Power Root Berhad

Company No.: 733268-U

ANNUAL REPORT 2017

CONTENT | KEY READS WITHIN THIS REPORT

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Afifuddin bin Abdul Kadir
Independent Non-Executive Chairman
(Appointed on 16 August 2016)

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

Azahar bin Baharudin
Independent Non-Executive Director

Dato' Tea Choo Keng
(Alternate Director to Dato' Afifuddin bin Abdul Kadir)
(Appointed on 16 August 2016)

COMPANY SECRETARIES

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

SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya, Selangor

Tel : 03 – 7849 0777
Fax : 03 – 7841 8151/8152

REGISTERED OFFICE

31-04 Level 31, Menara Landmark
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

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
AmBank (M) Berhad

AUDITORS

KPMG PLT (LLP0010081-LCA & 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

MALAYSIAN COMPANIES

- 100% Power Root (M) Sdn. Bhd.
- 100% Power Root Marketing Sdn. Bhd.
- 100% Power Root Manufacturing Sdn. Bhd.
- 100% Power Root Nnergy Sdn. Bhd.
- 100% Ali Cafe Sdn. Bhd.
- 100% Power Root Distributor Sdn. Bhd.
- 100% Power Impian International Sdn. Bhd.
- 51% Medan Multimedia Sdn. Bhd.
- 40% Jobtact Sdn. Bhd.
  - 100% JT Apps Sdn. Bhd.
- 100% Power Root Support Services Sdn. Bhd.

OVERSEAS COMPANIES

- 100% Power Root (Shanghai) Food Trading Co., Ltd.
- 100% Synergy Distribution FZC
- 100% PR Global Assets Limited
- 100% PT. Natbio Marketing Indonesia
- 91% Power Root ME FZCO
  - 49% ** P.R.Manufacturing ME LLC
  - 100% P.R. Egypt

Note:

** Power Root ME FZCO shall receive all profits or ownership of assets and liable for all losses or liabilities of P.R. Manufacturing ME LLC

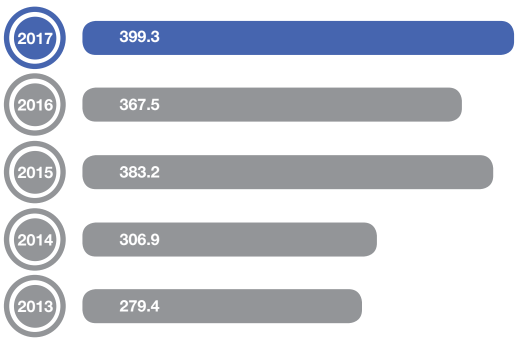
FINANCIAL HIGHLIGHTS

	Financial year/period ended 28 February/31 March				
	2013 RM' 000	2014 RM' 000	2015* RM' 000	2016 RM' 000	2017 RM' 000
Revenue	279,355	306,852	383,236	367,532	399,301
Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA")	47,883	55,541	57,420	49,868	60,331
Profit Before Taxation ("PBT")	41,961	50,003	51,745	44,381	54,761
Profit After Taxation ("PAT")	35,276	39,679	46,334	45,213	47,217
Earnings Per Share ("EPS") (sen)					
Basic	11.46	12.92	14.43	14.55	14.18
Diluted	11.18	12.23	13.77	13.82	13.56

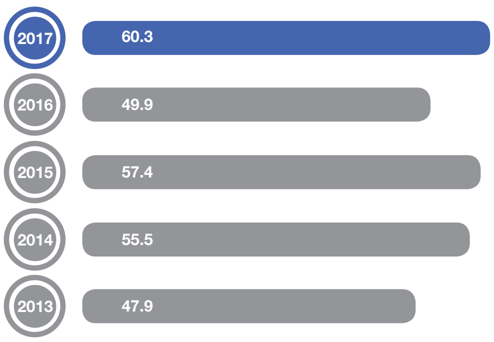
Note:

** The Company had on 30 July 2014 changed its financial year end from 28 February to 31 March. The financial period ended 31 March 2015 was made up of results for 13 months covering the period from 1 March 2014 to 31 March 2015.*

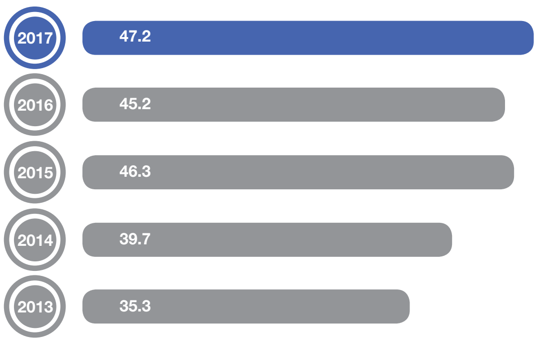
REVENUE (RM' million)



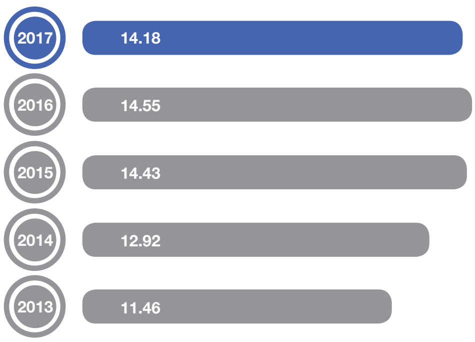
EBITDA (RM' million)



PAT (RM' million)



BASIC EPS (Sen)



DIRECTORS' PROFILE

Dato' Afifuddin bin Abdul Kadir

Independent Non-Executive Chairman
Malaysian, aged 64, male

Dato' Afifuddin was appointed as Independent Non-Executive Chairman on 16 August 2016. He is also the member of the Audit Committee and the Chairman of the Nominating Committee and Remuneration Committee.

Dato' Afifuddin graduated from Universiti Putra Malaysia with a Bachelor of Science in Agriculture Business degree in 1979. He joined the Malaysian Industrial Development Authority (MIDA) in 1979 as a Technical Professional Officer in the Industrial Studies Division.

He was attached to MIDA Sabah from 1982 – 1985; and from1986 - 1990 he served as the Deputy Director in MIDA London. Later he was attached to the Transport and Machinery Industries Division as a Deputy Director.

In 1996 he was promoted as the Director in MIDA Paris and held the post until 2001. He was then transferred to London as the Director in MIDA London for four years before returning to MIDA HQ in early 2005 as the Director of the Electronics Industries Division.

At the end of 2005, he was given the task to head the Foreign Investment Promotion Division in MIDA HQ; among others his responsibilities include overall planning, implementation and co-ordination of investment promotion strategies to attract foreign direct investments into Malaysia.

In March 2007, he was promoted to the post of Senior Director, Investment Promotion. He was responsible for the overall investment promotion activities particularly in promoting foreign and domestic investments as well as cross border investments.

In April 2008, he was promoted to the post of the Deputy Director General II and subsequently to the Deputy Director General I of MIDA in June 2008. He held this position until his retirement on 14 September 2011.

He currently sits on the boards of UMW Oil & Gas Corporation Berhad and Pelikan International Corporation Berhad, which are listed on the Main Market of Bursa Malaysia Securities Berhad as well as Lam Soon (M) Berhad and Lion Corporation Berhad.

Dato' Afifuddin does not have any family relationship with any Director and/or major 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 five (5) years other than traffic offences, if any and has not been imposed of any public sanction or penalty by relevant bodies during the financial year.

He attended all of the 3 Board meetings during his tenure as a Director of the Company since his appointment for the financial year ended 31 March 2017.

DIRECTORS' PROFILE
CONT'D

Dato' Low Chee Yen

Managing Director
Malaysian, aged 42, male

Dato' Low Chee Yen was appointed as our Managing Director on 2 February 2007. He is also a member of the Remuneration Committee and the Chairman of the Option Committee. He is one of the founding members of our Group and has 17 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 and/or major shareholder of the Company, nor does he have any conflict of interest with the Group. He does not hold any other directorships in public companies and listed issuers. He has not been convicted of any offences within the past five (5) years other than traffic offences, if any and has not been imposed of any public sanction or penalty by relevant bodies during the financial year.

He attended 4 out of 4 Board meetings held during the financial year ended 31 March 2017.

Dato' Wong Fuei Boon

Executive Director
Malaysian, aged 51, male

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 29 years of working experience in the sales of consumer products, out of which 17 years were in the food and beverage industry.

Dato' Wong does not have any family relationship with any Director and/or major shareholder of the Company, nor does he have any conflict of interest with the Group. He does not hold any other directorships in public companies and listed issuers. He has not been convicted of any offences within the past five (5) years other than traffic offences, if any and has not been imposed of any public sanction or penalty by relevant bodies during the financial year.

He attended 4 out of 4 Board meetings held during the financial year ended 31 March 2017.

Dato' How Say Swee

Executive Director
Malaysian, aged 54, male

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 25 years.

Dato' How does not have any family relationship with any Director and/or major shareholder of the Company, nor does he have any conflict of interest with the Group. He does not hold any other directorships in public companies and listed issuers. He has not been convicted of any offences within the past five (5) years other than traffic offences, if any and has not been imposed of any public sanction or penalty by relevant bodies during the financial year.

He attended 4 out of 4 Board meetings held during the financial year ended 31 March 2017.

DIRECTORS' PROFILE
CONT'D

See Thuan Po

Executive Director
Malaysian, aged 41, male

See Thuan Po was appointed as our Executive Director on 27 October 2007. He is also a member of the Option Committee. 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 Division for approximately 5 years. Since joining the Group, he has approximately 10 years of experience in the food and beverage industry.

Mr. See does not have any family relationship with any Director and/or major shareholder of the Company, nor does he have any conflict of interest with the Group. He does not hold any other directorships in public companies and listed issuers. He has not been convicted of any offences within the past five (5) years other than traffic offences, if any and has not been imposed of any public sanction or penalty by relevant bodies during the financial year.

He attended 4 out of 4 Board meetings held during the financial year ended 31 March 2017.

Ong Kheng Swee

Independent Non-Executive Director
Malaysian, aged 59, male

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, Nominating Committee and Option 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 which is listed on the Main Market of Bursa Malaysia Securities Berhad.

Mr. Ong does not have any family relationship with any Director and/or major 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 five (5) years other than traffic offences, if any and has not been imposed of any public sanction or penalty by relevant bodies during the financial year.

He attended 4 out of 4 Board meetings during the financial year ended 31 March 2017.

DIRECTORS' PROFILE
CONT'D

Azahar bin Baharudin

Independent Non-Executive Director
Malaysian, aged 61, male

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 Nominating Committee.

He is a graduate from MARA Institute of Technology. He has considerable experience in the banking and finance field with his tenure at two Malaysian financial institutions and subsequently as business development head and consultant in the manufacturing and financial services sector. He is currently an Independent Non-Executive Director of Solid Automotive Berhad and Gromutual Berhad, both of which are listed on the Main Market of Bursa Malaysia Securities Berhad.

Mr. Azahar does not have any family relationship with any Director and/or major 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 five (5) years other than traffic offences, if any and has not been imposed of any public sanction or penalty by relevant bodies during the financial year.

He attended 4 out of 4 Board meetings held during the financial year ended 31 March 2017.

Dato' Tea Choo Keng

Alternate Director of Dato' Afifuddin bin Abdul Kadir
Malaysian, aged 49, male

Dato' Tea Choo Keng was appointed as the Alternate Director to Dato' Afifuddin on 16 August 2016. 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 and/or major 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 and Cheetah Holdings Berhad, both of which are listed on the Main Market of Bursa Malaysia Securities Berhad. He has not been convicted of any offences within the past five (5) years other than traffic offences, if any and has not been imposed of any public sanction or penalty by relevant bodies during the financial year.

He attended all of the 3 Board meetings during his tenure as a Director of the Company since his appointment for the financial year ended 31 March 2017.

Note: The particulars of the directors' shareholdings are set out in page 128 of this Annual Report.

KEY SENIOR MANAGEMENT'S PROFILE

Tan Fie Ping

General Manager, Production Operation
Malaysian, aged 55, male

Tan Fie Ping was appointed as General Manager (production operation) of Power Root (M) Sdn Bhd on 14 November 2016.

He graduated with a Bachelor of Business Studies degree in 1985 from the University of Winnipeg, Canada. While serving in Daihwa (M) Sdn Bhd ("Daihwa"), he was holding several key positions in the company during different period of time. These positions include Head of Department for the 2nd Process Department, Head of Secondary Sales and Marketing Department and Head of the Purchasing Department. He left Daihwa and joined Lea Tat (M) Sdn Bhd as Manager in 1991 before leaving the Company in 1992 to set up his own business. He was the pioneer and Managing Director of Sersol Berhad. He has vast working experience in the Electrical and Electronics and industrial coatings industries.

Mr. Tan does not have any family relationship with any Director and/or major shareholder of the Company, nor does he have any conflict of interest with the Group. He does not hold any other directorships in public companies and listed issuers. He has not been convicted of any offences within the past five (5) years other than traffic offences, if any and has not been imposed of any public sanction or penalty by relevant bodies during the financial year.

Wong Tak Keong

Director of International Business
Malaysian, aged 46, male

Wong Tak Keong joined Power Root as the International Business Manager in 2008 before he assumed his current position as Director of International Business on 1 January 2017.

He graduated from the University of Western Australia in 1991 with a Bachelor Degree in Accounting and Finance. In 1993, Mr. Wong started his career as an audit assistant with Pricewaterhouse Coopers and KPMG. In 1995, Mr. Wong joined Horwath Malaysia, a member of Horwath International, an international accounting firm as a Manager where he was then successfully admitted as a partner in 1999. Mr. Wong is a member of both the Malaysian Institute of Accountants and the Certified Practising Accountant (CPA) Australia. He has 13 years of experience in public practice. Mr. Wong resigned as partner from Horwath in December 2006 and started his own consultancy business in 2007. Currently, Mr. Wong is responsible for the development and strategic planning of the Group's export market.

Mr. Wong does not have any family relationship with any Director and/or major shareholder of the Company, nor does he have any conflict of interest with the Group. He does not hold any other directorships in public companies and listed issuers. He has not been convicted of any offences within the past five (5) years other than traffic offences, if any and has not been imposed of any public sanction or penalty by relevant bodies during the financial year.

Chong Wee Kok

Group Financial Controller
Malaysian, aged 45, male

Chong Wee Kok was appointed as Financial Controller on 18 February 2013 and subsequently promoted as Group Financial Controller on 1 July 2015. He is a Fellow of the Association of Chartered Certified Accountants of United Kingdom and a member of the Malaysian Institute of Accountants.

He has more than 17 years of experience in the field of financial management practices in various industries with local SME and MNCs. Prior to joining the Group, he was the Country Finance Manager of Innovalues Precision (Thailand) Ltd for the last three years of his employment.

Mr. Chong does not have any family relationship with any Director and/or major shareholder of the Company, nor does he have any conflict of interest with the Group. He does not hold any other directorships in public companies and listed issuers. He has not been convicted of any offences within the past five (5) years other than traffic offences, if any and has not been imposed of any public sanction or penalty by relevant bodies during the financial year.

SIGNIFICANT EVENTS

Consumer Ground Activities

We adopted marketing and branding strategies that involved direct engagement with our consumers in our endeavor to leverage the testimonial economy.

We engaged with local university students through our campus activities at various institutions throughout Malaysia, promoting our Alicafe slim can range. Skateboarding activities, graffiti-painting competitions, product samplings and flash mob dancing were organised to create the hype for associating our Alicafe slim can range with the hip and cool student lifestyle.

Export Markets

The Group recorded promising growth for its export markets by recording RM183.2 million revenue for the FYE 2017 as compared to the previous FYE 2016 of RM141.5 million. During February 2017, Power Root took part in the 22nd edition Gulfood Exhibition 2017 in Dubai, United Arab Emirates ("UAE"). The Gulfood Exhibition is the world's largest annual food event where over 5,000 exhibitors converge in a professionally managed trade exhibition hosted by the Dubai World Trade Centre ("DWTC"). We will continue to seek growth opportunities through our aggressive promotional and marketing activities in our existing markets, extending our product offerings and also pursue markets that are new to us.

SIGNIFICANT EVENTS
CONT'D

Extra Power Root programmes

Power Root was one of the sponsors of the Mix Martial Arts ("MMA") ONE Championship leg in Malaysia where both events were held at Stadium Negara on September 2016 and February 2017. The tie-up with MMA, being one of the fastest-growing sports in the world, and our Extra Power Root Energy drinks bodes well for the brand. In addition to that, we retained Peter Davis, one of the leading MMA fighters from Malaysia as our ambassador for Extra Power Root for the second year running.

Also for the second year running, we were the official drinks sponsor for Malaysian Invasion MMA ("MIMMA"). Via MIMMA, we embarked on a nationwide tour to scout for new MMA fighters and through these activities, we took the chance to interact with our consumers, and positioned our Extra Power Root Energy drinks as a high-octane sports drink.

SIGNIFICANT EVENTS
CONT'D

Faizal bin Ismail (FBI) Roadshow

We appointed Faizal bin Ismail or FBI, a popular TV personality and talk show host as our product ambassador for the Alicafe Tongkat Ali range. Roadshows were carried out in October 2016 at Mydin Bukit Mertajam and UO Tampoi, Angsana Mall, Johor Bahru to enhance our brand equity where consumers had the chance to get up close and personal with the witty and jovial FBI.

SIGNIFICANT EVENTS
CONT'D

Ah Huat's Contest – Parent's Day Royal Caribbean Cruise Contest

As a gesture to honour parents, we launched our Parents' Day Royal Caribbean Cruise Contest in May 2016, where we gave away a luxury cruise trip to 10 winners, who were invited to bring three other people along with them on the trip. The Contest was carried out to promote filial piety and to provide an opportunity for families to get together.

Focus Malaysia – Best Under Billion Awards

In October 2016, we won four (4) awards of Best Under Billion Awards ("BUBA") by Focus Malaysia. The BUBA awards were created to recognise excellence among the small to mid-capitalised companies listed on Bursa Malaysia. For the RM500 million – RM950 million category, we bagged the Best Return on Assets, Best Cashflow from Operations and Best Dividend Yield. The 4th Award we received was the Overall Winner of BUBA.

CORPORATE SOCIAL RESPONSIBILITIES

Throughout the year, we continued with our corporate social responsibility ("CSR") based on our corporate philosophy of promoting social and economic betterment of the local communities.

(1) SRJK Puay Chai 2

Similar to the previous years, we continued to partner with SRJK Puay Chai 2 in their activities for the 9th year running. Monetary donation and in-kind support were given to the school via activities over the year.

CORPORATE SOCIAL RESPONSIBILITIES
CONT'D

(2) Provision of "Ah Huat" Virtues

In the spirit 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)", we conducted the Ah Huat virtues programme by visiting several Old Folks Homes and Children Homes. These homes we visited were Rumah Caring Kajang & House of Hope & Light, Rumah Charis, Sg. Way Old Folks House, House of Joy, Puchong, Semarak Kasih Home, Klang, 'Pusat Penjagaan Kanak-Kanak Cacat Taman Megah', Good Samaritan Home, Chempaka Welfare Home, House of Love and 'Persatuan Kebajikan Mesra Megah Ria'.

CORPORATE SOCIAL RESPONSIBILITIES
CONT'D



(3) Extra Power Root ("EPR") CSR Flood

On January 2017, we took to task by helping flood victims in Rantau Panjang and Kuala Krai, Kelantan by assisting the community in the clean-up of their affected homes. In addition to that, we provided refreshments in the form of our energy drinks to the volunteers and victims with the view of boosting the energy and for the tasks ahead.


MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

Coffee plays an important role in the society not only because of the enjoyment of drinking it but increasingly in terms of its social and leisurely aspects. The Power Root Group is pleased to bring the ultimate in taste and health benefits of coffee to our consumers by consistently emphasising on safe manufacturing practices, the usage of high quality raw ingredients in our products and providing new innovative products to cater to our consumers.

Other than its coffee brand being Alicafe, Per'l and Ah Huat White Coffee, Power Root also manufactures instant premixed tea under the brand name Alitea, cocoa beverages under the brand name Oligo, Per'l Choco and Ah Huat Coco, and canned energy drinks known as Power Root Extra.

Despite the economic challenges faced over the financial year ended 31 March 2017 ("FYE 2017"), Power Root responded by strengthening its efforts to reshape the competitive landscape. Power Root embraced such changes positively and over the FYE 2017 provided plenty of opportunities for us to demonstrate this, including the launch of our very own range of jar-packed agglomerated coffee, namely Alicafe Classic Roast and Alicafe Premium French Roast, to appeal to the discerning taste buds of the international coffee aficionados. Meanwhile back home, our signature range of products such as our Alicafe Tongkat Ali range of products, Per'l, Extra Power Root and the Ah Huat series continue to be at the heart of the Malaysian lifestyle and delight our consumers day after day.

MANAGEMENT DISCUSSION AND ANALYSIS
CONT'D

OPERATIONAL REVIEW

Local

Weak consumer sentiment and margin pressure on raw materials did not deter us from thriving. We adopted marketing and branding strategies that involved direct engagement with our consumers in our endeavor to leverage the testimonial economy.

- **Alicafe Tongkat Ali Range**

  We appointed Faizal bin Ismail or FBI, a popular TV personality and talk show host as our product ambassador for the Alicafe Tongkat Ali range. Roadshows were carried out in October 2016 at Mydin Bukit Mertajam and UO Tampoi, Angsana Mall, Johor Bahru to enhance our brand equity where consumers had the chance to get up close and personal with the witty and jovial FBI.

- **Alicafe and Per'l Café**

  With the catchy theme of "Mari Kocak-Kocak Bersama Alicafe dan Per'l", we gave away thermal tumblers vide this promotion campaign, held in conjunction with the Hari Raya 2016 celebrations. The idea was to propose an imaginative way of mixing our 3-in-1 coffee without the use of a cup and spoon, ideal for those on the go during *balik kampung* journeys.

