POWER ROOT BERHAD
Registration No. : 200601013517
(733268-U)

2020
Annual Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Afifuddin bin Abdul Kadir	*Independent Non-Executive Co-Chairman*
Y.A.D. Tengku Dato' Setia Putra Alhaj bin Tengku Azman Shah Alhaj	*Independent Non-Executive Co-Chairman (Appointed on 5 July 2019)*
Dato' Low Chee Yen	*Executive Deputy Chairman*
Wong Tak Keong	*Chief Executive Officer (Redesignated on 1 July 2020)*
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	*Independent Non-Executive Director (Redesignated on 1 September 2019)*

COMPANY SECRETARIES

Zuriati binti Yaacob (F) SSM PC No. 202008003191 (LS 0009971)
Leong Siew Foong (F) SSM PC No. 202008001117 (MAICSA NO. 7007572)
Santhi A/P Saminathan (F) SSM PC No. 201908002933 (MAICSA NO. 7069709)

REGISTERED OFFICE

Suite 9D Level 9, Menara Ansar
65 Jalan Trus
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
AmBank (M) Berhad
United Overseas Bank (Malaysia) Berhad

SHARE REGISTRAR

Boardroom Share Registrars Sdn Bhd
11th Floor, Menara Symphony
No. 5, Jalan Professor Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya
Selangor

Tel : 03 – 7890 4700
Fax : 03 – 7890 4670

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.
- 50.1% Power Root Distributor Sdn. Bhd.
- 100% Power Impian International Sdn. Bhd.
- 51% Medan Multimedia Sdn. Bhd.
- 33% Jobtact Sdn. Bhd.
- 100% Power Root Support Services Sdn. Bhd.
- 50% Alicafe Specialty Coffee Sdn. Bhd.
- 80% Alicafe Roasters Sdn. Bhd.
- 69.6% Superwrapz International Sdn. Bhd.

OVERSEAS COMPANIES

- 100% Power Root (Shanghai) Food Trading Co., Ltd.
- 90% Power Root HK-China Company Limited
- 100% PR Global Assets Limited
- 100% PT. Natbio Marketing Indonesia
- 97% Power Root ME FZCO
  - 100% P.R. Egypt
  - 49%** PRME Food Manufacturing L.L.C

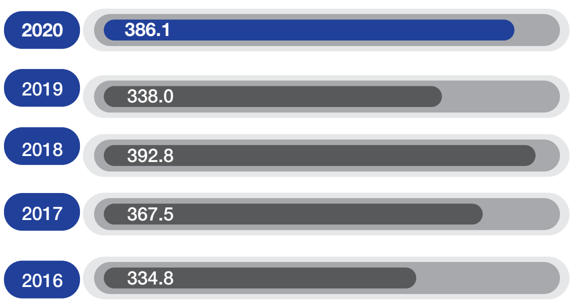
*** Power Root ME FZCO shall receive all profits or ownerships of assets and liable for all losses or liabilities of P R M E Food Manufacturing L.L.C*

FINANCIAL HIGHLIGHTS

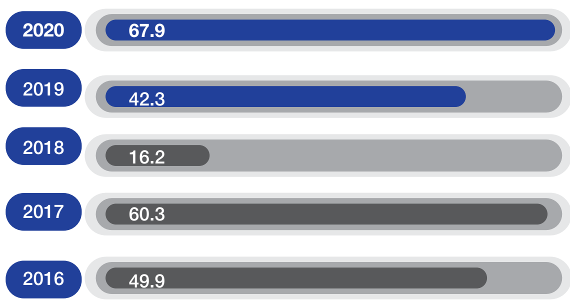
	Financial year ended 31 March				
	2016 RM' 000 Restated	**2017 RM' 000 Restated**	**2018 RM' 000 Restated**	**2019 RM' 000**	**2020 RM' 000**
Revenue	334,814	367,529	392,782	338,012	**386,099**
Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA")	49,868	60,331	16,170	42,339	**67,855**
Profit Before Taxation ("PBT")	44,381	54,761	10,310	37,079	**62,625**
Profit After Taxation ("PAT")	45,213	47,217	9,730	28,127	**51,746**
Earnings Per Share ("EPS") (sen)					
Basic	11.89	11.64	2.33	7.12	**12.83**
Diluted	11.30	11.14	2.25	6.94	**11.97**
Dividend Per Share ("DPS") (sen)#	9.17	9.58	7.92	8.00	**12.50**

 # adjusted pursuant to the bonus issue completed on 23 July 2018

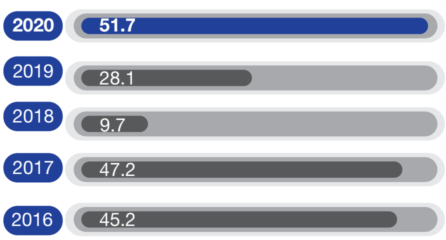
REVENUE (RM' million)



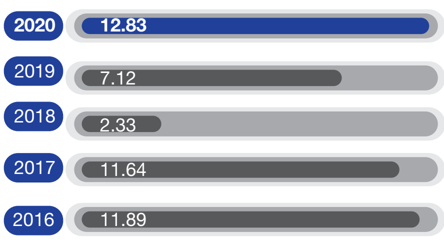
EBITDA (RM' million)



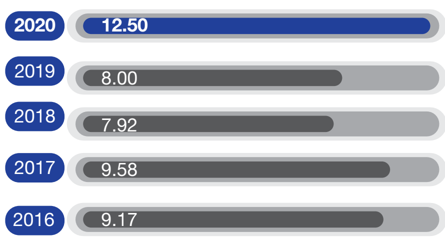
PAT (RM' million)



BASIC EPS (Sen)



DPS (Sen)



DIRECTORS' PROFILE

DATO' AFIFUDDIN BIN ABDUL KADIR

Independent Non-Executive Co-Chairman
Malaysian, aged 67, male

Dato' Afifuddin was appointed as Independent Non-Executive Co-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.

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 does not hold any directorships in public companies and listed companies. 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 2020.

Directors' Profile
Cont'd

Y.A.D. TENGKU DATO' SETIA PUTRA ALHAJ BIN TENGKU AZMAN SHAH ALHAJ

Independent Non-Executive Co-Chairman
Malaysian, aged 68, male

Y.A.D. Tengku Dato' Setia Putra Alhaj bin Tengku Azman Shah Alhaj was appointed as our Independent Non-Executive Co-Chairman on 5 July 2019. After completing his formal education in the 1960's, Tengku Dato' Setia Putra Alhaj was appointed as the Military Aide-de-Camp to His Royal Highness The Sultan of Selangor. He resigned from this position and entered the corporate world in 1995. Since then, he has extensive interests in civil, building construction and property development. He is currently an Independent Non-Executive Director of CME Group Berhad listed on the Main Market of Bursa Malaysia Securities Berhad. He also sits on the Board of several other private limited company.

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

He attended all of the 3 Board meetings during his tenure as a Director of the Company since his appointment for the financial year ended 31 March 2020.

DATO' LOW CHEE YEN

Executive Deputy Chairman
Malaysian, aged 45, 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 one of the founding members of the Group and has 20 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 2020.

Directors' Profile Cont'd

WONG TAK KEONG

Chief Executive Officer
Malaysian, aged 49, male

Wong Tak Keong was appointed as our Chief Executive Officer on 1 July 2020. He is also a member of the Option Committee.

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 (now known as Crowe Malaysia PLT), a member of Horwath International (now known as Crowe Global), an international accounting firm as a Manager where he was then 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 in 2017 and Managing Director in 2018 before he assumed his current position as Chief Executive Officer.

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.

He attended 4 out of 4 Board meetings during the financial year ended 31 March 2020.

DATO' WONG FUEI BOON

Executive Director
Malaysian, aged 54, 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 32 years of working experience in the sales of consumer products, out of which 20 years were in the food and beverage industry.

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

He attended 4 out of 4 Board meetings held during the financial year ended 31 March 2020.

Directors' Profile
Cont'd

DATO' HOW SAY SWEE

Executive Director
Malaysian, aged 57, 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 28 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 2020.

SEE THUAN PO

Executive Director
Malaysian, aged 44, 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 a 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 13 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 2020.

Directors' Profile Cont'd

ONG KHENG SWEE

Independent Non-Executive Director
Malaysian, aged 62, 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 and Option Committee, a member of the Remuneration Committee and Nominating 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, management consultant and chief financial officer in various industries including petrochemicals, ceramic tiles, automotive components, minerals and glass. He had previously served as an Executive Director and Chief Financial Officer of a company listed on the Main Market of Bursa Malaysia Securities Berhad until March 2020 when he left to pursue his interest in consulting and advisory.

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 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 during the financial year ended 31 March 2020.

AZAHAR BIN BAHARUDIN

Independent Non-Executive Director
Malaysian, aged 64, 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, Remuneration 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 Gromutual Berhad and SDS Group Berhad, which are listed on the Main Market and Ace Market of Bursa Malaysia Securities Berhad respectively.

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 2020.

Directors' Profile Cont'd

DATO' TEA CHOO KENG

Independent Non-Executive Director
Malaysian, aged 52, male

Dato' Tea Choo Keng was appointed as the Independent Non-Executive Director on 1 September 2019. 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 4 out of 4 Board meetings held during the financial year ended 31 March 2020.

KEY SENIOR MANAGEMENT'S PROFILE

CHONG WEE KOK

Group Financial Controller
Malaysian, aged 48, 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 20 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.

LIM PENG HUAT

General Manager – Factory Operations
Singaporean, aged 56, male

Lim Peng Huat was appointed as General Manager (Factory Operations) of Power Root (M) Sdn Bhd on 2 March 2020.

He graduated with a Bachelor of Engineering (Mechanical) degree from University of Canterbury in Christchurch, New Zealand. Mr. Lim was the Factory Manager for Petaling Jaya Dairy (M) Sdn Bhd (Formerly known as Lactalis Manufacturing (M) Sdn Bhd) and Nestle Manufacturing Malaysia Sdn Bhd for the past 5.5 years prior to joining the group. Overall, he has 27 years of working experiences in Food & Beverage industry producing products such as Flour, Coffee Mixes, Malted Beverage, Flavor, Yoghurt, Culinary Sauces, Instant Noodles, Milk Powder and Chicken Extract.

Mr. Lim 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

YOUTUBE MALAYSIA "BREAKTHROUGH ADVERTISER OF THE YEAR" AWARD WINNER

This is an annual award with participation from major brands in the telecommunications, automobile, mobile handset, transportation and fast-moving consumer goods (FMCG) industries. The 2019 Awards attracted over 700 entrants.

Winners are judged through a combination of online votes and a judging panel that comprised leading Marketing and Branding leaders across industries.

Our new brand "Warung" by Alicafé and Alitéa won the 'Best Breakthrough Advertiser' award for our television commercial which resonated with the Malaysian audience.

The commercial titled 'Macam Dolu-Dolu' revived memories of yesteryears with an original soundtrack and scenes inspired by national legend P. Ramlee's famous works.

NEW PRODUCT LAUNCH

Warung by Alicafé & Alitéa

Power Root's latest brand - "Warung" by Alicafé and Alitéa – gives consumers a choice of traditional authentic coffee and tea variants which hark back to yesteryears. The Warung brand does not contain Tongkat Ali or Ginseng and meets the demands of a customer base that prefers 'non-functional' beverages.

Significant Events Cont'd

Its tagline of "Macam Dolu-Dolu" or "Just Like the Good Old Days" recalls the atmosphere and taste of coffee and tea which Malaysians used to savour at the ubiquitous warung or roadside stall with their friends or family members.

The Warung advertising campaign depicted Warung as the authentic taste from olden days which act as a catalyst of togetherness in modern times. It personifies the Warung character (per the logo) to the likeness of P. Ramlee, using P. Ramlee's humorous movie scenes and music as a jingle to appeal to audiences.

The product was launched at a press conference in August 2019.

It comes in five variants – Warung Kopi Klasik, Warung Kopi Putih, Warung Kopi Putih KAW, Warung Teh Tarik and Warung Kopi-O.

