					
<b>Attributable to equity holders of the Company</b>		10,180,720	9,758,820	11,785,433	20,377,963
Basic and diluted earning per ordinary share (sen)	16	3.39	3.25		

The accompanying notes form an integral part of the financial statements.

# Statement of changes in equity

For the year ended 28 February 2010

	Note	Attributable to equity holders of the Company				
		Non-distributable		Distributable		
		Share capital RM	Share premium RM	Exchange fluctuation reserve RM	Retained earnings RM	Total equity RM
<b>Group</b>						
<b>At 1 March 2008</b>		60,000,000	100,055,248	--	38,853,453	198,908,701
Profit for the year		--	--	--	9,758,820	9,758,820
Dividends to shareholders	17	--	--	--	(15,000,000)	(15,000,000)
<b>At 28 February 2009</b>		60,000,000	100,055,248	--	33,612,273	193,667,521
<b>Net gain recognised directly in equity</b>						
Exchange fluctuation reserve		--	--	22,251	--	22,251
Profit for the year		--	--	--	10,180,720	10,180,720
Total recognised income for the year		--	--	22,251	10,180,720	10,202,971
Dividends to shareholders	17	--	--	--	(12,000,000)	(12,000,000)
<b>At 28 February 2010</b>		60,000,000	100,055,248	22,251	31,792,993	191,870,492
<b>Company</b>						
<b>At 1 March 2008</b>		60,000,000	100,055,248	--	1,730,143	161,785,391
Profit for the year		--	--	--	20,377,963	20,377,963
Dividends to shareholders	17	--	--	--	(15,000,000)	(15,000,000)
<b>At 28 February 2009</b>		60,000,000	100,055,248	--	7,108,106	167,163,354
Profit for the year		--	--	--	11,785,433	11,785,433
Dividends to shareholders	17	--	--	--	(12,000,000)	(12,000,000)
<b>At 28 February 2010</b>		60,000,000	100,055,248	--	6,893,539	166,948,787

The accompanying notes form an integral part of the financial statements.

# Cash Flow statements

For the year ended 28 February 2010

	Note	Group		Company	
		2010 RM	2009 RM	2010 RM	2009 RM
<b>Cash flows from operating activities</b>					
Profit before tax		12,982,413	9,367,111	15,976,746	27,262,904
Adjustments for:					
Allowance for doubtful debts		2,407,925	--	--	--
Amortisation of intangible assets		15,205	15,205	--	--
Depreciation		5,392,696	4,423,222	102,526	72,915
Gain on disposal of plant and equipment		(101,706)	(42,173)	--	--
Finance costs		294,642	988,025	--	--
Interest income		(921,392)	(1,701,406)	(850,281)	(1,599,440)
Unrealised loss/(gain) on foreign exchange		8,152	(296,658)	(236)	--
Gain on disposal of investment		(11,344)	--	(11,344)	--
Impairment losses on investment in subsidiaries		--	--	585,000	--
<b>Operating profit before changes in working capital</b>		20,066,591	12,753,326	15,802,411	25,736,379
Changes in working capital:					
Inventories		11,954,021	4,059,480	--	--
Trade and other receivables		913,254	8,115,786	5,625,530	(27,925,439)
Trade and other payables		2,468,395	(93,906)	198,665	2,495
<b>Cash generated from/(used in) operations</b>		35,402,261	24,834,686	21,626,606	(2,186,565)
Interest paid		(294,642)	(988,025)	--	--
Interest received		921,392	1,701,406	850,281	1,599,440
Tax paid		(2,245,646)	(5,318,629)	(4,361,739)	(6,926,523)
<b>Net cash from/(used in) operating activities</b>		33,783,365	20,229,438	18,115,148	(7,513,648)

The accompanying notes form an integral part of the financial statements.

# Cash flow statements

For the year ended 28 February 2010

Cont'd

		Group		Company	
	Note	2010 RM	2009 RM	2010 RM	2009 RM
<b>Cash flows from investing activities</b>					
Acquisition of:					
- property, plant and equipment		(13,169,074)	(17,823,665)	(1,552)	(349,491)
- subsidiaries, net of cash acquired	18	(24,198)	--	(2,390,330)	(10)
- other investment		(1,544,903)	--	(1,544,903)	--
Proceeds from disposal of property, plant and equipment		160,717	178,958	--	--
Decrease in pledged deposits placed with licensed banks		1,740,395	3,480	--	--
Proceeds from disposal of other investment		134,724	--	134,724	--
<b>Net cash used in investing activities</b>		(12,702,339)	(17,641,227)	(3,802,061)	(349,501)
<b>Cash flows from financing activities</b>					
Dividend paid to shareholders of the Company		(12,000,000)	(15,000,000)	(12,000,000)	(15,000,000)
(Repayment)/Drawdown of short-term borrowings		(1,423,000)	3,258,000	--	--
Payment of finance lease liabilities		(538,671)	(699,397)	--	--
Repayment of term loans		(362,395)	(11,967,233)	--	--
<b>Net cash used in financing activities</b>		(14,324,066)	(24,408,630)	(12,000,000)	(15,000,000)
Exchange difference on translation of the financial statements of foreign operation		30,678	--	--	--
<b>Net increase/(decrease) in cash and cash equivalents</b>		6,787,638	(21,820,419)	2,313,087	(22,863,149)
<b>Cash and cash equivalents at 1 March</b>		45,222,713	67,043,132	35,707,684	58,570,833
<b>Cash and cash equivalents at 28 February</b>		52,010,351	45,222,713	38,020,771	35,707,684
Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:					
Cash and bank balances		12,234,410	9,722,713	64,237	207,684
Deposits with licensed banks (excluding deposits pledged)		39,775,941	35,500,000	37,956,534	35,500,000
		52,010,351	45,222,713	38,020,771	35,707,684

The accompanying notes form an integral part of the financial statements.

# Notes to the financial statements

Natural Bio Resources Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of the principal place of business and registered office of the Company are as follows:

## Principal place of business

No. 1, Jalan Sri Plentong  
Taman Perindustrian Sri Plentong  
81750 Masai  
Johor, Malaysia

## Registered office

31-04, Level 31  
Menara Landmark  
No. 12, Jalan Ngee Heng  
80000 Johor Bahru  
Johor, Malaysia

The consolidated financial statements of the Company as at and for the year ended 28 February 2010 comprise the Company and its subsidiaries.

The principal activities of the Company consist of investment holding. The principal activities of the subsidiaries are disclosed in Note 4.

The financial statements were approved by the Board of Directors on 14 June 2010.

## 1. Basis of preparation

### (a) Statement of compliance

These financial statements have been prepared in accordance with Financial Reporting Standards (FRS), the Companies Act, 1965 and accounting principles generally accepted in Malaysia.

