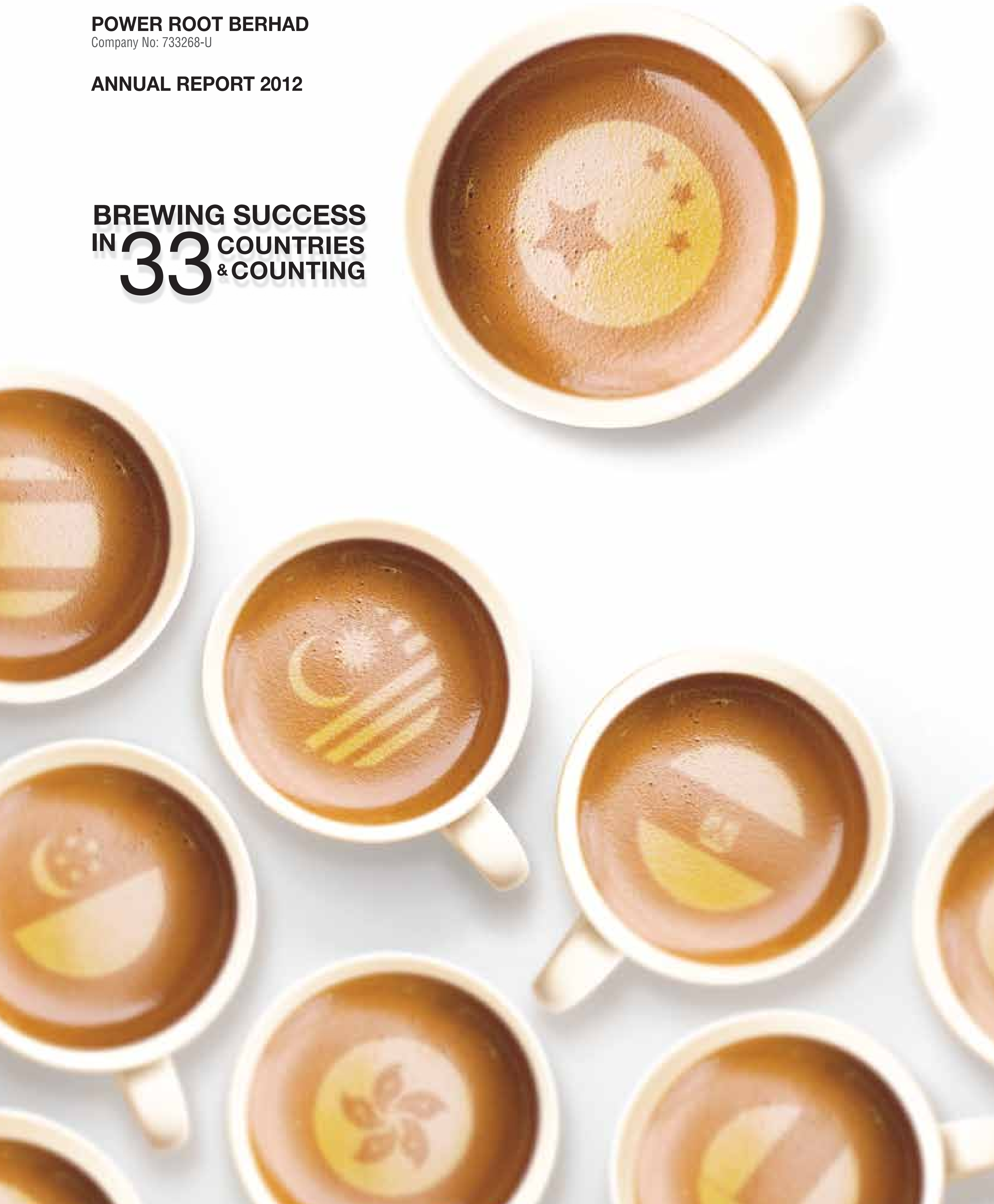
POWER ROOT BERHAD
Company No: 733268-U

ANNUAL REPORT 2012

# BREWING SUCCESS IN 33 COUNTRIES & COUNTING



# Contents Annual Report 2012

# Corporate Information

## BOARD OF DIRECTORS

**Y.M. Tengku Shamsulbhari bin Tengku Azman Shah,** SMK.
*Independent Non-Executive Chairman*

**Dato' Low Chee Yen**
*Managing Director*

**Dato' How Say Swee**
*Executive Director*

**Dato' 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*

**Dato' Tea Choo Keng**
*(Alternate Director to Y.M. Tengku Shamsulbhari bin Tengku Azman Shah, SMK.)*

## 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
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya, Selangor
Tel : 03 – 7849 0777
Fax : 03 – 7841 8151/8152

## 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

No. 30, Jalan Tago 9
Taman Perindustrian Tago,
52200 Kuala Lumpur
Website : 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
Standard Chartered Bank Berhad
United Overseas Bank (Malaysia) Berhad

## AUDITORS

KPMG (AF: 0758)
Level 14 Menara Ansar
No. 65, Jalan Trus
80000 Johor Bahru, Johor

## STOCK EXCHANGE LISTING

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

# Corporate Structure

Power Root Berhad

## Malaysian Companies

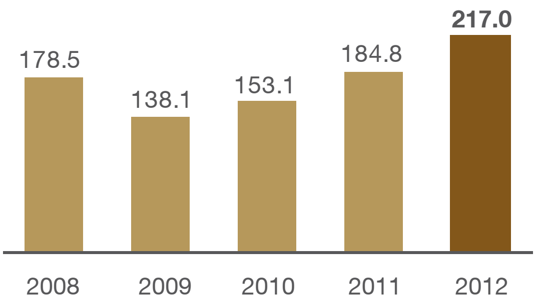
- Power Root (M) Sdn. Bhd. — 100%
- Power Root Marketing Sdn. Bhd. — 100%
- Power Root Manufacturing Sdn. Bhd. — 100%
- Power Root Nnergy Sdn. Bhd. — 100%
- Alicafe Sdn. Bhd. — 100%
- Power Root Distributor Sdn. Bhd. — 100%
- Power Impian International Sdn. Bhd. — 100%
  - Power Impian International Pte. Ltd. — 100%
  - PT. Power Impian International — 95%

## Overseas Companies

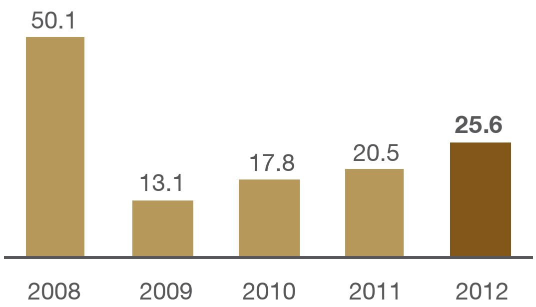
- Power Root (Shanghai) Food Trading Co., Ltd. — 100%
- Synergy Distribution FZC — 51%
- PR Global Assets Limited — 100%
- PT. Natbio Marketing Indonesia — 100%
- Power Root ME FZCO — 90%

# Financial Highlights

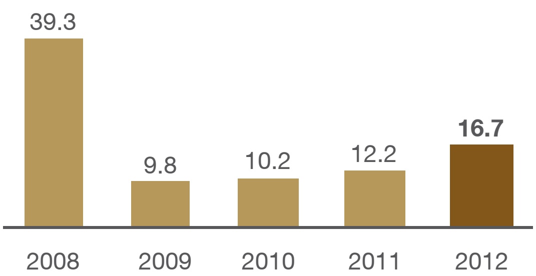
| | Financial year ended 28/29 February | | | | |
|---|---|---|---|---|---|
| | **2008** | **2009** | **2010** | **2011** | **2012** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Revenue** | 178,479 | 138,146 | 153,107 | 184,824 | 217,036 |
| **Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA")** | 50,135 | 13,092 | 17,764 | 20,475 | 25,645 |
| **Profit Before Taxation ("PBT")** | 47,977 | 9,367 | 12,982 | 14,821 | 19,373 |
| **Profit After Taxation ("PAT")** | 39,260 | 9,759 | 10,181 | 12,214 | 16,689 |
| **Earnings Per Share ("EPS") (sen)** | 13.80 | 3.25 | 3.39 | 4.07 | 5.44 |



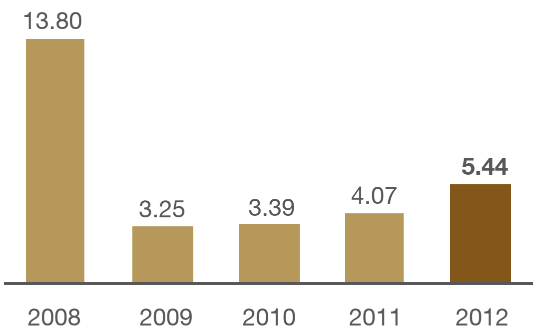

**Revenue**
(RM'million)




**EBITDA**
(RM'million)




**PAT**
(RM'million)




**EPS**
(sen)

# Directors' Profile

**Y.M. Tengku Shamsulbhari bin Tengku Azman Shah,** SMK.
*Independent Non-Executive Chairman*
*Malaysian, aged 54*

**Y.M. Tengku** was appointed as our Independent Non-Executive Chairman on 2 February 2007. 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 Malaysia, 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 29 February 2012.

**Dato' Low Chee Yen**
*Managing Director*
*Malaysian, aged 37*

**Dato' Low Chee Yen** 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 12 years of experience in the food and beverage industry. He started his career in direct marketing before venturing into his own business producing drink concentrates 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 Power Root Berhad with the other founding directors.

Dato' 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 29 February 2012.

**Dato' How Say Swee**
*Executive Director*
*Malaysian, aged 49*

**Dato' How Say Swee** 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 Power Root Berhad with the other founding members. He has been involved in the food retailing business for 20 years.

Dato' 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 3 out of 5 Board meetings held during the financial year ended 29 February 2012.

# Directors' Profile

*cont'd*

**Dato' Wong Fuei Boon**
*Executive Director*
*Malaysian, aged 46*

**Dato' Wong Fuei Boon** 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 Power Root Berhad. To further channel his efforts and time on our Group, he divested his mini-markets business in January 2006. He has 24 years of working experience in the sales of consumer products, out of which 12 years were in the food and beverage industry.

Dato' 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 3 out of 5 Board meetings held during the financial year ended 29 February 2012.

**See Thuan Po**
*Executive Director*
*Malaysian, aged 36*

**See Thuan Po** 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 placements 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 29 February 2012.

**Datuk Sarchu bin Sawal**
*Non-Independent Non-Executive Director*
*Malaysian, aged 63*

**Datuk Sarchu bin Sawal** 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. From 1997 to 2010, he served as the CEO of Koperasi Permodalan Felda Malaysia Berhad. He is currently the Chief Executive of KPF Holdings Sdn Bhd.

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 4 out of 5 Board meetings held during the financial year ended 29 February 2012.

# Directors' Profile
*cont'd*

**Ong Kheng Swee**
*Independent Non-Executive Director*
*Malaysian, aged 54*

**Ong Kheng Swee** was appointed as our Independent Non-Executive Director on 15 February 2008. He is also the Chairman of the Audit Committee, 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 Chartered Tax Institute of Malaysia. 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, minerals and glass. He is currently the Executive Director / CFO of an automotive components group of companies. He is also an Independent Non-Executive Director of Yi-Lai Berhad, a company listed on the Main Market of Bursa 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 29 February 2012.

**Dato' Tea Choo Keng**
*Alternate Director of Y.M. Tengku Shamsulbhari bin Tengku Azman Shah, SMK.*
*Malaysian, aged 44*

**Dato' Tea Choo Keng** 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 pratice 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.

Dato' 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 5 out of 5 Board meetings held during the financial year ended 29 February 2012.

# Significant Events



# Significant Events
*cont'd*





## POWER ROOT CONSUMER GROUND ACTIVITIES

Throughout the financial year, we have actively organised and participated in numerous ground events with the objective of promoting our products and increasing our reach. We believe that through such events, the bonding and understanding of our customers' needs can be enhanced, thus enabling us to provide better products and serve our consumers better.

## SMART KIDS

In April 2011, we participated in the Smart Kids Exhibition at Putra World Trade Centre, Kuala Lumpur organised by Expomal International Sdn Bhd in collaboration with the Ministry of Education. At this exhibition, our Oligo chocolate malt drink enriched with DHA, EPA and Oligofructose was a favourite and was well received by the participants of the exhibition.



# Significant Events
*cont'd*

## DIRECT SELLING BUSINESS – POWER IMPIAN INTERNATIONAL SDN BHD



Power Impian International Sdn Bhd ("Power Impian"), the Group's direct selling arm completed its 2nd year of operation and over the financial period, four (4) products were added. The new products launched comprised of "Nutrimeal" (a meal supplement), "1-2-XLIM" (coffee with slimming properties), "Probiotic 10B" (a fiber based drink) and "Semcell" (a health drink fortified with apple stem cell ingredients).

Several initiatives were carried out to develop and motivate its associates namely the "NEW CELL, NEW LIFE LOHAS CAMP" which was held at the end of 2011 at Bukit Tinggi. Further to that, Power Impian expanded its direct selling business to Indonesia in November 2011. The official launch was initiated at the Indonesian Head Quarters located in Podomoro City, Central Park, Jakarta.


## CONSUMER CONTESTS

In February 2012, the Group launched two (2) separate consumer contests namely the "Drink & Win Contest" and the "Power Football Live In Poland Contest".

The "Drink & Win Contest", an eco-friendly themed contest offered one hundred and fifty one (151) eco-friendly prizes which included an electronic powered Honda Hybrid car. Participating products for this contest comprise of the Alicafe Tongkat Ali range and Per'l Café Kacip Fatimah range. The contest was carried out over the period of 1 March 2012 to 31 May 2012.

As co-broadcast sponsors of the EURO 2012 live telecast in Malaysia, we have also launched the "Power Football Live In Poland Contest" for our consumers and football fans. Four (4) holiday packages to tour Poland and experience the EURO 2012 in Warsaw were up for grabs. In addition to that, we also gave away twenty (20) Samsung Galaxy smart phones and ten (10) limited edition football jerseys, autographed by well-known footballers. The contest was carried out over the period of 1 April 2012 to 30 June 2012 and participants were only required to send in one (1) ring tab of any Power Root can drinks.

# Significant Events
*cont'd*

## SPONSORSHIP OF EURO 2012 LIVE BROADCAST IN MALAYSIA

As we did in 2008 for European Cup, we co-sponsored the live broadcast of the EURO 2012 in Malaysia. Other than having the honour and joy of bringing football action to the homes of Malaysians, we believe that the sponsorship will propel our branding efforts locally.


