Power Root Berhad

Company No.: 733268-U

ANNUAL REPORT 2018

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Corporate Information

BOARD OF DIRECTORS

Dato' Afifuddin bin Abdul Kadir
Independent Non-Executive Chairman

Dato' Low Chee Yen
Executive Deputy Chairman
(Redesignated on 26 February 2018)

Wong Tak Keong
Managing Director
(Appointed on 26 February 2018)

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)

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

CIMB Bank Berhad
Hong Leong Bank Berhad
United Overseas Bank (Malaysia) Berhad
Ambank (M) Berhad

AUDITORS

KPMG PLT
(LLP0010081-LCA & AF: 0758)
Level 3, CIMB Leadership Academy
No. 3, Jalan Medini Utara 1
Medini Iskandar, 79200 Iskandar Puteri, Johor

STOCK EXCHANGE LISTING

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

Corporate Structure

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% Alicafe 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.
- 50% Alicafe Specialty Coffee Sdn. Bhd.
- 95% Alicafe Roasters Sdn. Bhd.

OVERSEAS COMPANIES

- 100% Power Root (Shanghai) Food Trading Co., Ltd.
- 100% Synergy Distribution FZE
- 100% PR Global Assets Limited
- 100% PT. Natbio Marketing Indonesia
- 97% Power Root ME FZCO
  - 49%** P.R. Manufacturing ME LLC
  - 100% P.R. Egypt
  - 49% PRME Foodstuff Trading L.L.C

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

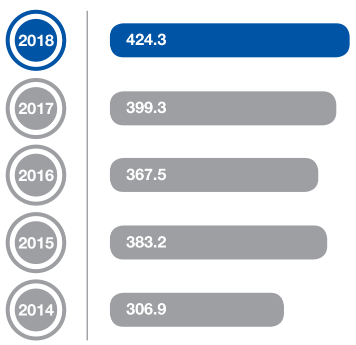
Financial Highlights

	Financial year/period ended 28 February/31 March				
	2014	2015*	2016	2017	**2018**
	RM' 000	RM' 000	RM' 000	RM' 000	**RM' 000**
Revenue	306,852	383,236	367,532	399,301	**424,316**
Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA")	55,541	57,420	49,868	60,331	**16,170**
Profit Before Taxation ("PBT")	50,003	51,745	44,381	54,761	**10,310**
Profit After Taxation ("PAT")	39,679	46,334	45,213	47,217	**9,730**
Earnings Per Share ("EPS") (sen)					
Basic	12.92	14.43	14.55	14.18	**2.82**
Diluted	12.23	13.77	13.82	13.56	**2.71**
Dividend Per Share ("DPS") (sen)	9.00	10.00	11.00	11.50	**9.50**

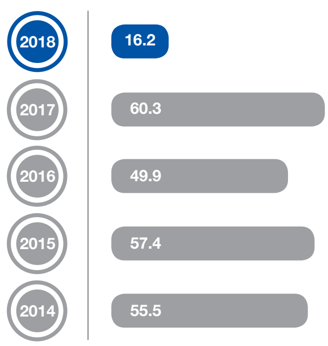
Note:

** 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.*

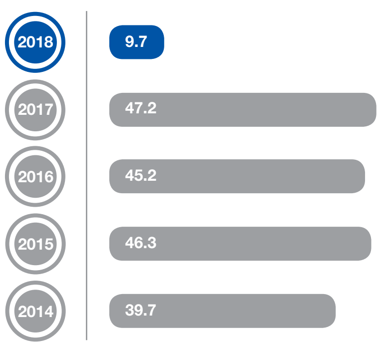
REVENUE (RM' million)



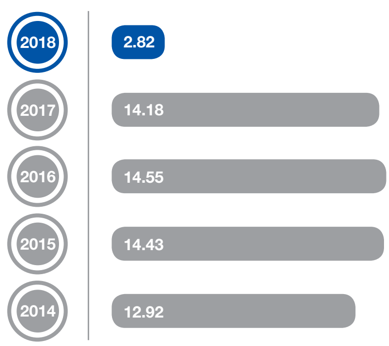
EBITDA (RM' million)



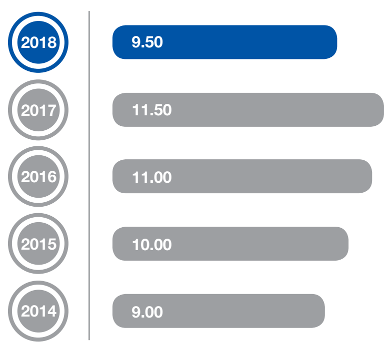
PAT (RM' million)



BASIC EPS (Sen)



DPS (Sen)



Directors' Profile

DATO' AFIFUDDIN BIN ABDUL KADIR
Independent Non-Executive Chairman
Malaysian, aged 65, 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 board of Pelikan International Corporation Berhad, which is listed on the Main Market of Bursa Malaysia Securities Berhad as well as 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 4 out of 4 Board meetings held during the financial year ended 31 March 2018.

Directors' Profile
cont'd

DATO' LOW CHEE YEN
Executive Deputy Chairman
Malaysian, aged 43, male

Dato' Low Chee Yen was appointed as our Managing Director on 2 February 2007 and was subsequently redesignated as our Executive Deputy Chairman on 26 February 2018. He is also a member of the Remuneration Committee and the Chairman of the Option Committee. He is one of the founding members of the Group and has 18 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 3 out of 4 Board meetings held during the financial year ended 31 March 2018.

WONG TAK KEONG
Managing Director
Malaysian, aged 47, male

Wong Tak Keong was appointed as our Managing Director on 26 February 2018. 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. He joined Power Root as the International Business Manager in 2008 and promoted as Director of International Business on 1 January 2017 before he assumed his current position as Managing Director.

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.

During his tenure as a director of the Company since his appointment, no Board meetings were held during financial year ended 31 March 2018.

Directors' Profile
cont'd

DATO' WONG FUEI BOON
Executive Director
Malaysian, aged 52, 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 30 years of working experience in the sales of consumer products, out of which 18 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 3 out of 4 Board meetings held during the financial year ended 31 March 2018.

DATO' HOW SAY SWEE
Executive Director
Malaysian, aged 55, 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 26 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 2018.

Directors' Profile
cont'd

SEE THUAN PO
Executive Director
Malaysian, aged 42, 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 11 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 2018.

ONG KHENG SWEE
Independent Non-Executive Director
Malaysian, aged 60, 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 2018.

Directors' Profile
cont'd

AZAHAR BIN BAHARUDIN
Independent Non-Executive Director
Malaysian, aged 62, 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 2018.

DATO' TEA CHOO KENG
Alternate Director of Dato' Afifuddin bin Abdul Kadir
Malaysian, aged 50, 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 3 out of 4 Board meetings held during the financial year ended 31 March 2018.

Key Senior Management's Profile

TAN FIE PING
General Manager, Production Operation
Malaysian, aged 56, 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.

CHONG WEE KOK
Group Financial Controller
Malaysian, aged 46, 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 18 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.

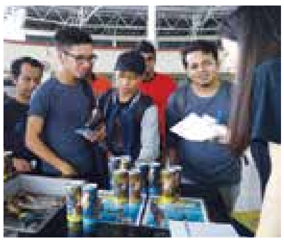
Mr. Chong does not have any family relationship with any Director and/or major shareholder of the Company, nor does he have any conflict of interest with the Group. He does not hold any other directorships in public companies and listed issuers. He has not been convicted of any offences within the past 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

ROCKANOVA

Rockanova was Malaysia's first reality rock music competition which ran from March to May 2017 on Astro TV. Aspiring rock singers from all over the country competed to become the best new rock singer. This programme was hosted by Alif Satar, with rocker Datuk Awie and composer Edry Abdul Halim as judges, and Datuk Hattan as vocal and presentation coach.

Alicafe and Extra Power Root were the main sponsors of the programme. With extensive on-screen branding time, we were able to increase brand awareness and recall throughout the nine-week telecast.



'DRINK AND WIN' CROSS PROMOTION CONTEST

To promote our Alicafe Grafitti canned drinks, we carried out a cross-branding activity with Converse Malaysia where our Alicafe Grafitti brand logo and contest mechanics were displayed in key Converse outlet locations around the country. The campaign was promoted extensively on social media and featured two up-and-coming young Malaysian parkour talents.

Significant Events
cont'd

'TUNAIKAN HASRAT UMRAH BERSAMA YANG TERSAYANG' CONTEST

18 contest winners and their partners were able to fulfil their Umrah aspirations by participating in this contest. Working together with Tabung Haji Travel, we flew them to the Holy Land on an all-expense paid 12 days/10 nights trip.

Significant Events
cont'd

BELI & MENANG BIKE GIVE-AWAY

Customised motorbikes were the main prizes in our Beli & Menang give-away. By buying RM10 worth of Power Root products, customers had the chance to win the 50 motorbikes on offer. This contest ran from March to October 2017 in selected markets across the country. We worked together with 25 individual retail chains and outlets in targeted communities and areas to reward our customers while reinforcing our brand image.

Significant Events

cont'd

AH HUAT WHITE COFFEE PROMOTIONAL EVENTS

An important brand within our product range, Ah Huat White Coffee was a sponsor in numerous events which reinforced its association to social and family values.

As one of the sponsors of the Chinese-language reality talent show 'The Voice 2017' in Malaysia and Singapore, we carried out a roadshow in conjunction with the event with special promotions and exclusive meet-and-greet contestant sessions. We also held a contest from September to December 2017 which ran concurrently with the screening of the programme on Astro AEC, with contest winners receiving tickets to the semi-finals and final. In addition to the television air time, this sponsorship increased the brand's exposure to potential new customer groups.

In May and June 2017, we ran a Parents' Day contest to recognise the important role of parents and promote family togetherness. The eight winning contestants got to treat their family of four to a 4 days/3 nights trip to Khao Yai National Park in Thailand.

We played our part in cultivating a reading habit among Malaysians by participating in the Popular Bookfest 2017 which ran from 24 June to 2 July 2017. With approximately 700,000 visitors attending the event, this turned out to be an excellent sales opportunity to promote Ah Huat Coco with samples given out at each cashier counter.

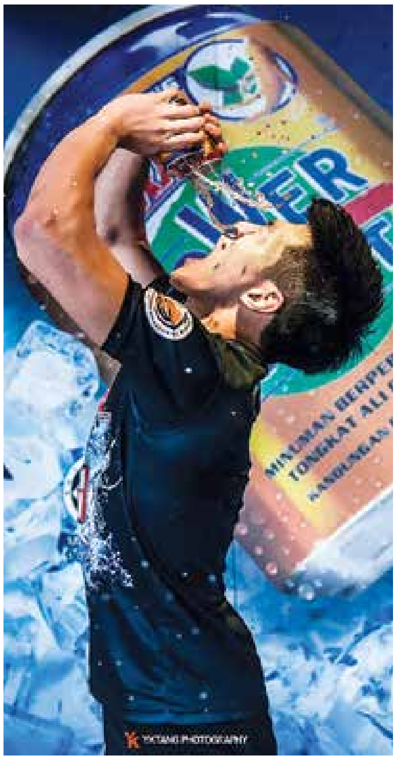
Significant Events
cont'd

EXPORT MARKETS

Marketing activities this year were built around in Middle East and North Africa region ("MENA") providing further recognition to our brands including participation in the Gulf Food Exhibition 2018, the world's largest annual food event, held in the World Trade Centre, Dubai, United Arab Emirates ("UAE").

Outside MENA, we continued to build our presence in countries such as Singapore and China, both online and through on-the-ground events. During the financial year ended 2018, we also participate in the sponsorship in CAMed Men's Futsal Tournament 2017 which held in Cambodia.

Significant Events
cont'd


EXTRA POWER ROOT PROGRAMMES

We were the official energy drinks sponsor for Mix Martial Arts ("MMA") ONE Championship leg in Malaysia and Malaysian Invasion Mix Martial Arts ("MIMMA") for a third year in a row.

ONE Championship is Asia's largest sports tournament featuring MMA fights in Asia. It is globally broadcasted to over 1 billion homes across 118 countries. This tie-up increased our visibility amongst Martial Arts and Mixed Martial Arts enthusiasts giving us exposure across the region as the event was broadcast live on Astro Sports and Fox News across Asia.

MIMMA is the first and largest All-Malaysian Mixed Martial Arts amateur tournament in Malaysia. It aims to nurture local amateur talents from the MMA scene for competition. In partnership with MIMMA, we mounted extensive roadshows in six key cities including Petaling Jaya, Kuala Lumpur, Penang, Kuching, Kota Kinabalu and Johor Bahru, to share product information and conducted sampling of our drinks amongst the fraternity.

Corporate Social Responsibility

Being true believers of the “Eight Virtues (八德)” comprising “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 put words into action by wholeheartedly integrating these virtues into our CSR programme.

During the year, we visited several children’s homes and old folks home as part of our community project. These included Persatuan Kasih Sayang Kanak-Kanak Padmasambhava Klang, Rumah Caring Kajang and House of Hope and 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 and House of Love.

We also contributed Ah Huat products to the food and fund carnival organised by House of Joy (Old Folks and Children Home) with collection from sales donated to the home.

We also participated in S.J.K (C) Bukit Tangga’s sports day whereby we gave away Ah Huat Coco product and served this chocolate malt drink to the students and parents in attendance.

MANAGEMENT DISCUSSION AND ANALYSIS

Coffee lies at the heart of the Power Root Group ("Power Root"). The sense of pleasure a cup of coffee brings makes it simple to forget another trait that coffee beans possess – resilience when faced with adversity. Just as coffee beans react to boiling water by releasing its enticing aroma and infusion of energy, the Group has drawn on similar tenacity in meeting the challenges of the past year and forging ahead with changes which will benefit us in the near future.

In the face of a tough economic backdrop during the financial year ended 31 March 2018 ("FYE 2018"), the Group remained committed to delivering beverages of high quality to diversified market segments. We continued to drive transformation through the execution of our long-term vision for the Group. Power Root has invested for the future by pursuing growth opportunities at home and abroad, while expanding and modernising our production capabilities. We have stepped up activities to promote our brands, which include Alicafe, Per'l Café, Ah Huat White Coffee, Ah Huat Coco, Oligo and Extra Power Root, by building brand loyalty and boosting sales amid stiff competition. These strategic measures form the basis of Power Root's plans to meet the evolving business environment which lies ahead.

On the management front, Dato' Low Chee Yen has been redesignated as Executive Deputy Chairman, with Mr Wong Tak Keong assuming the role of Managing Director. Mr Wong, who joined Power Root in 2008, was previously spearheading export sales and was responsible for the development and strategic planning of the Group's export market. These changes came into effect on 26 February 2018.

Management Discussion and Analysis
cont'd

THE BUSINESS ENVIRONMENT

Market conditions in the past year have been difficult due to weak consumer sentiments, margin pressures on raw materials and demanding competition in the beverage market. A volatile domestic currency and high cost of living added to depressed demands. We believe that this challenging environment will continue to persist in the coming year.

The measures we have taken this year in our operational, marketing and financial activities ranged across production, distribution, inventory management, research development, branding and costing. These initiatives focused on expanding our market share and extending branding loyalties. It took into account our plans to expand into new demographics and markets, as well as addressed our ability to respond to changing customer tastes rapidly. As we pursue growth locally and overseas, the technological investment we have made during the year will improve efficiency across the business.

DOMESTIC OPERATIONS

Production

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.

During the year, the Group increased our manufacturing capability and capacity to meet the demands of an agile market. The additional high-speed multilane instant powder machines have given us the ability to expand the volume of instant powder production to meet increasing market requirements more quickly, with the added versatility of launching new products at a faster pace. To date, we have 16 high-speed multilane machines which feed into 10 instant powder production lines, an agglomerated coffee bottling line as well as a canning production line. With this capacity, we can produce approximately of 2.4 million cartons of instant powder products annually.

New products launched this year included Alicafe Tongkat Ali dan Ginseng White Coffee for the domestic market and two tea products, being Alitea Signature Karak Chai and Alitea Signature Cardamom, for the Middle East and North Africa Region ("MENA"). These new and enhanced products cater to the more adventurous palate of today's consumers and their eagerness to try out new flavours.

At the same time, we have not neglected our more established brands with packaging changes made to traditional favourites. Backed by feedback from a consumer survey, our popular Alicafe Tongkat Ali dan Ginseng product series underwent major packaging revamping eight years after its last make over. The update has given it a refreshed look which clearly reflects its unique selling point ("USP") and enhances the corporate identity of the Alicafe Brand.

Similarly, we have rejuvenated our Alicafe Tongkat Ali canned drink, Alitea series and Per'l Xlim pre-mix to mirror the changes set out above, by changing their packaging to display a modern look with new sense of vigour. In particular, the wrap-around measuring tape added to our Per'l Xlim products visually reinforces its USP slimming properties.

Marketing

Marketing activities remained a central activity as the Group sought to consolidate its market position in the industry. Customer engagement and interaction was a vital part of our blueprint to build brand loyalty with events, sponsorship and celebrity endorsements carefully chosen to ensure optimal value for Power Root brands. The Group is strongly committed to community activities associated with strong family values, healthy lifestyle and those which deliver a positive social economic impact across different market segments. To broaden our customer base, we also participated actively in sports and entertainment events which attracted the attention of younger consumers.

Some of our major activities this past year included:

Rockanova

Malaysia's first reality rock music competition which ran from March to May 2017 on Astro TV. Aspiring rock singers from all over the country competed to become the best new rock singer. This programme was hosted by Alif Satar, with rocker Datuk Awie and composer Edry Abdul Halim as judges, and Datuk Hattan as vocal and presentation coach.

Alicafe and Extra Power Root were the main sponsors of the programme. With extensive on-screen branding time, we were able to increase brand awareness and recall throughout the nine-week telecast.

Management Discussion and Analysis
cont'd

Appointment of Alif Satar as Alicafe Ambassador

We welcomed the multi-talented Alif Satar, host of 'Rockanova', to the Power Root family on 17 August 2017. A multi-talented entertainer, Alif counts singing, acting, composing, writing and hosting amongst his many skills. He first came into prominence as a third-place winner on 8TV's reality singing competition 'One in A Million' in 2006 at the tender age of 16.

'Tunaikan Hasrat Umrah Bersama yang Tersayang' contest

18 contest winners and their partners were able to fulfil their Umrah aspirations by participating in this contest. Working together with Tabung Haji Travel, we flew them to the Holy Land on an all-expense paid 12 days/10 nights trip.

'Drink and win' cross promotion contest

To promote our Alicafe Grafitti canned drinks, we carried out a cross-branding activity with Converse Malaysia where our Alicafe Grafitti brand logo and contest mechanics were displayed in key Converse outlet locations around the country. The campaign was promoted extensively on social media and featured two up-and-coming young Malaysian parkour talents.

Beli & Menang Bike Give-away

Customised motorbikes were the main prizes in our Beli & Menang give-away. By buying RM10 worth of Power Root products, customers had the chance to win the 50 motorbikes on offer. This contest ran from March to October 2017 in selected markets across the country. We worked together with 25 individual retail chains and outlets in targeted communities and areas to reward our customers while reinforcing our brand image.

Brand-Specific Marketing Activities

Ah Huat White Coffee

An important brand within our product range, Ah Huat White Coffee was a sponsor in numerous events which reinforced its association to social and family values.

As one of the sponsors of the Chinese-language reality talent show 'The Voice 2017' in Malaysia and Singapore, we carried out a roadshow in conjunction with the event with special promotions and exclusive meet-and-greet contestant sessions. We also held a contest from September to December 2017 which ran concurrently with the screening of the programme on Astro AEC, with contest winners receiving tickets to the semi-finals and final. In addition to the television air time, this sponsorship increased the brand's exposure to potential new customer groups.

In May and June 2017, we ran a Parents' Day contest to recognise the important role of parents and promote family togetherness. The eight winning contestants got to treat their family of four to a 4 days/3 nights trip to Khao Yai National Park in Thailand.

We played our part in cultivating a reading habit among Malaysians by participating in the Popular Bookfest 2017 which ran from 24 June to 2 July 2017. With approximately 700,000 visitors attending the event, this turned out to be an excellent sales opportunity to promote Ah Huat Coco with samples given out at each cashier counter.

