



**POWER ROOT BERHAD**  
Company No.: 733268-U  
**ANNUAL REPORT 2014**



# CONTENTS

Corporate Information	<a href="#">2</a>
Corporate Structure	<a href="#">3</a>
Financial Highlights	<a href="#">4</a>
Directors' Profile	<a href="#">5</a>
Significant Events	<a href="#">8</a>
Corporate Social Responsibility	<a href="#">12</a>
Chairman's Statement	<a href="#">16</a>
Corporate Governance Statement	<a href="#">19</a>
Audit Committee Report	<a href="#">33</a>
Statement on Risk Management and Internal Control	<a href="#">37</a>
Financial Statements	<a href="#">40</a>
List of Properties	<a href="#">106</a>
Analysis of Shareholdings	<a href="#">107</a>
Notice of Eighth Annual General Meeting	<a href="#">110</a>
Statement Accompanying the Notice of the Eighth Annual General Meeting	<a href="#">114</a>
Proxy Form	



## 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

**Ong Kheng Swee**  
Independent Non-Executive Director

**Datuk Faizoull bin Ahmad**  
Non-Independent Non-Executive Director  
(Appointed on 30 September 2013;  
Resigned on 27 March 2014)

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

**Datuk Sarchu bin Sawal**  
Non-Independent Non-Executive Director  
(Resigned on 30 September 2013)

**Azahar bin Baharudin**  
Independent Non-Executive Director  
(Appointed on 28 April 2014)

### Company Secretary

**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  
No. 12 Jalan Ngee Heng  
80000 Johor Bahru, Johor  
Tel : 07 – 278 1338  
Fax : 07 – 223 9330

### CORPORATE OFFICE

No. 30, Jalan Tago 9  
Taman Perindustrian Tago  
52200 Kuala Lumpur  
Website : [www.powerroot.com](http://www.powerroot.com)

### BUSINESS ADDRESS

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

### PRINCIPAL BANKERS

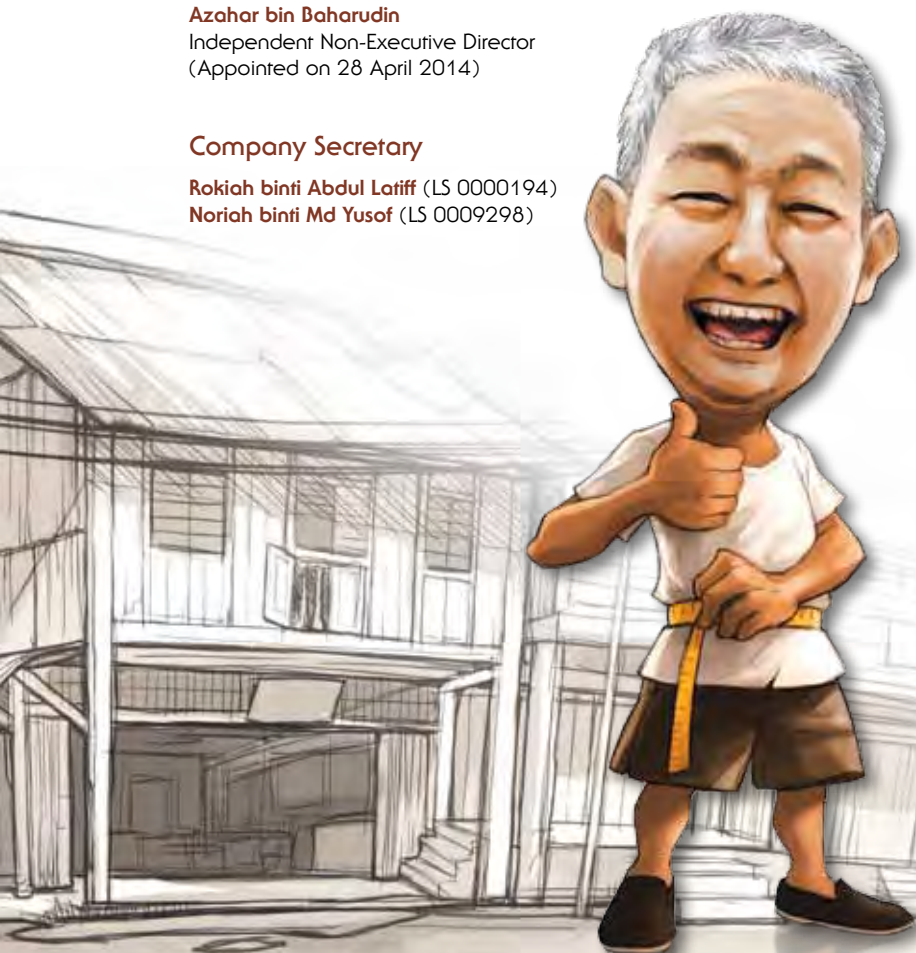
Hong Leong Bank Berhad  
United Overseas Bank (Malaysia) Berhad  
Bank Of China (Malaysia) Berhad

### AUDITORS

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

### 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 ME FZCO shall receive all profits or ownerships of assets and liable for all losses or liabilities of P.R. Manufacturing ME LLC



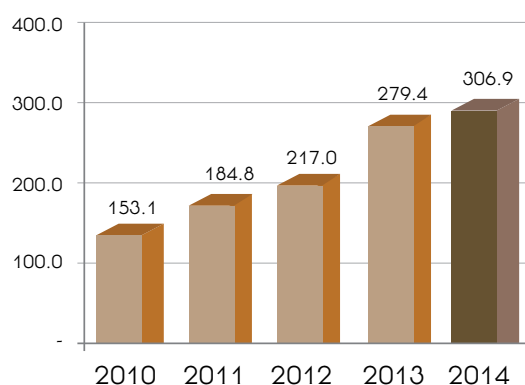


## Financial Highlights

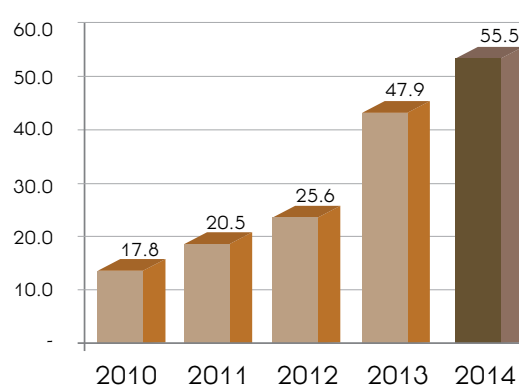
Financial year ended 28/29 February

	2010 RM' 000	2011 RM' 000	2012 RM' 000	2013 RM' 000	2014 RM' 000
Revenue	153,107	184,824	217,036	279,355	306,852
Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA")	17,764	20,475	25,645	47,883	55,541
Profit Before Taxation ("PBT")	12,982	14,821	19,373	41,961	50,003
Profit After Taxation ("PAT")	10,181	12,214	16,221	35,276	39,679
Earnings Per Share ("EPS") (sen)					
- Basic	3.39	4.07	5.28	11.46	12.92
- Diluted	-	-	-	11.18	12.23

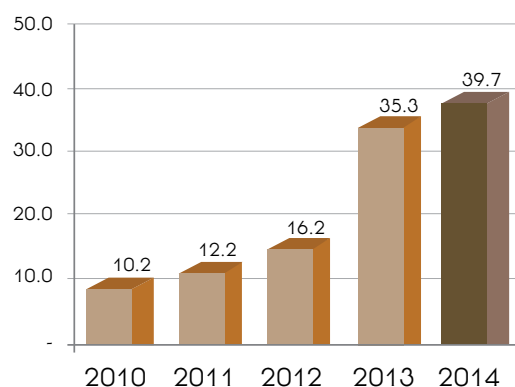
Revenue (RM'million)



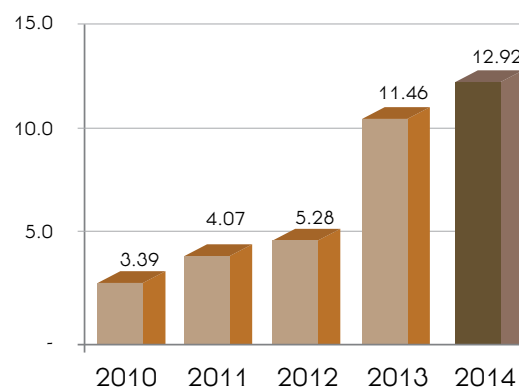
EBITDA (RM'million)



PAT (RM'million)



BASIC EPS (sen)



## Directors' Profile

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

Independent Non-Executive Chairman  
Malaysian, aged 56

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 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 4 out of 4 Board meetings held during the financial year ended 28 February 2014.

**Dato' Low Chee Yen**

Managing Director  
Malaysian, aged 39

Dato' Low Chee Yen was appointed as our Managing Director on 2 February 2007. He is also a member of the Remuneration Committee. He is one of the founding members of the Group and has 14 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 4 out of 4 Board meetings held during the financial year ended 28 February 2014.

**Dato' Wong Fuei Boon**

Executive Director  
Malaysian, aged 48

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 26 years of working experience in the sales of consumer products, out of which 14 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 4 out of 4 Board meetings held during the financial year ended 28 February 2014.

## directors' profile (*cont'd*)

### **Dato' How Say Swee**

Executive Director  
Malaysian, aged 51

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 22 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 2 out of 4 Board meetings held during the financial year ended 28 February 2014.

### **See Thuan Po**

Executive Director  
Malaysian, aged 38

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 4 out of 4 Board meetings held during the financial year ended 28 February 2014.

### **Azahar bin Baharudin**

Independent Non-Executive Director  
Malaysian, aged 58

Azahar bin Baharudin was appointed as our Independent Non-Executive Director on 28 April 2014. He is also the member of the Audit Committee and Nomination Committee.

He graduated from MARA Institute of Technology in 1984. Mr. Azahar was appointed as an Independent Non-Executive Director of Gromutual on 28 February 2011. He began his career in 1978 with United Asian Bank Berhad and joined Affin Bank Berhad in 1991 as an Executive Officer. In 1992, he was promoted to Head of Credit and became a Deputy Branch Manager of Johor Jaya Branch in 1993. In 1994, he has been promoted as Branch Manager and worked in various branches of the Bank in Johor. He served Affin Bank Berhad until 2003 with his last position as its Johor, Business Centre Head. He joined Intralink Techno Sdn. Bhd. from November 2005 to December 2007 and last position as General Manager, Business Development. He currently sits on the board of Solid Automotive Berhad and Gromutual Berhad.

Mr. Azahar 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 has not attended any Board meetings held during the financial year ended 28 February 2014 as he was appointed after the financial year end.

## directors' profile (cont'd)

**Ong Kheng Swee**

Independent Non-Executive Director  
Malaysian, aged 56

Ong Kheng Swee was appointed as an 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, automotive components, minerals and glass. He is currently the Executive Director / Chief Financial Officer of Solid Automotive Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad.

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

He attended 4 out of 4 Board meetings during the financial year ended 28 February 2014.

**Dato' Tea Choo Keng**

Alternate Director of Y.M. Tengku Shamsulbhari bin Tengku Azman Shah, SMK  
Malaysian, aged 46

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 practice under the name of Messrs Tea & Company in year 1994. He is now the managing partner of Messrs Tea, Kelvin Kang & Co, a legal firm in Johor Bahru.

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 is an Independent Non-Executive Director of Lien Hoe Corporation Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad. He has not been convicted of any offences within the past ten (10) years.

He attended 3 out of 4 Board meetings held during the financial year ended 28 February 2014.





## Significant Events



### Export Markets

Over the Financial Year Ended ("FYE") 2014, we continued with our efforts to build our export markets through strengthening our distribution networks, diligently carrying out promotional activities and by introducing new products. Despite the setback suffered in Egypt (arising due to political unrest), we managed to record growth in most of the other countries and as a whole, recorded an increase in export sales from RM94 million (FYE 2013) to RM97 million (FYE 2014). We launched our Ah Huat White Coffee in Singapore, Hong Kong, China and in the Philippines over FYE 2014 and the products were well received. The sales growth in the said countries was mainly due to sales derived from the Ah Huat White Coffee products.



## significant events (cont'd)

**The movie HUAT AH! HUAT AH! HUAT!**

In FYE 2014, we partnered with GSC Golden Cinemas, Clover Films and Ah Niu to produce and release the movie HUAT AH! HUAT AH! HUAT! at the big screens in Malaysia and Singapore. The movie was released during the 2014 Chinese New Year and was well received in both countries. The Box Office sales were also very encouraging as it beat several Hong Kong movies. During this period, we took the opportunity to carry out roadshows and promotional events to concurrently market the movie and our Ah Huat White Coffee products. We believe that such initiatives will strike a closed with consumers and further enhance the brand equity.



有来有  
**Huat** 啊!  
一心愿事成

电影宣传和演员见面会  
**阿牛, 郑欣宜**  
将亲临现场

第一站  
AEON Bukit Indah, 新山  
25.1.2014, 下午3点-3点  
Dataran Pahlawan, 马六甲  
25.1.2014, 下午6点30分-7点30分

第二站  
Mid Valley, 吉隆坡  
26.1.2014, 下午12点30分-1点30分  
AEON Bukit Tinggi, 巴生  
26.1.2014, 下午4点-5点  
Paradigm Mall, 雪隆  
26.1.2014, 下午8点-8点30分

**發**

亞發 AhHuat





## significant events (cont'd)

### Power Root Ambassadors

In July 2013, the Group signed up Fahrin Ahmad, a local celebrity to be our brand ambassador for the "Alicafé Tongkar Ali" product range. We launched two (2) new variants, being "Alicafé Tongkar Ali Low Fat" and "Alicafé Low Fat No Sugar Added" to cater to the more health conscious consumers. Television advertisements were rolled out to further promote the products.

For the second year running, we extended our partnership with Ah Niu as the face of Ah Huat White Coffee for Malaysia and Singapore. Similarly, in conjunction to the launch of the brand in Hong Kong and China, we also signed Ah Niu up as our spokesperson for the said places.



### Consumer Ground Activities

We have actively participated and organised consumer ground events over the financial year to enhance the branding presence and strengthen the interaction with the consumer. In this year, we focused on promoting the Alicafé and Ah Huat White Coffee brands through our nationwide roadshows.

During the year, Power Root took part in the "Karnival Jom Heboh" organised by TV3. We have been an anchor participant in this event for approximately 9 years.





## significant events (cont'd)



### New Products and Brands Development

On top of the continuous promotional and advertising activities, the Group launched a total of 5 new products comprising of "Alicafé Tongkat Ali Low Fat" and "Alicafé Low Fat No Sugar Added" for the Alicafé brand and "Ah Huat White Coffee Hazelnut", "Ah Huat Kopi-O" and "Ah Huat Kopi-O No Sugar Added" for the Ah Huat brand.

As part of our branding exercise, we have taken steps to associate our brands with positive values. For the Alicafé brand, our tagline is "KUAT, Kecergasan Berganda!". The values we promote through the prefix letters of KUAT are Keberanian (bravery), Usaha (effort), Akhlak (morality) and Taat (loyalty).

For the Ah Huat brands, we associate it with the "Eight Virtues (八德)" comprising of "Be Polite (礼), Be Righteous (义), Be Truthful (廉), Be Mindful (耻), Be Filial (孝), Be Caring (悌), Be Loyal (忠) and Be Credible (信)".

We believe that such conscious steps of promoting the said values will bode well with the brands and also uplift the community with positive vibes.





## Corporate Social Responsibility

Throughout the year, we continued with our corporate social responsibility (CSR) initiatives based on our corporate philosophy of promoting social and economic betterment of the local communities. Partnerships of old were strengthened and new ventures were launched along our CSR journey.



### 1) SRJK Puay Chai 2

For the 6<sup>th</sup> year running, we continued our partnership with SRJK Puay Chai 2 where we participated in the school's activities throughout the year. Our participation involved monetary and in-kind contributions and these events comprise of the Chinese New Year Open Day, Teachers' Day, the school's Sports Day and the school's charitable events.





## corporate social responsibility (cont'd)



## 2) Sejuta Harapan – Providing Respite for the Needy

Over the period from 15 January 2013 to 5 April 2013, we sponsored and aired thirteen (13) episodes of Power Root's Sejuta Harapan on RTM2 where eleven (11) extremely underprivileged families were given aid and relief. The assistance were tailored to meet their needs and they came in the form of provision of basic amenities, home improvements, putting the kids back to school and improving their transportation needs. As the title would suggest, we hope that this respite provided to these families will spur them on to strive for a better and brighter future.





## corporate social responsibility (cont'd)

### 3) Provision of "Ah Huat" Virtues

Over the financial year, we carried out the Ah Huat Virtues programme with the objective of promoting the "Eight Virtues (八德)" comprising of "Be Polite (礼), Be Righteous (义), Be Truthful (廉), Be Mindful (耻), Be Filial (孝), Be Caring (悌), Be Loyal (忠) and Be Credible (信)."

The team visited Old Folks Home, Rumah Sg. Way Old Folks House, Caring Kajang and House of Hope & Light over the financial year 2014. Further to that, we donated two (2) dialysis machines to Buddhist Compassion Relief Tzu Chi Foundation and these will be used to offer free dialysis treatment to those who need it.

An Ah Huat's contest was also held in conjunction of parent's day over the period of May to June 2013. A total of ten (10) travel packages were given to the winners where they were given the opportunity to select their family members to enjoy the travel tour in Malaysia.





## corporate social responsibility (cont'd)

**亞發的故事 Ah Huat's story** 

双亲节篇：有多久没有好好陪伴父母了？



忙碌的日子里

别忘了和父母一起享用一餐



难得的假日

记得带父母出外走走



生活里的点点滴滴

父母都希望和我们一起分享

**亞發陪你走透透**  
双亲节温馨出

**Huat!**

**“好好陪伴父母”**

Ahi Huat! 带您  
四人同路的机会  
**共10份**

活动期限 Contest Period  
1<sup>st</sup> May - 30<sup>th</sup> June 2013

扫描二维码，即可参与抽奖  
Scan here and enter to win  
www.ahihuat.com



## 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 28 February 2014.



## chairman's statement (*cont'd*)

### FINANCIAL PERFORMANCE

For the financial year ended 28 February 2014 ("FYE 2014"), the Group recorded a revenue of RM306.9 million, an increase of approximately 9.8% from the revenue of RM279.4 million recorded in previous financial year ended 28 February 2013 ("FYE 2013"). The Group recorded a Profit After Tax ("PAT") of approximately RM39.7 million for FYE 2014, as compared to RM35.3 million for FYE 2013, representing an increase of approximately 12.5%. This increase is attributable to the improved businesses arising mainly from the local markets and to a lesser extent the export market.

### DIVIDENDS

On 9 December 2013, the Company paid an interim single tier dividend of 4.0 sen per ordinary share amounting to RM12.0 million in respect of the current financial year.

On 28 April 2014, the Board also approved an interim single tier dividend of 5.0 sen per ordinary share amounting to RM15.1 million in respect of the current financial year under review, and was paid on 3 June 2014.

As such, the total dividends paid for FYE 2014 is 9.0 sen per share amounting to RM27.1 million, representing a dividend payout ratio of approximately 69.7%.

### PRODUCT AND MARKET DEVELOPMENTS

During the year under review, the Group launched its Alicafé Low Fat products comprising of Alicafé Tongkat Ali Low Fat and Alicafé Low Fat No Sugar Added. These products are catered specifically for consumers who are more conscious with their dietary requirements. Further to that, the Group also added to the stable of products for the Ah Huat range, namely (i) Ah Huat White Coffee with Hazelnut and Cane Sugar, (ii) Ah Huat Kopi - O (iii) Ah Huat Kopi - O No Sugar Added and (iv) Ah Huat White Coffee Gold Medal in Malaysia and Singapore. These new products were well received by the market and the Group will continue to launch new innovative products for the various segments of the market.

The Group continued with its aggressive promotional and advertising events both local and export markets with the objective of enticing new consumers and strengthening the brands positions. As one of our branding initiatives to promote Ah Huat brand, the Group launched the movie "Huat Ah! Huat Ah! Huat!" at the big screens in Malaysia and Singapore during the Chinese New Year Period of 2014.