Significant Events Cont'd

NEW PRODUCT LAUNCH (Cont'd)

Frenché Roast

This new brand caters to consumers with increasingly sophisticated palates. Evolving taste buds, a burgeoning coffee culture and the willingness of society to pay a little extra for their coffee indulgences have widened the coffee market. Frenché Roast, a darker and more robust blend with a bittersweet note, is derived from the French-roasting technique which roasts the coffee beans until "second crack". It is an excellent option for consumers who want to savour high-quality coffee from the comfort of their own home or workplace. Launched locally in March 2020, Frenché Roast coffee comes in the Premium Blend range, with a single variant known as Premium French Roast, and the Indulgence range, with a choice of Salted Caramel Latte, Tiramisu Latte and Iced French Latte.

ALICAFÉ TONGKAT ALI AND GINSENG (TAG) RELAUNCH CAMPAIGN

We launched a new television commercial featuring three ambassadors who personified the strong, spirited TAG benefits - fireman-cum-singer Syafiq Farhain, renowned skateboard veteran Pa'din Musa and multitalented actor, host and singer, Alif Satar.

From March to May 2019, 45 billboards featuring Alicafé TAG were prominently displayed along both sides of the North-South Expressway, from Johor in the south through to Kedah in the north. In addition, 6 giant billboards featuring Alicafé TAG were taken up in key city and town areas to promote awareness of Alicafé TAG's 'Lebih Padu Untuk Segalanya' campaign.

Significant Events Cont'd

AH HUAT PROMOTIONS

As one of Power Root's main brands, Ah Huat promotions spanned a spectrum of events.

During Chinese New Year (CNY) season, consumers stocking up on Ah Huat CNY Promotion Packs received free angpow packets with the purchase of Ah Huat Teh C and Ah Huat Hainan Tea. Meanwhile, the gift for purchasing Ah Huat's CNY tri-pack was an Ah Huat lucky tumbler. We also took part in the Astro CNY roadshow which featured audience interaction and stage activities in January 2020 at Bandar Rimbayu, Selangor.

Our annual Parents' Day contest which promotes togetherness and recognises the important role of parents was held from May to July 2019. This year's contest was held in collaboration with Royal Caribbean Cruise. Contestants were offered the chance to win a 4-days, 3-nights Phuket Luxury Cruise Trip in November 2019 for four persons. There were five prizes on offer for the trip to Thailand with the Grand Prize winner enjoying the luxury of the Grand Suite on the ship.

In addition, Ah Huat products were promoted during the 3-day 30th World Hakka Conference held at Sunway Pyramid in October 2019, and the brand was a co-sponsor of the 'Sing! China 2019' Chinese reality talent show中国好声音 from July to October 2019.

Significant Events
Cont'd

EXPORT MARKETS

As in past years, Power Root participated in the highly-regarded Gulf Food Exhibition 2020 at Dubai World Trade Centre in February 2020. We also continued to hold ground events and marketing campaigns in Singapore, China and the Middle East to promote our brand.

CORPORATE SOCIAL RESPONSIBILITIES

AH HUAT VIRTUES

Brand Ah Huat's CSR activities revolve around the 'Believe Eight Virtues tagline' (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 celebrated Mid-Autumn by sponsoring 27 children for a visit to Aquaria KLCC, where they were treated to various activities including a shark-feeding session, drawing and colouring competition and a free dinner

In September 2020, we visited 10 homes and provided residents with mooncakes and Ah Huat products. These homes were Persatuan Rumah Caring Kajang; Rumah Charis; House of Joy, Puchong; Pusat Penjagaan Kanak-kanak Cacat Taman Megah; Padmasambhava Children Loving Association; Good Samaritan Home; Sungai Way Old Folks House; Semarak Kasih Home, Klang; House of Love; and Persatuan Kebajikan Mesra Megah Ria.

We revisited these same homes during the Chinese New Year 2020 season and contributed mandarin oranges, Ang Pows & Ah Huat products for the residents' enjoyment.

Corporate Social Responsibilities Cont'd

PROJECT MADE

Project MADE (Making A Difference Everywhere) is a non-profit, non-governmental organisation (NGO) serving communities, regardless of race, religion, culture or political affiliations. Together with Project MADE, Power Root reached out to over 100 poor and underprivileged families celebrating Deepavali in October 2019 in the Sabak Bernam area, by contributing packages of Alicafé Tongkat Ali & Ginseng, Per'l Kacip Fatimah and Oligo products.

PROJECT COVID-19

In the past few months, Covid-19 frontliners have been at the forefront of providing essential services and care to all Malaysians. To demonstrate our appreciation, Power Root took the initiative to thank our nation's frontliners in Selangor, Kuala Lumpur and Johor in March 2020. We helped to lift their spirits by calling at hospitals, police stations and road check points to express our gratitude and delivered Power Root products which provide higher energy, better focus and more stamina to help them carry out their crucial tasks.

Corporate Social Responsibilities Cont'd

PROJECT COVID-19

MANAGEMENT DISCUSSION AND ANALYSIS

The global COVID-19 pandemic has had a major impact on the lives of people and businesses across the world. Power Root and its stakeholders have not been immune to its sweeping effect. As a beverage company, however, we specialise in staple drinks - such as coffee, tea, chocolate malt drinks and herbal energy drinks - with relatively inelastic demand. Thus, we have adapted satisfactorily to the changes around us to this point.

As a regional enterprise, Power Root will take the necessary measures to manage and respond to the current economic environment. At the same time, we are forging ahead with long-term business strategies to ensure our continued growth and success. Indeed, the company hit two significant milestones this year.

Firstly, Power Root achieved its highest-ever net profit in our corporate history at RM51.7 million in this financial year ended ("FYE") 31 March 2020. On top of that, we exceeded RM1 billion in market capitalisation for the first time in May 2020, indicating investors' appreciation of our ongoing efforts and future plans.

These financial milestones were built on the strategies Power Root established for our products in the local and export markets. Our brands such as Alicafé, Per'l Café, Ah Huat White Coffee, Ah Huat Tea, Oligo and Extra Power Root are well-recognised and available across a wide range of outlets. During the year under review, we have continued to pursue targeted improvements in operations, distribution and sales. These have led to improved controls for better efficiencies, as well as expansion of sales channels to widen product availability and choices.

THE BUSINESS ENVIRONMENT

Demanding economic conditions resulted in cautious consumer spending during the year, even prior to the introduction of Malaysia’s Movement Control Order (MCO) in March 2020. As part of the essential food and beverage industry, Power Root was allowed to operate throughout the MCO period. With ongoing production and sufficient stock levels, we were able to meet both local and overseas demand. We also took extra measures in ensuring a safe and hygienic work environment for employee and product safety.

In the preceding financial year, the Group had made Return on Investment (ROI) a core area of focus. As we enter the next phase of our transformation, Power Root has moved to instil a ROI-focused culture within our organisation, and combined it with the streamlining of our sales and distribution activities as well as on-going extension of our brand equity as key levers in our business strategy. The results of these measures can be seen in the company’s financial and operational performances as expanded on below.

In the wider global context, the Group benefited from favourable market movements this past year. The lower price of raw materials, coffee in particular, contributed to an improvement in margins. At the same time, the strengthening of the US dollar (USD) against the Ringgit (MYR) boosted our export-led sales earnings.

DOMESTIC ACTIVITIES

Operational strategies

Power Root’s ROI-focused strategy involves building a culture which accentuates cost control-consciousness within our organisation. To this end, we have revamped our Standard Operating Procedure (SOP) and inventory management to reduce unnecessary wastages while optimising productivity. Clear guidelines to ensure that plant and machinery investments adhere to ROI requirements were set. In addition, we have made stringent management of human resources an integral part of this culture with a strong emphasis on planning and execution.

On the human resources front, the Group engaged high-level managers with the know-how to help us advance to the next stage of growth. Our new factory operations General Manager and Factory Manager, whose multinational corporation (MNC) food and beverage experience would prove pivotal in our operations advancement initiatives, including in reducing wastage, optimising machine usage, and enhancing manpower efficiency on the factory floor. These managers are already playing major roles in the implementation of our work culture and will continue to review our manufacturing footprint in terms of processes, efficiency and machine optimality.

The new market environment resulting from the pandemic has required agility in meeting new buying patterns. Power Root is stepping up our online presence by increasing our social media activities and improving our online brand alignment. Alongside the significant jump in consumer online purchasing activities during the MCO as well as favourable online merchanting terms, we are accelerating our e-commerce plans.

Sales and distribution

Another area where we have made significant headway is in the development of our sales and distribution network. To better manage product movements, Power Root leveraged on technology in rolling out our handheld sales force reporting system. This provides real-time information updates from our distribution network - on outlet stock keeping unit (SKU) levels and product positioning, for example - allowing us to monitor the results of our marketing 5Ps (product, price, promotion, place and people) implementation.

Quick access to information has given us the ability to better gauge performances and areas for improvement. This includes setting distribution-related key performance indicators (KPI), reviewing client credit capabilities, and introducing SOPs for targeted advertising and promotion (A&P) spending to ensure maximum impact on increasing our long term sales and market share. In recent months we have also changed distributors in key markets to new distributors who are better equipped with more comprehensive teams and network.

Management Discussion And Analysis Cont'd

Extending brand equity

While Power Root will always serve the needs of our existing consumers, we are equally sensitive to ongoing changes in tastes and preferences. As such, we are constantly developing new products as well as taste improvements and product line extensions to keep our Brands relevant and appealing.

This past year, we repositioned our extensive Brand Portfolio with three major changes.

The first was to group the herbal range under the "Tongkat Ali and Ginseng" and "Kacip Fatimah and Collagen" portfolios respectively.

Within **"Tongkat Ali & Ginseng"**, Power Root's largest product line, we have the *Alicafé* (coffee), *Alitéa* (tea) and *Extra Power Root* (energy drink) brands, while the **"Kacip Fatimah and Collagen"** line comprises *Per'l* (coffee and chocolate) and *Per'l Xlim* Brands (coffee and chocolate slimming beverage).

We took the opportunity to clearly delineate between our herbal and non-herbal ranges by creating the **"Warung"** line. Warung provides the typical 3-in-1 or 2-in-1 coffee and tea beverage under the *Alicafé* and *Alitéa* brands. However, the Warung line does not contain Tongkat Ali or Ginseng and is aimed at the market segment which prefers non-functional beverages with traditional flavours. There are five Warung variants – Warung Kopi Klasik, Warung Kopi Putih, Warung Kopi Putih KAW, Warung Teh Tarik and Warung Kopi-O.

Finally, our brand portfolio was expanded to target a new segment of consumers. The rise of specialty coffee and the out-of-home coffee culture has seen boutique cafés thrive as consumers show a willingness to pay for their everyday 'small luxuries'. Our new brand Frenché Roast is a coffee range targeted at increasingly sophisticated and spoilt-for-choice palates accustomed to their café fixes. The uniqueness of this brew is in its French-roasting technique which yields a more robust blend, akin to freshly brewed coffee.

Power Root has seen an opportunity to tap into this mass premium market with the launch of two lines under the Frenché Roast brand. The Premium Blend is aimed at the coffee drinker seeking a more robust regular-tasting coffee, while Indulgence - which encompasses gourmet café offerings such as Salted Caramel Latte, Tiramisu Latte, and Ice French Latte - caters to coffee consumers who prefer a different variety of flavours.

Locally, we also carried out a revamp of our Oligo brand with a new look and a new mascot 'Oli' to appeal to a younger target audience. The relaunch served to highlight the unique selling points of Oligo, being the use of Belgian chocolate and nutritious components high in calcium, oligofructose, vitamins B6 and B12 and minerals. Oligo's new packaging was rolled out in mid-September 2019, with advertising and promotional initiatives including above the line television and billboard advertisements running in December 2019 to January 2020.

For our overseas market, we launched Alicafé French Roast Iced Coffee in the Middle East and North Africa (MENA) region in June 2019. This is a cold soluble instant coffee comparable to those offered at cafes. We followed this up with the launch of another new product in the same line - Alicafé Italian Roast 3-in-1 Instant Coffee - in February 2020.

Marketing and branding

Power Root adopts a multi-media marketing and branding strategy to promote brand awareness, brand loyalty and to be the brand of choice. This approach is supported by market positioning activities to reach out to our targeted audience and through careful choices of Brand Ambassadors to maximise our promotional events.