We joined our customers in celebrating the festive season in style. During the 2017 Mid-Autumn festival, customers received a free pack of Ah Huat Coco Chocolate Malt Drink with a purchase of any Ah Huat Twin Pack. A newly established product, the Coco Chocolate Malt Drink is nutritionally rich in prebiotics, DHA and calcium. Prebiotics promote a healthy digestive system, while DHA enhances intellectual development and calcium builds stronger bones.

As part of Chinese New Year 2018 celebrations, our Ah Huat Prosperity Gift Pack gave customers extra value for money. A free packet of Ah Huat Hazelnut and Cane Sugar came together with the purchase of two packs of Ah Huat Extra Rich coffee or Ah Huat Gold Medal coffee. We also embarked on a Pasar Malam Roadshow during this festive season, setting up stalls at locations within the Klang Valley being Seri Kembangan, Taman Connaught, Taman OUG, Kepong Baru, Klang Meru, Taman Muda and Setia Alam.

Extra Power Root Energy drinks

We continued to pursue our brand association activities to position Power Root energy drinks at sporting events in the region.

For the third year in a row, we were the official energy drink sponsors of the Mix Martial Arts ("MMA") ONE Championship leg in Malaysia. ONE Championship is Asia's largest sports tournament featuring MMA fights in Asia. It is globally broadcasted to over 1 billion homes across 118 countries. This tie-up increased our visibility amongst Martial Arts and Mixed Martial Arts enthusiasts giving us exposure across the region as the event was broadcast live on Astro Sports and Fox News across Asia.

Management Discussion and Analysis
cont'd

At the same time, we were the official energy drinks sponsor for Malaysian Invasion Mix Martial Arts ("MIMMA") for a third year. MIMMA is the first and largest All-Malaysian Mixed Martial Arts amateur tournament in Malaysia. It aims to nurture local amateur talents from the MMA scene for competition. In partnership with MIMMA, we mounted extensive roadshows in six key cities including Petaling Jaya, Kuala Lumpur, Penang, Kuching, Kota Kinabalu and Johor Bahru, to share product information and conducted sampling of our drinks amongst the fraternity.

We were also proud to retain Malaysian-based Peter Davis, one of MMA's leading fighters, as our brand ambassador for Extra Power Root for the third year running. On another sporting front, we appointed national footballer Safee Sali as ambassador. A forward, Safee has played with clubs in Malaysia and Indonesia.

OVERSEAS OPERATIONS

Growth in export sales in MENA were extremely positive during the year, increasing from RM183.2 million to RM208.1 million. This rise in demand was largely due to the popularity of our Alicafe Signature French Roast which was launched in the region in 2016. Sales in Saudi Arabia and Iran were especially encouraging, giving impetus to our long-term confidence in expanding our activities in MENA.

On the production front, we opened up a new avenue of operations with the signing of an agreement in Bahrain. While this led to an impairment of RM1.9 million to Property, Plant and Equipment ("PPE") on the ground works done on our leased property in the United Arab Emirates ("UAE"), the new agreement gives us further options and will be advantageous to the Group over the longer term. In addition to our maintaining 100% ownership, the Group is eligible to receive a government grant of up to BHD586 thousand (approximately RM6 million). It will also result in reduced operating costs due to the lower wages and cheaper electricity costs in Bahrain.

During the year, we implemented a retail audit system across our operations in Kuwait, Qatar, Saudi Arabia and the UAE which gives us an overview of our activities across these countries via a single source. This system enabled us to obtain crucial operational and marketing data by monitoring the availability, distribution, merchandising and pricing of Power Root products in each of these countries. Data collected through retail audit will help the Power Root Middle East team understand and develop the appropriate strategies for the respective markets.

It also provided an insight into distributors' performance and service levels allowing for better assessment. From an inventory perspective, the system will ensure that there are minimal out-of-stock situations while from a marketing perspective, we can better evaluate the optimal consumer price for our products in trade.

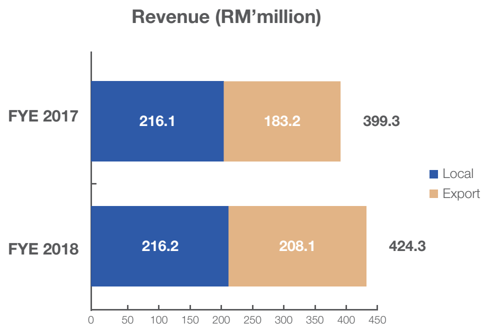
Marketing activities this year were built around providing further recognition to our brands including participation in the Gulf Food Exhibition 2018, the world's largest annual food event, held in the World Trade Centre, Dubai, UAE.

Outside MENA, we continued to build our presence in countries such as Singapore and China, both online and through on-the-ground events. Online sales from our China market, in particular, have been very encouraging with a double digit growth over the previous year.

Management Discussion and Analysis
cont'd

FINANCIAL REVIEW

Revenue and Profit After Tax ("PAT")



For the FYE 2018, the Group recorded a revenue of RM424.3 million, an increase of approximately 6.3% from the RM399.3 million recorded in the previous financial year ended 2017 ("FYE 2017"). This increase in revenue was due to higher export sales.

During FYE 2018, we recorded PAT of RM9.7 million, a decrease of 79.5% from the PAT of RM47.2 million in FYE 2017.

The decrease in PAT were due to several factors. These included an adverse sales mix and the writing down of inventories. We also suffered an impairment loss on property, plant and equipment mainly resulting from writing down of the ground works done on our leased property for our manufacturing plant in the UAE. In addition, the Group suffered foreign exchange losses as compared to foreign exchange gains in the previous year.

Statement of financial position

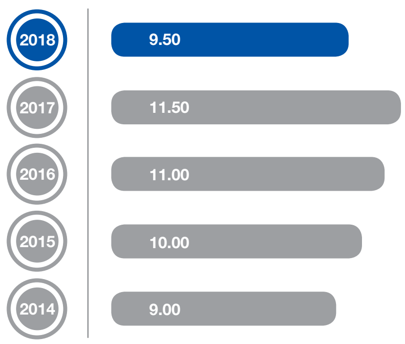
	FYE 2018 (RM'000)	FYE 2017 (RM'000)
Total Assets	355,921	360,128
Equity attributable to owners of the Company	208,590	250,926
Total Liabilities	147,091	108,360
Borrowings	31,980	12,062
Gearing (times)	0.15	0.05

The Total Assets of the Group decreased by RM4.2 million from RM360.1 million as at 31 March 2017 to RM355.9 million as at 31 March 2018. This was mainly due to the decrease in trade and other receivables as well as cash and cash equivalents. The decrease, however, was offset by the increase in inventories held on 31 March 2018. Total Liabilities increased to RM147.1 million as at 31 March 2018. This marked an increase of RM38.7 million when compared with the Total Liabilities of RM108.4 million as at the last financial year. The increase was due mainly to the increase in short term borrowings and trade payables.

With a low gearing of 0.2, the Group believes that its financial position is sound and its financial capacity to raise funds to meet its short and long-term plans remain intact.

Management Discussion and Analysis
cont'd

DIVIDEND PER SHARE (Sen)



DIVIDENDS

On 3 October 2017, the Company paid a first interim dividend of 2.5 sen and a special interim dividend of 1.5 sen per ordinary share amounting to RM12.9 million in respect of the current financial year.

On 2 January 2018, the Company paid a second interim dividend of 2.5 sen per ordinary share amounting to RM8.1 million in respect of the current financial year.

On 2 April 2018, the Company further paid a third interim dividend of 2.5 sen per ordinary share amounting to RM8.1 million in respect of the current financial year.

On 25 May 2018, the Board also approved a fourth interim dividend of 0.5 sen per ordinary share amounting to RM1.6 million in respect of the current financial year under review, and was paid on 5 July 2018.

The Board does not recommend the payment of any final dividend in respect of the FYE 2018.

As such, the total dividends paid for FYE 2018 is 9.5 sen per share amounting to RM30.7 million, representing a dividend payout ratio of approximately 336.9%. The Group's dividend policy is to maintain a minimum of 50% dividend payout ratio.

INDUSTRY OUTLOOK

The Group believes that the beverage industry will remain competitive and challenging in the coming year and consumer sentiment will stay weak.

Power Root will continue to execute on our strategic long-term plans for the Group with attention focused on strengthening our distribution network, utilising technology to improve our operational efficiency and enhancing cost management. We remain resolute in maintaining the use of high quality raw ingredients to create innovative products for our customers, and prioritising customer engagement in pursuit of market growth.

On the export front, Power Root will continue to expand its markets, particularly in the MENA region, via the development of distribution networks and launch of new products.

Appreciation

On behalf of the Board, I would like to thank our shareholders and stakeholders for their continued support.

I would also like to thank my Board of Directors for their contribution and look forward to their ongoing advice and guidance. Last but not least, I wish to express my appreciation to the management and staff of the Power Root Group for their continuous commitment, unwavering dedication and infectious energy in driving our group forward.

DATO' AFIFUDDIN BIN ABDUL KADIR
Chairman

Corporate Governance Overview Statement

The Board of Directors ("the 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 stakeholders' value creation. Hence, the Board fully supports the Principles and Practices of good corporate governance practices (including the intended outcomes) as promulgated by the Malaysian Code of Corporate Governance 2017 ("MCCG") to direct and manage the business and affairs of the Group towards promoting business sustainability and corporate accountability with the ultimate objective of realising long-term shareholder value while taking into account the interest of other stakeholders.

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

The application of each practice set out in the MCCG during the financial year are disclosed in the Corporate Governance Report prescribed by Bursa Securities ("CG Report") and announced the same together with the announcement of this Annual Report in accordance with paragraph 15.25 and Practice Note 9 of MMLR. The CG Report is available for download from the Company's website at www.powerroot.com.my.

The Corporate Governance Overview Statement should be read in tandem with the CG Report to provide comprehensive disclosure of the application of each Principle and Practice set out in the MCCG during the financial year.

The following disclosure statements provides an overview of the Company's application of the Principles set out in MCCG that has been in place throughout the financial year ended 31 March 2018, except as disclosed otherwise.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

Board Responsibilities

The Board is responsible for the overall performance of the Group and focuses mainly on the strategic management, performance measurement and monitoring, enterprise risk management, standards of conduct and critical business issues and decisions. The Board comprises directors who are entrepreneurs and experienced professionals in the fields of business management, finance, economics and accountancy. All these different skills put together enable the Board to effectively lead and control the Group. The Board is guided by the *Board Charter* approved by the Board and led by an Independent Non-Executive Chairman to ensure its effectiveness. Together with other Directors, he leads the Board in the discussion on the strategies and policies recommended by the Management. A summary of the responsibilities of Chairman is disclosed in Practice 1.2 of CG Report.

It is the responsibilities of the Board to lead the Group towards its vision and mission and is responsible for the success of the Group by providing entrepreneur leadership and direction as well as management oversight. The Managing Director is delegated with the authorities and responsibilities to ensure proper execution of strategies as well as effective and efficient operation throughout the Group. The authorisation procedures for key processes are stated in the Group's policies and procedure.

The Board has approved the Group's charter and policies and the Board of Directors of each subsidiaries of the Group is responsible on respective operating procedures which in line with the Group's charter and policies.

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

1) Establish and review the vision and the strategic direction of the Group;
2) Oversee the conduct of the business of the Group and to evaluate whether the business is being properly managed;
3) Set the tone from the Top;
4) Identify principal risks faced by the Group and ensure the implementation of appropriate controls and systems to monitor and manage these risks;
5) Succession planning and performance appraisal of the Board;

Corporate Governance Overview Statement
cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

Board Responsibilities *cont'd*

The Board is assuming the following, amongst other roles and responsibilities, broad categories of roles and responsibilities: *cont'd*

6) Review the adequacy and the integrity of internal control systems and management information systems, including systems for ensuring compliance with applicable laws, regulations, rules, directives and guidelines;
7) Review corporate governance compliance; and
8) Review the adequacy and effectiveness of sustainability management in the Group.

The roles and responsibilities of the Board and the application of the MCCG's practice are disclosed in Practice 1.1 of the CG Report.

Aside from the core responsibilities listed above, significant matters required deliberation and approval from the Board are clearly defined by the Board in the *Board Charter as Matters Reserved for the Board* for consideration and approval during the Board's meeting.

The Board has delegated specific duties to the Board Committees which operate within a clearly defined Terms of Reference approved by the Board.

To ensure that there is a balance of power and authority within the Board, the position of the Chairman and the Managing Director is separated and there is a clear division of responsibility between the Chairman who is Independent Non-Executive Director and the Managing Director who is an Executive Director. The Independent Non-Executive Chairman is responsible for the governance, orderly conduct and effectiveness of the Board while the Managing Director is responsible for managing the Group's business operations and implementation of policies and strategies approved by the Board.

The Independent Non-Executive Directors play an important role in ensuring that the strategies proposed by the management are fully deliberated and examined and to ensure that the interest of all shareholders and general public are given due consideration in the decision-making process.

The Board has not nominated a Senior Independent Non-Executive Director whom the shareholders and other stakeholders can access fully and directly or to chair the Nominating Committee as the Independent Non-Executive Chairman can be directly accessible by the shareholders and other stakeholders and 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.

All board members shall notify the Chairman of the Board before accepting any new directorship or significant commitments outside the Company, including an indication of the time that will be spent on the new appointment.

All Directors have confirmed that their directorship in listed companies do not exceed 5 to meet the expectation on time commitment.

In discharging its duties efficient and effectively, the Board is assisted by a licensed Company Secretary and the details of the Company Secretary are disclosed in Practice 1.4 of CG Report.

- ***Board Charter***

  The Board is guided by a formal *Board Charter* approved by the Board. The *Board Charter* sets out the composition, roles, functions, responsibilities and authorities of the Board and the Board Committees of the Company as well as roles and responsibilities of the Independent Non-Executive Chairman of the Board and the Managing Director. The Charter further defines the specific responsibilities and matters reserved for the Board, delegation of authorities, commitment by the directors, independent directors, tenure of independent directors, board proceedings, financial reporting responsibilities, unrestricted rights to access to information and independent advice, board evaluation and performance, board remuneration, directors' training and continuing education, corporate disclosure and code of conduct.

Corporate Governance Overview Statement
cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

Board Responsibilities *cont'd*

- ***Board Charter*** *cont'd*

  The salient features of *Board Charter* (last review performed on 27 January 2014) is available for download from "Profile - Investor Relations" section of the Company's website at www.powerroot.com.my.

- ***Code of Conduct and Whistle-blowing Policy***

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

  The Board incorporated the above key principles of expected conduct into the Company's Code of Conduct to govern the standards of ethics and good conduct expected of directors, employees, customers and vendors while integrity and ethical value expected from the employees are also incorporated in the Ethical Framework.

  To further enhance the ethical value throughout the Group, a formal *Fraud Policy* (reviewed by the Audit Committee) had been put in place by the Board to manage the risk of fraud within the Group.

  Please refer to Practice 3.1 of CG Report for details.

  To foster an environment where integrity and ethical behavior are maintained, the Board has put in place a formal whistle-blowing policy to encourage employees and other interested parties to disclose concerns about illegal, unethical or improper business conduct within the Group. Please refer to Practice 3.2 of CG Report for details.

  The *Code of Conduct and Whistle-Blowing Policy* are available for download from from "Profile - Investor Relations" section of the Company's website at www.powerroot.com.my.

- **Board Meetings**

  The Board meets regularly to perform its main function on the development and implementation of strategic plans, formulation of policies, overseeing the conduct and operations of the businesses of the Group, succession planning and ensuring appropriateness of internal control and effectiveness of risk management and is mindful of the importance of business sustainability in conducting the Group's business. Prior to each Board meeting, all Board members are furnished with the relevant documents and sufficient information, i.e. minutes of board committees' meetings and previous meeting as well as board papers, 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.

  To carry out its functions and responsibilities, the Board met four (4) times during the financial year ended 31 March 2018 and the attendance of each Director at the Board Meetings is as follows:

Name of Directors	Designation	No. of Meetings Attended
Dato' Afifuddin bin Abdul Kadir	*Chairman, Independent Non-Executive Director*	4/4
Dato' Tea Choo Keng	*Alternate Director to Dato' Afifuddin bin Abdul Kadir*	3/4
Dato' Low Chee Yen	*Executive Deputy Chairman* @	3/4
Wong Tak Keong	*Managing Director* #	0/0
Dato' Wong Fuei Boon	*Executive Director*	3/4
Dato' How Say Swee	*Executive Director*	4/4

Corporate Governance Overview Statement
cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

Board Responsibilities *cont'd*

- **Board Meetings** *cont'd*

  To carry out its functions and responsibilities, the Board met four (4) times during the financial year ended 31 March 2018 and the attendance of each Director at the Board Meetings is as follows: *cont'd*

Name of Directors	Designation	No. of Meetings Attended
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

@ *Re-designated as Executive Deputy Chairman with effect from 26 February 2018. Dato' Low Chee Yen was the Managing Director prior to the re-designation.*
# *Appointed with effect from 26 February 2018.*

  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 also 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 at the registered office of the Company.

- **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 board paper 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.

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

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

  Please refer to Practice 1.5 of CG Report for details of the Board's proceedings on meeting materials and supply of information.

- **Composition of the Board**

  The Board currently has eight (8) members comprising one (1) Independent Non-Executive Chairman, five (5) Executive Directors (including the Managing Director) and two (2) Independent Non-Executive Directors. The profile of each Director is presented on pages 5 to 9 of this Annual Report. The composition of independent non-executive directors is in compliance with the minimum prescribed in the MMLR to ensure that there is sufficient independent element in the Board to provide the necessary check and balance within the Board.

  It is the responsibility of the Board to ensure that all members of the Board possess the necessary leadership experience, skilled and diverse background, integrity and professionalism to discharge their duties and responsibilities diligently and effectively.

Corporate Governance Overview Statement
cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

Board Responsibilities *cont'd*

- **Composition of the Board** *cont'd*

  While the above composition departs from Practice 4.1 of MCCG (which requires at least half of the Board comprises of independent directors), the Board is of the opinion that, through formal assessments conducted on the Board, the Board Committees and the independence and objectivity of the Independent Directors, the Independent Directors are able to bring the required independent and objectivity elements within the Board for the benefits of the minority shareholders and possess diverse range of skills, knowledge and experiences in relevant fields required to discharge their duties and responsibilities as independent director. The Board is also of the opinion that the Independent Directors had demonstrated their independence and objectivity during the Board's and Board committees' proceedings and adequate degree of independence and objectivity within the Board are maintained. Therefore, there is no disproportionate imbalance of power and authority within the Board between the Executive Directors and Independent Directors. The Board will continue to monitor and review the adequacy and effectiveness of the independent and objectivity element within the Board from time to time to ensure its adequacy and effectiveness. Please refer to Practice 4.1 of CG Report for further details.

- **Board Diversity**

  It is the Board's responsibility to ensure that the diversity within the Board is preserved so that required mix of knowledge, skills, expertise and experience as well as age, ethnic and gender diversity are brought to the Board. The Board is satisfied that, through the formal procedure for nomination and selection and annual performance appraisal of the Board, the Board Committees and individual directors, the current board composition represents a mix of knowledge, skills and experience required to discharge the Board's duties and responsibilities effectively as well as to ensure that no individual or small groups of individuals dominate the Board's decision-making process. The Board is supporting age, ethnic and gender diversity within the Group including the workplace, with a particular focus on supporting the representation of women and multi races with relevant age group at the Board and senior level of management within the Group if such potential candidate is available.

  In particular, the Board is supporting gender diversity within the Group, with a particular focus on supporting the representation of women at the Board and at the senior level of management within the Group. The Nominating Committee is tasked to look for at least one women representative at the Board and at the senior level of management within the Group as and when such potential candidate and position is available.

  Please refer to Practice 4.4 of the CG Report for the detailed disclosure on the Boardroom Diversity and Practice 4.5 of the CG Report for the detailed disclosure on the gender diversity.

- **Independent Directors**

  Independence of the candidates to act as independent director is assessed by the Nominating Committee prior to their appointment based on formal nomination and selection process with the results of the review are reported to the Board for consideration and decision.

  On an annual basis, all Independent Non-Executive Directors are subjected to independence and objectivity assessment based on prescribed criteria on his independence for the Nominating Committee's review and recommendation to the Board to form an opinion on the independence and objectivity of the Independent Non-Executive Directors. Based on the above assessment performed during the financial year ended 31 March 2018, the Board is satisfied with the level of independence demonstrated by all the Independent Non-Executive Directors, and their ability to bring independent and objective judgement to board deliberations.