## EXPORT ACTIVITIES

The Power Root Group has come a long way in building and developing its export markets. From just 2 countries in 2006, we have laboured over the last 5-6 years and have placed our products directly in 33 countries. To name a few, our products can be found in Gulf Confederation Countries, Egypt, South Africa, Indonesia, Singapore, Korea, the Republic of China, Taiwan, Thailand, Brunei, Turkmenistan and Algeria. From export sales of RM1.7 million in 2006, we have grown our export sales to approximately RM46.2 million. Together with our partners, we intend to strive to increase our presence and reach with the view of achieving sustainable growth.



# Corporate Social Responsibility


# Corporate Social Responsibility
*cont'd*

Power Root Berhad considers Corporate Social Responsibility (CSR) as part of our continuing process of building long-term value. An effective CSR policy helps us to distinguish ourselves as well as improve the quality of life for the community and society at large. We pride ourselves in fostering partnerships that support both social and economic development of the surrounding communities, and we continuously strive to align community development efforts with corporate strategy while maintaining long-standing relationships that benefit Malaysians nationwide.

At the heart of our corporate philanthropy is the well-being of children: our aim is to improve lives of families, particularly with young children, and make lasting changes to those in need. We believe that it is important to share our resources with notable charitable organisations that do important work in our communities. We also support local schools in their efforts to provide a healthy balance to students in terms of their educational, welfare and developmental needs.

Our CSR initiatives took on a pair of fresh new wings in 2011 when we collaborated with Project MADE, a non-profit charity organisation (NGO) dedicated to making a difference to the poor and underprivileged communities nationwide regardless of ethnicity, religion, political and cultural background.

Lead by Puan Hajjah Ainie Sahnam, the Principal Coordinator of Project MADE, the organisation has blazed many trails and braved all odds in locating, identifying, and pooling resources together from corporate sponsors, sister NGOs and individual donors to contribute food and essential items such as school supplies to the needy families in rural areas. These noble efforts mainly take the form of "feeding programmes" where Project MADE's entourage would go into villages, estates and areas otherwise forsaken and seek out families in need.

Power Root Berhad is proud to announce that it has partaken in four of the programmes organised by Project MADE between since October 2011. The programmes in which Power Root Berhad participated together with Project MADE are:

**The Light of Cheer 2011:**
**Deepavali Feeding Programme Kuala Selangor – 24th October 2011**

Volunteers from Power Root Berhad's CSR Committee tagged along with Project MADE's Principal Coordinator, Puan Hajjah Ainie Sahnam, and a team of feeders consisting of the organisation's sponsors, donors, contributors and supporters into estates, villages and rural housing areas in Kuala Selangor, Tanjong Karang, Batang Berjuntai and Ijok to visit needy families for "The Light of Cheer 2011: Deepavali Feeding Programme with Project MADE". Power Root Berhad contributed goodie bags consisting of Alicafe, Alitea and Oligo instant beverages to each of the families visited.

# Corporate Social Responsibility
*cont'd*

**Project MADE Kidz Year-End Party, Mentakab – 12th November 2011**
The Group participated in Project MADE's Year End Party for Project MADE Kidz in Mentakab where approximately a hundred children from the vicinity were invited. Project MADE also distributed school uniforms, bags, socks and shoes for 70 school-going children under its "Back to School Programme 2012". These children came from SMK Jln. Kuantan, Temerloh; SMK Tmn. KSM Mentakab; SRK Kuala Krau; SJKT Mentakab; SJKT Karak; and Hua Lian School, Jln. Karak, Mentakab.

**Chinese New Year Feeding Programme, Klang – 15th January 2012**
Power Root Berhad was one of two corporate sponsors of this programme, which was jointly-organised by Project MADE and its sister NGO, 1 Month 1 Charity. Under this program a total of 21 families celebrating Chinese New Year were given food parcels, including a Dry Food Bag containing sundries and Power Root products.

The 21 families came from the students of SJK (Cina) Hin Hua, Jalan Batu Nilam, Klang. Food packages were also distributed to two other charity homes in Klang namely Yayasan Kasih Sayang, YWCA Klang, a home for the mentally-challenged and Good Samaritan Home, a home for abandoned children and orphans.

**Power Root Staff Clothes Run Campaign February – March 2012**
The aim of this Pre-Loved Clothes Collection Campaign was to collect as many items of used clothing from Power Root staff based at the JB headquarters and KL offices to be given to Project MADE in aid of charity. The campaign was run by the Power Root CSR Committee from 13th February – 12th March 2012. Adult clothes, children's wear, babies' wear, school uniforms, shoes, handbags, and other types of used apparel were collected.

**Solar Light Bars To Temiar Ethnic Group – February 2012**
The Group also contributed 100 units of mini solar light bars to the children from the rural community of the Temiar ethnic group (part of larger Orang Asli in Malaysia) located 2 hours away from Gua Musang. Due to the lack of development in this rural area, the inhabitants suffer from inadequate lighting during the night. With these 100 units of mini solar light bars, we believe that this will help the children's cause to pursue their studies better as well as provide the families a source of inexpensive renewable light source.

# Corporate Social Responsibility
*cont'd*

**Partnership with SRJK Puay Chai 2**









# Corporate Social Responsibility
*cont'd*





**SRJK Puay Chai 2**

As part of the Power Root Berhad CSR programme, we have been partnering with SRJK Puay Chai 2 to support the school's endeavours in promoting a balance between academic excellence and personal well-being amongst its students since 2009. Power Root Berhad's CSR activities with the school over the financial year ended 2012 included monetary contribution to the education fund as well as sponsorship in kind during the school events.

# Corporate Social Responsibility
*cont'd*





### Sporting Activities

In the spirit of sportsmanship and to promote a healthy lifestyle in association with its products, Power Root Berhad participated in organising and sponsoring four major community sports events over the financial year ended 29 February 2012.

On January 2011, Power Root organised an event - **"9 Sport Futsal Championship 2011"** at Klang Valley and Johor Bahru in conjunction with the promotion of our new product, 9 Spot Isotonic drinks.

At the **IOI Community Run, at Puteri Avenue, Bandar Puteri, Puchong on 20th November 2011** we offered our drinks to the runners and the public at large who attended the Run, to promote our Oligo product and to create brand awareness of the new Oligo 1kg pack, as well as enhance Power Root's branding.

We also collaborated with Universiti Sains Malaysia (USM) in the **USM Charity Walk, Youth Park, Penang on 26th March 2011** to promote 9-Spot (our Isotonic drink) in conjunction with USM's "Healthy Lifestyle Campaign 2011".

Besides, we are one of the sponsors for **FELDA United Football Club** over 3 years since 2009.

# Chairman's Statement

## Dear shareholders,

On behalf of the Board of Directors, I am pleased to present to you the Annual Report of Power Root Berhad for the financial year ended 29 February 2012.

# Chairman's Statement
*cont'd*

## FINANCIAL PERFORMANCE

For the financial year ended 29 February 2012 ("FYE 2012"), the Group recorded a revenue of RM217.0 million, an increase of approximately 17.4% from the revenue of RM184.8 million recorded in financial year ended 28 February 2011. This increase stemmed from the improved businesses arising from both the domestic and export markets. The noteworthy increase recorded from the export markets was approximately 54.8%, from RM29.8 million in FYE 2011 to RM46.2 million in FYE 2012, The Group recorded a Profit After Tax ("PAT") of approximately RM16.7 million (RM12.2 million – FYE 2011), representing an increase of 36.6% when compared to the PAT recorded for the FYE 2011.

## DIVIDENDS

On 8 December 2011, 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 2.5 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 2012 would be 4.5 sen per share amounting to RM13.5 million, representing a dividend payout ratio of approximately 82.7% of PAT and a net dividend yield of more than 8.7% (based on a share price of 52 sen).

## PRODUCT AND MARKET DEVELOPMENTS

Up to FYE 2012, the Group has successfully export its products and penetrated into thirty three (33) countries, including the United Arab Emirates ("UAE"), the Kingdom of Saudi Arabia, Kuwait, Yemen, Egypt, Sudan, Singapore, Brunei, South Korea, China and Thailand. In 2006, the Group only exported its products to two (2) countries being Brunei and the UAE. We have laboriously invested our time and effort to develop the export markets with the view of replicating the success experienced in Malaysia. Going forward, the Group will continue to build on these existing platforms and further expand its reach to new markets.

In March 2011, we added additional variants to our Oligo brand, our chocolate malt product in different packaging sizes of 1kg and 400g due to good response from the market.

Power Impian International Sdn. Bhd. ("Power Impian"), the Group's direct selling business division started operations in Indonesia at the last quarter of the year 2011. Initiatives were also carried out to increase its distributor network and products range. In FYE 2012, we launched four (4) new functional food and beverage products namely "Nutrimeal" (a meal supplement), "1-2-XLIM" (coffee with slimming properties), "Probiotic 10B" (a fiber based drink) and "Semcell" (a health drink fortified with apple stem cell ingredients).

# Chairman's Statement

*cont'd*

## OPERATIONAL REVIEW

During the FYE 2012, the Group continued to reap the benefits of the computerised Distributor Management System ("DMS") implemented since year 2010. The DMS has improved our procurement management, inventory management as well as production planning and these efficiencies have enabled us to strengthen and optimise our supply chain network.

Further to that, to strengthen our distribution network around the Klang Valley, we incorporated a wholly-owned subsidiary company, Power Root Distributor Sdn Bhd ("PR Distributor") in April 2011. PR Distributor's focus is to increase the Group's product reach to the smaller distributors and retail outlets within the Klang Valley. With PR Distributor, our distribution network has expanded and our products are now more easily available to consumers in the Klang Valley.

During the year, we have been working aggressively to further improve our production efficiencies through modifications of our production lines. We have also embarked on increasing our warehousing space by 50,000 square feet of which ground works have commenced at the end of FYE 2012. This additional warehousing space is expected to be ready by third quarter of 2012.

## INDUSTRY OUTLOOK

In general, the Group believes that consumers have become more cautious and selective in their spending as a result of the rise in cost of living and the increase in choices of products respectively. Further to that, the uncertainties in the global economy may have negative implications to the economies of the countries that we operate in. In view of this, we believe that it is pertinent that we stay relevant and maintain our competitiveness through sustained efforts in developing our products, markets, improve in our operational efficiency, enhance our brand presence and invest in our human resources.

## APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my appreciation to our shareholders as well as other stakeholders for their continuous support and confidence given to us. I would also like to thank the management and staff for their contribution and loyalty in building the Group's business.

Finally, I would like to thank my Board of Directors for their counsel and advise throughout the year.

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

# Corporate Governance Statement

The Board of Directors ("Board") of Power Root Berhad ("Power Root" 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 seven (7) members of whom four (4) are Executive Directors, two (2) 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 Group Managing Director. The Chairman is primarily responsible for the effective and efficient conduct and working of the Board whilst the Group 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 5 to 7 of this Annual Report.

**Board Meetings**

During the financial year ended 29 February 2012, the Board met five (5) times and the attendances of the directors are as follows:

| Name of Directors | Designation | No. of Meeting Attended |
|---|---|---|
| Y.M. Tengku Shamsulbhari bin Tengku Azman Shah, SMK. | *Chairman, Independent Non-Executive Director* | 5/5 |
| Dato' Tea Choo Keng | *Alternate Director to Y.M. Tengku Shamsulbhari bin Tengku Azman Shah, SMK.* | 5/5 |
| Dato' Low Chee Yen | *Managing Director* | 5/5 |
| Dato' Wong Fuei Boon | *Executive Director* | 3/5 |
| Dato' How Say Swee | *Executive Director* | 3/5 |

# Corporate Governance Statement
*cont'd*

**BOARD OF DIRECTORS** *cont'd*

**Board Meetings** *cont'd*

| Name of Directors | Designation | No. of Meeting Attended |
|---|---|---|
| Datuk Sarchu bin Sawal | *Non-Independent Non-Executive Director* | 4/5 |
| 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.

**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.

# Corporate Governance Statement
*cont'd*

**BOARD OF DIRECTORS** *cont'd*

**Appointments to the Board** *cont'd*

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. (Chairman, Independent Non-Executive Director)

***Members***

Dato' Low Chee Yen (Managing Director)
Ong Kheng Swee (Independent Non-Executive Director)

The Nomination Committee met twice during the financial year with attendance by all members of the Committee.

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 or the number nearest one third if their number is not three or multiple of three, 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. In addition, each Director shall retire once in every three (3) years but shall be eligible for re-election.

**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 and briefings conducted by regulatory bodies or professional organizations:

| Name of Directors | Seminars and briefings attended |
|---|---|
| Y.M. Tengku Shamsulbhari bin Tengku Azman Shah, SMK. | Economic Transformation Programme |
| Dato' Low Chee Yen | Economic Transformation Programme |
| Dato' Wong Fuei Boon | Economic Transformation Programme |
| Dato' How Say Swee | Economic Transformation Programme |
| Datuk Sarchu bin Sawal | 3rd Annual Corporate Governance Summit 2011 and 8th Kuala Lumpur International Islamic Finance Forum |
| See Thuan Po | Economic Transformation Programme |
| Ong Kheng Swee | The Expanded Governance Role of The Audit Committee, and Recent Changes to The Financial Reporting Standards |
| Dato' Tea Choo Keng | Key Amendments to Listing Requirements 2011 and Corporate Governance Blueprint 2011 |

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.

# Corporate Governance Statement
*cont'd*

**BOARD OF DIRECTORS** *cont'd*

**Director's Remuneration** *cont'd*

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***

Dato' Low Chee Yen (Managing Director)
Ong Kheng Swee (Independent Non-Executive Director)

The Remuneration Committee met once during the financial year with attendance by all members of the Committee.

Details of Directors' Remuneration for the financial year ended 29 February 2012 are as follow:-

(a) Aggregate remuneration of Directors is as follows:

| Categories of remuneration | Executive Directors (RM'000) | Non- Executive Directors (RM'000) |
|---|---|---|
| Basic Salary, Allowance, EPF & SOCSO | 2,561 | - |
| Fees | - | 180 |
| Others | 186 | - |
| Total | 2,747 | 180 |

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

| Directors' remuneration | Executive Directors | Non- Executive Directors |
|---|---|---|
| RM50,000 and below | - | 1 |
| RM50,001 to RM100,000 | - | 3 |
| RM500,001 to RM550,000 | 2 | - |
| RM550,001 to RM600,000 | 1 | - |
| RM1,050,001 to RM1,100,000 | 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.

**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.

# Corporate Governance Statement
*cont'd*

**SHAREHOLDERS AND INVESTORS** *cont'd*

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.

**ADDITIONAL COMPLIANCE INFOMATION**

**Utilisation of Proceeds**

Apart from the gross proceeds of RM120.82 million raised from the public issue during initial public offering which were fully utilized in accordance to the intended purposes as per the prospectus, there was no other public issue where proceeds were raised from the public.

**Share Buybacks**

There were no share buybacks transactions involved in the financial year ended 29 February 2012.

**Options, Warrants or Convertible Securities Exercised**

There were no outstanding warrants or convertible securities pending exercise during the financial year ended 29 February 2012.