This year's highlights include:

Youtube Malaysia "Breakthrough Advertiser of the Year" Award winner

This is an annual award with participation from major brands in the telecommunications, automobile, mobile handset, transportation and fast-moving consumer goods (FMCG) industries. The 2019 Awards attracted over 700 entrants.

Winners are judged through a combination of online votes and a judging panel that comprised leading Marketing and Branding leaders across industries.

Management Discussion And Analysis Cont'd

Our new brand, "Warung" by Alicafé and Alitéa won the 'Best Breakthrough Advertiser' award for our television commercial which resonated with the Malaysian audience. The commercial titled "Macam Dolu-Dolu" revived memories of yesteryears with an original soundtrack and scenes inspired by national legend P.Ramlee's famous works.

Alicafé Tongkat Ali and Ginseng (TAG) relaunch campaign

We launched a new television commercial featuring three ambassadors who personified the strong, spirited TAG benefits - fireman-cum-singer Syafiq Farhain, renowned skateboard veteran Pa'din Musa and multitalented actor, host and singer, Alif Satar.

From March to May 2019, 45 billboards featuring Alicafé TAG were prominently displayed along both sides of the North-South Expressway, from Johor in the south through to Kedah in the north. In addition, 6 giant billboards featuring Alicafé TAG were taken up in key city and town areas to promote awareness of Alicafé TAG's 'Lebih Padu Untuk Segalanya' campaign.

Ah Huat promotions

As one of Power Root's main brands, Ah Huat promotions spanned a spectrum of events.

During Chinese New Year (CNY) season, consumers stocking up on Ah Huat CNY Promotion Packs received free angpow packets with the purchase of Ah Huat Teh C and Ah Huat Hainan Tea. Meanwhile, the gift for purchasing Ah Huat's CNY tri-pack was an Ah Huat lucky tumbler. We also took part in the Astro CNY roadshow which featured audience interaction and stage activities in January 2020 at Bandar Rimbayu, Selangor.

Our annual Parents' Day contest which promotes togetherness and recognises the important role of parents was held from May to July 2019. This year's contest was held in collaboration with Royal Caribbean Cruise. Contestants were offered the chance to win a 4-days, 3-nights Phuket Luxury Cruise Trip in November 2019 for four persons. There were five prizes on offer for the trip to Thailand with the Grand Prize winner enjoying the luxury of the Grand Suite on the ship.

In addition, Ah Huat products were promoted during the 3-day 30th World Hakka Conference held at Sunway Pyramid in October 2019, and the brand was a co-sponsor of the 'Sing! China 2019' Chinese reality talent show中国好声音 from July to October 2019.

Brand Ambassadors

The personalities who act as our Brand Ambassadors are stellar role models for our products. We have been fortunate to have Alif Satar, a multi-talented artiste and TV host, as our Ambassador over the past few years and he extended his contract with us for another two years to 2021. Singer-songwriter Aniu, our Ah Huat White Coffee Ambassador since 2012, also renewed his contract with us in August 2019.

Fairuz Misran signed on as a Warung Ambassador for 2019. Fairuz, a P. Ramlee look-alike who also sounds like the legendary actor-singer, helped us recreate and relive the happy memories and taste of yesteryears which is what the Warung brand stands for.

EXPORTS

The Group's export sales increased from RM173.5 million to RM208.7 million in the past year. This rise was led by distribution channel improvements and sales force efficiency and effectiveness.

In keeping with changes made in our local operations, the Group also took measures to improve on our operations abroad.

In China, Power Root has restructured our online business by setting up a dedicated and experienced online sales team to further penetrate China's fast-growing e-commerce sector. In addition, we have repositioned each individual online channel for more robust growth. We set up two subsidiaries - Power Root HK-China Company Limited and Power Root (Shanghai) Food Trading Co., Ltd - to improve the supply chain management of our goods. Additionally, we engaged a third-party logistic partner to allow for better control in the supply of goods to our customers.

Management Discussion And Analysis Cont'd

In December 2019, a 50% sugar tax on products containing added sugar and sweetener came into effect in the United Arab Emirates (UAE) and the Kingdom of Saudi Arabia (KSA). Although the cost was passed on to consumers, it did result in a higher average selling price (ASP) for our products. We expect a similar impact when the KSA raises its value-added tax from 5% to 15% beginning from 1 July 2020.

As such, we are taking some initiatives to mitigate the impact of these taxes. We have priced our Alicafé Italian Roast 3-in-1 Instant Coffee (which was launched in February 2020) at a pre-sugar tax level in both the UAE and KSA. The Group is also increasing its sales presence in non-Gulf Cooperation Council (GCC) countries, particularly in North African countries. We are also stepping up our exploration of export growth options outside MENA.

As in past years, Power Root participated in the highly-regarded Gulf Food Exhibition 2020 at Dubai World Trade Centre in February 2020. We also continued to hold ground events and marketing campaigns in Singapore, China and the Middle East to promote our brand.

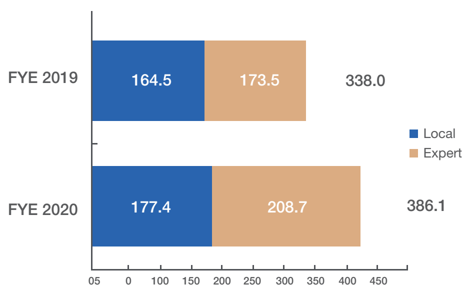
PRODUCTION

Over the past year, we have reviewed our manufacturing footprint and added in two new filling machines to raise our annual output to 2.7 million cartons. We are also in the process of replacing some of our old filling machines to improve production efficiency.

FINANCIAL REVIEW

Revenue and Profit After Tax ("PAT")

Revenue (RM'million)



For the fiscal year end (FYE) 2020, we recorded profit after tax (PAT) of RM51.7million, an increase of 84.0% from the PAT of RM28.1 million in FYE 2019.

This is the highest-ever net profit we have achieved in our corporate history, and demonstrates the first fruits of the ongoing Business Transformation Programme.

The PAT increase was a result of higher sales, a favourable sales mix, as well as a reversal of the impairment loss on trade receivables – RM4.8 million this year against an impairment loss on trade receivables of RM6.5 million in prior year.

For FYE 2020, the Group recorded revenue of RM386.1 million, an increase of approximately 14.2% from the revenue of RM338.0 million recorded in the previous FYE 2019. This increase was due to higher sales locally and through exports. Export earnings were mainly derived from sales in the GCC countries within MENA.

Statement of financial position

	FYE 2020 (RM'000)	FYE 2019 (RM'000)
Total Assets	376,573	332,155
Equity attributable to owners of the Company	253,261	218,812
Total Liabilities	122,835	112,965
Borrowings	8,447	18,610
Gearing (times)	0.03	0.09

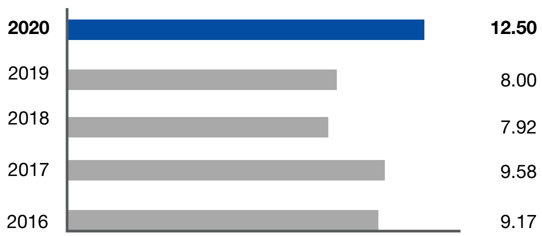
The Total Assets of the Group increased by RM44.4 million, mainly a result of an increase in cash and cash equivalents.

The Total Liabilities of the Group increased by RM9.9 million; this was mainly due to increases in trade and other payables, offset by lower short term borrowings.

With a low gearing of 0.03 as at 31 March 2020, the Group's financial position is sound.

DIVIDENDS

DPS (Sen)



For FYE 2020, the Group announced dividends as follows:

On 1 October 2019, the Group paid a first interim single tier dividend of 2.0 sen per ordinary share amounting to RM7.9 million in respect of FYE 2020.

On 2 January 2020, the Group paid a second interim single tier dividend of 3.0 sen per ordinary share amounting to RM12.2 million in respect of FYE 2020 comprising of:
(i) a second interim single tier dividend of 2.0 sen each, and
(ii) a special interim single tier dividend of 1.0 sen each.

On 27 February 2020, the Group further declared a third interim single tier dividend of 3.5 sen per ordinary share amounting to RM14.3 million in respect of FYE 2020 and paid on 2 April 2020, comprising of:
(i) a third interim single tier dividend of 2.0 sen each, and
(ii) a special interim single tier dividend of 1.5 sen each.

On 28 May 2020, the Board also approved a fourth interim single tier dividend of 4.0 sen per ordinary share amounting to RM16.5 million in respect of FYE 2020 under review and paid on 3 July 2020, comprising of:
(i) a fourth interim single tier dividend of 2.0 sen each, and
(ii) a special interim single tier dividend of 2.0 sen each.

The Board does not recommend the payment of any final dividend in respect of the FYE 2020.

Management Discussion And Analysis Cont'd

As such, the total dividends paid for FYE 2020 is 12.5 sen per share amounting to RM50.9 million, representing a dividend payout ratio of approximately 99.0%.

The Group's dividend policy is to maintain a minimum of 50% dividend payout ratio in appreciation of shareholders' loyalty and participation in our growth journey.

BUSINESS OUTLOOK

As we take our first steps into the uncertain economic and social environment post-MCO, the Group expects weak consumer sentiment to continue and we believe that the beverage industry will remain competitive and challenging.

Going forward, we are adapting our sales strategy to different consumer behaviours in a post-MCO world. We will increase our focus on reaching potential customers online, while evaluating traditional marketing and promotional activities for the time being. Given that coffee typically enjoys inelastic demand, we are also maintaining new product launch plans for the year.

Furthermore, we will continue to improve on our production and cost efficiencies as well as increase the focus and engagement with our sales force and distributors. Simultaneously, we are bolstering our operations team to enhance our manufacturing and manpower systems towards optimising capacity and maximising output.

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

New challenges bring with them new opportunities. Power Root will be alert to these opportunities even as we focus on our long-term strategies.

On behalf of the Board, I would like to thank our shareholders, stakeholders, management and staff of Power Root for the support during the year. Please stay safe.

DATO' AFIFUDDIN BIN ABDUL KADIR
Y.A.D. TENGKU DATO' SETIA PUTRA ALHAJ BIN TENGKU AZMAN SHAH ALHAJ
Co-Chairmen

SUSTAINABILITY STATEMENT

INTRODUCTION

At Power Root Berhad, we recognise that prioritising sustainability is vital in driving business continuity and equitable growth as well as in creating shared value for our stakeholders. We strive to address our economic, environmental and social ("EES") responsibilities by embedding effective sustainable practices into our day-to-day operations and business policies.

This Sustainability Statement ("Statement") serves to communicate our EES practices and performance to our stakeholders.

ABOUT THIS STATEMENT

This Statement is prepared in accordance with the Main Market Listing Requirements and with reference to the Sustainability Reporting Guide (2nd Edition) issued by Bursa Malaysia Securities Berhad.

All references to "Power Root" or "Company" in this Statement are to Power Root Berhad, references to "Group" or "Power Root Group" are to Power Root and its subsidiaries, and references to "Board" are to the Board of Directors of Power Root. All references to "we", "us", "our", and "ourselves" are to Power Root, or where the context requires, Power Root Group.

The information reported in this Statement covers the period from 1 April 2019 to 31 March 2020, which coincides with the Group's financial year. This Statement covers our sustainability performance and the initiatives of all business operations of the Group, with a focus on our main operation in Malaysia - which is also the main contributor of revenue and profit to the Group - unless otherwise specified. We have not sought any external assurance for this Statement.

As we mature in our sustainability journey, we will continue to expand our reporting scope and boundary to eventually cover the full geographical presence of the Power Root Group as well as consider seeking external assurance for our key sustainability indicators.

We have continuously enhanced our communication process with key stakeholders as outlined in this Statement and welcome your valuable feedback.