  The tenure of an Independent Director, as stated in the *Board Charter*, shall not exceed a cumulative term of 9 years. In the event such Director is to remain as Independent Director, the Board shall first justify and obtain annual shareholders' approval.

Corporate Governance Overview Statement
cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

Board Responsibilities *cont'd*

- **Independent Directors** *cont'd*

  As at the date of this Annual Report, Mr. Ong Kheng Swee, the Audit Committee Chairman and Independent Non-Executive Director of the Company, had served the Board of the Company for a tenure of more than nine (9) years. During the year, based on the independent directors' self-assessment via *Independent Directors' Self-Assessment Form* (with criteria adopted from Corporate Governance Guide issued by Bursa Malaysia Berhad) submitted to the Nominating Committee for review and recommendation and subsequent review and deliberation by the Board, the Board concluded that Mr. Ong Kheng Swee, remains objective and independent in participating in the deliberations and decision making of the Board and Board Committees he is in. The length of his service on the Board did not interfere with his exercise of independent judgment and he acts in the best interest of the Group.

  To remain as an independent non-executive director, Mr. Ong Kheng Swee's appointment will be subjected to shareholders' approval at the forthcoming 12th Annual General Meeting.

  Please refer to Practice 4.2 of CG Report for further details.

- **Appointment to the Board and Re-election of Directors**

  The appointment of new director 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 Procedures on Nomination and Selection of Directors* 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 in the governance of the Group while at the same time gender and ethnic balance are being upheld within the Board if such potential candidate is available.

  The process for the nomination and selection of Directors per *Policy and Procedures on Nomination and Selection of Directors* involves identification of potential candidates, 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 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.

  All Board members who are newly appointed are subjected 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.

  While it is the intention of the Nominating Committee and the Board to have independent sources for the identification of candidates for appointment of directors, the existing members of the Board of the Company were recommended by the Board members and existing shareholders of the Company previously before MCCG came into effect.

  During the financial year, the Nominating Committee reviewed and assessed the nomination and appointment of the Managing Director, Mr. Wong Tak Keong, subsequent to the re-designation of Dato' Low Chee Yen as Executive Deputy Chairman, based on the *Policy and Procedures on Nomination and Selection of Directors*. The assessment results and recommendation from the Nominating Committee were reported to the Board for final deliberation and approval prior to his appointment during the financial year. The Board and the Nominating Committee are of the opinion that, the Managing Director is able to lead the Group as the Managing Director towards its corporate objectives as compared to candidates from other sources, judging from his performance during his tenure with the Group and his rooted background in the Group.

Corporate Governance Overview Statement
cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

Board Responsibilities *cont'd*

- **Appointment to the Board and Re-election of Directors** *cont'd*

  Please refer to Practice 4.4 and 4.6 of CG Report for the details on the nomination and election process of the directors.

- **Performance Assessment and Evaluation of Board and Senior Management**

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

  The following evaluations were performed during the financial year under:

  1. The Board Performance Evaluation with recommended evaluation criteria per the Corporate Governance Guide issued by Bursa Malaysia Berhad, with necessary adaptation;
  2. Individual directors' self-evaluation on the performance, knowledge, competency and skills of individual directors based on recommended evaluation criteria per Corporate Governance Guide issued by Bursa Malaysia Berhad with necessary adaptation;
  3. Performance evaluation of board committees, i.e. the Audit Committee, Nominating Committee, Remuneration Committee and Option Committee based on the recommended evaluation criteria adopted from Corporate Governance Guide issued by Bursa Malaysia Berhad, with necessary adaptation;
  4. Review of the performance of the Group Financial Controller based on the results of his performance evaluation carried out by the Managing Director; and
  5. Independence and objectivity assessment of individual Independent Non-Executive Directors based on results of self-assessment conducted with the criteria adopted from Corporate Governance Guide issued by Bursa Malaysia Berhad, with necessary adaptation.

  With the above evaluations, the Board, through the Nominating Committee, reviewed and assessed 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.

  Based on the above evaluations conducted for financial year ended 31 March 2018, the Board, through reports by the Nominating Committee, was satisfied with the composition, performance and effectiveness of the Board, Board Committees and directors.

  Please refer to Practice 5.1 of CG Report for the details on the performance evaluation of the Board, Board Committee (including the Audit Committee), the contribution of each individual Director, the Group Financial Controller and independence assessment of Independent Directors.

- **Director's and Senior Management's Remuneration**

  The Board assumes the overall responsibility to establish and implement 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 Remuneration Committee in the review and consideration of proposed remuneration package of the members of the Board. Major components of the remuneration package for executive directors and non-executive directors are identified for review based on criteria established in the formal policy.

Corporate Governance Overview Statement
cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

Board Responsibilities *cont'd*

- **Director's and Senior Management's Remuneration** *cont'd*

The Remuneration Committee is responsible for reviewing and recommending to the Board the remuneration packages of the Executive Directors and Non-Executive Directors. None of the Directors participated in any way in determining their individual remuneration. The Board as a whole determines the remuneration of the Non-Executive Directors. Individual directors are abstained from deliberation and approval of his own remuneration.

A summary of the remuneration of Directors during the financial year ended 31 March 2018, 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	Fees	Others	Basic Salary, Bonus, Incentives, Allowance, EPF, SOCSO	Fees	Others
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Executive Directors	-	-	-	12,255	-	368
Non-Executive Directors	-	168	-	-	168	-

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	-	2	-	2
RM50,001 to RM100,000	-	2	-	2
RM100,001 to RM150,000	-	-	1	-
RM1,150,001 to RM1,200,000	-	-	1	-
RM1,250,001 to RM1,300,000	-	-	1	-
RM1,350,001 to RM1,400,000	-	-	1	-
RM8,300,001 to RM8,350,000	-	-	1	-

The detailed disclosure on named basis of the remuneration of individual directors for the financial year ended 31 March 2018 is not made as the Board is of the opinion that the detailed disclosure on named basis of the remuneration of individual directors may jeopardize the personal security of the individual directors.

Disclosure on named basis of the senior management's remuneration component in bands of RM50,000 is not made as the Board is of the opinion that the disclosure may jeopardize the personal security of the individual senior management staff and increase the risk of loss of key personnel as their remuneration packages are published publicly.

Corporate Governance Overview Statement
cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

Board Responsibilities *cont'd*

- **Directors' Training**

  As per the *Board Charter*, the Board is assigned with the responsibility to ensure Directors update their knowledge and enhance their skills through attending training programs, to assess the training needs of the Directors and to ensure the Directors have access to continuing education program.

  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 Program prescribed by Bursa Securities and they 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 2018, 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. The Nominating Committee identified the training needs of the members of the Board through the self-evaluation by the individual directors submitted and reported the results of the review to the Board.

  During the 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	Conducted by
Dato' Afifuddin bin Abdul Kadir	Training on Companies Act 2016	Boardroom Corporate Services (KL) Sdn Bhd
	Seminar on "Companies Act 2016"	Suruhanjaya Syarikat Malaysia
Dato' Tea Choo Keng	GST Training on Importation and Exportation	Wanconnect Advisory PLT
Dato' Low Chee Yen	Training on Companies Act 2016	Boardroom Corporate Services (KL) Sdn Bhd
Wong Tak Keong^	-	-
Dato' Wong Fuei Boon	Training on Companies Act 2016	Boardroom Corporate Services (KL) Sdn Bhd
Dato' How Say Swee	Training on Companies Act 2016	Boardroom Corporate Services (KL) Sdn Bhd
See Thuan Po	Training on Companies Act 2016	Boardroom Corporate Services (KL) Sdn Bhd

Corporate Governance Overview Statement
cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

Board Responsibilities *cont'd*

- **Directors' Training** *cont'd*

Name of Directors	Seminars and Briefing Attended	Conducted by
Ong Kheng Swee	Training on Companies Act 2016	Boardroom Corporate Services (KL) Sdn Bhd
	ISO 9001:2015	Yen Universe Consultancy
	Have You Complied with the Companies Act 2016? - Major Revamps & Regulation Updates with Guide on Practical Compliance Procedures	Malaysian Institute of Accountants
	Transfer Pricing in Malaysia	Malaysian Institute of Accountants
	Business Sustainability and Reporting-Key to Business Success Today	Malaysian Institute of Accountants
	Executive Talk – Driving Business Results with Financial Strategy	Applied Tech People Development Sdn Bhd
Azahar bin Baharudin	Training on Companies Act 2016	Boardroom Corporate Services (KL) Sdn Bhd
	2018 National Budget & Tax Planning Conference	Crowe Horwath CPE Sdn Bhd

^ *Appointed with effect from 26 February 2018 and had fulfilled Mandatory Accreditation Program prescribed by Bursa Securities.*

- **Board Committees**

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

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

- **Audit Committee**

The terms of reference, the number of meetings held and activities carried out during the financial year and the attendance of each member can be found on pages 41 to 44 of the Audit Committee Report.

Please refer to Practice 8.1, 8.2, 8.3, 8.4 and 8.5 of CG report on disclosure in relation Audit Committee.

Corporate Governance Overview Statement
cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

Board Responsibilities *cont'd*

- **Nominating Committee**

The Nominating Committee comprises exclusively of non-executive directors, a majority of whom are independent non-executive directors as required under MMLR. The Nominating Committee is guided by written terms of reference duly approved by the Board with rights, authorities and responsibilities. The Nominating Committee is chaired by the Independent Non-Executive Director.

The full details of the Nominating Committee's Terms of Reference are published in the "Profile - Investor Relation" section of the Company's website at www.powerroot.com.my.

The composition of the Nominating Committee and the attendance record of members for meetings held during the financial year ended 31 March 2018 are as follows:

Nominating Committee	No. of Meetings Held	Attendance
Dato' Afifuddin bin Abdul Kadir (Chairman)	2	2
Ong Kheng Swee	2	2
Azahar bin Baharudin	2	2

During the financial year ended 31 March 2018, the Nominating Committee conducted evaluation/review of the performance of the Board, board committees, Audit Committee, the training needs and skills possessed by each individual director (Including the Group Financial Controller) and the independence assessment of independent directors based on the pre-determined processes and evaluation criteria. The Nominating Committee reported the results of all evaluations to the Board for review and deliberation to enable effective actions to be formulated and implemented for the proper and effective functioning of the Board and its committees.

During the financial year, the Nominating Committee also reviewed and assessed the appointment of the new Managing Director, Mr. Wong Tak Keong, and the subsequent re-designation of Dato' Low Chee Yen from Managing Director to the Group's Executive Deputy Chairman.

Please refer to Practice 4.4, 4.5 4.6, 4.7 and 5.1 of the CG Report for details on the Nominating Committee and its activities.

- **Remuneration Committee**

The Remuneration Committee was formed to assist the Board in reviewing and recommending an appropriate remuneration policy and remuneration package for Directors so as to attract, retain and motivate the Directors. The Remuneration Committee is guided by formal terms of reference. Further disclosure on the Remuneration Committee (and its activities), the Board Remuneration Policy and departure from the MCCG practices are disclosed in Practice 6.1 and 6.2 of CG Report.

The Remuneration Committee is led by an Independent Director and comprises of two (2) Independent Directors and one (1) Executive Director, majority of whom are independent. Their attendance records are as follows:

Remuneration Committee	No. of Meetings Held	Attendance
Dato' Afifuddin bin Abdul Kadir (Chairman)	1	1
Dato' Low Chee Yen	1	1
Ong Kheng Swee	1	1

The details of the members of the Remuneration Committee is set out in the Profile of Directors section of this Annual Report.

Corporate Governance Overview Statement
cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

Board Responsibilities *cont'd*

- **Remuneration Committee** *cont'd*

  The full details of the Remuneration Committee's Terms of Reference are published in the "Profile – Investor Relations" section of the Company's website at www.powerroot.com.my.

  The Remuneration Committee held a meeting during the financial year ended 31 March 2018 to review the proposed revision of director fees for Non-Executive Directors, proposed remuneration package of Executive Directors and with such recommended director fees and remuneration packages were submitted to the Board for approval or recommendation to the shareholders for approval, as applicable.

  The Board is to undertake step during the financial year ending 31 March 2019 to comply with the requirement of Guidance 6.2 of MCCG whereby the Remuneration Committee should only consist of Non-Executive Directors and a majority of them must be Independent Directors.

- **Option Committee**

  The Option Committee was established on 23 April 2012, consists of two (2) executive directors and one (1) non-executive director with the primarily responsibility to administer the new Employees' Share Option Scheme (ESOS) established on 23 July 2012 and expiring on 22 July 2022.

  The functions of the Option Committee are:

  - The Committee shall be vested with such powers and duties as conferred upon it by the Board to administer the ESOS in such manner as it deems fit. The Committee may, for the purpose of administering this ESOS, enter into any transactions, agreements, deeds, documents of arrangements, and make rules, regulations or impose terms and conditions or delegate part of its power relating to the ESOS which the Committee may in its discretion consider to be necessary;
  - To select any eligible employees to participate in the ESOS Scheme whose decision shall be binding and final;
  - To determine the basis of allotment and the number of shares to be offered and allotted to the eligible employees;
  - To determine the terms and conditions of offer to eligible employees in accordance with the established criteria of allocation;
  - To administer the Offer to eligible employees and the acceptance thereof;
  - To determine the Option Price;
  - To determine the limits on the exercise of Option, including the number of shares exercisable and the prescribed Option period and to impose any other terms and/or conditions it deems fit;
  - To administer the exercise of Option; and
  - To suspend the right of any Grantee who is being subjected to disciplinary proceedings (whether or not such disciplinary proceedings may give rise to a dismissal or termination of service of such Grantee) to exercise his Option pending the outcome of such disciplinary proceedings. In addition to this right of suspension, the Option Committee may impose such terms and conditions as the Option Committee shall deem appropriate in its absolute discretion.

  During the financial year, 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 ESOS Bylaws.

- **Economic, Environment and Social**

  In order to promote sustainability in the conduct of the business of the Group, one of the business strategies adopted by the Board is to ensure the economics, environmental and social aspects of the businesses undertaken are well taken care of. The Group upheld the principle to maintain effective sustainability management continuously in order to contribute positively to the socio-economic development of the communities, to promote environmental friendly business practices and to uphold good governance practice.

  Please refer to the Sustainability Statement for the governance structure and process employed as well as the identification, assessment, management and reporting of sustainability matters during the financial year under review and up to the date of this Annual Report.

Corporate Governance Overview Statement
cont'd

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

The Audit Committee is tasked with the oversight role on the effectiveness of Audit and Risk Management. The composition and terms of reference of Audit Committee, the number of meetings held, attendance, and activities carried out during the financial year are available in the Audit Committee Report on pages 41 to 44 of this Annual Report and Practice 8.1 to 8.5 of CG Report.

- **Relationship with External 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 with terms of engagement which includes, amongst others, the scope of coverage, the responsibilities of the external auditors, confidentiality, independence and the proposed fees reviewed by the Audit Committee and its recommendation to the Board.

The Audit Committee meets with the External Auditors at least twice a year to discuss their Audit Plans, their audit findings and other special matters that require the Audit Committee's attention and the financial statements. During the financial year, the Audit Committee met privately with the external auditors prior to the commencement of the audit and at the conclusion of the audit without the presence of the executive directors and management to encourage free flow of information and views and for the external auditors to freely express their opinion without undue pressure.

The oversight of the external auditors is enhanced by the conduct of annual assessment of the suitability and independence of the external auditors by the Audit Committee and subsequently reports to the Board. The external auditors of the Group confirmed to the Audit Committee on their independence in relation to the audit work to be performed and their commitment to communicate to the Audit Committee on their independence status on an ongoing manner.

The Audit Committee has also considered the nature of other non-audit services provided during the year by the External Auditors and the quantum of the fees as tabulated in the table below and is satisfied that the provision of these services did not in any way compromise their independence.

The audit and non-audit fees incurred for services rendered by the external auditors and their affiliated firms and companies to the Company and its subsidiaries for the financial year were as follows:

	Company	Group	Description
Audit Fees (RM)	48,000	198,000	
Non-Audit Fees (RM)	25,000	89,500	Tax return and compliance, Statement on 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

- **Risk Management**

The Board recognises the importance of Risk Management in pursuing its company's objective and have in place a formal risk management framework. The details of the framework and risk management process is disclosed in the Statement on Risk Management and Internal Control on pages 45 to 47 of this Annual Report.

Corporate Governance Overview Statement
cont'd

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT *cont'd*

- **Internal Control & Internal Audit Function**

  The Board recognises the importance of sound internal control for good corporate governance. As such, the internal audit function is continuously reviewed and strengthened. The internal audit function of the Group is 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 internal audit function and the outsourced internal audit function report directly to the Audit Committee and provide the Audit Committee with the assurance it requires on the adequacy and effectiveness of the Group's internal control system.

  The state of system of internal control and internal audit function of the Group is explained in greater detail in Statement on Risk Management and Internal Control on pages 47 to 50 of this Annual Report and Practice 10.1 & 10.2 of the CG Report.

- **Uphold integrity in financial reporting**

  The Directors strive to 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 to ensure accuracy, adequacy and completeness of information and compliance with relevant accounting standards and regulations prior to release to regulatory authorities.

  The Board, through the review by the Audit Committees and in consultation with the Management and the External Auditors, had presented fair and meaningful assessment of the Group's financial performance and position.

  A summary of the works of the Audit Committee in the discharge of its functions and duties during the financial year is set out in the Audit Committee Report on pages 42 to 44 of this Annual Report.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

- **Corporate Disclosure and Stakeholders Communication**

  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. The Board observes all disclosure requirements as laid down by MMLR and Capital Markets and Services Act 2007 in order to have all material event and information to be disseminated publicly and transparently on timely basis to ensure fair and equitable access by all stakeholders, without selective disclosure of such information to specific individual or groups. The corporate disclosure by the Company is further enhanced by way of the Chairman of the Board, Managing Director and Executive Director (Corporate Affairs) assuming the role of authorized speakers 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, the Board has adopted a *Corporate Disclosure Policy* which set out the policies and procedures for the disclosure of material information of the Group.

  The Annual Report is the main communication tool between the Company and its stakeholders. The Annual Report communicates comprehensive information of the financial results and activities undertaken by the Group. As a listed issuer, the contents and disclosure requirements of the annual report are governed by the MMLR.

  Please refer to Practice 11.1 of CG Report on further disclosure of stakeholders' communication.

Corporate Governance Overview Statement
cont'd

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS
cont'd

- **Encourage shareholders participation at general meetings**

  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. The Board is committed in providing the notice of the Annual General Meeting to the shareholders at least 21 days prior to the meeting.

  Adequate time is given during General Meetings to encourage and allow the shareholders to seek clarification or ask questions on pertinent and relevant matters. The external auditors are also present at annual general meeting to provide professional and independent clarification on issues and concerns raised by the shareholders during the meeting.

  In addition to the above, the Company also welcomes requests for meetings and interviews with professionals from the investment community and is willing to meet up with institutional investors when required, to elaborate or further clarify on information already disclosed.

- **Poll Voting**

  Pursuant to the Paragraph 8.29A(1) of the MMLR of Bursa Securities, the Company is required to ensure that any resolution set out in the notice of general meetings is to be voted by poll. All resolutions put forth for shareholders' approval at the 12th Annual General Meeting to be held are to be voted by way of poll voting.

  To further promote participation of members in the poll voting and 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.

- **Leverage on Information Technology**

  In order to promote 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.my. The "Investor Relations" section enhances the Investor Relations function by including all announcements made by the Company, annual reports on the Company and relevant board charter and policies as well as terms of reference of relevant board committees established and implemented by the Board for the public to access. Furthermore, contact details of the personnel in-charge of investor relations are provided in "Investor Relations" section of Company's website to which concerns or request of any investor can be forwarded to.

DIRECTORS' RESPONSIBILITY STATEMENT

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 2018, 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.

Corporate Governance Overview Statement
cont'd

ADDITIONAL COMPLIANCE STATEMENT

- **Material Contracts with Related Parties**

The Company and its subsidiaries did not enter into any material contract and/or loan with its directors and/or its chief executive who is not a director or major shareholders.

- **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.

The Directors and senior management were granted with options under the ESOS to exercise for shares representing 6.21% (Maximum allocation: 10%) of the issued and paid-up share capital of the Company since the commencement of the Scheme as at 31 March 2018.