**American Depository Receipt ("ADR") or Global Depository Receipt ("GDR")**

The Company has not sponsored any ADR or GDR programme for the financial year ended 29 February 2012.

**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.

**Non-Audit Fees**

During the financial year ended 29 February 2012, the non-audit fee incurred for services rendered by external auditors to the Group amounted to RM10,000.

# Corporate Governance Statement
*cont'd*

**ADDITIONAL COMPLIANCE INFOMATION** *cont'd*

**Variation of Results**

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

The audited financial results for the financial year ended 29 February 2012 does not differ by 10% or more from unaudited full year's results previously announced on 25 April 2012 on Bursa Malaysia Securities Berhad.

**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.

**Employee Share Scheme**

During the financial year ended 29 February 2012, there was one (1) Employees' Share Option Scheme ("ESOS") which was approved by the Company's shareholders at an extraordinary general meeting held on 24 April 2008.

The maximum number of ESOS Shares to be offered and allotted to eligible Directors and employees of the Group under the ESOS shall not exceed in aggregate ten percent (10%) of the issued and paid-up 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 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 ESOS 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 ESOS 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.

There was no share option granted in respect of the ESOS to any director and employee of the Group during the financial year ended 29 February 2012 and since the commencement of ESOS.

**Recurrent Related Party Transaction**

There were no recurrent related party transactions involved in the financial year ended 29 February 2012.

**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. *(Chairman, Independent Non-Executive Director)*
Datuk Sarchu bin Sawal *(Non-Independent Non-Executive Director)*

## B. TERMS OF REFERENCE

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

## C. MEETINGS

During the financial year, the Audit Committee held five (5) meetings. Details of each member's meeting attendances are as follows:-

| Name of Member | No. of Meetings Attended |
|---|---|
| Ong Kheng Swee | 5/5 |
| Y.M. Tengku Shamsulbhari bin Tengku Azman Shah, SMK. | 5/5 |
| Datuk Sarchu bin Sawal | 4/5 |

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

Executive Directors, Chief Financial Officer, Corporate Finance Manager, external auditors and internal 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 16 to the financial statements;

5. Reviewed the external auditors' scope of work and audit plan for the financial year ended 29 February 2012;

6. Met with the external auditors without the presence of the executive management during the financial year ended 29 February 2012 in order for Audit Committee and the external auditors to freely exchange observations and opinion between both parties;

# Audit Committee Report
*cont'd*

**D. SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR** *cont'd*

7. Reviewed the independence and objectivity of the external auditors and the services provided, including non-audit services;

8. 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;

9. Reviewed related party transactions entered into by the Group and ensured all transactions are at arms length's basis; and

10. 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 RM57,163.

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. ALLOCATION OF OPTIONS OR SHARES PURSUANT TO A SHARE ISSUANCE SCHEME**

There was no allocation of options or share pursuant to a share issuance scheme during the financial year ended 29 February 2012.

**G. 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*

## G. TERMS OF REFERENCE OF THE AUDIT COMMITTEE *cont'd*

**Composition** *cont'd*

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*

**G. TERMS OF REFERENCE OF THE AUDIT COMMITTEE** *cont'd*

**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 29 February 2012.

## 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.

In view of the changes in the external and internal operating environment coupled with business expansion programs undertaken since previous Enterprise Risk Management exercise, the Group undertook an exercise to update its Group's key risk profile by all operating business units in order for the Group to effectively manage its contemporary key business risks faced, taking into account key business risks emerged from the changes in the external and internal operating environment and business expansion undertaken since previous Enterprise Risk Management exercise. The updated Group's key risk profile was presented to the Audit Committee by the management with the assistance of risk facilitator during the financial year ended 29 February 2012.

## 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.

# Statement on Internal Control

*cont'd*

## 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.

## 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

# Directors' Report

For the year ended 29 February 2012

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 29 February 2012.

**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 attributable to: | | |
| Owners of the Company | 16,313,394 | 11,736,834 |
| Non-controlling interests | 375,889 | - |
| | 16,689,283 | 11,736,834 |

**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 2011 on 26 August 2011; and

ii) an interim single tier dividend of 2 sen per ordinary share totalling RM6,000,000 in respect of the year ended 29 February 2012 on 8 December 2011.

The final dividend recommended by Directors in respect of the year ended 29 February 2012 is 2.5 sen single tier dividend per ordinary share totalling RM7,500,000.

**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. | Dato' Tea Choo Keng |
| Dato' Low Chee Yen | |
| Dato' How Say Swee | |
| Dato' Wong Fuei Boon | |
| Mr. See Thuan Po | |
| Datuk Sarchu bin Sawal | |
| Mr. Ong Kheng Swee | |

# Directors' Report

For the year ended 29 February 2012
*cont'd*

**DIRECTORS' INTEREST IN SHARES**

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial 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:

| | | Number of ordinary shares of RM0.20 each | | | |
|---|---|---|---|---|---|
| **Name of Directors** | **Interest** | **At 1 March 2011** | **Bought** | **Sold** | **At 29 February 2012** |
| ***Company*** | | | | | |
| Dato' Low Chee Yen | Direct | 53,999,930 | - | - | 53,999,930 |
| Dato' How Say Swee | Direct | 53,999,930 | - | - | 53,999,930 |
| Dato' Wong Fuei Boon | Direct | 53,999,930 | - | - | 53,999,930 |
| Dato' Tea Choo Keng | Direct | 870,000 | - | - | 870,000 |
| | | **Number of ordinary shares of USD1.00 each** | | | |
| **Subsidiaries** | | | | | |
| ***- PT. Natbio Marketing Indonesia*** | | | | | |
| Dato' Low Chee Yen | Direct | 1,000* | - | - | 1,000* |
| | | **Number of ordinary shares of AED1,000.00 each** | | | |
| ***- Synergy Distribution FZC*** | | | | | |
| Dato' Low Chee Yen | Deemed | 77 | - | - | 77 |
| Dato' How Say Swee | Deemed | 77 | - | - | 77 |
| Dato' Wong Fuei Boon | Deemed | 77 | - | - | 77 |
| | | **Number of ordinary shares of AED100,000.00 each** | | | |
| ***- Power Root ME FZCO*** | | | | | |
| Dato' Low Chee Yen | Deemed | - | 9 | - | 9 |
| Dato' How Say Swee | Deemed | - | 9 | - | 9 |
| Dato' Wong Fuei Boon | Deemed | - | 9 | - | 9 |
| | | **Number of ordinary shares of IDR10,000.00 each** | | | |
| ***- PT. Power Impian International*** | | | | | |
| Dato' Low Chee Yen | Deemed | 950,000 | - | - | 950,000 |
| Dato' How Say Swee | Deemed | 950,000 | - | - | 950,000 |
| Dato' Wong Fuei Boon | Deemed | 950,000 | - | - | 950,000 |

*The shares are held in trust for the Company.

# Directors' Report

For the year ended 29 February 2012
*cont'd*

**DIRECTORS' INTEREST IN SHARES** *cont'd*

By virtue of their substantial shareholdings in the Company, Dato' Low Chee Yen, Dato' How Say Swee and Dato' 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 29 February 2012 had any interest in the ordinary shares of the Company and of its related corporation 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 25 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**

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

**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 paid-up 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.

# Directors' Report

For the year ended 29 February 2012
*cont'd*

**OPTIONS GRANTED OVER UNISSUED SHARES** *cont'd*

(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 statements of financial position and statements of comprehensive income 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) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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.

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 financial performance of the Group and of the Company for the financial year ended 29 February 2012 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.

# Directors' Report

For the year ended 29 February 2012
*cont'd*

**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:

**DATO' LOW CHEE YEN** **SEE THUAN PO**

Johor Bahru,

20 June 2012

# 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 42 to 89, 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 as at 29 February 2012 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 27 on page 90 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

**DATO' LOW CHEE YEN** **SEE THUAN PO**

Johor Bahru,

20 June 2012

# Statutory Declaration

Pursuant to Section 169(16) of the Companies Act, 1965

I, Tan Kim Bee, the officer primarily responsible for the financial management of POWER ROOT BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 42 to 90 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 above named in Johor Bahru in the State of Johor on 20 June 2012.

**TAN KIM BEE**

Before me:
**K. AMUDALINGAM**
PLP, PIS, PPN
Commissioner for Oaths
No.: J-133

# Independent Auditors' Report

To the members of Power Root Berhad

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Power Root Berhad, which comprise the statements of financial position as at 29 February 2012 of the Group and of the Company, and the statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 42 to 89.

### Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### 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 about 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 judgement, 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 entity's preparation of financial statements that give a true and fair view 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 entity'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.

### 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 29 February 2012 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 of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the accounts and the auditors' reports of 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) The 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.

# Independent Auditors' Report

To the members of Power Root Berhad

*cont'd*

**OTHER REPORTING RESPONSIBILITIES**

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 27 on page 90 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

**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

**WEE BENG CHUAN**
Approval Number: 2677/12/12 (J)
Chartered Accountant

Johor Bahru

20 June 2012

# Statements of Financial Position

As at 29 February 2012

| | Note | Group 2012 RM | Group 2011 RM | Company 2012 RM | Company 2011 RM |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Property, plant and equipment | 3 | **72,125,933** | 82,154,133 | **114,754** | 183,327 |
| Investments in subsidiaries | 4 | **-** | - | **139,317,943** | 47,071,307 |
| Investment properties | 5 | **5,123,610** | - | **-** | - |
| Intangible assets | 6 | **5,354,861** | 5,370,066 | **-** | - |
| **Total non-current assets** | | **82,604,404** | 87,524,199 | **139,432,697** | 47,254,634 |
| Inventories | 7 | **33,197,405** | 24,180,889 | **-** | - |
| Trade and other receivables | 8 | **81,520,322** | 73,544,131 | **22,522,889** | 108,410,415 |
| Assets classified as held for sale | 9 | **1,759,157** | - | **-** | - |
| Tax recoverable | | **3,723,392** | 6,254,610 | **292,476** | 72,341 |
| Other investments | 10 | **920,286** | 1,779,818 | **215,163** | 1,779,818 |
| Cash and cash equivalents | 11 | **28,820,910** | 26,681,135 | **5,762,512** | 10,999,626 |
| **Total current assets** | | **149,941,472** | 132,440,583 | **28,793,040** | 121,262,200 |
| **Total assets** | | **232,545,876** | 219,964,782 | **168,225,737** | 168,516,834 |
| **Equity** | | | | | |
| Share capital | | **60,000,000** | 60,000,000 | **60,000,000** | 60,000,000 |
| Reserves | | **124,306,009** | 120,096,947 | **107,895,680** | 108,158,846 |
| **Total equity attributable to owners of the Company** | 12 | **184,306,009** | 180,096,947 | **167,895,680** | 168,158,846 |
| **Non-controlling interests** | | **598,471** | - | **-** | - |
| **Total equity** | | **184,904,480** | 180,096,947 | **167,895,680** | 168,158,846 |
| **Liabilities** | | | | | |
| Deferred tax liabilities | 13 | **2,143,109** | 2,285,561 | **4,000** | 11,000 |
| Loans and borrowings | 14 | **1,633,904** | 2,028,895 | **-** | - |
| **Total non-current liabilities** | | **3,777,013** | 4,314,456 | **4,000** | 11,000 |
| Trade and other payables | 15 | **36,739,340** | 31,206,211 | **326,057** | 346,988 |
| Loans and borrowings | 14 | **7,091,681** | 4,291,260 | **-** | - |
| Taxation | | **33,362** | 55,908 | **-** | - |
| **Total current liabilities** | | **43,864,383** | 35,553,379 | **326,057** | 346,988 |
| **Total liabilities** | | **47,641,396** | 39,867,835 | **330,057** | 357,988 |
| **Total equity and liabilities** | | **232,545,876** | 219,964,782 | **168,225,737** | 168,516,834 |

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

# Statements of Comprehensive Income

For the year ended 29 February 2012

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | 2012 RM | 2011 RM | 2012 RM | 2011 RM |
| **Revenue** | | | | | |
| Goods sold | | **217,036,013** | 184,823,929 | **-** | - |
| Dividend income from subsidiaries | | **-** | - | **13,000,000** | 32,290,548 |
| | | **217,036,013** | 184,823,929 | **13,000,000** | 32,290,548 |
| Other income | | **1,389,467** | 1,795,738 | **913,955** | 1,993,666 |
| Raw materials used | | **(103,561,926)** | (76,674,417) | **-** | - |
| Marketing expenses | | **(33,478,229)** | (39,803,071) | **-** | - |
| Staff costs | | **(21,978,277)** | (19,364,318) | **(125,816)** | (160,953) |
| Depreciation and amortisation expenses | | **(6,427,433)** | (6,253,559) | **(73,533)** | (95,773) |
| Other expenses | | **(33,302,698)** | (29,328,108) | **(2,012,235)** | (1,236,059) |
| Total expenses | | **(198,748,563)** | (171,423,473) | **(2,211,584)** | (1,492,785) |
| **Results from operating activities** | | **19,676,917** | 15,196,194 | **11,702,371** | 32,791,429 |
| Finance costs | | **(304,388)** | (375,011) | **-** | - |
| **Profit before tax** | 16 | **19,372,529** | 14,821,183 | **11,702,371** | 32,791,429 |
| Tax (expense)/income | 17 | **(2,683,246)** | (2,607,194) | **34,463** | (7,581,370) |
| **Profit for the year** | | **16,689,283** | 12,213,989 | **11,736,834** | 25,210,059 |
| **Other comprehensive income, net of tax** | | | | | |
| Foreign currency translation differences | | **(62,955)** | 12,466 | **-** | - |
| **Total comprehensive income for the year** | | **16,626,328** | 12,226,455 | **11,736,834** | 25,210,059 |
| **Profit attributable to:** | | | | | |
| Owners of the Company | | **16,313,394** | 12,213,989 | **11,736,834** | 25,210,059 |
| Non-controlling interests | | **375,889** | - | **-** | - |
| **Profit for the year** | | **16,689,283** | 12,213,989 | **11,736,834** | 25,210,059 |
| **Total comprehensive income attributable to:** | | | | | |
| Owners of the Company | | **16,209,062** | 12,226,455 | **11,736,834** | 25,210,059 |
| Non-controlling interests | | **417,266** | - | **-** | - |
| **Total comprehensive income for the year** | | **16,626,328** | 12,226,455 | **11,736,834** | 25,210,059 |
| Basic and diluted earning per ordinary share (sen) | 18 | **5.44** | 4.07 | | |