SUSTAINABILITY GOVERNANCE

Our Board and Management recognise that good corporate governance is important in managing our sustainability risks and opportunities, and emphasise the need to drive transparency and accountability towards our stakeholders. Setting the tone at the top, the Board affirms its responsibility in integrating the Group's sustainability agenda within its business strategy. Our sustainability governance structure has been established by the Board in the following manner:

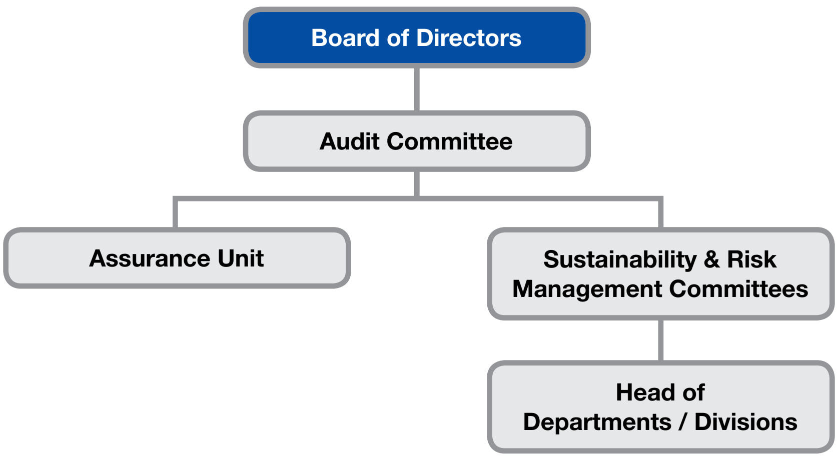


Diagram 1: Power Root's Sustainability Governance Structure

Sustainability Statement Cont'd

The governance structure defines clearly the roles and responsibilities expected of the Board, the Audit Committee ("AC"), Sustainability & Risk Management Committee ("SRMC"), Head of Departments/Divisions and the Assurance Unit. The Board assumes ultimate responsibility for sustainability management and performance within the Group, while the AC is tasked with the duties of overseeing the sustainability management and performance of the Group in reporting to the Board.

The SRMC, chaired by the Managing Director (who was redesignated as Chief Executive Officer on 1 July 2020) of Power Root, is tasked with the following duties:

a. Implement the sustainability strategy and management policy as approved by the Board;

b. Lead and implement the process of sustainability matters identification, assessment and management, devise appropriate action plans in cases where sustainability issues are not adequately or effectively addressed, and communicate proposed action plans to the Head of Departments/Divisions;

c. Conduct periodic review of all sustainability matters pertaining to the Group (at least on an annual basis), determine the adequacy of the responses and the current standing of the sustainability matters, and report the review results and recommendations to the AC;

d. Manage stakeholder engagement for input on the assessment and communication of results of the review and response;

e. Implement the material indicators on sustainability matters, targets and performance monitoring thereof, prepare sustainability disclosures as required by laws and/or rules, and report to the AC for review;

f. Oversee the Head of Departments/Divisions in the implementation of sustainability management systems; and

g. Update the AC on changes to material sustainability matters on a periodical basis (at least on an annual basis) or when appropriate (due to changes in the external environment or internally), and the course of action to be taken by management in managing the changes.

As for the Heads of Departments/Divisions, their primary responsibilities are to manage sustainability matters of the business processes under their control and to assist the SRMC with the implementation of the process of sustainability matters identification, assessment, management and monitoring.

The sustainability matters management process established by the Board takes into consideration the business strategies promoted by the Board as follows:-

- 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;

- The stakeholders identified for each significant business and geographical segment are prioritised in relation to their 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 SRMC by using the Stakeholder Prioritisation Matrix, whereby each stakeholder identified is assessed using the influence and dependence criteria and rating scale established by the Board. The results of the prioritisation shall be used to determine the level of engagement to be employed by the Group with the respective stakeholders (from "collaborate"/ "empower" to "keep informed") based on the perceived influence and dependency of each stakeholder group;

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

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

- Sustainability matters categorised in the Sustainability Matters Listing are subject 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:

- they have significant economic, environmental and social impact on the Group from the organisation's point of view;

- they substantively influence the assessments and decisions of stakeholders from the stakeholders' point of view; and

- they have significant economic, environmental and social impact that affect the ability to meet the needs of the present and future generations.

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

From the internal and external stakeholders' perspectives, stakeholders' assessments of sustainability matters are based on the significance of such matters influencing the assessment and decisions of respective stakeholders. Stakeholders' assessments of sustainability matters are obtained during stakeholder engagements, either through a prescribed checklist or direct communication by SRMC or Head of Departments/Divisions, via the rating system established by the Board.

Subsequent to the assessment process, sustainable matters identified above are subject to the risk management policy and process established by the Board for the assessment and management of the risks and opportunities identified.

In the context of sustainability matters management, the current standing of sustainability matters is assessed for its adequacy and effectiveness by the SRMC which will formulate management responses (if existing controls are inadequate or ineffective) to mitigate the sustainability risks or optimise the sustainability opportunities, in line with the risk tolerance and business strategies established by the Board. Please refer to the 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 Head of Departments/Divisions are responsible for their respective/ relevant material sustainability matters in the following manner:

- developing policies and procedures;

- implementing various initiatives, measures or action plans;

- complying with applicable laws and regulations;

- setting indicators, goals, targets and timeframe in line with the strategic objectives; and

- implementing new or changing existing systems, to capture, report, analyse, and manage data requirements.

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

STAKEHOLDER ENGAGEMENT

We value our key stakeholders' views and hold meaningful engagements with them regularly through various formal and informal channels. These engagements seek to gather information and feedback to better understand our stakeholders' concerns, allowing us to effectively respond and improve the management of our sustainability matters.

During the financial year, our key stakeholder groups were identified and prioritised during our materiality assessment process, taking into consideration the level of influence and dependence that a stakeholder group has over our business. Our key stakeholders include, but are not limited to, employees, consumers, distributors and trade customers, shareholders and investors, suppliers, government and regulators, media and communities.

Stakeholder Group	Engagement Objective(s)	Preferred Engagement Method(s)
Suppliers	• To ensure a sustainable supply of quality services and materials • To supply high quality products to the market • To ensure product quality and safety	• Meetings • Factory visits • Supplier evaluation & appraisal • Electronic mail system • Supplier audit
Government and Regulators	• To ensure full compliance with the relevant laws and regulations	• Official Submissions • Official Letters • Public dialogue involving government officials • Periodical audits • Public announcements • Meetings • Electronic mail system
Employees	• To retain competent employees • To ensure a safe working environment for employees	• Management, operational and committee meetings • Annual performance appraisal • Briefing and training • Events, celebrations and sporting activities • Memorandums • Employee dialogues • Electronic mail system
Distributors and Trade Customers	• To improve our distribution platform	• Marketing plans • Product promotions • Events and training • Feedback and surveys
Consumers	• To improve consumer satisfaction • To induce brand loyalty • To enhance branding and value	• Face-to-face meetings • Electronic mail system • Telephone conversations • Company website and social media • Marketing and promotional programmes and events • Product launches and roadshows • In-store brand activities

Stakeholder Group	Engagement Objective(s)	Preferred Engagement Method(s)
Shareholders and Investors	• To demonstrate financial sustainability • To build up shareholder and investor confidence level	• Annual report • Annual general meeting • Shareholder communication • Press releases and public announcements
Communities	• To improve the overall well-being of the community	• Corporate social responsibility initiatives • Face-to-face meetings • Press releases • Electronic mail system
Media	• To minimise negative reporting and protect our company image • To ensure reporting accuracy	• Press releases • Company website and social media • Face-to-face meetings

Table 1: Power Root's Stakeholder Engagement

Subsequent to the stakeholder group identification with respective proposed engagement methods, a stakeholder prioritisation exercise was conducted for the Group to rank the respective stakeholder group's influence over and dependence on the Group based on the criteria and scale approved by the Board. The results of the stakeholder prioritisation exercise for the Group are tabulated in the following Stakeholder Prioritisation Matrix:

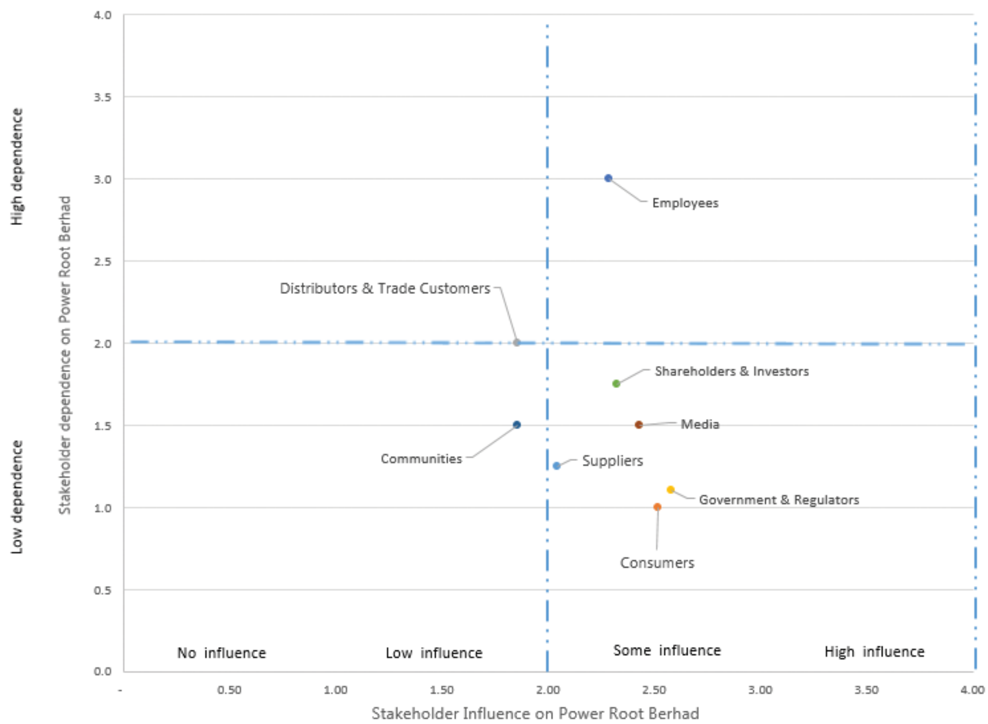


Diagram 2: Power Root's Stakeholder Prioritisation Matrix

Sustainability Statement Cont'd

MATERIAL SUSTAINABILITY MATTERS

At Power Root, we define material sustainability matters as those that cause significant EES impact and are able to substantively influence the decisions of our key stakeholders. Our material sustainability matters form the focus of this Statement and the basis for the indicators that we use to track and measure our sustainability performance.

MATERIALITY ASSESSMENT PROCESS

A materiality assessment is key to supporting Power Root in understanding and focusing our resources to address and manage our material sustainability matters.

We have carried out a structured review of the previous materiality assessment to identify and prioritise material sustainability matters relevant to the Group. A materiality reassessment workshop was conducted with key internal stakeholders, including the management team and head of departments across the Group, providing their views on the abovementioned dimensions.