### OPERATIONAL REVIEW

During FYE 2014, 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. In view of this, the Group has also started implementation of a similar DMS in our main Middle East market which allows our Export Market team to reap the benefits as set out above. The DMS in Middle East will be operational from the second half of the financial year ending 28 February 2015.

In August 2013, Power Root (M) Sdn. Bhd., a wholly-owned subsidiary of the Group, was granted the Pioneer Status Tax Incentive for the reinvestment in food processing activities under Promotion of Investment Act 1986 from Malaysian Investment Development Authority ("MIDA"). The Pioneer Status Tax Incentive allows the company to enjoy an income tax exemption of 70% for a period of five (5) years on the Statutory Income of the production of "instant powder beverages" and "non-alcoholics beverages" containing edible plant & herbal extracts upon compliance of the given conditions. The Group plans to comply with the terms and conditions of the Pioneer Status by third quarter in FYE 2015.

During FYE 2014, the Group disposed one (1) property located at Taman Molek in Johor and this resulted in a gain on disposal of approximately RM749,000. The said properties were excess to the Group's operational requirements and the disposal would allow the Group to optimise the allocation of its working capital in order to maximise its returns on investment.

The property development project called 1<sup>st</sup> Avenue consisting of 64 shop lots, comprising of 21 shop lots (Phase 1) and 43 shop lots (Phase 2) is expected to be completed by FYE 2015. This property development project will contribute positively to the Group as the shop lots in Phase 1 have been fully sold and 88% of the shop lots in Phase 2 have been sold to date.

## chairman's statement (*cont'd*)

### INDUSTRY OUTLOOK

The Group believes that the food and beverage industry is faced with risk such as escalating raw material cost and weaker consumer sentiment, particularly in the local market. The Group will therefore increase its efforts in improving operational efficiencies and strengthen distribution networks.

The Group will also continue to focus and enhance the growth prospect in the existing export markets such as Middle East and North Africa ("MENA") region despite the challenging market conditions as a result of political unrest in Egypt.

The Group also plans in very near future, to set up a production facility in United Arab Emirates ("UAE") to cater and support our growth in the MENA regions. The setting up of the production facility is expected to reduce the delivery lead time and import duties on our products in the MENA region countries, thus creating a significant competitive advantage for our products and boost our market presence.

### CHANGE IN BOARD OF DIRECTORS

On behalf of the Board, I wish to express my sincere appreciation to our Non-Independent Non-Executive Directors, namely Datuk Sarchu bin Sawal and Datuk Faizoull bin Ahmad, who resigned on 30 September 2013 and 27 March 2014 respectively, for their contribution and services during their tenures.

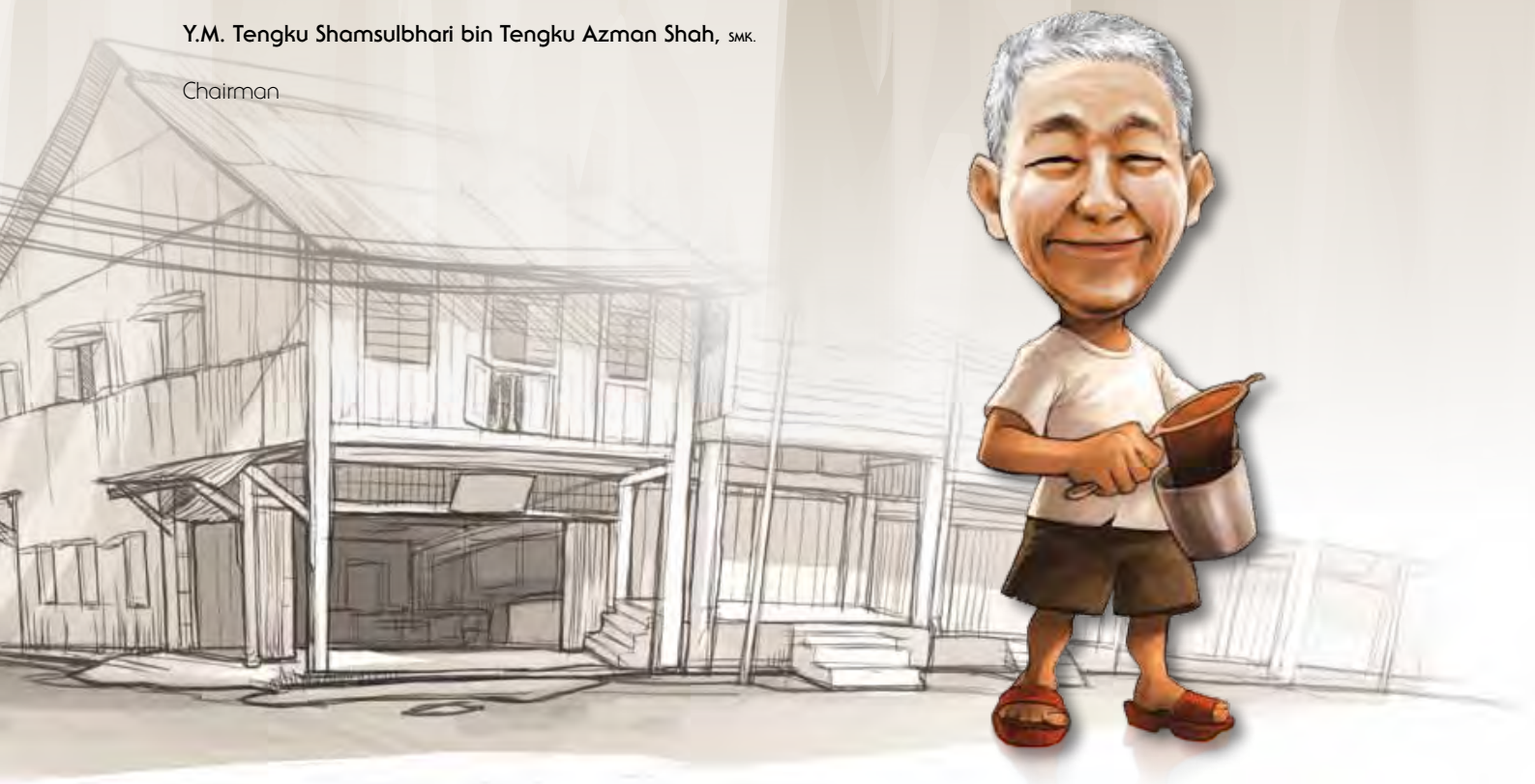
On another note, I wish a warm welcome to Mr. Azahar bin Baharudin, who joined us as an Independent Non-Executive Director on 28 April 2014.

### APPRECIATION

On behalf of the Board, I would like to take this opportunity to convey our gratitude to our shareholders as well as other stakeholders for their continuous support. I would also like to express my appreciation to the management and staff for their contributions, commitment and loyalty to the Power Root Group. I would also 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 ensure that good corporate governance practices are applied throughout the Company and its subsidiaries ("the Group") and forms the fundamentals pursued by the Group for the sustainability of its financial performance and shareholders' value creation. Hence, the Board fully supports the principles and recommendations of good corporate governance practices as promulgated by the Malaysian Code of Corporate Governance 2012 ("the Code").

This disclosure statement sets out the manner in which the Company has applied the principles and recommendations of the Code and the extent of compliance with the principles and recommendations of the Code advocated therein in paragraph 15.25 and Practice Note 9 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

### SECTION 1: THE BOARD

The Board is responsible for the overall performance of the Group and focuses mainly on the strategic management, performance monitoring and measurement, enterprise risk management and internal controls, standards of conduct, shareholder communication and critical business decisions. The Board comprises directors with varied skills and expertise to effectively lead and control the Group.

#### Board Charter

The Board has established the Board Charter which outlines the duties and responsibilities of directors, including the division of responsibilities and authorities between the Board and the Executive Management as well as between the Chairman of the Board and the Managing Director with matters reserved for the Board for review and decision clearly defined. The charter sets out the purpose, Board's strategic intent, responsibilities and authorities as well as terms of reference.

The Board Charter also acts as a source of reference and primary induction literature in providing insights to Board members and senior management.

#### Clear Functions and Responsibilities

It is the responsibility of the Board to lead the Group towards its mission and is responsible for the success of the Group by providing entrepreneur and strategic leadership and direction as well as management oversight while the Managing Director is delegated with the responsibilities to ensure proper execution of strategies and effective and efficient operation throughout the Group. The Board's roles, responsibilities and authorities are defined and practiced by the Board to ensure the maximisation of shareholders' value and safeguarding the stakeholders' interests including securing sustainable long-term value creation with proper social and environmental considerations.

The Board assumes the following, amongst other roles and responsibilities, broad categories of roles and responsibilities:

- 1) reviewing and approval of the strategic plans for the Group and monitoring thereof;
- 2) overseeing the conduct and the performance of the Group;
- 3) reviewing and managing principal risks affecting the Group;
- 4) reviewing the competence of the senior management and to ensure sufficient succession planning of senior management team is put in place;
- 5) reviewing the adequacy and integrity of the Group internal control systems and management information system; and
- 6) reviewing and approving policies relating to investor relations and shareholder communication programmes.

Significant matters required deliberation and approval from the Board is clearly defined by the Board in the Board Charter as matters reserved for the Board for consideration and approval during the Board's meeting.

Members of the Board is expected to devote sufficient time and effort to discharge their individual responsibilities with reasonable due care, skills and diligence. Individual members of the Board are required to inform the Board before accepting the new appointment and to communicate the time he/she expects to spend for the new appointment.



## corporate governance statement (*cont'd*)

### SECTION 1: THE BOARD (*cont'd*)

#### Composition of the Board

At present, the Board comprises of seven (7) members of whom four (4) are Executive Directors and three (3) are Independent Non-Executive Directors. The profile of each Director is presented on page 5 to 7 of this Annual Report. The composition of independent non-executive directors is in compliance with the minimum prescribed in the MMLR and the Code to ensure that there is sufficient independent element in the Board to provide the necessary check and balance within the Board.

It is the responsibility of the Board to ensure that all members of the Board possess the necessary leadership experience, skilled and diverse background, integrity and professionalism to discharge its duties and responsibilities diligently and effectively. It is the Board's responsibility to ensure that the diversity within the Board is preserved so that required mix of knowledge, skills, expertise and experience are brought to the Board. The Board is satisfied that, through the formalised system for nomination and selection and the annual performance evaluation of the Board and individual directors, the current board composition fairly reflects the investment of minority shareholders in the Company and represents mix of knowledge, skills and experience required to discharge the Board's duties and responsibilities effectively as well as to ensure that no individual or small groups of individuals dominate the Board's decision-making process. The Board is supportive of gender diversity within the Group and is working towards greater gender representation at the senior level of management within the Group.

#### Chairman and Managing Director

To ensure that there is a balance of power and authority within the Board, the position of the Chairman and the Managing Director is separated and there is a clearly division of responsibility between the Chairman who is independent non-executive director and the Managing Director of the Company. The independent non-executive Chairman is responsible for the governance, orderly conduct and effectiveness of the Board while the Managing Director is responsible for managing the Group's business operations and implementation of policies and strategies approved by the Board. In addition, the Chairman represents the Board to the shareholders and to act as facilitator at the meetings of the Board and ensure that no board member dominates the discussion, and that appropriate discussion takes place and relevant opinion among Board members are forthcoming.

#### Reinforce Independence

The composition of Independent Non-Executive Directors is in compliance with Paragraph 15.02 of MMLR of Bursa Securities on Board composition whereby three (3) directors out of total seven (7) members of the Board are Independent Non-Executive Directors.

In order to ensure independent and objective judgment are brought to the Board's deliberation by the independent directors and to ensure conflict of interest or undue influence from interested parties is well taken care of, the Board is committed to ensure the independence of the independent directors are assessed prior to their appointment as independent director based on formal nomination and selection process by the Nomination Committee and reporting of the same to the Board for consideration in accordance to criteria as established in formal policy on independence assessment of independent director as approved by the Board.

Based on formal policy on independence assessment of independent director developed by the Nomination Committee and approved by the Board, all Independent Non-Executive Directors shall be independent from the substantial shareholders of the Company, not being substantial shareholders themselves nor directly associated with any substantial shareholder. All Independent Non-Executive Directors are to submit an annual declaration regarding his/her independence to the Board in order for the Board to perform assessment on the independency of the Independent Non-Executive Directors based on the criteria established during the annual performance evaluation of individual directors.

During the financial year under review, the independence assessment of independent directors were carried out by the Nomination Committee during the annual performance evaluation of the contribution of individual directors.

The Codes recommends that the tenure of an independent director should not exceed a cumulative term of nine (9) years. At present, there is no independent director with cumulative term of nine (9) years or more.

corporate governance statement (*cont'd*)**SECTION 1: THE BOARD** (*cont'd*)**Appointment to the Board and Re-election of Directors**

Appointment of new Directors to the Board or Board Committee is recommended to the Nomination Committee for consideration and approved by the Board in accordance to the formal policy and procedures on nomination and selection of Directors. All Board members who are newly appointed are subject to retirement at the subsequent Annual General Meeting of the Company. All Directors (including the Managing Director) will retire at regular intervals by rotation at least once every three years and shall be eligible for re-election. Director over seventy (70) years of age are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Company Act, 1965.

The Board, through the Nomination Committee, has established formal policies and procedures on nomination, selection and appointment of Directors to the Company. The process involves identification of potential candidates, evaluation of suitability of candidates based on agreed upon criteria for boardroom diversity, meeting up with candidates and background check, final deliberation by Nomination Committee and recommendation to the Board. On the appointment of a new director, such new director is required to commit sufficient time in order to discharge his/her duty and responsibility with reasonable due care, skills and diligence to the Board.

**Board Meetings**

The Board retains full and effective control of the Group. This includes responsibility for determining the Group's overall strategic direction as well as development and control of the Group. Key matters, such as approval of annual and interim results, acquisitions and disposals, as well as material agreements are reserved for the Board. The Board met at regular intervals during the financial year under review in order to discharge its functions and responsibilities effectively.

To carry out its functions and responsibilities, the Board met four (4) times during the financial year ended 28 February 2014 and the attendance of each Director at the Board Meetings is as follows:

Director	Designation	No. of Meetings Attended
Y.M. Tengku Shamsulbhari bin Tengku Azman Shah, <small>SMK.</small>	Chairman, Independent Non-Executive Director	4/4
Dato' Tea Choo Keng	Alternate Director to Y.M.Tengku Shamsulbhari bin Tengku Azman Shah, <small>SMK.</small>	3/4
Dato' Low Chee Yen	Managing Director	4/4
Dato' Wong Fuei Boon	Executive Director	4/4
Dato' How Say Swee	Executive Director	2/4
Daruk Sarchu bin Sawal	Non-Independent Non-Executive Director	2/2 <sup>1</sup>
See Thuan Po	Executive Director	4/4
Ong Kheng Swee	Independent Non-Executive Director	4/4
Daruk Faizoull bin Ahmad	Non-Independent Non-Executive Director	0/2 <sup>2</sup>
Azahar bin Baharudin	Independent Non-Executive Director	0/0 <sup>3</sup>

Note <sup>1</sup>: Daruk Sarchu bin Sawal resigned on 30 September 2013

Note <sup>2</sup>: Daruk Faizoull bin Ahmad was appointed on 30 September 2013 and resigned on 27 March 2014

Note <sup>3</sup>: Azahar bin Baharudin was appointed on 28 April 2014

Note <sup>4</sup>: Bursa Securities had granted the extension of time for the compliance with the composition requirement of the Nomination Committee and Audit Committee per the Main Market Listing Requirements ("MMLR") to 30 April 2014 via their letter dated 7 January 2014.

The Board plans to meet at least four (4) times a year at quarterly intervals, with additional meetings convened when urgent and important decisions are required to be made between the scheduled meetings. All meetings of the Board are duly recorded in the Board minutes by the Company Secretaries. The Company Secretaries also attended all the Board Meetings of the Company. The Company Secretaries ensure that all Board meetings are properly convened and that accurate and proper records of the deliberations, proceedings and resolutions passed are recorded and maintained in the statutory register kept at the registered office of the Company.



corporate governance statement (*cont'd*)**SECTION 1: THE BOARD** (*cont'd*)**Company Secretaries**

The Board is assisted by professional qualified and competent Company Secretaries in the discharge of its functions with their attendance on all Board and Board's Committee meetings. The Company Secretaries also ensure that proceedings at the Board and Board Committee meetings are well captured and minuted.

The Company Secretaries attended briefing and updates provided by relevant regulatory bodies or professional firms in order to keep abreast with the latest development in the relevant regulatory requirements, codes or guidance and legislations in order to ensure timely compliance with relevant laws and regulations.

**Board Committees**

In discharging its fiduciary duties, the Board has delegated specific responsibilities to four (4) subcommittees, namely, Audit Committee, Remuneration Committee, Nomination Committee and Option Committee. The Committees have the responsibility to examine particular issues delegated and report to the Board with their recommendation. The ultimate responsibility for the final decision on all matters, however, lies with the Board.

All committees have written terms of references and/or authorities and responsibilities 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.

**Audit Committee**

The terms of reference, the number of meetings held during the financial year and the attendance of each member can be found on pages 33 to 36 of the Audit Committee Report.

**Nomination Committee**

The Nomination Committee 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**

Daro' Low Chee Yen (Managing Director) – *withdrew on 26 April 2013*

Ong Kheng Swee (Independent Non-Executive Director)

Daruk Sarchu bin Sawal (Non-Independent Non-Executive Director) – *appointed on 26 April 2013 and resigned on 30 September 2013*

Azahar bin Baharudin (Independent Non-Executive Director) – *appointed on 28 April 2014*<sup>5</sup>

*Note*<sup>5</sup>: Bursa Securities had granted the extension of time for the compliance with the composition requirement of the Nomination Committee and Audit Committee per the Main Market Listing Requirements ("MMLR") to 30 April 2014 via their letter dated 7 January 2014.

The Nomination Committee comprises exclusively of independent non-executive directors in compliance with paragraph 15.08A of MMLR of Bursa Securities and is guided by written terms of reference duly approved by the Board with rights, authorities and responsibilities clearly spelt out.

The Board has not nominated a Senior Independent Non-Executive Director to chair Nomination Committee as the Board is satisfied that Independent Non-Executive Chairman of the Board possesses required skills, knowledge and experience to lead the Nomination Committee to ensure effective and well-balanced board composition in order to meet the needs of the Company, the Group and business environment.

corporate governance statement (*cont'd*)**SECTION 1: THE BOARD** (*cont'd*)**Nomination Committee** (*cont'd*)**Members** (*cont'd*)

The Nomination Committee is tasked, amongst other duties and responsibilities, with the duties of assessing and recommending potential candidate for directorship to the Board for consideration and of evaluation of the effectiveness of the Board, the Board's committees and individual directors on annual basis in accordance with the policy and procedures laid down by the Board.

The nomination and selection of director is guided by formal nomination, evaluation and selection procedure established by the Board, through the Nomination Committee, utilizing the criteria established. The criteria established for the nomination and selection of director includes leadership experience, skill and diverse background, boardroom diversity, integrity and professionalism and independence assessment for independent directorship.

Furthermore, the Board, through the Nomination Committee, had established criteria to ensure board composition and diversity with right mix of knowledge, skills and competency for which performance evaluation are to be based upon. The criteria established for such assessment includes board structure, board operations, board roles and responsibilities, board chairman roles and responsibilities, committee performance, contribution to interaction, quality of input, amongst other criteria.

On an annual basis, the Board, through the Nomination Committee, reviews and assesses its required mix of skills and experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board, and the size and composition of the Board to ensure that it has the appropriate mix of skills and competencies to lead the Group effectively.

For the financial year ended 28 February 2014, the Nomination Committee met twice with full attendance of its members to review the compliance of composition requirement of the Nomination Committee in accordance with MMLR of Bursa Securities and to review the resignation and appointment of the member of the Board based on the established assessment process. The results of the review and recommendations were presented to the Board for its decision. During the year, the Nomination Committee conducted evaluation of the effectiveness of the board as a whole, the committees of the board and the contribution of individual directors and Financial Controller as well as independence assessments on Independent Non-Executive Directors.