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

# Statement of Changes in Equity

For the year ended 29 February 2012

| | Note | ← Attributable to owners of the Company | | | | | | → |
|---|---|---|---|---|---|---|---|---|
| | | ← Non-distributable | | → Distributable | | | | |
| | | Share capital RM | Share premium RM | Exchange fluctuation reserve RM | Retained earnings RM | Total RM | Non-controlling interests RM | Total equity RM |
| **Group** | | | | | | | | |
| ***At 1 March 2010*** | | 60,000,000 | 100,055,248 | 22,251 | 31,792,993 | 191,870,492 | - | 191,870,492 |
| Profit for the year | | - | - | - | 12,213,989 | 12,213,989 | - | 12,213,989 |
| Foreign currency translation differences for foreign operations | | - | - | 12,466 | - | 12,466 | - | 12,466 |
| Total comprehensive income for the year | | | | 12,466 | 12,213,989 | 12,226,455 | - | 12,226,455 |
| Dividends to owners of the Company | 19 | - | - | - | (24,000,000) | (24,000,000) | - | (24,000,000) |
| ***At 28 February 2011*** | | 60,000,000 | 100,055,248 | 34,717 | 20,006,982 | 180,096,947 | - | 180,096,947 |
| Profit for the year | | - | - | - | 16,313,394 | 16,313,394 | 375,889 | 16,689,283 |
| Foreign currency translation differences for foreign operations | | - | - | (104,332) | - | (104,332) | 41,377 | (62,955) |
| Total comprehensive income for the year | | - | - | (104,332) | 16,313,394 | 16,209,062 | 417,266 | 16,626,328 |
| Dividends to owners of the Company | 19 | - | - | - | (12,000,000) | (12,000,000) | - | (12,000,000) |
| Subscription of shares by non-controlling interests in subsidiaries | | - | - | - | - | - | 181,205 | 181,205 |
| ***At 29 February 2012*** | | **60,000,000** | **100,055,248** | **(69,615)** | **24,320,376** | **184,306,009** | **598,471** | **184,904,480** |

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

# Statement of Changes in Equity

For the year ended 29 February 2012
*cont'd*

| | | Attributable to owners of the Company | | | |
|---|---|---|---|---|---|
| | | Non-distributable | | Distributable | |
| | Note | Share capital RM | Share premium RM | Retained earnings RM | Total equity RM |
| **Company** | | | | | |
| ***At 1 March 2010*** | | 60,000,000 | 100,055,248 | 6,893,539 | 166,948,787 |
| Profit for the year/ Total comprehensive income for the year | | - | - | 25,210,059 | 25,210,059 |
| Dividends to owners of the Company | 19 | - | - | (24,000,000) | (24,000,000) |
| ***At 28 February 2011*** | | 60,000,000 | 100,055,248 | 8,103,598 | 168,158,846 |
| Profit for the year/ Total comprehensive income for the year | | - | - | 11,736,834 | 11,736,834 |
| Dividends to owners of the Company | 19 | - | - | (12,000,000) | (12,000,000) |
| ***At 29 February 2012*** | | **60,000,000** | **100,055,248** | **7,840,432** | **167,895,680** |

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

# Statements of Cash Flows

For the year ended 29 February 2012

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | RM | RM | RM | RM |
| **Cash flows from operating activities** | | | | |
| Profit before tax | **19,372,529** | 14,821,183 | **11,702,371** | 32,791,429 |
| Adjustments for: | | | | |
| Amortisation of intangible assets | **15,205** | 15,205 | **-** | - |
| Bad debts written off | **22,825** | 17,612 | **-** | - |
| Depreciation on: | | | | |
| - investment properties | **16,453** | - | **-** | - |
| - property, plant and equipment | **6,395,775** | 6,238,354 | **73,533** | 95,773 |
| Loss/(Gain) on disposal of plant and equipment | **251,872** | 133,583 | **(1)** | 104,909 |
| Finance costs | **304,388** | 375,011 | **-** | - |
| Interest income | **(459,372)** | (974,359) | **(365,053)** | (901,870) |
| Unrealised loss/(gain) on foreign exchange | **230,700** | (13,595) | **(2,673)** | - |
| Gain on disposal of investment | **(88,068)** | (67,410) | **(76,372)** | (67,410) |
| (Reversal)/Impairment losses on: | | | | |
| - property, plant and equipment | **1,333,120** | - | **-** | - |
| - investments in subsidiaries | **-** | - | **1,500,000** | 234,034 |
| - trade receivables | **(56,321)** | (3,600) | **-** | - |
| Dividend income on quoted shares | **(120,834)** | (96,469) | **(84,489)** | (96,469) |
| **Operating profit before changes in working capital** | **27,218,272** | 20,445,515 | **12,747,316** | 32,160,396 |
| Change in inventories | **(9,016,516)** | 1,185,300 | **-** | - |
| Change in trade and other receivables | **(8,173,396)** | (20,383,338) | **(7,109,801)** | (27,984,135) |
| Change in trade and other payables | **5,533,130** | 3,446,833 | **(20,931)** | 57,409 |
| **Cash generated from operations** | **15,561,490** | 4,694,310 | **5,616,584** | 4,233,670 |
| Interest paid | **(304,388)** | (375,011) | **-** | - |
| Interest received | **459,372** | 974,359 | **365,053** | 901,870 |
| Tax paid | **(317,026)** | (1,445,579) | **(192,672)** | (7,496,703) |
| **Net cash from/(used in) operating activities** | **15,399,448** | 3,848,079 | **5,788,965** | (2,361,163) |

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

# Statements of Cash Flows

For the year ended 29 February 2012
*cont'd*

| | Group | | Company | |
|---|---|---|---|---|
| | **2012** | **2011** | **2012** | **2011** |
| | **RM** | **RM** | **RM** | **RM** |
| **Cash flows from investing activities** | | | | |
| Acquisition of: | | | | |
| - property, plant and equipment | **(3,768,020)** | (7,412,034) | **(5,900)** | - |
| - investment properties | **(1,410,281)** | - | **-** | - |
| - other investment | **(7,165,445)** | (2,973,281) | **(5,222,721)** | (2,973,281) |
| Investments in subsidiaries | **-** | - | **(746,636)** | (499,997) |
| Dividend received on quoted shares | **120,834** | 96,469 | **84,489** | 96,469 |
| Proceeds from disposal of property, plant and equipment | **299,158** | 763,544 | **941** | 34,431 |
| Decrease/(Increase) in pledged deposits placed with licensed banks | **225,326** | (3,348) | **-** | - |
| Proceeds from disposal of other investment | **8,113,045** | 2,682,396 | **6,863,748** | 2,682,396 |
| **Net cash (used in)/from investing activities** | **(3,585,383)** | (6,846,254) | **973,921** | (659,982) |
| | | | | |
| **Cash flows from financing activities** | | | | |
| Dividends paid to owners of the Company | **(12,000,000)** | (24,000,000) | **(12,000,000)** | (24,000,000) |
| Payment of finance lease liabilities | **(77,212)** | (210,172) | **-** | - |
| Repayment of term loans | **(369,358)** | (383,476) | **-** | - |
| Drawndown of banker's acceptance | **2,852,000** | 1,969,000 | **-** | - |
| Subscription of shares by non-controlling interests in subsidiaries | **181,205** | - | **-** | - |
| **Net cash used in financing activities** | **(9,413,365)** | (22,624,648) | **(12,000,000)** | (24,000,000) |
| Exchange difference on translation of the financial statements of foreign operation | **(35,599)** | 68,281 | **-** | - |
| | | | | |
| **Net increase/(decrease) in cash and cash equivalents** | **2,365,101** | (25,554,542) | **(5,237,114)** | (27,021,145) |
| **Cash and cash equivalents at 1 March** | **26,455,809** | 52,010,351 | **10,999,626** | 38,020,771 |
| **Cash and cash equivalents at 29 February/ 28 February** | **28,820,910** | 26,455,809 | **5,762,512** | 10,999,626 |

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

| | | | | |
|---|---|---|---|---|
| Cash and bank balances | **17,593,362** | 15,449,824 | **71,590** | 133,864 |
| Deposits with licensed banks (excluding deposits pledged) | **11,227,548** | 11,005,985 | **5,690,922** | 10,865,762 |
| | **28,820,910** | 26,455,809 | **5,762,512** | 10,999,626 |

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

# Notes to the Financial Statements

Power Root Berhad is a public limited liability company, incorporated and domiciled in Malaysia and 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 29 February 2012 comprise the Company and its subsidiaries (together referred to as the "Group").

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

These financial statements were authorised for issue by the Board of Directors on 20 June 2012.

## 1. Basis of preparation

### (a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Financial Reporting Standards (FRSs), generally accepted accounting principles and the Companies Act, 1965 in Malaysia.

The following are accounting standards, amendments and interpretations of the FRS framework that have been issued by the Malaysian Accounting Standards Board (MASB) but have not been adopted by the Group and the Company:

***FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2011***
- IC Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments*
- Amendments to IC Interpretation 14, *Prepayments of a Minimum Funding Requirement*

# Notes to the Financial Statements
*cont'd*

**1. Basis of Preparation** *cont'd*

**(a) Statement of compliance** *cont'd*

***FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2012***
- FRS 124, *Related Party Disclosures* (revised)
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Transfers of Financial Assets*
- Amendments to FRS 112, *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

***FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2012***
- Amendments to FRS 101, *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*

***FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013***
- FRS 10, *Consolidated Financial Statements*
- FRS 11, *Joint Arrangements*
- FRS 12, *Disclosure of Interests in Other Entities*
- FRS 13, *Fair Value Measurement*
- FRS 119, *Employee Benefits* (2011)
- FRS 127, *Separate Financial Statements* (2011)
- FRS 128, *Investments in Associates and Joint Ventures* (2011)
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards – Government Loans*

***FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014***
- Amendments to FRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*

***FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015***
- FRS 9, *Financial Instruments* (2009)
- FRS 9, *Financial Instruments* (2010)
- Amendments to FRS 7, *Financial Instruments: Disclosures – Mandatory Date of FRS 9 and Transition Disclosures*

The Group's and the Company's financial statements for annual period beginning on 1 March 2012 will be prepared in accordance with the Malaysian Financial Reporting Standards (MFRSs) issued by the MASB and International Financial Reporting Standards (IFRSs). As a result, the Group and the Company will not be adopting the above FRSs, Interpretations and amendments.

# Notes to the Financial Statements
*cont'd*

**1. Basis of Preparation** *cont'd*

**(b) Basis of measurement**

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

**(c) Functional and presentation currency**

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

**(d) Use of estimates and judgements**

The preparation of financial statements in conformity with FRSs 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 estimates are 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 6 - valuation of goodwill on consolidation
- Note 8 - valuation of trade receivables

**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.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses. The cost of investments includes transaction costs.

The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Group.

# Notes to the Financial Statements
*cont'd*

**2. Significant accounting policies** *cont'd*

**(a) Basis of consolidation** *cont'd*

**(ii) Accounting for business combinations**

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

The Group has changed its accounting policy with respect to accounting for business combinations.

From 1 March 2011 the Group has applied FRS 3, *Business Combinations* (revised) in accounting for business combinations. The change in accounting policy has been applied prospectively in accordance with the transitional provisions provided by the standard and does not have impact on earnings per share.

***Acquisitions on or after 1 March 2011***

For acquisitions on or after 1 March 2011, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

# Notes to the Financial Statements
*cont'd*

**2. Significant accounting policies** *cont'd*

**(a) Basis of consolidation** *cont'd*

**(ii) Accounting for business combinations** *cont'd*

***Acquisitions between 1 March 2006 and 1 March 2011***

For acquisitions between 1 March 2006 and 1 March 2011, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

***Acquisitions prior to 1 March 2006***

For acquisitions prior to 1 March 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

**(iii) Accounting for acquisitions of non-controlling interests**

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. 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.

**(iv) Loss of control**

The Group applied FRS 127, *Consolidated and Separate Financial Statements* (revised) since the beginning of the reporting period in accordance with the transitional provisions provided by the standard and does not have impact on earnings per share. Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

In the previous financial years, if the Group retained any interest in the previous subsidiary, such interest was measured at the carrying amount at the date that control was lost and this carrying amount would be regarded as cost on initial measurement of the investment.

**(v) Non-controlling interests**

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

# Notes to the Financial Statements
*cont'd*

**2. Significant accounting policies** *cont'd*

**(a) Basis of consolidation** *cont'd*

**(v) Non-controlling interests** *cont'd*

Since the beginning of the reporting period, the Group has applied FRS 127, *Consolidated and Separate Financial Statements* (revised) where losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance. This change in accounting policy is applied prospectively in accordance with the transitional provisions of the standard and does not have impact on earnings per share.

In the previous financial years, where losses applicable to the non-controlling interests exceed their interests in the equity of a subsidiary, the excess, and any further losses applicable to the non-controlling interests, were charged against the Group's interest except to the extent that the non-controlling interests had a binding obligation to, and was able to, make additional investment to cover the losses. If the subsidiary subsequently reported profits, the Group's interest was allocated with all such profits until the non-controlling interests' share of losses previously absorbed by the Group had been recovered.

**(vi) 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 Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date except for those that are measured at fair value 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 profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

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

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 March 2006 which are reported using the exchange rates at the dates of the acquisitions. The income and expenses of foreign operations, excluding operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

# Notes to the Financial Statements
*cont'd*

**2. Significant accounting policies** *cont'd*

**(b) Foreign currency** *cont'd*

**(ii) Operations denominated in functional currencies other than Ringgit Malaysia** *cont'd*

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve (FCTR) in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the profit or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the FCTR within equity.

**(c) Financial instruments**

**(i) Initial recognition and measurement**

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

**(ii) Financial instrument categories and subsequent measurement**

The Group and the Company categorise financial instruments as follows:

***Financial assets***

***(a) Financial assets at fair value through profit or loss***

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

# Notes to the Financial Statements
*cont'd*

**2. Significant accounting policies** *cont'd*

**(c) Financial instruments** *cont'd*

**(ii) Financial instrument categories and subsequent measurement** *cont'd*

***Financial assets*** *cont'd*

***(a) Financial assets at fair value through profit or loss*** *cont'd*

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

***(b) Held-to-maturity investments***

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group or the Company has the positive intention and ability to hold them to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

***(c) Loans and receivables***

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

***(d) Available-for-sale financial assets***

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(k)(i)).

# Notes to the Financial Statements
*cont'd*

**2. Significant accounting policies** *cont'd*

**(c) Financial instruments** *cont'd*

**(ii) Financial instrument categories and subsequent measurement** *cont'd*

***Financial liabilities***

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

**(iii) Financial guarantee contracts**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are classified as deferred income and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

**(iv) Regular way purchase or sale of financial assets**

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

# Notes to the Financial Statements
*cont'd*

**2. Significant accounting policies** *cont'd*

**(c) Financial instruments** *cont'd*

**(v) Derecognition**

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

**(d) Property, plant and equipment**

**(i) Recognition and measurement**

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

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. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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 knowledgeable willing parties 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 available and replacement cost when appropriate.

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.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" or "other expenses" respectively in profit or loss.

# Notes to the Financial Statements
*cont'd*

**2. Significant accounting policies** *cont'd*

**(d) Property, plant and equipment** *cont'd*

**(ii) Subsequent costs**

The cost of replacing a 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 the replaced part is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

**(iii) Depreciation**

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss 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 reviewed, and adjusted as appropriate at end of the reporting period.