A total of 4,975,000 options were granted and accepted during the financial year ended 31 March 2018 and a total of 36,060,000 options were granted and accepted since the commencement of the ESOS.

	Financial Year Ended 31 March 2018					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	23,412,500	4,975,000	(1,803,000)	(624,000)	25,960,500	36,060,000	(4,172,000)	(5,927,500)	25,960,500
There in:									
Directors and Managing Director *	16,150,000	-	(150,000)	-	16,000,000	18,900,000	(300,000)	(2,600,000)	16,000,000

* *Included therein the ESOS granted to Y.M. Tengku Shamsulbhari bin Tengku Azman Shah, SMK. who resigned on 15 July 2016*

There was no option offered to and exercised by non-executive directors pursuant to the ESOS during financial year ended 31 March 2018.

- **Utilisation of proceeds**

The net proceeds from the exercise of options by eligible Directors and employees granted in accordance to the Bylaws of subsisting ESOS (after deducting expenses incurred in the issuance of new shares, if any) are utilised and will be utilised for the purpose of funding the continuing growth and expansion and working capital requirement of the Group.

Corporate Governance Overview Statement
cont'd

ADDITIONAL COMPLIANCE STATEMENT *cont'd*

- **Recurrent Related Party Transaction**

  There were no major recurrent related party transactions during the financial year ended 31 March 2018.

KEY FOCUS AREAS AND FUTURE PRIORITIES

The key focus areas of the Board on corporate governance practices during the financial year were to further enhance the existing corporate governance practices by the Board and disclosure of corporate governance practices of the Group during the financial year.

The Board's immediate priorities in relation to the corporate governance of the Company going forward are to align the Group's corporate governance practices and relevant board charter, policies and terms of reference to be in line with the latest developments in MCCG and updates of MMLR and to publish such charter, terms of reference and policies in accordance with the MCCG and MMLR, in particular, (1) to have the Remuneration Committee consist of only Non-Executive Directors and majority of them must be Independent Directors, (2) having independent sources to identify suitably qualified candidate for directorship, and (3) cooling-off period of at least two years for former key audit partners before they are appointed as Audit Committee members.

In the medium term, the Board will seek (1) to strengthen the independent elements within the Board by increasing the number of independent directors so that the independent directors make up at least half of the composition of the Board, (2) to have women representation on the Board and senior management level (shall such vacancy available), (3) to improve the transparency on the disclosure of remuneration of the Board and senior management, after taking into consideration the impact of such disclosure on the personal security of the individual directors and senior management and the risk of loss of key management and (4) to leverage technology to facilitate voting in absentia and remote shareholders' participation at General Meetings.

Audit Committee Report

A. ESTABLISHMENT AND COMPOSITION

The Audit Committee comprises the following members:-

Chairman:

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

Members:

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

The composition of Audit Committee is in compliance with the paragraph 15.09 of Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("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 fulfils the requirement under paragraph 15.09(c)(i) and paragraph 7.1 of Practice Note 13 of MMLR. In compliance with Practice 8.1 of Malaysian Code on Corporate Governance ("MCCG"), the Audit Committee Chairman is not the Chairman of the Board of Directors of the Company.

All members of the Audit Committee (including the Chairman) are independent director and no alternate director had been appointed as a member of the Audit Committee.

The profile of the members can be found presented on pages 5 to 9 of this Annual Report.

B. TERMS OF REFERENCE

The terms of reference of the Audit 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 2018, 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
Dato' Afifuddin bin Abdul Kadir	4/4
Azahar bin Baharudin	4/4

The meetings were conducted with the quorum of majority of the members present at the meeting were Independent Director as required by the Audit 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 MMLR and its terms of reference. The secretary of the Company, the appointed secretary of the Audit 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 Audit Committee, attended the Audit 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 Audit 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 Audit Committee on the contents of the draft financial reports (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 quarterly financial reports based on the updates by the Management on the operations, proposed business and product strategy and proposed business 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 was kept informed of the application and impact of new and revised accounting standards, especially MFRS 9 and 15, by the External Auditors. The Audit Committee members also underwent trainings by professionals on the updates and changes in the Companies Act during the financial year to assess the impacts on the Companies Act compliance requirements.

The Audit Committee reported to and updated the Board on significant issues and matters discussed during the Audit Committee's meetings and where appropriate, made the necessary recommendations to the Board.

Minutes of the Audit 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 engagement team, audit scope, materiality, audit methodology and timing of audit, involvement of IT specialists, other independent auditors, significant accounting policies and disclosures, audit focus areas, emerging issues and key milestones. The audit plan 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 proposed audit and non-audit fees were presented by the External Auditor for review by Audit Committee to ensure that the proposed fees commensurate with the works to be performed by the External Auditors and the independence and objectivity of the External Auditors were not compromised by the proposed non-audit fees, which was then recommended to the Board for approval.

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

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. Subsequent to the deliberations and clarifications of the audit findings by the Audit Committee with the External Auditors and conclusions derived therefrom, the audit findings and recommendations were presented to the Board by the Chairman of the Audit Committee.

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 2018, the Audit Committee met twice on 29 May 2017 and 26 February 2018 with the External Auditors 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 meetings with the External Auditors, 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 did not impair the independence of the External Auditors.

8. Reviewed the Internal Audit Function

During the financial year, the Audit Committee received internal audit reports from both the in-house and outsourced internal audit function 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 function 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 (including progress of approved internal audit plan) for the financial year under review and subsequent changes, if any, were presented by the in-house internal auditor for the review and approval by the Audit Committee.

The oversights role of Audit Committee on internal audit function is available in the Statement on Risk Management and Internal Control located on pages 49 to 50 of this Annual Report.

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 2018.

Audit Committee Report
cont'd

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

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

During the quarterly meetings, the Audit Committee reviewed and confirmed that the share options have been granted in accordance with the By-Laws during the financial year ended 31 March 2018.

During the same meetings, the Audit Committee also reviewed the issuances of new ordinary shares pursuant to the exercise of options granted under the Employee's Share Option Scheme during the financial year and was satisfied that such issuances were carried out on terms vested on the options granted.

11. Reviewed the Annual Report

The Audit Committee reviewed the Annual Report (which includes the Corporate Governance Statement, Audit Committee Report, Statement on 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.

E. INTERNAL AUDIT FUNCTION

The internal audit function of the Group is 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. The in-house internal audit function and the outsourced internal audit function report directly to the Audit Committee. The 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 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 function 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. The in-house internal audit function and the outsourced internal audit function tabled 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.

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

Further details of the internal audit function and the oversight roles of Audit Committee in relation to risk management and internal control are disclosed in the Statement on Risk Management and Internal Control available in pages 45 to 51 of this annual report.

The cost incurred in connection with the internal audit function during the financial year amounted to RM338,189.

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") and the Malaysian Code on Corporate Governance ("MCCG"), the Board of Directors ("the Board") of Power Root Berhad ("the Company") (collectively with its subsidiaries, "the Group") 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. The scope of this Statement includes the Company and all operating subsidiaries.

BOARD RESPONSIBILITY

As per the Board Charter, 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. Furthermore, it is also the responsibility of the Board to safeguard all the stakeholders' interests and protecting the Group's assets. 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, led by Executive Director, Mr. See Thuan Po, as Chairman of the Committee. The Board delegates its review role to the Audit Committee, through terms of reference approved by the Board, in order to provide assurance to the Board on the adequacy and effectiveness of 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 information on the performance of the Group's investments on a yearly basis.

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 formal Risk Management Framework to govern the risk management process.

The principles, practices and process of Risk Management Framework established by the Board are, in material aspects, guided by the ISO 31000:2009 – Principles and Guidelines.

The Risk Management Framework clearly defines the risk management's objectives and processes, along with clear roles and responsibilities of the Board, Audit Committee (the oversight role), Risk Management Committee, Head of Departments, key risk officers and Internal Auditors.

Statement on Risk Management and Internal Control

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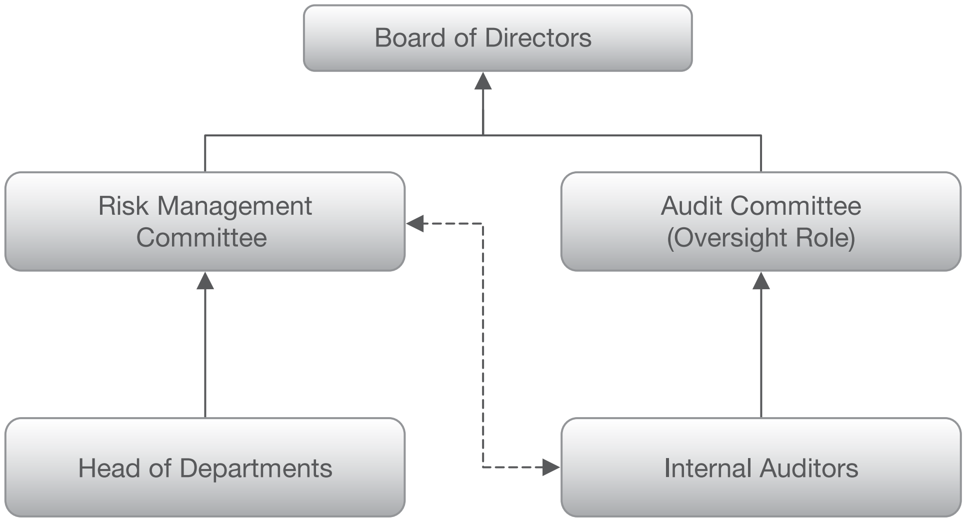
RISK MANAGEMENT *cont'd*



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

a) Implement the risk management framework as approved by the Board;
b) Develop and implement the risk management process which includes the identification of key risks and devising appropriate additional action plan in cases where existing controls are ineffective, inadequate or non-existent and communicate methodology to the Heads of Department;
c) Ensure that risk strategies adopted are aligned with the Group's organisational strategies. (e.g. vision/mission, corporate strategies/goals, etc.) and risk management policies;
d) Periodic review and update of the Key Risks Register of the Group and determination of corrective management action plan, if required; and
e) Update the Board on changes to the Key Risks Register on annual basis or when appropriate and the course of action to be taken by management in managing the changes.

While the roles and responsibilities of Head of Departments, designated as risk owners, as defined in the Risk Management Framework 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 existing controls. If controls deemed ineffective, inadequate or non-existent, to report to the Risk Management Committee and assist the Risk Management Committee with the development of the management action plans and implement these action plans;
c) Assist the Risk Management Committee with the periodic update of the changes in the Key Risks Register, management action plans and the status of these plans; and
d) Ensure that staff working under the Head of Departments understand the risk exposure of the relevant process under his/her duty and the importance of the related controls.

The structured risk management process as defined in the Risk Management Framework is employed by the Risk Management Committee and the Head of Departments 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 updated by the Risk Management Committee and the Head of Departments, 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 Risk Management Committee and the Board's immediate attention and risk treatment as well as for future risk monitoring.

Statement on Risk Management and Internal Control
cont'd

RISK MANAGEMENT *cont'd*

As an important risk monitoring mechanism, the Risk Management Committee and the Head of Department 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 Head of Departments 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 Report, which consists of key risk profile, key risks register comprise of strategic risks and key operational risks and proposed internal audit plan derived therefrom, was compiled 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.

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, Nominating Committee and Option Committee) have been established to carry out duties and responsibilities delegated by the Board and are governed by written terms of reference.

  Meetings of Board of Directors and Audit Committee 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.

- **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 Power Root Berhad Ethical Framework 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 Ethical Framework.

  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.

Statement on Risk Management and Internal Control
cont'd

INTERNAL CONTROL SYSTEM *cont'd*

- **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.

- **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.

Statement on Risk Management and Internal Control

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INTERNAL CONTROL SYSTEM *cont'd*

- **Monitoring and Review** *cont'd*

  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 FUNCTION

The Group relies on the internal audit function 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 function of the Group is 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, Messr. NeedsBridge Advisory Sdn Bhd, with the primary responsibility of internal control review of distributorship management system implemented by the Group. The in-house Senior Internal Audit Manager, Mr. Tong Hoe Ming, and the engagement director of the outsource internal audit function, Mr. Pang Nam Ming, are both Certified Internal Auditors accredited by the Institute of Internal Auditors Global. The in-house internal audit function and the outsourced internal audit function 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 internal audits are carried out by both the in-house internal audit function and outsourced internal audit function, in material aspects, in accordance with the International Professional Practices Framework established by the Institute of Internal Auditors Global. The in-house internal audit function is manned by one (1) Senior Internal Audit Manager, one (1) Senior Internal Audit Executive and one (1) Fixed Asset and Internal Audit Executive.

The internal audit function is governed by the Internal Audit Charter with key terms including purpose and scope of works, accountability, independence, the internal audit function's responsibilities and the authority accorded to the internal audit function.

The internal audit function is accorded unrestricted access to all functions, records (for highly sensitive information, require approval from Managing Director), property, personnel, Audit Committee and other specialized services from within or outside the Group and necessary assistance of personnel in units of the Group where they perform audits.

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

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INTERNAL AUDIT FUNCTION *cont'd*

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 satisfied that:-

- the scope, functions (including independence), competency, resources, authorities granted to the internal audit functions as well as internal audit plan 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;
- the results of the internal audit plan, processes or investigation undertaken is adequately communicated to the Audit Committee and appropriate actions are taken on the recommendations of the internal audit functions; and
- the in-house and outsourced internal audit functions had undertaken continuous professional development in order to equip them with the relevant knowledge and skills to discharge their responsibilities.

Risk-based internal audit plan in respect to financial year ended 31 March 2018 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.

For the financial year ended 31 March 2018, the internal audit function have conducted review for:

- Distributorship management in Malaysia;
- Dubai WPS, Fixed Asset and Advance Payment;
- Instant Powder Operations Efficiency;
- Management of CHEP Pallets;
- Advertising and Promotions;
- Quality Assurance;
- Change in Packaging Design Process and Packaging Material Monitoring Process;
- Beverage Engineering Operations; and
- Beli & Menang Promotion Operations (Printing Process).

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 2018 amounted to RM338,189.00.

ASSURANCE PROVIDED BY THE MANAGING DIRECTOR AND GROUP FINANCIAL CONTROLLER

In accordance with the Guidelines, the 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

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OPINION AND CONCLUSION

Based on the review of the risk management results and process, results of the internal audit activities, monitoring and review mechanism stipulated above coupled with the assurance provided by the 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, except for written down of inventories and impairment loss on property, plant and equipment during the financial year under review. 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 Audit and Assurance Practice Guide ("AAPG") 3, 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 2018, 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.

AAPG 3 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.

Sustainability Statement

Introduction

The Board of Directors ("Board") is committed to continuously promote and update the sustainability practices and engage openly with the Company and its subsidiaries' ("the Group") stakeholders through transparent sustainability reporting.

The Board of the Company acknowledges that businesses are not judged solely on its financial performance but also, not to a lesser extent, on its conducts in respect of governance, economic, environment and social aspects in order to sustain in this challenging environment and to create value to its stakeholders for the long term.

The Board is pleased to present this Sustainability Statement for the financial year ended 31 March 2018 ("FYE 2018") prepared pursuant to Main Market Listing Requirements ("MMLR") of Bursa Securities Malaysia Berhad ("Bursa Malaysia") and also adopts recommended disclosure requirements under the Global Reporting Initiative ("GRI") issued by the Global Sustainability Standards Board to provide meaningful information to the stakeholders' assessment of sustainability initiatives undertaken by the Group.

Scope of the Statement

This Statement covers all business operations of the Group. The contents of this Statement primarily include activities carried out during the FYE 2018 and up to the date of this Statement. This Statement covers the Group's economic, environmental and social management and performance across all business operations. The Statement defines stakeholder engagement, materiality assessment, sustainability commitment and achievement, and the complete information of significant economic, environmental, and social impact for the assessment of the Group's management and performance.

The disclosures of the corporate governance practices and compliance with relevant provisions and requirements per the MMLR and Malaysia Code on Corporate Governance 2017 are made in the Corporate Governance Overview Statement in the Annual Report and the Corporate Governance Report which is available for download from the Company's website at www.powerroot.com.my.

Sustainability Principles

As the highest governance body within the Group, the Board assumes accountability for the integration of sustainability in the Group. The sustainability principles instilled by the Board are:

- To observe and comply with all relevant legislation, regulations, recommended trade practice and code of practice applicable and relevant to the Group;
- To consider sustainability matters and integrate these considerations into the Group's business operations and business strategies;
- To continuously promote and communicate with all employees, suppliers, and other relevant stakeholders to ensure that they are aware of, and are committed to, implementing and measuring sustainability activities as part of the Group or their strategy, taking into consideration economic, environment, social and governance aspects;
- To continuously engage and communicate with all relevant stakeholders for the identification, assessment and management of material sustainable issues; and
- To strive to improve the Group's sustainability performance over time.

Sustainability Policy

The Sustainability Policy established by the Board is as follows:

- **Sustainable Economic Policy**
    - To promote the economic development of the communities where the significant business operations are carried out or when making business strategy decision or when implementing business strategies

Sustainability Statement
cont'd

Sustainability Policy *cont'd*

- **Sustainable Environment Policy**

    - To comply with all guidelines and regulations relating to the preservation of environmental aspects in relevant jurisdiction where the Group is operating
    - To avoid contamination and improve the quality of environmental management
    - To conserve the consumption of water, electricity and other natural resources in the business operations
    - To implement "Reuse, Reduce and Recycle" policy across the Group and along the internal value chain

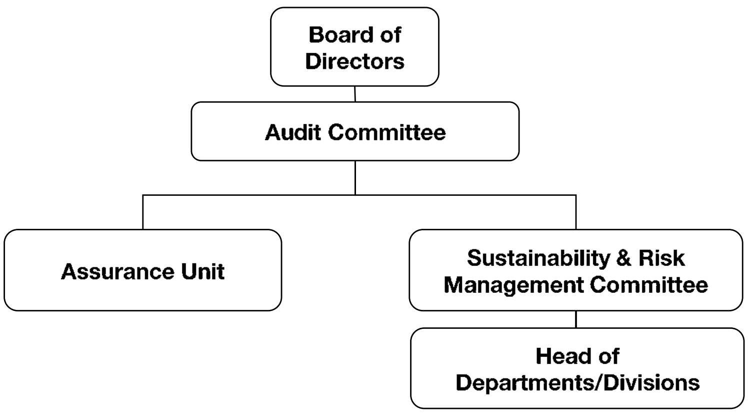
- **Sustainable Social Policy**

    - To ensure that all stakeholders receive fair treatment and do not engage in or support discrimination based on race, nationality, religion, disability, gender, age, sexual orientation, union membership and political body
    - To provide a safe and healthy workplace for all its employees, customers, suppliers and business partners to work in a safe and healthy environment, consistent with the Occupational Safety and Health Act and any other applicable legislation
    - To conduct its business in an open, honest and ethical manner with conflict of interest situation properly addressed and to adopt a zero-tolerance approach to all forms of bribery and corruption
    - To uphold the quality, safety and health of our products and services with expected standard of legitimacy and integrity

Governance Structure and Process

The Board affirms its overall responsibility for integration of the recommended sustainable economic, environment and social practices throughout the Group to ensure business strategies of the Group take into consideration sustainability consideration and to ensure sustainability performance are monitored for its achievement from time to time. The governance structure in relation to the Group's sustainability management is guided by the Sustainability Reporting Guide and Toolkits issued by Bursa Malaysia with necessary adaption based on the nature and scale of the businesses of the Group.

The Board has formalised the sustainability principles, policies and processes envisaged by the Board through the Sustainability Policy established by it. For the identification, management and reporting of sustainability matters and performance of the Group is established by the Board in the following manner:



The governance structure defines clearly the roles and responsibilities expected of the Board, the Audit Committee ("AC"), Sustainability and Risk Management Committee ("SRMC"), Heads of Departments/Divisions and the Assurance Unit. To sum up, the Board assumes ultimate responsibility for sustainability management and performance within the Group while the Audit Committee is tasked with the duties to oversee the sustainability management and performance of the Group for reporting to the Board. As for the Heads of Departments/Divisions, their primary responsibilities are to manage sustainability matters of the business processes under his/her control and to assist the SRMC with the implementation of the sustainability process of identification, assessment, management and monitoring of all sustainability matters.