**Remuneration Committee**

The Remuneration Committee comprises of three (3) members, majority of whom are Non-Executive Directors in compliance with the Code. The Remuneration Committee is governed by written terms of reference approved by the Board.

The Remuneration Committee 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)

They are tasked to review and to recommend to the Board the remuneration packages of the Executive Directors.

The Remuneration Committee met once during the financial year with attendance by all members of the Committee for the review of remuneration package of Executive Directors.



corporate governance statement (*cont'd*)**SECTION 1: THE BOARD** (*cont'd*)**Option Committee**

The Option Committee was established by the Board on 23 April 2012, consists of five (5) members with the primarily responsible for administering the new Employees' Share Option Scheme ("ESOS") established on 23 July 2012 and expiring on 22 July 2022.

The authorities and responsibilities of the Option Committee are governed by the By-Laws of ESOS.

The Option Committee comprises of the following Directors and Senior Management member:-

**Chairman**

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

**Members**

Dato' Low Chee Yen (Managing Director)

See Thuan Po (Executive Director)

Ong Kheng Swee (Independent Non-Executive Director)

Daruk Sarchu bin Sawal (Independent Non-Executive Director) – *resigned on 30 September 2014*

During the financial year under review, the Option Committee met twice to determine and allocate options under the ESOS to eligible employees per the By-Laws of ESOS.

**Director's Remuneration**

The Board assumes the overall responsibility to establish and implement an effective remuneration review policy for the members of the Board in order to attract, retain and motivate directors positively in pursue of the medium to long term objectives of the Group and are reflective of their experience and level of responsibilities. The Board had put in place a formal board remuneration policy for adoption by Remuneration Committee in the review and consideration of proposed remuneration package of the members of the Board. Major components of the remuneration package for executive director and non-executive director are identified for review based on criteria established in the formal policy.

The objectives of the Board Remuneration Policy are as follows:

- to enable the Company to attract and retain highly qualified members by way of a well-balanced and competitive director compensation package.
- to ensure that the interests of Executive Directors are aligned with the business strategy, risk tolerance, values and medium to long-term interests of the Group and is consistent with the "pay-for-performance" principle.
- to promote strong teamwork culture among the Executive Directors.
- to instil transparency and openness in the review and approval of compensation package of the Board's members.

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.

A summary of the remuneration of Directors during the financial year ended 28 February 2014, distinguishing between Executive and Non-Executive Directors in aggregate, with categorisation into appropriate components and the number of Directors whose remuneration falls into each successive bands of RM50,000 are disclosed below:-

	Basic Salary, Bonus, Incentives, Allowance, EPF & SOCSO RM'000	Fees RM'000	Others RM'000
Executive Directors	4,245	–	126
Non-Executive Directors	–	167	–

corporate governance statement (*cont'd*)**SECTION 1: THE BOARD** (*cont'd*)**Director's Remuneration** (*cont'd*)

The number of Directors whose remuneration fall into the following bands are as follows:-

Remuneration bands per annum	Executive	Non-Executive
Below RM50,000	–	2
RM50,001 to RM100,000	–	2
RM100,001 to RM200,000	1	–
RM200,001 to RM350,000	1	–
RM350,001 to RM500,000	1	–
RM500,001 to RM1,000,000	1	–

Detailed disclosure is not made for each director's remuneration as it is the view of the Board that the transparency and accountability are not compromised by the band disclosure as prescribed by the MMLR.

**Directors' Training**

Newly appointed directors will be given briefings and orientation by the Executive Directors and senior management of the Company on the business activities of the Group and its strategic directions, as well as their duties and responsibilities as directors.

All the Directors have completed the Mandatory Accreditation Programme prescribed by Bursa Securities.

During the financial year ended 28 February 2014, all Directors received regular briefings and updates on the Group's business and operations, as well as being updated on new regulations and statutory requirements.

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 Briefing Attended
Y.M. Tengku Shamsulbhari bin Tengku Azman Shah, <small>SMK.</small>	Directors Training on Board Leadership and Governance conducted by Archer Consulting Group Sdn Bhd
Dato' Tea Choo Keng	Directors Training on Board Leadership and Governance conducted by Archer Consulting Group Sdn Bhd
Dato' Low Chee Yen	Directors Training on Board Leadership and Governance conducted by Archer Consulting Group Sdn Bhd
Dato' Wong Fuei Boon	Directors Training on Board Leadership and Governance conducted by Archer Consulting Group Sdn Bhd
Dato' How Say Swee	Directors Training on Board Leadership and Governance conducted by Archer Consulting Group Sdn Bhd
See Thuan Po	Directors Training on Board Leadership and Governance conducted by Archer Consulting Group Sdn Bhd
Ong Kheng Swee	2013 Audit Committee Institute Breakfast Roundtable Series by KPMG 2014 Budget & Tax Planning by Crowe Horwath CPE Sdn Bhd Getting Ready for GST? Event by Crowe Horwath CPE Sdn Bhd

Note <sup>6</sup>: Daruk Sarchu bin Sawal and Daruk Faizoull bin Ahmad resigned on 30 September 2013 and 27 March 2014 respectively

Note <sup>7</sup>: Azahar bin Baharudin was appointed on 28 April 2014

It is the Board's commitment to ensure all its directors are 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.



## corporate governance statement (*cont'd*)

### SECTION 1: THE BOARD (*cont'd*)

#### Supply of Information

The Board members in their individual capacity have unrestricted access to complete information on a timely basis in the form and quality necessary for the discharge of their duties and responsibilities. Prior to each Board meeting, all Board members are furnished with the relevant documents and sufficient information to enable them to obtain a comprehensive understanding of the issues to be deliberated upon in order to arrive at an informed decision.

In addition to quantitative information, the directors are also provided with updates on other areas such as market developments, Industry trend, business strategy and risk management.

Besides direct access to management staff, external independent professional advisers are also made available to render their independent views and advice to the Board, whenever deemed necessary and in appropriate circumstances, at the Company's expense.

The Directors also have access to the advice and services of the Company Secretary who is responsible for ensuring that the Board's procedures are adhered to.

#### Code of Conduct

The Board is fully committed to the highest standards of integrity, transparency and accountability in the conduct of the Group's business and operations to ensure business sustainability through their conduct, individually or collectively, focusing on the key principles of respecting others, serving our customers with integrity and competency, avoiding conflict of interest, preserving confidentiality and privacy, effective channel of communication and corporate citizenship.

The Board incorporated the above key principles of expected conduct into the Company's formal Code of Conduct to govern the standards of ethics and good conduct expected of Directors and employees. The Board has established a formal Whistle-Blower Policy to foster an environment where integrity and ethical behaviour are maintained and any illegal or improper action and/or wrongdoing in the Company may be exposed.

For employees, the acceptable conducts expected of them is stated clearly in the General Terms and Conditions of Services established by the Group and briefings are conducted with them during induction training.

#### Corporate Citizenship

In order to promote sustainability in the conduct of the business of the Group, it is one of the business strategies championed by the Board to ensure the environmental and social aspects of the activities undertaken by the Group are well taken care of. The Group uphold the principles of effective environmental and sustainability practices in order to contribute positively to the social-economic development of the communities in which it is operating in. It is one of the responsibilities of the Board to ensure that the business conduct of the Group is carried out responsibly to the society and within the laws, customs and traditions of the countries it is operating in, to contribute in a positive and responsible manner to the social-economic development of communities that creates value for all our stakeholders.

The corporate social responsibility activities undertaken by the Group during the financial year ended 28 February 2014 is disclosed in the "Corporate Social Responsibilities" section in page 12 to 15 of this Annual Report.

### SECTION 2: ACCOUNTABILITY AND AUDIT

#### Financial Reporting

The Directors ensure that a balanced, clear and meaningful assessment of the financial position and prospects of the Group are made in all disclosures to shareholders, investors and the regulatory authorities.

## corporate governance statement (*cont'd*)

### SECTION 2: ACCOUNTABILITY AND AUDIT (*cont'd*)

#### Financial Reporting (*cont'd*)

All financial statements, both annual financial statements to shareholders and quarterly announcement of financial results, were reviewed by the Audit Committee and approved by the Board of Directors to ensure accuracy, adequacy and completeness of information prior to release to regulatory authorities.

A summary of the activities of the Audit Committee during the year is set out in the Audit Committee Report on pages 33 to 34 of this Annual Report.

The Directors are responsible for ensuring that the annual financial statements of the Group and the Company are prepared in accordance with the provisions of the Malaysian Companies Act, 1965 and applicable approved accounting standards of Malaysia so as to give a true and fair view of the state of affairs of the Group and the Company as at 28 February 2014, and of the results of their operations and cash flows for the year ended on that date.

In preparing the annual audited financial statements the Directors have:

- applied the appropriate and relevant accounting policies on a consistent basis;
- made judgments and estimates that are reasonable and prudent; and
- prepared the annual audited financial statements on a going concern basis.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

#### Relationship with Auditors

The role of the Audit Committee in relation to the external auditors is described in the Audit Committee Report. The Group has maintained a close and transparent relationship with its external auditors in seeking professional advice and ensuring compliance with the approved accounting standards in Malaysia.

#### Independence of External Auditors

The Board recognizes the importance of the independence and capability of external auditors on the reliability and quality to the annual financial statements prepared for the stakeholders.

On annual basis prior to the commencement of the audit engagement, through Audit Planning Memorandum, external auditors of the Group confirms to the Audit Committee on their independence in relation to the audit works to be performed and their commitment to communicate to the Audit Committee on their independence status on ongoing manner.

Formal policies and procedures on independence assessment of external auditors has been established by the Audit Committee for the assessment of external auditors for appointment, re-appointment, resignation or dismissal. A policy on provision of non-audit services by external auditors whereby prior review and approval from Audit Committee is required to ensure the independency of the external auditors is not compromised by such proposed services has been established.

### SECTION 3: RISK MANAGEMENT

#### Sound Framework to Manage Risks

The Board acknowledges its overall responsibility for maintaining a sound system of internal controls and internal audit mechanism to safeguard shareholders' investment and the Company's assets. The Statement on Risk Management and Internal Control made in pursuance of paragraph 15.26(b) of the Listing Requirements of Bursa Securities is separately set out on pages 37 to 39 of this Annual Report.



## corporate governance statement (*cont'd*)

### SECTION 4: CORPORATE DISCLOSURE

#### Timely and Quality Disclosure

The core communication channel with the stakeholders employed by the Company is the announcements made through Bursa Securities and it is the Company's procedure that all material announcements to be made through Bursa Securities are to be approved by the Board prior to its release to Bursa Securities. The Board observes all disclosure requirements as laid down by MMLR and Capital Markets and Services Act 2007 to have all material event and information to be disseminated publicly and transparently on timely basis to ensure fair and equitable access and by all stakeholders without selective disclosure of such information to specific individuals or groups. The corporate disclosure by the Company is further enhanced whereby the Chairman of the Board and a dedicated Executive Director is delegated with the role of authorized speaker for the Company during press conferences and analyst briefings to ensure factual accurate and consistent disclosures.

To ensure that communications to the public are timely, factual, accurate, and complete, the Board has adopted a Corporate Disclosure Policy which sets out the policies and procedures for disclosure of material information of the Group. It includes an internal control practice on confidentiality to ensure that confidential information is handled properly by relevant parties to avoid leakage and improper use of such information. This policy is applicable to all employees and Directors of the Group.

#### Leverage on Information Technology

In promoting transparency and thoroughness in public dissemination of material information, the Company's website incorporates an "Investor Relations" section which provides all relevant information on the Company and is accessible by the public via [http://www.powerroot.com/malaysia/profile\\_investor\\_relations.html](http://www.powerroot.com/malaysia/profile_investor_relations.html). This "Investor Relations" section enhances the Investor Relations function by including links to the announcements made by the Company and annual reports on the Company for the public to access. Furthermore, email addresses are provided in "Investor Relations" section of Company's website to which concerns or request of any investor can be forwarded to.

### SECTION 5: SHAREHOLDERS

#### Annual General Meeting

The Annual General Meeting is the principal forum for dialogue with shareholders. The shareholders are given the opportunity and are encouraged to participate in general meetings of the Company. Notice of the Annual General Meeting and Annual Reports are sent out to shareholders at least 21 days before the date of the meeting.

Shareholders are kept well informed of developments and performances of the Group through announcements made to the Bursa Securities and press releases (where appropriate) as well as the Annual Report. The Annual Report contains all the necessary disclosures in addition to facts and figures about the Group. In addition, efforts have been made to ensure that the report is user friendly so that shareholders have a good understanding about the Group and its operations.

Adequate time is given during Annual and Extraordinary General Meetings to encourage and allow the shareholders to seek clarification or ask questions on pertinent and relevant matters.

In addition to the above, the Company also encourages and welcomes requests for meetings, interviews and briefings with professionals from the investment community.

corporate governance statement (*cont'd*)**SECTION 5: SHAREHOLDERS** (*cont'd*)**Poll Voting**

There was no substantive resolution put forth for shareholders' approval during 7th Annual General Meeting and Extraordinary General Meeting held on 29 July 2013. All resolutions put forth for shareholders' approval at the 7th Annual General Meeting and Extraordinary General Meeting held on 29 July 2013 were voted by show of hands.

The Board acknowledges the importance of poll voting for substantive resolutions during general meetings of shareholders to ensure the interest of minority interests are protected and as such shall forthwith to obtain shareholders' approval for substantive resolutions by way of poll voting if there is request from any shareholder in attendance during such general meeting.

**Additional Compliance Information**

- Utilisation of Proceeds**

The net proceeds from the Dividend Reinvestment Plan ("DRP") and exercise of options by eligible Directors and employees granted in accordance to the By-Laws of subsisting Employees' Share Option Scheme ("ESOS") (after deducting expenses incurred in the issuance of new shares, if any) are utilised for the purpose of funding the continuing growth and expansion and working capital requirement of the Group.

- Material Contracts with Related Parties**

- Sale and Purchase Agreement between Power Root Nnergy Sdn. Bhd. and Dato' Tea Choo Keng and Datin Goh Soh Hoong**

On 1 October 2013, Dato' Tea Choo Keng, Alternate Director to Chairman, Independent Non-Executive Director and his spouse, Datin Goh Soh Hoong entered into a Sale and Purchase Agreement ("Agreement") with Power Root Nnergy Sdn. Bhd. ("PR Nnergy"), a 90% owned subsidiary of the Company, for the purchase from PR Nnergy of 3 storey shop office situated at HSD 519327, PTD 216399 in the Mukim of Plentong, State of Johor with estimated land size/built-up area of 1,540 square feet/4,620.23 square feet respectively for a total purchase consideration of RM 848,000 to be fully satisfied in cash in accordance to the terms of payment as specified in the Agreement.

- Investment in Ah Huat International Sdn. Bhd. and Licencing of Trademark Rights of "Ah Huat White Coffee" to Ah Huat International Sdn. Bhd. for the business operations of Food and Beverage ("F&B") outlet business**

On 27 January 2014, the Company had entered into a Shareholders Agreement ("SHA") to subscribe for 20% of the shares of Ah Huat International Sdn. Bhd. ("AHISB") ("Investment") with, amongst other shareholders, Dato' Low Chee Yen and Dato' Wong Fuei Boon, both of whom are directors and major shareholders of the Company. AHISB is principally engaged in the business of restaurants, food and beverage outlets and/ or food kiosk.

Under the SHA, the equity structure of AHISB is agreed to be as follows:

Party	Percentage of Shareholding
Power Root Berhad	20%
Dato' Low Chee Yen	35%
Dato' Wong Fuei Boon	35%
Wong Tak Keong	10%

The cost of investment from the Company in AHISB is expected to be RM400,000 per the SHA and to be satisfied wholly in cash.

Up to the last practical date, the Company subscribed for 20 ordinary shares of RM1.00 each in AHISB credited as issued and fully paid for 20% of voting shares in AHISB per the SHA.



corporate governance statement (*cont'd*)**SECTION 5: SHAREHOLDERS** (*cont'd*)**Additional Compliance Information** (*cont'd*)

- **Material Contracts with Related Parties** (*cont'd*)

2. **Investment in Ah Huat International Sdn. Bhd. and Licencing Right of "Ah Huat White Coffee" to Ah Huat International Sdn. Bhd.** (*cont'd*)

On the same date, the Company's wholly-owned subsidiary, Power Root (M) Sdn. Bhd. ("PRM" or "the Licensor") had entered into a Master Licence Agreement ("MLA") to license the trademark rights of "Ah Huat White Coffee" to AHISB ("the Master Licensee") for the business operations of restaurants, food and beverage outlets, and/or food kiosk ("Business") ("Licencing").

The Licensor is the owner of the trademark of "Ah Huat White Coffee" and has granted the Master Licensee the licencing rights to operate the Business in all countries.

In return, the Master Licensee shall pay the Licensor a Royalty Fee of 1.5% of gross sales of all outlets commencing from the start of the sixth (6th) year of the date of the MLA.

- **Sanctions and/or Penalties imposed**

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

- **Share buy-backs**

There was no share buy-back by the Company during the financial year.

- **Options, Warrants or Convertible Securities Exercised**

Except for the Employees' Share Option Scheme as stated below, there were no outstanding warrants or convertible securities pending exercise during the financial year ended 28 February 2014.

- **Employees' Share Option Scheme**

During the financial year ended 28 February 2014, there was one (1) Employees' Share Option Scheme ("ESOS") which was approved by the Company's shareholders on 23 July 2012.

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 ten percent (10%) of shares available under the ESOS shall be allocated to any Directors or employee, who singly or collectively through persons connected with such directors or employees, holds twenty percent (20%) or more of the issued and paid-up share capital (excluding treasury shares) of the Company; and
- ii) Maximum entitlement of options by categories of eligible directors and employee per stated in the By-Laws.

The Directors and senior management were granted with options under the ESOS to exercise for shares representing 4.38% (Maximum allocation: 8.64%) of the issued and paid-up share capital of the Company since the commencement of the Scheme as at 28 February 2014. There was no grant of new option under the ESOS to Directors and senior management during the financial year ended 28 February 2014.

corporate governance statement (*cont'd*)**SECTION 5: SHAREHOLDERS** (*cont'd*)**Additional Compliance Information** (*cont'd*)

- Employees' Share Option Scheme** (*cont'd*)

A total of 1,100,000 options were granted and accepted during the financial year ended 28 February 2014 and a total of 29,985,000 options were granted and accepted since the commencement of the ESOS.

	Financial Year Ended 28 February 2014					Since Commencement			
	No. Options Outstanding (No. of Options) (b/f)	No. Options Granted (No. of Options)	No. Options Forfeited (No. of Options)	No. Options Exercised (No. of Options)	No. Options Outstanding (No. of Options) (c/d)	No. Options Granted (No. of Options)	No. Options Forfeited (No. of Options)	No. Options Exercised (No. of Options)	No. Options Outstanding (No. of Options)
All options Granted	28,510,000	1,100,000	(992,500)	(941,000)	27,676,500	29,985,000	(1,367,500)	(941,000)	27,676,500
Therein: Directors and Managing Director	13,200,000	–	(150,000)	(320,000)	12,730,000	13,200,000	(150,000)	(320,000)	12,730,000

Breakdown of the options offered to and exercised by non-executive directors pursuant to the Scheme in respect of financial year ended 28 February 2014 and since the commencement is as follows:

	Financial Year Ended 28 February 2014			Since Commencement		
Name of Non-Executive Director	No. Options Granted (No. of Options)	No. Options Forfeited (No. of Options)	No. Options Exercised (No. of Options)	No. Options Granted (No. of Options)	No. Options Forfeited (No. of Options)	No. Options Exercised (No. of Options)
Y.M. Tengku Shamsulbhari bin Tengku Azman Shah, <sup>SWK.</sup>	–	–	–	300,000	–	–
Dato' Tea Choo Keng	–	–	(60,000)	300,000	–	(60,000)
Datuk Sarchu bin Sawal <sup>8</sup>	–	(150,000)	(120,000)	300,000	(150,000)	(120,000)
Ong Kheng Swee	–	–	(60,000)	300,000	–	(60,000)
Datuk Faizoull bin Ahmad <sup>9</sup>	–	–	–	–	–	–

Note <sup>8</sup>: Datuk Sarchu bin Sawal resigned on 30 September 2013

Note <sup>9</sup>: Datuk Faizoull bin Ahmad was appointed on 30 September 2013 and resigned on 27 March 2014

corporate governance statement (*cont'd*)**SECTION 5: SHAREHOLDERS** (*cont'd*)**Additional Compliance Information** (*cont'd*)

- **American Depositary Receipt (ADR) or Global Depositary Receipt (GDR) programme**

The Company has not sponsored any ADR or GDR programme for the financial year ended 28 February 2014.