The Group and the Company have not applied the following accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the Group and the Company:

#### FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2009

- FRS 8, Operating Segments

#### FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2010

- FRS 4, Insurance Contracts
- FRS 7, Financial Instruments: Disclosures
- FRS 101, Presentation of Financial Statements (revised)
- FRS 123, Borrowing Costs (revised)
- FRS 139, Financial Instruments: Recognition and Measurement
- Amendments to FRS 1, First-time Adoption of Financial Reporting Standards
- Amendments to FRS 2, Share-based Payment: Vesting Conditions and Cancellations
- Amendments to FRS 7, Financial Instruments: Disclosures
- Amendments to FRS 101, Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
- Amendments to FRS 127, Consolidated and Separate Financial Statements: Cost of an investment in a Subsidiary, Jointly Controlled Entity or Associate



# Notes to the financial statements

Cont'd

## 1. Basis of preparation (Continued)

### (a) Statement of compliance (continued)

#### **FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2010 (continued)**

- Amendments to FRS 132, Financial Instruments: Presentation
  - Puttable Financial Instruments and Obligations Arising on Liquidation
  - Separation of Compound Instruments
- Amendments to FRS 139, Financial Instruments: Recognition and Measurement
  - Reclassification of Financial Assets
  - Collective Assessment of Impairment for Banking Institutions
- Improvements to FRSs (2009)
- IC Interpretation 9, Reassessment of Embedded Derivatives
- IC Interpretation 10, Interim Financial Reporting and Impairment
- IC Interpretation 11, FRS 2 – Group and Treasury Share Transactions
- IC Interpretation 13, Customer Loyalty Programmes
- IC Interpretation 14, FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction

#### **FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 March 2010**

- Amendments to FRS 132, Financial Instruments: Presentation – Classification of Rights Issues

#### **FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2010**

- FRS 1, First-time Adoption of Financial Reporting Standards (revised)
- FRS 3, Business Combinations (revised)
- FRS 127, Consolidated and Separate Financial Statements (revised)
- Amendments to FRS 2, Share-based Payment
- Amendments to FRS 5, Non-current Assets Held for Sale and Discontinued Operations
- Amendments to FRS 138, Intangible Assets
- IC Interpretation 12, Service Concession Agreements
- IC Interpretation 15, Agreements for the Construction of Real Estate
- IC Interpretation 16, Hedges of a Net Investment in a Foreign Operation
- IC Interpretation 17, Distribution of Non-cash Assets to Owners
- Amendments to IC Interpretation 9, Reassessment of Embedded Derivatives

#### **FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2011**

- Amendments to FRS 1, First-time Adoption of Financial Reporting Standards – Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
- Amendments to FRS 7, Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments

The Group and the Company plan to apply the abovementioned standards, amendments and interpretations in the respective financial year when the above standards, amendments and interpretations become effective.

The initial application of a standard, an amendment or an interpretation, which will be applied prospectively, is not expected to have any financial impacts to the current and prior periods financial statements upon their first adoption.

The impacts and disclosures as required by FRS 108.30(b), Accounting Policies, Changes in Accounting Estimates and Errors, in respect of applying FRS 7 and FRS 139 are not disclosed by virtue of the exemptions given in these respective FRSs.

The other standards, amendments, interpretations and improvements are either not applicable or are not expected to have any material impact on the financial statements of the Group and of the Company.

# Notes to the financial statements

Cont'd

## 1. Basis of preparation (Continued)

### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

### (c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency. All financial information are presented in RM, unless otherwise stated.

### (d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

There are no significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 5 - valuation of goodwill on consolidation

## 2. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities, unless otherwise stated.

### (a) Basis of consolidation

#### (i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. Subsidiaries are consolidated using the purchase method of accounting.

Under the purchase method of accounting, the financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are stated in the Company's balance sheet at cost less any impairment losses, unless the investment is held for sale.

#### (ii) Changes in Group composition

Where a subsidiary issues new equity shares to minority interests for cash consideration and the issue price has been established at fair value, the reduction in the Group's interests in the subsidiary is accounted for as a disposal of equity interest with the corresponding gain or loss recognised in the income statements.

When a group purchases a subsidiary's equity shares from minority interests for cash consideration and the purchase price has been established at fair value, the accretion of the Group's interests in the subsidiary is accounted for as a purchase of equity interest for which the acquisition method of accounting is applied.

The Group treats all other changes in group composition as equity transactions between the Group and its minority shareholders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

# Notes to the financial statements

Cont'd

## 2. Significant accounting policies (continued)

### (a) Basis of consolidation (continued)

#### (iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements

### (b) Foreign currency

#### (i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies are translated at exchange rates at the dates of the transactions except for those that are measured at fair value, which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statements.

#### (ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations in functional currencies other than RM, including goodwill and fair value adjustments, are translated to RM at exchange rates at the balance sheet date. The income and expenses of operations in functional currencies other than RM, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in translation reserve. On disposal of operations, accumulated translation differences are recognised in the consolidated income statement as part of the gain or loss on sale.

### (c) Property, plant and equipment

#### (i) Recognition and measurement

Items of property, plant and equipment are stated at cost less any accumulated depreciation.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour and, for qualifying assets, borrowing costs are capitalised in accordance with the Group's accounting policy. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" or "other expenses" respectively in the income statements.

#### (ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of those parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

# Notes to the financial statements

Cont'd

## 2. Significant accounting policies (continued)

### (c) Property, plant and equipment (continued)

#### (iii) Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	50 years
Plant and machinery	5 - 10 years
Motor vehicles, office equipment, furniture and fittings	3 - 10 years
Renovation and electrical installation	5 - 10 years

Depreciation methods, useful lives and residual values are reassessed at the balance sheet date.

### (d) Leased assets

#### (i) Finance lease

Leases in terms of which the Group or the Company assume substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

#### (ii) Operating lease

Leases where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases and the leased assets are not recognised on the Group's balance sheet.

Payments made under operating leases are recognised in the income statements on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

### (e) Intangible assets

#### (i) Goodwill

Goodwill arises on business combinations and is measured at cost less any accumulated impairment losses.

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in income statement.

#### (ii) Product formula

Product formula is stated at purchase cost less any accumulated amortisation and any accumulated impairment losses.

#### (iii) Amortisation

Goodwill with indefinite useful lives are tested for impairment annually and whenever there is an indication that they may be impaired.

Amortisation of product formula cost is charged to the income statements on a straightline basis over the estimated useful lives or 20 years, whichever is shorter.

# Notes to the financial statements

Cont'd

## 2. Significant accounting policies (continued)

### (f) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

### (g) Receivables

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Receivables are not held for the purpose of trading.

### (h) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

### (i) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

### (j) Impairment of assets

The carrying amounts of assets except for financial assets, inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill that has indefinite useful lives, the recoverable amount is estimated usually at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statements. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the income statements in the year in which the reversals are recognised.



# Notes to the financial statements

Cont'd

## 2. Significant accounting policies (continued)

### (k) Equity Instruments

All equity instruments are stated at cost on initial recognition and are not re-measured subsequently.

Incremental costs directly attributable to issue of equity instruments are recognised as a deduction from equity.

### (l) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statements except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (tax loss). Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and other similar incentives are treated as tax base of assets and are recognised as a reduction of tax expense as and when they are utilised.

### (m) Revenue recognition

#### (i) Goods sold

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of sales tax, returns and trade discounts. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management.

#### (ii) Dividend income

Dividend income is recognised when the right to receive payment is established.

### (n) Loans and borrowings

Loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statements over the period of the loans and borrowings using the effective interest method.

### (o) Interest income and borrowing costs

Interest income is recognised as it accrues, using the effective interest method.

All borrowing costs are recognised in the income statements using the effective interest method, in the period in which they are incurred.