- **Alicafe Can Range**

  We engaged with local university students through our campus activities at various institutions throughout Malaysia, promoting our Alicafe slim can range. Skateboarding activities, graffiti-painting competitions, product samplings and flash mob dancing were organised to create the hype for associating our Alicafe slim can range with the hip and cool student lifestyle.

- **Ah Huat White Coffee**

  To honour parents everywhere, we launched our Parents' Day Royal Caribbean Cruise Contest in May 2016, where we gave away a luxury cruise trip to 10 winners, who were invited to bring three other people along with them on the trip. The Contest was carried out to promote filial piety and to provide an opportunity for families to get together.

  Due to strong demand for our thermal tumblers which was featured in our Chinese New Year 2016 promotion, we carried out a similar promotion by giving out the said tumblers as a premium gift during the mid-autumn festival in September 2016. Our products were highly sought after as there was a frenzy of consumers eagerly rushing to collect the thermal tumblers.

  Between July to September 2016, we sponsored the "Sing! China" programme which was telecast through Astro and 8TV and its ground events allowed us to further interact with our consumers.

  In October 2016, we launched an innovative interactive social media advertisement campaign featuring Ah Niu, the brand ambassador of Ah Huat White Coffee. The advertisement takes the form of a prank whereby selected consumers receive what appears to be a personalised call from Ah Niu. This campaign proved to be effective as more than 1.5 million unique users played/viewed this 'prank'.

  In January 2017 we offered eco-friendly glass containers with Chinese New Year motifs as premium free gifts for our Ah Huat White Coffee twin packs. These containers were a healthier alternative to styrofoam takeaway containers, in line with the Government's effort to reduce the usage of the latter.

MANAGEMENT DISCUSSION AND ANALYSIS
CONT'D

- **Extra Power Root Energy drinks range**

  Power Root was one of the sponsors of the Mix Martial Arts ("MMA") ONE Championship leg in Malaysia where both events were held at Stadium Negara on September 2016 and February 2017. These events were broadcasted live on one of Astro's sports channels which gave us prominent air time due to logos displayed on and around the ring and on television commercials. The tie-up with MMA, being one of the fastest-growing sports in the world, and our Extra Power Root Energy drinks bodes well for the brand. In addition to that, we retained Peter Davis, one of the leading MMA fighters from Malaysia as our ambassador for Extra Power Root for the second year running.

  Also for the second year running, we were the official drinks sponsor for Malaysian Invasion MMA ("MIMMA"). Via MIMMA, we embarked on a nationwide tour to scout for new MMA fighters and through these activities, we took the chance to interact with our consumers, and positioned our Extra Power Root Energy drinks as a high-octane sports drink.

- **New Product launch of Ah Huat Coco**

  During the Chinese New Year 2017 period, we launched our new Ah Huat Coco chocolate malt drink, fortified with prebiotics to promote a healthy digestive system, and with DHA and calcium to enhance intellectual development and promote strong bones. A good digestive system improves physical and mental development. Product samples in a pillow pack and promotional leaflets were given out to more than 50,000 selected loyal consumers.

Export

Growth in export sales has shown a very encouraging rise from RM141.5 million to RM183.2 million, stemming from the Middle East and North Africa ("MENA") region. We leverage on the strength of the distribution network of our exclusive distributors, in synergy with branding and marketing activities which are directly managed by us. In addition, the strengthening of the USD was advantageous as approximately 90% of export sales are denominated in USD.

Apart from capitalizing from the strong USD, we recorded significant volume growth arising from our 3 new product launches. We launched our Alicafe Signature French Roast in January 2016 and felt the positive impact of booking a full year's results of its growth. The product is available in all major MENA countries and has encouraging market acceptance.

Our first jar-packed agglomerated coffee namely Alicafe Classic Roast and Alicafe Premium French Roast were launched in November 2016. In view of the larger market size for the agglomerated format when compared to 3-in-1 market, Power Root will focus on promoting and marketing this new product range.

During February 2017, Power Root took part in the 22nd edition Gulfood Exhibition 2017 in Dubai, United Arab Emirates ("UAE"). The Gulfood Exhibition is the world's largest annual food event where over 5,000 exhibitors converge in a professionally managed trade exhibition hosted by the Dubai World Trade Centre (DWTC).

Other than in the Middle East, we continued to carry out ground events and marketing campaigns in countries such as Singapore and China, boosted particularly by online sales in China.

MANAGEMENT DISCUSSION AND ANALYSIS
CONT'D

MANUFACTURING

Malaysia

Power Root's head office and main plant is located at No. 1 Jalan Sri Plentong, Taman Perindustrian Sri Plentong, Masai, Johor, an 18-acre manufacturing complex which caters mainly for the production of premixed instant powder beverages. A smaller factory is located at No. 2 Jalan Sri Plentong 5, producing our canned drinks.

Production line and machines have been added to increase the instant powder capacity in Factory No. 1, to cater for an increasing demand and the launch of new products such as agglomerated coffee.

Two additional instant powder machines were acquired, providing an increase in capacity of approximately 30,000 cartons per month, thus bringing us to an annual capacity of approximately more than 2 million cartons.

An additional line to produce the agglomerated coffee bottling line was also installed in FYE 2017. This production line is to cater for the new Store Keeping Units ("SKUs") in the agglomerated format.

United Arab Emirates ("UAE")

The progress of our production facility in UAE has been slow due to the finalisation of the blueprint of the plant and the tendering process. Groundworks have been completed and the project is expected to be completed by the end of 2019.

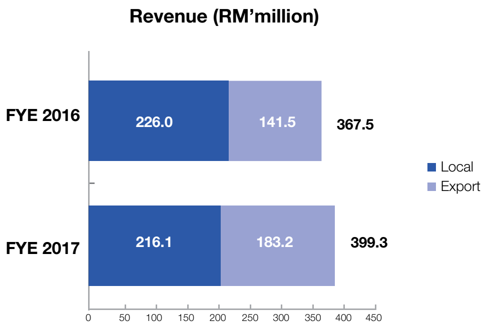
INDUSTRY OUTLOOK

The Power Root Group believes that the consumer sentiment in Malaysia will remain weak in the coming year and consumers will be more discerning in their purchases. Competition is expected to remain intense and challenging across the industry. We will therefore continue our efforts in improving its operational efficiencies and productivity to maintain our competitive edge. Furthermore, various promotional and advertising activities will be conducted with the objective of gaining more market share.

We will continue to strengthen our distribution networks both locally and internationally in order to improve our operational efficiencies; and increase our innovative and aggressive marketing and promotional activities to maintain our competitive advantage.

FINANCIAL REVIEW

Revenue and Profit After Tax ("PAT")



For the FYE 2017, the Group recorded a revenue of RM399.3 million, an increase of approximately 8.7% from the revenue of RM367.5 million recorded in the previous financial year ended 31 March 2016 ("FYE 2016"). The increase was attributable to the contributions from the export markets.

The Group recorded a Profit After Tax ("PAT") of approximately RM47.2 million for the FYE 2017, as compared to RM45.2 million for the FYE 2016, representing an increase of approximately 4.4%. The increase in PAT was mainly due to increase in the export sales and one-time goodwill written off amounting RM4.8 million in the previous FYE 2016.

MANAGEMENT DISCUSSION AND ANALYSIS
CONT'D

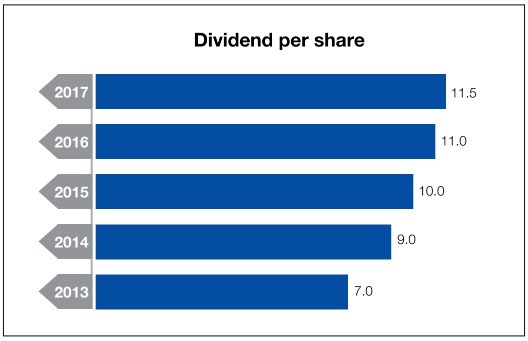
Statements of Financial Position

	FYE 2017 (RM'000)	FYE 2016 (RM'000)
Total Assets	360,128	326,011
Equity attributable to owners of the Company	250,926	237,557
Total Liabilities	108,360	85,767
Borrowings	12,062	10,897
Gearing (times)	0.05	0.05

Total Assets of the Group increased by RM34.1 million during the FYE 2017. This was mainly due to an increase in the trade and other receivables. This increase is in tandem with the higher revenue recorded during the financial year. Total Liabilities of the Group increased by RM22.6 million during the FYE 2017. This was due to increase in trade and other payables.

With the low gearing of 0.05 times over the last two years, the Group believes that its financial position is sound and its financial capability to raise funds to meet its short and long term plans are intact.

Dividends



On 30 September 2016, the Company paid a first interim dividend of 2.5 sen per ordinary share amounting to RM7.5 million.

On 30 December 2016, the Company paid a second interim dividend of 2.5 sen per ordinary share amounting to RM7.5 million.

On 31 March 2017, the Company paid a third interim dividend of 2.5 sen per ordinary share amounting to RM8.1 million.

On 4 July 2017, the Company further paid a fourth interim dividend of 4.0 sen per ordinary share amounting to RM12.9 million.

The Board does not recommend the payment of any final dividend in respect of the FYE 2017.

As such, the total dividends paid for FYE 2017 was 11.5 sen per share amounting to RM36.0 million, representing a dividend payout ratio of approximately 81.1%. The Group's dividend policy is to maintain a minimum of 50% dividend payout ratio.

MANAGEMENT DISCUSSION AND ANALYSIS
CONT'D

CHANGE IN BOARD OF DIRECTORS

On behalf of the Board, we warmly welcome our Independent Non-Executive Chairman, Dato' Afifuddin bin Abdul Kadir and his Alternate Director, Dato' Tea Choo Keng who both joined us on 16 August 2016.

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 trust and support. I would also like to thank my Board of Directors for their guidance, and the management and staff of the Power Root Group for their continuous commitment and dedication that brought us to where we are today.

DATO' LOW CHEE YEN
Managing Director

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 form the fundamental of corporate sustainability pursued by the Group for long-term 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. The Board comprises directors who are entrepreneurs and experienced professionals in the fields of business management and accountancy. All these different skills put together enable the Board 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.

The salient features of the Board Charter is available for download at the "Profile - Investor Relations" section of www.powerroot.com.my. The last review of the Board Charter was performed on 27 January 2014.

Clear Functions and Responsibilities

It is the responsibility of the Board to lead the Group towards its mission and it is responsible for the success of the Group by providing entrepreneurship, strategic leadership and direction as well as management oversight. The Managing Director is delegated with the responsibilities to ensure proper execution of strategies and effective and efficient operations throughout the Group. Nevertheless, the Board is always guided by the Board Charter wherein the Board's roles, responsibilities and authorities are defined and practiced ensuring maximisation of shareholders' value and safeguarding the stakeholders' interests including securing sustainable long-term value creation with proper social and environmental considerations. With oversight and guidance from the Board and Managing Director, the Management is responsible for day-to-day business operations and ensuring its effectiveness and efficiency and compliance with relevant laws and regulations within the authorities approved by the Managing Director per the Group's operating procedures.

1) reviewing and approval of the strategic plans for the Group and monitoring thereof

    - The Board receives updates from the Management on specific business environment and future business trend as well as factors affecting the performance and strategies of the Group on a quarterly basis. Any development regarding the current strategies and actions taken are discussed during the Board Meetings with the proposed strategic direction deliberated and decided by the Board. In addition, any investment contemplated by the Group is proposed by the Executive Director(s) to the Board for deliberation to ensure that it is in line with the Group's strategic direction and all key risks are properly assessed and addressed.

CORPORATE GOVERNANCE STATEMENT
CONT'D

SECTION 1: THE BOARD (CONTINUED)

Clear Functions and Responsibilities (continued)

2) overseeing the conduct and the performance of the Group

- On a quarterly basis, the financial results, including comparison of actual financial performance of key business units against budgeted financial performance, are presented by the Management to the Board for review. In addition, key business indicators, such as, key customers' (local and export) ageing analysis, inventory ageing analysis and advertising & promotional expenses, are tabled to the Audit Committee for their review and subsequent reporting to the Board. Upon identification of key business and financial issues by the Management and the Board members, such issues are deliberated by the Board to ensure that the issues in question are properly managed and adequately addressed. On a quarterly basis, both the in-house and outsourced internal audit function table their respective internal audit findings.

3) reviewing and managing principal risks affecting the Group

- The Board is kept informed on the emergence and changes of the key risks faced by the Group and the steps taken to manage these risks by the Executive Directors and the Management during the scheduled meetings. Members of the Board and the Management maintain constant communication among themselves through modern communication technologies to discuss strategic and operational risks on more frequent intervals and to formulate and implement proper action plans to manage the risks identified. Further explanations on such processes are disclosed in the Statement on Risk Management and Internal Control on page 47 to 48.

4) reviewing the competence of the senior management and to ensure sufficient succession planning of senior management team is put in place

- On an annual basis, the Nominating Committee assesses the performance of the individual directors (including the Managing Director and Executive Directors), including the Group Financial Controller and identifies of training requirements of the directors (including the Managing Director and Executive Directors) to ensure all directors possess essential skills and knowledge to discharge their responsibilities as directors of the Group. In addition, the Remuneration Committee meets on an annual basis to review the remuneration package and fees of the Executive Directors to ensure that it is commensurate with the performance and contribution of the Executive Directors. The results of the review by both the Nominating and Remuneration Committee are tabled to the Board for deliberation and approval.

  Further details on the role and responsibilities of the Nominating and Remuneration Committee are disclosed in page 29 to 32 of this statement.

  The Group has in place informal practices of succession planning whereby competent and suitably qualified second-in-line staffs are identified by the Managing Director and Executive Directors for the key functions within the Group. The development of the second-in-line staffs is managed through on-the-job training and guidance as well as external trainings to close the competency gap required. Furthermore, the succession planning across the Group is enhanced by the standard operating procedures as well as job descriptions established for key business processes within the Group including Halal certification, Food Good Manufacturing Practice, ISO 22000:2005 and ISO 9001:2008.

5) reviewing the adequacy and integrity of the Group's internal control systems and management information system

- The internal audit functions of the Group are made up of an in-house internal audit department concentrating on internal business processes and an outsourced internal audit firm focusing on the distributor management system. Both internal audit functions review the systems of internal control of the Group and distributor management system based on their respective internal audit plans and report their findings to the Audit Committee. Further details on the Group's Internal Audit functions are disclosed in the Statement on Risk Management and Internal Control on page 50 to 51.

SECTION 1: THE BOARD (CONTINUED)

Clear Functions and Responsibilities (continued)

6) reviewing and approving policies relating to investor relations and shareholder communication programmes

- The Board ensures the shareholders and stakeholders are kept informed on material events through the announcement made through Bursa Securities. A formal Corporate Disclosure Policy had been established and adopted by the Board and management in ensuring timely, factual, accurate and complete communication.

  The principles adopted by the Board on corporate disclosure are transparency and accountability, compliance with relevant laws and regulations, confidential and timely disclosure as well as fair and equitable access to information. Proper governance structure and processes are established within the Corporate Disclosure Policy to guide the proper disclosure of material information as well as confidentiality preservation requirements.

Aside from the six core responsibilities listed above, significant matters requiring deliberation and approval from the Board are clearly defined in the Board Charter as matters reserved for the Board for consideration and approval during the Board's meetings. The key matters reserved for the Board's approval, amongst other matters, include other ventures, corporate plan and programme, material acquisitions and disposals, material investments, changes in the major activities, major borrowings, major agreements/contracts, changes to the management and control structure and compliance with relevant laws and regulations. In addition, the authorisation requirements delegated to the Management are incorporated in the key business processes and stated in the Group's policies and procedures.

In order for the Board to operate effectively, each board member is expected to devote sufficient time and effort to discharge their individual responsibilities with reasonable due care, skills and diligence. To ensure the time commitment from individual Directors and to facilitate planning, individual meeting dates for each financial year are scheduled during the Board Meeting held before the start of the financial year.

To ensure sufficient time commitment by each board member, all board members shall notify the Chairman of the Board before accepting any new directorship, including an indication of the time that will be spent on the new appointment.

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 8 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.

During the financial year ended 31 March 2017, the Independent Non-Executive Chairman (and his alternate director) resigned on 15 July 2016 and the Board appointed a new Independent Non-Executive Chairman (and his alternate director) on 16 August 2016. The Nominating Committee convened a meeting to discuss on the resignation of the Independent Non-Executive Chairman (and his alternate director) and forthwith recommended to the Board for its deliberation and acceptance. The Board, through the review and recommendation by the Nominating Committee, appointed Dato' Afifuddin bin Abdul Kadir as the new Independent Non-Executive Chairman (and his alternate director) on 16 August 2016 to fill this vacancy which is in compliance with paragraph 15.02 and 15.09 of MMLR (i.e. to fill the vacancy within 3 months).

CORPORATE GOVERNANCE STATEMENT
CONT'D

SECTION 1: THE BOARD (CONTINUED)

Composition of the Board (continued)

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 the required mix of knowledge, skills, expertise and experience are brought to the Board. The Board is satisfied that, through the formal Policy and Procedure on Nomination and Selection of Director as well as structured annual performance evaluation of the Board, board committees and individual directors, the current board composition fairly reflects the investment of minority shareholders in the Company and represents the appropriate mix of knowledge, skills and experience required to discharge the Board's duties and responsibilities effectively. The existing board composition is also structured in such a way that no individual or small groups of individuals dominate the Board's decision-making process.

To reflect the unique ethnic diversity and mitigating the risk of population ageing and new generation of workforce, the Board is promoting the right mix of gender, ethnic and age group at the all level of the Group and the composition of the Board to mitigate such risks.

As at the date of this annual report, none of the Directors holds directorships in more than five (5) public listed companies as required under paragraph 15.06 of MMLR.

Chairman and Managing Director

To ensure that there is a balance of power and authority within the Board, as per the Board Charter, the position of the Chairman and the Managing Director is separated and there is a clear division of responsibility between the Chairman who is an independent non-executive director and the Managing Director of the Company.

During the financial year, the independent non-executive Chairman acted for governance, orderly conduct and effectiveness of the Board. In addition, the Chairman represents the Board at general meetings and ensures an effective two-way communication with the shareholders. The Chairman acts as facilitator at the meetings of the Board to ensure that no board member dominates the discussion, and that appropriate discussion takes place and relevant opinion among Board members are forthcoming.

With the assistance from the Executive Directors, the Managing Director develops corporate strategies for the Board's approval and implement approved corporate strategies accordingly. It is his responsibility to provide leadership on the vision, management philosophy and business strategies as well as day-to-day operations of the Group in accordance with the authority and delegations authorised by the Board. The duty to ensure the compliance with the relevant laws and regulations are delegated to the Managing Director by the Board.

Further details of the role and responsibilities of the Board, Chairman and the Managing Director are enshrined in the salient features of the Board Charter published in the "Profile - Investor Relations" section of www.powerroot.com.my.

Reinforce Independence

Presently, 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 ensuring that the independence of the independent directors are assessed and preserved, through criteria established in the Independent Directors' Self-Assessment Form, prior to their appointment as independent director based on the Policy on Independence Assessment of Independent Directors and Policy and Procedure on Nomination and Selection of Director (the criteria of nomination and selection of director can be referred to page 27 to 28 of this Annual Report) by the Nominating Committee and reporting of the same to the Board for consideration. When assessing independence, the Nominating Committee focuses beyond the candidate's background, economic and family relationships and consider whether such candidate can bring independent and objective judgment to board deliberations.

SECTION 1: THE BOARD (CONTINUED)

Reinforce Independence (continued)

The policy on independent directors as per the Board Charter and the Policy on Independence Assessment of Independent Directors approved by the Board for the Group states the tenure of an independent director should not exceed a cumulative term of nine (9) years, and upon the completion of the nine (9) years, an Independent Director may continue to serve the Board subject to the Director's re-designation as a Non-Independent Non-Executive Director. Independent Directors who have served a cumulative term of nine (9) years may continue to serve the Company in that capacity, only if approved by the shareholders in a general meeting and independence assessment is conducted by the Nominating Committee based on the above procedure and criteria on such Independent Director to ensure that the independence of such Independent Director is preserved and is not deteriorated in any manner due to passage of time and the results of the assessment reported as such to the Board for deliberation and recommendation to the shareholders for approval. The Board must make a recommendation and provide strong justification to the shareholders in a general meeting.

Amongst the independent directors of the Company, Mr. Ong Kheng Swee has served on the Board for more than nine (9) years. As per the Board Charter and the Policy on Independence Assessment of Independent Directors and pursuant to MCCG 2012's Recommendation 3.3, and notwithstanding his long tenure in office, the Nominating Committee and the Board, based on the independence assessment conducted, are unanimous in its opinion that Mr. Ong's independence have not been compromised or impaired in any way and have met the definition of independence based on the independence guidelines set out in MMLR. The length of Mr. Ong service on the Board will not interfere with his independent judgement and he remains objective and independent in participating in the Board and Board Committees' deliberation and decision making, The Board therefore recommends that the shareholders retain Mr. Ong as an Independent Non-Executive Director at the forthcoming 11th Annual General Meeting.

Based on Policy on Independence Assessment of Independent Directors developed by the Nominating Committee and approved by the Board, all Independent Non-Executive Directors shall be independent from any executive director or major shareholders of the Company, not being executive director, officer or major shareholders themselves nor directly associated with any executive director, officer or major shareholder as well as interested in any service or transaction with the Company. All Independent Non-Executive Directors are required to submit an annual self-assessment through the Independent Directors' Self-Assessment Form on his/her independence to the Nominating Committee for its review and reporting to the Board in order for the Board to assess and form an opinion on the independency of the Independent Non-Executive Directors based on prescribed criteria as recommended by the Corporate Governance Guide issued by Bursa Malaysia Berhad.