The materiality assessment process is summarised in 3 steps, as detailed in Diagram 3 below:

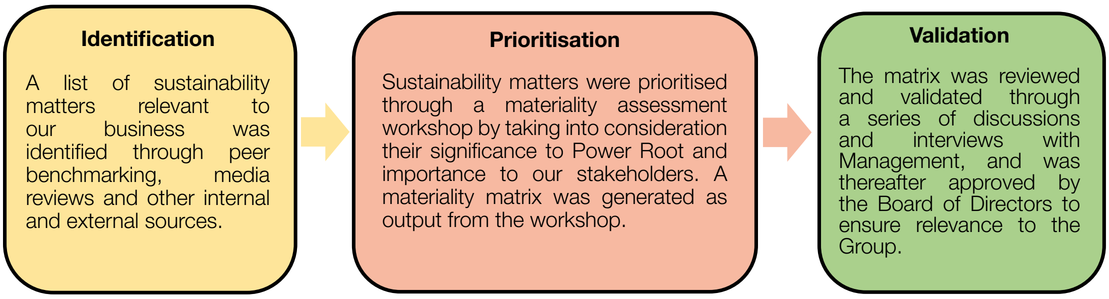


Diagram 3: Power Root's Materiality Assessment Process

The materiality matrix is described in Diagram 4 below:

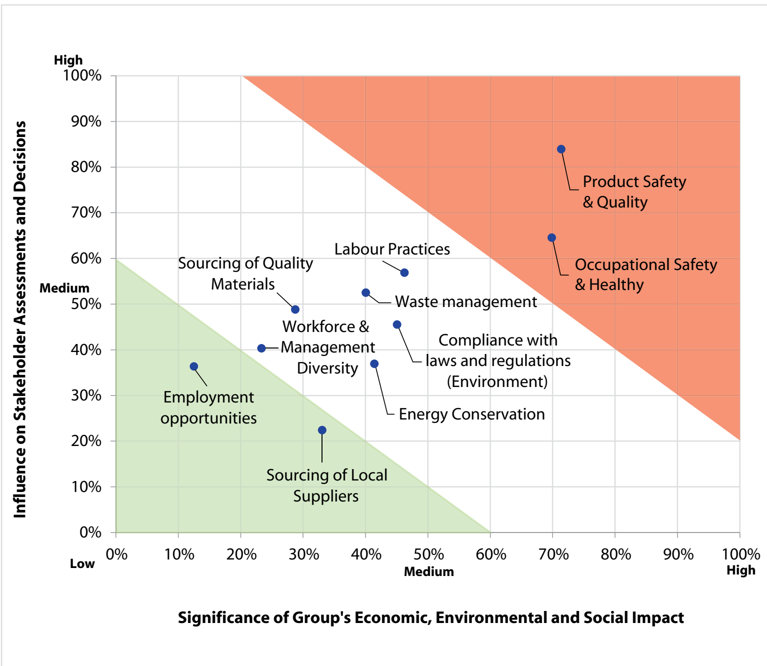


Diagram 4: Power Root's Materiality Matrix

Based on the materiality matrix, we identified two (2) high priority material sustainability matters for this reporting period. We will continue to disclose updates of our initiatives in line with our commitment to fulfil our sustainability responsibilities and endeavour to enhance the depth of our material matters disclosure to effectively communicate our sustainability progress to our stakeholders, year on year.

Product Safety & Quality

With over 20 years of success built on mutual trust, Power Root is devoted to enhancing our consumers' well-being. This requires a comprehensive approach to safety across the life cycle of our products.

In our own operations, we adhere to all health and safety regulations applicable to the food and beverage industry in which we operate. All Power Root products are manufactured under stringent international quality and food safety standards. Our plants are certified with ISO 22000, ISO 9001, Good Manufacturing Practice and Hazard Analysis and Critical Control Points (HACCP) Food Safety management systems, and all stages of our production processes are subjected to stringent quality control procedures.

Our Sustainability & Risk Management Board Committee regularly reviews our key risks in relation to consumer health and safety.

	2019	2018	2017
Product Recall	0	0	0
Target		0	

Table 2: Power Root's Quality Assurance Target

All our products are Halal-certified by the Department of Islamic Development Malaysia (JAKIM) and other relevant authorised certification bodies. Our manufacturing plants have a Halal Committee which is responsible for Halal compliance in our supply chain (from materials selection and purchasing, to the storage, warehousing, and transportation of our products).

During the year, workshop sessions involving all production process employees were held to further raise awareness about Halal issues. Employees with responsibility in Halal matters for Power Root also attended professional training sessions related to Halal internal audit and assurance.

Occupational Safety & Health

The Group believes that the safety and well-being of its employees are the foundations of its success. Hence, we strive to provide a safe and healthy environment for our employees and to ensure safe practices in all aspects of our business operations. In this respect, the Group places the utmost importance on continuous compliance with all relevant safety and health laws and regulations such as the Occupational Safety and Health Act 1994 ("OSHA").

Our workplace safety and health management are guided by the Safety and Health Policy established by the Safety and Health Committee ("SHC") and approved by the Managing Director (who was redesignated as Chief Executive Officer on 1 July 2020). The same Committee also initiated the Management-approved safety and health rules and regulations to ensure that operational activities are carried out in a manner which minimises industrial accidents as the Group strives towards its goal of achieving "A Zero Accident" workforce. In addition, the SHC oversees the observance of these rules and regulations in promoting an environment and conduct which are safe and healthy.

Safety and health audits are conducted by the SHC for all departments of the Group to ensure that incidents of non-compliance with safety and health rules by relevant stakeholders are identified promptly and corrective actions are implemented swiftly. Scheduled meetings of the SHC are held at predetermined intervals in accordance with the rules and regulations to monitor and report any incidents.

Sustainability Statement Cont'd

Furthermore, fire preventive equipment and systems are installed and inspected at predetermined intervals to ensure its functionalities are not compromised and clear escape route plans are placed at strategic locations. All plants and equipment used within the Group are subject to service and maintenance at predetermined intervals to ensure their functionality, with any defects or potential defects detected at the earliest opportunity to reduce the risk of unplanned machinery breakdown and/or industrial accidents.

	2019	2018	2017
Number of Incidents	2	2	4

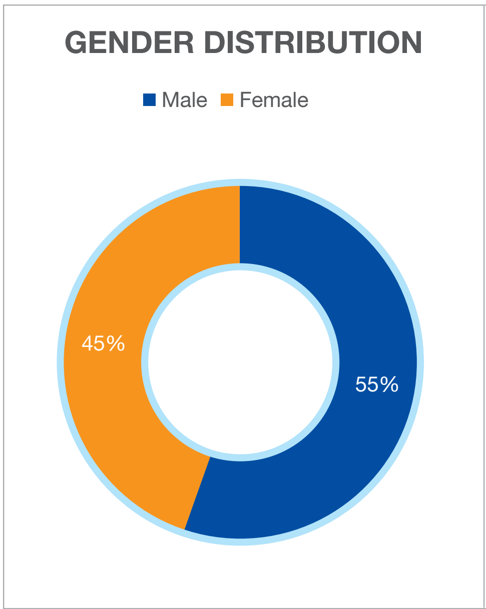
Table 3: Power Root's Incident Records

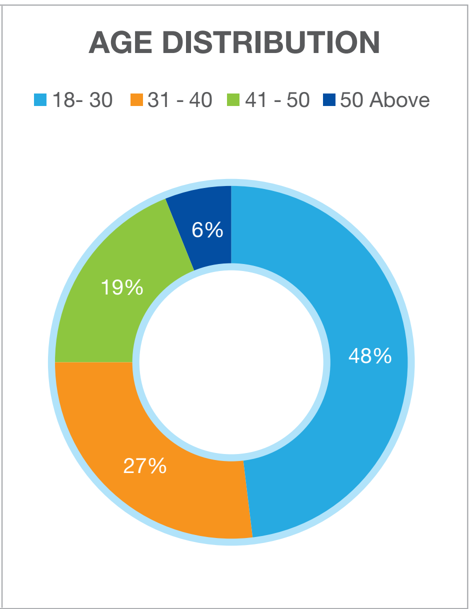
Occupational safety and health performances are regularly monitored and reported in monthly progress reports, which also identify any new or recurring health and safety issues that may occur in the workplace and the measures undertaken to address these issues.

Labour Practices

Attracting and retaining the right talent is a priority in Power Root. We aim to provide a platform for our employees to perform to the best of their ability and recognise their potential to be leaders. The Group actively develops, invests in and fosters growth amongst our employees as we recognise that the success and progress of the Group is built on their talents and efforts.

We pride ourselves on having a diverse workforce. We do not tolerate discrimination on the basis of age or gender and we are committed to providing a work environment that is free of discrimination for our employees. The analysis of the Group's employees by age and gender reflect a gender-balanced and age-diversified workforce. The diagrams below illustrate the diversity distribution across the Group.





We are mindful of the need to constantly upskill our workforce and provide equal opportunities for personal and career enhancement within the Group. With the aim of nurturing strong human capital with a competitive edge, we are intensifying our training programmes to develop skilled employees through internal and external training that enhances both soft and technical skills relevant to their work. The Group notes that fair compensation is essential in motivating and engaging our workforce to achieve our growth target. Our objective is to create a structured way to define and assess compensation packages through yearly employee evaluations to ensure fair compensation for our employees, as well as to internally promote worthy employees to positions of higher responsibilities.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

The Board of Directors ("the Board") of Power Root Berhad ("Power Root" or "the Company") is committed to ensuring that good corporate governance practices are applied throughout the Company and its subsidiaries ("the Group") and form the fundamentals of corporate sustainability pursued by the Group for long-term shareholder 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") in directing and managing the business and affairs of the Group towards promoting business prosperity and corporate accountability, with the ultimate objective of realising long-term shareholder value while taking into account the interest of other stakeholders.

This statement sets out the overview under which the Company applied the Principles set out in the MCCG and the extent of compliance with the Principles of the 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 is disclosed in the Corporate Governance Report prescribed by Bursa Securities ("CG Report") and released together with the announcement of this Annual Report in accordance with paragraph 15.25 and Practice Note 9 of the MMLR. The CG Report for the financial year ended 31 March 2020 is available for download from the company's website at http://www.powerroot.com/malaysia/profile_investor_relations.html.

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

The following disclosure statements provide an overview of the Company's application of the Principles set out in the MCCG that has been in place throughout the financial year ended 31 March 2020.

PRINCIPLE A: BOARD LEADERSHIP & EFFECTIVENESS

Board leadership

The Board is responsible for the success of the Group by providing entrepreneurial leadership and direction, strategic management, enterprise risk management and management oversight. It is also accountable in measuring and monitoring performances, upholding standards of conduct as well as determining critical business issues and decisions. The Board comprises directors who are entrepreneurs and experienced professionals in the fields of business management, finance, economics, accountancy and law. These collective skills enable the Board to effectively lead and control the Group. The Board is guided by the *Board Charter* approved by the Board and is led by Independent Non-Executive Chairmen to ensure its effectiveness. Together with other Directors, the Independent Non-Executive Chairmen lead the Board in discussions on the strategies and policies recommended by the Management. A summary of the responsibilities of the Chairmen is disclosed in Practice 1.2 of the CG Report.

The Board is responsible for overseeing the management of the Company. The Board fully understands its responsibilities of ensuring sound and sustainable operations and optimal corporate governance in order to safeguard shareholder value. It is the duty of the Board to lead the Group towards its vision and mission and the success of the Group by providing entrepreneurial leadership and direction. The Managing Director (who was re-designated as Chief Executive Officer on 1 July 2020) is delegated with the authority and responsibility in ensuring proper execution of strategies as well as effective and efficient business operations throughout the Group. Authorisation procedures for key processes are stated in the Group's policies and procedures.

The Board establishes and approves the Group's *Board Charter* and relevant board policies while the Managing Director (who was re-designated as Chief Executive Officer on 1 July 2020), with the assistance of the Executive Directors and Management, is responsible for the implementation of operating policies and procedures that are in line with the Group's Board Charter and relevant board policies.

PRINCIPLE A: BOARD LEADERSHIP & EFFECTIVENESS (CONTINUED)

Board leadership (continued)

As required under the *Board Charter*, the Board assumes the following broad categories of roles and responsibilities:

a) To review and approve the strategic business plans for the Group as well as to monitor their implementation by the management;
b) To oversee the conduct and performance of the Group's businesses;
c) To review and manage principal risks affecting the Group through a sound framework;
d) To review and ensure that the senior management team is of sufficient calibre and succession planning for senior management is put in place;
e) To review the adequacy and integrity of the Group's internal control systems and management information systems;
f) To approve the policies relating to investor relations and shareholder communication programmes;
g) To ensure compliance with applicable laws and regulations relevant to the Group's operations;
h) To set corporate values and visions as well as clear lines of responsibility and accountability;
i) To review the overall corporate governance practices of the Group;
j) To establish, maintain and ensure compliance of ethical standards through a code of conduct which will be applicable throughout the Group;
k) To review and approve proposals for the allocation of capital and other resources within the Group;
l) To review and approve the capital expenditure budget and annual budget (including major changes to such budgets); and
m) To ensure financial statements are prepared in accordance with applicable financial reporting standards.

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

Aside from the core responsibilities listed above, significant matters requiring deliberation and approval from the Board is clearly defined by the Board in the *Board Charter* as *Matters Reserved for the Board* for consideration and approval during Board meetings. The *Matters Reserved for the Board* is disclosed in Practice 2.1 of the CG Report.