**(e) Leased assets**

**(i) Finance lease**

Leases in terms of which the Group or the Company assumes 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 or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and the leased assets are not recognised in the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

# Notes to the Financial Statements
*cont'd*

**2. Significant accounting policies** *cont'd*

**(f) Intangible assets**

**(i) Goodwill**

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted investee.

**(ii) Product formula**

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

**(iii) Subsequent expenditure**

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

**(iv) Amortisation**

Amortisation is based on the cost of an asset less its residual value.

Goodwill and intangible assets with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

Other intangible assets are amortised from the date that they are available for use.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

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

- products formula 20 years

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

**(g) Investment properties**

**(i) Investment properties carried at cost**

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both. These include freehold land and leasehold land which in substance is a finance lease held for a currently undetermined future use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

Investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy Note 2(d).

# Notes to the Financial Statements
*cont'd*

**2. Significant accounting policies** *cont'd*

**(g) Investment properties** *cont'd*

**(i) Investment properties carried at cost** *cont'd*

Freehold land is not depreciated.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

**(ii) Reclassification to/from investment property**

Transfers between investment property, property, plant and equipment and inventories do not change the carrying amount and the cost of the property transferred.

**(iii) Determination of fair value**

The Directors estimate the fair values of the investment properties without involvement of independent valuers.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.

Valuations reflect, where appropriate:

- the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and the market's general perception of their creditworthiness;
- the allocation of maintenance and insurance responsibilities between the Group and the lessee; and
- the remaining economic life of the property.

When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices and where appropriate counter-notices have been served validly and within the appropriate time.

Investment property under construction is valued by estimating the fair value of the completed investment property and then deducting from that amount the estimated costs to complete construction, financing costs and a reasonable profit margin.

# Notes to the Financial Statements
*cont'd*

**2. Significant accounting policies** *cont'd*

**(h) Inventories**

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is measured based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in 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.

**(i) Non-current assets held for sale or distribution**

Non-current assets, or disposal group comprising assets and liabilities that are expected to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale or distribution.

Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated. In addition, equity accounting of equity-accounted investees ceases once classified as held for sale or distribution.

**(j) Cash and cash equivalents**

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

**(k) Impairment**

**(i) Financial assets**

All financial assets (except for financial assets categorised as fair value through profit or loss and investments in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

# Notes to the Financial Statements
*cont'd*

2. **Significant accounting policies** *cont'd*

(k) **Impairment** *cont'd*

(i) **Financial assets** *cont'd*

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) **Other assets**

The carrying amounts of other assets (except for inventories and non-current assets (or disposal groups) classified as held for sale) are reviewed at the end of the reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

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 (known as cash-generating unit). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

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 or cash-generating unit.

# Notes to the Financial Statements
*cont'd*

**2. Significant accounting policies** *cont'd*

**(k) Impairment** *cont'd*

**(ii) Other assets** *cont'd*

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit or the group of cash-generating units and then to reduce the carrying amount of the other assets in the cash-generating unit (or a group of cash-generating 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 the end of each reporting period 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 since the last impairment loss was recognised. 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 profit or loss in the financial year in which the reversals are recognised.

**(l) Equity instruments**

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

**Issue expenses**

Costs directly attributable to issue of instruments classified as equity are recognised as a deduction from equity.

**(m) Income tax**

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or 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 end of the reporting period.

# Notes to the Financial Statements
*cont'd*

**2. Significant accounting policies** *cont'd*

**(m) Income tax** *cont'd*

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable equity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period 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 an asset and are recognised as a reduction of tax expense in profit or loss as and when they are utilised.

**(n) Revenue and other income**

**(i) Goods sold**

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discount and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

**(ii) Dividend income**

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

**(iii) Interest income**

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

**(iv) Rental income**

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

# Notes to the Financial Statements
*cont'd*

**2. Significant accounting policies** *cont'd*

**(o) Borrowing costs**

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

**(p) Employee benefits**

**(i) 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 liability is recognized 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.

**(ii) State plans**

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

**(q) Earnings per ordinary share**

The Group presents basic and diluted earnings per share data for its ordinary shares (EPS).

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, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding adjusted for own shares held for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

**(r) Operating segments**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

# Notes to the Financial Statements
*cont'd*

## 3. Property, plant and equipment

| | 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 |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| ***At cost*** | | | | | | |
| At 1 March 2010 | 59,416,448 | 21,155,991 | 14,445,819 | 4,076,558 | 1,004,700 | 100,099,516 |
| Additions | 2,084,640 | 1,205,156 | 2,660,430 | 1,461,808 | - | 7,412,034 |
| Disposals/Written off | (6,931) | - | (1,523,139) | (674,867) | - | (2,204,937) |
| Transfer/Reclassification | 60,950 | - | 421,800 | 468,150 | (950,900) | - |
| Effect of movements in exchange rates | (46,870) | - | (15,352) | - | - | (62,222) |
| At 28 February 2011/ 1 March 2011 | 61,508,237 | 22,361,147 | 15,989,558 | 5,331,649 | 53,800 | 105,244,391 |
| Additions | 75,167 | 788,774 | 2,580,840 | 14,000 | 309,239 | 3,768,020 |
| Disposals/Written off | - | (87,725) | (894,562) | (358,962) | - | (1,341,249) |
| Reclassification | - | - | (90,177) | 90,177 | - | - |
| Transfer to asset held for sale | (1,922,403) | - | - | - | - | (1,922,403) |
| Transfer to investment properties | (3,885,190) | - | - | - | - | (3,885,190) |
| Effect of movements in exchange rates | (11,455) | - | (6,523) | - | - | (17,978) |
| At 29 February 2012 | **55,764,356** | **23,062,196** | **17,579,136** | **5,076,864** | **363,039** | **101,845,591** |
| ***Accumulated depreciation*** | | | | | | |
| At 1 March 2010 | 1,608,034 | 7,485,344 | 7,579,170 | 1,493,573 | - | 18,166,121 |
| Depreciation charge | 782,660 | 2,476,384 | 2,212,259 | 767,051 | - | 6,238,354 |
| Disposals/Written off | - | - | (1,123,034) | (184,776) | - | (1,307,810) |
| Effect of movements in exchange rates | - | - | (6,407) | - | - | (6,407) |
| At 28 February 2011/ 1 March 2011 | 2,390,694 | 9,961,728 | 8,661,988 | 2,075,848 | - | 23,090,258 |
| Depreciation charge | 833,538 | 2,554,076 | 2,340,783 | 667,378 | - | 6,395,775 |
| Disposals/Written off | - | (20,456) | (628,123) | (141,640) | - | (790,219) |
| Reclassification | - | - | (11,616) | 11,616 | - | - |
| Transfer to asset held for sale | (163,246) | - | - | - | - | (163,246) |
| Transfer to investment properties | (155,408) | - | - | - | - | (155,408) |
| Effect of movements in exchange rates | 5,973 | - | 3,405 | - | - | 9,378 |
| At 29 February 2012 | **2,911,551** | **12,495,348** | **10,366,437** | **2,613,202** | **-** | **28,386,538** |
| ***Impairment loss*** | | | | | | |
| Impairment loss/ At 29 February 2012 | **-** | **-** | **449,864** | **883,256** | **-** | **1,333,120** |
| ***Carrying amounts*** | | | | | | |
| At 29 February 2012 | **52,852,805** | **10,566,848** | **6,762,835** | **1,580,406** | **363,039** | **72,125,933** |
| At 28 February 2011 | 59,117,543 | 12,399,419 | 7,327,570 | 3,255,801 | 53,800 | 82,154,133 |

# Notes to the Financial Statements
*cont'd*

**3. Property, plant and equipment** *cont'd*

| | Motor vehicles, office equipment, furniture and fittings RM | Renovation and electrical installation RM | Total RM |
|---|---|---|---|
| **Company** | | | |
| ***At cost*** | | | |
| At 1 March 2010 | 491,831 | 115,328 | 607,159 |
| Disposals/Written off | (100,699) | (115,328) | (216,027) |
| At 28 February 2011/1 March 2011 | 391,132 | - | 391,132 |
| Addition | 5,900 | - | 5,900 |
| Disposals/Written off | (4,058) | - | (4,058) |
| At 29 February 2012 | **392,974** | **-** | **392,974** |
| ***Accumulated depreciation*** | | | |
| At 1 March 2010 | 161,010 | 27,709 | 188,719 |
| Depreciation charge | 86,162 | 9,611 | 95,773 |
| Disposals/Written off | (39,367) | (37,320) | (76,687) |
| At 28 February 2011/1 March 2011 | 207,805 | - | 207,805 |
| Depreciation charge | 73,533 | - | 73,533 |
| Disposals/Written off | (3,118) | - | (3,118) |
| At 29 February 2012 | **278,220** | **-** | **278,220** |
| ***Carrying amounts*** | | | |
| At 29 February 2012 | **114,754** | **-** | **114,754** |
| At 28 February 2011 | 183,327 | - | 183,327 |

| | Group 2012 RM | Group 2011 RM |
|---|---|---|
| ***Carrying amounts of land and buildings*** | | |
| Freehold land | **21,049,873** | 23,233,991 |
| Buildings | **31,802,932** | 35,883,552 |
| | **52,852,805** | 59,117,543 |

**Security**

Freehold land and building of the Group with a carrying amounts of NIL (2011: RM3,558,938) is charged to a bank as security for term loans granted to the Group.

**Leased plant and machinery**

Included in the property, plant and equipment of the Group are motor vehicles acquired under lease financing with carrying amounts of RM8,561 (2011: RM139,669). The leased motor vehicles secured lease obligation as stated in Note 14.

# Notes to the Financial Statements
*cont'd*

## 4. Investments in subsidiaries

| | Company 2012 RM | 2011 RM |
|---|---|---|
| Unquoted shares | | |
| At cost | **141,636,977** | 47,890,341 |
| Less: Impairment loss | **(2,319,034)** | (819,034) |
| | **139,317,943** | 47,071,307 |

The investments in subsidiaries amounting to RM93,000,000 are satisfied by way of capitalisation of amount owing from subsidiaries.

Details of subsidiaries are as follows:

| ***Name of company*** | ***Principal activities*** | ***Place of incorporation*** | ***Effective ownership interest 2012 %*** | ***2011 %*** |
|---|---|---|---|---|
| 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 Nnergy Sdn. Bhd. | Ceased operations in manufacturing and distribution of various beverages and commenced operations in property development and construction | 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 | 100 |
| PT. Natbio Marketing Indonesia# | Distribution of various beverage products | Indonesia | 100 | 100 |
| Power Root (Shanghai) Food Trading Co. Ltd.# | Distribution of various beverage products | Republic of China | 100 | 100 |
| Synergy Distribution FZC# | Distribution of various beverage products | United Arab Emirates | 51 | 51 |
| Power Root Distributor Sdn. Bhd.@ | Distribution of various beverage products | Malaysia | 100 | - |
| Ali Cafe Sdn. Bhd.^ | Dormant | Malaysia | 100 | - |
| Power Root ME FZCO * | Distribution of various beverage products | Dubai | 90 | - |

# Notes to the Financial Statements
*cont'd*

## 4. Investments in subsidiaries *cont'd*

| ***Name of company*** | ***Principal activities*** | ***Place of incorporation*** | ***Effective ownership interest 2012 %*** | ***2011 %*** |
|---|---|---|---|---|
| ***Subsidiaries of Power Impian International Sdn. Bhd.*** | | | | |
| Power Impian International Pte. Ltd. | Dormant | Singapore | 100 | 100 |
| PT. Power Impian International # | Distribution of health and beauty products | Indonesia | 95 | 95 |

# Not audited by member firms of KPMG International.
@ Power Root Distributor Sdn. Bhd. was incorporated on 21 March 2011.
^ The acquisition of Ali Cafe Sdn. Bhd. does not have a material effect to the financial statements.
* Management accounts were used for the preparation of consolidated financial statements. In the opinion of the Directors, the results and the financial position as at 29 February 2012 of this subsidiary was not material to the consolidated financial statements as this subsidiary was incorporated on 23 February 2012.

## 5. Investment properties

| | **Group RM** |
|---|---|
| ***At cost*** | |
| At 1 March 2011 | - |
| Additions | 1,410,281 |
| Transfer from property, plant and equipment | 3,885,190 |
| At 29 February 2012 | **5,295,471** |
| ***Accumulated depreciation*** | |
| At 1 March 2011 | - |
| Depreciation charge | 16,453 |
| Transfer from property, plant and equipment | 155,408 |
| At 29 February 2012 | **171,861** |
| ***Carrying amounts*** | |
| At 29 February 2012 | **5,123,610** |
| At 28 February 2011 | - |

Included in the above are:

| | **Group 2012 RM** |
|---|---|
| **At cost** | |
| Freehold land | **1,136,600** |
| Buildings | **3,987,010** |
| | **5,123,610** |

The fair value of the investment properties as at 29 February 2012 are RM5,462,938 (2011: NIL). The fair value is based on the market value on similar unit available for sale.

The investment property amounted to RM1,393,828 (2011: NIL) is held in trust by a Director of a subsidiary.

# Notes to the Financial Statements
*cont'd*

**5. Investment properties** *cont'd*

The following are recognised in profit or loss in respect of investment properties:

| | Group 2012 RM |
|---|---|
| Rental income | **50,975** |
| Direct operating expenses: | |
| -income generating investment properties | **7,250** |
| -non-income generating investment properties | **11,012** |

**6. Intangible assets**

| | Goodwill RM | Product formula RM | Total RM |
|---|---|---|---|
| **Group** | | | |
| ***At cost*** | | | |
| At 1 March 2010/28 February 2011 | 5,226,886 | 304,480 | 5,531,366 |
| At 1 March 2011/29 February 2012 | **5,226,886** | **304,480** | **5,531,366** |
| ***Accumulated amortisation*** | | | |
| At 1 March 2010 | - | 146,095 | 146,095 |
| Amortisation charge | - | 15,205 | 15,205 |
| At 28 February 2011/1 March 2011 | - | 161,300 | 161,300 |
| Amortisation charge | - | 15,205 | 15,205 |
| At 29 February 2012 | **-** | **176,505** | **176,505** |
| ***Carrying amounts*** | | | |
| At 29 February 2012 | **5,226,886** | **127,975** | **5,354,861** |
| At 28 February 2011 | 5,226,886 | 143,180 | 5,370,066 |

***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 subsidiary 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
*cont'd*

## 7. Inventories

| | Group 2012 RM | Group 2011 RM |
|---|---|---|
| Raw materials | **18,805,778** | 15,622,299 |
| Finished goods | **13,023,560** | 6,714,494 |
| Promotional gifts | **1,368,067** | 1,844,096 |
| | **33,197,405** | 24,180,889 |

## 8. Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM | 2011 RM | 2012 RM | 2011 RM |
| Trade receivables | **70,801,268** | 71,352,390 | **-** | - |
| Other receivables, deposits and prepayments | **10,719,054** | 2,191,741 | **23,854** | 70,671 |
| Due from subsidiaries - non-trade | **-** | - | **22,499,035** | 108,339,744 |
| | **81,520,322** | 73,544,131 | **22,522,889** | 108,410,415 |

Included in other receivables, deposits and prepayments is an amount of RM7,520,000 (2011: NIL) in respect of prepayment for acquisition of land held for development.