During the financial year under review, the independence assessment of independent directors was carried out by the Nominating Committee during the annual performance evaluation of the contribution of individual directors and reported to the Board for its review and decision of the results of the assessment conducted. The Board is of the opinion that all independent directors remains objective and independent in participating in the deliberations and decision making of the Board and Board Committees.

Appointment to the Board and Re-election of Directors

Appointment of new Directors to the Board or Board Committee is recommended to the Nominating Committee for consideration and approved by the Board in accordance to the Policy and Procedure on Nomination and Selection of Director developed by the Nominating Committee and approved by the Board. It is the policy of the Board that highly qualified candidates with sufficient and relevant knowledge, skills and competency are sought to serve as members of the Board to effectively discharge its responsibilities and duties and contribute to the governance of the Group while at the same time gender and ethnic balance are being upheld within the Board should such a potential candidate be available. In particular, individuals who are nominated and selected by the Board to be a director should:

a. have demonstrated notable achievements in fast moving consumer goods industry, business venture, professional practices, education or public service;
b. should possess the requisite intelligence, education and experience to make a significant contribution to the Board and bring a range of knowledge, skills, diverse perspectives and backgrounds to its deliberations;
c. should possess knowledge, skills and experience to complement and strengthen the knowledge, skills and experience possessed by existing members of the Board to discharge its duties and responsibilities effectively and efficiently; and
d. should have the highest ethical standards, a strong sense of professionalism and dedication in serving the interests of the stakeholders.

CORPORATE GOVERNANCE STATEMENT
CONT'D

SECTION 1: THE BOARD (CONTINUED)

Appointment to the Board and Re-election of Directors (continued)

The process for the nomination and selection of Directors per the policy involves identification of potential candidates through development a pool of potential candidates for consideration (including candidates recommended by any member of the Board or nominees recommended by shareholders permitted under the relevant laws and regulations), evaluation of suitability of candidates based on agreed upon criteria for experience, knowledge, skill and boardroom diversity, meeting up with candidates and background check, final deliberation by the Nominating Committee and recommendation to the Board. Subject to prior discussion concerning the costs, the Nominating Committee may seek independent professional advice, at the Company's expense, to perform its responsibilities under nomination and selection procedure.

The criteria used for the evaluation of candidates for new directors as stated in the policy includes the required leadership experience, knowledge and skill sets required of a director in a public listed company, personal qualities (including intelligence and wisdom, self-assuredness, interpersonal and communication skills, courage and inquisitiveness), integrity and professionalism, independence for independent directors and required ethnic and gender diversity at the Board room. Whilst the Board supports gender diversity, the Board firmly believes in recruiting and retaining the right talent for every position, regardless of gender, and taking into account the requisite knowledge, skill set, and experiences required.

During the financial year, the appointment of Dato' Afifuddin bin Abdul Kadir as the Independent Non-Executive Chairman and Dato' Tea Choo Keng as Alternate Director to Dato' Afifuddin bin Abdul Kadir was reviewed and assessed by the Nominating Committee based on agreed upon criterias stated above. In recommending the nominations for the Board's approval, the Nominating Committee believed that Dato' Afifuddin and Dato' Tea are independent and possess wide range of experience and expertise that could add value to the Board as a whole. The assessment results and recommendation from the Nominating Committee were presented to the Board for final deliberation and approval prior to Dato' Afifuddin and Dato' Tea appointments.

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 the Constitution of the Company.

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 31 March 2017 and the attendance of each Director at the Board Meetings is as follows:

Name of Directors	Designation	No. of Meetings Attended
Y.M. Tengku Shamsulbhari bin Tengku Azman Shah, SMK. *	Chairman, Independent Non-Executive Director	1/1
Dato' Tea Choo Keng *	Alternate Director to Y.M. Tengku Shamsulbhari bin Tengku Azman Shah, SMK.	0/1
Dato' Afifuddin bin Abdul Kadir #	Chairman, Independent Non-Executive Director	3/3
Dato' Tea Choo Keng #	Alternate Director to Dato' Afifuddin bin Abdul Kadir	3/3
Dato' Low Chee Yen	Managing Director	4/4
Dato' Wong Fuei Boon	Executive Director	4/4
Dato' How Say Swee	Executive Director	4/4
See Thuan Po	Executive Director	4/4
Ong Kheng Swee	Independent Non-Executive Director	4/4
Azahar bin Baharudin	Independent Non-Executive Director	4/4

* *Resigned with effect from 15 July 2016*
\# *Appointed on 16 August 2016*

CORPORATE GOVERNANCE STATEMENT
CONT'D

SECTION 1: THE BOARD (CONTINUED)

Board Meetings (continued)

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 Secretary. The Company Secretary attended all the Board Meetings of the Company. The Company Secretary ensures 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.

Company Secretary

It is the policy of the Company that a suitably and professionally qualified and competent company secretary is appointed per the Board Charter.

The Board appointed a professional qualified and competent Company Secretary (Licensed Company Secretary) in the discharge of its functions with her attendance at all Board and Board Committee meetings. The Company Secretary is responsible for ensuring the Board procedures are followed, that the applicable rules and regulations for the conduct of the affairs of the Board are complied with and for all matters associated with the maintenance of the Board or otherwise required for its efficient operation. The Company Secretary advises the Board on issues relating to corporate governance, compliance with laws, rules, procedures and regulatory requirements. The Company Secretary ensures that there is good information flow within the Board and between the Board, Board Committees and Senior Management. The Company Secretary also ensures that all Board and Board Committees meetings are properly convened and that accurate and proper records of the proceedings and resolutions passed are taken and maintained in the statutory records and registers of the Company, with minutes of the previous meeting distributed for perusal and confirmation by the Directors at the Board and Board Committee meetings.

The Company Secretary attended briefings and updates provided by the 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, Nominating Committee and Option Committee. The Committees have the responsibility to examine particular issues delegated and report to the Board on their findings and recommendations. The ultimate responsibility for the final decision on all matters, however, lies with the Board.

All committees have written terms of reference 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 number of meetings held during the financial year, the attendance of each member and activities of Audit Committee can be found on pages 42 to 46 of the Audit Committee Report.

Nominating Committee

The Nominating 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)*
(Resigned with effect from 15 July 2016)

Dato' Afifuddin bin Abdul Kadir *(Chairman, Independent Non-Executive Director)*
(Appointed on 16 August 2016)

CORPORATE GOVERNANCE STATEMENT
CONT'D

SECTION 1: THE BOARD (CONTINUED)

Nominating Committee (continued)

Members

Ong Kheng Swee *(Independent Non-Executive Director)*
Azahar bin Baharudin *(Independent Non-Executive Director)*

The Nominating 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 the Nominating Committee as the Board is satisfied that the Independent Non-Executive Chairman of the Board possesses the required skills, knowledge and experience to lead the Nominating Committee to ensure effective and well-balanced board composition in order to meet the needs of the Company and the Group.

A copy of the terms of reference of the Nominating Committee is available for download at the "Profile - Investor Relations" section of www.powerroot.com.my.

Furthermore, the Nominating Committee is accorded with the right to recommend to the Board the employment of the services of advisers as it deems necessary to fulfil the Board's duties delegated to it.

The nomination and selection of a director is guided by formal nomination, evaluation and selection procedure established by the Board, through the Nominating Committee, utilizing the criteria established. The criteria established for the nomination and selection of director includes leadership experience, knowledge and skill sets required, personal qualities (including intelligence and wisdom, self-assuredness, interpersonal and communication skills, courage and inquisitiveness), integrity and professionalism, independence of independent director and required ethnic and gender diversity at the Board room.

The Board, through the Nominating 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 adopted for the board's performance evaluation is based on the recommended evaluation criteria per the Corporate Governance Guide issued by Bursa Malaysia Berhad, which includes board mix and composition, quality of information and decision making and board activities.

In addition, peer review of fellow directors is required to be performed by each director based on recommended evaluation criteria per the Corporate Governance Guide issued by Bursa Malaysia Berhad, whereby the criteria in terms of fit and proper as well as contribution and performance of fellow directors are assessed.

As for the performance evaluation of board committees, the Board assesses the performance of the Audit Committee, Nominating Committee, Remuneration Committee and Option Committee based on the recommended evaluation criteria adopted from the Corporate Governance Guide issued by Bursa Malaysia Berhad, which includes committees' composition, contribution to the board's decision making, expertise, appointment as well as timeliness and quality of communication and minutes.

In addition, the performance evaluation of the Group Financial Controller, being the person primarily responsible for the management of the financial affairs of the corporation, is required to be tabled to the Nominating Committee for review and recommendation to the Board.

On an annual basis, the Company Secretary circulates to each director the relevant assessment and review forms/ questionnaires in relation to the aforementioned assessments/ reviews with sufficient time for all the directors to complete in advance of the meeting of the Nominating Committee in order for the Company Secretary to collate the assessment/ review results for the Nominating Committee to review.

CORPORATE GOVERNANCE STATEMENT
CONT'D

SECTION 1: THE BOARD (CONTINUED)

Nominating Committee (continued)

With the above evaluation/ review processes, the Board, through the Nominating Committee, reviews and assesses its required mix of skills and experience and other qualities, including core competencies which 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 31 March 2017, the Nominating Committee met once with full attendance of its members. During the financial year, the Nominating Committee conducted evaluations/reviews of the performance of the board, the board committees and individual directors (including Group Financial Controller) based on the processes and evaluation/ review criteria as described above. The Nominating Committee reported the results of all the evaluations/ reviews to the Board for review and deliberation to enable effective actions, including the suggested trainings to be attended, to be formulated and implemented for the proper and effective functioning of the Board and its committees. In addition, the Nominating Committee reviewed the terms of office of the Audit Committee and its members and was satisfied that the Audit Committee and its members have carried out their duties in accordance with its terms of reference during the financial year under review.

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)*
(Resigned with effect from 15 July 2016)

Dato' Afifuddin bin Abdul Kadir *(Chairman, Independent Non-Executive Director)*
(Appointed on 16 August 2016)

Members

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

The Remuneration Committee is tasked to review and to recommend to the Board the remuneration packages (including basic salary, profit-sharing scheme, share options and other benefits) of the Executive Directors.

The duties of the Remuneration Committee per the approved terms of reference are:

a. Review, recommend and advise on all forms of directors' remuneration e.g.
    - Basic Salary
    - Profit-Sharing Schemes (if any)
    - Share Options
    - Any other benefits;
b. Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of individual directors;
c. To structure the component parts of the Executive Directors' remuneration so as to link rewards to corporate and individual performance; whereas, in the case of Non-Executive Directors, the level of remuneration should reflect the experience and level of responsibilities undertaken by the particular Non-Executive Director concerned;
d. Conduct continued assessment of individual Executive Directors to ensure that remuneration is directly related to performance over time;

CORPORATE GOVERNANCE STATEMENT
CONT'D

SECTION 1: THE BOARD (CONTINUED)

Remuneration Committee (continued)

The duties of the Remuneration Committee per the approved terms of reference are: (continued)

e. To monitor and assess, if any, the suitability of such proposed performance related formula (e.g. whether the formula is based on individual performance, company profit performance, earnings per share, etc.) and to see that awards under the Company's share option schemes to the Directors are consistent with the Company's overall performance and provide an additional incentive to management;
f. To provide an objective and independent assessment of the benefits granted to Executive Directors;
g. To consider what other details of Executive Directors' remuneration to be reported in addition to the existing legal requirements, and how these details should be presented in the Annual Report;
h. Introduce any regulation which would enable the smooth administration and effective discharge of the Committee's duties and responsibilities;
i. To furnish a report to the Board of any findings of the Committee;
j. Engage or appoint such other competent and professional advisers/ consultants as may be deemed fit to assist the Remuneration Committee in the smooth discharge of its duties herein; and
k. Generally, to decide and implement such other matters as may be delegated by the Company's Board of Directors from time to time.

The Remuneration Committee met once during the financial year ended 31 March 2017 with the attendance of all members to review the proposed remuneration package of executive directors submitted by the Executive Directors to ensure that it is performance-based and in line with the performance of the Group. The interested director abstained from any deliberations regarding his remuneration package or fees. The Remuneration Committee's recommended remuneration packages were submitted to the Board for approval. Apart from the review of the remuneration by the Remuneration Committee, the Committee conducted review of the revised terms of reference of the Remuneration Committee and recommended to the Board for approval during the financial year.

Director's Remuneration

The Board assumes the overall responsibility to establish and implement an effective remuneration review practice 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 the Remuneration Committee and Option Committee in the review and consideration of proposed remuneration package of the members of the Board and allocation of options under the Employees' Share Option Scheme ("ESOS"). Major components of the remuneration package for executive directors and non-executive directors are identified for review based on criteria established in the formal policy.

The objectives of the formal Board Remuneration Policy are as follows:-

- to enable the Company to attract and retain highly qualified members to enable the Company to provide a well-balanced and competitive directors 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.

Principal components of the remuneration of the Executive Directors are fixed salary, variable compensations, equity-based remuneration and other fringe benefits while the principal components of the remuneration of the Non-Executive Directors are annual director's fees.

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 individual non-executive director abstained from deliberation and approval of his own remuneration.

CORPORATE GOVERNANCE STATEMENT
CONT'D

SECTION 1: THE BOARD (CONTINUED)

Director's Remuneration (continued)

A summary of the remuneration of Directors during the financial year ended 31 March 2017, 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:-

	Company			Group		
	Basic Salary, Bonus, Incentives, Allowance, EPF, SOCSO RM'000	Fees RM'000	Others RM'000	Basic Salary, Bonus, Incentives, Allowance, EPF, SOCSO RM'000	Fees RM'000	Others RM'000
Executive Directors	–	–	–	7,264	–	328
Non-Executive Directors	–	146	–	–	168	–

* *Included remuneration for Y.M. Tengku Shamsulbhari bin Tengku Azman Shah, SMK. and Dato' Tea Choo Keng, both of whom resigned on 15 July 2016*

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

	Company		Group	
Remuneration bands per annum	**Executive**	**Non-Executive**	**Executive**	**Non-Executive**
Below RM50,000	–	3	–	4
RM50,001 to RM100,000	–	1	–	1
RM1,000,001 to RM1,050,000	–	–	1	–
RM1,150,001 to RM1,200,000	–	–	1	–
RM1,250,001 to RM1,300,000	–	–	1	–
RM3,750,001 to RM3,800,000	–	–	1	–

* *Included remuneration for Y.M. Tengku Shamsulbhari bin Tengku Azman Shah, SMK. and Dato' Tea Choo Keng, both of whom resigned on 15 July 2016*

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

Option Committee

The Option Committee was established by the Board on 23 April 2012, consists of three (3) members with the primary responsibility for administering the new Employee 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:-

Chairman

Y.M. Tengku Shamsulbhari bin Tengku Azman Shah, SMK. *(Chairman, Independent Non-Executive Director)*
(Resigned with effect from 15 July 2016)

Dato' Low Chee Yen *(Chairman, Managing Director)*
(Appointed on 29 August 2016)

CORPORATE GOVERNANCE STATEMENT
CONT'D

SECTION 1: THE BOARD (CONTINUED)

Option Committee (continued)

Members

See Thuan Po *(Executive Director)*
Ong Kheng Swee *(Independent Non-Executive Director)*

During the financial year ended 31 March 2017, the Option Committee met four (4) times to review and determine the issuance of new ordinary shares in the Company in relation to the exercise of options granted in accordance with the bylaws of the ESOS.

Directors' Training

All Executive Directors have been with the Company for several years and are familiar with their duties and responsibilities as Directors. In addition, any 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 and are mindful that they should receive appropriate continuous training and to attend seminars and briefings in order to broaden their perspective and to keep abreast with new developments for the furtherance of their duties.

During the financial year ended 31 March 2017, 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 Nominating Committee reviewed the training needs of all directors and recommended the directors to attend trainings relevant to their duties as directors of the Company. During the same financial year, all members of the Board have attended training(s) that were organized by regulatory bodies or professional organizations. The training attended by individual Board member are shown in the following table:-

Name of Directors	Seminars and Briefing Attended	Organised by
Dato' Afifuddin bin Abdul Kadir	• Board Chairman Series Part 2: Leadership Excellence from the Chair	• The Iclif Leadership And Governance Centre
Dato' Tea Choo Keng	• Best Practices for Sustainability Reporting – What a Company Director needs to know	• Archer Consulting Group Sdn Bhd
Dato' Low Chee Yen	• Best Practices for Sustainability Reporting – What a Company Director needs to know	• Archer Consulting Group Sdn Bhd
Dato' Wong Fuei Boon	• Best Practices for Sustainability Reporting – What a Company Director needs to know	• Archer Consulting Group Sdn Bhd
Dato' How Say Swee	• Best Practices for Sustainability Reporting – What a Company Director needs to know	• Archer Consulting Group Sdn Bhd
See Thuan Po	• Best Practices for Sustainability Reporting – What a Company Director needs to know	• Archer Consulting Group Sdn Bhd
Ong Kheng Swee	• Team Building & Leadership Programme	• Applied Tech People Development Sdn Bhd
	• 2017 Tax & Budget Conference	• Crowe Horwath CPE Sdn Bhd
	• Audit Committee Institute Breakfast Roundtable	• KPMG PLT
	• Executive Talk – Driving Business Result with Financial Strategy	• Applied Tech People Development Sdn Bhd

SECTION 1: THE BOARD (CONTINUED)

Directors' Training (continued)

Name of Directors	**Seminars and Briefing Attended**	**Organised by**
Azahar bin Baharudin	• Management Discussion and Analysis Statement and Business Sustainability	• Tricor Knowledge House Sdn Bhd

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.

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 no later than seven (7) days before the meeting to enable them to have sufficient time in obtaining 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.

All Directors have direct access to the Senior Management. During the Board meeting, Senior Management are invited to attend the board meetings to present and discuss on the quarterly financial report / non-financial information and market/ industry development. Besides direct access to Senior Management, external independent professional advisers are also 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, by way of the Code of Conduct approved by the Board that is applied to every employee, customer and vendor worldwide. The Code of Conduct focuses on the key principles of respecting others, serving our customers with integrity, avoiding conflict of interest, preserving confidentiality and privacy, effective channel of communication and corporate citizenship.

For employees, the acceptable conduct 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.

The Board has established a formal Whistle-Blowing 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. The formal Whistle-Blowing Policy provides a mechanism for employees and other interested parties to confidentially bring to the attention of the members of the Audit Committee and internal audit department any concerns related to matters covered by the Group Code of Conduct, legal issues and accounting or audit matters. The policy is also designed in such a way that any improper conduct (misconduct or criminal offence) is reported to representative of the Audit Committee and internal audit department directly. The whistle-blower will be accorded with protection of confidentiality of identity and be protected against any adverse and detrimental actions for disclosing any improper conduct committed or about to be committed, to the extent reasonably practicable.

The Whistle-Blowing Policy is available for download at the "Profile - Investor Relations" section of www.powerroot.com.my.

CORPORATE GOVERNANCE STATEMENT
CONT'D

SECTION 1: THE BOARD (CONTINUED)

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 upholds the principle of effective environmental and sustainability practice in order to contribute positively to the socio-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 conducts 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 development of communities that creates value for all our stakeholders.

The corporate social responsibilities activities undertaken by the Group during the financial year ended 31 March 2017 is disclosed in the "Corporate Social Responsibilities" section in page 14 to 16 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.

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 financial year is set out in the Audit Committee Report on pages 43 to 45 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 2016 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 31 March 2017, and of the results of their operations and cash flows for the financial 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 Group maintains a close and transparent relationship with its external and internal auditors in seeking professional advice and ensuring compliance with the company policies and procedures, approved accounting standards and relevant regulations in Malaysia.

The role and responsibilities of the Audit Committee in relation to the external and internal auditors are prescribed in the Audit Committee's Terms of Reference.

The engagement of the external auditors is governed by the engagement letter stating the terms of engagement which includes, amongst others, the scope of coverage, the responsibilities of the external auditors, confidentiality, independence and the proposed fees.

SECTION 2: ACCOUNTABILITY AND AUDIT (CONTINUED)

Relationship with Auditors (continued)

Prior to the commencement of the external audit engagement, the external auditors present their Audit Plan to the Audit Committee whereby the engagement and reporting requirements, audit approach, significant events, areas of audit emphasis, communication with management, engagement team and reporting, deliverables and the proposed fees are tabled to the Audit Committee for review. In addition, the Audit Committee met privately with the external auditors without the presence of the executive directors and management at the same meeting during the financial year to encourage two-way communication of the information and views and for the external auditors to freely express their opinion without undue pressure. As part of the audit engagement, the external auditors presented the Audit Findings to the Audit Committee on the significant audit areas, deficiencies in internal control and status of the audit.

The oversight of the external auditors is enhanced by the formal Policies and Procedures to Assess the Suitability and Independence of and the Provision of Non-Audit Service by External Auditors established by the Audit Committee and approved by the Board. The performance evaluation criteria include, qualification, technical expertise and capability, resources, suitable size, independence, professionalism and responsiveness and overall conduct of the audits. Furthermore, based on the formal Policies and Procedures to Assess the Suitability and Independence of and the Provision of Non-Audit Service by External Auditors, the Audit Committee is required to review the resignation or dismissal of External Auditors before it is tabled to the Board for consideration and recommendation to the shareholders.

The summary of oversights and activities of the Audit Committee involving the external and internal auditors is set out on page 43 to 45 of the Audit Committee Report and page 50 to 51 of the Statement of Risk Management and Internal Control.