- **Non-audit fees**

During the financial year ended 28 February 2014, the non-audit fee incurred for services rendered by external auditors to the Group amounted to RM 10,000.

- **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 28 February 2014 did not differ by 10% or more from the unaudited full year's results previously announced on 29 April 2014 to Bursa Securities.

- **Profit Guarantee**

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

- **Recurrent Related Party Transaction**

There were no recurrent related party transactions during the financial year ended 28 February 2014.



## 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*)

Daruk Sarchu bin Sawal (*Non-Independent Non-Executive Director*) – *resigned on 30 September 2013*

Encik Azahar bin Baharudin (*Independent Non-Executive Director*) – *appointed on 28 April 2014*

### B. TERMS OF REFERENCE

The terms of reference of the Committee is set out on pages 34 to 36 of this Annual Report.

### C. MEETINGS

During the financial year ended 28 February 2014, the Audit Committee held four (4) meetings. Details of each member's meeting attendances are as follows:-

Name of Member	No. of Meetings Attended
Ong Kheng Swee	4/4
Daruk Sarchu bin Sawal ( <i>Resigned on 30 September 2013</i> )	2/2 <sup>1</sup>
Y.M. Tengku Shamsulbhari bin Tengku Azman Shah, <small>SMK.</small>	4/4
Azahar bin Baharudin ( <i>Appointed on 28 April 2014</i> )	0/0 <sup>1</sup>

*Note <sup>1</sup>: Bursa Malaysia Securities Berhad had granted the extension of time for the compliance with the composition requirement of the Audit Committee per the Main Market Listing Requirements ("MMLR") to 30 April 2014 via their letter dated 7 January 2014. Azahar bin Baharudin, the independent and non-executive director, was appointed on 28 April 2014 to fill the vacancy.*

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

Executive Directors, Financial Controller, 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 18 to the financial statements;

## audit committee report (*cont'd*)

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

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:- (*cont'd*)

5. Reviewed the external auditors' scope of work and audit plan for the financial year ended 28 February 2014;
6. Met with the external auditors without the presence of the executive management during the financial year ended 28 February 2014 in order for the Audit Committee and the external auditors to freely exchange observations and opinion between both parties;
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;
10. Reviewed the annual report (which includes the Corporate Governance Statement, Audit Committee Report and Statement on Risk Management and 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 conducted internal audit reviews according to the internal audit plans approved by the Audit Committee. The Audit Committee ensures the adequacy of the internal audit 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 RM84,454. 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**

The Audit Committee has reviewed and verified that the share options have been granted in accordance with the By-Laws during the financial year ended 28 February 2014.

### **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.

## audit committee report (*cont'd*)

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

#### 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.

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.



## audit committee report (*cont'd*)

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

#### **Authority** (*cont'd*)

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.

#### **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 Risk Management and Internal Control

## INTRODUCTION

Pursuant to paragraph 15.26(b) and Practice Note 9 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements in relation to requirement to prepare statement about the state of internal control of the listed issuer as a group, and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("the Guidelines"), the Board of Directors ("the Board") is pleased to present the statement on the state of the internal controls of the Group for the financial year under review and up to date of approval of this statement.

## BOARD RESPONSIBILITY

The Board of Directors ("the Board") affirms its overall responsibility for maintaining a sound risk management framework and internal control system and for reviewing their adequacy and effectiveness so as to achieve the Group's corporate objective and strategies. The Board is committed to the establishment and maintenance of an appropriate control environment and framework that is embedded into the corporate culture, process and strategy of the Group. The Board delegates the duty of identification, assessment and management of key business risks to the Risk Management Committee. The Board delegates its review role to the Audit Committee, through terms of reference approved by the Board, in order to provide assurance to the Board on the adequacy and effectiveness of risk management and internal control system of the Group.

However, as there are inherent limitations in any internal control system, such system is 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.

The Board does not review the risk management and internal control system of the joint venture and associate companies as the Group does not have management control over the operation of the joint venture and associate companies. Notwithstanding that, the Group's interests are served through representation on the Board of Directors of the joint venture and associate companies and provides the Board with timely information on the performance of the Group's investments.

## RISK MANAGEMENT

The Board recognises that a sound risk management system is critical in pursuit of its strategic objectives and maintains an on-going commitment for identifying, evaluating and managing significant risks faced by the Group during the financial year under review. 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 activities undertaken by the Group on enterprise-wide aspect is delegated by the Board to the Risk Management Committee, which made up of Executive Directors and the Management. The Risk Management Committee conducts yearly meeting to identify emerging risks, to monitor the existing business risks and to assess and manage the Group's risk identified. In view of the changes in the external and internal operating environment, the Risk Management Committee undertook an exercise to update the Group's key risk profile during the financial year ended 28 February 2014 in order to adequately and effectively identify, assess and manage the contemporary key business risks facing the Group. The updated key risk profile was presented to the Audit Committee for review and to provide reasonable assurance that the key business risks of the Group were brought in line with the risk appetite of the Group in pursuit of its strategic objectives.

At the strategic level, business plans and business strategies are formulated by the Senior Management and presented to the Board for review to ensure proposed plans and strategies are in line with the Group's risk appetite. At the operational level, the respective Head of Departments are responsible for managing the risks of their department. Changes in the key business risks faced by the Group or emergence of new key business risks and the corresponding control activities formulated are discussed during management meetings with such changes or emergence highlighted to the Risk Management Committee, Audit Committee and the Board for review on the adequacy and effectiveness of control activities formulated.

## statement on risk management and internal control (*cont'd*)

### INTERNAL AUDIT FUNCTION

The Group relies on the internal audit function to provide the Board and the Management with the required level of assurance that the enterprise risk management framework, governance, risk management and internal control system are effective in mitigating organisational risks and achieve the Group's corporate objectives.

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 effectiveness of the Group's internal control system. The internal audit function reports to Audit Committee.

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 any amendments thereof approved by the Audit Committee. Upon the completion of the internal audit work, the internal audit reports are presented to the Audit Committee during its quarterly meetings. The internal audit findings and recommendations as well as management response and action plans are presented as well as updates on the status of action plans identified in the previous internal audit reports for the Audit Committee's review and deliberation. The Audit Committee reports the results of its review on the internal audit report to the Board for consideration on the adequacy and effectiveness of internal control system.

### INTERNAL CONTROL SYSTEM

The key features of the Group's internal control systems are described below:

- **Board of Directors/Board Committees**

Board Committees (i.e. Audit Committee, Remuneration Committee and Nomination Committee) have been established to carry out duties and responsibilities delegated by the Board and are governed by written terms of reference. The Option Committee was established by the Board for the administration of the Employees' Share Option Scheme.

Meetings of Board of Directors and respective Board Committees are carried out on a scheduled basis to review the performance of the Group, from financial and operational perspectives. Business plans and business strategies are proposed by the Group Managing Director to the Board for their review and approval after taking into account risk consideration and responses.

- **Organisation Structure and Authorisation Procedure**

The Group has a formal organization structure in place to ensure appropriate levels of authority and responsibilities are delegated accordingly to competent staffs in achieving operational effectiveness and efficiency.

- **Policy and Procedure**

The Group has documented policies and procedures that are periodically reviewed and updated to ensure its relevance to regulate key operations in compliance with its International Organisation for Standardisation ("ISO") certification and internal control requirements. The authorisation procedures for key processes are stated in the Group's policies and procedure.

- **Annual Budget**

Annual Budget for the Group are presented and approved by the Board on an annual basis and form one of the basis to monitor the actual performances and to identify significant variances for prompt actions to be taken.



## statement on risk management and internal control (*cont'd*)

### INTERNAL CONTROL SYSTEM (*cont'd*)

- **Human Resource Policy**

Guidelines on the human resource management are in place to ensure the Group's ability to operate in an effective and efficient manner by employing and retaining adequate competent employees possessing necessary knowledge, skill and experience in order to carry out their duties and responsibilities assigned effectively and efficiently.

- **Information and Communication**

At operational levels, clear reporting lines are established across the Group and operation and management reports are prepared for dissemination to relevant personnel for effective communication of critical Information throughout the Group for timely decision making and execution in pursuit of the business objectives. Matters that require the Board and Senior Management's attention are highlighted for review, deliberation and decision on a timely basis.

- **Monitoring and Review**

As Executive Directors are closely and directly involved in daily operations of the Group, regular reviews of operational data including production, and marketing and financial data are performed by the Executive Directors.

Apart from the above, the quarterly financial performance review containing key financial results and comparison against budgeted financial results and previous corresponding financial results are presented to the Board for their review.

The monitoring of compliance with relevant laws and regulations are further enhanced by independent review of specific areas of safety, health and environment by independent consultants engaged by the Group and/or relevant regulatory bodies.

The Board is of the view that the risk management and internal control systems are operating satisfactorily and have not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report. The Board continues to take pertinent measures to review and, where necessary, improve the Group's risk management and internal control systems in meeting the Group's strategic objectives.

### ASSURANCE PROVIDED BY THE GROUP MANAGING DIRECTOR AND FINANCIAL CONTROLLER

In accordance with the Guidelines, the Group Managing Director, being highest ranking executive in the Company and the Financial Controller, being the person primarily responsible for the management of the financial affairs of the Company have provided assurance to the Board that the Group's risk management and internal control system operated adequately and effectively, in all material aspects, to meet the Group's objectives during the financial year under review.

### 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 and where necessary enhance further the risk management framework and internal controls system.



## FINANCIAL STATEMENTS

Directors' Report	41
Statement by Directors	47
Statutory Declaration	47
Independent Auditors' Report	48
Statements of Financial Position	50
Statements of Profit or Loss and Other Comprehensive Income	51
Consolidated Statement of Changes in Equity	52
Statement of Changes in Equity	53
Statements of Cash Flows	54
Notes to the Financial Statements	56



## Directors' Report

### For the year ended 28 February 2014

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 28 February 2014.

#### PRINCIPAL ACTIVITIES

The principal activities of the Company consist of investment holding. The principal activities of the subsidiaries are disclosed in Note 6 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	38,813,312	32,565,985
Non-controlling interests	865,381	–
	39,678,693	32,565,985

#### RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

#### DIVIDENDS

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

- i) paid a final single tier dividend of 4.0 sen per ordinary share totalling RM12,029,740 in respect of the year ended 28 February 2013 on 23 September 2013;
- ii) paid a first interim single tier dividend of 4.0 sen per ordinary share totalling RM12,033,808 in respect of the year ended 28 February 2014 on 9 December 2013; and
- iii) declared a second interim single tier dividend of 5.0 sen per ordinary share totalling RM15,140,134 in respect of the year ended 28 February 2014 on 28 April 2014 and paid on 3 June 2014.

The Directors do not recommend the payment of any final dividend in respect of the current financial year.



## directors' report (cont'd)

for the year ended 28 February 2014

### 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, <i>SMK</i> .	Daro' Tea Choo Keng
Daro' Low Chee Yen	
Daro' How Say Swee	
Daro' Wong Fuei Boon	
Mr. See Thuan Po	
Mr. Ong Kheng Swee	
En. Azahar bin Baharudin ( <i>appointed on 28 April 2014</i> )	
Daruk Faizoull bin Ahmad ( <i>appointed on 30 September 2013; resigned on 27 March 2014</i> )	
Daruk Sarchu bin Sawal ( <i>resigned on 30 September 2013</i> )	

### DIRECTORS' INTERESTS IN SHARES

The interests and deemed interests in the shares and options over 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 2013	Bought	Sold	At 28 February 2014
<b>Company</b>					
Dato' Low Chee Yen	Direct	55,695,130	843,000	—	56,538,130
Dato' How Say Swee	Direct	55,611,030	1,208,100	—	56,819,130
Dato' Wong Fuei Boon	Direct	55,737,630	270,000	—	56,007,630
Dato' Tea Choo Keng	Direct	870,000	60,000	(130,000)	800,000
Mr. See Thuan Po	Direct	155,000	—	—	155,000
Mr. Ong Kheng Swee	Direct	—	60,263	—	60,263
<b>Number of ordinary shares of USD1.00 each</b>					
<b>Subsidiaries</b>					
<b>- PT. Natbio Marketing Indonesia</b>					
Dato' Low Chee Yen	Direct	1,000*	—	—	1,000*
<b>Number of ordinary shares of AED1,000.00 each</b>					
<b>- Synergy Distribution FZC</b>					
Dato' Low Chee Yen	Deemed	77	—	—	77
Dato' How Say Swee	Deemed	77	—	—	77
Dato' Wong Fuei Boon	Deemed	77	—	—	77

directors' report (*cont'd*)  
for the year ended 28 February 2014

**DIRECTORS' INTERESTS IN SHARES** (*cont'd*)

Number of ordinary shares of AED100,000.00 each					
Name of Directors	Interest	At 1 March 2013	Bought	Sold	At 28 February 2014
<b>- Power Root ME FZCO</b>					
Dato' Low Chee Yen	Deemed	9	35	—	44
Dato' How Say Swee	Deemed	9	35	—	44
Dato' Wong Fuei Boon	Deemed	9	35	—	44
<b>Number of ordinary shares of IDR10,000.00 each</b>					
<b>- PT. Power Impian International</b>					
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
<b>Number of ordinary shares of RM1.00 each</b>					
<b>- Power Root Nnergy Sdn. Bhd.</b>					
Dato' Low Chee Yen	Deemed	7,200,000	—	—	7,200,000
Dato' How Say Swee	Deemed	7,200,000	—	—	7,200,000
Dato' Wong Fuei Boon	Deemed	7,200,000	—	—	7,200,000

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

Name of Directors	Number of options over ordinary shares of RM0.20 each ('000)		
	At 1 March 2013	Exercised	At 28 February 2014
<b>Company</b>			
Y.M. Tengku Shamsulbhari bin Tengku Azman Shah, <small>SMK.</small>	300	—	300
Dato' Low Chee Yen	6,000	—	6,000
Dato' How Say Swee	2,000	(200)	1,800
Dato' Wong Fuei Boon	2,000	—	2,000
Mr. See Thuan Po	2,000	—	2,000
Mr. Ong Kheng Swee	300	(60)	240
Dato' Tea Choo Keng	300	(60)	240

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 6 to the financial statements.

None of the other Directors holding office at 28 February 2014 had any interest in the ordinary shares of the Company and of its related corporation during the financial year.

## directors' report (*cont'd*)

for the year ended 28 February 2014

### **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 27 to the financial statements.

Other than the options granted pursuant to the Employees Share Option Scheme, there were no other 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**

During the financial year, the Company issued:

- (a) 93,685 new ordinary shares of RM0.20 each at a consideration of RM1.82 each arising from the Dividend Reinvestment Plan relating to the final dividend of 4.0 sen in respect of financial year ended 28 February 2013.
- (b) 941,000 new ordinary shares of RM0.20 each for cash arising from the exercise of employees' share options at exercise price of RM0.675 per ordinary share.

There were no other 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 apart from the issue of options pursuant to the Employees Share Option Scheme ("ESOS").

At the extraordinary general meeting held on 23 July 2012, the Company's shareholders terminated the existing Employees Share Option Scheme and approved the establishment of a new Employees Share Option Scheme of not more than 10% of the issued share capital of the Company to eligible Directors and employees of the Group.

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

- (a) The ESOS is administered by a committee appointed by the Board of Directors.
- (b) The aggregate number of options exercised and options offered and to be offered under the ESOS shall not exceed ten percent (10%) of the issued and paid-up ordinary share capital of the Company at any point of time during the duration of the ESOS. Furthermore, 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 Company.
- (c) 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 at least six (6) months in the Group.
- (d) Any Director of the Group shall be eligible to participate in the Scheme if they attained eighteen (18) years of age and is an existing Director of the Group.
- (e) The option price for each share shall be at 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.
- (f) The ESOS shall be in force for a period of ten (10) years commencing from 23 July 2012.



directors' report (*cont'd*)  
for the year ended 28 February 2014

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

The options offered to take up unissued ordinary shares of RM0.20 each and the exercise price is as follows:

Date of offer	Exercise price RM	Number of options over ordinary shares of RM0.20 each ('000)				At 28 February 2014
		At 1 March 2013	Granted	Exercised	Forfeited	
27 July 2012	0.675	28,510	–	(941)	(993)	26,576
3 July 2013	1.920	–	1,100	–	–	1,100
		28,510	1,100	(941)	(993)	27,676

The Companies Commission of Malaysia has exempted the Company from having to disclose in this report the names of persons to whom options have been granted and the number and class of shares in respect of such options during the financial year as required under Section 169(11) of the Companies Act, 1965 except for persons who were granted options representing more than 50,000 ordinary shares of RM0.20 each. The option holders holding more than 50,000 options are Ms. Chan Rui Woon, Mr. Chong Wee Kok, Mr. Foo Kear Kong, Mr. Hang Peng Kwang, Mr. Ng Hee Meng and Mr. Siow Choon Siong who hold a total of 850,000 options.

**OTHER STATUTORY INFORMATION**

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

- i) all known bad debts have been written off and adequate provision has been made for doubtful debts, and
- ii) 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.

directors' report (*cont'd*)  
for the year ended 28 February 2014

**OTHER STATUTORY INFORMATION** (*cont'd*)

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 28 February 2014 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

**AUDITORS**

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

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

**Dato' Low Chee Yen**

**See Thuan Po**

Johor Bahru

20 June 2014

## 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 50 to 104 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 28 February 2014 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 28 on page 105 to the financial statements has been compiled in accordance with 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 2014

## Statutory Declaration

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

I, **Chong Wee Kok**, 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 50 to 105 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 2014

**Chong Wee Kok**

Before me:

**Noraini Bt. Hj Khalid**  
Commissioner For Oaths  
No. J-140



# 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 28 February 2014 of the Group and of the Company, and the statements of profit or loss and other 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 50 to 104.