# Notes to the financial statements

Cont'd

## 2. Significant accounting policies (continued)

### (p) Employee benefits

Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's contribution to statutory pension funds are charged to the income statements in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

### (q) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options.

### (r) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

## Notes to the financial statements

Cont'd

## 3. Property, plant and equipment

Group	Land and buildings RM	Plant and machinery RM	Motor vehicles, office equipment, furniture and fittings RM	Renovation and electrical installation RM	Construction -in-progress RM	Total RM
<b>At cost</b>						
At 1 March 2008	44,253,859	14,507,981	8,605,338	2,369,092	--	69,736,270
Additions	4,819,661	4,591,786	2,554,776	1,010,854	4,846,588	17,823,665
Disposals	--	--	(259,552)	(480)	--	(260,032)
At 28 February 2009/ 1 March 2009	49,073,520	19,099,767	10,900,562	3,379,466	4,846,588	87,299,903
Additions	5,444,520	2,064,599	3,794,463	806,992	1,058,500	13,169,074
Disposals	(1,980)	(8,375)	(472,923)	--	--	(483,278)
Transfer/Reclassification	4,900,388	--	109,900	(109,900)	(4,900,388)	--
Acquisition through business combination	--	--	125,557	--	--	125,557
Effect of movements in exchange rates	--	--	(11,740)	--	--	(11,740)
At 28 February 2010	59,416,448	21,155,991	14,445,819	4,076,558	1,004,700	100,099,516
<b>Accumulated depreciation</b>						
At 1 March 2008	477,125	2,927,966	4,633,824	832,847	--	8,871,762
Depreciation charge	484,625	2,125,932	1,545,628	267,037	--	4,423,222
Disposals	--	--	(123,243)	(4)	--	(123,247)
At 28 February 2009/ 1 March 2009	961,750	5,053,898	6,056,209	1,099,880	--	13,171,737
Depreciation charge	646,373	2,432,359	1,920,271	393,693	--	5,392,696
Disposals	(89)	(913)	(423,265)	--	--	(424,267)
Acquisition through business combination	--	--	29,268	--	--	29,268
Effect of movements in exchange rates	--	--	(3,313)	--	--	(3,313)
At 28 February 2010	1,608,034	7,485,344	7,579,170	1,493,573	--	18,166,121
<b>Carrying amounts</b>						
At 28 February 2010	57,808,414	13,670,647	6,866,649	2,582,985	1,004,700	81,933,395
At 28 February 2009	48,111,770	14,045,869	4,844,353	2,279,586	4,846,588	74,128,166

# Notes to the financial statements

Cont'd

## 3. Property, plant and equipment (continued)

Company	Motor vehicles, office equipment, furniture and fittings RM	Renovation and electrical installation RM	Total RM
<b>At cost</b>			
At 1 March 2008	140,788	115,808	256,596
Additions	349,491	--	349,491
Adjustment	--	(480)	(480)
At 28 February 2009/1 March 2009	490,279	115,328	605,607
Additions	1,552	--	1,552
At 28 February 2010	491,831	115,328	607,159
<b>Accumulated depreciation</b>			
At 1 March 2008	8,634	4,648	13,282
Depreciation charge	61,383	11,532	72,915
Adjustment	--	(4)	(4)
At 28 February 2009/1 March 2009	70,017	16,176	86,193
Depreciation charge	90,993	11,533	102,526
At 28 February 2010	161,010	27,709	188,719
<b>Carrying amounts</b>			
At 28 February 2010	330,821	87,619	418,440
At 28 February 2009	420,262	99,152	519,414

	Group	
	2010 RM	2009 RM
<b>Carrying amounts of land and buildings</b>		
Freehold land	23,287,791	22,097,391
Buildings	34,520,623	26,014,379
	57,808,414	48,111,770

### Security

Freehold land and building of the Group with a carrying amounts of RM3,622,493 (2009: RM4,989,483) is charged to a bank as security for term loans granted to the Group.

### Leased motor vehicles

Included in the property, plant and equipment of the Group are motor vehicles acquired under lease financing with carrying amounts of RM292,246 (2009: RM678,533). The leased motor vehicles secured lease obligation as stated in Note 12.

## Notes to the financial statements

Cont'd

## 4. Investments in subsidiaries

	Company	
	2010 RM	2009 RM
Unquoted shares		
At cost	47,390,344	45,000,014
Less: Impairment losses	(585,000)	--
	<u>46,805,344</u>	<u>45,000,014</u>

Details of subsidiaries are as follows:

Name of company	Principal activities	Place of incorporation	Effective ownership	interest
			2010 %	2009 %
Power Root (M) Sdn. Bhd.	Manufacture and distribution of beverage products	Malaysia	100	100
Power Root Marketing Sdn. Bhd.	Distribution of various beverage products	Malaysia	100	100
Power Root Manufacturing Sdn. Bhd.	Manufacture and distribution of beverage products	Malaysia	100	100
Power Root Nenergy Sdn. Bhd.	Manufacture and distribution of beverage products	Malaysia	100	100
PR Global Assets Limited	Dormant	British Virgin Island	100	100
Power Impian International Sdn. Bhd.	Distribution of health and beauty products	Malaysia	100	--
PT. Natbio Marketing Indonesia#	Distribution of various beverage products	Indonesia	100	--
Power Root (Shanghai) Food Trading Co.Ltd.#	Distribution of various beverage products	Republic of China	100	--
Synergy Distribution FZC#@	Distribution of various beverage products	United Arab Emirates	51	--

# Not audited by member firms of KPMG International.

@ The auditors' report of the subsidiary is modified with an emphasis of matter on the going concern basis of preparation.



# Notes to the financial statements

Cont'd

## 5. Intangible assets

Group	Goodwill RM	Product formula RM	Total RM
<b>At cost</b>			
At 1 March 2008/28 February 2009	4,829,585	304,480	5,134,065
At 1 March 2009	4,829,585	304,480	5,134,065
Additions	397,301	--	397,301
At 28 February 2010	5,226,886	304,480	5,531,366
<b>Accumulated amortisation</b>			
At 1 March 2008	--	115,685	115,685
Amortisation charge	--	15,205	15,205
At 28 February 2009/1 March 2009	--	130,890	130,890
Amortisation charge	--	15,205	15,205
At 28 February 2010	--	146,095	146,095
<b>Carrying amounts</b>			
At 28 February 2010	5,226,886	158,385	5,385,271
At 28 February 2009	4,829,585	173,590	5,003,175

### Impairment testing for goodwill

The goodwill arise from acquisition of two subsidiaries, Power Root Marketing Sdn. Bhd. and Synergy Distribution FZC.

The recoverable amount of the cash-generating unit is determined based on value in use and was determined by discounting the future cash flows generated from the continuing use of the unit and was based on the following key assumptions:

- Cash flows were projected based on actual operating results and the 5-year business plan.
- The subsidiaries will continue its operations indefinitely.
- The growth rate used does not exceed the long term average growth rate of the industry.
- The discount rates applied in determining the recoverable amount of the unit were derived based on the weighted average cost of capital of the Group.

The values assigned to the key assumptions represent management's assessment of future trends in the industry.

No impairment loss was required for goodwill assessed as the recoverable amount was higher than the carrying amount.

# Notes to the financial statements

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## 6. Deferred tax assets and liabilities

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relates to the same taxation authority. The following amounts, determined after appropriate offsetting, are as follows:

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Deferred tax assets	--	(1,105,303)	--	--
Deferred tax liabilities	734,407	--	13,000	20,000
	734,407	(1,105,303)	13,000	20,000

### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Property, plant and equipment				
- capital allowances	2,687,000	2,269,000	13,000	20,000
Trade receivables	(616,593)	--	--	--
Provision	(604,000)	(1,235,000)	--	--
Inventories	--	(123,303)	--	--
Unabsorbed capital allowances	--	(1,270,000)	--	--
Unutilised tax losses	(730,000)	(806,000)	--	--
Others	(2,000)	60,000	--	--
	734,407	(1,105,303)	13,000	20,000

Subject to agreement by the Inland Revenue Board, the Group has an unabsorbed reinvestment allowance and other similar incentives of RM5,352,000 (2009: RM6,202,000) and RM4,544,000 (2009: RM2,444,000) respectively to set off against future taxable profits.

### Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2010 RM	2009 RM
Taxable temporary differences	31,000	--
Unabsorbed capital allowances	(5,000)	--
Unutilised tax losses	(148,000)	--
	(122,000)	--

The unabsorbed capital allowances and unutilised tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits there from.

# Notes to the financial statements

Cont'd

## 7. Inventories

	Group	
	2010 RM	2009 RM
Raw materials	18,681,737	23,381,812
Finished goods	4,877,230	11,876,106
Promotional gifts	1,807,222	2,062,292
	<u>25,366,189</u>	<u>37,320,210</u>

## 8. Trade and other receivables

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Trade receivables	53,865,175	55,482,394	--	--
Less: Allowance for doubtful debts	(2,925,572)	(517,647)	--	--
	<u>50,939,603</u>	<u>54,964,747</u>	<u>--</u>	<u>--</u>
Other receivables, deposits and prepayments	2,221,607	1,388,776	166,471	58,892
Due from subsidiaries – non-trade	--	--	80,259,809	85,992,682
	<u>53,161,210</u>	<u>56,353,523</u>	<u>80,426,280</u>	<u>86,051,574</u>

The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment.

Significant receivables outstanding at year end that are not in the functional currencies of the Group entities are as follows:

	Group	
	2010 RM	2009 RM
US Dollar	6,291,160	6,445,024
Brunei Dollar	392,199	422,233
Singapore Dollar	<u>957,118</u>	<u>158,086</u>

## 9. Other investment

	Group/Company	
	2010 RM	2009 RM
<b>At cost</b>		
Quoted unit trust in Malaysia	1,175,605	--
Other investment	<u>245,918</u>	<u>--</u>
	<u>1,421,523</u>	<u>--</u>
<b>At market</b>		
Quoted shares in Malaysia	<u>1,171,717</u>	<u>--</u>

## Notes to the financial statements

Cont'd

## 10. Cash and cash equivalents

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Cash and bank balances	12,234,410	9,722,713	64,237	207,684
Deposits placed with licensed banks	39,997,919	37,462,373	37,956,534	35,500,000
	<u>52,232,329</u>	<u>47,185,086</u>	<u>38,020,771</u>	<u>35,707,684</u>

Included in the deposits placed with licensed banks of the Group is RM221,978 (2009: RM1,962,373) pledged for bank guarantee facilities granted to the Group.

Significant cash and cash equivalents at year end that are not in the functional currencies of the Group entities are as follows:

	Group	
	2010 RM	2009 RM
US Dollar	5,483,569	3,698,098
Singapore Dollar	407,511	--
EURO	<u>94,452</u>	<u>--</u>

## 11. Share capital and reserves

## Share capital

	Group/Company		Group/Company Number of ordinary shares	
	2010 RM	2009 RM	2010	2009
Ordinary shares of RM0.20 each:				
Authorised	<u>100,000,000</u>	<u>100,000,000</u>	<u>500,000,000</u>	<u>500,000,000</u>
Issued and fully paid	<u>60,000,000</u>	<u>60,000,000</u>	<u>300,000,000</u>	<u>300,000,000</u>

## Reserves

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
<b>Distributable</b>				
Retained earnings	31,792,993	33,612,273	6,893,539	7,108,106
<b>Non-distributable</b>				
Share premium	100,055,248	100,055,248	100,055,248	100,055,248
Exchange fluctuation	<u>22,251</u>	<u>--</u>	<u>--</u>	<u>--</u>
	<u>131,870,492</u>	<u>133,667,521</u>	<u>106,948,787</u>	<u>107,163,354</u>

The Finance Act, 2007 introduced the single tier income tax system with effect from year of assessment 2008. The Company has elected to adopt the single tier income tax system with effect from year of assessment 2008.

# Notes to the financial statements

Cont'd

## 12. Loans and borrowings

	Group	
	2010 RM	2009 RM
<b>Non-current</b>		
<b>Secured</b>		
Finance lease liabilities	129,752	339,867
Term loans	2,390,212	2,728,284
	2,519,964	3,068,151
<b>Current</b>		
<b>Secured</b>		
Finance lease liabilities	210,369	538,925
Term loans	379,470	326,965
<b>Unsecured</b>		
Bankers' acceptance	1,835,000	3,258,000
	2,424,839	4,123,890
	4,944,803	7,192,041

### Terms and debt repayment schedule

Group	Year of maturity	Carrying amount RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	Over 5 years RM
<b>2010</b>						
<b>Secured</b>						
Finance lease liabilities	2013	340,121	210,369	121,547	8,205	--
Term loans	2015 - 2018	2,769,682	379,470	403,451	1,300,148	686,613
<b>Unsecured</b>						
Bankers' acceptance	2011	1,835,000	1,835,000	--	--	--
		4,944,803	2,424,839	524,998	1,308,353	686,613
<b>2009</b>						
<b>Secured</b>						
Finance lease liabilities	2013	878,792	538,925	210,369	129,498	--
Term loans	2015 - 2019	3,055,249	326,965	350,022	1,177,700	1,200,562
<b>Unsecured</b>						
Bankers' acceptance	2010	3,258,000	3,258,000	--	--	--
		7,192,041	4,123,890	560,391	1,307,198	1,200,562

# Notes to the financial statements

Cont'd

## 12. Loans and borrowings (continued)

### Finance lease liabilities

Finance lease liabilities are payable as follows:

Group	2010			2009		
	Minimum lease payments RM	Interest RM	Principal RM	Minimum lease payments RM	Interest RM	Principal RM
Less than one year	222,843	12,474	210,369	572,376	33,451	538,925
Between one and five years	133,944	4,192	129,752	356,783	16,916	339,867
	356,787	16,666	340,121	929,159	50,367	878,792

### Security

Term loans are secured by way of legal charges over certain properties of the Group as disclosed in Note 3, certain fixed deposits of the Group as disclosed in Note 10 and joint and several guarantees of certain Directors.

### Significant covenants

The borrowings are subject to the fulfilment of the following significant covenants:

- (i) to maintain consolidated tangible net worth of not less than RM150 million; and
- (ii) to maintain group total bank borrowings to consolidated tangible net worth ratio of not more than 1.0 time.

## 13. Trade and other payables

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Trade payables	18,845,973	16,712,077	--	--
Other payables	2,392,086	--	38,102	--
Accrued expenses	6,521,319	8,049,324	251,477	90,914
	27,759,378	24,761,401	289,579	90,914

Significant payables that are not in the functional currencies of the Group entities are as follows:

	Group	
	2010 RM	2009 RM
US Dollar	4,739,718	3,101,791
Indonesian Rupiah	2,820,435	2,316,569
Singapore Dollar	812,580	466,093



# Notes to the financial statements

Cont'd

## 14. Profit before tax

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
<b>Profit before tax is arrived at after charging/(crediting)</b>				
Audit fees:				
- KPMG	101,000	90,000	25,000	22,000
- Other auditors	29,206	--	--	--
Allowance for doubtful debts	2,407,925	42,529	--	--
Impairment losses on investment in subsidiaries	--	--	585,000	--
Personnel expenses (including key management personnel):				
- Contributions to Employees Provident Fund	1,407,620	1,188,647	20,159	47,426
- Wages, salaries and others	15,522,930	13,661,090	179,190	444,918
Realised loss/(gain) on foreign exchange	742,068	(550,649)	--	--
Unrealised loss/(gain) on foreign exchange	8,152	(296,658)	(236)	--
Bad debts written off	--	3,929	--	--
Rental of premises	836,446	636,858	96,144	96,144
Rental of equipment	28,445	--	--	--
Reversal of stock written down	--	(640,000)	--	--
Gain on disposal of plant and equipment	(101,706)	(42,173)	--	--
Gain on disposal of investment	(11,344)	--	(11,344)	--
Interest income	(921,392)	(1,701,406)	(850,281)	(1,599,440)

### Key management personnel compensation

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. There are no key management personnel other than Directors.