The amounts due from subsidiaries are unsecured, interest free and repayable on demand.

## 9. Assets classified as held for sales

The freehold land and building are presented as assets held for sale following the commitment of the Company's management, on 1 February 2012, to sell the asset. Efforts to sell the asset have commenced and a sale is expected by 2013. As at 29 February 2012, the assets held for sale are as follows:

| | Group 2012 RM |
|---|---|
| ***Assets classified as held for sale*** | |
| Property, plant and equipment | **1,759,157** |

Property, plant and equipment held for sale comprise the following:

| | Group 2012 RM |
|---|---|
| Freehold land, at cost | **1,047,518** |
| Factory building, at cost | **874,885** |
| Accumulated depreciation | **(163,246)** |
| | **1,759,157** |

# Notes to the Financial Statements
*cont'd*

## 10. Other investments

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM | 2011 RM | 2012 RM | 2011 RM |
| **Financial assets at fair value through profit or loss** | | | | |
| Quoted shares in Malaysia | - | 994,610 | - | 994,610 |
| Quoted shares in overseas | **705,123** | 286,317 | - | 286,317 |
| Equity linked structured products | **215,163** | 498,891 | **215,163** | 498,891 |
| | **920,286** | 1,779,818 | **215,163** | 1,779,818 |
| **At market value** | | | | |
| Quoted shares in Malaysia | - | 1,010,040 | - | 1,010,040 |
| Quoted shares in overseas | **705,422** | 286,155 | - | 286,155 |
| | **705,422** | 1,296,195 | - | 1,296,195 |

## 11. Cash and cash equivalents

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM | 2011 RM | 2012 RM | 2011 RM |
| Cash and bank balances | **17,593,362** | 15,449,824 | **71,590** | 133,864 |
| Deposits placed with licensed banks | **11,227,548** | 11,231,311 | **5,690,922** | 10,865,762 |
| | **28,820,910** | 26,681,135 | **5,762,512** | 10,999,626 |

Included in the deposits placed with licensed banks of the Group is NIL (2011: RM225,326) pledged for bank guarantee facilities granted to the Group.

## 12. Capital and reserves

### Share capital

| | Group/Company | | Group/Company Number of ordinary shares | |
|---|---|---|---|---|
| | 2012 RM | 2011 RM | 2012 | 2011 |
| Ordinary shares of RM0.20 each: | | | | |
| Authorised | **100,000,000** | 100,000,000 | **500,000,000** | 500,000,000 |
| Issued and fully paid | **60,000,000** | 60,000,000 | **300,000,000** | 300,000,000 |

# Notes to the Financial Statements
*cont'd*

**12. Capital and reserves** *cont'd*

**Reserves**

| | Group | | Company | |
|---|---|---|---|---|
| | **2012** | **2011** | **2012** | **2011** |
| | **RM** | **RM** | **RM** | **RM** |
| ***Distributable*** | | | | |
| Retained earnings | **24,320,376** | 20,006,982 | **7,840,432** | 8,103,598 |
| ***Non-distributable*** | | | | |
| Share premium | **100,055,248** | 100,055,248 | **100,055,248** | 100,055,248 |
| Exchange fluctuation | **(69,615)** | 34,717 | **-** | - |
| | **124,306,009** | 120,096,947 | **107,895,680** | 108,158,846 |

The Company has adopted the single tier income tax system pursuant to Finance Act, 2007.

**13. Deferred tax liabilities**

**Recognised deferred tax liabilities**

Deferred tax assets and liabilities are attributable to the following:

| | Group | | Company | |
|---|---|---|---|---|
| | **2012** | **2011** | **2012** | **2011** |
| | **RM** | **RM** | **RM** | **RM** |
| Property, plant and equipment | | | | |
| - capital allowances | **2,519,000** | 2,660,000 | **4,000** | 11,000 |
| Trade receivables | **(88,891)** | (57,439) | **-** | - |
| Provision | **(237,000)** | - | **-** | - |
| Unutilised tax losses | **-** | (319,000) | **-** | - |
| Others | **(50,000)** | 2,000 | **-** | - |
| | **2,143,109** | 2,285,561 | **4,000** | 11,000 |

Subject to agreement by the Inland Revenue Board, the Group has an unutilised reinvestment allowance and other incentives of NIL (2011: RM2,405,000) and RM4,620,000 (2011: RM4,085,000) 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 in certain subsidiaries:

| | Group | |
|---|---|---|
| | **2012** | **2011** |
| | **RM'000** | **RM'000** |
| Taxable temporary differences | **1,073** | 1,310 |
| Unabsorbed capital allowances | **(2,094)** | (1,670) |
| Unutilised tax losses | **(784)** | (396) |
| Others | **(82)** | - |
| | **(1,887)** | (756) |

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 in those subsidiaries because it is not probable that future taxable profit will be available against which the subsidiaries can utilise the benefits there from.

# Notes to the Financial Statements
*cont'd*

## 14. Loans and borrowings

| | Group 2012 RM | Group 2011 RM |
|---|---|---|
| **Non-current** | | |
| ***Secured*** | | |
| Finance lease liabilities | - | 8,402 |
| ***Unsecured*** | | |
| Term loans | **1,633,904** | 2,020,493 |
| | **1,633,904** | 2,028,895 |
| **Current** | | |
| ***Secured*** | | |
| Finance lease liabilities | **52,737** | 121,547 |
| ***Unsecured*** | | |
| Term loans | **382,944** | 365,713 |
| Bankers' acceptance | **6,656,000** | 3,804,000 |
| | **7,038,944** | 4,169,713 |
| | **7,091,681** | 4,291,260 |
| | **8,725,585** | 6,320,155 |

### Finance lease liabilities

Finance lease liabilities are payable as follows:

| | 2012 | | | 2011 | | |
|---|---|---|---|---|---|---|
| | Future minimum lease payments RM | Interest RM | Present value of minimum lease payments RM | Future minimum lease payments RM | Interest RM | Present value of minimum lease payments RM |
| **Group** | | | | | | |
| Less than one year | **54,706** | **1,969** | **52,737** | 125,355 | 3,808 | 121,547 |
| Between one and five years | - | - | - | 8,589 | 187 | 8,402 |
| | **54,706** | **1,969** | **52,737** | 133,944 | 3,995 | 129,949 |

***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.

# Notes to the Financial Statements
*cont'd*

## 15. Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | **2012 RM** | **2011 RM** | **2012 RM** | **2011 RM** |
| Trade payables | **20,153,704** | 19,478,454 | **-** | - |
| Other payables | **2,392,052** | 2,456,170 | **25,752** | 2,351 |
| Accrued expenses | **14,193,584** | 9,271,587 | **300,305** | 344.637 |
| | **36,739,340** | 31,206,211 | **326,057** | 346,988 |

## 16. Profit before tax

| | Group | | Company | |
|---|---|---|---|---|
| | **2012 RM** | **2011 RM** | **2012 RM** | **2011 RM** |
| **Profit before tax is arrived at after charging/ (crediting)** | | | | |
| Audit fees: | | | | |
| - Statutory audit | | | | |
| - KPMG | | | | |
| - Current year | **158,000** | 140,000 | **38,000** | 35,000 |
| - Under provided in prior year | **-** | 21,000 | **-** | 10,000 |
| - Other auditors | **12,544** | 11,989 | **-** | - |
| - Non-audit fee | | | | |
| - KPMG | **10,000** | 10,000 | **10,000** | 10,000 |
| Bad debts written off | **22,825** | 17,612 | **-** | - |
| (Reversal)/Impairment losses on | | | | |
| - property, plant and equipment | **1,333,120** | - | **-** | - |
| - investments in subsidiaries | **-** | - | **1,500,000** | 234,034 |
| - trade receivables | **(56,321)** | (3,600) | **-** | - |
| - other receivables | **-** | (16,030) | **-** | - |
| Personnel expenses (including key management personnel): | | | | |
| - Contributions to Employees Provident Fund | **1,758,095** | 1,587,991 | **13,574** | 17,007 |
| - Wages, salaries and others | **20,220,182** | 17,776,327 | **112,242** | 143,946 |
| Loss/(Gain) on foreign exchange: | | | | |
| - Realised | **(69,708)** | 1,007,068 | **2,424** | - |
| - Unrealised | **230,700** | (13,595) | **(2,673)** | - |
| Rental of premises | **927,194** | 1,091,128 | **12,600** | 96,144 |
| Loss/(Gain) on disposal of plant and equipment | **251,872** | 133,583 | **(1)** | 104,909 |
| Gain on disposal of investment | **(88,068)** | (67,410) | **(76,372)** | (67,410) |
| Interest income | **(459,372)** | (974,359) | **(365,053)** | (901,870) |
| Dividend income on quoted shares | **(120,834)** | (96,469) | **(84,489)** | (96,469) |
| Rental income | **(50,843)** | - | **-** | - |

# Notes to the Financial Statements
*cont'd*

## 16. Profit before tax *cont'd*

**Key management personnel compensation**

The key management personnel compensation are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM | 2011 RM | 2012 RM | 2011 RM |
| Directors: | | | | |
| - Fees | **180,000** | 189,027 | **120,000** | 135,000 |
| - Remuneration | **2,561,140** | 2,175,358 | **-** | - |
| Total short-term employee benefits | **2,741,140** | 2,364,385 | **120,000** | 135,000 |

The estimated monetary value of Directors' benefit-in-kind for the Group are RM186,306 (2011: RM184,517).

## 17. Tax expense/(income)

**Recognised in profit or loss**

Major components of income tax expense include:

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM | 2011 RM | 2012 RM | 2011 RM |
| **Current tax expense** | | | | |
| - Current year | **2,916,220** | 1,060,821 | **89,000** | 7,558,215 |
| - Prior year | **(90,522)** | 81,373 | **(116,463)** | 25,155 |
| | **2,825,698** | 1,142,194 | **(27,463)** | 7,583,370 |
| **Deferred tax (income)/expense** | | | | |
| - Origination and reversal of temporary differences | **(56,452)** | 665,000 | **4,000** | (2,000) |
| - Prior year | **(86,000)** | 800,000 | **(11,000)** | - |
| | **(142,452)** | 1,465,000 | **(7,000)** | (2,000) |
| | **2,683,246** | 2,607,194 | **(34,463)** | 7,581,370 |

| | RM'000 | RM'000 | RM'000 | RM'000 |
|---|---|---|---|---|
| **Reconciliation of effective tax expense** | | | | |
| Profit before tax | **19,373** | 14,821 | **11,702** | 32,791 |
| Income tax calculated using Malaysian tax rate of 25% | **4,843** | 3,705 | **2,926** | 8,198 |
| Non-deductible expenses | **818** | 623 | **431** | 140 |
| Tax incentives | **(3,065)** | (2,950) | **-** | - |
| Non-taxable income | **(26)** | - | **(3,264)** | (782) |
| Effect of unrecognised deferred tax assets | **290** | 289 | **-** | - |
| Others | **-** | 59 | **-** | - |
| | **2,860** | 1,726 | **93** | 7,556 |
| (Over)/Under provided in prior year | **(177)** | 881 | **(127)** | 25 |
| Tax expense/(Income) | **2,683** | 2,607 | **(34)** | 7,581 |

# Notes to the Financial Statements
*cont'd*

**18. Earning per ordinary share**

***Group***

***(a) Basic earnings per ordinary share***

The calculation of basic earnings per ordinary share at 29 February 2012 was based on the profit attributable to ordinary shareholders of RM16,313,394 (2011: RM12,213,989) and a weighted average number of ordinary shares outstanding of 300,000,000 (2011: 300,000,000).

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

There are no dilutive potential ordinary shares.

**19. Dividends**

Dividends recognised by the Company are:

| | Sen per share | Total amount RM | Date of payment |
|---|---|---|---|
| **2012** | | | |
| 2011 - final dividend, single tier | 2 | **6,000,000** | 26 August 2011 |
| 2012 - interim dividend, single tier | 2 | **6,000,000** | 8 December 2011 |
| | | **12,000,000** | |
| **2011** | | | |
| 2010 - final dividend, single tier | 2 | 6,000,000 | 30 August 2010 |
| 2011 - interim dividend, single tier | 2 | 6,000,000 | 8 December 2010 |
| 2011 - special interim dividend, single tier | 4 | 12,000,000 | 8 December 2010 |
| | | 24,000,000 | |

After the end of the reporting period, 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 |
|---|---|---|
| 2012 - Final, single tier | **2.5** | **7,500,000** |

# Notes to the Financial Statements
*cont'd*

## 20. Operating segments

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 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:

| | 2012 RM'000 | 2011 RM'000 |
|---|---|---|
| Local | **170,843** | 154,987 |
| Export | **46,193** | 29,837 |
| | **217,036** | 184,824 |

## 21. Contingent liabilities

| | Company | |
|---|---|---|
| | 2012 RM | 2011 RM |
| Corporate guarantee given by the Company to banks for outstanding banking facilities of a subsidiary | **7,208,000** | 4,575,000 |

## 22. Financial instruments

### 22.1 Categories of financial instruments

All financial assets and liabilities are categorised as loans and receivables and other liabilities measured at amortised cost respectively except as stated below:

| | 2012 | | 2011 | |
|---|---|---|---|---|
| | Carrying amount RM'000 | Fair value through profit or loss RM'000 | Carrying amount RM'000 | Fair value through profit or loss RM'000 |
| **Group** | | | | |
| ***Financial assets*** | | | | |
| Other investments | **920** | **920** | 1,780 | 1,780 |
| **Company** | | | | |
| ***Financial assets*** | | | | |
| Other investments | **215** | **215** | 1,780 | 1,780 |

### 22.2 Net gains and losses arising from financial instrument

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| Net gains/(losses) on: | | | | |
| Fair value through profit/loss: | | | | |
| - Held for trading | **209** | 164 | **161** | 164 |
| Loan and receivable | **284** | 958 | **365** | 902 |
| Financial liabilities measured at amortised cost | **(257)** | (375) | **-** | - |
| | **236** | 747 | **526** | 1,066 |

# Notes to the Financial Statements
*cont'd*

**22. Financial instruments** *cont'd*

**22.3 Financial risk management**

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

**Credit risk**

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries.