Although the current external auditors had been performing audit services to the Company since the financial year ended 28 February 2009, having considered the mandatory engagement partner rotation every 5 years, the firm's internal quality control processes, and the review of the performance and independence performed by the Audit Committee during the financial year, the Audit Committee and the Board are of the opinion that the external auditors is suitable and able to deliver the assurance engagement professionally and diligently with sufficient level of independence under the relevant laws and regulations and will recommend their reappointment to the Board, upon which the shareholders' approval will be sought at the Annual General Meeting.

Independence of External Auditors

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

On an annual basis prior to the commencement of the audit engagement, through the presentation of their Audit Plan and strategy and subsequently, the Audit Status Report, the external auditors of the Group confirm to the Audit Committee on their independence in relation to the audit work to be performed/performed and their commitment to communicate to the Audit Committee on their independence status on an ongoing manner.

A formal policy and procedures on independence assessment of the external auditors had been established by the Audit Committee in the Policies and Procedures to Assess the Suitability and Independence of and the Provision of Non-Audit Service by External Auditors to assess the independence of external auditors during appointment, re-appointment, resignation and dismissal of external auditors. Provision of non-audit services by external auditors that exceed the established threshold require prior review and approval from the Audit Committee to ensure the independency of the external auditors is not compromised by the proposed non-audit services.

During the financial year, the Audit Committee conducted assessment on the external auditors' independence, objectivity and the services (including non-audit services) prior to the commencement of audit work. With this assessment, the Audit Committee and the Board are satisfied that the external auditors are independent.

CORPORATE GOVERNANCE STATEMENT
CONT'D

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 page 47 to 52 of this Annual Report.

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, the Managing Director and an 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 disclosure.

To ensure that communications to the public are timely, factual, accurate, and complete, a formal Corporate Disclosure Policy was approved by the Board sets out the policies and procedures for disclosure of material information of the Group. The management of the corporate disclosure is delegated to a dedicated Executive Director with responsibilities, authorities and resources clearly defined. Proper procedures for disclosing material information and responses to market rumour are defined in the policy for execution by the Executive Director. It also includes an internal control procedure 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. 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 clear and concise so that shareholders have a good understanding about the Group and its operations.

CORPORATE GOVERNANCE STATEMENT
CONT'D

SECTION 5: SHAREHOLDERS (CONTINUED)

Annual General Meeting (continued)

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 welcomes requests for meetings and interviews with professionals from the investment community and does meet up with institutional investors and shareholders when required, to elaborate or further clarify information already disclosed.

Poll Voting

In compliance with the MMLR, all resolutions put forth for shareholders' approval at the 10th Annual General Meeting held on 29 August 2016 were voted by way of poll voting to promote exercise by shareholders of their rights under the Constitution and to enhance shareholders' participation.

To further promote participation of members in the poll voting and annual general meeting through proxy(ies), the Company had amended its Constitution to include explicitly the right of proxies to speak at general meetings, to allow a member to appoint not more than two (2) proxies to attend on his/her behalf through execution of proxy form and expressly disallow any restriction on proxy's qualification. In addition, the Constitution allows exempt authorized nominee to appoint multiple proxies for each omnibus account it holds.

ADDITIONAL COMPLIANCE INFORMATION

- ***Utilisation of Proceeds***

  The net proceeds from 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 Contract and Loan with Related Parties***

  There were no material contract and loan by the Company and its subsidiaries involving Directors, chief executive who is not a Director or major shareholders interest.

- ***Employees' Share Option Scheme***

  There is only 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 in 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 as per stated in the By-Laws.

CORPORATE GOVERNANCE STATEMENT
CONT'D

ADDITIONAL COMPLIANCE INFORMATION (CONTINUED)

• ***Employees' Share Option Scheme (continued)***

The Directors and senior management were granted with options under the ESOS to exercise for shares representing 5.89% (Maximum allocation: 10.00%) of the issued and paid-up share capital of the Company since the commencement of the Scheme as at 31 March 2017. There was no grant of new option under the ESOS to Directors and senior management during the financial year ended 31 March 2017.

There was no options granted during the financial year ended 31 March 2017 and a total of 31,085,000 options were granted and accepted since the commencement of the ESOS.

	Financial Year Ended 31 March 2017					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	25,036,500	–	(300,000)	(1,324,000)	23,412,500	31,085,000	(2,369,000)	(5,303,500)	23,412,500
There in:									
Directors and Managing Director *	11,400,000	–	(150,000)	(500,000)	10,750,000	12,900,000	(150,000)	(2,000,000)	10,750,000

* *Included therein the ESOS granted to Y.M. Tengku Shamsulbhari bin Tengku Azman Shah, SMK. and Dato' Tea Choo Keng, both resigned on 15 July 2016*

Breakdown of the options offered to and exercised by non-executive directors pursuant to the Scheme in respect of financial year ended 31 March 2017 and since the commencement is as follows:

	Financial Year Ended 31 March 2017			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, SMK.*	–	(150,000)	–	300,000	(150,000)	–
Dato' Tea Choo Keng*#	–	–	(120,000)	300,000	–	(300,000)
Dato' Afifuddin Bin Abdul Kadir#	–	–	–	–	–	–
Ong Kheng Swee	–	–	(180,000)	300,000	–	(300,000)
Azahar Bin Baharudin	–	–	–	–	–	–

* *Resigned with effect from 15 July 2016*
\# *Appointed on 16 August 2016*

CORPORATE GOVERNANCE STATEMENT
CONT'D

ADDITIONAL COMPLIANCE INFORMATION (CONTINUED)

- ***Audit and Non-audit fees***

  The audit and non-audit fees incurred during the year to the external auditors, Messrs KPMG PLT and its affiliates by the Company and its subsidiaries for the financial year ended 31 March 2017 are as follows:

	Company	Group	Details on Non-Audit Fees
Audit Fees (RM)	48,000	268,338	
Non-Audit Fees (RM)	14,500	101,500	Tax return and compliance, review of supplementary financial information on the breakdown of realised and unrealised profits or losses, Statement of Risk Management and Internal Control and agreed upon procedures engagement in relation to the verification of compliance to Pioneer Status under the Promotion of Investment Act, 1986

- ***Recurrent Related Party Transaction***

  There were no major recurrent related party transactions during the financial year ended 31 March 2017.

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)* *
Dato' Afifuddin Bin Abdul Kadir *(Chairman, Independent Non-Executive Director)* #
Encik Azahar bin Baharudin *(Independent Non-Executive Director)*

* *Resigned with effect from 15 July 2016*
\# *Appointed on 16 August 2016*

The composition of Audit Committee is in compliance with the paragraph 15.09 of Main Market Listing Requirement ("MMLR"), where the Audit Committee consist of three (3) Independent Non-Executive Director and the Chairman of the Audit Committee, Mr. Ong Kheng Swee is a member of Malaysian Institute of Accountants which fulfills the requirement under paragraph 15.09(c)(i) and paragraph 7.1 of Practice Note 13 of MMLR.

B. TERMS OF REFERENCE

The terms of reference of the Committee is available for download on the Company's website located at the "Profile - Investor Relations" section of www.powerroot.com.my.

C. MEETINGS

During the financial year ended 31 March 2017, the Audit Committee held four (4) meetings. Details of each member's meeting attendances are as follows:-

Name of Directors	No. of Meetings Attended
Ong Kheng Swee	4/4
Y.M. Tengku Shamsulbhari bin Tengku Azman Shah, SMK. *	1/1
Dato' Afifuddin Bin Abdul Kadir #	3/3
Azahar bin Baharudin	4/4

* *Resigned with effect from 15 July 2016*
\# *Appointed on 16 August 2016*

The meetings were conducted with the quorum of where majority of the members present at the meeting were Independent Director as required by the committee's Terms of Reference.

The meetings were appropriately structured through the use of agendas, which were distributed together with the minutes of the meeting and relevant papers and reports to the members at least seven (7) days before the meeting with sufficient time allowed for review by the members for the proper discharge of its duties and responsibilities diligently and effectively in compliance with the Bursa Securities' Listing Requirements and its terms of reference. The secretary of the Company, the appointed secretary of the Committee, attended all the meetings during the financial year.

The External Auditors, Internal Auditors, Executive Directors, Group Financial Controller and Corporate Finance Manager, at the invitation of the Committee, may attend the committee meetings to present their reports/findings or required information and explanations for the proper deliberation of the matters at hand.

AUDIT COMMITTEE REPORT
CONT'D

D. SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

The Committee carried out its duties in accordance with its terms of reference during the financial year under review. The summary of works undertaken by the Audit Committee during the financial year included the following:-

1. Reviewed the Quarterly Financial Reports

   During the scheduled quarterly meetings, the Group Financial Controller presented the draft unaudited quarterly financial results for Audit Committee's review, briefed the Committee on the contents of the draft financial statements (including the notes to the account) and answered all queries raised and clarifications sought by the Audit Committee. The review focused on key financial results and comparison to the corresponding quarter of preceding year as well as immediate preceding quarter, with the reasons for the variances provided by the Group Financial Controller. In addition, the business prospects of the Group for the rest of the financial year was provided by the Management to the Audit Committee for discussion.

   The review of the quarterly financial reports performed by the Audit Committee was supplemented by the review of key financial information (such as, debtor ageing, inventory ageing analysis and major expenses) as well as comparison of actual financial results against budgeted financial results. Further, the Audit Committee assessed the reasonableness of the assumptions and estimates made in the draft financial quarterly financial statements based on the updates by the Management on the operations, proposed business and product strategy and proposed business/capacity expansion.

   The unaudited financial reports reviewed by the Audit Committee were then recommended to the Board for approval prior to announcement to Bursa Malaysia Securities Berhad ("Bursa Securities").

2. Reviewed the Company's Compliance with Regulatory, Statutory and Accounting Standards

   During the quarterly Audit Committee meeting, with respect of the quarterly and annual financial statements, the Audit Committee reviewed the Company's compliance with the MMLR, accounting standards promulgated by Malaysian Accounting Standards Board and other legal and regulatory requirements.

3. Reviewed the latest changes of pronouncements issued by the accountancy, statutory and regulatory bodies.

   At such quarterly meetings, the Audit Committee sought clarification of the application and impact of new and revised accounting standards with the external auditors as necessary. The Audit Committee members also underwent trainings by professionals on the updates and changes in MMLR and proposed changes in Malaysia Code on Corporate Governance during the financial year to assess the impacts on the financial reporting and corporate governance compliance requirements.

   The Audit Committee reported to and updated the Board on significant issues and matters discussed during the Committee's meetings and where appropriate, made the necessary recommendations to the Board. Minutes of the Committee's meetings were made available to all Board Members for review and to seek clarification and confirmation from the Audit Committee Chairman where necessary.

4. Reviewed the External Auditors' Audit Plan, Scope of Work and Audit Fee

   During the financial year, the external auditors presented their Audit plan and strategy to the Audit Committee for review and comment prior to the commencement of the audit to ensure the audit scope is adequate and reasonable time was allowed to ensure the audit carried out effectively and not under undue time pressure. The audit plan presented includes the audit methodology, audit workflow and audit timetable, and significant risk area. The audit plan for the financial year was discussed and clarifications sought from the external auditors prior to approval of the said plan by the Audit Committee. During the same meeting, the audit fees and non-audit fees as disclosed in Note 18 to the financial statement was presented by the external auditor for review by Audit Committee, which was then recommended to the Board for approval.

AUDIT COMMITTEE REPORT
CONT'D

D. SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR (CONTINUED)

5. Reviewed of Audited Financial Statements and Audit Results with External Auditors

   Prior to announcement of final quarterly financial statements, the external auditors presented their Audit Status Report and briefed the Audit Committee on the audit findings arising.

   During the meeting, the audit findings on the significant risk areas, deficiencies in internal control and status of the audit were presented to the Audit Committee, which the results and findings and after deliberations and approval of the audit findings were presented to the Board by the Chairman of the Audit Committee.

   During the financial year, the Audit Committee recommended for the Board's approval and adoption of the audited statutory financial statements of the Company and the Group after it was satisfied that the audit had been adequately planned and were carried out in accordance with the approved auditing standards after the review with the external auditors and the Management and it was satisfied that the presentation of the financial statements was in compliance with the statutory requirements and applicable accounting standards.

6. Private Sessions with External Auditors

   For the financial year ended 31 March 2017, the Audit Committee has met with the External Auditors a total of two (2) times without the presence of the executive directors and management in order for the Audit Committee and the external auditors to freely exchange observations and opinion between both parties as well as discuss any significant audit issues.

7. Reviewed the Independence and Objectivity of the External Auditors

   During the financial year, confirmation on the independence of the external auditor was obtained by the Audit Committee. In addition, the Audit Committee reviewed the independence and objectivity of the external auditors and the services provided, including non-audit services and noted that the non-audit fee is justifiable, immaterial and does not impair the independence of the external auditors

8. Reviewed of Internal Audit Functions

   During the financial year, the Audit Committee received internal audit report presented by both the in-house and outsourced internal auditors that contains the findings, recommendations and agreed management action plans for the internal audits conducted based on approved internal audit plan. Aside from reporting on the audit findings, the status of agreed management action plans for previous internal audit findings and the status of the approved internal audit plan was also presented to the Audit Committee. Additionally, the Audit Committee had assessed the adequacy and effectiveness of the internal audit functions through the review of the resources, experience and continuous professional development of the internal auditors for its adequacy.

   During the financial year, the internal audit plan and subsequent changes was presented by the in-house internal auditor for the review and approval by the Audit Committee. In addition, the internal audit charter of the in-house internal audit function was reviewed and approved by the Audit Committee and recommended to the Board for approval.

   The oversights role of Audit Committee on internal audit functions is available in the Statement of Risk Management and Internal Control located on page 50 to 51 of this Annual Report.

AUDIT COMMITTEE REPORT
CONT'D

D. SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR (CONTINUED)

9. Reviewed Related Party Transactions

   During the scheduled quarterly meetings, the Audit Committee conducted the review of related party transactions entered into by the Group with related parties. It is, however, noted by the Audit Committee that no major transactions were entered by the Group with related parties during the financial year ended 31 March 2017.

10. Review of Allocation of Options or Shares Pursuant to a Share Issuance Scheme

    During the quarterly meetings, the Audit Committee also reviewed and confirmed that the share options have been granted in accordance with the By-Laws during the financial year ended 31 March 2017.

11. Reviewed the Annual Report

    During the financial year, the Audit Committee reviewed the Annual Report (which includes the Corporate Governance Statement, Audit Committee Report, Statement of Risk Management and Internal Control and Management Discussion and Analysis), and the audited financial statement of the Group and recommended to the Board for approval.

12. Reviewed the Proposed Fraud Policy

    During the financial year, the Audit Committee reviewed and approved the Fraud Policy which was tabled by the in-house internal audit function. The Board was briefed on the details of the approved Fraud Policy by the Chairman of Audit Committee.

13. Reviewed of the Update of Whistle Blowing Policy

    During the financial year, the Audit Committee reviewed and deliberated on the revision made on the whistle-blowing policy which was last reviewed by the Audit Committee and the Board on 27 January 2014. The revised whistle-blowing policy was approved by the Audit Committee. The Board was briefed on the revised whistle-blowing policy by the Chairman of Audit Committee.

14. Reviewed the Terms of Reference of the Audit Committee

    During the financial year, the Audit Committee reviewed the revised Terms of Reference of the Audit Committee which was approved by the Board

15. Reviewed the Issuance of Equity Securities by Power Root Berhad ("the Company")

    During the financial year, the Audit Committee reviewed the issuance of 24,200,000 new ordinary shares in the Company at an issue price of RM2.0502 per share pursuant to the acquisition of ordinary shares in Power Root ME FZCO by the Company from Mr. Wong Tak Keong ("Vendor") and option granted to Vendor.

AUDIT COMMITTEE REPORT
CONT'D

E. INTERNAL AUDIT FUNCTION

The internal audit functions of the Group are made up of an in-house internal audit function with the primary responsibility to conduct internal control review of key internal processes within the Group and an outsourced internal audit function with the primary responsibility to conduct internal control review of distributorship management system implemented by the Group and to conduct such reviews independently, objectively and regularly. Both internal audit functions report directly to the Audit Committee. The in-house internal audit function is governed by the internal audit charter which states the purpose and scope of works, accountability, independence, the internal audit function's responsibilities and the authority accorded to the in-house internal audit function.

The Audit Committee ensures the adequacy of the internal audit scope by way of review of the proposed internal audit plan tabled by the internal audit functions for its adequacy of coverage and scope in relation to the key business risk exposure and risk appetite of the Group prior to its approval for execution. The approved internal audit plan is duly executed by the internal audit function with any subsequent changes to the plan reviewed and approved by the Audit Committee. Both internal audit functions table the results of their review to the Audit Committee during their scheduled meetings, highlighting their findings, recommendations, areas of improvement opportunities, management response and action plan. The areas of review conducted by the internal auditors are disclosed in the Statement on Risk Management and Internal Control available in pages 50 to 51 of this annual report.

In addition, the internal audit functions performed follow up reviews to ascertain the status of implementation of agreed management action plans. The results of the follow up reviews were reported to the Audit Committee for their review and deliberation.

The Audit Committee ensures the effectiveness and adequacy of the internal audit functions, their competency and resources allocated to the internal audit functions through the review of the resources of the internal audit functions in term of qualification and experience/exposure and continuous professional development for the employees of the internal audit functions which are tabled by both in-house and outsourced internal audit function at the Audit Committee meetings during the financial year under review.

The cost incurred in connection with the internal audit functions during the financial year amounted to RM320,948.

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 risk management and internal controls 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 risk management and internal controls of the Group for the financial year under review and up to the date of approval of this statement.

BOARD RESPONSIBILITY

The Board of Directors ("the Board") affirms its overall responsibility of maintaining a sound risk management and internal control system and of reviewing their adequacy and effectiveness so as to achieve the Group's corporate objectives and strategies and to establish risk appetite of the Group based on the corporate objectives, strategies, external environment, business nature and corporate/product lifecycle. The Board is committed to the establishment and maintenance of an appropriate control environment and framework that is embedded into the corporate culture, processes and strategies of the Group. The Board delegates the duty of identification, assessment and management of key business risks to the Risk Management Committee and the Executive Directors. 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 governance, risk and control structures and processes of the Group.

However, as there are inherent limitations in any risk management and 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 its associated company and the joint venture company as the Group does not have management control over the associated company and the joint venture company. Notwithstanding that, the Group's interests are served through representation on the Board of Directors of the associated company and the joint venture company 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 the 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. The Board has put in place a structured Risk Management Policy to govern the risk management process.

The Risk Management Policy clearly defines the risk management's objectives and processes, along with clear roles and responsibilities of the Board, Audit Committee, Risk Management Committee, Head of Department, key risk officer and Internal Auditor.

The roles and responsibilities of the Risk Management Committee includes the following:

(a) Implementation of risk management framework as approved by the Board;
(b) Develop and implement the risk management process;
(c) Ensure that risk management exercise is aligned with the Group's strategies (e.g. vision/mission, corporate strategies and goals);
(d) Periodic review and update of Key Risks Register;
(e) Update the Board on changes to the Key Risks Register on annual basis

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
CONT'D

RISK MANAGEMENT (CONTINUED)

While the roles and responsibilities of Head of Department as defined in the Risk Management Policy are as follow:

(a) Manage the risks of the business processes under his/her control;
(b) Identify risks and evaluate the adequacy or effectiveness of the controls put in place to manage the risks;
(c) To assist the Risk Management Committee with the development and implementation of the management action plan and to update the changes to the Key Risks Register when required.

The Systematic risk management process as defined in the Risk Management Policy is employed by the Risk Management Committee and the Management for risk identification, risk assessment, control identification, risk treatment and control activities. Risk assessment, at gross and residual level, are guided by the likelihood rating and impact rating established based on the risk appetite approved by the Board. Based on the risk management process, Key Risks Register were compiled by the Risk Management Committee and the Management, with the relevant key risks identified rated based on the agreed upon risk rating. The Key Risks Register are used for the identification of high residual risks which are above the risk appetite of the Group that requires the Management and the Board's immediate attention and risk treatment as well as for future risk monitoring.

As an important risk monitoring mechanism, the Risk Management Committee and the Management review the Key Risks Register and assessment of emerging risks identified at strategic and operational level on an annual basis or on more frequent basis (if circumstances required) and report to the Audit Committee and Board on the results of the review and assessment.

During the financial year under review, the Risk Management Committee and the Management conducted a review and assessment exercise whereby existing strategic, governance and key operational risks were reviewed with emerging risks identified assessed and incorporated into the Key Risks Register for on-going risk monitoring and assessment, after taking into consideration the internal audit findings. The key risks profile, which consists of strategic risks and key operational risks, was compiled from the Key Risks Register and tabled to the Audit Committee and Board for review and deliberation.

At the strategic level, business plans, business strategies and investment proposals with risks consideration are formulated by the Group Managing Director and Senior Management and presented to the Board for review and deliberation to ensure that the proposed plans and strategies are in line with the Group's risk appetite. In addition, specific strategic and key operational risks are highlighted and deliberated by the Audit Committee and the Board during the review of the financial performance of the Group in the scheduled meetings.

The monitoring of the risk management process by the Group is enhanced by the internal audits carried out by the internal audit function with specific audit objectives and business risks identified for each internal audit cycle based on the internal audit plan approved by the Audit Committee.

The above process has been practiced by the Group for the financial year under review and up to the date of approval of this statement.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

CONT'D

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 Nominating Committee) have been established to carry out duties and responsibilities delegated by the Board and are governed by written terms of reference. In addition, the Option Committee was established by the Board for the administration of the existing Employees' Share Option Scheme ("ESOS").

  Meetings of Board of Directors and respective Board Committees are carried out on quarterly basis to review the performance of the Group, from financial and operational perspective. 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. The Option Committee meets quarterly to carry out its duties in accordance with the By-Laws of the existing ESOS in relation to the administration of the ESOS.