Key management personnel compensation are as follows:

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Directors				
- Fees	216,000	205,500	168,000	159,500
- Remuneration	1,878,636	2,030,867	54,800	376,800
Other short term employee benefits (including estimated monetary value of benefits-in-kind)	170,041	157,198	23,101	7,850
Total short-term employee benefits	2,264,677	2,393,565	245,901	544,150

## Notes to the financial statements

Cont'd

**15. Tax expense/(income)**

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Tax expense				
- Current year	1,053,270	2,496,000	4,181,000	6,854,000
- (Over)/Under provided in prior year	(91,287)	(71,406)	17,313	10,941
	961,983	2,424,594	4,198,313	6,864,941
Deferred tax expense/(income)				
- Origination and reversal of temporary differences	642,710	(2,562,303)	(3,000)	8,000
- Under/(Over) provided in prior year	1,197,000	(254,000)	(4,000)	12,000
	1,839,710	(2,816,303)	(7,000)	20,000
	2,801,693	(391,709)	4,191,313	6,884,941
	RM'000	RM'000	RM'000	RM'000
<b>Reconciliation of effective tax expense/(income)</b>				
Profit before tax	12,982	9,367	15,977	27,263
Tax at Malaysian tax rate	3,246	2,342	3,994	6,816
Non-deductible expenses	1,107	347	201	46
Effect of lower tax rate	--	(25)	--	--
Tax incentives	(2,657)	(2,731)	(17)	--
	1,696	(67)	4,178	6,862
Under/(Over) provided in prior year	1,106	(325)	13	23
Tax expense/(income)	2,802	(392)	4,191	6,885

**16. Earning per ordinary share****Group****(a) Basic earnings per ordinary share**

The calculation of basic earnings per ordinary share at 28 February 2010 was based on the profit attributable to ordinary shareholders of RM10,180,720 (2009: RM9,758,820) and a weighted average number of ordinary shares outstanding of 300,000,000 (2009:300,000,000).

**(b) Diluted earnings per ordinary share**

There are no dilutive potential ordinary shares.

# Notes to the financial statements

Cont'd

## 17. Dividends

Dividends recognised in the current year by the Company are:

	Sen per share	Total amount RM	Date of payment
<b>2010</b>			
2009 - final dividend, single tier	2	6,000,000	28 August 2009
2010 - interim dividend, single tier	2	6,000,000	8 December 2009
		<u>12,000,000</u>	
<b>2009</b>			
2008 - final dividend, tax exempt	3	9,000,000	4 September 2008
- special dividend, tax exempt	1	3,000,000	4 September 2008
2009 - interim dividend, single tier	1	3,000,000	8 January 2009
		<u>15,000,000</u>	

After the balance sheet date the following dividend was proposed by the Directors. This dividend will be recognised in subsequent financial reports upon approval by the shareholders.

	Sen per share	Total amount RM
2010 - Final, single tier	2	6,000,000

## 18. Acquisition of subsidiaries

On 8 April 2009, the Group acquired all the shares in Synergy Distribution FZC for RM71,295, satisfied in cash. The company distributes beverage products. In the eleven months to 28 February 2010 the subsidiary contributed profit of RM13,901.

The acquisition had the following effect on the Group's assets and liabilities on acquisition date:

	2010 RM
Property, plant and equipment	96,289
Other receivables, deposits and prepayments	137,018
Cash and bank balances	47,097
Other payables and accruals	(529,582)
Loan and borrowing	<u>(76,828)</u>
Net identifiable assets and liabilities	(326,006)
Goodwill on acquisition	<u>397,301</u>
Consideration paid, satisfied in cash	71,295
Cash and cash equivalents acquired	<u>(47,097)</u>
Net cash flow	<u>24,198</u>

## 19. Segment reporting

The Group operates principally in Malaysia and in the manufacture and sale of beverage products. The Group's assets and liabilities are basically in Malaysia.

The Group's internal organisational groupings do not provide a basis for determining a reportable primary and secondary segment.

# Notes to the financial statements

Cont'd

## 19. Segment reporting (continued)

The Group's operation is divided into local and export market. The local market relates to sales to customers within Malaysia. The export market relates to sales to overseas customers with Middle East Asia being the principal market segment.

Revenue from sales to external customers by location of customers are as follows:

	2010 RM	2009 RM
Local	133,736,654	118,923,554
Export	19,370,558	9,222,687
	<u>153,107,212</u>	<u>138,146,241</u>

## 20. Capital commitments

	Group	
	2010 RM	2009 RM
<b>Property, plant and equipment</b>		
Contracted but not provided for	--	118,179

## 21. Contingent liabilities

	Company	
	2010 RM	2009 RM
Corporate guarantee given by the Company to banks for outstanding banking facilities of a subsidiary	1,835,000	3,258,000

## 22. Financial instruments

### Financial risk management objectives and policies

Exposure to credit, interest, currency and liquidity risk arises in the normal course of the Group's and the Company's business. The Group's and the Company's policies for managing the risks are summarised below:

#### Credit risk

Management monitors the exposure to credit risk on an on going basis. Credit evaluations are performed on customers requiring credit over a certain amount.

At balance sheet date, the Company has significant concentrations of credit risk arising from amounts due from twenty-one (2009: sixteen) major customers, representing 79% (2009:75%) of the Group's trade receivables. The maximum exposure to credit risk for the Group is represented by the carrying amount of each financial asset.

#### Interest rate risk

The Group's and Company's primary interest rate risk is related to interest-earning deposits placed with licensed banks and borrowings. There is no formal hedging policy with respect to interest rate exposure.

# Notes to the financial statements

Cont'd

## 22. Financial instruments (continued)

### Effective interest rate and repricing analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their average effective interest rates at the balance sheet date and the periods in which they mature, or if earlier, reprice.

Group 2010	Average effective interest rate %	Total RM	Within 1 year RM	1-2 years RM	2-3 years RM
<b>Fixed rate instruments</b>					
Fixed deposits with licensed banks	2.35	39,997,919	39,997,919	--	--
Finance lease liabilities - secured	3.03	(340,121)	(210,369)	(121,547)	(8,205)
Bankers' acceptance - unsecured	2.22	(1,835,000)	(1,835,000)	--	--
		<u>37,822,798</u>	<u>37,952,550</u>	<u>(121,547)</u>	<u>(8,205)</u>
<b>Floating rate instruments</b>					
Term loans - secured	6.12	(2,769,682)	(2,769,682)	--	--
<b>2009</b>					
<b>Fixed rate instruments</b>					
Fixed deposits with licensed banks	2.52	37,462,373	37,462,373	--	--
Finance lease liabilities - secured	3.25	(878,792)	(538,925)	(210,369)	(129,498)
Bankers' acceptance - unsecured	2.31	(3,258,000)	(3,258,000)	--	--
		<u>33,325,581</u>	<u>33,665,448</u>	<u>(210,369)</u>	<u>(129,498)</u>
<b>Floating rate instruments</b>					
Term loans - secured	6.46	(3,055,249)	(3,055,249)	--	--
<b>Company 2010</b>					
<b>Fixed rate instruments</b>					
Fixed deposits with licensed banks	2.31	37,956,534	37,956,534	--	--
<b>2009</b>					
<b>Fixed rate instruments</b>					
Fixed deposits with licensed banks	2.47	35,500,000	35,500,000	--	--

# Notes to the financial statements

Cont'd

## 22. Financial instruments (continued)

### Foreign currency risk

The Group and the Company incurs foreign currency risk on sales and purchases that are denominated in currency other than Ringgit Malaysia. The currency giving rises to this risk is primarily US Dollar, Singapore Dollar, Indonesian Rupiah and Brunei Dollar. Exposure to foreign currency is monitored on an ongoing basis where appropriate to minimise the risk.