The Board has delegated specific duties to Board Committees which operate within clearly defined *Terms of Reference* approved by the Board. The relevant *Terms of Reference* is available for download from the "Investor Relations" section of the company's website at http://www.powerroot.com/malaysia/profile_investor_relations.html.

To ensure that there is a balance of power and authority within the Board, the positions of the Chairmen and the Managing Director (who was re-designated as Chief Executive Officer on 1 July 2020) are separated and there is a clear division of responsibilities between the Chairmen and the Managing Director (who was re-designated as Chief Executive Officer on 1 July 2020). The Chairmen are responsible for the governance, orderly conduct and effectiveness of the Board, while the Managing Director (who was re-designated as Chief Executive Officer on 1 July 2020) is responsible for implementing the Group's strategies and execution of effective operations within the Group. A summary of the separation of the roles of Chairmen and Managing Director (who was re-designated as Chief Executive Officer on 1 July 2020) is disclosed in Practice 1.3 of the CG Report.

The Independent and Non-Executive Directors play an important role in ensuring that strategies proposed by the management are fully deliberated and examined, and that the interests of all shareholders and the 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 Chairmen are directly accessible to shareholders and other stakeholders, and the Independent Non-Executive Chairman (designated as Chairman of the Nominating Committee) possesses the required skills, knowledge and experience to lead the Nominating Committee to ensure an effective and well-balanced board composition in order to meet the needs of the Company and the Group.

PRINCIPLE A: BOARD LEADERSHIP & EFFECTIVENESS (CONTINUED)

Board leadership (continued)

All board members shall notify the Chairmen 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. The Chairmen shall also notify the Board if they have any new significant commitments outside the Company. In addition, all directors of the Company will ensure that their directorship in listed companies do not exceed five (5) to meet the expectation on time commitment.

In discharging its duties efficiently and effectively, the Board is assisted by qualified Company Secretaries whose details are disclosed in Practice 1.4 of the CG Report.

i. 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, including the roles and responsibilities of the Chairmen of the Board, the Managing Director (who was re-designated as Chief Executive Officer on 1 July 2020) and the Company Secretary.

The *Board Charter* further defines the specific responsibilities and matters reserved for the Board, delegation of authorities, commitment by the directors, independence of directors, tenure of independent directors, Board Committees, unrestricted rights for access to information and independent advice, Board and member assessment, directors' training and continuing education, Board activities and processes, code of conduct and sustainable economic, environmental and social practices.

Further disclosure on the details of the *Board Charter* is stated in Practice 2.1 of the CG Report. The *Board Charter* is available for download from the company's website at http://www.powerroot.com/malaysia/profile_investor_relations.html.

ii. Code of Conduct, Anti-Bribery and Corruption Policy and Whistle-Blowing Policy

The Board, individually and collectively, 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. The Board is focused on the key principles of serving with integrity, respecting stakeholders, avoiding conflicts of interest, preserving confidentiality and privacy, corporate citizenship, establishing reporting channels as well as a commitment against bribery and corruption.

The Board incorporated the above key values and principles of expected conduct into the Company's *Code of Conduct* to govern the standards of ethics and good conduct applicable to all the Group's employees, customers and vendors and subsidiaries worldwide. The integrity and ethical values expected from employees are incorporated into the *Power Root Berhad Ethical Framework*. To further promote ethical values throughout the Group, an *Anti-Bribery and Corruption Policy* was put in place by the Board on 28 May 2020 to prevent the risk of bribery, corruption and conflict of interest within the Group. In addition, a *Fraud Policy* (reviewed by the Audit Committee) has been put in place by the Board to manage the risk of fraud within the Group.

Please refer to Practice 3.1 of the CG Report for details.

To foster an environment where integrity and ethical behaviours are maintained, the Board has put in place a *Whistle-Blowing Policy* with a direct incident reporting avenue to the Audit Committee Chairman and Senior Internal Audit Manager to encourage employees and other interested parties to disclose concerns or incidents of fraud, bribery, abuse of power, conflict of interest, theft or embezzlement, misuse of property and non-compliance on procedures. Please refer to Practice 3.2 of the CG Report for details.

The *Code of Conduct*, *Anti-Bribery and Corruption Policy* and *Whistle-Blowing Policy* are available for download from the company's website at http://www.powerroot.com/malaysia/profile_investor_relations.html.

PRINCIPLE A: BOARD LEADERSHIP & EFFECTIVENESS (CONTINUED)

iii. Board Meetings

The Board meets regularly to perform its main functions of developing and monitoring strategic plans, formulating policies, overseeing the conduct, operations and performances of the businesses of the Group, succession planning and ensuring appropriateness of internal controls and effectiveness of risk management. The Board 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, normally at least seven (7) days before the meeting, to enable them to have sufficient time to obtain 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 2020 and the attendance of each Director at the Board Meetings is as follows:

Name of Director	Designation	No. of Meetings Attended
Dato' Afifuddin bin Abdul Kadir	Co-Chairman, Independent Non-Executive Director	4/4
Y.A.D. Tengku Dato' Setia Putra Alhaj bin Tengku Azman Shah Alhaj #	Co-Chairman, Independent Non-Executive Director	3/3
Dato' Low Chee Yen	Executive Deputy Chairman	3/4
Wong Tak Keong	Managing Director^	4/4
Dato' Wong Fuei Boon	Executive Director	4/4
Dato' How Say Swee	Executive Director	4/4
See Thuan Po	Executive Director	4/4
Ong Kheng Swee	Independent Non-Executive Director	4/4
Azahar bin Baharudin	Independent Non-Executive Director	4/4
Dato' Tea Choo Keng @	Alternate Director to Dato' Afifuddin bin Abdul Kadir	2/2
Dato' Tea Choo Keng @	Independent Non-Executive Director	2/2

\# *Appointed with effect from 5 July 2019*

@ *Re-designated from Alternate Director to the Chairman to Independent Non-Executive Director with effect from 1 September 2019*

^ *Re-designated as Chief Executive Officer on 1 July 2020*

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 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.

PRINCIPLE A: BOARD LEADERSHIP & EFFECTIVENESS (CONTINUED)

iv. Supply of Information

The Board members in their individual capacity have unrestricted access to complete information on a timely basis in the form and quality necessary for the discharge of their duties and responsibilities. Prior to each Board meeting, all Board members are furnished with the relevant documents and sufficient information, i.e. board papers, at least seven (7) days before the meeting, to enable them to have sufficient time to obtain a comprehensive understanding of the issues to be deliberated upon in order to arrive at a decision.

Besides direct access to 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 the CG Report for details of the Board's proceedings on meeting materials and supply of information.

v. Board Composition

The Board currently has ten (10) members comprising two (2) Independent Non-Executive Co-Chairmen, five (5) Executive Directors (including the Managing Director (who was re-designated as Chief Executive Officer on 1 July 2020)) and three (3) Independent Non-Executive Directors. The profile of each Director is presented on pages 5 to 10 of this Annual Report. The composition of independent non-executive directors is in compliance with the minimum prescribed in Paragraph 15.02(1) of the MMLR which states that "a listed issuer must ensure that at least 2 directors or 1/3 of the board of directors of a listed issuer, whichever is the higher, are independent directors" and Practice 4.1 of the MCCG which requires that at least half of the Board consists of independent directors to ensure that there is sufficient independent elements in the Board to provide the necessary checks and balances.

The position of Chairmen of the Board, held by Independent Non-Executive Directors who are responsible for the governance and orderly conduct and effectiveness of the Board, and the position of the Managing Director (who was re-designated as Chief Executive Officer on 1 July 2020) are separated to further enhance the independent elements within the Board.

Please refer to Practice 4.1 of the CG Report for further details.

vi. Board and Senior Management Diversity

It is the Board's responsibility to ensure that the diversity within the Board and senior management is preserved so that the required mix of knowledge, skills, expertise and experience, as well as age, ethnic and gender diversity is brought to the Board and the Group. The Board is satisfied that, through formal nomination, selection process and the annual performance appraisal of the Board, the Board Committees and individual directors (including the Group Financial Controller), the current Board's 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 supports age, ethnic and gender diversity within the Board and senior management (including the workplace) should such a potential candidate be available. At present, the Board has not established any formal policy on gender diversity with established targets and formulated measures to meet those targets, as the Board believes that appointment to the Board and senior management should be based on the merit of the candidates as well as a required mix of knowledge, skills, expertise and experience to be brought to the Board and the Group, instead of purely based on gender consideration alone.

PRINCIPLE A: BOARD LEADERSHIP & EFFECTIVENESS (CONTINUED)

vi. Board and Senior Management Diversity (continued)

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

vii. Independent Non-Executive Directors

The independence of candidates acting as Independent Non-Executive Director is assessed by the Nominating Committee prior to their appointment based on a formal nomination and selection process. 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 an independence assessment by the Nominating Committee based on prescribed criteria to determine his independence, objectivity and self-declaration of interests in the Group, any corporation, partnership, business transactions and/or services with the Group. The Nominating Committee will then review and provide a recommendation to the Board. Based on the above assessment performed for financial year ended 31 March 2020, the Board is satisfied with the level of independence and objectivity demonstrated by all Independent Non-Executive Directors, and their ability to bring independent and objective judgement to Board deliberations.

The tenure of an Independent Non-Executive Director, as stated in the *Board Charter*, shall not exceed a cumulative term of nine (9) years. In the event that such Director is to be retained as an Independent Director, the Board shall first justify and obtain annual shareholders' approval. If the Board continues to retain the Independent Non-Executive Director after the twelfth year, the Board should seek annual shareholders' approval through a two-tier voting process.

As at the date of this Annual Report, Mr. Ong Kheng Swee, the Audit Committee Chairman and Independent Non-Executive Director of the Company, has served the Board of the Company for a tenure of more than twelve (12) years. During the year, based on the Independent Non-Executive Directors' self-assessment via *Independent Directors' Self-Assessment Checklist* (with criteria adopted from the Corporate Governance Guide issued by Bursa Malaysia Berhad), followed by a review and recommendation by the Nominating Committee, the Board deliberated and 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 ability to exercise independent judgment and act in the best interest of the Group.

To be retained as Independent Non-Executive Director, Mr. Ong Kheng Swee's appointment to remain an Independent Non-Executive Director will be subject to shareholders' approval via the two-tier voting process in the forthcoming Annual General Meeting.

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

viii. Appointment of Board and Re-election of Directors

Appointment of new Director to the Board or Board Committees is recommended to the Nominating Committee for consideration and approval by the Board in accordance with the *Policy and Procedures on Nomination and Selection of Directors* which was established by the Nominating Committee and approved by the Board. It is the practice of the Board that highly qualified candidates with sufficient and relevant knowledge, skills and competency are sought out to serve as members of the Board in discharging its responsibilities and duties effectively and contributing to the governance of the Group. At the same time, gender and ethnic balance within the Board should be considered if such potential candidate is available.

PRINCIPLE A: BOARD LEADERSHIP & EFFECTIVENESS (CONTINUED)

viii. Appointment of Board and Re-election of Directors (continued)

The process for the nomination and selection of Directors per the *Policy and Procedures on Nomination and Selection of Directors* entails identification of potential candidates (including candidates proposed by independent sources), evaluation of suitability of candidates based on an agreed-upon criteria for experience, knowledge, skill and boardroom diversity, meeting up with candidates and background checks, final deliberation by the Nominating Committee and recommendation to the Board. Subject to prior discussions concerning the costs, the Nominating Committee may seek independent professional advice, at the Company's expense, to perform its responsibilities under the nomination and selection of Directors.

All Board members who are newly appointed are subject to retirement at the subsequent Annual General Meeting of the Company. All Directors (including the Managing Director (who was re-designated as Chief Executive Officer on 1 July 2020)) will retire at regular intervals by rotation at least once every three years and shall be eligible for re-election.

During the financial year under review, the re-designation of Alternate Director to the Chairman as Independent Non-Executive Director of the Company and the appointment of the Independent and Non-Executive Co-Chairman of the Company were recommended by existing members of the Board to the Nominating Committee for review and consideration in accordance with the *Policy and Procedures on Nomination and Selection of Directors* (supported by the duly-completed *Director Recommendation Form* and *Independent Directors' Self-Assessment Checklist*) prior to its recommendation to the Board for deliberation and decision on their re-designation and appointment.