- **Integrity and Ethical Value**

  The tone from the top on integrity and ethical value are enshrined in the formal Code of Conduct established and approved by the Board. This formal code forms the foundation of integrity and ethical value for the Group.

  Integrity and ethical value expected from the employees are incorporated in the Group Policy whereby the ethical behaviours expected from the suppliers and employees are stated. Codes of conduct expected from employees to carry out their duties and responsibilities assigned are also established and formalised in the Group Policy.

  To further enhance the ethical value throughout the Group, the Group put in place formalise fraud policy, reviewed by the Audit Committee and approved by the Board, to manage the risk of fraud within the Group.

- **Organisation Structure and Authorisation Procedure**

  The Group has a formal organization structure in place to ensure appropriate level of authorities and responsibilities are delegated accordingly to competent staff in achieving operational effectiveness and efficiency. The authorisation requirements for key processes are incorporated in the design of the forms and stated in the Group's policies and procedures.

- **Food Safety, 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"), Hazard Analysis and Critical Control Points ("HACCP") and Good Manufacturing Practices ("GMP") certifications as well as internal control requirements. The authorisation procedures for key processes are stated in the Group's policies and procedure.

- **Annual Budget**

  The Annual Budget for the Group is 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.

- **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.

  Performance evaluations are carried out for all levels of staff to identify performance gaps, for training needs identification and talent development.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

CONT'D

INTERNAL CONTROL SYSTEM (CONTINUED)

- **Information and Communication**

  At operational levels, clear reporting lines are established across the Group. 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.

  The Group has in place effective and efficient information and communication infrastructures and channels, i.e. computerized enterprise resources planning systems, secured electronic mail system and modern telecommunication, so that operation data and management information can be communicated timely and securely to dedicated personnel within the Group for decision making and for communication with relevant external stakeholders for execution and information collection. Apart from that, relevant financial and management reports are generated for different level of the organization structure for review and decision making. The management and board meetings are held for effective two-way communication of information at different level of management and the Board.

- **Monitoring and Review**

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

  Furthermore, internal audits are carried out by the internal audit functions (which reports directly to the Audit Committee) on key risk areas identified based on the key risk profile of the Group. The internal audit functions assess the adequacy and effectiveness of internal controls in relation to specific governance, risk and control processes and highlights potential risks and implications of its observations that may impact the Group as well as recommend improvements on the observations made to minimise the risks. The results of the internal audits carried out are reported to the Audit Committee.

  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.

INTERNAL AUDIT FUNCTIONS

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

The internal audit functions of the Group are made up of an in-house internal audit function with the primary responsibility of internal control review of key internal processes within the Group and an outsourced internal audit function with the primary responsibility of internal control review of distributorship management system implemented by the Group. The in-house Senior Internal Audit Manager and the engagement director of the outsource internal audit function are both Certified Internal Auditors accredited by the Institute of Internal Auditors Global. Both internal audit functions report to the Audit Committee directly and provide the Audit Committee with the assurance it requires on the adequacy and effectiveness of the Group's internal control system.

The oversight of the in-house and outsourced internal audit function by the Audit Committee was enhanced with the review by the Audit Committee of resources of the in-house and outsourced internal audit function in term of qualification and experience/exposure and continuous professional development for the employees of the in-house and outsourced internal audit function tabled by the in-house and outsourced internal audit function during the financial year under review.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

CONT'D

INTERNAL AUDIT FUNCTIONS (CONTINUED)

Based on the above review, the approved internal audit plans, internal audit works performed and reports by the in-house internal audit function and outsourced internal audit function, the Audit Committee is of the opinion that the scope, functions (including independence), competency, resources, authorities granted to the internal audit functions as well as internal audit program and processes are adequate to provide the Audit Committee with reasonable assurance that governance, risk and control structures and processes of the Group is adequate and effective and that the results of the internal audit program, processes or investigation undertaken is adequately communicated to the Audit Committee and appropriate actions are taken on the recommendations of the internal audit functions.

Risk-based internal audit plan in respect to financial year ended 31 March 2017 was drafted after taking into consideration of the existing and emergent key business risks identified in the Group's key risk profile. The audit plan and any subsequent amendment are reviewed and approved by the Audit Committee prior to their execution.

The internal control review procedures performed by the internal audit function are designed to understand, document and evaluate risks and related controls to determine the adequacy and effectiveness of governance, risk and control structures and processes and to formulate recommendations for improvement thereon. The internal audit procedures applied principally consisted of process evaluations through interviews with relevant personnel involved in the process under review, review of the Standard Operating Procedures and/or process flows provided and observations of the functioning of processes in compliance with results of interviews and/or documented Standard Operating Procedures and/or process flows. Thereafter, testing of controls for the respective audit areas through the review of the samples selected based on sample sizes calculated in accordance to predetermined formula, subject to the nature of testing and verification of the samples.

For the financial year ended 31 March 2017, the internal audit functions have conducted review for distributorship management as well as internal audit on waste water treatment plant, cleaning in place control, resolving customer complaint control, engineering maintenance management, inventory management and return, damaged, expired finished goods disposal management.

Upon the completion of the internal audit works, the internal audit reports are presented to the Audit Committee during its quarterly meetings. During the presentation, the internal audit findings and recommendations as well as management responses and action plans are presented and deliberated by the Audit Committee. Updates on the status of action plans identified in the previous internal audit reports were also presented during the financial year under review to the Audit Committee for review and deliberation. The Audit Committee reports the results of the review and deliberation to the Board in order for the Board to discharge its responsibility to ensure that there are sound internal controls to manage the risks within the risk appetite of the Group and for regulatory compliance.

The cost incurred in maintaining the in-house and outsource Internal audit function for the financial year ended 31 March 2017 amounted to RM320,948.

ASSURANCE PROVIDED BY THE GROUP MANAGING DIRECTOR AND FINANCIAL CONTROLLER

In accordance with the Guidelines, the Group Managing Director, being the highest ranking executive in the Company and the Group 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
CONT'D

OPINION AND CONCLUSION

Based on the review of risk management process and internal control system as well as the monitoring and review mechanism stipulated above coupled with the assurance provided by the Group Managing Director and the Group Financial Controller, the Board is of the view that the risk management and internal control systems are operating satisfactory 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 to meet the Group's strategic objectives.

The Board is committed towards maintaining a sound system of internal control and an effective risk management throughout the Group and reaffirms its commitment to continuously review and where necessary, enhance further the risk management and internal controls system.

REVIEW OF STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised 2015), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 March 2017, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

(a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or
(b) is factually inaccurate.

RPG 5 (Revised 2015) does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2017

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 31 March 2017.

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.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 6 to the financial statements.

RESULTS

	Group RM	Company RM
Profit for the year attributable to:		
Owners of the Company	43,525,792	32,312,968
Non-controlling interests	3,691,421	–
	47,217,213	32,312,968

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 amount of dividends paid by the Company were as follows:

i) In respect of the financial year ended 31 March 2016 as reported in the Directors' Report of that year:

- a fourth interim dividend of 3.0 sen per ordinary share totalling RM8,969,187 declared on 25 May 2016 and paid on 30 June 2016.

ii) In respect of the financial year ended 31 March 2017:

- a first interim dividend of 2.5 sen per ordinary share totalling RM7,462,520 declared on 29 August 2016 and paid on 30 September 2016;
- a second interim dividend of 2.5 sen per ordinary share totalling RM7,472,737 declared on 28 November 2016 and paid on 30 December 2016;
- a third interim dividend of 2.5 sen per ordinary share totalling RM8,085,387 declared on 23 February 2017 and paid on 31 March 2017; and
- a fourth interim dividend of 4.0 sen per ordinary share totalling RM12,944,819 declared on 29 May 2017 which was paid on 4 July 2017.

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

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2017
CONT'D

DIRECTORS OF THE COMPANY

Directors who served during the financial year until the date of this report are:

Directors	**Alternate**
Dato' Low Chee Yen	
Dato' How Say Swee	
Dato' Wong Fuei Boon	
Mr. See Thuan Po	
Mr. Ong Kheng Swee	
En. Azahar bin Baharudin	
Dato' Afifuddin bin Abdul Kadir (appointed on 16 August 2016)	Dato' Tea Choo Keng (appointed on 16 August 2016)
Y.M. Tengku Shamsulbhari bin Tengku Azman Shah, SMK. (resigned 15 July 2016)	Dato' Tea Choo Keng (resigned on 15 July 2016)

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			
Name of Directors	**Interest**	**At 1 April 2016**	**Bought**	**Sold**	**At 31 March 2017**
Company					
Dato' Low Chee Yen	Direct	64,673,930	–	–	64,673,930
	Deemed	390,000	–	–	390,000
Dato' How Say Swee	Direct	63,228,230	–	–	63,228,230
Dato' Wong Fuei Boon	Direct	60,807,630	–	–	60,807,630
Dato' Tea Choo Keng	Direct	740,000	120,000	(244,600)	615,400
Mr. See Thuan Po	Direct	1,715,000	200,000	–	1,915,000
Mr. Ong Kheng Swee	Direct	120,263	180,000	(120,000)	180,263
	Deemed	–	120,000	–	120,000
En. Azahar bin Baharudin	Direct	5	–	–	5

		Number of ordinary shares of USD1 each			
Name of Directors	**Interest**	**At 1 April 2016**	**Bought**	**Sold**	**At 31 March 2017**
Subsidiaries					
- PT. Natbio Marketing Indonesia					
Dato' Low Chee Yen	Direct	1,000*	–	–	1,000*

* The shares are held in trust for the Company.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2017
CONT'D

DIRECTORS' INTERESTS IN SHARES (CONTINUED)

		Number of ordinary shares of AED 100,000 each			
Name of Directors	**Interest**	**At 1 April 2016**	**Bought**	**Sold**	**At 31 March 2017**
Subsidiaries					
- Power Root ME FZCO					
Dato' Low Chee Yen	Deemed	39	7	–	46
Dato' How Say Swee	Deemed	39	7	–	46
Dato' Wong Fuei Boon	Deemed	39	7	–	46
		Number of ordinary shares of IDR10,000 each			
- PT. Power Impian International					
Dato' Low Chee Yen	Deemed	950,000	–	–	950,000
Dato' How Say Swee	Deemed	950,000	–	–	950,000
Dato' Wong Fuei Boon	Deemed	950,000	–	–	950,000

	Number of options over ordinary shares ('000)		
Name of Directors	**At 1 April 2016**	**Exercised**	**At 31 March 2017**
Company			
Dato' Low Chee Yen	5,400	–	5,400
Dato' How Say Swee	1,800	–	1,800
Dato' Wong Fuei Boon	1,800	–	1,800
Mr. See Thuan Po	1,800	(200)	1,600
Mr. Ong Kheng Swee	180	(180)	–
Dato' Tea Choo Keng	120	(120)	–

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.

The other Director holding office at 31 March 2017 does not have any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration 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 ("ESOS"), 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.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2017
CONT'D

ISSUE OF SHARES

During the financial year, the Company issued:

(a) 24,200,000 new ordinary shares of RM0.20 each at an issue price of RM2.0502 per ordinary share for the acquisition of an additional 14% equity interest in a subsidiary as disclosed in Note 6; and

(b) 1,324,000 new ordinary shares for cash totalling RM898,680 arising from the exercise of employees' share options at a weighted average exercise price of RM0.68 per ordinary share.

There were no other changes in the 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 ESOS.

At the extraordinary general meeting held on 23 July 2012, the Company's shareholders approved the establishment of an ESOS 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 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.

The options offered to take up unissued ordinary shares and the exercise price is as follows:

		Number of options over ordinary shares				
Date of offer	**Exercise price RM**	**At 1 April 2016**	**Granted**	**Exercised**	**Forfeited**	**At 31 March 2017**
27 July 2012	0.675	23,255	–	(1,320)	(150)	21,785
3 July 2013	1.920	681	–	(4)	(150)	527
4 November 2015	2.430	1,100	–	–	–	1,100
		25,036	–	(1,324)	(300)	23,412

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2017
CONT'D

INDEMNITY AND INSURANCE COSTS

There were no indemnity given to or insurance effected for any Director, officer or auditor of the Company during the financial year.

QUALIFICATION OF SUBSIDIARIES' FINANCIAL STATEMENTS

The auditors' reports on the audited financial statements of Company's subsidiaries did not contain any qualification or any adverse comments.

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.

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 31 March 2017 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2017
CONT'D

AUDITORS

The auditors, KPMG PLT (converted from a conventional partnership, KPMG, on 27 December 2016), have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 18 to the financial statements.

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

Dato' Low Chee Yen
Director

See Thuan Po
Director

Johor Bahru

21 July 2017

STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Assets					
Property, plant and equipment	3	77,860,209	76,404,897	250,094	335,783
Investment properties	4	1,848,350	1,278,653	–	–
Intangible assets	5	51,950	67,155	–	–
Investments in subsidiaries	6	–	–	170,429,273	125,172,371
Investment in an associate	7	–	–	–	400,000
Investment in a joint venture	8	–	–	15,300	15,300
Other investments	9	4,089,520	392,000	–	392,000
Deferred tax assets	10	285,226	3,999,000	22,000	–
Total non-current assets		84,135,255	82,141,705	170,716,667	126,315,454
Inventories	11	49,318,965	46,984,112	–	–
Trade and other receivables	12	153,815,378	116,967,629	36,846,726	41,473,692
Tax recoverable		4,647,123	8,558,307	–	130,000
Cash and cash equivalents	13	68,211,642	71,359,004	15,260,917	5,421,068
Total current assets		275,993,108	243,869,052	52,107,643	47,024,760
Total assets		360,128,363	326,010,757	222,824,310	173,340,214
Equity					
Share capital		214,814,582	60,814,637	214,814,582	60,814,637
Reserves		36,111,597	176,742,601	7,626,994	112,355,823
Equity attributable to owners of the Company	14	250,926,179	237,557,238	222,441,576	173,170,460
Non-controlling interests	6	841,994	2,686,635	–	–
Total equity		251,768,173	240,243,873	222,441,576	173,170,460
Liabilities					
Deferred tax liabilities	10	–	1,064,718	–	6,000
Loans and borrowings	15	918,732	579,480	–	–
Total non-current liabilities		918,732	1,644,198	–	6,000
Trade and other payables	16	96,141,108	73,669,440	378,565	163,754
Loans and borrowings	15	11,142,874	10,317,932	–	–
Taxation		157,476	135,314	4,169	–
Total current liabilities		107,441,458	84,122,686	382,734	163,754
Total liabilities		108,360,190	85,766,884	382,734	169,754
Total equity and liabilities		360,128,363	326,010,757	222,824,310	173,340,214

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Revenue					
Goods sold		399,300,755	367,531,629	–	–
Dividend income from subsidiaries		–	–	39,910,011	62,780,020
		399,300,755	367,531,629	39,910,011	62,780,020
Other income		10,605,589	12,549,523	1,322,001	2,364,765
Changes in inventories of finished goods and work-in-progress		(2,586,097)	(8,222,945)	–	–
Raw materials used		(174,776,285)	(156,361,858)	–	–
Property development cost		–	592,502	–	–
Marketing expenses		(88,627,240)	(79,578,190)	–	–
Staff costs		(45,510,108)	(38,227,113)	(576,635)	(416,207)
Depreciation and amortisation expenses		(6,431,671)	(6,418,435)	(85,689)	(77,718)
Other expenses		(38,075,287)	(48,415,809)	(8,291,713)	(28,006,914)
Total expenses		(356,006,688)	(336,631,848)	(8,954,037)	(28,500,839)
Results from operating activities		53,899,656	43,449,304	32,277,975	36,643,946
Finance income		1,194,582	1,387,139	282,286	337,297
Finance costs		(333,458)	(455,534)	–	–
Net finance income		861,124	931,605	282,286	337,297
Profit before tax		54,760,780	44,380,909	32,560,261	36,981,243
Tax (expense)/income	17	(7,543,567)	832,551	(247,293)	(192,515)
Profit for the year	18	47,217,213	45,213,460	32,312,968	36,788,728
Other comprehensive income, net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences		1,253,171	425,131	–	–
Fair value of available for sale financial assets		(8,513)	–	–	–
Other comprehensive income for the year		1,244,658	425,131	–	–
Total comprehensive income for the year		48,461,871	45,638,591	32,312,968	36,788,728

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2017
CONT'D

		Group		Company	
	Note	**2017 RM**	**2016 RM**	**2017 RM**	**2016 RM**
Profit attributable to:					
Owners of the Company		43,525,792	43,448,442	32,312,968	36,788,728
Non-controlling interests		3,691,421	1,765,018	–	–
Profit for the year		47,217,213	45,213,460	32,312,968	36,788,728
Total comprehensive income attributable to:					
Owners of the Company		44,514,799	43,765,962	32,312,968	36,788,728
Non-controlling interests		3,947,072	1,872,629	–	–
Total comprehensive income for the year		48,461,871	45,638,591	32,312,968	36,788,728
Basic earnings per ordinary share (sen)	19	14.18	14.55		
Diluted earnings per ordinary share (sen)	19	13.56	13.82		

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2017

	Note	← Attributable to owners of the Company							→		
		← Non-distributable					→	Distributable			
		Share capital RM	Share premium RM	Treasury shares RM	Share option reserve RM	Fair value reserve RM	Exchange fluctuation reserve RM	Retained earnings RM	Total RM	Non -controlling interests RM	Total equity RM
Group											
At 1 April 2015		60,655,737	102,452,443	(7,230,982)	1,879,575	–	801,494	72,162,981	230,721,248	4,294,326	235,015,574
Foreign currency translation differences for foreign operations/ **Total other comprehensive income for the year**		–	–	–	–	–	317,520	–	317,520	107,611	425,131
Profit for the year		–	–	–	–	–	–	43,448,442	43,448,442	1,765,018	45,213,460
Total comprehensive income for the year		–	–	–	–	–	317,520	43,448,442	43,765,962	1,872,629	45,638,591
Contributions by and distributions to owners of the Company											
Own shares acquired	14	–	–	(823,978)	–	–	–	–	(823,978)	–	(823,978)
Issue of shares pursuant to Employees' Share Option Scheme	14	158,900	525,542	–	–	–	–	–	684,442	–	684,442
Share-based payment transactions	20	–	–	–	531,037	–	–	–	531,037	–	531,037
Dividends to owners of the Company/ Non-controlling interests	21	–	–	–	–	–	–	(37,321,473)	(37,321,473)	(3,480,320)	(40,801,793)
Total transactions with owners of the Company		158,900	525,542	(823,978)	531,037	–	–	(37,321,473)	(36,929,972)	(3,480,320)	(40,410,292)
Transfer to share premium for share options exercised		–	190,680	–	(190,680)	–	–	–	–	–	–
At 31 March 2016		60,814,637	103,168,665	(8,054,960)	2,219,932	–	1,119,014	78,289,950	237,557,238	2,686,635	240,243,873

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2017
CONT'D

		Attributable to owners of the Company									
		Non-distributable					Distributable				
	Note	Share capital RM	Share premium RM	Treasury shares RM	Share option reserve RM	Fair value reserve RM	Exchange fluctuation reserve RM	Retained earnings RM	Total RM	Non -controlling interests RM	Total equity RM
Group											
At 1 April 2016		60,814,637	103,168,665	(8,054,960)	2,219,932	–	1,119,014	78,289,950	237,557,238	2,686,635	240,243,873
Foreign currency translation differences for foreign operations		–	–	–	–	–	997,520	–	997,520	255,651	1,253,171
Fair value of available for sale financial assets		–	–	–	–	(8,513)	–	–	(8,513)	–	(8,513)
Total other comprehensive income for the year		–	–	–	–	(8,513)	997,520	–	989,007	255,651	1,244,658
Profit for the year		–	–	–	–	–	–	43,525,792	43,525,792	3,691,421	47,217,213
Total comprehensive income for the year		–	–	–	–	(8,513)	997,520	43,525,792	44,514,799	3,947,072	48,461,871
Contributions by and distributions to owners of the Company											
Changes in ownership interests in subsidiaries	6,14	4,840,000	44,774,840	–	–	–	420,001	(48,524,007)	1,510,834	(2,310,834)	(800,000)
Own shares acquired	14	–	–	(2,094,087)	–	–	–	–	(2,094,087)	–	(2,094,087)
Issue of shares pursuant to Employees' Share Option Scheme	14	410,150	488,530	–	–	–	–	–	898,680	–	898,680
Share-based payment transactions	20	–	–	–	528,546	–	–	–	528,546	–	528,546
Dividends to owners of the Company/ Non-controlling interests	21	–	–	–	–	–	–	(31,989,831)	(31,989,831)	(3,480,879)	(35,470,710)
Total transactions with owners of the Company		5,250,150	45,263,370	(2,094,087)	528,546	–	420,001	(80,513,838)	(31,145,858)	(5,791,713)	(36,937,571)
Transfer to share premium for share options exercised		–	317,760	–	(317,760)	–	–	–	–	–	–
Transfer in accordance with Section 618(2) of the Companies Act 2016	14	148,749,795	(148,749,795)	–	–	–	–	–	–	–	–
At 31 March 2017		214,814,582	–	(10,149,047)	2,430,718	(8,513)	2,536,535	41,301,904	250,926,179	841,994	251,768,173