***Receivables***

*Risk management objectives, policies and processes for managing the risk*

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on customers requiring credit over a certain amount.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

The exposure of credit risk for trade receivables as at the end of the reporting period by geographic region was:

| | **Group** | |
|---|---|---|
| | **2012**<br>**RM'000** | **2011**<br>**RM'000** |
| Local | **61,354** | 65,393 |
| Export | **9.447** | 5,959 |
| | **70,801** | 71,352 |

# Notes to the Financial Statements
*cont'd*

**22. Financial instruments** *cont'd*

**Credit risk** *cont'd*

*Impairment losses*

The ageing of trade receivables as at the end of the reporting period was:

| Group | Gross RM'000 | Individual impairment RM'000 | Net RM'000 |
|---|---|---|---|
| **2012** | | | |
| Not past due | **32,927** | **-** | **32,927** |
| Past due 1 - 30 days | **13,746** | **-** | **13,746** |
| Past due 31 - 60 days | **11,910** | **-** | **11,910** |
| Past due 61 - 90 days | **7,103** | **-** | **7,103** |
| Over 90 days | **5,269** | **(154)** | **5,115** |
| | **70,955** | **(154)** | **70,801** |
| **2011** | | | |
| Not past due | 23,413 | - | 23,413 |
| Past due 1 - 30 days | 14,504 | - | 14,504 |
| Past due 31 - 60 days | 10,678 | - | 10,678 |
| Past due 61 - 90 days | 5,911 | - | 5,911 |
| Over 90 days | 19,767 | (2,921) | 16,846 |
| | 74,273 | (2,921) | 71,352 |

The movements in the allowance for impairment losses of receivables during the financial year were:

| | Group 2012 RM'000 | Group 2011 RM'000 |
|---|---|---|
| At 1 March | **2,921** | 2,925 |
| Impairment loss written off | **(2,767)** | (4) |
| At 29 February/28 February | **154** | 2,921 |

The allowance account in respect of receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

In determining whether allowance is required to be made, the Group considers financial background of the customers, past transactions and other specific reasons causing these balances to be past due more than 90 days.

***Financial guarantees***

*Risk management objectives, policies and processes for managing the risk*

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

# Notes to the Financial Statements
*cont'd*

**22. Financial instruments** *cont'd*

**Credit risk** *cont'd*

*Exposure to credit risk, credit quality and collateral*

The maximum exposure to credit risk amounts to RM7,208,000 (2011: RM4,575,000) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

***Inter company balances***

*Risk management objectives, policies and processes for managing the risk*

The Company provides interest free, unsecured loans and advances to subsidiaries. These loans and advances are repayable on demand. The Company monitors the results of the subsidiaries regularly.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

*Impairment losses*

As at the end of the reporting period, there was no indication that the loans and advances to the subsidiaries are not recoverable. The Company does not specifically monitor the ageing of the advances to the subsidiaries.

**Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

# Notes to the Financial Statements
*cont'd*

**22. Financial instruments** *cont'd*

**Liquidity risk** *cont'd*

*Maturity analysis*

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

| Group | Carrying amount RM'000 | Contractual interest rate/ coupon % | Contractual cash flows RM'000 | Under 1 year RM'000 | 1 - 2 years RM'000 | 2 - 5 years RM'000 | More than 5 years RM'000 |
|---|---|---|---|---|---|---|---|
| **2012** | | | | | | | |
| *Non-derivative financial liabilities* | | | | | | | |
| Unsecured term loans | **2,017** | **4.92 - 7.10** | **2,495** | **513** | **508** | **848** | **626** |
| Secured finance lease liabilities | **53** | **3.75 - 4.20** | **55** | **55** | **-** | **-** | **-** |
| Unsecured banker's acceptance | **6,656** | **3.30 - 3.35** | **6,656** | **6,656** | **-** | **-** | **-** |
| Trade and other payables, excluding derivatives | **36,739** | **-** | **36,739** | **36,739** | **-** | **-** | **-** |
| | **45,465** | | **45,945** | **43,963** | **508** | **848** | **626** |
| **Company** | | | | | | | |
| **2012** | | | | | | | |
| *Non-derivative financial liabilities* | | | | | | | |
| Trade and other payables | **326** | **-** | **326** | **326** | **-** | **-** | **-** |
| **Group** | | | | | | | |
| **2011** | | | | | | | |
| *Non-derivative financial liabilities* | | | | | | | |
| Unsecured term loans | 2,386 | 4.92 - 7.10 | 2,987 | 508 | 508 | 1,100 | 871 |
| Secured finance lease liabilities | 130 | 3.50 - 4.10 | 134 | 125 | 9 | - | - |
| Unsecured banker's acceptance | 3,804 | 2.97 - 3.00 | 3,804 | 3,804 | - | - | - |
| Trade and other payables, excluding derivatives | 31,206 | - | 31,206 | 31,206 | - | - | - |
| | 37,526 | | 38,131 | 35,643 | 517 | 1,100 | 871 |
| **Company** | | | | | | | |
| **2011** | | | | | | | |
| *Non-derivative financial liabilities* | | | | | | | |
| Trade and other payables | 347 | - | 347 | 347 | - | - | - |

# Notes to the Financial Statements
*cont'd*

**22. Financial instruments** *cont'd*

**Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's financial position or cash flows.

***Currency risk***

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily US Dollar (USD), Brunei Dollar (BND), Singapore Dollar (SGD), Thailand Baht (BAHT), Chinese Yuan (RMB), Hong Kong Dollar (HKD), Korean Won (WON) and Euro Dollar (EURO).

*Exposure to foreign currency risk*

The Group's exposure to foreign currency (a currency which is other than the currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

| | Denominated in | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Group** | **USD '000** | **BND '000** | **SGD '000** | **BAHT '000** | **RMB '000** | **HKD '000** | **WON '000** | **EURO '000** |
| **2012** | | | | | | | | |
| Trade receivables | **7,887** | **336** | **981** | **204** | **-** | **-** | **-** | **-** |
| Cash and cash equivalents | **7,290** | **-** | **908** | **-** | **-** | **-** | **-** | **79** |
| Trade and other payables | **(3,030)** | **-** | **(350)** | **(120)** | **(180)** | **(118)** | **(237)** | **-** |
| | **12,147** | **336** | **1,539** | **84** | **(180)** | **(118)** | **(237)** | **79** |
| **2011** | | | | | | | | |
| Trade receivables | 5,000 | 279 | 480 | 101 | - | - | - | - |
| Cash and cash equivalents | 8,777 | - | 1,067 | - | - | - | - | 84 |
| Trade and other payables | (2,387) | - | (402) | (186) | (232) | (683) | (78) | - |
| | 11,390 | 279 | 1,145 | (85) | (232) | (683) | (78) | 84 |
| **Company** | | | | | | | | |
| **2012** | | | | | | | | |
| Intra-group balances | **151** | **-** | **-** | **-** | **-** | **-** | **-** | **39** |
| **2011** | | | | | | | | |
| Intra-group balances | 84 | - | - | - | - | - | - | - |

# Notes to the Financial Statements
*cont'd*

**22. Financial instruments** *cont'd*

**Market risk** *cont'd*

*Currency risk sensitivity analysis*

A 10% (2011: 10%) strengthening of the Ringgit Malaysia against the following currencies at the end of the reporting period would have increased (decreased) post-tax profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

| | Group Profit or loss RM'000 | Company Profit or loss RM'000 |
|---|---|---|
| **2012** | | |
| USD | **(911)** | **(11)** |
| BND | **(25)** | **-** |
| SGD | **(115)** | **-** |
| BAHT | **(6)** | **-** |
| RMB | **14** | **-** |
| HKD | **9** | **-** |
| WON | **18** | **-** |
| EURO | **(6)** | **-** |
| RUPIAH | **-** | **(3)** |
| **2011** | | |
| USD | (854) | (6) |
| BND | (21) | - |
| SGD | (86) | - |
| BAHT | 6 | - |
| RMB | 17 | - |
| HKD | 51 | - |
| WON | 6 | - |
| EURO | (6) | - |

A 10% (2011: 10%) weakening of Ringgit Malaysia against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

***Interest rate risk***

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in equity securities and short term receivables and payables are not significantly exposed to interest rate risk.

# Notes to the Financial Statements
*cont'd*

**22. Financial instruments** *cont'd*

**Market risk** *cont'd*

*Exposure to interest rate risk*

The interest rate profile of the Group's and of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

| | Group | | Company | |
|---|---|---|---|---|
| | **2012 RM'000** | **2011 RM'000** | **2012 RM'000** | **2011 RM'000** |
| **Fixed rate instruments** | | | | |
| Financial assets | **11,228** | 11,231 | **5,691** | 10,866 |
| Financial liabilities | **(6,709)** | (3,934) | **-** | - |
| | **4,519** | 7,297 | **5,691** | 10,866 |
| **Floating rate instruments** | | | | |
| Financial liabilities | **(2,017)** | (2,386) | **-** | - |

*Interest rate risk sensitivity analysis*

(a) *Fair value sensitivity analysis for fixed rate instruments*

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(b) *Cash flow sensitivity analysis for variable rate instruments*

A change of 100 basis points (bp) in interest rates at the end of the reporting period would have increased (decreased) post-tax profit by the amounts shown below. This analysis assumes that all other variables, remained constant.

| | Profit | |
|---|---|---|
| | **100 bp increase RM'000** | **100 bp decrease RM'000** |
| **2012** | | |
| Floating rate instruments | **(18)** | **18** |
| **2011** | | |
| Floating rate instruments | (18) | 18 |

***Other price risk***

Equity price risk arises from the Group's investments in equity securities.

*Risk management objectives, policies and processes for managing the risk*

Management of the Group monitors the equity investments on a portfolio basis. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Directors of the Company.

# Notes to the Financial Statements
*cont'd*

**22. Financial instruments** *cont'd*

**Market risk** *cont'd*

*Equity price risk sensitivity analysis*

This analysis assumes that all other variables remain constant and the Group's equity investments moved in correlation with the movement in the stock market.

A 10% (2011: 10%) strengthening movement in the stock market at the end of the reporting period would have increased post-tax profit or loss of the Group and the Company by RM69,000 (2011: RM134,000) and RM16,000 (2011: RM134,000) respectively. A 10% (2011: 10%) weakening in the movement in the stock market would have had equal but opposite effect on profit or loss.

**Fair value of financial instruments**

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings approximate fair values due to the relatively short term nature of these financial instruments.

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

The fair values of other financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

| | 2012 | | 2011 | |
|---|---|---|---|---|
| | Carrying amount RM'000 | Fair value RM'000 | Carrying amount RM'000 | Fair value RM'000 |
| **Group** | | | | |
| Quoted shares | **705** | **705** | 1,281 | 1,296 |
| Equity linked structure products | **215** | **215** | 499 | 499 |
| Finance lease liabilities | **(53)** | **(53)** | (130) | (130) |
| **Company** | | | | |
| Quoted shares | **-** | **-** | 1,281 | 1,296 |
| Equity linked structure products | **215** | **215** | 499 | 499 |

The following summarises the methods used in determining the fair value of financial instruments reflected in the above table.

*Investments in equity and debt securities*

The fair values of financial assets that are quoted in an active market are determined by reference to their quoted closing bid price at the end of the reporting period.

*Non-derivative financial liabilities*

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. For finance leases the market rate of interest is determined by reference to similar lease agreements.

# Notes to the Financial Statements
*cont'd*

**22. Financial instruments** *cont'd*

**Fair value of financial instruments** *cont'd*

*Interest rates used to determine fair value*

The interest rates used to discount estimated cash flows, when applicable, are as follows:

| | 2012<br>% | 2012<br>% |
|---|---|---|
| Finance leases | **3.75 - 4.20** | 3.50 - 4.10 |

***Fair value hierarchy***

Comparative figures have not been presented for 28 February 2011 by virtue of the exemption provided in paragraph 44G of FRS 7.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| | Level 1<br>RM'000 | Level 2<br>RM'000 | Level 3<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|---|
| **Group** | | | | |
| **2012** | | | | |
| **Financial assets** | | | | |
| Investment in quoted shares | **705** | **-** | **-** | **705** |
| Equity linked structured products | **-** | **215** | **-** | **215** |
| | **705** | **215** | **-** | **920** |
| **Company** | | | | |
| **2012** | | | | |
| **Financial assets** | | | | |
| Equity linked structured products | **-** | **215** | **-** | **215** |

**23. Capital management**

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and maintain an optimal capital and liquidity ratio that enables the Group to operate effectively.

There were no changes in the Group's approach to capital management during the financial year.

# Notes to the Financial Statements
*cont'd*

**23. Capital management** *cont'd*

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

The Group is also required to maintain consolidated tangible net worth of not less than RM150 million and Group total bank borrowings to consolidated tangible net worth ratio of not more than 1.0 time, failing which, the bank may call an event of default. The Group has complied with these covenants.

**24. Capital commitment**

| | Group | |
|---|---|---|
| | 2012<br>RM | 2011<br>RM |
| **Contracted but not provided for** | | |
| - Land held for development | **480,000** | - |
| - Plant and machinery | **787,000** | - |
| | **1,267,000** | - |

**25. Related parties**

**Identity of 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.

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 compensation of the Company other than Directors.