#### *Directors' Responsibility for the Financial Statements*

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is 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 give a true and fair view of the financial position of the Group and of the Company as of 28 February 2014 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

### 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 6 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 (*cont'd*)  
to the members of Power Root Berhad

## 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 28 on page 105 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 Malaysian Financial Reporting Standards or International 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

### Tan Teck Eng

Approval Number: 2986/05/16 (J)  
Chartered Accountant

Johor Bahru

20 June 2014

# Statements of Financial Position

As at 28 February 2014

		Group		Company	
	Note	2014 RM	2013 RM	2014 RM	2013 RM
<b>Assets</b>					
Property, plant and equipment	3	75,435,988	74,964,152	8,782	41,786
Investment properties	4	–	2,573,702	–	–
Intangible assets	5	5,324,451	5,339,656	–	–
Investments in subsidiaries	6	–	–	152,418,582	152,269,847
Investment in an associate	7	–	–	80,000	80,000
Investment in a joint venture	8	–	–	15,300	–
Deferred tax assets	9	2,321,625	–	21,000	–
<b>Total non-current assets</b>		83,082,064	82,877,510	152,543,664	152,391,633
Inventories	10	50,085,680	43,667,923	–	–
Trade and other receivables	11	107,828,843	108,516,337	29,242,692	21,314,945
Tax recoverable		3,567,206	3,501,038	48,000	168,081
Other investments	12	1,066,145	1,442,063	–	55,419
Property development cost	13	27,116,175	8,062,642	–	–
Cash and cash equivalents	14	46,438,929	36,833,420	2,779,123	5,435,414
<b>Total current assets</b>		236,102,978	202,023,423	32,069,815	26,973,859
<b>Total assets</b>		319,185,042	284,900,933	184,613,479	179,365,492
<b>Equity</b>					
Share capital		60,206,937	60,000,000	60,206,937	60,000,000
Reserves		160,461,382	143,975,152	124,269,549	114,133,771
<b>Equity attributable to owners of the Company</b>	15	220,668,319	203,975,152	184,476,486	174,133,771
<b>Non-controlling interests</b>	6	1,761,025	2,007,275	–	–
<b>Total equity</b>		222,429,344	205,982,427	184,476,486	174,133,771
<b>Liabilities</b>					
Deferred tax liabilities	9	2,188,000	2,949,756	–	1,000
Loans and borrowings	16	970,429	2,787,770	–	–
<b>Total non-current liabilities</b>		3,158,429	5,737,526	–	1,000
Deferred income		24,525,593	6,745,404	–	–
Trade and other payables	17	54,788,023	55,638,191	136,993	5,230,721
Loans and borrowings	16	12,412,221	10,718,583	–	–
Taxation		1,871,432	78,802	–	–
<b>Total current liabilities</b>		93,597,269	73,180,980	136,993	5,230,721
<b>Total liabilities</b>		96,755,698	78,918,506	136,993	5,231,721
<b>Total equity and liabilities</b>		319,185,042	284,900,933	184,613,479	179,365,492

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

# Statements of Profit or Loss and Other Comprehensive Income

For the year ended 28 February 2014

		Group		Company	
	Note	2014 RM	2013 RM	2014 RM	2013 RM
<b>Revenue</b>					
Goods sold		306,852,297	279,354,884	–	–
Dividend income from subsidiaries		–	–	37,338,212	26,519,701
		306,852,297	279,354,884	37,338,212	26,519,701
Other income		4,238,671	4,992,854	827,238	727,099
Raw materials used		(130,870,540)	(124,567,022)	–	–
Marketing expenses		(53,941,325)	(47,964,286)	–	–
Staff costs		(31,975,291)	(27,667,915)	(605,658)	(476,278)
Depreciation and amortisation expenses		(5,456,618)	(6,118,740)	(33,004)	(72,968)
Other expenses		(38,747,836)	(36,185,613)	(4,988,609)	(4,886,038)
Total expenses		(260,991,610)	(242,503,576)	(5,627,271)	(5,435,284)
<b>Results from operating activities</b>		50,099,358	41,844,162	32,538,179	21,811,516
Interest income		607,978	686,709	207,847	279,755
Finance costs		(689,353)	(490,357)	–	–
<b>Net finance (costs)/income</b>		(81,375)	196,352	207,847	279,755
Share of loss of equity accounted investees, net of tax		(15,300)	(80,000)	–	–
<b>Profit before tax</b>	18	50,002,683	41,960,514	32,746,026	22,091,271
Tax expense	19	(10,323,990)	(6,684,529)	(180,041)	(121,395)
<b>Profit for the year</b>		39,678,693	35,275,985	32,565,985	21,969,876
<b>Other comprehensive income, net of tax</b>					
<b>Items that are or may be reclassified subsequently to profit or loss</b>					
Foreign currency translation differences		192,769	(172,465)	–	–
<b>Total comprehensive income for the year</b>		39,871,462	35,103,520	32,565,985	21,969,876
<b>Profit attributable to:</b>					
Owners of the Company		38,813,312	34,382,336	32,565,985	21,969,876
Non-controlling interests		865,381	893,649	–	–
<b>Profit for the year</b>		39,678,693	35,275,985	32,565,985	21,969,876
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		38,974,685	34,258,573	32,565,985	21,969,876
Non-controlling interests		896,777	844,947	–	–
<b>Total comprehensive income for the year</b>		39,871,462	35,103,520	32,565,985	21,969,876
Basic earnings per ordinary share (sen)	20	12.92	11.46		
Diluted earnings per ordinary share (sen)	20	12.23	11.18		

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



# Consolidated Statement of Changes in Equity

For the year ended 28 February 2014

Note	Attributable to owners of the Company						Non-controlling interests RM	Total equity RM
	Share capital RM	Share premium RM	Share option reserve RM	Exchange fluctuation reserve RM	Distributable Retained earnings RM	Total RM		
<b>Group</b>								
<b>At 1 March 2012</b>	60,000,000	100,055,248	–	(69,615)	25,475,376	185,461,009	598,471	186,059,480
Foreign currency translation differences for foreign operations/ <b>Total other comprehensive income for the year</b>	–	–	–	(123,763)	–	(123,763)	(48,702)	(172,465)
Profit for the year	–	–	–	–	34,382,336	34,382,336	893,649	35,275,985
<b>Total comprehensive income for the year</b>	–	–	–	(123,763)	34,382,336	34,258,573	844,947	35,103,520
<i>Contributions by and distributions to owners of the Company</i>								
Employee Share Option Scheme	–	–	768,215	–	–	768,215	–	768,215
Dividends to owners of the Company/ Non-controlling interests	–	–	–	–	(16,500,000)	(16,500,000)	(248,788)	(16,748,788)
Subscription of shares by non-controlling interests in a subsidiary	–	–	–	–	(12,645)	(12,645)	812,645	800,000
<b>Total transactions with owners of the Company</b>	–	–	768,215	–	(16,512,645)	(15,744,430)	563,857	(15,180,573)
<b>At 28 February 2013</b>	60,000,000	100,055,248	768,215	(193,378)	43,345,067	203,975,152	2,007,275	205,982,427
<b>At 1 March 2013</b>	60,000,000	100,055,248	768,215	(193,378)	43,345,067	203,975,152	2,007,275	205,982,427
Foreign currency translation differences for foreign operations/ <b>Total other comprehensive income for the year</b>	–	–	–	161,373	–	161,373	31,396	192,769
Profit for the year	–	–	–	–	38,813,312	38,813,312	865,381	39,678,693
<b>Total comprehensive income for the year</b>	–	–	–	161,373	38,813,312	38,974,685	896,777	39,871,462
<i>Contributions by and distributions to owners of the Company</i>								
Issue of shares pursuant to Dividend Reinvestment Plan	18,737	151,770	–	–	–	170,507	–	170,507
Issue of shares pursuant to Employee Share Option Scheme	188,200	446,975	–	–	–	635,175	–	635,175
Employee Share Option Scheme	–	–	1,034,596	–	–	1,034,596	–	1,034,596
Dividends to owners of the Company/ Non-controlling interests	–	–	–	–	(24,063,548)	(24,063,548)	(1,622,681)	(25,686,229)
Subscription of shares by non-controlling interests in a subsidiary	–	–	–	–	(58,248)	(58,248)	479,654	421,406
<b>Total transactions with owners of the Company</b>	206,937	598,745	1,034,596	–	(24,121,796)	(22,281,518)	(1,143,027)	(23,424,545)
Transfer to share premium for share options exercised	–	216,430	(216,430)	–	–	–	–	–
<b>At 28 February 2014</b>	60,206,937	100,870,423	1,586,381	(32,005)	58,036,583	220,668,319	1,761,025	222,429,344

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

# Statement of Changes in Equity

For the year ended 28 February 2014

		Attributable to owners of the Company				
		Non-distributable		Distributable		
	Note	Share capital RM	Share premium RM	Share option reserve RM	Retained earnings RM	Total equity RM
<b>Company</b>						
<b>At 1 March 2012</b>		60,000,000	100,055,248	–	7,840,432	167,895,680
<b>Profit and total comprehensive income for the year</b>		–	–	–	21,969,876	21,969,876
<i>Contributions by and distributions to owners of the Company</i>						
Employee Share Option Scheme	21	–	–	768,215	–	768,215
Dividends to owners of the Company	22	–	–	–	(16,500,000)	(16,500,000)
<b>Total transactions with owners of the Company</b>		–	–	768,215	(16,500,000)	(15,731,785)
<b>At 28 February 2013</b>		60,000,000	100,055,248	768,215	13,310,308	174,133,771
<b>Profit and total comprehensive income for the year</b>		–	–	–	32,565,985	32,565,985
<i>Contributions by and distributions to owners of the Company</i>						
Issue of shares pursuant to Dividend Reinvestment Plan	15	18,737	151,770	–	–	170,507
Issue of shares pursuant to Employee Share Option Scheme	15	188,200	446,975	–	–	635,175
Employee Share Option Scheme	21	–	–	1,034,596	–	1,034,596
Dividends to owners of the Company	22	–	–	–	(24,063,548)	(24,063,548)
<b>Total transactions with owners of the Company</b>		206,937	598,745	1,034,596	(24,063,548)	(22,223,270)
Transfer to share premium for share options exercised		–	216,430	(216,430)	–	–
<b>At 28 February 2014</b>		60,206,937	100,870,423	1,586,381	21,812,745	184,476,486

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

## Statements of Cash Flows

For the year ended 28 February 2014

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
<b>Cash flows from operating activities</b>				
Profit before tax	50,002,683	41,960,514	32,746,026	22,091,271
Adjustments for:				
Amortisation of intangible assets	15,205	15,205	—	—
Bad debts written off	54	4,269	—	—
Depreciation on:				
- investment properties	35,654	73,905	—	—
- property, plant and equipment	5,405,759	6,029,630	33,004	72,968
Loss/(Gain) on disposal of:				
- property, plant and equipment	613,023	(2,354,526)	—	—
- investment properties	(749,368)	(1,320,545)	—	—
- other investments	(120,471)	(24,058)	(11,704)	(19,369)
Finance costs	689,353	490,357	—	—
Share of loss of equity-accounted investees, net of tax	15,300	80,000	—	—
Interest income	(607,978)	(686,709)	(207,847)	(279,755)
Unrealised loss/(gain) on foreign exchange	736,743	(325,149)	79,530	9,861
Impairment losses on:				
- property, plant and equipment	—	1,594,857	—	—
- investments in subsidiaries	—	—	3,400,000	4,309,000
- trade receivables	65,106	88,839	—	—
- associate	730,336	—	730,336	—
- joint venture	281,892	—	281,892	—
(Increase)/Decrease in value of financial assets at fair value through profit or loss	(290,750)	102,874	—	—
Dividend income on quoted shares	(61,344)	(50,551)	(1,734)	(660)
Share based payment transactions	1,034,596	768,215	435,703	307,308
<b>Operating profit before changes in working capital</b>	57,795,793	46,447,127	37,485,206	26,490,624
Changes in inventories	(6,417,757)	(10,470,518)	—	—
Changes in trade and other receivables	(1,126,637)	(26,763,974)	(9,019,505)	(15,601,914)
Changes in trade and other payables	(850,171)	18,898,851	(5,093,728)	4,904,664
Changes in deferred income	17,780,189	6,745,404	—	—
Changes in property development cost	(19,053,533)	(8,062,642)	—	—
<b>Cash generated from operations</b>	48,127,884	26,794,248	23,371,973	15,793,374
Interest paid	(689,353)	(490,357)	—	—
Interest received	607,978	686,709	207,847	279,755
Tax paid	(11,680,909)	(4,455,088)	(81,960)	—
<b>Net cash from operating activities</b>	36,365,600	22,535,512	23,497,860	16,073,129

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

statements of cash flows (*cont'd*)  
for the year ended 28 February 2014

	<b>Group</b>		<b>Company</b>	
	<b>2014 RM</b>	<b>2013 RM</b>	<b>2014 RM</b>	<b>2013 RM</b>
<b>Cash flows from investing activities</b>				
Acquisition of:				
- property, plant and equipment	(5,823,034)	(10,847,630)	—	—
- other investment	(1,040,619)	(3,475,783)	—	(1,950,737)
Investments in:				
- subsidiaries	—	—	(2,949,842)	—
- an associate	—	(80,000)	—	(80,000)
- a joint venture	(15,300)	—	(15,300)	—
Issuance of share capital	805,682	—	805,682	—
Dividend received on quoted shares	61,344	50,551	1,734	660
Proceeds from disposal of:				
- property, plant and equipment	561,020	4,388,737	—	—
- investment properties	1,950,000	3,796,548	—	—
- other investment	1,827,758	2,875,190	67,123	2,129,850
<b>Net cash (used in)/from investing activities</b>	<b>(1,673,149)</b>	<b>(3,292,387)</b>	<b>(2,090,603)</b>	<b>99,773</b>
<b>Cash flows from financing activities</b>				
Dividends paid to				
- owners of the Company	(24,063,548)	(16,500,000)	(24,063,548)	(16,500,000)
- non-controlling interests	(1,622,681)	(248,788)	—	—
Payment of finance lease liabilities	—	(52,737)	—	—
(Repayment)/Drawdown of				
banker's acceptance	(1,040,576)	3,657,000	—	—
Drawdown of term loan/bridging loan	11,138,086	1,561,000	—	—
Repayment of term loans/bridging loan	(10,221,213)	(384,495)	—	—
Subscription of shares by non-controlling interests in a subsidiary	421,406	800,000	—	—
<b>Net cash used in financing activities</b>	<b>(25,388,526)</b>	<b>(11,168,020)</b>	<b>(24,063,548)</b>	<b>(16,500,000)</b>
Exchange difference on translation of the financial statements of foreign operation	301,584	(62,595)	—	—
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>9,605,509</b>	<b>8,012,510</b>	<b>(2,656,291)</b>	<b>(327,098)</b>
<b>Cash and cash equivalents at 1 March</b>	<b>36,833,420</b>	<b>28,820,910</b>	<b>5,435,414</b>	<b>5,762,512</b>
<b>Cash and cash equivalents at 28 February</b>	<b>46,438,929</b>	<b>36,833,420</b>	<b>2,779,123</b>	<b>5,435,414</b>

14

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 financial year ended 28 February 2014 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in an associate and joint venture. The financial statements of the Company as at and for the financial year ended 28 February 2014 do not include other entities.

The principal activities of the Company consist of investment holding. The principal activities of the subsidiaries are disclosed in Note 6.

These financial statements were authorised for issue by the Board of Directors on 20 June 2014.

### 1. BASIS OF PREPARATION

**(a) Statement of compliance**

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

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

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014***

- Amendments to MFRS 10, *Consolidated Financial Statements: Investment Entities*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Investment Entities*
- Amendments to MFRS 127, *Separate Financial Statements (2011): Investment Entities*
- Amendments to MFRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 136, *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*
- Amendments to MFRS 139, *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*
- IC Interpretation 21, *Leases*

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2014***

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)*
- Amendments to MFRS 2, *Share-based Payment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 13, *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*

## notes to the financial statements (*cont'd*)

### 1. BASIS OF PREPARATION (*cont'd*)

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

##### ***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2014*** (*cont'd*)

- Amendments to MFRS 116, *Property, Plant and Equipment* (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 119, *Employee Benefits – Defined Benefit Plans: Employee Contributions*
- Amendments to MFRS 124, *Related Party Disclosures* (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 138, *Intangible Assets* (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 140, *Investment Property* (Annual Improvements 2011-2013 Cycle)

##### ***MFRSs, Interpretations and amendments effective from a date yet to be confirmed***

- MFRS 9, *Financial Instruments* (2009)
- MFRS 9, *Financial Instruments* (2010)
- MFRS 9, *Financial Instruments – Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139*
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Mandatory Effective Date of MFRS 9 and Transition Disclosures*

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

The initial application of these standards, amendments and interpretations are not expected to have any material financial impacts to the current and prior periods financial statements of the Group and the Company upon their first adoption.

#### (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 the financial statements in conformity with MFRSs 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 5 - valuation of goodwill on consolidation
- Note 11 - valuation of trade receivables

## notes to the financial statements (*cont'd*)

### 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the 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 structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group adopted MFRS 10, *Consolidated Financial Statements* in the current financial year. This resulted in changes to the following policies:

- Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In the previous financial years, 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.
- Potential voting rights are considered when assessing control only when such rights are substantive. In the previous financial years, potential voting rights are considered when assessing control when such rights are presently exercisable.
- The Group considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return. In the previous financial years, the Group did not consider *de facto* power in its assessment of control.

The change in accounting policy has been made retrospectively and in accordance with the transitional provision of MFRS 10. The adoption of MFRS 10 has no significant impact to the financial statements of the Group.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

##### (ii) 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.

For new acquisitions, the Group measures the cost of 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.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, 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.

## notes to the financial statements (*cont'd*)

### 2. SIGNIFICANT ACCOUNTING POLICIES (*cont'd*)

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

##### (iii) 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

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former 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.

##### (v) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.



## notes to the financial statements (*cont'd*)

### 2. SIGNIFICANT ACCOUNTING POLICIES (*cont'd*)

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

##### (vi) Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

The Group adopted MFRS 11, *Joint Arrangements* in the current financial year. As a result, joint arrangements are classified and accounted for as follows:

- A joint arrangement is classified as "joint operation" when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group and the Company account for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation.
- A joint arrangement is classified as "joint venture" when the Group has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method.

The adoption of MFRS 11 has no significant impact to the financial statements of the Group and the Company.

##### (vii) 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 profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

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.

##### (viii) Transactions eliminated on consolidation

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

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

#### (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 end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

## notes to the financial statements (*cont'd*)

### 2. SIGNIFICANT ACCOUNTING POLICIES (*cont'd*)

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

##### (i) Foreign currency transactions (*cont'd*)

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 2011 (the date when the Group first adopted MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

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 gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, 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 in 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.

## 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

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.

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.

## 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*)

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

##### **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 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.

Fair value arising from 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 and in accordance to Note 2(s).

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" and "other expenses" respectively in profit or loss.

##### (ii) Subsequent costs

The cost of replacing a component 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 component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component 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.

## notes to the financial statements *(cont'd)*

### 2. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

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

##### (iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component 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 at the end of the reporting period and adjusted as appropriate.

#### (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 on 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. 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 associates and joint venture, 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 associates and joint venture.

##### (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 from the date that they are available for use.

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 property

##### (i) Investment property 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 property *(cont'd)*

##### (i) Investment property 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.

#### (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) Cash and cash equivalents

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

#### (j) Impairment

##### (i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries and investment in an associate and joint venture) 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 investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.



## notes to the financial statements (*cont'd*)

### 2. SIGNIFICANT ACCOUNTING POLICIES (*cont'd*)

#### (j) 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 financial 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 classified as available for sale 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 deferred tax assets) 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 or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to 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 of disposal. 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.

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 (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

## notes to the financial statements (*cont'd*)

### 2. SIGNIFICANT ACCOUNTING POLICIES (*cont'd*)

#### (j) Impairment (*cont'd*)

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

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.

#### (k) Property development cost

Property development cost consist of land held for future development and current development expenditure which comprise construction and other related development costs.

The Group consider as current asset that proportion of property development projects on which sales have been launched and/or the project is expected to be completed within the normal operating cycle of two to three years. Cost of property development projects classified as current assets are stated at the lower of cost and net realisable value.

Any anticipated loss on a property development project (including costs to be incurred over the defects liability year), is recognised as an expense immediately.

Deferred income represents the progress billings to purchasers and will be recognised to profit and loss upon delivery of the completed development units.

#### (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 are 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 financial 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 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, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be 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) Revenue from property development**

Revenue from property development activities is recognised based on the completed method upon delivery of the completed development units.

**(iii) 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.

**(iv) 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.

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

##### (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. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

##### (iii) Share-based payment transactions

The grant date fair value of share-based payment granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

## notes to the financial statements (*cont'd*)

### 2. SIGNIFICANT ACCOUNTING POLICIES (*cont'd*)

#### (p) Employee benefits (*cont'd*)

##### (iii) Share-based payment transactions (*cont'd*)

The fair value of employee share options is measured using a binomial lattice model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

#### (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.

#### (s) Fair value measurement

From 1 March 2013, the Group adopted MFRS 13, *Fair Value Measurement* which prescribed that fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In accordance with the transitional provision of MFRS 13, the Group applied the new fair value measurement guidance prospectively, and has not provided any comparative fair value information for new disclosures. The adoption of MFRS 13 has not significantly affected the measurements of the Group's assets or liabilities other than the additional disclosures.