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2017

		Attributable to owners of the Company					
		Non-distributable				Distributable	
	Note	Share capital RM	Share premium RM	Treasury shares RM	Share option reserve RM	Retained earnings RM	Total equity RM
Company							
At 1 April 2015		60,655,737	102,452,443	(7,230,982)	1,879,575	15,554,931	173,311,704
Profit and total comprehensive income for the year		–	–	–	–	36,788,728	36,788,728
Contributions by and distributions to owners of the Company							
Own shares acquired	14	–	–	(823,978)	–	–	(823,978)
Issue of shares pursuant to Employees' Share Option Scheme	14	158,900	525,542	–	–	–	684,442
Share-based payment transactions	20	–	–	–	531,037	–	531,037
Dividends to owners of the Company	21	–	–	–	–	(37,321,473)	(37,321,473)
Total transactions with owners of the Company		158,900	525,542	(823,978)	531,037	(37,321,473)	(36,929,972)
Transfer to share premium for share options exercised		–	190,680	–	(190,680)	–	–
At 31 March 2016/1 April 2016		60,814,637	103,168,665	(8,054,960)	2,219,932	15,022,186	173,170,460
Profit and total comprehensive income for the year		–	–	–	–	32,312,968	32,312,968
Contributions by and distributions to owners of the Company							
Issuance of shares for acquisition of a subsidiary	6,14	4,840,000	44,774,840	–	–	–	49,614,840
Own shares acquired	14	–	–	(2,094,087)	–	–	(2,094,087)
Issue of shares pursuant to Employees' Share Option Scheme	14	410,150	488,530	–	–	–	898,680
Share-based payment transactions	20	–	–	–	528,546	–	528,546
Dividends to owners of the Company	21	–	–	–	–	(31,989,831)	(31,989,831)
Total transactions with owners of the Company		5,250,150	45,263,370	(2,094,087)	528,546	(31,989,831)	16,958,148
Transfer to share premium for share options exercised		–	317,760	–	(317,760)	–	–
Transfer in accordance with Section 618(2) of the Companies Act 2016		148,749,795	(148,749,795)	–	–	–	–
At 31 March 2017		214,814,582	–	(10,149,047)	2,430,718	15,345,323	222,441,576

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2017

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash flows from operating activities				
Profit before tax	54,760,780	44,380,909	32,560,261	36,981,243
Adjustments for:				
Amortisation of intangible assets	15,205	15,205	–	–
Bad debts written off	136,110	2,049	–	–
Depreciation on:				
- property, plant and equipment	6,384,136	6,403,230	85,689	77,718
- investment properties	32,330	–	–	–
Finance costs	333,458	455,534	–	–
Finance income	(1,194,582)	(1,387,139)	(282,286)	(337,297)
Goodwill written off	–	4,829,585	–	–
Gain on disposal of property, plant and equipment	(254,137)	(2,525,818)	–	(59,999)
Impairment loss on investments in:				
- subsidiaries	–	–	5,499,998	27,000,000
- an associate	–	–	400,000	–
- other investments	392,000	–	392,000	–
Impairment loss/(Reversal of impairment loss) on amounts due from:				
- trade receivables	(643,117)	1,896,227	–	–
- other receivables	154,723	–	154,723	–
- subsidiaries	–	–	738,247	(1,197,470)
- an associate	543,746	561,747	543,746	561,747
- a joint venture	–	(281,892)	–	(281,892)
Share-based payment transactions	528,546	531,037	186,486	212,616
Unrealised (gain)/loss on foreign exchange	(2,491,715)	3,976,644	(30,207)	(6,946)
Dividend income from quoted unit trusts	(104,823)	–	–	–
Operating profit before changes in working capital	58,592,660	58,857,318	40,248,657	62,949,720
Changes in inventories	(2,334,853)	7,718,789	–	–
Changes in trade and other receivables	(34,547,496)	(24,325,423)	3,220,457	(32,096,140)
Changes in trade and other payables	22,471,668	9,031,841	214,811	(20,081)
Cash generated from operations	44,181,979	51,282,525	43,683,925	30,833,499
Interest received	1,194,582	1,387,139	282,286	337,297
Tax paid	(961,165)	(4,143,089)	(141,124)	(346,582)
Net cash from operating activities	44,415,396	48,526,575	43,825,087	30,824,214

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2017
CONT'D

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Cash flows from investing activities					
Acquisition of:					
- property, plant and equipment	22	(5,705,026)	(4,863,743)	–	(397,897)
- investment properties		(602,027)	–	–	–
Increase in other investments		(3,993,210)	–	–	–
Acquisition of shares from non-controlling interest in a subsidiary		(800,000)	–	(800,000)	–
Proceeds from disposal of property, plant and equipment		295,099	3,698,980	–	60,000
Net cash used in investing activities		(10,805,164)	(1,164,763)	(800,000)	(337,897)
Cash flows from financing activities					
Interest paid		(333,458)	(455,534)	–	–
Issuance of share capital		898,680	684,442	898,680	684,442
Dividends paid to:					
- owners of the Company		(31,989,831)	(37,321,473)	(31,989,831)	(37,321,473)
- non-controlling interests		(3,480,879)	(3,480,320)	–	–
Repurchase of treasury shares		(2,094,087)	(823,978)	(2,094,087)	(823,978)
Net proceeds of/(Net repayment of) banker's acceptance		399,000	(2,156,000)	–	–
Repayment of term loans		(204,856)	(188,932)	–	–
Repayment of finance lease liabilities		(210,950)	–	–	–
Net cash used in financing activities		(37,016,381)	(43,741,795)	(33,185,238)	(37,461,009)
Exchange difference on translation of the financial statements of foreign operation		258,787	264,121	–	–
Net (decrease)/increase in cash and cash equivalents		(3,147,362)	3,884,138	9,839,849	(6,974,692)
Cash and cash equivalents at 1 April		71,359,004	67,474,866	5,421,068	12,395,760
Cash and cash equivalents at 31 March	13	68,211,642	71,359,004	15,260,917	5,421,068

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 31 March 2017 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 a joint venture. The financial statements of the Company as at and for the financial year ended 31 March 2017 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 21 July 2017.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 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 2017

- Amendments to MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, I*nvestments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*

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

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128*, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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 except as mentioned below:

(i) MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*.

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 15.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

(ii) MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 9.

(iii) MFRS 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 16.

(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 10 - recognition of deferred tax assets
- Note 12 - 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 controls an entity when it 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. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also 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.

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 investment 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.

(iii) Acquisitions of non-controlling interests

The Group accounts for 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.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(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 remeasured. 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 (CONTINUED)

(a) Basis of consolidation (continued)

(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.

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 or the Company has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method. Investments in joint venture 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 investment includes transaction costs.

(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.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur 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 foreign currency translation reserve ("FCTR") in equity.

(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 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments

(i) Initial recognition and measurement

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

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

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

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

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

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination 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.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

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

(d) Available-for-sale financial assets

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

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

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(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), contingent consideration in a business combination 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 otherwise 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 is 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.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(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.

(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 control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. 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, 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

(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.

(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 from the date that they are available for use. 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	20 - 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) Investment properties

Investment properties carried at cost

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

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

Depreciation is recognised in profit or loss on a straight-line basis over their estimated useful lives. The estimated useful lives for the current and comparative periods are as follows:

Buildings	50 years

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) 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.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

(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.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

(g) 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.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Intangible assets (continued)

(iv) Amortisation

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 based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

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

- product formula 20 years

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

(h) Inventories

(i) Developed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost is mainly determined on specific identification basis. Cost consists of costs associated with the acquisition of land, direct costs and appropriate proportions of common costs attributable to developing the properties to completion.

(ii) Others

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 with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries and investments 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.

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 other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity 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 a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment (continued)

(ii) Other assets (continued)

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.

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) Equity instruments

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

(i) Issue expenses

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

(ii) Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

Where treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) 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.

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 entity, or on different tax entities, but they intend to settle current tax assets and liabilities 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.

(m) 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 discounts 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.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Revenue and other income (continued)

(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.

(n) 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.

(o) 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.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Employee benefits (continued)

(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.

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.

(p) 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.

(q) 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. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Fair value measurement

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.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RM	Plant and machinery RM	Motor vehicles, office equipment, furniture and fittings RM	Renovation and electrical installation RM	Construction -in -progress RM	Total RM
Group						
At cost						
At 1 April 2015	62,806,822	34,469,017	19,696,094	2,619,003	–	119,590,936
Additions	–	713,892	972,076	2,000	3,175,775	4,863,743
Disposals/Written off	(1,470,913)	(328,000)	(478,715)	–	–	(2,277,628)
Transfer to investment property	(1,410,281)	–	–	–	–	(1,410,281)
Effect of movements in exchange rates	221,182	–	81,887	–	(111,896)	191,173
At 31 March 2016/ 1 April 2016	60,146,810	34,854,909	20,271,342	2,621,003	3,063,879	120,957,943
Additions	62,047	3,415,847	2,456,599	130,624	820,909	6,886,026
Disposals/Written off	–	(154,890)	(2,854,599)	(352,675)	–	(3,362,164)
Effect of movements in exchange rates	445,832	–	292,333	–	470,150	1,208,315
At 31 March 2017	60,654,689	38,115,866	20,165,675	2,398,952	4,354,938	125,690,120
Accumulated depreciation						
At 1 April 2015	5,515,298	18,015,998	12,635,087	1,750,190	–	37,916,573
Depreciation charge	965,141	3,300,575	1,989,260	148,254	–	6,403,230
Disposals/Written off	(312,569)	(325,494)	(466,403)	–	–	(1,104,466)
Transfer to investment property	(131,628)	–	–	–	–	(131,628)
Effect of movements in exchange rates	12,911	–	17,252	–	–	30,163
At 31 March 2016/ 1 April 2016	6,049,153	20,991,079	14,175,196	1,898,444	–	43,113,872
Depreciation charge	897,353	3,297,324	2,049,605	139,854	–	6,384,136
Disposals/Written off	–	(152,762)	(1,897,776)	(207,386)	–	(2,257,924)
Effect of movements in exchange rates	53,777	–	160,154	–	–	213,931
At 31 March 2017	7,000,283	24,135,641	14,487,179	1,830,912	–	47,454,015

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and buildings RM	Plant and machinery RM	Motor vehicles, office equipment, furniture and fittings RM	Renovation and electrical installation RM	Construction -in -progress RM	Total RM
Group						
Accumulated impairment loss						
At 1 April 2015/ 31 March 2016	–	–	1,127,213	311,961	–	1,439,174
At 1 April 2016	–	–	1,127,213	311,961	–	1,439,174
Disposal	–	–	(918,089)	(145,189)	–	(1,063,278)
At 31 March 2017	–	–	209,124	166,772	–	375,896
Carrying amounts						
At 1 April 2015	57,291,524	16,453,019	5,933,794	556,852	–	80,235,189
At 31 March 2016/ 1 April 2016	54,097,657	13,863,830	4,968,933	410,598	3,063,879	76,404,897
At 31 March 2017	53,654,406	13,980,225	5,469,372	401,268	4,354,938	77,860,209

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Motor vehicles, office equipment, furniture and fittings/ Total RM
Company	
At cost	
At 1 April 2015	403,243
Additions	397,897
Disposals	(342,877)
At 31 March 2016	458,263
At 1 April 2016/31 March 2017	458,263
Accumulated depreciation	
At 1 April 2015	387,638
Depreciation charge	77,718
Disposals	(342,876)
At 31 March 2016/1 April 2016	122,480
Depreciation charge	85,689
At 31 March 2017	208,169
Carrying amounts	
At 1 April 2015	15,605
At 31 March 2016/1 April 2016	335,783
At 31 March 2017	250,094

	Group 2017 RM	Group 2016 RM
Carrying amounts of land and buildings		
Freehold land	20,344,998	20,344,998
Buildings	33,309,408	33,752,659
	53,654,406	54,097,657

Leased property, plant and equipment

Included in the property, plant and equipment of the Group are motor vehicles with carrying amount of RM1,147,781 (2016: NIL) acquired under finance lease arrangements. The leased property, plant and equipment secures lease obligations (see Note 15).

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

4. INVESTMENT PROPERTIES

	RM
Group	
At cost	
At 1 April 2015	–
Transfer from property, plant and equipment	1,410,281
At 31 March 2016/1 April 2016	1,410,281
Additions	602,027
At 31 March 2017	2,012,308
Accumulated depreciation	
At 1 April 2015	–
Transfer from property, plant and equipment	131,628
At 31 March 2016/1 April 2016	131,628
Depreciation charge	32,330
At 31 March 2017	163,958
Carrying amounts	
At 1 April 2015	–
At 31 March 2016/1 April 2016	1,278,653
At 31 March 2017	1,848,350

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

	2017 RM	2016 RM
Rental income	193,597	182,343
Direct operating expenses on income generating investment properties	(13,402)	(7,784)

Fair value information

Fair value of investment properties is categorised as follows:

	Group	
	2017 RM	2016 RM
Buildings	3,546,230	2,352,496

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

4. INVESTMENT PROPERTIES (CONTINUED)

Level 3 fair value

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

Description of Valuation Technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Comparison method: Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size.	Price per square foot of comparable properties.	The estimated fair value would increase/(decrease) if the price per square foot is higher/(lower).

5. INTANGIBLE ASSETS

	Goodwill RM	Product formula RM	Total RM
Group			
At cost			
At 1 April 2015	4,829,585	304,480	5,134,065
Written off	(4,829,585)	–	(4,829,585)
At 31 March 2016	–	304,480	304,480
At 1 April 2016/31 March 2017	–	304,480	304,480
Accumulated amortisation			
At 1 April 2015	–	222,120	222,120
Amortisation charge	–	15,205	15,205
At 31 March 2016/1 April 2016	–	237,325	237,325
Amortisation charge	–	15,205	15,205
At 31 March 2017	–	252,530	252,530
Carrying amounts			
At 1 April 2015	4,829,585	82,360	4,911,945
At 31 March 2016/1 April 2016	–	67,155	67,155
At 31 March 2017	–	51,950	51,950

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

6. INVESTMENTS IN SUBSIDIARIES

	Company 2017 RM	Company 2016 RM
Unquoted shares		
At cost	213,848,305	163,091,405
Less: Impairment loss	(43,419,032)	(37,919,034)
	170,429,273	125,172,371

Included in investments in subsidiaries is an amount of RM2,214,670 (2016: RM1,872,610) arising from the ESOS granted to the subsidiaries' employees.

Details of the subsidiaries are as follows:

Name of entity	Principal activities	Place of incorporation	Effective ownership interest and voting interest 2017 %	Effective ownership interest and voting interest 2016 %
Power Root (M) Sdn. Bhd.	Manufacture and distribution of beverage products	Malaysia	100	100
Power Root Marketing Sdn. Bhd.	Distribution of various beverage products	Malaysia	100	100
Power Root Manufacturing Sdn. Bhd.	Manufacture and distribution of beverage products	Malaysia	100	100
Power Root Nnergy Sdn. Bhd.	Property development and construction	Malaysia	100	90
PR Global Assets Limited	Dormant	British Virgin Island	100	100
Power Impian International Sdn. Bhd.	Dormant	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	100	100
Power Root Distributor Sdn. Bhd.	Distribution of various beverage products	Malaysia	100	100

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of entity	Principal activities	Place of incorporation	Effective ownership interest and voting interest 2017 %	2016 %
Ali Cafe Sdn. Bhd.	Dormant	Malaysia	100	100
Power Root Support Services Sdn. Bhd.	Provision of accommodation facilities	Malaysia	100	100
Power Root ME FZCO *	Distribution of various beverage products	United Arab Emirates	91	77
Subsidiaries of Power Impian International Sdn. Bhd.				
PT. Power Impian International @	Dormant	Indonesia	95	95
Subsidiaries of Power Root ME FZCO				
P.R. Manufacturing ME LLC *	Dormant	United Arab Emirates	91	77
P.R. Egypt#	Dormant	Egypt	91	77

* Audited by member firm of KPMG International.
\# Not audited by member firms of KPMG International.
@ The subsidiary was liquidated on 13 April 2017.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

6.1 Non-controlling interest in subsidiaries

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

	Power Root ME FZCO	2017 Other individually immaterial subsidiaries	Total
NCI percentage of ownership interest and voting interest	9%		
	RM'000	**RM'000**	**RM'000**
Carrying amount of NCI	864	(22)	842
Profit allocated to NCI	3,650	41	3,691
Summarised financial information before intra-group elimination			
As at 31 March			
Non-current assets	8,597		
Current assets	55,444		
Current liabilities	(54,381)		
Net assets	9,660		
Year ended 31 March			
Revenue	141,688		
Profit for the year	15,469		
Total comprehensive income	16,160		
Cash flows from operating activities	8,433		
Cash flows used in investing activities	(2,402)		
Cash flows used in financing activities	(14,439)		
Net decrease in cash and cash equivalents	(8,408)		
Dividends paid to NCI	3,321		

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

6.1 Non-controlling interest in subsidiaries (continued)

	2016			
	Power Root Nnergy Sdn. Bhd.	**Power Root ME FZCO**	**Other individually immaterial subsidiaries**	**Total**
NCI percentage of ownership interest and voting interest	10%	23%		
	RM'000	**RM'000**	**RM'000**	**RM'000**
Carrying amount of NCI	919	1,813	(45)	2,687
Profit allocated to NCI	30	1,735	–	1,765
Summarised financial information before intra-group elimination				
As at 31 March				
Non-current assets	2	6,763		
Current assets	9,839	35,960		
Current liabilities	(654)	(34,795)		
Net assets	9,187	7,928		
Year ended 31 March				
Revenue	–	108,386		
Profit for the year	298	7,546		
Total comprehensive income	298	8,010		
Cash flows from operating activities	227	24,891		
Cash flows from/(used in) investing activities	284	(3,410)		
Cash flows used in financing activities	(10,000)	(10,784)		
Net (decrease)/increase in cash and cash equivalents	(9,489)	10,697		
Dividends paid to NCI	1,000	2,480		

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

6.1 Non-controlling interest in subsidiaries (continued)

Acquisition of non-controlling interests

(1) Power Root ME FZCO

On 30 December 2016, the Company acquired an additional 14% interest in Power Root ME FZCO for RM49,614,840 by the issuance of 24,200,000 new ordinary shares at an issue price of RM2.0502 per ordinary share, thereby increasing its ownership in Power Root ME FZCO from 77% to 91%. The carrying amount of Power Root ME FZCO's net assets in the Group financial statements on the date of acquisition was RM10,791,657. The Group recognised a decrease in non-controlling interest of RM1,510,834, a decrease in retained earnings of RM48,524,007 and an increase in exchange fluctuation reserve of RM420,001.

(2) Power Root Nnergy Sdn. Bhd.

On 21 March 2017, the Company acquired an additional 10% interest in Power Root Nnergy Sdn. Bhd. for RM800,000 in cash, increasing its ownership from 90% to 100%. The carrying amount of Power Root Nnergy Sdn. Bhd.'s net assets in the Group financial statements on the date of acquisition was RM7,994,634. The Group recognised a decrease in non-controlling interest of RM800,000, and an increase in retained earnings of RM800,000.

7. INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Unquoted shares, at cost	400,000	400,000	400,000	400,000
Share of post-acquisition reserves	(400,000)	(400,000)	–	–
Less: Impairment loss	–	–	(400,000)	–
	–	–	–	400,000

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

Name of entity	Country of incorporation	Principal activities	Effective ownership interest and voting interest 2017 %	2016 %
Jobtact Sdn. Bhd.*	Malaysia	Engaged in the business of information technology related products and services	40	40

* The associate has interest in subsidiaries that are principally involved in investment holding, providing information technology products and services and general trading of consumable products.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

7. INVESTMENT IN AN ASSOCIATE (CONTINUED)

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

	Group	
	2017 RM'000	**2016 RM'000**
Jobtact Sdn. Bhd.		
Summarised financial information		
As at 31 March		
Non-current assets	58	147
Current assets	1,209	839
Non-current liabilities	(2,604)	–
Current liabilities	(1,298)	(5,802)
Net liabilities	(2,635)	(4,816)
Year ended 31 March		
Loss from continuing operations/ Total comprehensive expense	(395)	(2,296)
Included in the total comprehensive income is:		
Revenue	2,239	2,678

8. INVESTMENT IN A JOINT VENTURE

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Unquoted shares, at cost	15,300	15,300	15,300	15,300
Share of post acquisition reserves	(15,300)	(15,300)	–	–
	–	–	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 in Malaysia.

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.

No disclosure is made on the summarised financial information as the investment in a joint venture is not material to the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

9. OTHER INVESTMENTS

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Non-current				
Available-for-sale financial assets				
Unquoted investments	392,000	392,000	392,000	392,000
Quoted unit trusts	4,089,520	–	–	–
Less: Impairment loss	(392,000)	–	(392,000)	–
	4,089,520	392,000	–	392,000
Market value of quoted unit trusts	4,089,520	–	–	–

10. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets 2017 RM	Assets 2016 RM	Liabilities 2017 RM	Liabilities 2016 RM	Net 2017 RM	Net 2016 RM
Group						
Property, plant and equipment						
- capital allowances	22,000	–	(2,771,754)	(2,995,214)	(2,749,754)	(2,995,214)
Trade receivables	–	9,000	–	–	–	9,000
Provisions	2,359,000	1,297,000	–	–	2,359,000	1,297,000
Unabsorbed capital allowances	–	338,000	–	–	–	338,000
Unutilised tax losses	–	2,835,000	–	–	–	2,835,000
Unutilised special tax incentive	245,000	169,000	–	–	245,000	169,000
Others	430,980	1,284,496	–	(3,000)	430,980	1,281,496
Tax assets/(liabilities)	3,056,980	5,932,496	(2,771,754)	(2,998,214)	285,226	2,934,282
Set off of tax	(2,771,754)	(1,933,496)	2,771,754	1,933,496	–	–
Net tax assets/(liabilities)	285,226	3,999,000	–	(1,064,718)	285,226	2,934,282

	Company 2017 RM	Company 2016 RM
Property, plant and equipment		
- capital allowances	22,000	(6,000)

NOTES TO THE FINANCIAL STATEMENTS

CONT'D

10. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

Unrecognised deferred tax assets

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

	Group	
	2017 RM'000	**2016 RM'000**
Deductible temporary differences	4,014	348
Unabsorbed capital allowances	4,092	2,310
Unutilised tax losses	27,886	4,033
	35,992	6,691

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.