Sustainability Statement
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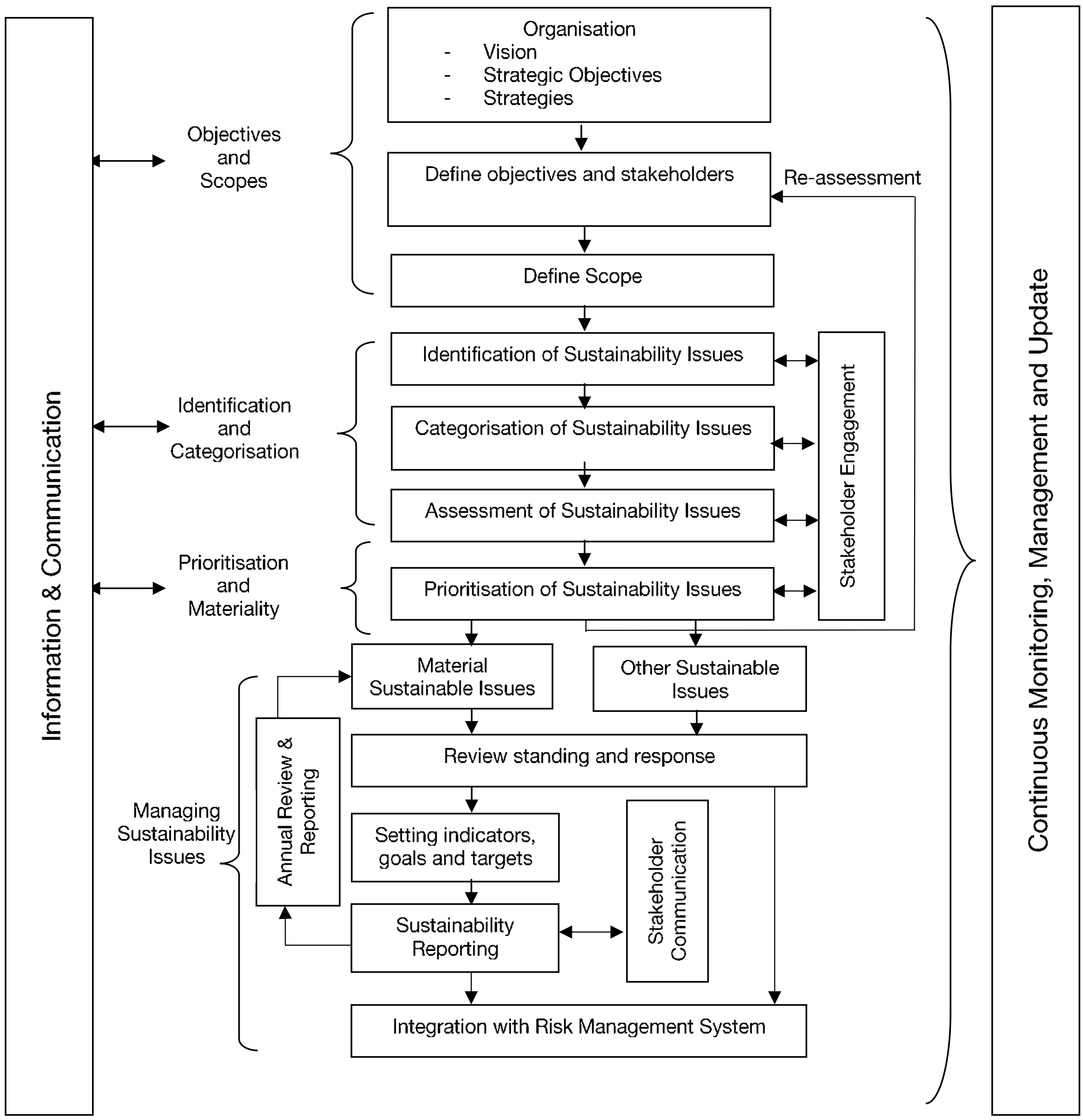
Governance Structure and Process *cont'd*

The sustainability matters management process established by the Board, in compliance with the Guide and Toolkit: Materiality Assessment issued by Bursa Malaysia with necessary adaption based on the nature and scale of the businesses of the Group, is as follows:



The material sustainability matters assessment process employed by the Group entails the following major steps for each significant business segment and geographical segment, taking into consideration of the business strategies promoted by the Board:

- Identification of the intended stakeholder groups and sub-groups, the focus areas expected by the intended stakeholders and engagement objective(s) for each stakeholder group through Stakeholders' Mapping and the establishment of the Stakeholders' Profile.

Sustainability Statement
cont'd

Governance Structure and Process *cont'd*

- The stakeholders identified for each significant business segment and geographical segment are prioritised in relation to its influence over and dependence on the Group so that the Group can put in more effort on stakeholder groups that have higher influence and dependency and the concerns of key stakeholders will carry greater weight. The prioritisation of the stakeholders is conducted by the Managing Director and Executive Director by using Stakeholder Prioritisation Matrix whereby each stakeholder identified are assessed by using influence and dependence criteria and rating scale established by the Board. The results of the prioritisation can be used to determine the level of engagement to be employed by the Group with respective stakeholders.

- Identification of sustainability matters for each significant business segment and geographical segment via internal sources (through internal documentations as well as information system and internal stakeholders' communication via engagement medium and direct communication) and from external sources (through internal documentations, management information system, trusted public domains, correspondences with external stakeholders and external stakeholders' communication via engagement medium and direct communication).

- Sustainability matters identified for each significant business segment and geographical segment via internal and external sources are refined, consolidated and categorised into respective sustainability categories determined by the Board and enlisted in the Sustainability Matters Listing, detailing the influential and dependent internal and external stakeholders.

- Sustainability matters categorised in the Sustainability Matters Listing are subjected to internal materiality assessment by the SRMC in order to prioritise the sustainability matters for assessment by internal and external stakeholders.

  Sustainability issues are considered material if:
  - it has significant economic, environmental and social impacts on the Group from the organisation's point of view;
  - substantively influence the assessments and decisions of stakeholders from the stakeholders' point of view; and
  - it has significant economic, environmental and social impacts that affect the ability to meet the needs of the present and future generations.

  The internal materiality assessment entails the assessment by the SRMC based on the rating scale established by the Board on the significance of each sustainability matters on the revenue, cost, reputation, strategic and operational risk and business opportunities criteria.

  From internal and external stakeholders' perspective, stakeholders' assessment of the sustainability matters are based on the significance of such matters to influence on the assessment and decision by the respective stakeholders. The stakeholders' assessment of the sustainability matters is obtained during stakeholders' engagement, either through prescribed checklist or direct communication by SRMC or Heads of Departments/ Divisions, via the rating system established by the Board.

- After the assessment process, sustainable matters identified above are subjected to risk management policy and process established by the Board for the assessment and management of the risk and opportunities identified.

  In the context of the sustainability matters management, the current standing of sustainability matters is assessed for its adequacy and effectiveness by the SRMC and to formulate management response (if existing controls are inadequate or ineffective) to mitigate the sustainability risk or optimise the sustainability opportunities, in line with the risk appetite and business strategies established by the Board. Please refer to Statement on Risk Management and Internal Control on the risk management system employed by the Group in the identification, management and monitoring of business risks.

- For the management of material sustainability matters, the SRMC to develop position and response with respect to each material sustainability matters in the following manners:
  - developing policies and procedures
  - implementing various initiatives, measures or action plans
  - to comply with applicable laws and regulations
  - setting indicators, goals, targets and timeframe in line with the strategic objectives
  - implementing new, or changing existing systems, to capture, report, analyse, and manage data requirements

Sustainability Statement
cont'd

Governance Structure and Process *cont'd*

The SRMC is to monitor the current standing (including but not limited to, indicators, target and actual performance) and responses of the material sustainability matters and actual performance and to report to the Audit Committee on a yearly basis for review and for their recommendation to the Board for review and approval.

Sustainability Management Activity

The Group has formalised and approved the Sustainability Framework for the first phase of implementation. The second phase of implementation of sustainability management that will be conducted in financial year ending 31 March 2019 are as follows:

- identification of the internal and external stakeholders that have influence over and dependence on the Group through Stakeholder's Mapping.
- internal and external stakeholders identified by the SRMC and Heads of Departments/Divisions will be assessed and prioritised for its degree of influence over and dependence on the Group based on the agreed upon criteria and rating scale.
- the SRMC will perform identification of the sustainability matters through internal sources and informal stakeholders' engagement through direct communication with relevant internal and external stakeholders by Heads of Departments/Divisions.
- the SRMC and Heads of Departments/Divisions will also perform the internal materiality assessment by using predetermined criteria and rating scale to prioritise the sustainability matters for assessment by internal and external stakeholders and to determine the significance of the sustainability matters from the Group perspective.
- the degree of significance of the sustainable matters to influence on the assessment and decision by internal and external stakeholders will be performed by the SRMC by using informal stakeholders' engagement through direct communication with relevant internal and external stakeholders by Heads of Departments/Divisions.
- the results of the Stakeholder Prioritisation exercise, internal materiality assessment and degree of significance of the sustainable matters to influence on the assessment and decision by internal and external stakeholder will be used to prioritised sustainability matters and identification of material sustainable matters by the SRMC in the future.

Economic, Environment and Social Activities Undertaken During the Financial Year

The Group focuses strongly on delivering value to shareholders, practicing good governance, maximising contributions to stakeholders and minimising environmental footprint. The Group also focuses on the initiatives of sustainability in accordance with Environmental, Economic and Social ("EES") risks and opportunities of the business. With that value in mind, the Group had undertaken the following control activities in managing sustainability matters during the financial year ended 31 March 2018:

A. Economic

The Group seeks to ensure everything is done in a sustainable manner which includes Supply Chain Management. The Group has adopted various initiatives to work towards a more sustainable Supply Chain Management. The Board believes that better results could be achieved from implementing better practices. Therefore, the Company's Code of Conduct, Ethical Framework and Fraud Policy set out the principles and standards which guide the way the Group conduct its business. Our policies define our high expectations on each employee to comply with the terms of good business practices and high personal conduct beyond the strict adherence to local laws and regulations. The Group has established a proper channel for whistle-blowing with serious effort being taken in communicating the whistle-blowing policy to all our employees. The confidentiality of the identification of the whistle-blowers is to be strictly maintained, unless prohibited by law.

Sustainability Statement
cont'd

Economic, Environment and Social Activities Undertaken During the Financial Year *cont'd*

A. Economic *cont'd*

As far as possible, the Group strives to attract local suppliers in our effort to spur the local economy. To date, the Group has more than 600 active suppliers, which consist of local and foreign entities. More than 80 percent of the total number of suppliers are of local entities. Furthermore, all major raw material suppliers of the Company are Hazard Analysis and Critical Control Points ("HACCP") certified which is a preventative food safety system whereby every step in the manufacture, storage and distribution of a food product is scientifically analysed for microbiological, physical and chemical hazards. In addition to HACCP certification, our products are also certified as HALAL by the Islamic Development Department of Malaysia (JAKIM), which meets the Islamic World Body Requirements.

B. Environment

The Group's operations were built on governance procedures intended to ensure sound environmental practices in our daily operation. Having said so, it is the mindset of the Group that all relevant regulatory requirements are being adhered to and imbedded to our operations. Our target is to sustainably maintain operational quality across the Group, in which would promote sensible use of our resources.

The Group consistently strives to improve its waste management and reduce energy and water consumption. The Group is subject to periodic assessments by the Department of Environment Malaysia ("DOE") which ensure that the Group operates its business in an environmentally responsible manner. Scheduled waste generated from the Company operations is collected by DOE approved contractors pursuant to the Environmental Quality (Scheduled Waste) Regulations, 2005. As for non-scheduled waste generated, it is scrapped or collected by selected waste collectors to be recycled or disposed at landfills. As part of the efforts undertaken to reduce energy and water consumption, our General Manager was tasked with the target of reducing our environmental footprint. Measures taken were such as replacing all traditional fluorescent lightings and fittings with light-emitting diodes ("LEDs") lamps within the premises of the Company. Besides that, the Company have also obtained certification of ISO-9001 and ISO-22000 management system where it has demonstrated ability to consistently provide high quality, safe and environmental friendly products.

C. Social - Our People and Culture

Fostering excellent human resources remains a core focus of the Group to recruit and retain employees of high calibre as the Group aims to be an employer of choice. Through effective human resources strategies, the Group is committed in nurturing a diverse, competent and dedicated talent pool that will drive growth and add value to the Group.

Focused on talent development, the Group continues to instil a culture of continuous improvement through various programmes to help employees develop their full potential. The Group encourages each employee to undergo learning to support their career development and performance enhancement. The learning can be inclusive of functional, on-the-job or people skills that are relevant to current or future job function.

Employee engagement is another important pillar of our people strategy, with various platforms and opportunities for management to engage openly with the employees. These includes sharing sessions, annual performance review and informal avenues such as get-together events during festive celebrations.

Making the Group a secure and comfortable place continues to be an important focus in business strategy for health and safety improvements benefits will eventually deliver to employees, purchasers, investors as well as general public. The Board understands the inherent risk of our operations. Therefore, as an integral part of risk management and sustainable strategy to meet and comply with all applicable Health & Safety rules and regulations and instil the best practices to manage operational health and safety risks as well as improve performance.

Sustainability Statement
cont'd

Economic, Environment and Social Activities Undertaken During the Financial Year *cont'd*

C. Social - Our People and Culture *cont'd*

The Group embraces diversity within its workforce, which comprises a mix of employees from different genders, age group and ethnicity. The Group also believes in practicing non-discrimination regardless of gender, age and ethnicity in its hiring and employment process.

Lastly, the Group is committed in giving back to communities. Our strategy is to generate sustainable value for both the community and economic growth through effective use of the Group's capabilities and resources as well as sharing of financial resources. The Group is committed to continue to invest in community programmes and other corporate social responsibility initiatives to contribute towards the betterment of local communities.

Employee's participation is the key to success of these initiatives. Such initiatives help to increase employee's interaction outside working hours, build fellowship and support inter-departmental bonds. Whilst communities benefit, our employees benefit too.

FINANCIAL STATEMENTS

Directors' Report

For the year ended 31 March 2018

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 2018.

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	9,111,892	29,070,012
Non-controlling interests	618,513	-
	9,730,405	29,070,012

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 2017 as reported in the Directors' Report of that year:

- a fourth dividend of 4.0 sen per ordinary share totalling RM12,944,819 declared on 29 May 2017 and paid on 4 July 2017.

ii) In respect of the financial year ended 31 March 2018:

- a first dividend of 2.5 sen per ordinary share totalling RM8,084,912 and a special dividend of 1.5 sen per ordinary share totalling RM4,850,948 declared on 28 August 2017 and paid on 3 October 2017;
- a second dividend of 2.5 sen per ordinary share totalling RM8,085,913 declared on 27 November 2017 and paid on 2 January 2018;
- a third dividend of 2.5 sen per ordinary share totalling RM8,087,737 declared on 26 February 2018 and paid on 2 April 2018; and
- a fourth dividend of 0.5 sen per ordinary share totalling RM1,618,237 declared on 25 May 2018 and paid on 5 July 2018.

Directors' Report
For the year ended 31 March 2018
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	Dato' Tea Choo Keng
Mr. Wong Tak Keong (appointed on 26 February 2018)	

The names of the Directors of subsidiaries are set out in the respective subsidiaries' financial statements and the said information is deemed incorporated herein by such reference and made a part hereof.

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 2017/ date of appointment	Bought	Sold	Transfer	At 31 March 2018
Company						
Dato' Low Chee Yen	Direct	64,673,930	-	(9,784,000)	(5,000,000)	49,889,930
	Deemed	390,000	-	-	5,000,000	5,390,000
Dato' How Say Swee	Direct	63,228,230	2,527,800	-	-	65,756,030
Dato' Wong Fuei Boon	Direct	60,807,630	5,215,000	-	(5,000,000)	61,022,630
	Deemed	-	-	-	5,000,000	5,000,000
Mr. Wong Tak Keong	Direct	25,924,500	1,500,000	-	-	27,424,500
	Deemed	3,959,000	-	-	-	3,959,000
Dato' Tea Choo Keng	Direct	615,400	-	-	-	615,400
Mr. See Thuan Po	Direct	1,915,000	300,000	-	-	2,215,000
Mr. Ong Kheng Swee	Direct	180,263	-	-	-	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 2017	Bought	Sold	At 31 March 2018
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 2018
cont'd

DIRECTORS' INTERESTS IN SHARES *cont'd*

Name of Directors	Number of options over ordinary shares ('000) At 1 April 2017/ date of appointment	Exercised	At 31 March 2018
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. Wong Tak Keong	5,400	-	5,400
Mr. See Thuan Po	1,600	-	1,600

The other Director holding office at 31 March 2018 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 those fees and other benefits 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 28 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.

ISSUE OF SHARES

During the financial year, the Company issued 624,000 new ordinary shares for cash totalling RM549,435 arising from the exercise of employees' share options at a weighted average exercise price of RM0.88 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.

Directors' Report
For the year ended 31 March 2018
cont'd

OPTIONS GRANTED OVER UNISSUED SHARES *cont'd*

The salient features of the ESOS are, inter alia, as follows: *cont'd*

(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 ('000)				
Date of offer	**Exercise price RM**	**At 1 April 2017**	**Granted**	**Exercised**	**Forfeited**	**At 31 March 2018**
27 July 2012	0.675	21,785	-	(521)	(1,178)	20,086
3 July 2013	1.920	527	-	(103)	-	424
4 November 2015	2.430	1,100	-	-	(450)	650
23 August 2017	1.870	-	4,975	-	(175)	4,800
		23,412	4,975	(624)	(1,803)	25,960

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.

Directors' Report
For the year ended 31 March 2018
cont'd

OTHER STATUTORY INFORMATION *cont'd*

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, except for the impairment losses provided for property, plant and equipment as disclosed in Note 3 to the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 March 2018 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.

SUBSEQUENT EVENTS

At the Extraordinary General Meeting held on 29 June 2018, the shareholders of the Company approved the following proposals:

(a) a bonus issue of up to 71,236,337 new ordinary shares in the Company on the basis of one (1) bonus share for every five (5) existing ordinary shares in the Company; and

(b) an issue of up to 71,236,337 free warrants on the basis of one (1) warrant for every five (5) existing ordinary shares in the Company.