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
<b>Group</b>						
<b>At cost</b>						
At 1 March 2012	55,764,356	23,062,196	17,579,136	5,076,864	363,039	101,845,591
Additions	2,938,323	6,568,772	1,257,701	26,172	56,662	10,847,630
Disposals/Written off	–	(380,610)	(1,279,850)	(2,563,443)	–	(4,223,903)
Reclassification	66,997	–	135,745	216,959	(419,701)	–
Effect of movements in exchange rates	(105,947)	–	(10,150)	–	–	(116,097)
At 28 February 2013/ 1 March 2013	58,663,729	29,250,358	17,682,582	2,756,552	–	108,353,221
Additions	2,367,781	2,022,080	1,433,173	–	–	5,823,034
Disposals/Written off	(337,509)	(3,419,407)	(1,452,155)	(229,709)	–	(5,438,780)
Transfer from investment property	1,410,281	–	–	–	–	1,410,281
Effect of movements in exchange rates	(160,729)	–	1,179	–	–	(159,550)
At 28 February 2014	61,943,553	27,853,031	17,664,779	2,526,843	–	109,988,206
<b>Accumulated depreciation</b>						
At 1 March 2012	2,911,551	12,495,348	10,366,437	2,613,202	–	28,386,538
Depreciation charge	784,274	2,865,149	2,000,372	379,835	–	6,029,630
Disposals/Written off	–	(380,605)	(1,133,213)	(1,624,507)	–	(3,138,325)
Effect of movements in exchange rates	(4,682)	–	(1,545)	–	–	(6,227)
At 28 February 2013/ 1 March 2013	3,691,143	14,979,892	11,232,051	1,368,530	–	31,271,616
Depreciation charge	792,279	2,731,152	1,662,503	219,825	–	5,405,759
Disposals/Written off	(21,094)	(2,912,104)	(884,467)	(91,900)	–	(3,909,565)
Transfer from investment property	72,865	–	–	–	–	72,865
Reclassification	–	–	221,147	72,732	–	293,879
Effect of movements in exchange rates	(20,524)	–	(986)	–	–	(21,510)
At 28 February 2014	4,514,669	14,798,940	12,230,248	1,569,187	–	33,113,044

notes to the financial statements (*cont'd*)**3. PROPERTY, PLANT AND EQUIPMENT** (*cont'd*)

	Land and buildings RM	Plant and machinery RM	Motor vehicles, office equipment, furniture and fittings RM	Renovation and electrical installation RM	Construction -in -progress RM	Total RM
<b>Group</b>						
<b>Accumulated impairment loss</b>						
At 1 March 2012	–	–	449,864	883,256	–	1,333,120
Impairment loss	343,423	–	939,473	311,961	–	1,594,857
Disposal	–	–	–	(810,524)	–	(810,524)
At 28 February 2013/ 1 March 2013	343,423	–	1,389,337	384,693	–	2,117,453
Reclassification	–	–	(221,147)	(72,732)	–	(293,879)
Disposal	(316,414)	–	(38,758)	–	–	(355,172)
Effect of movements in exchange rates	(27,009)	–	(2,219)	–	–	(29,228)
At 28 February 2014	–	–	1,127,213	311,961	–	1,439,174
<b>Carrying amounts</b>						
At 28 February 2014	57,428,884	13,054,091	4,307,318	645,695	–	75,435,988
At 28 February 2013	54,629,163	14,270,466	5,061,194	1,003,329	–	74,964,152

notes to the financial statements *(cont'd)***3. PROPERTY, PLANT AND EQUIPMENT** *(cont'd)*

	Motor vehicles, office equipment, furniture and fittings/ Total RM	
<b>Company</b>		
<b>At cost</b>		
At 1 March 2012/28 February 2013		392,974
At 1 March 2013/28 February 2014		392,974
<b>Accumulated depreciation</b>		
At 1 March 2012		278,220
Depreciation charge		72,968
At 28 February 2013/1 March 2013		351,188
Depreciation charge		33,004
At 28 February 2014		384,192
<b>Carrying amounts</b>		
At 28 February 2014		8,782
At 28 February 2013		41,786
	<b>2014 RM</b>	<b>Group 2013 RM</b>
<b>Carrying amounts of land and buildings</b>		
Freehold land	21,049,873	21,049,873
Buildings	36,379,011	33,579,290
	57,428,884	54,629,163

notes to the financial statements (*cont'd*)**4. INVESTMENT PROPERTIES**

	<b>Group RM</b>
<b>At cost</b>	
At 1 March 2012	5,295,471
Disposal	(2,608,150)
At 28 February 2013/1 March 2013	2,687,321
Disposal	(1,277,040)
Transfer to property, plant and equipment	(1,410,281)
At 28 February 2014	–
<b>Accumulated depreciation</b>	
At 1 March 2012	171,861
Depreciation charge	73,905
Disposal	(132,147)
At 28 February 2013/1 March 2013	113,619
Depreciation charge	35,654
Disposal	(76,408)
Transfer to property, plant and equipment	(72,865)
At 28 February 2014	–
<b>Carrying amounts</b>	
At 28 February 2014	–
At 28 February 2013	2,573,702
Included in the above are:	
	<b>Group</b>
	<b>2014 RM</b>
	<b>2013 RM</b>
<b>At cost</b>	
Freehold land	–
Buildings	383,200
	2,190,502
	–
	2,573,702

The fair value of the investment properties as at 28 February 2014 are NIL (2013: RM4,170,700). The fair value is based on the market value on similar unit available for sale.

notes to the financial statements (*cont'd*)**4. INVESTMENT PROPERTIES** (*cont'd*)

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

	<b>2014 RM</b>	<b>Group 2013 RM</b>
Rental income	87,988	75,913
Direct operating expenses:		
- income generating investment properties	39,117	43,618
- non-income generating investment properties	—	50,074

**5. INTANGIBLE ASSETS**

	<b>Goodwill RM</b>	<b>Product formula RM</b>	<b>Total RM</b>
<b>Group</b>			
<b>At cost</b>			
At 1 March 2012/28 February 2013	5,226,886	304,480	5,531,366
At 1 March 2013/28 February 2014	5,226,886	304,480	5,531,366
<b>Accumulated amortisation</b>			
At 1 March 2012	—	176,505	176,505
Amortisation charge	—	15,205	15,205
At 28 February 2013/1 March 2013	—	191,710	191,710
Amortisation charge	—	15,205	15,205
At 28 February 2014	—	206,915	206,915
<b>Carrying amounts</b>			
At 28 February 2014	5,226,886	97,565	5,324,451
At 28 February 2013	5,226,886	112,770	5,339,656



notes to the financial statements (*cont'd*)**5. INTANGIBLE ASSETS** (*cont'd*)***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 as the recoverable amount was higher than the carrying amount.

**6. INVESTMENTS IN SUBSIDIARIES**

	Company	
	2014 RM	2013 RM
Unquoted shares		
At cost	162,446,616	158,897,881
Less: Impairment loss	(10,028,034)	(6,628,034)
	152,418,582	152,269,847

Included in investments in subsidiaries (at cost) is an amount of RM1,059,800 (2013: RM460,907) arising from the ESOS granted to the subsidiaries' employees.

Details of subsidiaries are as follows:

Name of entity	Principal activities	Place of incorporation	Effective ownership interest and voting interest	
			2014 %	2013 %
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

notes to the financial statements (*cont'd*)**6. INVESTMENTS IN SUBSIDIARIES** (*cont'd*)

Name of entity	Principal activities	Place of incorporation	Effective ownership interest and voting interest	
			2014 %	2013 %
Power Root Manufacturing Sdn. Bhd.	Manufacture and distribution of beverage products	Malaysia	100	100
Power Root Nnergy Sdn. Bhd.	Property development and construction	Malaysia	90	90
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	100
Ali Cafe Sdn. Bhd.	Dormant	Malaysia	100	100
Power Root ME FZCO#	Distribution of various beverage products	Dubai	88	90
<b><i>Subsidiaries of Power Impian International Sdn. Bhd.</i></b>				
Power Impian International Pre. Ltd.	Dormant	Singapore	100	100
PT. Power Impian International #	Distribution of health and beauty products	Indonesia	95	95
<b><i>Subsidiaries of Power Root ME FZCO</i></b>				
P.R. Manufacturing ME LLC#	Dormant	Dubai	88	—

# Not audited by member firms of KPMG International.

notes to the financial statements (*cont'd*)**6. INVESTMENTS IN SUBSIDIARIES** (*cont'd*)**6.1 Non-controlling interest in subsidiaries**

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

	<b>2014</b>				
	<b>Power Root Nnergy Sdn. Bhd.</b>	<b>Synergy Distribution FZC</b>	<b>Power Root ME FZCO.</b>	<b>Other individually immaterial subsidiaries</b>	<b>Total</b>
NCI percentage of ownership interest and voting interest	90%	51%	88%		
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Carrying amount of NCI	826	454	529	(48)	1,761
Comprehensive income/ (expense) allocated to NCI	7	218	726	(54)	897
<b>Summarised financial information before intra-group elimination</b>					
<b>As at 28 February</b>					
Non-current assets	4,618	259	2,683		
Current assets	33,839	2,142	27,582		
Current liabilities	(30,191)	(1,475)	(25,850)		
Net assets	8,266	926	4,415		
<b>Year ended 28 February</b>					
Revenue	–	–	69,232		
Profit for the year	73	418	5,840		
Total comprehensive income	73	445	6,052		
Cash flows from/(used in) operating activities	2,781	2,381	(247)		
Cash flows from/(used in) investing activities	1,342	(266)	(3,541)		
Cash flows (used in)/from financing activities	–	(1,218)	3,151		
Net increase/(decrease) in cash and cash equivalents	4,123	897	(637)		
Dividends paid to NCI	–	571	1,051		

notes to the financial statements *(cont'd)***6. INVESTMENTS IN SUBSIDIARIES** *(cont'd)***6.1 Non-controlling interest in subsidiaries** *(cont'd)*

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows: *(cont'd)*

	<b>2013</b>			
	<b>Power Root Nenergy Sdn. Bhd.</b>	<b>Synergy Distribution FZC</b>	<b>Power Root ME FZCO.</b>	<b>Other individually immaterial subsidiaries</b>
	<b>Total</b>			
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
NCI percentage of ownership interest and voting interest	90%	51%	90%	
Carrying amount of NCI	819	807	373	8
Comprehensive income/ (expense) allocated to NCI	(1)	625	289	(68)
<b>Summarised financial information before intra-group elimination</b>				
<b>As at 28 February</b>				
Non-current assets	2,985	48	9	
Current assets	18,548	1,876	29,564	
Non-current liabilities	(1,561)	—	—	
Current liabilities	(11,779)	(277)	(25,839)	
Net assets	8,193	1,647	3,734	
<b>Year ended 28 February</b>				
Revenue	—	—	68,624	
(Loss)/Profit for the year	(14)	1,366	2,877	
Total comprehensive (expense)/income	(14)	1,276	2,889	
Cash flows from operating activities	1,885	596	5,826	
Cash flows used in investing activities	(1,442)	(44)	(10)	
Cash flows (used in)/from financing activities	—	(623)	645	
Net increase/(decrease) in cash and cash equivalents	443	(71)	6,461	
Dividends paid to NCI	—	249	—	

notes to the financial statements (*cont'd*)**7. INVESTMENT IN AN ASSOCIATE**

	<b>Group</b>		<b>Company</b>	
	<b>2014 RM</b>	<b>2013 RM</b>	<b>2014 RM</b>	<b>2013 RM</b>
Unquoted shares, at cost	80,000	80,000	80,000	80,000
Share of post-acquisition reserves	(80,000)	(80,000)	—	—
	—	—	80,000	80,000

Summarised financial information of the associates not adjusted for the percentage ownership held by the Group:

<b>Name of entity</b>	<b>Country of incorporation</b>	<b>Principal activities</b>	<b>Effective ownership interest and voting interest</b>	
			<b>2014 %</b>	<b>2013 %</b>
Jobtract Sdn. Bhd.	Malaysia	Engaged in the business of information technology related products and services	40	40

The following table summarises the information of the Group's material associate, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in the associate.

<b>Group</b>	<b>Jobtract Sdn. Bhd./ Total RM'000</b>
<b>2014</b>	
<b>Summarised financial information As at 28 February</b>	
Non-current assets	556
Current assets	747
Current liabilities	(3,280)
Net liabilities	(1,977)
<b>Year ended 28 February</b>	
Loss from continuing operations/Total comprehensive expense	(1,826)
<b>2013</b>	
<b>Summarised financial information As at 28 February</b>	
Non-current assets	45
Current assets	1,029
Current liabilities	(1,224)
Net liabilities	(150)
<b>Year ended 28 February</b>	
Loss from continuing operations/Total comprehensive expense	(351)



notes to the financial statements (*cont'd*)**8. INVESTMENT IN A JOINT VENTURE**

	<b>Group 2014 RM</b>	<b>Company 2014 RM</b>
Unquoted shares, at cost	15,300	15,300
Share of post acquisition reserves	(15,300)	–
	–	15,300

Medan Multimedia Sdn. Bhd., the only joint arrangement in which the Group participates, is principally engaged in the investments in films and movie productions.

Medan Multimedia Sdn. Bhd. is structured as a separate vehicle and provides the Group with rights to the net assets of the entity. Accordingly, the Group has classified the investment in Medan Multimedia Sdn. Bhd. as a joint venture.

The following tables summarise the financial information of Medan Multimedia Sdn. Bhd.. The tables also reconcile the summarised financial information to the carrying amount of the Group's interest in Medan Multimedia Sdn. Bhd., which has been accounted for using the equity method.

	<b>Group 2014</b>
Percentage of ownership interest/voting interest	51%
	<b>RM'000</b>
<b>Summarised financial information</b>	
<b>As at 28 February</b>	
Current assets	1,857
Current liabilities	(2,409)
Cash and cash equivalents	7
<b>Year ended 28 February</b>	
Loss from continuing operations/Total comprehensive expense	(583)
<b>Included in the total comprehensive income is</b>	
Revenue	1,850
Amortisation	(1,800)

notes to the financial statements (*cont'd*)**9. DEFERRED TAX ASSETS/(LIABILITIES)****Recognised deferred tax assets/(liabilities)**

	<b>Group</b>		<b>Company</b>	
	<b>2014 RM</b>	<b>2013 RM</b>	<b>2014 RM</b>	<b>2013 RM</b>
Deferred tax assets	2,321,625	–	21,000	–
Deferred tax liabilities	(2,188,000)	(2,949,756)	–	(1,000)
	133,625	(2,949,756)	21,000	(1,000)

Deferred tax assets and liabilities are attributable to the following:

	<b>Group</b>		<b>Company</b>	
	<b>2014 RM</b>	<b>2013 RM</b>	<b>2014 RM</b>	<b>2013 RM</b>
Property, plant and equipment				
- capital allowances	(3,007,000)	(3,034,000)	–	(1,000)
Trade receivables	9,000	148,244	–	–
Provision	805,000	13,000	–	–
Deferred income	1,694,000	–	–	–
Others	632,625	(77,000)	21,000	–
	133,625	(2,949,756)	21,000	(1,000)

**Unrecognised deferred tax assets**

Deferred tax assets have not been recognised in respect of the following items in certain subsidiaries (stated at gross):

	<b>Group</b>	
	<b>2014 RM'000</b>	<b>2013 RM'000</b>
Deductible temporary differences	400	762
Unabsorbed capital allowances	2,526	2,474
Unutilised tax losses	4,624	4,162
	7,550	7,398

The deductible temporary differences, 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)***10. INVENTORIES**

	2014 RM	Group 2013 RM
Raw materials	30,593,952	27,643,203
Finished goods	17,937,306	15,096,816
Promotional gifts	1,554,422	927,904
	50,085,680	43,667,923

**11. TRADE AND OTHER RECEIVABLES**

	2014 RM	Group 2013 RM	2014 RM	Company 2013 RM
Trade receivables	101,882,700	98,614,060	–	–
Other receivables, deposits and prepayments	4,920,371	9,420,277	66,263	25,271
Due from subsidiaries - non-trade	–	–	28,150,657	20,807,674
Due from an associate - non-trade	389,664	482,000	389,664	482,000
Due from a joint venture - non-trade	636,108	–	636,108	–
	107,828,843	108,516,337	29,242,692	21,314,945

Included in other receivables, deposits and prepayments is an amount of NIL (2013: RM4,918,900) in respect of prepayment for acquisition of land held for development.

The amounts due from subsidiaries/an associate/a joint venture are unsecured, interest free and repayable on demand.

**12. OTHER INVESTMENTS**

	2014 RM	Group 2013 RM	2014 RM	Company 2013 RM
<b>Financial assets at fair value through profit or loss</b>				
Quoted shares in Malaysia	–	55,419	–	55,419
Quoted shares in overseas	1,066,145	1,386,644	–	–
	1,066,145	1,442,063	–	55,419
<b>At market value</b>				
Quoted shares in Malaysia	–	53,880	–	53,880
Quoted shares in overseas	1,066,145	1,386,644	–	–
	1,066,145	1,440,524	–	53,880

notes to the financial statements (*cont'd*)**13. PROPERTY DEVELOPMENT COST**

Property development cost comprises the following:

	<b>2014 RM</b>	<b>Group 2013 RM</b>
Long term leasehold land	8,000,000	2,601,100
Development costs	19,116,175	5,461,542
	<b>27,116,175</b>	<b>8,062,642</b>

The long term leasehold land is charged for banking facilities granted to a subsidiary (see Note 16).

Included in development cost are the following expenses capitalised:

	<b>2014 RM</b>	<b>Group 2013 RM</b>
Interest expense	88,536	7,692
Personnel expenses		
- Wages, salaries and others	104,843	31,160

**14. CASH AND CASH EQUIVALENTS**

	<b>2014 RM</b>	<b>Group 2013 RM</b>	<b>2014 RM</b>	<b>Company 2013 RM</b>
Cash and bank balances	38,851,829	25,284,810	86,023	186,804
Deposits placed with licensed banks	7,587,100	11,548,610	2,693,100	5,248,610
	<b>46,438,929</b>	<b>36,833,420</b>	<b>2,779,123</b>	<b>5,435,414</b>

notes to the financial statements *(cont'd)***15. CAPITAL AND RESERVES****Share capital**

	<b>Group/Company</b>		<b>Group/Company</b>	
	<b>2014</b>	<b>2013</b>	<b>Number of ordinary shares</b>	
	<b>RM</b>	<b>RM</b>	<b>2014</b>	<b>2013</b>
Ordinary shares of RM0.20 each:				
Authorised	100,000,000	100,000,000	500,000,000	500,000,000
Issued and fully paid:				
At 1 March	60,000,000	60,000,000	300,000,000	300,000,000
Shares issued				
- Dividend Reinvestment Plan	18,737	–	93,685	–
- Employees' Share Options Scheme (Note 21)	188,200	–	941,000	–
	206,937	–	1,034,685	–
At 28 February	60,206,937	60,000,000	301,034,685	300,000,000

During the financial year, the Company issued 93,685 new ordinary shares of RM0.20 each at a consideration of RM1.82 each pursuant to the Dividend Reinvestment Plan for the final dividend of 4.0 sen in respect of financial year ended 28 February 2013.