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

ix. Performance Assessment and Evaluation of Board and Senior Management

On an annual basis, the Company Secretary circulates to each Director the relevant evaluations and assessment forms/checklists in relation to the evaluation of the Board, the Board Committees, the Audit Committee, the contribution of each individual Director and independence assessment of Independent Directors, in a timely manner. This allows the Directors the time to read, complete and return the documents in advance of the Nominating Committee and the Board meetings. The Company Secretary will collate the assessment/evaluation results for the Nominating Committee to review and report to the Board.

During this financial year, performance evaluations were conducted on the Board and Board Committees, and the Group Financial Controller. Self and peer performance evaluations were also conducted on individual Directors and members of the Audit Committee. In addition, independence and objectivity assessments of individual Independent Non-Executive Directors were made. These reviews were carried out by the Board, through the Nominating Committee.

With the above evaluation/review processes, the Board, through the Nominating Committee, reviewed and assessed its required mix of skills, 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 had the appropriate mix of skills and competencies to lead the Group effectively.

Based on the above evaluations conducted for the financial year ended 31 March 2020, the Board, through reports by the Nominating Committee, were satisfied with the composition, performance and effectiveness of the Board, the Board Committees, the Audit Committee as well as the contribution of individual Directors (including the Group Financial Controller).

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

PRINCIPLE A: BOARD LEADERSHIP & EFFECTIVENESS (CONTINUED)

x. Directors' and Senior Management's Remuneration

The Board assumes the overall responsibility for establishing and implementing effective remuneration policies for members of the Board and senior management in order to attract, retain and motivate Directors and senior management positively in pursuit of the medium to long term objectives of the Group. Such remuneration is reflective of their experience and level of responsibilities.

The Board has put in place a *Board Remuneration Policy* for adoption by the Remuneration Committee in the review and consideration of proposed remuneration packages for members of the Board. Major components of the remuneration package for Executive Directors and Non-Executive Directors are identified for review based on the criteria established in the formal policy.

The Remuneration Committee is responsible for reviewing and recommending to the Board the remuneration packages of Board members (i.e. Executive Directors and Non-Executive Directors). None of the Directors participated in any way in determining their individual remuneration. Individual Directors abstained from deliberation and approval of his own remuneration.

Please refer to Practice 7.1 of the CG Report for a summary on the remuneration of Directors during the financial year ended 31 March 2020. It distinguishes between Executive and Non-Executive Directors in aggregate, with categorisation into appropriate components and the number of Directors whose remuneration falls into each successive band of RM50,000.

The detailed disclosure on a named basis of the remuneration of individual directors for the financial year ended 31 March 2020 is not made as the Board is of the opinion that detailed disclosure on a named basis of the remuneration of individual directors may jeopardise the personal security of the individual directors.

Disclosure on a named basis of senior management's remuneration component in bands of RM50,000 is not made as the Board is of the opinion that such disclosure may jeopardise the personal security of the individual senior management staff and increase the risk of loss of key personnel if their remuneration packages are published publicly. Please refer to Practice 7.2 of the CG Report.

xi. Directors' Training

As per the *Board Charter*, the Board is assigned with the responsibility of ensuring that Directors update their knowledge and enhance their skills through training programs as well as assessing the training needs of the Directors (via the Nominating Committee), and ensuring the Directors have access to continuing education programmes.

All Executive Directors have been with the Company for several years and are familiar with their duties and responsibilities. In addition, any newly appointed Director will be given briefings and orientation by the Executive Directors and senior management on the business activities of the Group and its strategic directions, as well as their duties and responsibilities as Directors.

All Directors had completed the Mandatory Accreditation Program prescribed by Bursa Securities and they are mindful that they should receive appropriate continuous training and attend seminars and briefings in order to broaden their perspective and to keep abreast with new developments for the furtherance of their duties. Specifically, Audit Committee members should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

PRINCIPLE A: BOARD LEADERSHIP & EFFECTIVENESS (CONTINUED)

xi. Directors' Training (continued)

During the financial year ended 31 March 2020, all Directors received regular briefings and updates on the Group's business and operations and received updates on new regulations and statutory requirements. All members of the Board have attended training sessions that were organised by regulatory bodies or professional organisations. The training sessions attended by individual Board members during the financial year under review are as follows:

Name of Directors	Seminars and Briefing Attended	Conducted by
Dato' Afifuddin bin Abdul Kadir	Corporate Liability Provision – Malaysian Anti-Corruption Commission Amendment Act 2018	Boardroom Corporate Services Sdn. Bhd.
	Corporate Liability & Directors' Personal Liability for Corrupt Practices (MACC Amendment Act 2018)	Lion Corporation Berhad
	Proposed SC Guidelines on Initial Coin Offerings (''ICO"): Monetising Loyalty Points	Lion Corporation Berhad
Y.A.D. Tengku Dato' Setia Putra Alhaj bin Tengku Azman Shah Alhaj	Corporate Liability Provision – Malaysian Anti-Corruption Commission Amendment Act 2018	Boardroom Corporate Services Sdn. Bhd.
Dato' Low Chee Yen	Corporate Liability Provision – Malaysian Anti-Corruption Commission Amendment Act 2018	Boardroom Corporate Services Sdn. Bhd.
Wong Tak Keong	Corporate Liability Provision – Malaysian Anti-Corruption Commission Amendment Act 2018	Boardroom Corporate Services Sdn. Bhd.
Dato' Wong Fuei Boon	Corporate Liability Provision – Malaysian Anti-Corruption Commission Amendment Act 2018	Boardroom Corporate Services Sdn. Bhd.
Dato' How Say Swee	Corporate Liability Provision – Malaysian Anti-Corruption Commission Amendment Act 2018	Boardroom Corporate Services Sdn. Bhd.
See Thuan Po	Corporate Liability Provision – Malaysian Anti-Corruption Commission Amendment Act 2018	Boardroom Corporate Services Sdn. Bhd.
Ong Kheng Swee	Transform to Outperform 3 Program	Applied Tech People Development Sdn. Bhd.
	Automating Excel Financial Functions for Decision Making	Malaysian Institute of Accountants
	MIA International Accountants Conference 2019	Malaysian Institute of Accountants
	Malaysia Tax Budget 2020	Crowe CPE Sdn Bhd
	Corporate Liability Provision – Malaysian Anti-Corruption Commission Amendment Act 2018	Boardroom Corporate Services Sdn. Bhd.
Azahar bin Baharudin	Corporate Liability Provision – Malaysian Anti-Corruption Commission Amendment Act 2018	Boardroom Corporate Services Sdn. Bhd.
Dato' Tea Choo Keng	Corporate Liability Provision – Malaysian Anti-Corruption Commission Amendment Act 2018	Boardroom Corporate Services Sdn. Bhd.

PRINCIPLE A: BOARD LEADERSHIP & EFFECTIVENESS (CONTINUED)

xii. Board Committees

In discharging its fiduciary duties, the Board has delegated specific duties to four (4) Board Committees (Audit, Remuneration, Nominating and Option Committees). The Board Committees have the authority to examine particular issues 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 Board Committees will brief the Board on matters discussed at the Committee meetings and minutes of these meetings are circulated at Board meetings.

- **Audit Committee**

  The terms of reference, the number of meetings held, and activities carried out during the financial year, as well as the attendance of each member can be found on pages 57 to 61 of the Annual Report.

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

- **Nominating Committee**

  The Nominating Committee comprises exclusively of Independent Non-Executive Directors, in compliance with the 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 an Independent Non-Executive Director.

  The Terms of Reference for the Nominating Committee is available for download from the company's website at http://www.powerroot.com/malaysia/profile_investor_relations.html.

  The Nominating Committee members and their attendance records for meetings held during the financial year ended 31 March 2020 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 2020, the Nominating Committee conducted evaluations and assessments on the performance of the Board, the Board Committees, the Audit Committee (including members), the contribution by each individual Director (including the Group Financial Controller) and independence assessments of Independent Directors based on the pre-determined processes and evaluation/review criteria. The Nominating Committee reported the results of all evaluations and assessments to the Board for review and deliberation to enable effective actions (including training to be attended) to be formulated and implemented for the proper and effective functioning of the Board and its Committees.

  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.

PRINCIPLE A: BOARD LEADERSHIP & EFFECTIVENESS (CONTINUED)

xii. Board Committees (continued)

- **Remuneration Committee**

The Remuneration Committee was formed to assist the Board in determining, developing 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) and remuneration policy and procedure can be found in Practice 6.1 and 6.2 of the CG Report.

As at the financial year ended 31 March 2020, the Remuneration Committee members comprise three (3) Independent and Non-Executive Directors and their attendance records are as follows:

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

The Terms of Reference of the Remuneration Committee is available for download from the company's website at http://www.powerroot.com/malaysia/profile_investor_relations.html.

The Remuneration Committee met two (2) times during the financial year ended 31 March 2020 to review the proposed remuneration package of Executive Directors with such recommended remuneration packages submitted to the Board for review, approval and recommendation to shareholders for approval, as applicable.

- **Option Committee**

The Option Committee consists of two (2) Executive Directors and one (1) Independent Non-Executive Director who is the Chairman of the Committee with the primary responsibility of administering the existing Employees' Share Option Scheme ("ESOS") established on 23 July 2012 and expiring on 22 July 2022 for eligible employees and Directors, and the new ESOS established on 11 June 2019 and expiring on 10 June 2029 for Executive Directors and key employees.

Option Committee	No. of Meetings Held	Attendance
Ong Kheng Swee (Chairman)	4	4
Wong Tak Keong	4	4
See Thuan Po	4	4

PRINCIPLE A: BOARD LEADERSHIP & EFFECTIVENESS (CONTINUED)

xii. Board Committees (continued)

- **Option Committee (continued)**

  The functions of the Option Committee are:

  - The Option 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 Option 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 Option 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 By-Laws* and to review the allocated options list to determine its compliance with *ESOS By-Laws*.

xiii. Economic, Environment and Social

In order to promote sustainability of the Group's businesses, one of the business strategies adopted by the Board is to ensure the economic, 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 environmentally-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.

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 the Audit Committee, the number of meetings held, attendance, and activities carried out during the financial year are available in the Audit Committee Report on page 57 to 61 of this Annual Report and Practice 8.1 to 8.5 of the CG Report.

i. Relationship with Auditors

The Audit Committee maintains a close and transparent relationship with its External Auditors and Internal Audit Function in seeking professional advice and ensuring compliance with the Group's policies and procedures, approved accounting standards and relevant regulations in Malaysia and the countries it is operating.

The roles and responsibilities of the Audit Committee in relation to the External Auditors and Internal Audit Function 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. Furthermore, the External Auditors of the Group confirmed to the Audit Committee, prior to the commencement of the audit work and upon completion of the audit engagement, on their independence in relation to the audit work and their commitment to communicate to the Audit Committee on their independence status in an ongoing manner.

The Audit Committee met with the External Auditors twice during the financial year under review to discuss their Audit Plans, their audit findings and other special matters that require the Audit Committee's attention and the financial statements. In addition, the Audit Committee met privately with the External Auditors twice 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 Audit Committee 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 was 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)	50,000	317,113	
Non-Audit Fees (RM)	12,500	81,000	Tax return and compliance and review of Statement on Risk Management and Internal Control

The oversight roles of the Audit Committee in relation to the Internal Audit Function are detailed in Practice 10.1 and 10.2 of the CG Report and Statement on Risk Management and Internal Control on pages 67 to 68 of this Annual Report respectively.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (CONTINUED)

ii. Risk Management

The Board recognises the importance of Risk Management in pursuing the Company's objective and have in place a *Group Risk Management Framework*. The details of the framework and risk management process is disclosed in Practice 9.1 and 9.2 of the CG Report and the Statement on Risk Management and Internal Control on pages 62 to 64 of this Annual Report.

iii. Internal Control and Internal Audit Function

The Board recognises the importance of a sound internal control system for good corporate governance. As such, the Internal Audit Function was established to perform the review of the adequacy and integrity of the system of internal control in managing the principal risks of the Group. 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 the 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 are explained in greater detail in the Statement on Risk Management and Internal Control on pages 64 to 68 of this Annual Report and Practice 10.1 and 10.2 of the CG Report.

iv. Uphold integrity in financial reporting

The Directors strive to ensure that a balanced, clear and meaningful assessment of the financial positions 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 announcements 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 standard and regulations prior to release to public and regulatory authorities.