### Liquidity risk

The Group and the Company monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's and the Company's operations and to mitigate the effects of fluctuations in cash flows.

### Fair values

Recognised financial instruments

The carrying amounts of financial assets and liabilities approximate their fair values due to the relatively short term nature of these financial instruments.

The Company provides financial guarantees to banks for credit facilities extended to certain subsidiaries. The fair value of such financial guarantees is not expected to be material as the possibility of the subsidiaries defaulting on the credit lines is remote.

The carrying amount of floating rate term loans approximates its fair value as its effective interest changes accordingly to movements in the market.

The finance lease liabilities approximates its fair value as there is no material changes in the interest charged on similar kind of borrowings in the market.

## 23. Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The significant related party transactions of the Company are as follows:

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
<b>Subsidiaries</b>				
Dividend income	--	--	16,000,000	26,000,000
Management fees	--	--	576,952	794,233
Fees paid to a firm in which an alternate Director of the Company is a partner	24,249	3,310	--	--
<b>Substantial shareholders/ Companies in which substantial shareholder has interest</b>				
Sales	546,123	500,675	--	--



# List of Properties

As at 28 February 2010

No.	Location/Postal address	Existing use	Tenure of land/ Age of building	Land area/ Built up area (sq feet)	Net book value (RM)
(i)	No. 8, Jalan Sri Plentong 5, Taman Perindustrian Sri Plentong, 81750 Masai, Johor Bahru, Johor on H.S.(D) 212191 P.T. No. 111289 in the Mukim of Plentong, District of Johor Bahru	Warehouse cum office	Freehold/ 12 years	41,801/ 22,466	1,794,153
(ii)	No. 2, Jalan Sri Plentong 5, Taman Perindustrian Sri Plentong, 81750 Masai, Johor Bahru, Johor on H.S.(D) 212188 P.T. No. 111286 in the Mukim of Plentong, District of Johor Bahru	Factory	Freehold/ 12 years	41,354/ 21,269	3,622,493
(iii)	No. 30, Jalan Tago 9, Taman Perindustrian Tago, 52200 Kuala Lumpur on H.S.(D) 24024 P.T. No. 30916 in the Mukim of Mukim Batu, District of Gombak	Warehouse cum office	Freehold/ 14 years	19,493/ 14,516	3,113,286
(iv)	No. 4, Jalan Sri Plentong 5, Taman Perindustrian Sri Plentong, 81750 Masai, Johor Bahru, Johor on H.S.(D) 212189 P.T. No. 111287 in the Mukim of Plentong, District of Johor Bahru	Warehouse cum office	Freehold/ 12 years	41,801/ 24,177	2,411,958
(v)	No. 1, Jalan Sri Plentong, Taman Perindustrian Sri Plentong, 81750 Masai, Johor.Bahru, Johor on H.S.(D) 212276-212285 P.T. No.111376-111385 in the Mukim of Plentong, District of Johor Bahru	Warehouse, factory cum office	Freehold/ 3 years	772,098/ 155,389	38,742,333
(vi)	No. 32, Jalan Tago 9, Taman Perindustrian Tago, 52200 Kuala Lumpur on H.S.(D) 36191 P.T. No. 30915 in the Mukim of Mukim Batu, District of Gombak	Warehouse cum office	Freehold/ 14 years	19,300/ 14,512	4,239,001
(vii)	No. 104, 104-01, 104-02, 106, 106-01 & 106-02, Jalan Molek 2/2, Taman Molek, 81100 Johor Bahru, Johor on H.S.(D) 420174-420175 P.T. No.185888-185889 in the Mukim of Plentong, District of Johor Bahru	Vacant	Freehold/ 3 years	5,587/ 17,122	3,885,190

# Analysis of Shareholdings

As At 21 May 2010

Authorised Share Capital : RM100,000,000 consisting of 500,000,000 ordinary share of RM0.20 each  
 Issued & Fully Paid Up Capital : RM60,000,000 consisting of 300,000,000 ordinary share of RM0.20 each

## Distribution Schedules of Equity

Category	No. of Holders	%	No. of Securities	%
1 - 99	4	0.33	160	0.00
100 - 1,000	311	25.98	220,950	0.07
1,001 - 10,000	517	43.19	2,897,900	0.97
10,001 - 100,000	281	23.49	9,630,800	3.21
100,001 to less than 5% of issued shares	80	6.68	88,048,000	29.35
5% and above of issued shares	4	0.33	199,202,190	66.40
<b>Total</b>	<b>1,197</b>	<b>100.00</b>	<b>300,000,000</b>	<b>100.00</b>

## List of Directors' Shareholdings

No.	Name of Directors	Shareholdings	%
1	Y. M. TENGKU SHAMSULBHARI BIN TENGKU AZMAN SHAH	-	-
2	LOW CHEE YEN	53,999,930	18.00
3	WONG FUEI BOON	53,999,930	18.00
4	HOW SAY SWEE	53,326,830	17.78
5	TAN SRI DATO' SRI ABDUL HALIL BIN ABD MUTALIF	-	-
6	ONG KHENG SWEE	-	-
7	TEA CHOO KENG	900,000	0.30
8	SARCHU BIN SAWAL	-	-
9	SEE THUAN PO	-	-

## List of Substantial Shareholders

No.	Name of Substantial Shareholders	Shareholdings	%
1	KOPERASI PERMODALAN FELDA BERHAD	60,088,900	20.03
2	LOW CHEE YEN	53,999,930	18.00
3	WONG FUEI BOON	53,999,930	18.00
4	HOW SAY SWEE	53,326,830	17.78

# Analysis of Shareholdings

Cont'd

As At 21 May 2010

## Category of Shareholders of Each Class

Category of Shareholders	No. Of Holders		No. Of Shares		Percentage (%)	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
1. Individuals	959	9	194,539,890	210,100	64.85	0.07
2. Body Corporate						
a. Banks / Finance Companies	6	-	14,601,700	-	4.87	-
b. Investment Trusts / Foundation / Charities	-	-	-	-	-	-
c. Other types of companies	23	-	66,642,900	-	22.21	-
3. Government Agencies / Institutions	1	-	10	-	0.00	-
4. Nominees	189	10	16,656,900	7,348,500	5.55	2.45
5. Others	-	-	-	-	-	-
<b>Total</b>	<b>1,178</b>	<b>19</b>	<b>292,441,400</b>	<b>7,558,600</b>	<b>97.48</b>	<b>2.52</b>