**Reserves**

	<b>Group</b>		<b>Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Distributable</b>				
Retained earnings	58,036,583	43,345,067	21,812,745	13,310,308
<b>Non-distributable</b>				
Share option reserve	1,586,381	768,215	1,586,381	768,215
Share premium	100,870,423	100,055,248	100,870,423	100,055,248
Exchange fluctuation reserve	(32,005)	(193,378)	–	–
	160,461,382	143,975,152	124,269,549	114,133,771

**Share option reserve**

The share option reserve comprises the cumulative value of employee services received for the issue of share options. When the option is exercised, the amount from the share option reserve is transferred to share premium. When the share options expire, the amount from the share option reserve is transferred to retained earnings. Share option is disclosed in Note 21.



notes to the financial statements (*cont'd*)**16. LOANS AND BORROWINGS**

	2014 RM	Group 2013 RM
<b>Non-current</b>		
<b>Secured</b>		
Term loans	–	1,561,000
<b>Unsecured</b>		
Term loans	970,429	1,226,770
	970,429	2,787,770
<b>Current</b>		
<b>Secured</b>		
Bridging loan	2,883,386	–
<b>Unsecured</b>		
Term loans	256,411	405,583
Bankers' acceptance	9,272,424	10,313,000
	9,528,835	10,718,583
	12,412,221	10,718,583
	13,382,650	13,506,353

**Security**

The bridging loan/term loan is secured by legal charges over the long term leasehold land of a subsidiary (see Note 13).

**17. TRADE AND OTHER PAYABLES**

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Trade payables	28,951,473	30,709,091	–	–
Other payables	3,214,573	3,351,111	10,014	67,192
Accrued expenses	22,621,977	21,577,989	126,979	147,497
Due to subsidiaries				
- non-trade	–	–	–	5,016,032
	54,788,023	55,638,191	136,993	5,230,721

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

notes to the financial statements (*cont'd*)**18. PROFIT BEFORE TAX**

	<b>Group</b>		<b>Company</b>	
	<b>2014 RM</b>	<b>2013 RM</b>	<b>2014 RM</b>	<b>2013 RM</b>
<b>Profit before tax is arrived at after charging/(crediting)</b>				
Audit fees:				
- Statutory audit				
- KPMG Malaysia				
- Current year	185,000	180,000	42,000	40,000
- Other auditors	46,803	36,423	—	—
- Non-audit fee				
- KPMG Malaysia	10,000	10,000	10,000	10,000
Bad debts written off	54	4,269	—	—
Impairment losses on:				
- property, plant and equipment	—	1,594,857	—	—
- investments in subsidiaries	—	—	3,400,000	4,309,000
- trade receivables	65,106	88,839	—	—
- associate	730,336	—	730,336	—
- joint venture	281,892	—	281,892	—
(Increase)/Decrease in value of financial assets at fair value through profit or loss	(290,750)	102,874	—	—
Write down of inventories	812,401	831,365	—	—
Personnel expenses (including key management personnel):				
- Contributions to state plans	2,573,122	2,805,090	18,466	18,491
- Wages, salaries and others	28,367,573	24,094,610	151,489	150,479
- Share based payment transactions	1,034,596	768,215	435,703	307,308
Loss/(Gain) on foreign exchange:				
- realised	793,775	(333,337)	(63,360)	(4,263)
- unrealised	736,743	(325,149)	79,530	9,861
Rental of premises	255,898	484,210	10,800	10,800
Loss/(Gain) on disposal of:				
- property, plant and equipment	613,023	(2,354,526)	—	—
- investment properties	(749,368)	(1,320,545)	—	—
- other investments	(120,471)	(24,058)	(11,704)	(19,369)
Dividend income on quoted shares	(61,344)	(50,551)	(1,734)	(660)
Rental income	(87,988)	(137,979)	—	—

notes to the financial statements (*cont'd*)**18. PROFIT BEFORE TAX** (*cont'd*)**Key management personnel compensation**

The key management personnel compensation are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2014 RM</b>	<b>2013 RM</b>	<b>2014 RM</b>	<b>2013 RM</b>
Directors:				
- Fees	167,000	206,000	107,000	146,000
- Remuneration	4,244,864	3,417,211	—	—
- Share-based payments	497,734	351,245	427,351	301,241
Total short-term employee benefits	4,909,598	3,974,456	534,351	447,241

The estimated monetary value of Directors' benefit-in-kind for the Group are RM126,301 (2013: RM106,631).

**19. TAX EXPENSE****Recognised in profit or loss**

Major components of income tax expense include:

	<b>Group</b>		<b>Company</b>	
	<b>2014 RM</b>	<b>2013 RM</b>	<b>2014 RM</b>	<b>2013 RM</b>
<b>Current tax expense</b>				
- Current year	11,854,000	4,867,000	162,000	129,000
- Prior year	1,553,371	(144,118)	40,041	(4,605)
	13,407,371	4,722,882	202,041	124,395
<b>Deferred tax (income)/expense</b>				
- Origination and reversal of temporary differences	(1,284,381)	2,276,647	(19,000)	4,000
- Prior year	(1,799,000)	(315,000)	(3,000)	(7,000)
	(3,083,381)	1,961,647	(22,000)	(3,000)
	10,323,990	6,684,529	180,041	121,395

notes to the financial statements *(cont'd)***19. TAX EXPENSE** *(cont'd)*

	<b>Group</b>		<b>Company</b>	
	<b>2014 RM'000</b>	<b>2013 RM'000</b>	<b>2014 RM'000</b>	<b>2013 RM'000</b>
<b>Reconciliation of tax expense</b>				
Profit before tax	50,003	41,961	32,746	22,091
Income tax calculated using Malaysian tax rate of 25%	12,501	10,490	8,187	5,523
Non-deductible expenses	1,424	610	1,291	1,240
Tax incentives	(2,002)	(3,635)	–	–
Non-taxable income	(1,809)	(635)	(9,335)	(6,630)
Effect of unrecognised deferred tax assets	456	314	–	–
	10,570	7,144	143	133
(Over)/Under provided in prior year	(246)	(459)	37	(12)
Tax expense	10,324	6,685	180	121

**20. EARNING PER ORDINARY SHARE****Group****Basic earnings per ordinary share**

The calculation of basic earnings per ordinary share at 28 February 2014 was based on the profit attributable to ordinary shareholders of RM38,813,312 (2013: RM34,382,336) and a weighted average number of ordinary shares outstanding of 300,525,968 (2013: 300,000,000).

**Diluted earnings per ordinary share**

The calculation of diluted earnings per ordinary share at 28 February 2014 was based on profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

*Profit attributable to ordinary shareholders (diluted):*

	<b>2014 RM</b>	<b>Group 2013 RM</b>
Profit attributable to ordinary shareholders (diluted)	38,813,312	34,382,336
Weighted average number of ordinary shares (basic)	300,525,968	300,000,000
Effect of share options in issue	16,756,848	7,668,045
Weighted average number of ordinary shares (diluted) at 28 February	317,282,816	307,668,045
	12.23	11.18

notes to the financial statements (*cont'd*)**21. EMPLOYEE BENEFITS****Share-based payments arrangement****Share option programme (equity settled)**

On 27 July 2012, the Group granted share options to eligible employees including Directors of the Company and its subsidiaries to purchase shares in the Company under the Employees Share Option Scheme approved by the shareholders of the Company on 23 July 2012.

On 3 July 2013, the Group further granted share options on similar terms (except for exercise price) to qualified employees.

The terms and conditions relating to the grants of the share option programme are as follows; all options are to be settled by physical delivery of shares:

Grant date/ employees entitled	Number of options '000	Vesting conditions	Contractual life of options
Options granted to eligible employees including Directors of the Company and its subsidiaries on 27 July 2012	28,510	50% KPI related, 50% non-KPI related	5 – 10 years
Options granted to eligible employees of the Company and its subsidiaries on 3 July 2013	1,100	50% KPI related, 50% non-KPI related	5 years
	<u>29,610</u>		

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price 2014	Number of options (‘000) 2014	Weighted average exercise price 2013	Number of options (‘000) 2013
Outstanding at 1 March	RM0.675	28,510	–	–
Granted during the year	RM1.920	1,100	RM0.675	28,510
Forfeited during the year	RM0.675	(993)	–	–
Exercised during the year	RM0.675	(941)	–	–
Outstanding at 28 February	RM0.725	27,676	RM0.675	28,510
Exercisable at 28 February	RM0.675	2,024	–	–

The options outstanding at 28 February 2014 have an exercise price in the range of RM0.675 to RM1.92 (2013: RM0.675) and a weighted average contractual life of 8.0 years (2013: 9.2 years).

During the financial year, 941,000 share options were exercised. The weighted average share price at the date of exercise for the year was RM2.02 (2013: no options exercised).



notes to the financial statements (*cont'd*)**21. EMPLOYEE BENEFITS** (*cont'd*)**Share-based payments arrangement** (*cont'd*)**Share option programme (equity settled)** (*cont'd*)

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using a binomial tree method, with the following inputs:

	<b>Eligible employees of the Company and its subsidiaries</b>	
	<b>2014</b>	<b>2013</b>
Fair value at grant date	RM0.212 – 0.244	RM0.212 – 0.244
Share price at grant date	RM2.21	RM0.795
Expected volatility (weighted average volatility)	40%	40%
Option life (expected weighted average life)	5 years	5 – 10 years
Expected dividends	6%	6%
Risk-free interest rate (based on Malaysian government Securities)	3.02% - 3.38%	3.02% - 3.38%

**Value of employee services received for issue of share options**

	<b>Group</b>		<b>Company</b>	
	<b>2014 RM'000</b>	<b>2013 RM'000</b>	<b>2014 RM'000</b>	<b>2013 RM'000</b>
Share options granted in 2013	983	768	436	307
Share options granted in 2014	52	–	–	–
Total expense recognised as share-based payments	1,035	768	436	307

**22. DIVIDENDS**

Dividends recognised by the Company are:

	<b>Sen per share</b>	<b>Total amount RM</b>	<b>Date of payment</b>
<b>2014</b>			
2013 - Final interim, single tier	4.0	12,029,740	23 September 2013
2014 - First interim, single tier	4.0	12,033,808	9 December 2013
		<u>24,063,548</u>	
<b>2013</b>			
2012 - Final interim, single tier	2.5	7,500,000	28 August 2012
2013 - Interim, single tier	3.0	9,000,000	7 December 2012
		<u>16,500,000</u>	

notes to the financial statements (*cont'd*)**22. DIVIDENDS** (*cont'd*)

The Directors declared a second interim single tier dividend of 5.0 sen per ordinary share totalling RM 15,140,134 in respect of the year ended 28 February 2014 on 28 April 2014 and paid on 3 June 2014.

**23. 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 the Middle East Region as the principal market segment.

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

	<b>2014</b> <b>RM'000</b>	<b>Group</b> <b>2013</b> <b>RM'000</b>
Local	210,039	185,331
Export	96,813	94,024
	<b>306,852</b>	<b>279,355</b>

**24. FINANCIAL INSTRUMENTS****24.1 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:

	<b>2014</b> <b>RM'000</b>	<b>Fair value through</b> <b>profit or loss</b> <b>2013</b> <b>RM'000</b>
<b>Group</b>		
<b>Financial assets</b>		
Other investments	1,066	1,442
<b>Company</b>		
<b>Financial assets</b>		
Other investments	—	55

notes to the financial statements *(cont'd)***24. FINANCIAL INSTRUMENTS** *(cont'd)***24.2 Net gains and losses arising from financial instruments**

	<b>Group</b>		<b>Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net gains/(losses) on:				
Fair value through profit/loss:				
- Held for trading	472	(28)	13	20
Loan and receivable	(858)	1,252	190	274
Financial liabilities measured at amortised cost	(689)	(490)	—	—
	(1,075)	734	203	294

**24.3 Financial risk management**

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

- Credit risk
- Liquidity risk
- Market risk

**24.4 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 stated 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.

notes to the financial statements (*cont'd*)**24. FINANCIAL INSTRUMENTS** (*cont'd*)**24.4 Credit risk** (*cont'd*)**Receivables** (*cont'd*)*Exposure to credit risk, credit quality and collateral (cont'd)*

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

	<b>2014</b> <b>RM'000</b>	<b>Group</b> <b>2013</b> <b>RM'000</b>
Local	75,015	71,747
Export	26,868	26,867
	<b>101,883</b>	<b>98,614</b>

*Impairment losses*

The Group maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was:

<b>Group</b>	<b>Gross</b> <b>RM'000</b>	<b>Individual</b> <b>impairment</b> <b>RM'000</b>	<b>Net</b> <b>RM'000</b>
<b>2014</b>			
Not past due	59,897	–	59,897
Past due 1 - 30 days	6,769	–	6,769
Past due 31 - 60 days	17,500	–	17,500
Past due 61 - 90 days	7,031	–	7,031
Over 90 days	10,994	(308)	10,686
	<b>102,191</b>	<b>(308)</b>	<b>101,883</b>
<b>2013</b>			
Not past due	57,497	–	57,497
Past due 1 - 30 days	14,732	–	14,732
Past due 31 - 60 days	11,569	–	11,569
Past due 61 - 90 days	9,231	–	9,231
Over 90 days	5,828	(243)	5,585
	<b>98,857</b>	<b>(243)</b>	<b>98,614</b>

notes to the financial statements (*cont'd*)**24. FINANCIAL INSTRUMENTS** (*cont'd*)**24.4 Credit risk** (*cont'd*)**Receivables** (*cont'd*)*Impairment losses* (*cont'd*)

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

	<b>2014</b> <b>RM'000</b>	<b>Group</b> <b>2013</b> <b>RM'000</b>
At 1 March	243	154
Impairment loss recognised	65	89
At 28 February	308	243

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.

*Exposure to credit risk, credit quality and collateral*

The maximum exposure to credit risk amounts to RM13,382,650 (2013: RM13,506,000) 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.

notes to the financial statements (*cont'd*)**24. FINANCIAL INSTRUMENTS** (*cont'd*)**24.5 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.

*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:

	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
<b>2014</b>							
<b>Group</b>							
<i>Non-derivative financial liabilities</i>							
Secured bridging loan	2,883	5.65	3,046	3,046	–	–	–
Unsecured term loans	1,227	5.10 - 7.40	1,474	336	256	767	115
Unsecured bankers' acceptance	9,272	3.84 - 3.86	9,272	9,272	–	–	–
Trade and other payables, excluding derivatives	54,788	–	54,788	54,788	–	–	–
	<u>68,170</u>	–	<u>68,580</u>	<u>67,442</u>	<u>256</u>	<u>767</u>	<u>115</u>
<b>Company</b>							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	<u>137</u>	–	<u>137</u>	<u>137</u>	<u>–</u>	<u>–</u>	<u>–</u>
<b>2013</b>							
<b>Group</b>							
<i>Non-derivative financial liabilities</i>							
Secured term loans	1,561	5.79	1,760	90	489	1,181	–
Unsecured term loans	1,632	5.10 - 7.40	1,961	508	337	767	349
Unsecured bankers' acceptance	10,313	3.08 - 3.83	10,313	10,313	–	–	–
Trade and other payables, excluding derivatives	55,638	–	55,638	55,638	–	–	–
	<u>69,144</u>	–	<u>69,672</u>	<u>66,549</u>	<u>826</u>	<u>1,948</u>	<u>349</u>
<b>Company</b>							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	<u>5,231</u>	–	<u>5,231</u>	<u>5,231</u>	<u>–</u>	<u>–</u>	<u>–</u>



notes to the financial statements *(cont'd)***24. FINANCIAL INSTRUMENTS** *(cont'd)***24.6 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), Singapore Dollar (SGD), Thailand Bahr (BAHT), Chinese Yuan (RMB), Hong Kong Dollar (HKD), Korean Won (WON), Euro Dollar (EURO) and Indonesian Rupiah (RUP).

*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						
	USD '000	SGD '000	BAHT '000	RMB '000	HKD '000	WON '000	EURO '000
<b>Group</b>							
<b>2014</b>							
Trade and other receivables	22,051	4,707	92	17	—	—	—
Other investment	1,066	—	—	—	—	—	—
Cash and cash equivalents	14,617	1,993	—	—	—	—	—
Trade and other payables	(4,647)	(2,253)	(318)	(339)	(6)	(268)	(220)
	33,087	4,447	(226)	(322)	(6)	(268)	(220)
<b>2013</b>							
Trade and other receivables	24,911	2,582	157	18	—	—	—
Other investment	1,387	—	—	—	—	—	—
Cash and cash equivalents	8,217	777	—	—	—	—	74
Trade and other payables	(4,679)	(1,205)	(125)	(276)	(97)	(219)	—
	29,836	2,154	32	(258)	(97)	(219)	74
	Denominated in						
	USD '000	SGD '000	BAHT '000	RMB '000	HKD '000	WON '000	RUP '000
<b>Company</b>							
<b>2014</b>							
Intra-group balances	169	—	—	—	—	—	75
<b>2013</b>							
Intra-group balances	147	—	—	—	—	—	37

notes to the financial statements (*cont'd*)**24. FINANCIAL INSTRUMENTS** (*cont'd*)**24.6 Market risk** (*cont'd*)**Currency risk** (*cont'd*)*Currency risk sensitivity analysis*

A 10% (2013: 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 is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	<b>Profit or loss</b>	
	<b>Group</b>	<b>Company</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>2014</b>		
USD	(2,482)	(13)
SGD	(334)	—
BAHT	17	—
RMB	24	—
WON	20	—
EURO	17	—
RUPIAH	—	(6)
<b>2013</b>		
USD	(2,238)	(11)
SGD	(162)	—
BAHT	(2)	—
RMB	19	—
HKD	7	—
WON	16	—
EURO	(6)	—
RUPIAH	—	(3)

A 10% (2013: 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*)**24. FINANCIAL INSTRUMENTS** (*cont'd*)**24.6 Market risk** (*cont'd*)**Interest rate 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:

	<b>Group</b>		<b>Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Fixed rate instruments</b>				
Financial assets	7,587	11,549	2,693	5,249
Financial liabilities	(9,272)	(10,313)	–	–
	(1,685)	1,236	2,693	5,249
<b>Floating rate instruments</b>				
Financial liabilities	(4,110)	(3,193)	–	–

*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.

	<b>Profit or loss</b>	
	<b>100 bp increase</b>	<b>100 bp decrease</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>2014</b>		
Floating rate instruments	(31)	31
<b>2013</b>		
Floating rate instruments	(24)	24

notes to the financial statements (*cont'd*)**24. FINANCIAL INSTRUMENTS** (*cont'd*)**24.6 Market risk** (*cont'd*)**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.

*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% (2013: 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 RM80,000 (2013: RM108,000) and NIL (2013: RM4,000) respectively. A 10% (2013: 10%) weakening in the movement in the stock market would have had equal but opposite effect on profit or loss.

**24.7 Fair value information**

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

The carrying amount of the term loans approximates its fair values as the effective interest rate is comparable to the movements in the market interest rate.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments carried at fair value Level 1 RM'000	Carrying amount RM'000
<b>Group</b>		
<b>2014</b>		
<b>Financial assets</b>		
Quoted shares	1,066	1,066
<b>2013</b>		
<b>Financial assets</b>		
Quoted shares	1,441	1,442
<b>Company</b>		
<b>2013</b>		
<b>Financial assets</b>		
Quoted shares	54	55

## notes to the financial statements *(cont'd)*

### 24. FINANCIAL INSTRUMENTS *(cont'd)*

#### 24.7 Fair value information *(cont'd)*

##### Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

##### Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

##### Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

##### Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

### 25. 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.

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.

### 26. CAPITAL COMMITMENT

	2014 RM	Group 2013 RM
<b>Contracted but not provided for</b>		
- Land held for development	—	480,000
- Plant and machinery	2,778,925	1,460,605
	<u>2,778,925</u>	<u>1,940,605</u>

notes to the financial statements (*cont'd*)**27. 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 or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. Key management personnel includes all the Directors of the Group.

The Group has related party relationship with its significant investors, subsidiaries, associates, joint venture and key management personnel.

**Significant related party transactions**

The significant related party transactions of the Group and the Company are shown below.