Directors' Report
For the year ended 31 March 2018
cont'd

AUDITORS

The auditors, KPMG PLT, 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' How Say Swee
Director

See Thuan Po
Director

Johor Bahru

Date: 20 July 2018

Statements of Financial Position

As at 31 March 2018

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Assets					
Property, plant and equipment	3	75,285,073	77,860,209	165,728	250,094
Investment properties	4	1,808,103	1,848,350	-	-
Intangible assets	5	36,745	51,950	-	-
Investments in subsidiaries	6	-	-	180,075,441	170,429,273
Investment in an associate	7	-	-	-	-
Investment in a joint venture	8	-	-	15,300	15,300
Other investments	9	5,970,470	4,089,520	-	-
Deferred tax assets	10	1,616,840	285,226	8,000	22,000
Total non-current assets		84,717,231	84,135,255	180,264,469	170,716,667
Inventories	11	69,644,122	49,318,965	-	-
Trade and other receivables	12	140,220,314	153,815,378	17,296,602	36,846,726
Tax recoverable		9,917,161	4,647,123	108,034	-
Cash and cash equivalents	13	51,421,784	68,211,642	21,504,444	15,260,917
Total current assets		271,203,381	275,993,108	38,909,080	52,107,643
Total assets		355,920,612	360,128,363	219,173,549	222,824,310
Equity					
Share capital		215,511,281	214,814,582	215,511,281	214,814,582
Reserves		(6,921,163)	36,111,597	(5,879,850)	7,626,994
Equity attributable to owners of the Company	14	208,590,118	250,926,179	209,631,431	222,441,576
Non-controlling interests	6	239,969	841,994	-	-
Total equity		208,830,087	251,768,173	209,631,431	222,441,576
Liabilities					
Loans and borrowings/ **Total non-current liabilities**	15	287,039	918,732	-	-
Trade and other payables	16	107,023,043	96,141,108	1,454,381	378,565
Dividend payable		8,087,737	-	8,087,737	-
Loans and borrowings	15	31,692,706	11,142,874	-	-
Taxation		-	157,476	-	4,169
Total current liabilities		146,803,486	107,441,458	9,542,118	382,734
Total liabilities		147,090,525	108,360,190	9,542,118	382,734
Total equity and liabilities		355,920,612	360,128,363	219,173,549	222,824,310

Statements of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2018

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Revenue					
Goods sold		424,315,934	399,300,755	-	-
Dividend income from subsidiaries		-	-	30,513,295	39,910,011
		424,315,934	399,300,755	30,513,295	39,910,011
Other income		2,276,283	10,605,589	859,426	1,322,001
Changes in inventories of finished goods and work-in-progress		11,541,172	(2,586,097)	-	-
Raw materials used		(229,230,532)	(174,776,285)	-	-
Marketing expenses		(96,849,365)	(88,627,240)	-	-
Staff costs		(47,891,402)	(45,510,108)	(649,795)	(576,635)
Depreciation and amortisation expenses		(6,383,259)	(6,431,671)	(84,766)	(85,689)
Other expenses		(47,992,071)	(38,075,287)	(1,654,986)	(8,291,713)
Total expenses		(416,805,457)	(356,006,688)	(2,389,547)	(8,954,037)
Results from operating activities		9,786,760	53,899,656	28,983,174	32,277,975
Finance income		1,104,318	1,194,582	396,974	282,286
Finance costs		(581,177)	(333,458)	-	-
Net finance income		523,141	861,124	396,974	282,286
Profit before tax		10,309,901	54,760,780	29,380,148	32,560,261
Tax expense	17	(579,496)	(7,543,567)	(308,136)	(247,293)
Profit for the year	18	9,730,405	47,217,213	29,072,012	32,312,968
Other comprehensive (expense)/income, net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences		(1,177,379)	1,253,171	-	-
Fair value of available for sale financial assets		(6,383)	(8,513)	-	-
Other comprehensive (expense)/ income for the year		(1,183,762)	1,244,658	-	-
Total comprehensive income for the year		8,546,643	48,461,871	29,072,012	32,312,968
Profit attributable to:					
Owners of the Company		9,111,892	43,525,792	29,072,012	32,312,968
Non-controlling interests		618,513	3,691,421	-	-
Profit for the year		9,730,405	47,217,213	29,072,012	32,312,968
Total comprehensive income attributable to:					
Owners of the Company		8,059,096	44,514,799	29,072,012	32,312,968
Non-controlling interests		487,547	3,947,072	-	-
Total comprehensive income for the year		8,546,643	48,461,871	29,072,012	32,312,968
Basic earnings per ordinary share (sen)	19	2.82	14.18		
Diluted earnings per ordinary share (sen)	19	2.71	13.56		

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

Consolidated Statement of Changes in Equity

For the year ended 31 March 2018

		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											
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	21	-	-	-	-	-	-	(31,989,831)	(31,989,831)	-	(31,989,831)
		410,150	488,530	(2,094,087)	528,546	-	-	(31,989,831)	(32,656,692)	-	(32,656,692)
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)
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)	(2,310,834)	(33,456,692)
Dividends to non-controlling interests in subsidiaries		-	-	-	-	-	-	-	-	(3,480,879)	(3,480,879)
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.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2018

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/ (Accumulated losses) RM	Total RM	Non-controlling interests RM	Total equity RM
Group											
At 1 April 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
Foreign currency translation differences for foreign operations		-	-	-	-	-	(1,046,413)	-	(1,046,413)	(130,966)	(1,177,379)
Fair value of available for sale financial assets		-	-	-	-	(6,383)	-	-	(6,383)	-	(6,383)
Total other comprehensive expense for the year		-	-	-	-	(6,383)	(1,046,413)	-	(1,052,796)	(130,966)	(1,183,762)
Profit for the year		-	-	-	-	-	-	9,111,892	9,111,892	618,513	9,730,405
Total comprehensive (expense)/income for the year		-	-	-	-	(6,383)	(1,046,413)	9,111,892	8,059,096	487,547	8,546,643
Contributions by and distributions to owners of the Company											
Own shares acquired	14	-	-	(1,039,624)	-	-	-	-	(1,039,624)	-	(1,039,624)
Issue of shares pursuant to Employees' Share Option Scheme	14	549,435	-	-	-	-	-	-	549,435	-	549,435
Share-based payment transactions	20	-	-	-	662,361	-	-	-	662,361	-	662,361
Dividends to owners of the Company	21	-	-	-	-	-	-	(42,054,329)	(42,054,329)	-	(42,054,329)
		549,435	-	(1,039,624)	662,361	-	-	(42,054,329)	(41,882,157)	-	(41,882,157)
Changes in ownership interests in subsidiaries	6	-	-	-	-	-	120,576	(8,633,576)	(8,513,000)	(702,980)	(9,215,980)
Shares issued to non-controlling interests	6	-	-	-	-	-	-	-	-	5	5
Total transactions with owners of the Company		549,435	-	(1,039,624)	662,361	-	120,576	(50,687,905)	(50,395,157)	(702,975)	(51,098,132)
Dividends to non-controlling interests in subsidiaries		-	-	-	-	-	-	-	-	(386,597)	(386,597)
Transfer to share capital for share options exercised		147,264	-	-	(147,264)	-	-	-	-	-	-
At 31 March 2018		215,511,281	-	(11,188,671)	2,945,815	(14,896)	1,610,698	(274,109)	208,590,118	239,969	208,830,087

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

Statement of Changes in Equity

For the year ended 31 March 2018

		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 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							
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)
		410,150	488,530	(2,094,087)	528,546	(31,989,831)	(32,656,692)
Issuance of shares for acquisition of a subsidiary	6,14	4,840,000	44,774,840	-	-	-	49,614,840
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 2017/1 April 2017		214,814,582	-	(10,149,047)	2,430,718	15,345,323	222,441,576
Profit and total comprehensive income for the year		-	-	-	-	29,072,012	29,072,012
Contributions by and distributions to owners of the Company							
Own shares acquired	14	-	-	(1,039,624)	-	-	(1,039,624)
Issue of shares pursuant to Employees' Share Option Scheme	14	549,435	-	-	-	-	549,435
Share-based payment transactions	20	-	-	-	662,361	-	662,361
Dividends to owners of the Company	21	-	-	-	-	(42,054,329)	(42,054,329)
Total transactions with owners of the Company		549,435	-	(1,039,624)	662,361	(42,054,329)	(41,882,157)
Transfer to share premium for share options exercised		147,264	-	-	(147,264)	-	-
At 31 March 2018		215,511,281	-	(11,188,671)	2,945,815	2,363,006	209,631,431

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

Statements of Cash Flows

For the year ended 31 March 2018

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash flows from operating activities				
Profit before tax	10,309,901	54,760,780	29,380,148	32,560,261
Adjustments for:				
Amortisation of intangible assets	15,205	15,205	-	-
Bad debts written off	40,325	136,110	-	-
Depreciation on:				
- property, plant and equipment	6,327,807	6,384,136	84,766	85,689
- investment properties	40,247	32,330	-	-
Finance costs	581,177	333,458	-	-
Gain on disposal of property, plant and equipment	(8,985)	(254,137)	-	-
Impairment loss on investments in:				
- subsidiaries	-	-	-	5,499,998
- an associate	-	-	-	400,000
- other investments	-	392,000	-	392,000
Impairment loss/(Reversal of impairment loss) on amounts due from:				
- trade receivables	(72,931)	(643,117)	-	-
- other receivables	75,000	154,723	75,000	154,723
- subsidiaries	-	-	768,035	738,247
- an associate	-	543,746	-	543,746
- a joint venture	107,100	-	107,100	-
Impairment loss on property, plant and equipment	2,305,953	-	-	-
Share-based payment transactions	662,361	528,546	232,268	186,486
Dividend income from unit trust funds	(187,216)	(104,823)	-	-
Finance income	(1,104,318)	(1,194,582)	(396,974)	(282,286)
Unrealised (gain)/loss on foreign exchange	(346,116)	(2,491,715)	130,400	(30,207)
Operating profit before changes in working capital	18,745,510	58,592,660	30,380,743	40,248,657
Changes in inventories	(20,325,157)	(2,334,853)	-	-
Changes in trade and other receivables	13,791,686	(34,547,496)	18,469,589	3,220,457
Changes in trade and other payables	10,881,935	22,471,668	1,075,816	214,811
Cash generated from operations	23,093,974	44,181,979	49,926,148	43,683,925
Interest received	1,104,318	1,194,582	396,974	282,286
Tax paid	(7,338,624)	(961,165)	(406,339)	(141,124)
Net cash from operating activities	16,859,668	44,415,396	49,916,783	43,825,087

Statements of Cash Flows

For the year ended 31 March 2018
cont'd

		Group		Company	
	Note	2018 RM	2017 RM	2018 RM	2017 RM
Cash flows from investing activities					
Acquisition of:					
- property, plant and equipment	22	(7,193,436)	(5,705,026)	(400)	-
- investment properties		-	(602,027)	-	-
- investment in a subsidiary		-	-	(95)	-
Increase in other investments		(1,700,117)	(3,993,210)	-	-
Acquisition of shares from non-controlling interest in a subsidiary		(9,215,980)	(800,000)	(9,215,980)	(800,000)
Shares issued to non-controlling interest		5	-	-	-
Proceeds from disposal of property, plant and equipment		46,786	295,099	-	-
Net cash used in investing activities		(18,062,742)	(10,805,164)	(9,216,475)	(800,000)
Cash flows from financing activities					
Interest paid		(581,177)	(333,458)	-	-
Issuance of share capital		549,435	898,680	549,435	898,680
Dividends paid to:					
- owners of the Company		(33,966,592)	(31,989,831)	(33,966,592)	(31,989,831)
- non-controlling interests		(386,597)	(3,480,879)	-	-
Repurchase of treasury shares		(1,039,624)	(2,094,087)	(1,039,624)	(2,094,087)
Net proceeds of bankers' acceptances		20,532,885	399,000	-	-
Repayment of term loans		(221,068)	(204,856)	-	-
Repayment of finance lease liabilities		(393,678)	(210,950)	-	-
Net cash used in financing activities		(15,506,416)	(37,016,381)	(34,456,781)	(33,185,238)
Exchange difference on translation of the financial statements of foreign operation		(80,368)	258,787	-	-
Net (decrease)/increase in cash and cash equivalents		(16,789,858)	(3,147,362)	6,243,527	9,839,849
Cash and cash equivalents at 1 April		68,211,642	71,359,004	15,260,917	5,421,068
Cash and cash equivalents at 31 March	13	51,421,784	68,211,642	21,504,444	15,260,917

Notes to the Financial Statements

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

Principal place of business
No. 1, Jalan Sri Plentong
Taman Perindustrian Sri Plentong
81750 Masai
Johor, Malaysia

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

The consolidated financial statements of the Company as at and for the financial year ended 31 March 2018 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 2018 do not include other entities.

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

These financial statements were authorised for issue by the Board of Directors on 20 July 2018.

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 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, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

Notes to the Financial Statements
cont'd

1. **BASIS OF PREPARATION** *cont'd*

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

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

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*
- Amendments to MFRS 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 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 assessed that upon the adoption of MFRS 15 in the current financial year, sales related expenses amounting to approximately RM29.9 million, currently treated as marketing expenses would be reclassified as a deduction against revenue. The adoption of MFRS 15 has no other significant financial impact to the Company.

Notes to the Financial Statements
cont'd

1. **BASIS OF PREPARATION** *cont'd*

(a) Statement of compliance *cont'd*

(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 standard introduces new requirements for classification and measurement, impairment and hedge accounting.

The Group has performed an impact assessment of all three aspects of MFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2019 when the Group adopts MFRS 9. Based on the assessments of the Directors, the adoption of MFRS 9 will not have any significant financial impact to the Group and the Company.

(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*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating 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 Note 16 - recognition of advertising and promotional expenses.

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 *cont'd*

(a) Basis of consolidation *cont'd*

(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.

(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.

Notes to the Financial Statements
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(a) Basis of consolidation *cont'd*

(vi) Joint arrangements *cont'd*

- 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.

(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.

Notes to the Financial Statements
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(b) Foreign currency *cont'd*

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

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 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.

(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.

Notes to the Financial Statements
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(c) Financial instruments *cont'd*

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

Financial assets *cont'd*

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

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

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

(b) Held-to-maturity investments

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

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

(c) Loans and receivables

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

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

(d) Available-for-sale financial assets

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

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

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

Notes to the Financial Statements
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(c) Financial instruments *cont'd*

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

Financial liabilities

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

Fair value through profit or loss category comprises financial liabilities that are 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 equity instruments that do not have a quoted price in an active market for identical 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.

(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.

Notes to the Financial Statements
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(c) Financial instruments *cont'd*

(v) Derecognition *cont'd*

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.

(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.

Notes to the Financial Statements
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

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

(iii) Depreciation *cont'd*

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

(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.

Notes to the Financial Statements
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(f) Leased assets *cont'd*

(ii) Operating lease *cont'd*

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.

(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

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

The cost of inventories is calculated using the first-in first-out method 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.

Notes to the Financial Statements
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(h) Inventories *cont'd*

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.

(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.

Notes to the Financial Statements
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(j) Impairment *cont'd*

(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.

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.

Notes to the Financial Statements
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(k) Equity instruments *cont'd*

(ii) Repurchase, disposal and reissue of share capital (treasury shares) *cont'd*

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.

(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) 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.

Notes to the Financial Statements
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(m) Revenue and other income *cont'd*

(iii) Interest income

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

(iv) Rental income

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

(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.

(ii) State plans

The Group's contributions 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.

Notes to the Financial Statements
cont'd

2. **SIGNIFICANT ACCOUNTING POLICIES** *cont'd*

(o) **Employee benefits** *cont'd*

(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.

(r) **Contingent liabilities**

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Notes to the Financial Statements
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(s) Fair value measurements

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.

Notes to the Financial Statements
cont'd

3. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RM	Plant and machinery RM	Motor vehicles, office equipment, furniture and fittings RM	Renovation and electrical installation RM	Construction-in-progress RM	Total RM
Group						
At cost						
At 1 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 2017/1 April 2017	60,654,689	38,115,866	20,165,675	2,398,952	4,354,938	125,690,120
Additions	69,431	3,770,109	1,449,733	10,590	1,893,573	7,193,436
Disposals/Written off	-	(584,855)	(204,443)	-	-	(789,298)
Effect of movements in exchange rates	(478,423)	-	(370,750)	-	(713,045)	(1,562,218)
At 31 March 2018	60,245,697	41,301,120	21,040,215	2,409,542	5,535,466	130,532,040
Accumulated depreciation						
At 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 2017/1 April 2017	7,000,283	24,135,641	14,487,179	1,830,912	-	47,454,015
Depreciation charge	891,974	3,295,917	2,020,714	119,202	-	6,327,807
Disposals/Written off	-	(550,864)	(200,633)	-	-	(751,497)
Effect of movements in exchange rates	(84,861)	-	(222,662)	-	-	(307,523)
At 31 March 2018	7,807,396	26,880,694	16,084,598	1,950,114	-	52,722,802
Accumulated impairment losses						
At 1 April 2016	-	-	1,127,213	311,961	-	1,439,174
Disposal	-	-	(918,089)	(145,189)	-	(1,063,278)
At 31 March 2017/1 April 2017	-	-	209,124	166,772	-	375,896
Impairment loss	-	344,723	-	-	1,961,230	2,305,953
Effect of movements in exchange rate	-	-	-	-	(157,684)	(157,684)
At 31 March 2018	-	344,723	209,124	166,772	1,803,546	2,524,165
Carrying amounts						
At 1 April 2016	54,097,657	13,863,830	4,968,933	410,598	3,063,879	76,404,897
At 31 March 2017/1 April 2017	53,654,406	13,980,225	5,469,372	401,268	4,354,938	77,860,209
At 31 March 2018	52,438,301	14,075,703	4,746,493	292,656	3,731,920	75,285,073

Notes to the Financial Statements
cont'd

3. PROPERTY, PLANT AND EQUIPMENT *cont'd*

	Motor vehicles, office equipment, furniture and fittings/ Total RM
Company	
At cost	
At 1 April 2016/31 March 2017	458,263
At 1 April 2017	458,263
Addition	400
At 31 March 2018	458,663
Accumulated depreciation	
At 1 April 2016	122,480
Depreciation charge	85,689
At 31 March 2017/1 April 2017	208,169
Depreciation charge	84,766
At 31 March 2018	292,935
Carrying amounts	
At 1 April 2016	335,783
At 31 March 2017/1 April 2017	250,094
At 31 March 2018	165,728

	Group	
	2018 RM	**2017 RM**
Carrying amounts of land and buildings		
Freehold land	20,344,998	20,344,998
Buildings	32,093,303	33,309,408
	52,438,301	53,654,406

Leased property, plant and equipment

Included in the property, plant and equipment of the Group are motor vehicles with carrying amount of RM885,746 (2017: RM1,147,781) acquired under finance lease arrangements. The leased property, plant and equipment secures lease obligations (see Note 15).

Impairment losses

During the year, the production line for Agglomerated Coffee (Agglo) products was operating below the normal capacity. As a result, the Company has assessed the recoverable amount of the Agglo production line and recognised an impairment loss of RM344,723.

Notes to the Financial Statements
cont'd

3. PROPERTY, PLANT AND EQUIPMENT *cont'd*

Impairment losses *cont'd*

In addition, the Group has provided full impairment on the construction-in-progress amounting to RM1,961,230 due to relocation of factory from Ras Al-Khaimah to Bahrain.

The impairment losses are recognised as other expenses in the statement of profit or loss and other comprehensive income.

4. INVESTMENT PROPERTIES

	RM
Group	
At cost	
At 1 April 2016	1,410,281
Additions	602,027
At 31 March 2017	2,012,308
At 1 April 2017/31 March 2018	2,012,308
Accumulated depreciation	
At 1 April 2016	131,628
Depreciation charge	32,330
At 31 March 2017/1 April 2017	163,958
Depreciation charge	40,247
At 31 March 2018	204,205
Carrying amounts	
At 1 April 2016	1,278,653
At 31 March 2017/1 April 2017	1,848,350
At 31 March 2018	1,808,103

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

	2018 RM	2017 RM
Rental income	160,342	193,597
Direct operating expenses on income generating investment properties	(16,006)	(13,402)

Fair value information

Fair value of investment properties is categorised as follows:

	Group	
	2018 RM	2017 RM
Buildings	3,967,133	3,546,230

Notes to the Financial Statements
cont'd

4. INVESTMENT PROPERTIES *cont'd*

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).

Valuation process applied by the Group for Level 3 fair value

The fair value of investment properties is determined by the Directors based on market value of a similar property located in the surrounding area.