## List of Thirty (30) Largest Shareholders

No.	Names	Shareholdings	%
1	Koperasi Permodalan Felda Berhad	58,335,300	19.45
2	Low Chee Yen	47,004,430	15.67
3	How Say Swee	46,992,330	15.66
4	Wong Fuei Boon	46,870,130	15.62
5	Lembaga Tabung Haji	10,782,200	3.59
6	Wong Fuei Boon	7,129,800	2.38
7	Low Chee Yen	6,995,500	2.33
8	Alliancegroup Nominees (Tempatan) Sdn Bhd Pheim Asset Management Sdn Bhd For Employees Provident Fund	6,580,300	2.19
9	How Say Swee	6,334,500	2.11
10	HSBC Nominees (Asing) Sdn Bhd Exempt an for Credit Suisse (Sg Br-Tst-Asing)	3,259,500	1.09

# Analysis of Shareholdings

Cont'd

As At 21 May 2010

## List of Thirty (30) Largest Shareholders (continued)

No.	Names	Shareholdings	%
11	Wong Tak Keong	3,231,200	1.08
12	Ho Lih Meng	3,000,000	1.00
13	Cimsec Nominees (Tempatan) Sdn Bhd <i>CIMB for Mohamed Nizam bin Abdul Razak (PB)</i>	2,548,000	0.85
14	Chee Kim Lien	2,405,500	0.80
15	Sharon Voon Lee Peng	2,178,000	0.73
16	Amanahraya Trustees Berhad <i>Public Far-East Balanced Fund</i>	2,047,500	0.68
17	Syed Sirajuddin Putra Jamalullail	1,702,000	0.57
18	Amanahraya Trustees Berhad <i>Public Asia Ittikal Fund</i>	1,600,000	0.53
19	Bank Kerjasama Rakyat Malaysia Berhad <i>As Beneficial Owner</i>	1,518,000	0.51
20	HDM Nominees (Asing) Sdn Bhd <i>UOB Kay Hian Pte Ltd for Whang Tar Liang</i>	1,440,000	0.48
21	Bank Kerjasama Rakyat Malaysia Berhad	1,269,000	0.42
22	Cimsec Nominees (Asing) Sdn Bhd <i>Exempt an for CIMB-GK Securities Pte Ltd (Retail Clients)</i>	1,149,000	0.38
23	Low Kee Chai	1,079,200	0.36
24	HDM Nominees (Asing) Sdn Bhd <i>UOB Kay Hian Pte Ltd for Tan Boh Cheng @ Chen Mu-Hsien Iris</i>	1,000,000	0.33
25	See Seang Huat & Co Sdn Bhd	1,000,000	0.33
26	Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Ng Teck Yong (E-TSA)</i>	950,000	0.32
27	Tea Choo Keng	900,000	0.30
28	Liew Chee How	900,000	0.30
29	Lam Soon Strategic Sdn Bhd	888,000	0.30
30	Mersec Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Renitrans Sdn Bhd</i>	770,000	0.26

# Notice of Fourth Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Fourth Annual General Meeting of the Company will be held at **No 1, Jalan Sri Plentong, Taman Perindustrian Sri Plentong, 81750 Masai, Johor** on Monday, 26 July 2010 at 3.00 p.m. for the purpose of considering the following businesses:-

## AGENDA

### ORDINARY BUSINESSES:-

1. To receive the Audited Financial Report for the financial year ended 28 February 2010 together with the Reports of the Directors and the Auditors thereon. (Resolution 1)
2. To approve the declaration of a Single Tier Final Dividend of 2.0 sen per share for the financial year ended 28 February 2010. (Resolution 2)
3. To sanction payment of Directors' fees for the financial year ended 28 February 2010. (Resolution 3)
4. To re-elect the following Directors who retire pursuant to Article 121 of the Company's Articles of Association and being eligible, have offered themselves for re-election:
  - 4.1 How Say Swee (Resolution 4)
  - 4.2 Wong Fuei Boon (Resolution 5)
  - 4.3 Datuk Sarchu bin Sawal (Resolution 6)
5. To re-appoint Messrs KPMG as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. (Resolution 7)

### SPECIAL BUSINESS

To consider and, if thought fit, pass the following resolution:-

6. Ordinary Resolution – Authority To Issue Shares Pursuant To Section 132D of the Companies Act, 1965 (Resolution 8)

"THAT pursuant to Section 132D of the Companies Act, 1965 and subject always to the approval of the relevant authorities, the Directors be and are hereby empowered to issue shares in the capital of the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

# Notice of Fourth Annual General Meeting

## Cont'd

7. Special Resolution No. 1 – (Resolution 9)  
Proposed Change of Company's Name

"THAT the name of the Company be changed from "NATURAL BIO RESOURCES BERHAD" to "POWER ROOT BERHAD" effective from the date of the Certificate of Change of Name of the Company to be issued by the Companies Commission of Malaysia and that the Memorandum and Articles of Association of the Company be amended accordingly, wherever the name of the Company appears AND THAT the Directors and Company Secretary be and are hereby authorised to give effect to the Proposed Change of Company's Name with full power to assent to any condition, modification, variation and/or amendments (if any) as may be required by the relevant authorities."

8. Special Resolution No. 2 – (Resolution 10)  
Proposed Amendment to the Articles of Association of the Company

"THAT the existing Article 157 be amended as follows:

### Existing Article 157

Any dividend may be paid by cheque sent through the post to the registered address, as may appears in the Register of Members or the Record of Depositors, of the Member or person entitled thereto. Every such cheque shall be made payable to the order of the person to whom it is sent, and payment of the cheque shall be a good discharge to the Company of the dividend to which it relates.

### New Article 157

Any dividend may be paid by cheque sent through the post to the registered address or **by directly crediting the dividend entitlement into the members' bank accounts**, as may appears in the Register of Members or the Record of Depositors, of the Member or person entitled thereto. Every such cheque shall be made payable to the order of the person to whom it is sent, and payment of the cheque **or direct crediting to the members' bank accounts** shall be a good discharge to the Company of the dividend to which it relates. **Every such cheque or warrant shall be sent or directly credited at the risk of the person entitled to the money represented thereby. Where the members have provided to the Depository the relevant contact details for purposes of electronic notifications, the Company shall notify them electronically once the Company has paid the cash dividends out of its accounts.**

9. To transact any other business of which due notice has been given.



# Notice of Fourth Annual General Meeting

Cont'd

## NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

**NOTICE IS ALSO HEREBY GIVEN** that a Single Tier Final Dividend of 2.0 sen per share in respect of financial year ended 28 February 2010 will be payable on 30 August 2010 to depositors registered in the Record of Depositors at the close of business on 13 August 2010, if approved by shareholders at the forthcoming Fourth Annual General Meeting on Monday, 26 July 2010.

A Depositor shall qualify for entitlement to the dividend only in respect of:

- a. Shares transferred into the Depositor's Securities Account before 5.00 p.m. on 13 August 2010 in respect of ordinary transfer; and
- b. Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

**NATURAL BIO RESOURCES BERHAD**

**ROKIAH BINTI ABDUL LATIFF** (LS 0000194)

**NORIAH BINTI MD YUSOF** (LS 0009298)

Company Secretaries

Johor Bahru

Date : 30 June 2010

Notes:

- i. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company.
- ii. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting.
- iii. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
- iv. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- v. Where the Proxy Form is executed by a corporation, it must be either under its Common Seal or under the hand of an officer or attorney duly authorised.
- vi. The Proxy Form must be deposited at the Registered Office of the Company, located at 31-04, Level 31, Menara Landmark, Mail Box 172, No 12 Jalan Ngee Heng, 80000 Johor Bahru, not less than forty-eight (48) hours before the time set for the meeting or any adjournment thereof.