	<b>Group</b>		<b>Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>A. Subsidiaries</b>				
Dividend income (gross)	—	—	37,338,212	26,519,701
Management fees	—	—	750,430	702,720
Rental expense	—	—	10,800	10,800
<b>B. Fees paid to a firm in which an alternate Director of the Company is a partner</b>	51,348	183,753	—	—
<b>C. Substantial shareholders/ Companies in which substantial shareholder has interest</b>				
Sales	371,595	562,485	—	—
<b>D. Director</b>				
Sales of property	848,000	—	—	—
Discount on sales of property	144,711	—	—	—



notes to the financial statements (*cont'd*)**28. SUPPLEMENTARY FINANCIAL 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 28 February, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2014 RM'000</b>	<b>2013 RM'000</b>	<b>2014 RM'000</b>	<b>2013 RM'000</b>
Total retained earnings of the Company and its subsidiaries:				
- realised	80,542	73,964	21,872	13,321
- unrealised	(604)	(2,625)	(59)	(11)
	79,938	71,339	21,813	13,310
Less: Consolidation adjustments	(21,901)	(27,994)	–	–
Total retained earnings	58,037	43,345	21,813	13,310

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 28 February 2014

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. 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/ 16 years	41,354/ 21,269	3,368,272
ii)	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/ 16 years	41,801/ 24,177	2,278,295
iii)	No. 1, Jalan Sri Plentong Taman Perindustrian Sri Plentong 81750 Masai, Johor Bahru Johor on H.S.(D) 212276-212285 P.T.No.111376-111385 in the Mukim of Plentong District of Johor Bahru	Warehouse, factory cum office	Freehold/ 7 years	772,098/ 155,389	39,713,030
iv)	Lot 945, Springs 10, Street 7 Villa 33, Type 3E The Springs Emirates Living Dubai	Residential	Freehold/ 8 years	4,080/ 2275	1,337,416
v)	No. 30, Jalan Tago 9 Taman Perindustrian Tago 52200 Kuala Lumpur on H.S.(D) 24024 P.T. No. 30916 in the Mukim of Mukim Batu District of Gombak	Warehouse cum office	Freehold/ 18 years	19,493/ 14,516	3,121,989
vi)	No. 32, Jalan Tago 9 Taman Perindustrian Tago 52200 Kuala Lumpur on H.S.(D) 36191 P.T. No. 30915 in the Mukim of Mukim Batu District of Gombak	Warehouse cum office	Freehold/ 18 years	19,300/ 14,512	3,941,454
vii)	Unit B/08/DF Garden Shopping Arcade Central Park Indonesia	Shop cum office	Freehold/ 4 years	807/ 3,229	1,244,333
viii)	No. 305, 3rd Floor Sobha Sapphire Business Bay (Al Khail Road Entrance) Dubai	Vacant	Freehold/ 1 year	2,510	2,424,095

## Analysis of Shareholdings

As at 30 May 2014

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

**ISSUED & FULLY PAID UP CAPITAL** : RM60,560,537 consisting 302,802,685 ordinary shares of RM0.20 each

### DISTRIBUTION SCHEDULES OF EQUITY

Category	No. of Holders	%	No. of Securities	%
1 - 99	20	1.16	420	0.00
100 - 1,000	382	22.25	246,754	0.08
1,001 - 10,000	878	51.14	4,349,297	1.44
10,001 - 100,000	319	18.58	10,420,715	3.44
100,001 to less than 5% of issued shares	114	6.64	150,818,709	49.81
5% and above of issued shares	4	0.23	136,966,790	45.23
<b>Total</b>	<b>1,717</b>	<b>100.00</b>	<b>302,802,685</b>	<b>100.00</b>

### LIST OF DIRECTORS' SHAREHOLDINGS

No.	Name of Directors	Shareholdings	%
1	Y. M. Tengku Shamsulbhari bin Tengku Azman Shah, <small>SMK.</small>	—	—
2	Low Chee Yen	64,638,130	21.35
3	Wong Fuei Boon	60,807,630	20.08
4	How Say Swee	62,892,230	20.77
5	Ong Kheng Swee	60,263	0.02
6	Tea Choo Keng	800,000	0.26
7	See Thuan Po	1,715,000	0.57
8	Azahar bin Baharudin	5	0.00

### LIST OF SUBSTANTIAL SHAREHOLDERS

No.	Name of Substantial Shareholders	Shareholdings	%
1	Low Chee Yen	64,638,130	21.35
2	How Say Swee	62,892,230	20.77
3	Wong Fuei Boon	60,807,630	20.08

analysis of shareholdings (*cont'd*)

as at 30 May 2014

## CATEGORY OF SHAREHOLDERS OF EACH CLASS

Category Of Shareholders	No. Of Holders		No. Of Shares		Percentage (%)	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
1 Individuals	1,235	15	138,386,123	316,100	45.70	0.10
2 Body Corporate						
a. Banks / Finance Companies	–	1	–	172,800	–	0.06
b. Investment Trusts / Foundation / Charities	–	–	–	–	–	–
c. Other types of companies	21	–	8,322,387	–	2.75	–
3 Government Agencies / Institutions	–	–	–	–	–	–
4 Nominees	416	29	133,210,029	22,395,246	43.99	7.40
5 Others	–	–	–	–	–	–
<b>Total</b>	<b>1,672</b>	<b>45</b>	<b>279,918,539</b>	<b>22,884,146</b>	<b>92.44</b>	<b>7.56</b>

## LIST OF THIRTY (30) LARGEST SHAREHOLDERS

No.	Names	Shareholdings	%
1	Low Chee Yen	47,004,430	15.52
2	Wong Fuei Boon	46,870,130	15.48
3	CIMSEC Nominees (Tempatan) Sdn Bhd <i>CIMB for How Say Swee (Pb)</i>	27,692,330	9.15
4	How Say Swee	15,399,900	5.09
5	Alliancegroup Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for How Say Swee (8122105)</i>	13,900,000	4.59
6	Citigroup Nominees (Tempatan) Sdn Bhd <i>Employees Provident Fund Board (F Templeron)</i>	8,834,768	2.92
7	CIMSEC Nominees (Tempatan) Sdn Bhd <i>CIMB Bank for Low Chee Yen (My1770)</i>	7,900,000	2.61
8	HSBC Nominees (Asing) Sdn Bhd <i>Exempt an for JPMorgan Chase Bank National Association (Norges Bk)</i>	6,518,800	2.15
9	CIMSEC Nominees (Tempatan) Sdn Bhd <i>CIMB Bank for Wong Fuei Boon (My1771)</i>	5,900,000	1.95
10	CIMSEC Nominees (Tempatan) Sdn Bhd <i>CIMB Bank for How Say Swee (My1773)</i>	5,900,000	1.95
11	MERSEC Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Wong Fuei Boon</i>	5,207,700	1.72
12	Koperasi Permodalan Felda Malaysia Berhad	5,000,000	1.65
13	CIMSEC Nominees (Tempatan) Sdn Bhd <i>CIMB for Low Chee Yen (Pb)</i>	4,400,000	1.45
14	Low Chee Yen	3,803,700	1.26
15	HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for Maakl Progress Fund (4082)</i>	3,358,400	1.11

analysis of shareholdings (*cont'd*)

as at 30 May 2014

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

No.	Names	Shareholdings	%
16	HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for Maakl Al-Fauzan (5170)</i>	3,274,400	1.08
17	CIMSEC Nominees (Tempatan) Sdn Bhd <i>CIMB for See Seang Huat &amp; Company Sdn Berhad (Pb)</i>	3,050,000	1.01
18	HDM Nominees (Asing) Sdn Bhd <i>HSBC-FS for Asia Discovery Emerging Companies Master Fund Pre Ltd</i>	3,000,000	0.99
19	Lai Wei Chai	2,955,900	0.98
20	DB (Malaysia) Nominee (Asing) Sdn Bhd <i>SSBT Fund A73a for Artisan Global Small Cap Fund</i>	2,721,200	0.90
21	HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for RHB-OSK Growth and Income Focus Trust (4892)</i>	2,683,293	0.89
22	UOBM Nominees (Tempatan) Sdn Bhd <i>UOB Asser Management (Malaysia) Berhad for Gibraltar BSN Life Berhad (Par Fund)</i>	2,524,648	0.83
23	CIMSEC Nominees (Tempatan) Sdn Bhd <i>CIMB Bank for Mohamed Nizam Bin Abdul Razak (My0888)</i>	2,398,000	0.79
24	HSBC Nominees (Asing) Sdn Bhd <i>BBH and Co Boston for Grandeur Peak Emerging Markets Opportunities Fund</i>	2,376,000	0.78
25	Wong Fuei Boon	2,129,800	0.70
26	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad <i>Deutsche Trustees Malaysia Berhad for Eastspring Investmentssmall-Cap Fund</i>	2,116,200	0.70
27	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad <i>Deutsche Trustees Malaysia Berhad for Eastspring Investmentsdana Al-Ilham</i>	1,850,000	0.61
28	CIMSEC Nominees (Tempatan) Sdn Bhd <i>CIMB for Wong Tak Keong (Pb)</i>	1,844,200	0.61
29	CIMSEC Nominees (Tempatan) Sdn Bhd <i>CIMB Bank for Wong Tak Keong (My1772)</i>	1,720,000	0.57
30	Syed Sirajuddin Putra Jamalullail	1,666,292	0.55

## Notice of Eighth Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Eighth Annual General Meeting of the Company will be held at No 1, Jalan Sri Plentong, Taman Perindustrian Sri Plentong, 81750 Masai, Johor on Friday, 25 July 2014 at 2.30 p.m. for the purpose of considering the following businesses:-

### **AGENDA**

#### **ORDINARY BUSINESSES:-**

1. To receive the Audited Financial Report for the financial year ended 28 February 2014 together with the Reports of the Directors and the Auditors thereon. **(Resolution 1)**
2. To sanction payment of Directors' fees for the financial year ended 28 February 2014. **(Resolution 2)**
3. To re-elect the following Directors who retire pursuant to the Article 121 of the Company's Articles of Association and being eligible, have offered themselves for re-election:
  - 3.1 Y.M. Tengku Shamsulbhari bin Tengku Azman Shah, SMK. **(Resolution 3)**
  - 3.2 Ong Kheng Swee **(Resolution 4)**
4. To re-elect the Director, Daro' Low Chee Yen who retire pursuant to the Article 122 of the Company's Articles of Association and being eligible, have offered himself for re-election. **(Resolution 5)**
5. To re-elect the Director, Azahar bin Baharudin who retire pursuant to the Article 126 of the Company's Articles of Association and being eligible, have offered himself for re-election. **(Resolution 6)**
6. 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:-

7. **Proposed Renewal of the Authority To Issue Shares Pursuant To Section 132D of the Companies Act, 1965** **(Resolution 8)**

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



notice of eighth annual general meeting (*cont'd*)**SPECIAL BUSINESS** (*cont'd*)

8. **Proposed Renewal of the Authority to allot and issue new ordinary shares of RM0.20 each in Power Root Berhad ("Power Root Shares"), for the purpose of the Company's Dividend Reinvestment Plan ("DRP") that provides the shareholders of Power Root Berhad ("Shareholders") the option to elect to reinvest their cash dividend in new Power Root shares**

**(Resolution 9)**

"THAT pursuant to the DRP as approved by the Shareholders at the Extraordinary General Meeting held on 29 July 2013 and subject to the approval of the relevant regulatory authority (if any), approval be and is hereby given to the Company to allot and issue such number of new Power Root Shares from time to time as may be required to be allotted and issued pursuant to the DRP until the conclusion of the next Annual General Meeting upon such terms and conditions and to such persons as the Directors of the Company at their sole and absolute discretion, deem fit and in the interest of the Company PROVIDED THAT the issue price of the said new Power Root Shares shall be fixed by the Directors based on the adjusted five (5) market days volume weighted average market price ("VWAMP") of Power Root Shares immediately prior to the price-fixing date after applying a discount of not more than 10%, of which the VWAMP shall be adjusted ex-dividend before applying the aforementioned discount in fixing the issue price and the issue price may not be less than the par value of Power Root Shares;

AND THAT the Directors of the Company be and are hereby authorised to do all such acts and enter into all such transactions, arrangements, deeds, undertakings and documents as may be necessary or expedient in order to give full effect to the DRP with full power to assent to any conditions, modifications, variations and/or amendments as may be imposed or agreed to by any relevant authorities (if any) or consequent upon the implementation of the said conditions, modifications, variations and/or amendments, by the Directors as they, in their absolute discretion, deem fit and in the best interest of the Company."

9. **Proposed Renewal of the Authority To Buy-Back Its Own Shares by the Company**

**(Resolution 10)**

"THAT subject to the provisions of the Companies Act, 1965, the Memorandum and Articles of Association of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any applicable laws, rules, orders, requirements, regulations and guidelines for the time being in force or as may be amended, modified or re-enacted from time to time and the approvals of all relevant governmental and/or regulatory authorities (if any), the Company be and is hereby authorised to purchase such number of ordinary shares of RM0.20 each in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors of the Company may deem fit, necessary and expedient in the interest of the Company provided that the aggregate number of shares purchased pursuant to this resolution shall not exceed 10% of the total issued and paid-up share capital of the Company at any point in time; and the Directors of the Company shall allocate an amount of funds which will not be more than the aggregate sum of the retained profits and share premium of the Company for the Proposed Share Buy-Back.

notice of eighth annual general meeting (*cont'd*)**SPECIAL BUSINESS** (*cont'd*)**9. Proposed Renewal of the Authority To Buy-Back Its Own Shares by the Company** (*cont'd*)

AND THAT upon completion of the purchase(s) by the Company of its own shares, the Directors of the Company are authorised to decide at their discretion to cancel all the shares so purchased and/or to retain the shares so purchased as treasury shares of which may be distributed as dividends to shareholders and/or to resell on the open market of Bursa Securities and/or retain part thereof as treasury shares and cancel the remainder.

AND THAT the Board be and is hereby authorised to take all such necessary steps to give effect to the Proposed Share Buy-Back with full powers to assent to any conditions, variations, modifications and/or amendments in any manner as may be required by the relevant authorities or deemed by the Board to be in the best interest of the Company, and to take all steps and to do all such acts and matters as they may consider necessary or expedient to implement, finalise and give full effect to the Proposed Share Buy-Back.

AND THAT the authority conferred by this resolution shall commence immediately upon the passing of this resolution and continue to be in force until:

- (i) the conclusion of the next annual general meeting of the Company at which time the authority shall lapse unless by ordinary resolution passed at a general meeting, the authority is renewed either unconditionally or subject to conditions;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; or
- (iii) the earlier revocation or variation of the authority through a general meeting,

whichever is the earlier."

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

By Order of the Board  
**POWER ROOT BERHAD**

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

Johor Bahru  
30 June 2014

notice of eighth annual general meeting (*cont'd*)**Notes:****(a) GENERAL MEETING RECORD OF DEPOSITORS**

*Only depositors whose name appears in the Record of Depositors as at 17 July 2014 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.*

**(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, 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.*

**(c) EXPLANATORY NOTES TO SPECIAL BUSINESS:**

- 1. The Proposed Ordinary Resolution 8 is for the purpose of granting a renewed general mandate ("General Mandate") empowering the Directors of the Company, pursuant to Section 132D of the Act to issue and allot new shares in the Company from time to time provided that the aggregate number of shares issued does not exceed 10% of the issued and paid-up share capital of the Company for the time being, without having to convene a general meeting. The General Mandate, unless revoked or varied by the Company in the general meeting, will expire at the next Annual General Meeting ("AGM") of the Company.*

*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.*

- 2. The Proposed Ordinary Resolution 9 is for the purpose of granting a renewed general mandate ("General Mandate for DRP") to provide the shareholders of Power Root the option to elect to reinvest their cash dividend in new ordinary shares of RM0.20 each in the Company. The General Mandate for DRP has been granted by the shareholders at the Extraordinary General Meeting of the Company held on 29 July 2013. This authority will, unless revoked or varied by the Company in general meeting, expires at the next AGM of the Company.*
- 3. The Proposed Ordinary Resolution 10 is for the purpose of granting a renewed general mandate ("General Mandate for Share Buy-Back") to allow the Company to purchase its own shares. The total number of shares purchased shall not exceed 10% of the issued and paid-up share capital of the Company. The General Mandate for Share Buy-Back has been granted by the shareholders at the Extraordinary General Meeting of the Company held on 28 April 2014. This authority will, unless revoked or varied by the Company in general meeting, expires at the next AGM of the Company.*

## Statement Accompanying the Notice of the Eighth Annual General Meeting

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

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

Re-Election Pursuant to the Article 121 of The Company's Articles of Association

(a) Y.M. Tengku Shamsulbhari bin Tengku Azman Shah, SMK.

(b) Ong Kheng Swee

Re-election pursuant to the Article 122 of the Company's Articles of Association

(a) Daro' Low Chee Yen

Re-election pursuant to the Article 126 of the Company's Articles of Association

(a) Azahar bin Baharudin

### **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

### POWER ROOT BERHAD

(Company No.: 733268-U)  
(Incorporated in Malaysia)

Number of Ordinary Shares Held

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 Eighth Annual General Meeting of the Company to be held at No 1, Jalan Sri Plentong, Taman Perindustrian Sri Plentong, 81750 Masai, Johor on Friday, 25 July 2014 at 2.30 p.m. or any adjournment thereof.

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

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

No.	ORDINARY RESOLUTIONS	FOR	AGAINST
1.	To receive the Audited Financial Report for the financial year ended 28 February 2014 together with the Reports of the Directors and the Auditors thereon.		
2.	To sanction payment of Directors' fees for the financial year ended 28 February 2014.		
3.	To re-elect the Director, Y.M. Tengku Shamsulbhari bin Tengku Azman Shah, <sup>SMK.</sup> who retires pursuant to Article 121 of the Company's Articles of Association.		
4.	To re-elect the Director, Ong Kheng Swee who retires pursuant to Article 121 of the Company's Articles of Association.		
5.	To re-elect the Director, Dato' Low Chee Yen who retires pursuant to Article 122 of the Company's Articles of Association.		
6.	To re-elect the Director, Azahar bin Baharudin who retires pursuant to Article 126 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		
8.	Proposed Renewal of the Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965		
9.	Proposed Renewal of the Authority to allot and issue new ordinary shares of RM0.20 each in Power Root Berhad for the purpose of the Company's Dividend Reinvestment Plan.		
10.	Proposed Renewal of the Authority to Buy-Back its own shares by the Company.		

\* *Strike out whichever not applicable*

Signed this ..... day of ..... 2014

.....  
Signature of Member/Common Seal



Fold this flap for sealing

Then fold here

AFFIX  
STAMP

THE COMPANY SECRETARY  
**POWER ROOT BERHAD** (733268-U)

The Company Secretary,  
31-04, Level 31, Menara Landmark,  
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 17 July 2014 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 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.
- iii. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting.
- iv. 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.
- v. 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.
- vi. 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.
- vii. The Proxy Form must be deposited at the Registered Office of the Company, located at 31-04, Level 31, Menara Landmark, 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.
- viii. Explanatory Notes to Special Business:
  1. The Proposed Ordinary Resolution 8 is for the purpose of granting a renewed general mandate ("General Mandate") empowering the Directors of the Company, pursuant to Section 132D of the Act to issue and allot new shares in the Company from time to time provided that the aggregate number of shares issued does not exceed 10% of the issued and paid-up share capital of the Company for the time being, without having to convene a general meeting. The General Mandate, unless revoked or varied by the Company in the general meeting, will expire at the next Annual General Meeting ("AGM") of the Company.  
*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.*
  2. The Proposed Ordinary Resolution 9 is for the purpose of granting a renewed general mandate ("General Mandate for DRP") to provide the shareholders of Power Root the option to elect to reinvest their cash dividend in new ordinary shares of RM0.20 each in the Company. The General Mandate for DRP has been granted by the shareholders at the Extraordinary General Meeting of the Company held on 29 July 2013. This authority will, unless revoked or varied by the Company in general meeting, expires at the next AGM of the Company.
  3. The Proposed Ordinary Resolution 10 is for the purpose of granting a renewed general mandate ("General Mandate for Share Buy-Back") to allow the Company to purchase its own shares. The total number of shares purchased shall not exceed 10% of the issued and paid-up share capital of the Company. The General Mandate for Share Buy-Back has been granted by the shareholders at the Extraordinary General Meeting of the Company held on 28 April 2014. This authority will, unless revoked or varied by the Company in general meeting, expires at the next AGM of the Company.