The significant related party transactions of the Company, other than key management personnel compensation (see Note 16), are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2012<br>RM | 2011<br>RM | 2012<br>RM | 2011<br>RM |
| **Subsidiaries** | | | | |
| Dividend income (gross) | **-** | - | **13,000,000** | 32,290,548 |
| Management fees | **-** | - | **384,868** | 927,917 |
| Sales of property, plant and equipment | **-** | - | **940** | 34,431 |
| Rental expense | **-** | - | **12,600** | - |
| Fees paid to a firm in which an alternate Director of the Company is a partner | **67,531** | 13,050 | **-** | - |

# Notes to the Financial Statements
*cont'd*

## 25. Related parties *cont'd*

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM | 2011 RM | 2012 RM | 2011 RM |
| **Substantial shareholders/ Companies in which substantial shareholder has interest** | | | | |
| Sales | **574,966** | 460,086 | - | - |
| **Director** | | | | |
| Sales of motor vehicles | **135,000** | - | - | - |

## 26. Comparative figures

Certain comparative figures have been restated to conform with current year presentation.

| | Group | |
|---|---|---|
| | As restated RM | As previously stated RM |
| ***Statement of comprehensive income*** | | |
| Raw material used | **(76,674,417)** | (72,819,417) |
| Other expenses | **(29,328,108)** | (33,183,108) |

# Notes to the Financial Statements
*cont'd*

**27. Supplementary information on the breakdown of realised and unrealised profits or losses**

The breakdown of the retained earnings of the Group and of the Company as at 29 February/28 February, into realised and unrealised profits, pursuant to Paragraph 2.06 and 2.23 of the Bursa Malaysia Main Market Listing Requirements, are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2012 RM'000** | **2011 RM'000** | **2012 RM'000** | **2011 RM'000** |
| Total retained earnings of the Company and its subsidiaries: | | | | |
| - realised | **59,647** | 56,310 | **7,841** | 8,115 |
| - unrealised | **(2,374)** | (2,285) | **(1)** | (11) |
| | **57,273** | 54,025 | **7,840** | 8,104 |
| Less: Consolidation adjustments | **(32,953)** | (34,018) | **-** | - |
| Total retained earnings | **24,320** | 20,007 | **7,840** | 8,104 |

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

# List of Properties

As at 29 February 2012

| 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/ 14 years | 41,801/22,466 | 1,759,157 |
| 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/ 14 years | 41,354/21,269 | 3,495,383 |
| iii) | 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/ 14 years | 41,801/24,177 | 2,345,765 |
| iv) | No. 1, Jalan Sri Plentong, Taman Perindustrian Sri Plentong, 81750 Masai, Johor Bahru, Johor on H.S.(D) 212276-212285 P.T.No.1111376-111385 in the Mukim of Plentong, District of Johor Bahru | Warehouse, factory cum office | Freehold/ 5 years | 772,098/155,389 | 37,738,212 |
| v) | Lot 945, Springs 10, Street 7, Villa 33, Type 3E, The Springs Emirates Living, Dubai | Residential | Freehold/ 6 years | 4,080/2275 | 1,393,828 |
| vi) | No. 30, Jalan Tago 9 TamanPerindustrian 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/ 16 years | 19,493/14,516 | 3,049,965 |
| vii) | 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/ 16 years | 19,300/14,512 | 4,178,116 |
| viii) | 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, Disctrict of Johor Bahru | Vacant | Freehold/ 5 years | 5,587/17,122 | 3,729,782 |
| ix) | Unit B/08/DF, Garden Shopping Arcade, Central Park, Indonesia | Shop cum office | Freehold/ 2 years | 807/3,229 | 1,664,408 |

# Analysis of Shareholdings

As at 30 May 2012

**AUTHORISED SHARE CAPITAL** : RM100,000,000 consisting of 500,000,000 ordinary shares of RM0.20 each

**ISSUED & FULLY PAID UP CAPITAL** : RM60,000,000 consisting of 300,000,000 ordinary shares of RM0.20 each

## DISTRIBUTION SCHEDULES OF EQUITY

| Category | No. of Holders | % | No. of Securities | % |
|---|---|---|---|---|
| 1 - 99 | 7 | 0.41 | 260 | 0.00 |
| 100 - 1,000 | 291 | 16.95 | 197,850 | 0.07 |
| 1,001 - 10,000 | 804 | 46.83 | 4,811,500 | 1.60 |
| 10,001 - 100,000 | 510 | 29.70 | 17,239,300 | 5.75 |
| 100,001 to less than 5% of issued shares | 101 | 5.88 | 78,548,900 | 26.18 |
| 5% and above of issued shares | 4 | 0.23 | 199,202,190 | 66.40 |
| **Total** | **1,717** | **100.00** | **300,000,000** | **100.00** |

## LIST OF DIRECTORS' SHAREHOLDINGS

| No. | Name of Directors | Shareholdings | % |
|---|---|---|---|
| 1 | Y. M. Tengku Shamsulbhari bin Tengku Azman Shah, SMK. | - | - |
| 2 | Low Chee Yen | 53,999,930 | 18.00 |
| 3 | Wong Fuei Boon | 53,999,930 | 18.00 |
| 4 | How Say Swee | 53,999,930 | 18.00 |
| 5 | Ong Kheng Swee | - | - |
| 6 | Tea Choo Keng | 870,000 | 0.29 |
| 7 | Sarchu bin Sawal | - | - |
| 8 | See Thuan Po | - | - |

## LIST OF SUBSTANTIAL SHAREHOLDERS

| No. | Name of Substantial Shareholders | Shareholdings | % |
|---|---|---|---|
| 1 | Koperasi Permodalan Felda Malaysia 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 | 53,999,930 | 18.00 |

# Analysis of Shareholdings

As at 30 May 2012
*cont'd*

## CATEGORY OF SHAREHOLDERS OF EACH CLASS

| | No. of Holders | | No. of Shares | | Percentage (%) | |
|---|---|---|---|---|---|---|
| **Category of Shareholders** | **Malaysian** | **Foreign** | **Malaysian** | **Foreign** | **Malaysian** | **Foreign** |
| 1 Individuals | 1,365 | 19 | 205,139,200 | 512,900 | 68.38 | 0.17 |
| 2 Body Corporate | | | | | | |
| a. Banks / Finance Companies | 4 | - | 10,942,200 | - | 3.65 | - |
| b. Investment Trusts / Foundation / Charities | - | - | - | - | - | - |
| c. Other types of companies | 26 | - | 64,171,300 | - | 21.39 | - |
| 3 Government Agencies / Institutions | - | - | - | - | - | - |
| 4 Nominees | 289 | 14 | 11,668,100 | 7,566,300 | 3.89 | 2.52 |
| 5 Others | - | - | - | - | - | - |
| **Total** | **1,684** | **33** | **291,920,800** | **8,079,200** | **97.31** | **2.69** |

## LIST OF THIRTY (30) LARGEST SHAREHOLDERS

| No. | Name | Shareholdings | % |
|---|---|---|---|
| 1 | Koperasi Permodalan Felda Malaysia 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 | How Say Swee | 7,007,600 | 2.34 |
| 8 | Low Chee Yen | 6,995,500 | 2.33 |
| 9 | Lai Wei Chai | 3,662,900 | 1.22 |
| 10 | Wong Tak Keong | 3,261,200 | 1.09 |
| 11 | HSBC Nominees (Asing) Sdn Bhd<br>*Exempt an for Credit Suisse (Sg Br-Tst-Asing)* | 3,259,500 | 1.09 |
| 12 | CIMSEC Nominees (Tempatan) Sdn Bhd<br>*CIMB Bank for Mohamed Nizam bin Abdul Razak (My0888)* | 2,548,000 | 0.85 |
| 13 | Chee Kim Lien | 2,405,500 | 0.80 |
| 14 | Sharon Voon Lee Peng | 2,178,000 | 0.73 |
| 15 | Syed Sirajuddin Putra Jamalullail | 1,702,000 | 0.57 |
| 16 | HDM Nominees (Asing) Sdn Bhd<br>*UOB Kay Hian Pte Ltd for Whang Tar Liang* | 1,440,000 | 0.48 |
| 17 | Low Kee Chai | 1,157,100 | 0.39 |

# Analysis of Shareholdings

As at 30 May 2012

*cont'd*

**LIST OF THIRTY (30) LARGEST SHAREHOLDERS** *cont'd*

| No. | Name | Shareholdings | % |
|---|---|---|---|
| 18 | CIMSEC Nominees (Asing) Sdn Bhd<br>*Exempt an for CIMB Securities (Singapore) Pte Ltd (Retail Clients)* | 1,149,000 | 0.38 |
| 19 | HDM Nominees (Asing) Sdn Bhd<br>*UOB Kay Hian Pte Ltd for Tan Boh Cheng @ Chen Mu-Hsien Iris* | 1,000,000 | 0.33 |
| 20 | See Seang Huat @ Co Sdn Bhd | 1,000,000 | 0.33 |
| 21 | Lam Soon Strategic Sdn Bhd | 888,000 | 0.30 |
| 22 | Tea Choo Keng | 870,000 | 0.29 |
| 23 | Jf Apex Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account for Ooi Siew Looi (Sta 2)* | 815,000 | 0.27 |
| 24 | Ng Aik Sern | 657,200 | 0.22 |
| 25 | Lye Kok Loong | 622,000 | 0.21 |
| 26 | Koperasi Permodalan Felda Malaysia Berhad | 604,800 | 0.20 |
| 27 | Tee Siok Hoon | 543,500 | 0.18 |
| 28 | Soon Thye Trading Sdn Bhd | 505,500 | 0.17 |
| 29 | Chin Hin Co Sdn Bhd | 500,000 | 0.17 |
| 30 | Maybank Nominees (Tempatan) Sdn Bhd<br>*Maybank Trustees Berhad for Pheim Asia Ex-Japan Islamic Fund (260508)* | 480,000 | 0.16 |

# Notice of Sixth Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Sixth Annual General Meeting of the Company will be held at No 1, Jalan Sri Plentong, Taman Perindustrian Sri Plentong, 81750 Masai, Johor on Monday, 23 July 2012 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 29 February 2012 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 2.5 sen per share for the financial year ended 29 February 2012. ***(Resolution 2)***

3. To sanction payment of Directors' fees for the financial year ended 29 February 2012. ***(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 Dato' How Say Swee ***(Resolution 4)***

   4.2 Y.M. Tengku Shamsulbhari bin Tengku Azman Shah, SMK. ***(Resolution 5)***

   4.3 Dato' Tea Choo Keng ***(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 – ***(Resolution 8)***
   Authority To Issue Shares Pursuant To Section 132D of the Companies Act, 1965

   "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 Sixth Annual General Meeting
*cont'd*

7. Special Resolution – ***(Resolution 9)***
Proposed amendment to the Articles of Association of the Company

"THAT the Articles of Association of the Company be amended as follows:

(i) To insert the following new definition under Article 2 immediately after the existing definition of "Authorised Nominee":

| WORDS | MEANING |
|---|---|
| Exempt Authorised Nominee | An authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA. |

(ii) To delete the existing Article 86 and replace with the following new Article 86 to read as follows:

Existing Article 86

Where a Member is an Authorised Nominee as defined under the Central Depositories Act, he may appoint at least one (1) proxy in respect of each Securities Account he holds with ordinary shares of the Company standing to the credit of the said Securities Account.

New Article 86

(i) A Member of the Company entitled to attend and vote at a meeting of the Company, or at a meeting of any class of Members of the Company, shall be entitled to appoint any person as his proxy to attend and vote instead of the Member at the meeting. There shall be no restriction as to the qualification of the proxy.

(ii) A Member may appoint not more than two (2) proxies to attend the same meeting. Where a Member appoints two (2) proxies, he shall specify the proportion of his shareholdings to be represented by each proxy.

(ii) Where a Member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

# Notice of Sixth Annual General Meeting
*cont'd*

7. Special Resolution –
Proposed amendment to the Articles of Association of the Company *cont'd*

(iv) Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(v) Where an authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

(vi) A proxy appointed to attend and vote at a meeting of a Company shall have the same rights as the Member to speak at the meeting."

(iii) To delete the existing Article 89 and replace with the following new Article 89 to read as follows:

Existing Article 89

The instrument appointing a proxy shall be in writing signed by the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, either under its common seal or signed by an officer or attorney so authorised. A proxy may, but need not, be a Member of the Company. A Member may appoint any person to be his proxy without limitation and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.

New Article 89

The instrument appointing a proxy shall be in writing under the hands of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation either under its common seal, or the hand of its officer or its duly authorised attorney. An instrument appointing a proxy to vote at a meeting shall be deemed to include the power to demand or join in demanding a poll on behalf of the appointer. A proxy may but need not be a Member of the Company and the provision of Section 149(1)(b) of the Act shall not apply to the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the Member to speak at the Meeting.

8. To transact any other business of which due notices has been given.

# Notice of Sixth Annual General Meeting
*cont'd*

**NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT**

**NOTICE IS ALSO HEREBY GIVEN** that a Single Tier Final Dividend of 2.5 sen per share in respect of financial year ended 29 February 2012 will be payable on 28 August 2012 to depositors registered in the Record of Depositors at the close of business on 10 August 2012, if approved by shareholders at the forthcoming Sixth Annual General Meeting on Monday, 23 July 2012.

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 10 August 2012 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
**POWER ROOT BERHAD**

**ROKIAH BINTI ABDUL LATIFF (LS 0000194)**
**NORIAH BINTI MD YUSOF (LS 0009298)**
Company Secretaries

Johor Bahru
29 June 2012

***Notes:***

*(a)* ***GENERAL MEETING RECORD OF DEPOSITORS***

*Only depositors whose name appears in the Record of Depositors as at 16 July 2012 shall be regarded as Member of the Company entitled to attend, speak and vote at his Meeting or appoint proxy(ies) to attend, speak and vote in his stead.*

*(b)* ***PROXY***

*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 Sixth Annual General Meeting
*cont'd*

**Notes:** *cont'd*

(c) ***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 Sixth 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 Fifth AGM of the Company held on 25 July 2011 (hereinafter referred to as the "Previous Mandate").*

*The Previous Mandate granted by the shareholders had not been utilised and hence no proceed 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*

*Proposed amendment to the Articles of Association of the Company*

*The Special Resolution 1, if passed, will bring the Articles of Association of the Company to be in line with the recent amendments made to Chapter 7 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.*

# Statement Accompanying the Notice of the Sixth Annual General Meeting

**1. DIRECTORS WHO ARE SEEKING RE-ELECTION AT THE SIXTH 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:

- Dato' How Say Swee
- Y.M. Tengku Shamsulbhari bin Tengku Azman Shah, SMK.
- Dato' Tea Choo Keng

**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 5 to 7 of the Annual Report.

# Proxy Form

| Number of Ordinary Shares Held |
|---|
| |

## POWER ROOT BERHAD

*(Company No: 733268-U)*
*(Incorporated In Malaysia)*

I/We, ____________________________________________
*(FULL NAME AND NRIC/PASSPORT NO)*

of ____________________________________________
*(FULL ADDRESS)*

being a member of **POWER ROOT 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 Sixth Annual General Meeting of the Company to be held at No 1, Jalan Sri Plentong, Taman Perindustrian Sri Plentong, 81750 Masai, Johor on Monday, 23 July 2012 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 29 February 2012 together with the Reports of the Directors and the Auditors thereon. | | |
| 2. | To approve the declaration of a Single Tier Final Dividend of 2.5 sen per share for the financial year ended 29 February 2012. | | |
| 3. | To sanction payment of Directors' fees for the financial year ended 29 February 2012. | | |
| 4. | To re-elect the Director, Dato' How Say Swee who retires pursuant to Article 121 of the Company's Articles of Association. | | |
| 5. | To re-elect the Director, Y.M. Tengku Shamsulbhari bin Tengku Azman Shah, SMK. who retires pursuant to Article 121 of the Company's Articles of Association. | | |
| 6. | To re-elect the Director, Dato' Tea Choo Keng 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 RESOLUTIONS – 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." | | |
| 9. | SPECIAL RESOLUTION – Proposed Amendment to the Articles of Association of the company. | | |

** Strike out whichever not applicable*

Signed this ________________ day of ______________ 2012

________________________
Signature of Member/Common Seal

Fold This Flap For Sealing

Then Fold Here

Affix
Stamp

**POWER ROOT BERHAD**
*(Company No. 733268-U)*
*(Incorporated In Malaysia)*

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

1st Fold Here

*Notes*

i. Only depositors whose name appears in the Record of Depositors as at 16 July 2012 shall be regarded as Member of the Company entitled to attend, speak and vote at this Meeting or appoint proxy(ies) to attend, speak and vote in his stead.

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 Sixth 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 Fifth AGM of the Company held on 25 July 2011 (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:*

*Proposed Amendments to the Article of Association of the Company.*

The Special Resolution 1, if passed, will bring the Articles of Association of the Company to be in line with the recent amendments made to Chapter 7 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

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