Movement in temporary differences during the year

	At 1 April 2015 RM	**Recognised in profit or loss (Note 17) RM**	**At 31 March 2016 RM**	**Recognised in profit or loss (Note 17) RM**	**At 31 March 2017 RM**
Group					
Property, plant and equipment					
- capital allowances	(3,478,000)	482,786	(2,995,214)	245,460	(2,749,754)
Trade receivables	9,000	–	9,000	(9,000)	–
Provisions	993,000	304,000	1,297,000	1,062,000	2,359,000
Unabsorbed capital allowances	202,000	136,000	338,000	(338,000)	–
Unutilised tax losses	1,370,000	1,465,000	2,835,000	(2,835,000)	–
Unutilised special tax incentive	1,091,000	(922,000)	169,000	76,000	245,000
Others	252,697	1,028,799	1,281,496	(850,516)	430,980
	439,697	2,494,585	2,934,282	(2,649,056)	285,226
Company					
Property, plant and equipment					
- capital allowances	(4,000)	(2,000)	(6,000)	28,000	22,000

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

11. INVENTORIES

	Group	
	2017	**2016**
	RM	**RM**
Raw materials	32,639,683	29,436,319
Finished goods	13,657,746	15,545,795
Promotional gifts	1,959,998	1,402,894
Completed shoplot	–	599,104
Consumables	1,061,538	–
	49,318,965	46,984,112
Recognised in profit or loss:		
- Inventories recognised as cost of goods sold	177,362,382	163,992,301

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Trade receivables	139,045,667	104,489,909	–	–
Other receivables, deposits and prepayments	14,255,299	11,571,541	260,010	864,242
Due from subsidiaries				
- non-trade	–	–	36,479,616	39,907,604
Due from an associate				
- trade	407,312	204,333	–	–
- non-trade	–	543,746	–	543,746
	407,312	748,079	–	543,746
Due from a joint venture				
- non-trade	107,100	158,100	107,100	158,100
	153,815,378	116,967,629	36,846,726	41,473,692

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

13. CASH AND CASH EQUIVALENTS

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Cash and bank balances	52,966,878	47,259,341	2,126,488	608,136
Deposits placed with licensed banks	15,244,764	24,099,663	13,134,429	4,812,932
	68,211,642	71,359,004	15,260,917	5,421,068

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

14. CAPITAL AND RESERVES

Share capital

	Group/Company 2017 RM	Group/Company 2016 RM	Group/Company Number of ordinary shares 2017	Group/Company Number of ordinary shares 2016
Ordinary shares:				
Issued and fully paid				
At 1 April	60,814,637	60,655,737	304,073,185	303,278,685
Issued for acquisition of an additional 14% equity interest in a subsidiary	4,840,000	–	24,200,000	–
Issued for cash under ESOS	410,150	158,900	1,324,000	794,500
Transfer from share premium in accordance with Section 618(2) of the Companies Act 2016 (Note 14.1)	148,749,795	–	–	–
At 31 March	214,814,582	60,814,637	329,597,185	304,073,185
	Note 14.1			

14.1 Included in share capital is share premium amounting to RM148,749,795 that is available to be utilised in accordance with Section 618(3) of Companies Act 2016 on or before 30 January 2019 (24 months from commencement of Section 74 of Companies Act 2016).

Reserves

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Distributable				
Retained earnings	41,301,904	78,289,950	15,345,323	15,022,186
Non-distributable				
Share premium	–	103,168,665	–	103,168,665
Treasury shares	(10,149,047)	(8,054,960)	(10,149,047)	(8,054,960)
Share option reserve	2,430,718	2,219,932	2,430,718	2,219,932
Exchange fluctuation reserve	2,536,535	1,119,014	–	–
Fair value reserve	(8,513)	–	–	–
	36,111,597	176,742,601	7,626,994	112,355,823

Share premium

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares. The new Companies Act 2016, which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. In accordance with Section 618 of Companies Act 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital. Accordingly, the share premium has been transferred and become part of the Company's share capital.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

14. CAPITAL AND RESERVES (CONTINUED)

Treasury shares

The shareholders of the Company, by a special resolution passed in the Extraordinary General Meeting held on 28 April 2014, approved the Company's plan to repurchase its own shares. The Directors of the Company are committed to enhance the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

At the Annual General Meeting held on 29 August 2016, the shareholders of the Company renewed their approval for the Company to repurchase its own shares.

For the financial year ended 31 March 2017, the Company repurchased 1,045,400 (2016: 462,300) of its issued share capital from the open market. The average price paid for the shares repurchased was RM2.00 (2016: RM1.78) per share including transaction costs, and the repurchase transactions were financed by internally generated funds. The shares repurchased are held as treasury shares.

At 31 March 2017, a total of 6,181,700 (2016: 5,136,300) repurchased shares are being held as treasury shares.

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 20.

15. LOANS AND BORROWINGS

	Group	
	2017	**2016**
	RM	**RM**
Non-current		
Finance lease liabilities - secured	576,372	–
Term loans - unsecured	342,360	579,480
	918,732	579,480
Current		
Finance lease liabilities - secured	393,678	–
Term loans - unsecured	221,196	188,932
Bankers' acceptance - unsecured	10,528,000	10,129,000
	11,142,874	10,317,932
	12,061,606	10,897,412

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

15. LOANS AND BORROWINGS (CONTINUED)

Finance lease liabilities are payable as follows:

	Future minimum lease payments RM	Interest RM	Present value of minimum lease payments RM
Group			
2017			
Less than one year	423,372	29,694	393,678
Between one and five years	619,846	43,474	576,372
	1,043,218	73,168	970,050

16. TRADE AND OTHER PAYABLES

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Trade payables	59,019,398	42,638,083	–	–
Other payables	5,783,545	3,911,314	20,017	9,761
Accrued expenses	31,276,278	27,120,043	358,548	152,414
Due to subsidiaries				
- non-trade	–	–	–	1,579
Due to an associate				
- trade	61,887	–	–	–
	96,141,108	73,669,440	378,565	163,754

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

17. TAX EXPENSE/(INCOME)

Recognised in profit or loss

Major components of income tax expense include:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Current tax expense				
- Current year	4,049,900	4,132,000	227,379	170,000
- Prior year	844,611	(2,469,966)	47,914	20,515
	4,894,511	1,662,034	275,293	190,515
Deferred tax expense/(income)				
- Origination and reversal of temporary differences	4,258,056	(662,585)	(17,000)	4,000
- Over provision in prior year	(1,609,000)	(1,832,000)	(11,000)	(2,000)
	2,649,056	(2,494,585)	(28,000)	2,000
	7,543,567	(832,551)	247,293	192,515

	RM'000	RM'000	RM'000	RM'000
Reconciliation of tax expense/ (income)				
Profit before tax	54,761	44,381	32,560	36,981
Income tax calculated using Malaysian tax rate of 24%	13,143	10,651	7,814	8,875
Non-deductible expenses	1,392	2,448	2,130	6,735
Tax incentives	(7,452)	(7,049)	–	–
Non-taxable income	(1,760)	(828)	(9,734)	(15,436)
Effect of unrecognised deferred tax assets	6,698	58	–	–
Effect of different tax rates in foreign jurisdictions	(3,713)	(1,811)	–	–
	8,308	3,469	210	174
(Over)/Under provision in prior year	(764)	(4,302)	37	19
Tax expense/(income)	7,544	(833)	247	193

A subsidiary has been granted pioneer status under P.U. (A) 61/2012, Promotion of Investments Act 1986 for a period of 5 years from 4 July 2014 to 3 July 2019. Under this pioneer status, 70% of the statutory income is exempted from tax.

The financial statements for the financial period ended 31 March 2015 did not take into accounts the pioneer status incentive as the date of commencement of pioneer status was set only after the date the financial statements was authorised for issuance. Accordingly, the effect was shown as over provision of tax in prior year in the financial year ended 31 March 2016.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

18. PROFIT FOR THE YEAR

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
Profit for the year is arrived at after charging/(crediting)					
Audit fees:					
- Statutory audit					
- KPMG in Malaysia		198,000	188,000	48,000	48,000
- Overseas affiliates of KPMG in Malaysia		70,338	–	–	–
- Other auditors		11,367	64,082	–	–
- Non-audit fees					
- Local affiliates of KPMG in Malaysia		81,500	68,000	4,500	3,500
- KPMG in Malaysia		20,000	10,000	10,000	10,000
Bad debts written off		136,110	2,049	–	–
Goodwill written off		–	4,829,585	–	–
Impairment loss on investments in:					
- subsidiaries		–	–	5,499,998	27,000,000
- an associate		–	–	400,000	–
- other investments		392,000	–	392,000	–
Impairment loss/(Reversal of impairment loss) on amounts due from:					
- trade receivables		(643,117)	1,896,227	–	–
- other receivables		154,723	–	154,723	–
- subsidiaries		–	–	738,247	(1,197,470)
- an associate		543,746	561,747	543,746	561,747
- a joint venture		–	(281,892)	–	(281,892)
(Reversal of write down)/ Write down of inventories		(992,184)	1,139,869	–	–
Personnel expenses (including key management personnel):					
- Contributions to state plans		3,441,998	3,056,879	42,297	22,111
- Wages, salaries and others		41,539,564	34,639,197	347,853	181,480
- Share-based payment transactions	20	528,546	531,037	186,486	212,616
Dividend income from quoted unit trusts		(104,823)	–	–	–
Gain on disposal of property, plant and equipment		(254,137)	(2,525,818)	–	(59,999)
Loss/(Gain) on foreign exchange:					
- realised		(5,492,369)	(8,112,091)	(617,963)	(339,756)
- unrealised		(2,491,715)	3,976,644	(30,207)	(6,946)
Rental of:					
- office		133,803	139,290	10,800	10,800
- factory		235,815	78,356	–	–
- hostel		724,589	725,474	–	–
- equipment		363,259	51,200	–	–
Rental income		(193,597)	(182,343)	–	–

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

19. EARNINGS PER ORDINARY SHARE

Group

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 March 2017 was based on the profit attributable to ordinary shareholders of RM43,525,792 (2016: RM43,448,442) and a weighted average number of ordinary shares outstanding of 306,880,360 (2016: 298,618,618).

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 31 March 2017 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)

	Group	
	2017 RM	**2016 RM**
Profit attributable to ordinary shareholders (diluted)	43,525,792	43,448,442
Weighted average number of ordinary shares (basic)	306,880,360	298,618,618
Effect of share options in issue	14,220,895	15,790,587
Weighted average number of ordinary shares (diluted) at 31 March	321,101,255	314,409,205
	13.56	13.82

20. 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 and on 4 November 2015, the Group further granted share options on similar terms (except for exercise price) to qualified employees.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

20. EMPLOYEE BENEFITS (CONTINUED)

Share-based payments arrangement (continued)

Share option programme (equity settled) (continued)

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 its subsidiaries on 3 July 2013	1,100	50% KPI related, 50% non-KPI related	5 years
Options granted to eligible employees of its subsidiaries on 4 November 2015	1,100	50% KPI related, 50% non-KPI related	5 years
	30,710		

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

	2017		2016	
	Weighted average exercise price	Number of options ('000)	Weighted average exercise price	Number of options ('000)
Outstanding at 1 April/March	RM0.786	25,036	RM0.718	24,818
Granted during the year	–	–	RM2.430	1,100
Forfeited during the year	RM1.298	(300)	RM1.391	(87)
Exercised during the year	RM0.679	(1,324)	RM0.861	(795)
Outstanding at 31 March	RM0.785	23,412	RM0.786	25,036
Exercisable at 31 March	RM0.759	6,478	RM0.709	4,684

The options outstanding at 31 March 2017 have an exercise price in the range of RM0.675 to RM2.430 (2016: RM0.675 to RM2.430) and a weighted average contractual life of 5.0 years (2016: 6.0 years).

During the financial year, 1,324,000 share options were exercised. The weighted average share price at the date of exercise for the year was RM2.10 (2016: RM2.35).

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

20. EMPLOYEE BENEFITS (CONTINUED)

Share option programme (equity settled) (continued)

The fair value of services received in return for share options granted in the financial year ended 31 March 2016 is based on the fair value of share options granted, measured using a binomial tree method, with the following inputs:

	Eligible employees of its subsidiaries 2016
Fair value at grant date	RM0.213 - RM0.225
Share price at grant date	RM2.82
Expected volatility (weighted average volatility)	40%
Option life (expected weighted average life)	5 years
Expected dividends	6%
Risk-free interest rate (based on Malaysian Government Securities)	3.02% - 3.38%

Value of employee services received for issue of share options

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Share options granted in 2013	459	476	186	213
Share options granted in 2014	15	15	–	–
Share options granted in 2016	55	40	–	–
Total expense recognised as share-based payments	529	531	186	213

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

21. DIVIDENDS

Dividends recognised by the Company are:

	Sen per share	Total amount RM	Date of payment
2017			
Fourth interim 2016	3.0	8,969,187	30 June 2016
First interim 2017	2.5	7,462,520	30 September 2016
Second interim 2017	2.5	7,472,737	30 December 2016
Third interim 2017	2.5	8,085,387	31 March 2017
		31,989,831	
2016			
Third interim 2015	2.0	5,963,348	30 June 2015
Special interim 2015	2.5	7,454,185	30 June 2015
First interim 2016	3.0	8,959,301	1 October 2015
Second interim 2016	3.0	8,965,901	31 December 2015
Third interim 2016	2.0	5,978,738	31 March 2016
		37,321,473	

After the end of the reporting year, the Directors declared a fourth interim dividend of 4.0 sen per ordinary share totalling RM12,944,819 in respect of the year ended 31 March 2017 on 29 May 2017 which was paid on 4 July 2017.

These dividends will be accounted for in the statement of changes in equity as an appropriation of retained earnings in subsequent financial year.

22. ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM6,886,026 (2016: RM4,863,743) of which RM1,181,000 (2016: NIL) was financed by finance lease.

23. OPERATING SEGMENTS

The Group operates principally in Malaysia with the manufacturing and distribution of beverage products (ie Fast Moving Consumers Goods) being the core business of the Group. 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.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

23. OPERATING SEGMENTS (CONTINUED)

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

	Group	
	2017 RM'000	**2016 RM'000**
Local	216,099	225,994
Overseas	183,202	141,538
	399,301	367,532

Major customers

The following are major customers with revenue equal or more than 10% of the Group's total revenue.

	Revenue		
	2017 RM	**2016 RM**	**Segment**
Customer A	48,403	–	Overseas
Customer B	–	42,471	Overseas

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:

	Available for sales			
	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Group/Company				
Financial assets				
Other investments	4,090	392	–	392

24.2 Net gains and losses arising from financial instruments

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Net gains/(losses) on:				
Available-for-sale financial assets				
- recognised in profit or loss	(287)	–	(392)	–
- recognised in other comprehensive income	(9)	–	–	–
	(296)	–	(392)	–
Loans and receivables	8,987	3,344	(507)	1,601
Financial liabilities measured at amortised cost	(333)	(456)	–	–
	8,358	2,888	(899)	1,601

24. FINANCIAL INSTRUMENTS (CONTINUED)

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 and an associate. The Company's exposure to credit risk arises principally from 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.

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

	Group	
	2017	**2016**
	RM'000	**RM'000**
Local	90,028	83,777
Overseas	49,425	20,917
	139,453	104,694

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.4 Credit risk (continued)

Receivables (continued)

Impairment losses

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

Group	Gross RM'000	Individual impairment RM'000	Net RM'000
2017			
Not past due	86,118	–	86,118
Past due 1 - 30 days	14,596	(1)	14,595
Past due 31 - 60 days	9,648	(1)	9,647
Past due 61 - 90 days	6,057	(2)	6,055
Over 90 days	24,818	(1,780)	23,038
	141,237	(1,784)	139,453
2016			
Not past due	58,234	–	58,234
Past due 1 - 30 days	13,587	(1)	13,586
Past due 31 - 60 days	6,160	(1)	6,159
Past due 61 - 90 days	7,363	(2)	7,361
Over 90 days	21,573	(2,219)	19,354
	106,917	(2,223)	104,694

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

	Group 2017 RM'000	Group 2016 RM'000
At 1 April	2,223	390
Impairment loss recognised	25	1,947
Impairment loss reversed	(668)	(51)
Exchange difference	204	(63)
At 31 March	1,784	2,223

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.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.4 Credit risk (continued)

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 RM9,335,946 (2016: RM10,897,412) 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 unsecured advances to subsidiaries. The 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

The movements in the allowance for impairment losses of inter-company balances during the financial year were:

	2017 RM'000	**2016 RM'000**
At 1 April	–	1,197
Impairment loss recognised	738	–
Reversal of impairment loss	–	(1,197)
At 31 March	738	–

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

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

24. FINANCIAL INSTRUMENTS (CONTINUED)

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
2017						
Group						
Non-derivative financial liabilities						
Secured Finance lease liabilities	970	2.51 - 2.52	1,043	423	423	197
Unsecured term loans	564	7.43	617	256	256	105
Unsecured bankers' acceptance	10,528	3.85 - 3.90	10,528	10,528	–	–
Trade and other payables	96,141	–	96,141	96,141	–	–
	108,203		108,329	107,348	679	302
Company						
Non-derivative financial liabilities						
Trade and other payables	379	–	379	379	–	–
Financial guarantee *	–	–	9,336	9,336	–	–
	379		9,715	9,715	–	–
2016						
Group						
Non-derivative financial liabilities						
Unsecured term loans	768	7.65	876	256	256	364
Unsecured bankers' acceptance	10,129	3.10 - 4.07	10,129	10,129	–	–
Trade and other payables	73,670	–	73,670	73,670	–	–
	84,567		84,675	84,055	256	364
Company						
Non-derivative financial liabilities						
Trade and other payables	164	–	164	164	–	–
Financial guarantee *	–	–	10,897	10,897	–	–
	164		11,061	11,061	–	–

* The amount represents the outstanding banking facilities of subsidiaries as at the end of reporting period.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

24. FINANCIAL INSTRUMENTS (CONTINUED)

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 and the Company are 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"), Chinese Yuan ("RMB"), Brunei Dollar ("BRU") and Indonesian Rupiah ("RUP").

Risk management objectives, policies and processes for managing the risk

The Group and the Company do not hedge their financial assets and liabilities.

Foreign exchange exposures in transactional currencies other than the functional currency of the Group and the Company are kept to an acceptable level.

Exposure to foreign currency risk

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

	Denominated in			
	USD RM'000	**SGD RM'000**	**RMB RM'000**	**BRU RM'000**
Group				
2017				
Trade and other receivables	47,479	4,210	–	629
Cash and cash equivalents	18,072	1,292	–	–
Trade and other payables	(10,461)	(1,067)	(1,026)	–
	55,090	4,435	(1,026)	629
2016				
Trade and other receivables	16,845	3,867	–	17
Cash and cash equivalents	7,704	3,437	–	–
Trade and other payables	(4,358)	(1,668)	(1,328)	–
	20,191	5,636	(1,328)	17

	Denominated in	
	USD RM'000	**RUP RM'000**
Company		
2017		
Inter-company balances	501	–
2016		
Inter-company balances	213	160

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.6 Market risk (continued)

Currency risk sensitivity analysis

A 10% (2016: 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 and the Company 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.

	Profit or loss	
	Group RM'000	**Company RM'000**
2017		
USD	(4,187)	(38)
SGD	(337)	–
RMB	78	–
BRU	(48)	–
2016		
USD	(1,535)	(16)
SGD	(428)	–
RMB	101	–
BRU	(1)	–
RUP	–	(12)

A 10% (2016: 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.

Risk management objectives, policies and processes for managing the risk

Exposure to interest risk is monitored on an ongoing basis and the Group endeavours to keep the exposure at an acceptable level.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.6 Market risk (continued)

Interest rate risk (continued)

Exposure to interest rate risk

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Fixed rate instruments				
Financial assets	15,245	24,100	13,134	4,813
Financial liabilities	(11,498)	(10,129)	–	–
	3,747	13,971	13,134	4,813
Floating rate instruments				
Financial liabilities	(564)	(768)	–	–

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*

An increase of 100 basis points ("bp") in interest rates at the end of the reporting period would have decreased post-tax profit by RM4,000 (2016: RM6,000). A 100 bp decrease in interest rates would have had equal but opposite effect on profit or loss. This analysis assumes that all other variables, remained constant.

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.

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 FTSE Bursa Malaysia KLCI ("FBMKLCI").

A 10% (2016: NIL) strengthening in FBMKLCI at the end of the reporting period would have increased equity by RM408,952 (2016: NIL) for investments classified as available for sale. A 10% (2016: NIL) weakening in FBMKLCI would have had equal but opposite effect on equity.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.7 Fair value information

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

The carrying amount of floating rate term loans approximate their fair values as their effective interest rates change according to movements in the market interest rates.

The carrying amount of the finance lease liabilities approximate their fair values as their effective interest rates are reflective of the current market interest rates.

It was not practicable to estimate the fair value of the Group's and the Company's investment in unquoted shares due to the lack of comparable quoted market prices in an active market and the fair value cannot be reliably measured.

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 RM200 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

	Group	
	2017 RM	**2016 RM**
Capital expenditure commitment		
Property, plant and equipment		
Contracted but not provided for	4,334,941	3,817,395

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 or common significant influence. 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 and entity that provides key management personnel services to the Group. The key management personnel includes all the Directors of the Group, and certain members of senior management 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

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and the Company are shown below. The balances related to the below transactions are shown in Notes 12 and 16.