5. INTANGIBLE ASSETS

	Product Formula/ Total RM
Group	
At cost	
At 1 April 2016/31 March 2017	304,480
At 1 April 2017/31 March 2018	304,480
Accumulated amortisation	
At 1 April 2016	237,325
Amortisation charge	15,205
At 31 March 2017/1 April 2017	252,530
Amortisation charge	15,205
At 31 March 2018	267,735
Carrying amounts	
At 1 April 2016	67,155
At 31 March 2017/1 April 2017	51,950
At 31 March 2018	36,745

Notes to the Financial Statements
cont'd

6. INVESTMENTS IN SUBSIDIARIES

	Company	
	2018 RM	2017 RM
Unquoted shares		
At cost	223,494,473	213,848,305
Less: Impairment loss	(43,419,032)	(43,419,032)
	180,075,441	170,429,273

Included in investments in subsidiaries is an amount of RM2,644,763 (2017: RM2,214,670) 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 2018 %	2017 %
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.	Dormant	Malaysia	100	100
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 FZE#	Distribution of various beverage products	United Arab Emirates	100	100
Power Root Distributor Sdn. Bhd.	Distribution of various beverage products	Malaysia	100	100
Ali Cafe Sdn. Bhd.	Dormant	Malaysia	100	100
Power Root Support Services Sdn. Bhd.	Provision of accommodation facilities	Malaysia	100	100

Notes to the Financial Statements
cont'd

6. INVESTMENTS IN SUBSIDIARIES *cont'd*

Name of entity	Principal activities	Place of incorporation	Effective ownership interest and voting interest 2018 %	2017 %
Power Root ME FZCO *	Distribution of various beverage products	United Arab Emirates	97	91
Alicafe Roasters Sdn. Bhd.©	Dormant	Malaysia	95	-
Subsidiaries of Power Impian International Sdn. Bhd.				
PT. Power Impian International @	Dormant	Indonesia	-	95
Subsidiaries of Power Root ME FZCO				
P.R. Manufacturing ME LLC *	Dormant	United Arab Emirates	97	91
P.R. Egypt#	Dormant	Egypt	97	91
PRME Food Trading LLC#^	Dormant	United Arab Emirates	48	-

* *Audited by member firm of KPMG International.*
\# *Not audited by member firm of KPMG International.*
@ *The subsidiary was liquidated on 13 April 2017.*
© *The subsidiary was incorporated on 28 September 2017.*
^ *The subsidiary was incorporated on 27 February 2018.*

Notes to the Financial Statements
cont'd

6. INVESTMENTS IN SUBSIDIARIES *cont'd*

6.1 Non-controlling interest in subsidiaries

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

	2018 Power Root ME FZCO/ Total
NCI percentage of ownership interest and voting interest	3%
	RM'000
Carrying amount of NCI	240
Profit allocated to NCI	619
Summarised financial information before intra-group elimination	
As at 31 March	
Non-current assets	7,360
Current assets	43,385
Current liabilities	(42,693)
Net assets	8,052
Year ended 31 March	
Revenue	134,712
Profit for the year	5,280
Total comprehensive income	4,189
Cash flows from operating activities	1,961
Cash flows used in investing activities	(2,468)
Cash flows used in financing activities	(5,825)
Net decrease in cash and cash equivalents	(6,332)
Dividends paid to NCI	387

Notes to the Financial Statements
cont'd

6. INVESTMENTS IN SUBSIDIARIES *cont'd*

6.1 Non-controlling interest in subsidiaries *cont'd*

	2017		
	Power Root ME FZCO	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		

6.2 Acquisition of non-controlling interests

Power Root ME FZCO

On 17 September 2017, the Company acquired an additional 6% interest in Power Root ME FZCO for RM9,215,980 in cash, thereby increasing its ownership in Power Root ME FZCO from 91% to 97%. The carrying amount of Power Root ME FZCO's net assets in the Group financial statements on the date of acquisition was RM11,716,332. The Group recognised a decrease in non-controlling interest of RM702,980, a decrease in retained earnings of RM8,633,576 and an increase in exchange fluctuation reserve of RM120,576.

Notes to the Financial Statements
cont'd

7. INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 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	
			2018 %	2017 %
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.*

No disclosure is made on the summarised financial information as the investment in an associate is not material to the Group and the Company.

8. INVESTMENT IN A JOINT VENTURE

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 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		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Available-for-sale financial assets				
Unquoted investments	392,000	392,000	392,000	392,000
Unit trust funds	5,970,470	4,089,520	-	-
	6,362,470	4,481,520	392,000	392,000
Less: Impairment loss	(392,000)	(392,000)	(392,000)	(392,000)
	5,970,470	4,089,520	-	-

10. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**	**2018 RM**	**2017 RM**
Group						
Property, plant and equipment - capital allowances	8,000	22,000	(2,583,808)	(2,771,754)	(2,575,808)	(2,749,754)
Provisions	2,293,000	2,359,000	-	-	2,293,000	2,359,000
Unutilised special tax incentive	957,000	245,000	-	-	957,000	245,000
Others	942,648	430,980	-	-	942,648	430,980
Tax assets/(liabilities)	4,200,648	3,056,980	(2,583,808)	(2,771,754)	1,616,840	285,226
Set off of tax	(2,583,808)	(2,771,754)	2,583,808	2,771,754	-	-
Net tax assets	1,616,840	285,226	-	-	1,616,840	285,226

	Company	
	2018 RM	**2017 RM**
Property, plant and equipment - capital allowances	8,000	22,000

Notes to the Financial Statements
cont'd

10. DEFERRED TAX ASSETS/(LIABILITIES) *cont'd*

Unrecognised deferred tax assets

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

	Group	
	2018 RM'000	**2017 RM'000**
Taxable temporary differences	(1,867)	(1,886)
Deductible temporary differences	7,227	5,160
Unabsorbed capital allowances	4,529	4,092
Unutilised tax losses	44,558	27,886
	54,447	35,252

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 2016 RM	Recognised in profit or loss (Note 17) RM	At 31 March 2017 RM	Recognised in profit or loss (Note 17) RM	At 31 March 2018 RM
Group					
Property, plant and equipment					
- capital allowances	(2,995,214)	245,460	(2,749,754)	173,946	(2,575,808)
Provisions	1,297,000	1,062,000	2,359,000	(66,000)	2,293,000
Unutilised special tax incentive	169,000	76,000	245,000	712,000	957,000
Others	1,281,496	(850,516)	430,980	511,668	942,648
Trade receivables	9,000	(9,000)	-	-	-
Unabsorbed capital allowances	338,000	(338,000)	-	-	-
Unutilised tax losses	2,835,000	(2,835,000)	-	-	-
	2,934,282	(2,649,056)	285,226	1,331,614	1,616,840
Company					
Property, plant and equipment					
- capital allowances	(6,000)	28,000	22,000	(14,000)	8,000

Notes to the Financial Statements
cont'd

11. INVENTORIES

	Group 2018 RM	Group 2017 RM
Raw materials	40,942,221	32,639,683
Finished goods	25,198,917	13,657,746
Promotional gifts	2,143,529	1,959,998
Consumables	1,359,455	1,061,538
	69,644,122	49,318,965
Recognised in profit or loss:		
- Inventories recognised as cost of goods sold	217,689,360	177,362,382

12. TRADE AND OTHER RECEIVABLES

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Trade receivables	132,579,722	139,045,667	-	-
Other receivables, deposits and prepayments	7,397,394	14,255,299	282,590	260,010
Due from subsidiaries				
- non-trade	-	-	17,014,012	36,479,616
Due from an associate				
- trade	243,198	407,312	-	-
Due from a joint venture				
- non-trade	-	107,100	-	107,100
	140,220,314	153,815,378	17,296,602	36,846,726

The trade portion of amount due from an associate is subject to normal trade term while the non-trade portion of amounts due from subsidiaries and a joint venture are unsecured, interest free and repayable on demand.

13. CASH AND CASH EQUIVALENTS

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Cash and bank balances	30,518,538	52,966,878	8,746,156	2,126,488
Deposits placed with licensed banks	20,903,246	15,244,764	12,758,288	13,134,429
	51,421,784	68,211,642	21,504,444	15,260,917

Notes to the Financial Statements
cont'd

14. CAPITAL AND RESERVES

Share capital

	Group/Company		Group/Company Number of ordinary shares	
	2018 RM	2017 RM	2018	2017
Ordinary shares:				
Issued and fully paid:				
At 1 April	214,814,582	60,814,637	329,597,185	304,073,185
Issued for cash under ESOS	549,435	410,150	624,000	1,324,000
Transfer from share option reserve for ESOS exercised	147,264	-	-	-
Issued for acquisition of an additional 14% equity interest in a subsidiary	-	4,840,000	-	24,200,000
Transfer from share premium in accordance with Section 618(2) of the Companies Act 2016 (Note 14.1)	-	148,749,795	-	-
At 31 March	215,511,281	214,814,582	330,221,185	329,597,185
		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 the Companies Act 2016 on or before 30 January 2019 (24 months from commencement of Section 74 of the Companies Act 2016).

Reserves

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Distributable				
(Accumulated losses)/Retained earnings	(274,109)	41,301,904	2,363,006	15,345,323
Non-distributable				
Treasury shares	(11,188,671)	(10,149,047)	(11,188,671)	(10,149,047)
Share option reserve	2,945,815	2,430,718	2,945,815	2,430,718
Exchange fluctuation reserve	1,610,698	2,536,535	-	-
Fair value reserve	(14,896)	(8,513)	-	-
	(6,921,163)	36,111,597	(5,879,850)	7,626,994

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 *cont'd*

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 28 August 2017, the shareholders of the Company renewed their approval for the Company to repurchase its own shares.

For the financial year ended 31 March 2018, the Company repurchased 530,000 (2017: 1,045,400) of its issued share capital from the open market. The average price paid for the shares repurchased was RM1.96 (2017: RM2.00) 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 2018, a total of 6,711,700 (2017: 6,181,700) 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 capital. 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	
	2018 RM	**2017 RM**
Non-current		
Finance lease liabilities - secured	182,694	576,372
Term loans - unsecured	104,345	342,360
	287,039	918,732
Current		
Finance lease liabilities - secured	393,678	393,678
Term loans - unsecured	238,143	221,196
Bankers' acceptances - unsecured	31,060,885	10,528,000
	31,692,706	11,142,874
	31,979,745	12,061,606

Notes to the Financial Statements
cont'd

15. LOANS AND BORROWINGS *cont'd*

Finance lease liabilities

Finance lease liabilities are payable as follows:

	Future minimum lease payments RM	Interest RM	Present value of minimum lease payments RM
Group			
2018			
Less than one year	423,372	29,694	393,678
Between one and five years	196,474	13,780	182,694
	619,846	43,474	576,372
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

Reconciliation of movement of liabilities to cash flows arising from financing activities:

	At 1 April 2017 RM'000	Net changes from financing cash flows RM'000	At 31 March 2018 RM'000
Group			
Finance lease liabilities	970	(394)	576
Bankers' acceptances	10,528	20,533	31,061
Term loans	564	(221)	343
Total liabilities from financing activities	12,062	19,918	31,980

Significant covenants

Certain borrowings are subject to the following covenants:

i) Gearing ratio of the Group shall not exceed 1:1;
ii) To maintain the Group's tangible net worth of not less than RM150 million; and
iii) Dato' Low Chee Yen, Dato' Wong Fuei Boon and Dato' How Say Swee shall maintain combined shareholdings of at least 30% in the Company at all times.

Notes to the Financial Statements
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16. TRADE AND OTHER PAYABLES

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Trade payables	28,851,427	26,185,741	-	-
Other payables	5,857,371	5,783,545	13,724	20,017
Accrued advertising and promotional expenses	62,298,624	48,636,919	-	-
Other accrued expenses	10,015,621	15,473,016	182,259	358,548
Due to subsidiaries				
- non-trade	-	-	1,258,398	-
Due to an associate				
- trade	-	61,887	-	-
	107,023,043	96,141,108	1,454,381	378,565

The trade amount due to an associate in prior year was subject to normal trade term while the non-trade amounts due to subsidiaries are unsecured, interest free and repayable on demand.

17. TAX EXPENSE

Recognised in profit or loss

Major components of income tax expense include:

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Current tax expense				
- Current year	2,509,975	4,049,900	266,966	227,379
- Prior years	(598,865)	844,611	27,170	47,914
	1,911,110	4,894,511	294,136	275,293
Deferred tax (income)/expense				
- Origination and reversal of temporary differences	(2,671,614)	4,258,056	14,000	(17,000)
- Under/(Over) provision in prior years	1,340,000	(1,609,000)	-	(11,000)
	(1,331,614)	2,649,056	14,000	(28,000)
	579,496	7,543,567	308,136	247,293

Notes to the Financial Statements
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17. TAX EXPENSE *cont'd*

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Reconciliation of tax expense				
Profit before tax	10,310	54,761	29,380	32,560
Income tax calculated using Malaysian tax rate of 24%	2,474	13,143	7,051	7,814
Non-deductible expenses	1,035	1,392	580	2,130
Tax incentives	(6,851)	(7,452)	-	-
Non-taxable income	(160)	(1,760)	(7,350)	(9,734)
Effect of unrecognised deferred tax assets	4,607	6,698	-	-
Effect of different tax rates in foreign jurisdictions	(1,267)	(3,713)	-	-
	(162)	8,308	281	210
Under/(Over) provision in prior years	741	(764)	27	37
Tax expense	579	7,544	308	247

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.

18. PROFIT FOR THE YEAR

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Profit for the year is arrived at after charging/ (crediting)				
Audit fees:				
- Statutory audit				
- KPMG in Malaysia	198,000	198,000	48,000	48,000
- Overseas affiliates of KPMG in Malaysia	72,552	70,338	-	-
- Other auditors	8,762	11,367	-	-
- Non-audit fees				
- Local affiliates of KPMG in Malaysia	73,500	81,500	9,000	4,500
- KPMG in Malaysia	16,000	20,000	16,000	10,000
Bad debts written off	40,325	136,110	-	-
Impairment loss on investments in:				
- Subsidiaries	-	-	-	5,499,998
- an associate	-	-	-	400,000
- other investments	-	392,000	-	392,000
Impairment loss/(Reversal of impairment loss) on amounts due from:				
- trade receivables	(72,931)	(643,117)	-	-
- other receivables	75,000	154,723	75,000	154,723
- subsidiaries	-	-	768,035	738,247
- an associate	-	543,746	-	543,746
- a joint venture	107,100	-	107,100	-

Notes to the Financial Statements
cont'd

18. PROFIT FOR THE YEAR *cont'd*

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Profit for the year is arrived at after charging/(crediting) *cont'd*					
Impairment loss on property, plant and equipment		2,305,953	-	-	-
Write down/(Reversal of write down)/of inventories		2,809,123	(992,184)	-	-
Personnel expenses (including key management personnel):					
- Contributions to state plans		2,732,282	3,441,998	44,803	42,297
- Wages, salaries and others		44,496,759	41,539,564	372,724	347,852
- Share-based payment transactions	20	662,361	528,546	232,268	186,486
Rental expenses		2,117,475	1,457,466	10,800	10,800
Dividend income from unit trust funds		(187,216)	(104,823)	-	-
Gain on disposal of property, plant and equipment		(8,985)	(254,137)	-	-
(Gain)/Loss on foreign exchange:					
- realised		5,366,416	(5,492,369)	(108,761)	(617,963)
- unrealised		(346,116)	(2,491,715)	130,400	(30,207)
Rental income		(160,342)	(193,597)	-	-

19. EARNINGS PER ORDINARY SHARE

Group

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 March 2018 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares calculated as follows:

	Group 2018 RM	Group 2017 RM
Profit for the year attributable to ordinary shareholders	9,111,892	43,525,792

Weighted average number of ordinary shares are determined as follows:

	Group 2018	Group 2017
Weighted average number of ordinary shares at 31 March	323,493,902	306,880,360
Basic earnings per ordinary share (sen)	2.82	14.18

Notes to the Financial Statements
cont'd

19. EARNINGS PER ORDINARY SHARE *cont'd*

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 31 March 2018 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	
	2018 RM	**2017 RM**
Profit attributable to ordinary shareholders (diluted)	9,111,892	43,525,792
Weighted average number of ordinary shares (basic)	323,493,902	306,880,360
Effect of share options in issue	12,335,212	14,220,895
Weighted average number of ordinary shares (diluted) at 31 March	335,829,114	321,101,255
	2.71	13.56

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, on 4 November 2015 and 23 August 2017, the Group further granted share options on similar terms (except for exercise price) to qualified employees.

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

Grant date/employees entitled	Number of options '000	Vesting conditions	Contractual life of options
Options granted to eligible employees including Directors of the Company and its subsidiaries on 27 July 2012	28,510	50% KPI related, 50% non-KPI related	5 - 10 years
Options granted to eligible employees of 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
Options granted to eligible employees of its subsidiaries on 23 August 2017	4,975	50% KPI related, 50% non-KPI related	5 years
	35,685		

Notes to the Financial Statements
cont'd

20. EMPLOYEE BENEFITS *cont'd*

Share-based payments arrangement *cont'd*

Share option programme (equity settled) *cont'd*

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

	2018		2017	
	Weighted average exercise price	Number of options ('000)	Weighted average exercise price	Number of options ('000)
Outstanding at 1 April	RM0.785	23,412	RM0.786	25,036
Granted during the year	RM1.870	4,975	-	-
Forfeited during the year	RM1.229	(1,803)	RM1.298	(300)
Exercised during the year	RM0.881	(624)	RM0.679	(1,324)
Outstanding at 31 March	RM0.960	25,960	RM0.785	23,412
Exercisable at 31 March	RM0.720	8,040	RM0.759	6,478

The options outstanding at 31 March 2018 have an exercise price in the range of RM0.675 to RM2.430 (2017: RM0.675 to RM2.430) and a weighted average contractual life of 4.2 years (2017: 5.0 years).

During the financial year, 624,000 share options were exercised. The weighted average share price at the date of exercise for the year was RM2.15 (2017: RM2.10).

The fair value of services received in return for share options granted in the financial year ended 31 March 2018 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	
Fair value of options and assumptions	**2018**	**2017**
Fair value at grant date	RM0.21	-
Share price at grant date	RM2.10	-
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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Share options granted in 2013	429	459	232	186
Share options granted in 2014	4	15	-	-
Share options granted in 2016	21	55	-	-
Share options granted in 2018	208	-	-	-
Total expense recognised as share-based payments	662	529	232	186

Notes to the Financial Statements
cont'd

21. DIVIDENDS

Dividends recognised by the Company are:

	Sen per share	Total amount RM	Date of payment
2018			
Fourth dividend 2017	4.0	12,944,819	4 July 2017
First dividend 2018	2.5	8,084,912	
Special dividend 2018	1.5	4,850,948	
		12,935,860	3 October 2017
Second dividend 2018	2.5	8,085,913	2 January 2018
Third dividend 2018	2.5	8,087,737	2 April 2018
		42,054,329	
2017			
Fourth dividend 2016	3.0	8,969,187	30 June 2016
First dividend 2017	2.5	7,462,520	30 September 2016
Second dividend 2017	2.5	7,472,737	30 December 2016
Third dividend 2017	2.5	8,085,387	31 March 2017
		31,989,831	

After the end of the reporting year, the Directors declared a fourth dividend of 0.5 sen per ordinary share totalling RM1,618,237 in respect of the year ended 31 March 2018 on 25 May 2018 which was paid on 5 July 2018.

The fourth dividend 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 RM7,193,436 (2017: RM6,886,026) of which NIL (2017: RM1,181,000) 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.

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

	Group	
	2018 RM'000	2017 RM'000
Local	216,178	216,099
Overseas	208,138	183,202
	424,316	399,301

Notes to the Financial Statements
cont'd

23. OPERATING SEGMENTS *cont'd*

Major customers

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

	Revenue RM'000	Segment
2018		
Customer B	57,373	Overseas
2017		
Customer A	48,403	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:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Available for sales				
Financial assets				
Other investments	5,970	4,090	-	-

24.2 Net gains and losses arising from financial instruments

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Net gains/(losses) on:				
Available-for-sale financial assets				
- recognised in profit or loss	187	(287)	-	(392)
- recognised in other comprehensive income	(6)	(9)	-	-
	181	(296)	-	(392)
Loans and receivables	(4,066)	8,987	(575)	(507)
Financial liabilities measured at amortised cost	(581)	(333)	-	-
	(4,466)	8,358	(575)	(899)

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

Notes to the Financial Statements
cont'd

24. FINANCIAL INSTRUMENTS *cont'd*

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	
	2018 RM'000	**2017 RM'000**
Local	88,741	90,028
Overseas	44,082	49,425
	132,823	139,453

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**
2018			
Not past due	65,408	-	65,408
Past due 1 - 30 days	22,330	-	22,330
Past due 31 - 60 days	14,701	-	14,701
Past due 61 - 90 days	4,950	-	4,950
Over 90 days	26,941	(1,507)	25,434
	134,330	(1,507)	132,823

Notes to the Financial Statements
cont'd

24. FINANCIAL INSTRUMENTS *cont'd*

24.4 Credit risk *cont'd*

Receivables *cont'd*

Impairment losses cont'd

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

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

	Group	
	2018 RM'000	2017 RM'000
At 1 April	1,784	2,223
Impairment loss reversed	(73)	(643)
Impairment loss written off	(57)	-
Exchange difference	(147)	204
At 31 March	1,507	1,784

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.

No further impairment loss is required for amount past due more than 90 days mainly because these customers are entitled for promotional funds, sales incentives, sales rebates and trade offers. As at year end, the accruals for promotional funds, sales incentives, sales rebates and trade offers payable to these customers amounted to approximately RM31,711,000 (2017: RM25,540,000), which is included in the accrued advertising and promotional expenses in Note 16 to the financial statements.

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 RM31,979,745 (2017: RM12,061,606) 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.

Notes to the Financial Statements
cont'd

24. FINANCIAL INSTRUMENTS *cont'd*

24.4 Credit risk *cont'd*

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:

	Company	
	2018 RM'000	2017 RM'000
At 1 April	738	-
Impairment loss recognised	768	738
At 31 March	1,506	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.