# Notice of Fourth Annual General Meeting

## Cont'd

### vii. Explanatory Notes to Special Business:

#### Ordinary Resolution:

##### Authority To Issue Shares Pursuant To Section 132D of the Companies Act, 1965

The Company wishes to renew the mandate on the authority to issue shares pursuant to Section 132D of the Companies Act, 1965 at the Fourth Annual General Meeting ("AGM") of the Company (hereinafter referred to as the "General Mandate").

The Company has been granted a general mandate by its shareholders at the Third AGM of the Company held on 27 July 2009 (hereinafter referred to as the "Previous Mandate").

The Previous Mandate granted by the shareholders had not been utilised and hence no proceeds were raised therefrom.

The purpose to seek the General Mandate is to enable the Directors of the Company to issue and allot shares at any time to such persons in their absolute discretion without convening a general meeting as it would be both time and cost-consuming to organise a general meeting.

This authority unless revoked or varied by the Company in the general meeting, will expire at the next Annual General Meeting. The proceeds raised from the General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.

All other information remains unchanged.

#### Special Resolution No. 1

The proposed Special Resolution No. 1 is to change the name of the Company to strengthen the link between the Company and its products which will enable the consumer to better identify the products with the Company.

#### Special Resolution No. 2

The proposed Special Resolution No. 2 is to amend the Company's Articles of Association in line with the amendments to the Listing Requirements of Bursa Malaysia Securities Berhad in relation to e-Dividend.

# Statement Accompanying the Notice of the Fourth Annual General Meeting

## **1. DIRECTORS WHO ARE SEEKING RE-ELECTION AT THE FOURTH ANNUAL GENERAL MEETING OF THE COMPANY**

The Directors retiring pursuant to Articles 121 of the Company's Articles of Association and seeking re-election are as follows:

- How Say Swee
- Wong Fui Boon
- Datuk Sarchu bin Sawal

## **2. FURTHER DETAILS OF DIRECTORS WHO ARE STANDING FOR RE-ELECTION**

Details of Directors who are standing for re-election are set out in the Directors' profile appearing on pages 6 to 10 of the Annual Report.

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# PROXY FORM

Number of Ordinary Shares Held

I/We.....  
(FULL NAME AND NRIC/PASSPORT NO)

of .....  
(FULL ADDRESS)

being a member of NATURAL BIO RESOURCES BERHAD hereby appoint.....  
.....  
(FULL NAME AND NRIC/PASSPORT NO)

of .....  
(FULL ADDRESS)

or failing him/her, the Chairman of the meeting as \*my/our proxy to attend and vote for \*me/us and on \*my/our behalf at the Fourth Annual General Meeting of the Company to be held at No 1, Jalan Sri Plentong, Taman Perindustrian Sri Plentong, 81750 Masai, Johor on Monday, 26 July 2010 at 3.00 p.m. or any adjournment thereof.

Mark either box if you wish to direct the proxy how to vote. If no mark is made the proxy may vote on the resolution or abstain from voting as the proxy thinks fit. If you appoint two proxies and wish them to vote differently this should be specified.

My/our proxy/proxies is/are to vote as indicated below:

No.	ORDINARY RESOLUTIONS	FOR	AGAINST
1.	To receive the Audited Financial Report for the financial year ended 28 February 2010 together with the Reports of the Directors and the Auditors thereon.		
2.	To approve the declaration of a Single Tier Final Dividend of 2.0 sen per share for the financial year ended 28 February 2010.		
3.	To sanction payment of Directors' fees for the financial year ended 28 February 2010.		
4.	To re-elect the Director, How Say Swee who retires pursuant to Article 121 of the Company's Articles of Association.		
5.	To re-elect the Director, Wong Fuei Boon who retires pursuant to Article 121 of the Company's Articles of Association.		
6.	To re-elect the Director, Datuk Sarchu bin Sawal who retires pursuant to Article 121 of the Company's Articles of Association.		
7.	To re-appoint Messrs KPMG as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.		
	SPECIAL BUSINESS		
	ORDINARY RESOLUTION – Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965		
8.	"THAT pursuant to Section 132D of the Companies Act, 1965 and subject always to the approval of the relevant authorities, the Directors be and are hereby empowered to issue shares in the capital of the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."		
	SPECIAL RESOLUTION No. 1 – Proposed Change of Company's Name		
9.	"THAT the name of the Company be changed from "NATURAL BIO RESOURCES BERHAD" to "POWER ROOT BERHAD" effective from the date of the Certificate of Change of Name of the Company to be issued by the Companies Commission of Malaysia and that the Memorandum and Articles of Association of the Company be amended accordingly, wherever the name of the Company appears AND THAT the Directors and Company Secretary be and are hereby authorised to give effect to the Proposed Change of Company's Name with full power to assent to any condition, modification, variation and/ or amendments (if any) as may be required by the relevant authorities."		
	SPECIAL RESOLUTION No. 2 – Proposed Amendment to the Articles of Association of the Company		
10.	Amendment to Article 157 of the Company's Articles of Association of the company in line with the amendments to the Listing Requirements of Bursa Malaysia Securities Berhad in relation to e-Dividend.		

\* Strike out whichever not applicable

Signed this ..... day of..... 2010

.....  
Signature of Member/Common Seal

FOLD THIS FLAP FOR SEALING

THEN FOLD HERE

AFFIX  
STAMP



The Company Secretary, 31-04, Level 31,  
Menara Landmark, Mail Box 172,  
No. 12, Jalan Ngee Heng, 80000 Johor Bahru,  
Malaysia.

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Notes:

- i. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company.
- ii. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting.
- iii. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
- iv. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- v. Where the Proxy Form is executed by a corporation, it must be either under its Common Seal or under the hand of an officer or attorney duly authorised.
- vi. The Proxy Form must be deposited at the Registered Office of the Company, located at 31-04, Level 31, Menara Landmark, Mail Box 172, No 12 Jalan Ngee Heng, 80000 Johor Bahru, not less than forty-eight (48) hours before the time set for the meeting or any adjournment thereof.
- vii. Explanatory Notes to Special Business:

Ordinary Resolution:

Authority To Issue Shares Pursuant To Section 132D of the Companies Act, 1965

The Company wishes to renew the mandate on the authority to issue shares pursuant to Section 132D of the Companies Act, 1965 at the Fourth Annual General Meeting ("AGM") of the Company (hereinafter referred to as the "General Mandate").

The Company has been granted a general mandate by its shareholders at the Third AGM of the Company held on 27 July 2009 (hereinafter referred to as the "Previous Mandate"). The Previous Mandate granted by the shareholders had not been utilised and hence no proceed was raised therefrom.

The purpose to seek the General Mandate is to enable the Directors of the Company to issue and allot shares at any time to such persons in their absolute discretion without convening a general meeting as it would be both time and cost-consuming to organise a general meeting.

This authority unless revoked or varied by the Company in the general meeting, will expire at the next Annual General Meeting. The proceeds raised from the General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.

All other information remains unchanged.

Special Resolution No. 1

The proposed Special Resolution No. 1 is to change the name of the Company to strengthen the link between the Company and its products which will enable the consumer to better identify the products with the Company.

Special Resolution No. 2

The proposed Special Resolution No. 2 is to amend the Company's Articles of Association in line with the amendments to the Listing Requirements of Bursa Malaysia Securities Berhad in relation to e-Dividend.