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
A. Subsidiaries				
Dividend income (gross)	–	–	(39,910,011)	(62,780,020)
Management fees	–	–	(673,831)	(478,696)
Rental expense	–	–	10,800	10,800
B. Associate				
Sales	(873,845)	(548,801)	–	–
Marketing expenses	462,358	865,617	–	–
C. Fees paid to a firm in which an alternate Director of the Company is a partner	32,966	21,293	–	–
D. Substantial shareholder				
Sales of motor vehicles	120,000	–	–	–
E. Company related to Directors				
Management fees	239,840	–	–	–

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

27. RELATED PARTIES (CONTINUED)

Significant related party transactions (continued)

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
F. Key management personnel				
Directors				
- Fees	167,839	168,242	145,581	108,000
- Remuneration	7,263,532	4,877,462	–	–
- Share-based payments	282,527	179,388	246,536	143,847
	7,713,898	5,225,092	392,117	251,847

The estimated monetary value of Directors' benefit-in-kind for the Group are RM328,218 (2016: RM306,330).

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Other key management personnel				
- Remuneration	3,069,176	–	–	–
- Share-based payments	53,504	–	–	–
	3,122,680	–	–	–

The estimated monetary value of key management personnel for the Group is RM37,816 (2016: NIL).

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 31 March, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Total retained earnings of the Company and its subsidiaries:				
- realised profits	53,965	80,078	15,293	15,021
- unrealised profits	2,777	(1,042)	52	1
	56,472	79,036	15,345	15,022
Less: Consolidation adjustments	(15,440)	(746)	–	–
Total retained earnings	41,302	78,290	15,345	15,022

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.

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

In the opinion of the Directors, the financial statements set out on pages 60 to 120 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 March 2017 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 121 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
Director

See Thuan Po
Director

Johor Bahru

21 July 2017

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

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 60 to 121 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named Chong Wee Kok, NRIC: 720307-01-5473, at Johor Bahru in the State of Johor on 21 July 2017.

Chong Wee Kok

Before me:

Hj Zamani Bin Ahmad
Commissioner for Oaths
No. J-253

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF POWER ROOT BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Power Root Berhad, which comprise the statements of financial position as at 31 March 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 60 to 120.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 March 2017, and of their financial performance and their 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 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Completeness of advertising and promotional expenses

Refer to Note 2 - Significant accounting policy and Statement of Profit or Loss and Other Comprehensive income.

The key audit matter

The Group incurs various types of advertising and promotional expenses, such as worldwide television, print, radio, internet and in-store advertising expenses. There are also various types of arrangements with the customers for the advertising and promotional activities. Some of the arrangements are based on sales target and agreed rates ("trading term arrangements") and others are based on planned and agreed advertising and promotional activities on a yearly basis.

We have identified this area as one of the key audit matter due to the diverse variety of trading term arrangements and the range of agreed rates, which it involves significant judgement in ascertaining the nature and classification of the advertising and promotion expenses. Accruals are also required at the circumstances where settlement has not been made by year end or where prior year claims arise.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF POWER ROOT BERHAD
CONT'D

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

How the matter was addressed in our audit:

Our audit procedures performed in this area included, among others:

- We developed an expectation of the major accruals based on the relationship between the sales volume and trading term arrangements. We compared the expectation to actual accruals for advertising and promotional expenses and agreed the trading term arrangements to underlying agreements with customers.

- We evaluated the Group's accruals/provisions for advertising and promotional expenses by testing invoices/debit notes and cash paid after the financial year ended to detect any unrecorded liabilities.

- We obtained external confirmations from selected samples of major advertising agents to assess the completeness of the advertising and promotional expenses incurred during the year and the amount due as at the financial year ended.

- We assessed the historical accuracy of the provisions for the planned and agreed advertising and promotional activities by considering the consistency of the Directors' judgement for recognising the provision and examined the utilisation or release of previously recorded provisions to the actual usage/consumption of the advertising and promotional activities.

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF POWER ROOT BERHAD
CONT'D

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 internal control of the Group and of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF POWER ROOT BERHAD
CONT'D

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 6 to the financial statements.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 28 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTER

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Chan Yen Ing
Approval Number: 03174/04/2019 J
Chartered Accountant

Johor Bahru

21 July 2017

LIST OF PROPERTIES

AS AT 31 MARCH 2017

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/ 19 years	41,354/21,269	3,383,914
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/ 19 years	41,801/24,177	2,174,278
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 Plentong District of Johor Bahru	Warehouse, factory cum office	Freehold/ 10 years	772,098/155,389	38,114,685
iv)	Lot 945, Springs 10 Street 7, Villa 33, Type 3E The Springs Emirates Living Dubai	Residential	Freehold/ 11 years	4,080/2275	1,250,448
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/ 21 years	19,493/14,516	3,018,065
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/ 21 years	19,300/14,512	3,798,419
vii)	No. 305, 3rd Floor Sobha Sapphire Business Bay (Al Khail Road Entrance) Dubai.	Office	Freehold/ 4 years	2,510	3,165,045
viii)	No. 43, 43-01 & 43-02 Jalan Serangkai 11 Taman Bukit Dahlia 81700 Pasir Gudang, Johor on PN 64162 Lot 203760 in the Mukim of Plentong District of Johor Bahru	3 Storey Shop Office	Leasehold/ 2 years	2,099/6,297	597,902

ANALYSIS OF SHAREHOLDINGS

AS AT 30 JUNE 2017

ISSUED & FULLY PAID-UP CAPITAL : RM215,081,192 consisting of 329,802,185 ordinary shares

Category	No. of Holders	%	No. of Securities	%
1 - 99	35	2.03	745	0.00
100 - 1,000	473	27.39	294,302	0.09
1,001 - 10,000	846	48.99	3,880,718	1.18
10,001 - 100,000	258	14.94	7,941,415	2.41
100,001 to less than 5% of issued shares	111	6.42	103,804,015	31.47
5% and above of issued shares	4	0.23	213,880,990	64.85
Total	1,727	100.00	329,802,185	100.00

LIST OF DIRECTORS' SHAREHOLDINGS

		No. of shares held			
No.	Name of Directors	Direct interest	%	Indirect interest	%
1	DATO' AFIFUDDIN BIN ABDUL KADIR	–	–	–	–
2	DATO' LOW CHEE YEN	64,673,930	19.61	390,000	0.12
3	DATO' WONG FUEI BOON	60,807,630	18.44	–	–
4	DATO' HOW SAY SWEE	63,228,230	19.17	–	–
5	ONG KHENG SWEE	180,263	0.05	120,000	0.04
6	DATO' TEA CHOO KENG	615,400	0.19	–	–
7	SEE THUAN PO	1,915,000	0.58	–	–
8	AZAHAR BIN BAHARUDIN	5	0.00	–	–

LIST OF SUBSTANTIAL SHAREHOLDERS

		No. of shares held			
No.	Name of Substantial Shareholders	Direct interest	%	Indirect interest	%
1	DATO' LOW CHEE YEN	64,673,930	19.61	390,000	0.12
2	DATO' HOW SAY SWEE	63,228,230	19.17	–	–
3	DATO' WONG FUEI BOON	60,807,630	18.44	–	–
4	WONG TAK KEONG	25,171,200	7.63	2,930,000	0.89

ANALYSIS OF SHAREHOLDINGS

AS AT 30 JUNE 2017
CONT'D

CATEGORY OF SHAREHOLDERS OF EACH CLASS

	No. Of Holders		No. Of Shares		Percentage (%)	
Category Of Shareholders	**MALAYSIAN**	**FOREIGN**	**MALAYSIAN**	**FOREIGN**	**MALAYSIAN**	**FOREIGN**
1 Individuals	1,209	17	146,995,960	161,400	44.57	0.05
2 Body Corporate						
a. Banks/Finance Companies	1	–	4,000	–	0.00	–
b. Investment Trusts/ Foundation/Charities	–	–	–	–	–	–
c. Other types of Companies	21	–	8,062,497	–	2.45	–
3 Government Agencies/ Institutions	–	–	–	–	–	–
4 Nominees	458	21	158,903,733	15,674,595	48.18	4.75
5 Others	–	–	–	–	–	–
TOTAL	1,689	38	313,966,190	15,835,995	95.20	4.80

LIST OF THIRTY (30) LARGEST SHAREHOLDERS

No.	Names	Shareholdings	%
1	Low Chee Yen	47,004,430	14.25
2	Wong Fuei Boon	46,870,130	14.21
3	CIMSEC Nominees (Tempatan) Sdn Bhd *CIMB For How Say Swee (PB)*	27,692,330	8.40
4	Wong Tak Keong	15,700,000	4.76
5	How Say Swee	15,555,900	4.72
6	Alliancegroup Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for How Say Swee (6000382)*	14,080,000	4.27
7	Citigroup Nominees (Tempatan) Sdn Bhd *Employees Provident Fund Board (RHB Inv)*	9,941,000	3.01
8	CIMSEC Nominees (Tempatan) Sdn Bhd *CIMB Bank for Low Chee Yen (MY1770)*	7,900,000	2.40
9	HSBC Nominees (Tempatan) Sdn Bhd *HSBC (M) Trustee Bhd for RHB Kidsave Trust*	6,670,100	2.02
10	CIMSEC Nominees (Tempatan) Sdn Bhd *CIMB Bank for Wong Fuei Boon (MY1771)*	5,900,000	1.79
11	CIMSEC Nominees (Tempatan) Sdn Bhd *CIMB Bank for How Say Swee (MY1773)*	5,900,000	1.79
12	HSBC Nominees (Tempatan) Sdn Bhd *HSBC (M) Trustee Bhd for RHB Smart Treasure Fund*	5,637,800	1.71
13	Citigroup Nominees (Asing) Sdn Bhd *Exempt An for Citibank New York (Norges Bank 14)*	5,288,100	1.60
14	MERCSEC Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Wong Fuei Boon*	5,207,700	1.58
15	Citigroup Nominees (Asing) Sdn Bhd *Exempt An for Citibank New York (Norges Bank 12)*	4,921,700	1.49

ANALYSIS OF SHAREHOLDINGS

AS AT 30 JUNE 2017
CONT'D

LIST OF THIRTY (30) LARGEST SHAREHOLDERS (CONTINUED)

No.	Names	Shareholdings	%
16	Citigroup Nominees (Tempatan) Sdn Bhd *Kumpulan Wang Persaraan (Diperbadankan) (Affin Am B Eq)*	4,910,800	1.49
17	CIMSEC Nominees (Tempatan) Sdn Bhd *CIMB For Low Chee Yen (PB)*	4,400,000	1.33
18	Alliancegroup Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Wong Tak Keong (6000698)*	4,000,000	1.21
19	CIMSEC Nominees (Tempatan) Sdn Bhd *CIMB for See Seang Huat & Company Sdn Berhad (PB)*	3,830,000	1.16
20	CIMSEC Nominees (Tempatan) Sdn Bhd *CIMB Bank for Wong Tak Keong (MY1772)*	3,361,900	1.02
21	Citigroup Nominees (Asing) Sdn Bhd *Exempt An for Citibank New York (Norges Bank 9)*	3,215,300	0.97
22	Maybank Nominees (Tempatan) Sdn Bhd *Etiqa Takaful Berhad (Shareholders FD)*	3,091,100	0.94
23	Ling Shi Yng	2,930,000	0.89
24	CIMB Group Nominees (Tempatan) Sdn Bhd *CIMB Commerce Trustee Berhad – Kenanga Growth Fund*	2,259,600	0.69
25	HSBC Nominees (Tempatan) Sdn Bhd *HSBC (M) Trustee Bhd for RHB Equity Trust*	2,132,800	0.65
26	Wong Fuei Boon	2,129,800	0.65
27	HLB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Wong Tak Keong*	2,109,300	0.64
28	Citigroup Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Low Chee Yen (010115756)*	2,035,800	0.62
29	HSBC Nominees (Tempatan) Sdn Bhd *HSBC (M) Trustee Bhd for RHB Growth And Income Focus Trust*	1,950,093	0.59
30	Low Chee Yen	1,803,700	0.55

NOTICE OF THE ELEVENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Eleventh Annual General Meeting ("AGM") of the Company will be held at No. 1, Jalan Sri Plentong, Taman Perindustrian Sri Plentong, 81750 Masai, Johor on Monday, 28 August 2017 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 31 March 2017 together with the Reports of the Directors and the Auditors thereon. ***(Resolution 1)***

2. To sanction payment of Directors' fees for the financial year ending 31 March 2018, to be payable on quarterly basis in arrears (please refer to Note (c) – EXPLANATORY NOTES RELATING TO RESOLUTION NO. 2). ***(Resolution 2)***

3. To approve the benefit in kind payable to the Directors an aggregate amount of not more than RM500,000 for the financial year ending 31 March 2018. ***(Resolution 3)***

4. To re-elect Dato' Low Chee Yen, who retires pursuant to the Article 122 of the Company's Articles of Association and being eligible, has offered himself for re-election. ***(Resolution 4)***

5. To re-elect Mr. See Thuan Po, who retires pursuant to the Article 121 of the Company's Articles of Association and being eligible, has offered himself for re-election. ***(Resolution 5)***

6. To re-elect the following Directors who retire pursuant to the Article 126 of the Company's Articles of Association and being eligible, have offered themselves for re-election:

   6.1 Dato' Afifuddin bin Abdul Kadir ***(Resolution 6)***
   6.2 Dato' Tea Choo Keng ***(Resolution 7)***

7. To re-appoint Messrs KPMG PLT (converted from a conventional partnership, KPMG on 27 December 2016) as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. ***(Resolution 8)***

SPECIAL BUSINESS

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

8. To re-appoint Mr. Ong Kheng Swee, who has served for more than nine (9) years as Independent Non-Executive Director of the Company, pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012 ("the Code"). ***(Resolution 9)***

9. **Authority for Directors to Issue Shares Pursuant To Section 75 of the Companies Act 2016** ***(Resolution 10)***

   "THAT pursuant to Section 75 of the Companies Act 2016 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 THE ELEVENTH ANNUAL GENERAL MEETING
CONT'D

SPECIAL BUSINESS (continued)

10. **Proposed Renewal of the Authority to allot and issue new ordinary shares 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 11)***

    "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 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."

11. **Proposed Renewal of the Authority To Buy-Back Its Own Shares by the Company** ***(Resolution 12)***

    "THAT subject to the provisions of the Companies Act 2016, 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 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 of the Company based on the latest audited financial statements and/or the latest management accounts (where applicable) available at the time of purchase of the Proposed Share Buy-Back.

    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.

NOTICE OF THE ELEVENTH ANNUAL GENERAL MEETING
CONT'D

SPECIAL BUSINESS (continued)

11. **Proposed Renewal of the Authority To Buy-Back Its Own Shares by the Company (continued)**

AND THAT the Board be and is hereby authorised to take all such necessary steps to give effect to the Proposed Renewal of 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 Renewal of 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."

9. 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
31 July 2017

Notes:

(a) GENERAL MEETING RECORD OF DEPOSITORS

Only depositors whose name appears in the Record of Depositors as at 21 August 2017 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 and a proxy appointed to attend, speak and vote at a meeting shall have the same rights as the member to speak at the meeting.

ii. A member may appoint not more than two (2) proxies to attend and vote at the same meeting.

NOTICE OF THE ELEVENTH ANNUAL GENERAL MEETING
CONT'D

Notes: (continued)

(b) PROXY (continued)

iii. Where a member appoints two (2) proxies, he shall specify the proportion of his holdings to be represented by each proxy. Otherwise, the appointment shall be invalid.

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 but not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

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

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

vii. 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.

viii. 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 RELATING TO RESOLUTION NO. 2

Resolution 2, if passed, will allow the Company to pay Directors' fees in a timely manner on quarterly basis in arrears, for services rendered during the course of the financial year ending 31 March 2018. (The quantum of fees payable will be based on the existing remuneration structure for directors).

(d) EXPLANATORY NOTES TO SPECIAL BUSINESS:

1. The Board of Directors via the Nominating Committee assessed the independence of Mr. Ong Kheng Swee, who has served on the Board as Independent Non-Executive Director of the Company for a cumulative of more than nine (9) years and the Board has recommended that the approval of the shareholders be sought to re-appoint Mr. Ong Kheng Swee, based on the following justifications:

(a) He has met the criteria the independence guidelines set out in Chapter 1 of the Main Market Listing Requirements of Bursa Securities and therefore able to give independent opinion to the Board;

(b) Being director for more than nine (9) years has enabled him to contribute positively during deliberations/ discussions at meetings as he is familiar with the operations of the Company and possess knowledge of the Company's operations;

(c) He has the caliber, qualifications, experiences and personal qualities to challenge management in an effective and constructive manner; and

(d) He has contributed sufficient time and exercised due care during his tenure as Independent Non-Executive Director and carried out his fiduciary duties in the interest of the Company and minority shareholders.

NOTICE OF THE ELEVENTH ANNUAL GENERAL MEETING

CONT'D

Notes: (continued)

(d) EXPLANATORY NOTES TO SPECIAL BUSINESS: (continued)

2. The Proposed Ordinary Resolution 10 is for the purpose of granting a general mandate ("General Mandate") empowering the Directors of the Company, pursuant to Section 75 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.

3. The Proposed Ordinary Resolution 11 is for the purpose of granting a 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 in the Company. The General Mandate for DRP has been granted by the shareholders at the AGM of the Company held on 29 August 2016. This authority will, unless revoked or varied by the Company in general meeting, expires at the next AGM of the Company.

4. The Proposed Ordinary Resolution 12 is for the purpose of granting a 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 AGM of the Company held on 29 August 2016. 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 ELEVENTH ANNUAL GENERAL MEETING

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

<u>Re-election Pursuant to the Article 122 of the Company's Articles of Association</u>

- Dato' Low Chee Yen

<u>Re-election Pursuant to the Article 121 of the Company's Articles of Association</u>

- See Thuan Po

<u>Re-election Pursuant to the Article 126 of the Company's Articles of Association</u>

- Dato' Afifuddin bin Abdul Kadir
- Dato' Tea Choo Keng

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

Details of Directors who are standing for re-election are set out in the Directors' profile appearing on pages 5 to 8 of the Annual Report.

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

PROXY FORM

Number of Ordinary Shares Held

I/We, ____
(FULL NAME AND NRIC/PASSPORT NO/COMPANY 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 on *my/ our behalf at the Eleventh Annual General Meeting of the Company to be held at No. 1, Jalan Sri Plentong, Taman Perindustrian Sri Plentong, 81750 Masai, Johor on Monday, 28 August 2017 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 31 March 2017 together with the Reports of the Directors and the Auditors thereon.		
2.	To sanction payment of Directors' fees for the financial year ending 31 March 2018, to be payable on quarterly basis in arrears.		
3.	To approve the benefit in kind payable to the Directors an aggregate amount of not more than RM500,000 for the financial year ending 31 March 2018.		
4.	To re-elect the Director, Dato' Low Chee Yen who retires pursuant to Article 122 of the Company's Articles of Association.		
5.	To re-elect the Director, Mr. See Thuan Po who retires pursuant to Article 121 of the Company's Articles of Association.		
6.	To re-elect the Director, Dato' Afifuddin bin Abdul Kadir who retires pursuant to Article 126 of the Company's Articles of Association.		
7.	To re-elect the Director, Dato' Tea Choo Keng who retires pursuant to Article 126 of the Company's Articles of Association.		
8.	To re-appoint Messrs KPMG PLT (converted from a conventional partnership, KPMG on 27 December 2016) as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.		
	SPECIAL BUSINESS		
9.	To re-appoint Mr. Ong Kheng Swee to continue in office as Independent Director of the Company.		
10.	Proposed Renewal of the Authority to Issue Shares Pursuant to Section 75 of the Companies Act 2016.		
11.	Proposed Renewal of the Authority to allot and issue new ordinary shares in Power Root Berhad for the purpose of the Company's Dividend Reinvestment Plan.		
12.	Proposed Renewal of the Authority to Buy-Back its own shares by the Company.		

* Strike out whichever not applicable

Signed this .... day of 2017

....
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 21 August 2017 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 and a proxy appointed to attend, speak and vote at a meeting shall have the same rights as the member to speak at the meeting.

iii. A member may appoint not more than two (2) proxies to attend and vote at the same meeting.

iv. Where a member appoints two (2) proxies, he shall specify the proportion of his holdings to be represented by each proxy. Otherwise, the appointment shall be invalid.

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 but not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

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

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

viii. 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.

ix. 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.

x. Explanatory Notes to Special Business:

1. The Board of Directors via the Nominating Committee assessed the independence of Mr. Ong Kheng Swee, who has served on the Board as Independent Non-Executive Director of the Company for a cumulative of more than nine (9) years and the Board has recommended that the approval of the shareholders be sought to re-appoint Mr. Ong Kheng Swee, based on the following justifications:

(a) he has met the criteria the independence guidelines set out in Chapter 1 of the Main Market Listing Requirements of Bursa Securities and therefore able to give independent opinion to the Board;

(b) being director for more than nine (9) years has enabled him to contribute positively during deliberations/ discussions at meetings as he is familiar with the operations of the Company and possess knowledge of the Company's operations;

(c) he has the caliber, qualifications, experiences and personal qualities to challenge management in an effective and constructive manner; and

(d) he has contributed sufficient time and exercised due care during his tenure as Independent Non-Executive Director and carried out his fiduciary duties in the interest of the Company and minority shareholders.

2. The Proposed Ordinary Resolution 10 is for the purpose of granting a general mandate ("General Mandate") empowering the Directors of the Company, pursuant to Section 75 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.

3. The Proposed Ordinary Resolution 11 is for the purpose of granting a 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 in the Company. The General Mandate for DRP has been granted by the shareholders at the AGM of the Company held on 29 August 2016. This authority will, unless revoked or varied by the Company in general meeting, expires at the next AGM of the Company.

4. The Proposed Ordinary Resolution 12 is for the purpose of granting a 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 AGM of the Company held on 29 August 2016. This authority will, unless revoked or varied by the Company in general meeting, expires at the next AGM of the Company.

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