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.

Notes to the Financial Statements
cont'd

24. FINANCIAL INSTRUMENTS *cont'd*

24.5 Liquidity risk *cont'd*

Maturity analysis

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

	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
2018						
Group						
Non-derivative financial liabilities						
Secured finance lease liabilities	576	2.51 - 2.52	619	423	196	-
Unsecured term loans	343	7.45	361	256	105	-
Unsecured bankers' acceptances	31,061	4.02 - 4.03	31,157	31,157	-	-
Trade and other payables	107,023	-	107,023	107,023	-	-
Dividend payable	8,088	-	8,088	8,088	-	-
	147,091		147,248	146,947	301	-
Company						
Non-derivative financial liabilities						
Trade and other payables	1,454	-	1,454	1,454	-	-
Dividend payable	8,088	-	8,088	8,088	-	-
Financial guarantee*	-	-	31,980	31,980	-	-
	9,542		41,522	41,522	-	-
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' acceptances	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*	-	-	12,062	12,062	-	-
	379		12,441	12,441	-	-

* *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 *cont'd*

24.6 Market risk

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

Currency risk

The Group and the Company are exposed to foreign currency risk on sales and purchases 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") and Chinese Yuan ("RMB").

Risk management objectives, policies and processes for managing the risk

The Group uses forward exchange contract to hedge its foreign currency risk from time to time. The forward exchange contract has maturities of less than one year after the end of the reporting period. The outstanding forward exchange contract is not material to the financial statements.

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 currency 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**
Group			
2018			
Trade and other receivables	37,189	5,311	-
Cash and cash equivalents	12,754	63	-
Trade and other payables	(12,754)	(2,268)	(2,588)
	37,189	3,106	(2,588)
2017			
Trade and other receivables	47,479	4,210	-
Cash and cash equivalents	18,072	1,292	-
Trade and other payables	(10,461)	(1,067)	(1,026)
	55,090	4,435	(1,026)

	Denominated in USD	
	2018 RM'000	**2017 RM'000**
Company		
Inter-company balances	994	501

Notes to the Financial Statements
cont'd

24. FINANCIAL INSTRUMENTS *cont'd*

24.6 Market risk *cont'd*

Currency risk *cont'd*

Currency risk sensitivity analysis

A 10% (2017: 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**
2018		
USD	(2,826)	(76)
SGD	(236)	-
RMB	197	-
2017		
USD	(4,187)	(38)
SGD	(337)	-
RMB	78	-

A 10% (2017: 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 investments in fixed rate deposit and its 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 and the Company endeavours to keep the exposure at an acceptable level.

Notes to the Financial Statements
cont'd

24. FINANCIAL INSTRUMENTS *cont'd*

24.6 Market risk *cont'd*

Interest rate risk *cont'd*

Exposure to interest rate risk

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

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Fixed rate instruments				
Financial assets	20,903	15,245	12,758	13,134
Financial liabilities	(31,637)	(11,498)	-	-
	(10,734)	3,747	12,758	13,134
Floating rate instruments				
Financial liabilities	(343)	(564)	-	-

Interest rate risk sensitivity analysis

(a) Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do 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 RM3,000 (2017: RM4,000). 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

Price risk arises from the Group's investment in unit trust funds.

Risk management objectives, policies and processes for managing the risk

Management of the Group monitors the investment on portfolio basis.

The Group invests in unit trust funds which seek to invest in money market instruments and deposits with licensed financial institutions for reasonable rate of return on income while maintaining capital stability.

Price risk sensitivity analysis

The unit trust funds invest in money market instruments and deposits with licensed financial institutions. The net asset value ("NAV") of the unit trust funds mainly depends on the performance of the financial instruments which is affected by changes in the market interest rate.

At the end of the reporting period, a 100 basis points ("bp") increased in the interest rate with all other variables held constant, would have increased equity by RM59,705 (2017: RM40,895) for investments classified as available-for-sale. A 100 bp decrease in interest rate would have had equal but opposite effect on equity.

Notes to the Financial Statements
cont'd

24. FINANCIAL INSTRUMENTS *cont'd*

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

	Fair value of financial instruments carried at fair value Level 2 RM'000	Fair value of financial instruments not carried at fair value Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000
Group				
2018				
Financial assets				
Unit trust funds	5,970	-	5,970	5,970
Financial liabilities				
Term loans	-	(329)	(329)	(343)
Finance lease liabilities	-	(599)	(599)	(576)
	-	(928)	(928)	(919)
2017				
Financial assets				
Unit trust funds	4,090	-	4,090	4,090
Financial liabilities				
Term loans	-	(545)	(545)	(564)
Finance lease liabilities	-	(1,017)	(1,017)	(970)
	-	(1,562)	(1,562)	(1,534)

Level 2 fair value

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

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2017: no transfer in either directions).

Notes to the Financial Statements
cont'd

24. FINANCIAL INSTRUMENTS *cont'd*

24.7 Fair value information *cont'd*

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 key unobservable inputs used in the valuation models.

Financial instruments not carried at fair value

Type	Description of valuation technique and inputs used
Term loans/Finance lease liabilities	Discounted cash flows using a rate based on the current market rate of borrowings of the Group entities at the reporting date.

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 investors, creditors and market confidence and to sustain future development of the business. The Directors monitor and maintain an optimal capital and liquidity ratio that enables the Group to operate effectively.

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

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

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

26. CAPITAL COMMITMENT

	Group	
	2018 RM	**2017 RM**
Capital expenditure commitment		
Property, plant and equipment		
Contracted but not provided for	3,445,000	4,335,000

27. CONTINGENT LIABILITIES

	Company	
	2018 RM'000	**2017 RM'000**
Corporate guarantees		
Unsecured:		
Corporate guarantees given to financial institutions and credit financing companies in respect of outstanding term loans, short term borrowings, lease and hire purchase facilities of subsidiaries	31,980	12,062

Notes to the Financial Statements
cont'd

28. 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	
		2018 RM	2017 RM	2018 RM	2017 RM
A.	**Subsidiaries**				
	Dividend income (gross)	-	-	(30,513,295)	(39,910,011)
	Management fees	-	-	(746,685)	(673,831)
	Rental expense	-	-	10,800	10,800
B.	**Associate**				
	Sales	(270,796)	(873,845)	-	-
	Marketing expenses	-	462,358	-	-
C.	**Fees paid to a firm in which an alternate Director of the Company is a partner**	18,800	32,966	4,300	-
D.	**Substantial shareholder**				
	Sales of motor vehicles	-	120,000	-	-
E.	**Company related to Directors**				
	Management fees	285,539	239,840	-	-
	Secretarial fees	30,000	3,040	14,000	3,040
F.	**Key management personnel** ***Directors***				
	- Fees	168,000	167,839	168,000	145,581
	- Remuneration	12,254,826	7,263,532	-	-
	- Share-based payments	268,628	282,527	227,684	246,536
		12,691,454	7,713,898	395,684	392,117

The estimated monetary value of Directors' benefit-in-kind for the Group are RM367,870 (2017: RM328,218).

Notes to the Financial Statements
cont'd

28. RELATED PARTIES *cont'd*

Significant related party transactions *cont'd*

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
F. Key management personnel *cont'd*				
Other key management personnel				
- Remuneration	1,786,440	3,069,176	-	-
- Share-based payments	96,181	53,504	-	-
	1,882,621	3,122,680	-	-

The estimated monetary value of key management personnel for the Group is RM40,651 (2017: RM37,816).

Other key management personnel comprise persons other than the Directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of the Group entities either directly or indirectly.

29. SUBSEQUENT EVENTS

At the Extraordinary General Meeting held on 29 June 2018, the shareholders of the Company approved the following proposals:

(a) a bonus issue of up to 71,236,337 new ordinary shares in the Company on the basis of one (1) bonus share for every five (5) existing ordinary shares in the Company; and

(b) an issue of up to 71,236,337 free warrants on the basis of one (1) warrant for every five (5) existing ordinary shares in the Company.

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 66 to 123 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 2018 and of their financial performance and cash flows for the financial year then ended.

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

Dato' How Say Swee
Director

See Thuan Po
Director

Johor Bahru

Date: 20 July 2018

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 66 to 123 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, MIA CA 23428 at Johor Bahru in the State of Johor on 20 July 2018

Chong Wee Kok

Before me:
Lau Lay Sung
Commissioner for Oaths
J-246

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 2018 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 66 to 123.

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 2018, 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 *cont'd*

How the matter was addressed in our audit:

Our audit procedures performed in this area included, amongst 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 *cont'd*

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 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

Date: 20 July 2018

List of Properties
As at 31 March 2018

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/ 20 years	41,354/21,269	3,330,265
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/ 20 years	41,801/24,177	2,140,543
iii)	No. 1, Jalan Sri Plentong Taman Perindustrian Sri Plentong 81750 Masai, Johor Bahru Johor on H.S.(D) 212276-212285 P.T. No. 111376-111385 in the Mukim of Plentong District of Johor Bahru	Warehouse, factory cum office	Freehold/ 11 years	772,098/ 155,389	37,623,782
iv)	Lot 945, Springs 10 Street 7, Villa 33, Type 3E The Springs Emirates Living Dubai	Residential	Freehold/ 12 years	4,080/2275	1,222,242
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/ 22 years	19,493/14,516	2,995,762
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/ 22 years	19,300/14,512	3,750,741
vii)	No. 305, 3rd Floor Sobha Sapphire Business Bay (Al Khail Road Entrance) Dubai	Office	Freehold/ 5 years	2,510	2,597,208
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/ 3 years	2,099/6,297	585,861

Analysis of Shareholdings

As at 29 June 2018

ISSUED & FULLY PAID-UP CAPITAL : RM215,604,431 consisting of 330,359,185 ordinary shares

Category	No. of Holders	%	No. of Securities	%
1 – 99	36	1.18	716	0.00
100 – 1,000	696	22.85	452,302	0.14
1,001 – 10,000	1,615	53.02	7,399,789	2.24
10,001 – 100,000	569	18.68	17,284,613	5.23
100,001 to less than 5% of issued shares	127	4.17	212,879,305	64.44
5% and above of issued shares	3	0.10	92,342,460	27.95
Total	**3,046**	**100.00**	**330,359,185**	**100.00**

LIST OF DIRECTORS' SHAREHOLDINGS

		No. of shares held			
No.	**Name of Directors**	**Direct interest**	**%**	**Deemed interest**	**%**
1	DATUK AFIFUDDIN BIN ABDUL KADIR	-	-	-	-
2	DATO' LOW CHEE YEN	49,889,930	15.10	5,390,000	1.63
3	DATO' WONG FUEI BOON	61,022,630	18.47	5,000,000	1.51
4	DATO' HOW SAY SWEE	65,756,030	19.90	-	-
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	2,215,000	0.67	-	-
8	WONG TAK KEONG	29,824,500	9.03	3,959,000	1.20
9	AZAHAR BIN BAHARUDIN	5	0.00	-	-

LIST OF SUBSTANTIAL SHAREHOLDERS

		No. of shares held			
No.	**Name of Substantial Shareholders**	**Direct interest**	**%**	**Deemed interest**	**%**
1	DATO' HOW SAY SWEE	65,756,030	19.90	-	-
2	DATO' WONG FUEI BOON	61,022,630	18.47	5,000,000	1.51
3	DATO' LOW CHEE YEN	49,889,930	15.10	5,390,000	1.63
4	WONG TAK KEONG	29,824,500	9.03	3,959,000	1.20

Analysis of Shareholdings

As at 29 June 2018
cont'd

CATEGORY OF SHAREHOLDERS OF EACH CLASS

No.	Category of Shareholders	No. of Holders		No. of Shares		Percentage (%)	
		MALAYSIAN	FOREIGN	MALAYSIAN	FOREIGN	MALAYSIAN	FOREIGN
1	Individuals	2,166	29	41,624,786	342,900	12.60	0.10
2	Body Corporate						
	a. Banks/Finance Companies	12	-	12,072,200	-	3.66	-
	b. Investment Trusts/ Foundation/ Charities	-	-	-	-	-	-
	c. Other types of Companies	32	-	9,785,897	-	2.96	-
3	Government Agencies/ Institutions	1	-	2,770,400	-	0.84	-
4	Nominees	771	35	252,597,858	11,165,144	76.46	3.38
5	Others	-	-	-	-	-	-
	TOTAL	**2,982**	**64**	**318,851,141**	**11,508,044**	**96.52**	**3.48**

LIST OF THIRTY (30) LARGEST SHAREHOLDERS

No.	Names	Shareholdings	%
1	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB FOR WONG FUEI BOON (PB)*	44,570,130	13.49
2	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB FOR HOW SAY SWEE (PB)*	27,692,330	8.38
3	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR HOW SAY SWEE (6000382)*	20,080,000	6.08
4	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD *EXEMPT AN FOR AFFIN HWANG ASSET MANAGEMENT BERHAD (TSTAC/CLNT-T)*	12,000,000	3.63
5	HLB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR WONG TAK KEONG*	11,252,600	3.41
6	AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR HOW SAY SWEE (M04)*	10,000,000	3.03
7	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB BANK FOR LOW CHEE YEN (PBCL-0G0549)*	8,703,245	2.63
8	MERCSEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR WONG FUEI BOON*	8,422,700	2.55
9	CITIGROUP NOMINEES (ASING) SDN BHD *EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 14)*	8,003,349	2.42
10	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB BANK FOR LOW CHEE YEN (MY1770)*	7,900,000	2.39
11	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LOW CHEE YEN (7001504)*	7,500,000	2.27

Analysis of Shareholdings

As at 29 June 2018
cont'd

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

No.	Names	Shareholdings	%
12	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB BANK FOR HOW SAY SWEE (MY1773)*	6,427,800	1.95
13	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB BANK FOR WONG FUEI BOON (MY1771)*	5,900,000	1.79
14	TA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR WONG TAK KEONG*	5,880,000	1.78
15	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	5,852,200	1.77
16	PAU CHOON MEI	5,390,000	1.63
17	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB FOR WONG BOON FONG (PB)*	5,000,000	1.51
18	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB FOR LOW CHEE YEN (PB)*	4,917,185	1.49
19	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR WONG TAK KEONG (6000698)*	4,630,000	1.40
20	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD *DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTSSMALL-CAP FUND*	4,423,600	1.34
21	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB FOR SEE SEANG HUAT & COMPANY SDN BERHAD (PB)*	4,150,000	1.26
22	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD *DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTS ISLAMIC SMALL-CAP FUND*	3,746,100	1.13
23	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR KONG GOON KHING (E-BTR)*	3,600,000	1.09
24	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB BANK FOR LOW CHEE YEN (PBCL-0G0557)*	3,500,000	1.06
25	CIMB ISLAMIC NOMINEES (TEMPATAN) SDN BHD *CIMB ISLAMIC TRUSTEE BHD FOR BIMB I DIVIDEND FUND*	3,370,000	1.02
26	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB BANK FOR WONG TAK KEONG (MY1772)*	3,361,900	1.02
27	LING SHI YNG	2,959,000	0.90
28	YAYASAN GURU TUN HUSSEIN ONN	2,770,400	0.84
29	AMBANK (M) BERHAD *PLEDGED SECURITIES ACCOUNT FOR WONG TAK KEONG (SMART)*	2,500,000	0.76
30	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CEKD VENTURE SDN BHD*	*2,224,800*	0.67

Notice of the Twelfth Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Twelfth Annual General Meeting ("AGM") of Power Root Berhad ("Power Root" or "the Company") will be held at No 1, Jalan Sri Plentong, Taman Perindustrian Sri Plentong, 81750 Masai, Johor on Monday, 27 August 2018 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 2018 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 2019, 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 payable to the Directors an aggregate amount of not more than RM500,000 for the financial year ending 31 March 2019. ***(Resolution 3)***

4. To re-elect Dato' How Say Swee, who retires pursuant to Article 121 of the Company's Articles of Association and being eligible, offers himself for re-election. ***(Resolution 4)***

5. To re-elect Encik Azahar bin Baharudin, who retires pursuant to Article 121 of the Company's Articles of Association and being eligible, offers himself for re-election. ***(Resolution 5)***

6. To re-elect Mr. Wong Tak Keong, who retires pursuant to Article 126 of the Company's Articles of Association and being eligible, offers himself for re-election. ***(Resolution 6)***

7. To re-appoint Messrs KPMG PLT as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. ***(Resolution 7)***

SPECIAL BUSINESS

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

8. To retain Mr. Ong Kheng Swee, who has served for more than nine (9) years as Independent Non-Executive Director of the Company, pursuant to Recommendation 4.2 of the Malaysian Code on Corporate Governance 2017 ("the Code"). ***(Resolution 8)***

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

   "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 Twelfth Annual General Meeting
cont'd

SPECIAL BUSINESS cont'd

10. **Proposed Renewal of the Authority to allot and issue new ordinary shares in Power Root ("Power Root Shares"), for the purpose of the Company's Dividend Reinvestment Plan ("DRP") that provides the shareholders of Power Root ("Shareholders") the option to elect to reinvest their cash dividend in new Power Root Shares** ***(Resolution 10)***

"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 11)***

"THAT subject to the provisions of the Companies Act 2016, the Constitution 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.

Notice of the Twelfth Annual General Meeting
cont'd

SPECIAL BUSINESS cont'd

11. **Proposed Renewal of the Authority To Buy-Back Its Own Shares by the Company** cont'd

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

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

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

By Order of the Board

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

Johor Bahru
31 July 2018

Notice of the Twelfth Annual General Meeting
cont'd

Notes:

(a) GENERAL MEETING RECORD OF DEPOSITORS

Only depositors whose name appears in the Record of Depositors as at 20 August 2018 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.

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 2019. (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 an 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 retain 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 Malaysia Securities Berhad 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 Twelfth Annual General Meeting
cont'd

Notes: *cont'd*

(d) EXPLANATORY NOTES TO SPECIAL BUSINESS: *cont'd*

2. *The Proposed Ordinary Resolution 9 is for the purpose of granting a general mandate ("General Mandate") empowering the Directors of the Company, pursuant to Section 75 of the Companies Act 2016 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 10 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 28 August 2017. 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 11 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 28 August 2017. This authority will, unless revoked or varied by the Company in general meeting, expires at the next AGM of the Company.*

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof) and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representatives for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Statement Accompanying The Notice of the Twelfth Annual General Meeting

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

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

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

   - Dato' How Say Swee
   - Azahar bin Baharudin

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

   - Wong Tak Keong

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 9 of the Annual Report.

PROXY FORM

POWER ROOT BERHAD

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

Number of Ordinary Shares Held

I/We, ____
(FULL NAME AND NRIC/PASSPORT NO./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 Twelfth Annual General Meeting of the Company to be held at No 1, Jalan Sri Plentong, Taman Perindustrian Sri Plentong, 81750 Masai, Johor on Monday, 27 August 2018 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 2018 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 2019, to be payable on quarterly basis in arrears.		
3.	To approve the benefit payable to the Directors an aggregate amount of not more than RM500,000 for the financial year ending 31 March 2019.		
4.	To re-elect the Director, Dato' How Say Swee who retires pursuant to Article 121 of the Company's Articles of Association.		
5.	To re-elect the Director, Encik Azahar bin Baharudin who retires pursuant to Article 121 of the Company's Articles of Association.		
6.	To re-elect the Director, Mr. Wong Tak Keong who retires pursuant to Article 126 of the Company's Articles of Association.		
7.	To re-appoint Messrs KPMG PLT as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.		
	SPECIAL BUSINESS		
8.	To retain Mr. Ong Kheng Swee to continue in office as Independent Director of the Company.		
9.	Proposed Renewal of the Authority to Issue Shares Pursuant to Section 75 of the Companies Act 2016.		
10.	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.		
11.	Proposed Renewal of the Authority to Buy-Back its own shares by the Company.		

* *Strike out whichever not applicable*

Signed this ____________ day of ________________ 2018

____
Signature of Member/Common Seal

Fold This Flap For Sealing

Notes:

i. Only depositors whose name appears in the Record of Depositors as at 20 August 2018 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.

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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.

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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 an 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 retain 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 Malaysia Securities Berhad 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.

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

2. The Proposed Ordinary Resolution 9 is for the purpose of granting a general mandate ("General Mandate") empowering the Directors of the Company, pursuant to Section 75 of the Companies Act 2016 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.

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PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 31 July 2018.

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JOHOR

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E-mail : sales@powerroot.com.my