The Board, through the review by the Audit Committee and in consultation with the management and the External Auditors, has presented fair and meaningful assessments of the Group's financial performance and position.

A summary of the work 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 58 to 60 of this Annual Report.

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

i. Corporate Disclosure and Stakeholder Communication

The core communication channel with stakeholders employed by the Company is via announcements made through Bursa Securities. All announcements 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 the MMLR and Capital Markets and Services Act 2007 in order to have all material events and information disseminated publicly and transparently on a timely basis to ensure fair and equitable access by all stakeholders without selective disclosure of such information to specific individuals or groups. The corporate disclosure by the Company is further enhanced by way of the Chairmen of the Board, Managing Director (who was re-designated as Chief Executive Officer on 1 July 2020) and Executive Director (Corporate Affairs) assuming the role of authorised speakers for the Company during press conferences and analyst briefings to ensure factual, accurate and consistent disclosure.

The Board has adopted a practice for the disclosure of material information of the Group to ensure that communications to the relevant stakeholders are timely, factual, accurate, and complete. The corporate disclosure process and mechanism is guided by the *Corporate Disclosure Policy*. The Board also provides timely disclosure of all material information of the Group to stakeholders through announcements made on Bursa Securities and such announcements are also made available for download from the company's website at http://www.powerroot.com/malaysia/profile_investor_relations.html.

The Annual Report and the quarterly interim financial reports are the main communication tools 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.

Furthermore, the Company's website has a "Contact Us" section at http://www.powerroot.com/malaysia/profile_investor_relations.html which lists out the contact details (including email and contact numbers) of representatives from the Corporate Finance Department where stakeholders can direct their enquiries to.

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

ii. Encourage shareholder participation at general meetings

The general meetings are the principal forum for dialogue with shareholders. Shareholders are given the opportunity and are encouraged to participate in general meetings of the Company. Notice of the Annual General Meeting, Extraordinary General Meeting and Annual Reports are sent out to shareholders in compliance with the Companies Act 2016 and the MMLR.

Adequate time is given during general meetings to encourage and allow shareholders to seek clarification or ask questions on pertinent and relevant matters. The External Auditors are also present at the Annual General Meeting to provide professional and independent clarification on issues and concerns raised by 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 always willing to meet up with institutional investors when required.

Please refer to Practice 12.1 and 12.2 of the CG Report on further disclosure on stakeholder communication.

Corporate Governance Overview Statement
Cont'd

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

iii. Poll Voting

Pursuant to Paragraph 8.29A(1) of the MMLR, 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 forthcoming Annual General Meeting to be held are to be voted by way of poll voting.

To further promote participation by members in the poll voting and general meeting through proxy(ies), the Company has 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 a proxy form and expressly disallow any restriction on proxy qualification. In addition, the Constitution allows exempt authorised nominees to appoint multiple proxies for each omnibus account it holds.

iv. 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/malaysia/profile_investor_relations.html. The "Investor Relations" section enhances the Investor Relations function by including all announcements made by the Company, annual reports of the Company, 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.

During the financial year under review, the Company did not conduct its general meetings by leveraging technology to facilitate voting in absentia and webcast for remote shareholder participation.

Please refer to Practice 12.3 of the CG Report on leverage technology to facilitate voting in absentia and remote shareholders' participation at General Meetings.

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 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 2020, 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 detect and prevent fraud and other irregularities.

ADDITIONAL COMPLIANCE STATEMENT

- **Material Contracts or Loan Involving the interests of the Directors, Chief Executive or Major Shareholders**

  Apart from recurrent related party transactions as disclosed below, the following is the material contract involving the interests of the directors, chief executive who is not a director or major shareholder, either still subsisting at the end of the financial year ended 31 March 2020 or, if not then subsisting, entered into since the end of the previous financial year ended 31 March 2019:

  - On 31 January 2020, the subsidiaries of the Company, (i.e. Power Root Distributor Sdn Bhd, Alicafe Roasters Sdn Bhd, Power Root HK-China Company Limited and Superwrapz International Sdn Bhd) entered into four (4) respective conditional Subscription Agreements for the issue and allotment of new ordinary shares in the respective subsidiaries to the Company, Wong Tak Keong* and other subscribers ("the Proposed Shares Allotment").

    The salient terms of the Subscription Agreements are, amongst others, as set out below:

    1. Agreement to subscribe for the issue and allotment of new ordinary shares ("Subscription Shares") in the respective subsidiaries by Power Root, Wong Tak Keong* and other subscribers in the following manner:

       i. Power Root Distributor Sdn Bhd

Subscriber	No. of Subscription Shares	Subscription Amount (RM)
Power Root	300,597	300,597
Wong Tak Keong*	60,000	60,000
Other Subscribers	239,400	239,400
Total	**599,997**	**599,997**

ii. Alicafe Roasters Sdn Bhd

Subscriber	No. of Subscription Shares	Subscription Amount (RM)
Power Root	79,905	79,905
Wong Tak Keong*	10,000	10,000
Other Subscriber	9,995	9,995
Total	**99,900**	**99,900**

iii. Power Root HK-China Company Limited

Subscriber	No. of Subscription Shares	Subscription Amount (HKD)
Power Root	899,999	899,999
Wong Tak Keong*	100,000	100,000
Total	**999,999**	**999,999**

ADDITIONAL COMPLIANCE STATEMENT (CONTINUED)

- **Material Contracts or Loan Involving the interests of the Directors, Chief Executive or Major Shareholders (continued)**

iv. Superwrapz International Sdn Bhd

Subscriber	No. of Subscription Shares	Subscription Amount (RM)
Power Root	43,900	43,900
Wong Tak Keong*	5,000	5,000
Power Root Distributor Sdn Bhd	51,000	51,000
Total	**99,900**	**99,900**

2. The subscription of the Subscription Shares is conditional upon the fulfilment of the following conditions precedent within three (3) months from the date of the Subscription Agreements, subject to any extension as agreed by the parties in writing ("Conditional Period"), namely:

   a. the approval of shareholders (i.e. non-interested shareholders) of the Company to the issue and allotment of such number of the Subscription Shares to Wong Tak Keong* pursuant to the terms and conditions of the respective Subscription Agreements; and
   b. the Subscribers being satisfied with the results of the due diligence on the subsidiaries.

3. Unless the parties agree in writing, completion of the Subscription Agreements shall take place on a business day not later than one (1) month after the Subscription Agreements become unconditional or such later date as agreed by both parties in writing, where:-

   a. the Subscribers shall pay to the subsidiaries the Subscription Amount;
   b. the subsidiaries shall issue and allot the Subscription Shares to the Subscribers and register the shareholders in the register of members of the subsidiaries.

The Subscription Shares shall, upon issue and allotment, rank equally in all respects with the existing ordinary shares of each respective subsidiaries.

Circular to Shareholders for the Proposed Shares Allotment was announced on 31 January 2020 and approval was obtained from the shareholders on the Proposed Shares Allotment during the Extraordinary General Meeting held on 27 February 2020. The Subscription Agreements were completed on the following dates:

Subscription Agreement in relation to	Date of Completion
Power Root Distributor Sdn Bhd	15 June 2020
Alicafe Roasters Sdn Bhd	15 June 2020
Power Root HK-China Company Limited	20 March 2020
Superwrapz International Sdn Bhd	4 June 2020

* Managing Director (re-designated as Chief Executive Officer on 1 July 2020) and a substantial shareholder of the Company

ADDITIONAL COMPLIANCE STATEMENT (CONTINUED)

- **Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPT")**

The breakdown of the aggregate value of the RRPT of a revenue or trading nature during the financial year ended 31 March 2020 are as follows:

Name of Related Party	Nature of RRPT	Interested Director and Shareholder	Aggregate Value of Transactions RM'000
Power Root HK-China Company Limited	Sale of beverage products by Power Root Manufacturing Sdn Bhd to Power Root HK-China Company Limited	Wong Tak Keong @	–
	Distribution of Power Root's products by Power Root HK-China Company Limited to Power Root (Shanghai) Food Trading Co Ltd	Wong Tak Keong @	–
Power Root Distributor Sdn Bhd	Sale of non-food related products being cling wraps and aluminium foil products by Power Root Distributor Sdn Bhd to Power Root (Shanghai) Food Trading Co Ltd	Wong Tak Keong @	–
Superwrapz International Sdn Bhd	Sale of non-food related products being cling wraps and aluminium foil products by Superwrapz International Sdn Bhd to Power Root ME FZCO	Wong Tak Keong @	–
Alicafe Roasters Sdn Bhd	Sale of roasted coffee by Alicafe Roasters Sdn Bhd to Power Root Manufacturing Sdn Bhd	Wong Tak Keong @	–
	Royalty fee payable by Power Root Manufacturing Sdn Bhd to Alicafe Roasters Sdn Bhd for the sale of roasted coffee products	Wong Tak Keong @	–

@ Wong Tak Keong, the Managing Director (who was re-designated as Chief Executive Officer on 1 July 2020) and substantial shareholder of the Company, is an Interested Director and Shareholder by virtue of his directorships, direct and indirect shareholdings in the Related Parties.

- **Employees' Share Option Schemes**

During the financial year under review, there were two (2) subsisting Employees' Share Option Scheme ("ESOS").

1. **ESOS established on 23 July 2012 and expiring on 22 July 2022 for eligible employees and directors ("ESOS No. 1")**

   The maximum number of ESOS Shares to be offered and allotted to eligible Directors and employees of the Group under the ESOS No. 1 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.

Corporate Governance Overview Statement Cont'd

ADDITIONAL COMPLIANCE STATEMENT (CONTINUED)

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

1. ESOS established on 23 July 2012 and expiring on 22 July 2022 for eligible employees and directors ("ESOS No. 1") (continued)

The basis of allotment and maximum allowable allocation of ESOS Shares under ESOS No. 1 are as follows:

i. Not more than ten percent (10%) of shares available under the ESOS No. 1 shall be allocated to any Directors or employees who, singly or collectively through persons connected with such directors or employees, hold 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 employees as per stated in the *ESOS By-Laws*.

The Directors and senior management were granted with options under the ESOS No. 1 to exercise for shares representing 5.32% (Maximum allocation: 10%) of the issued and paid-up share capital of the Company since the commencement of the ESOS No. 1 as at 31 March 2020. There was no grant of new options to Directors during the financial year ended 31 March 2020 in relation of ESOS No. 1.

A total of 4,245,000 options were granted during the financial year ended 31 March 2020 and a total of 44,512,700* options were granted and accepted since the commencement of the ESOS No. 1.

	Financial Year Ended 31 March 2020					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	23,929,400	4,245,000	(2,461,000)	(3,926,500)	21,786,900	44,512,700 *	(7,679,400)	(15,046,400)	21,786,900
There in:									
Directors and Managing Director #	13,920,000	–	–	(1,970,000)	11,950,000	20,970,000 *	–	(9,020,000)	11,950,000

* *Including adjustment made to number of options granted and the options' exercise price arising from the bonus issue of ordinary shares on the basis of 1 bonus share for every 5 existing ordinary shares held by the entitled shareholders on 23 July 2018 ("Bonus Adjustment")*

\# *Re-designated as Chief Executive Officer on 1 July 2020*

There was no option offered to and exercised by Non-Executive Directors pursuant to the ESOS No. 1 during financial year ended 31 March 2020.

ADDITIONAL COMPLIANCE STATEMENT (CONTINUED)

- **Employees' Share Option Schemes (continued)**

2. New ESOS established on 11 June 2019 and expiring on 10 June 2029 for eligible directors and key employees ("ESOS No. 2")

The maximum number of ESOS Shares to be offered and allotted to eligible directors and key employees under the ESOS No. 2 shall not exceed in aggregate Twenty Million (20,000,000) or any limit prescribed by any guidelines, rules and regulations of the relevant authorities during the duration of the ESOS No. 2 as referred to in *ESOS By-Laws*.

At any one time during the duration of the ESOS No. 2 and any other schemes involving issuance of new shares to eligible directors and employees which have been implemented by the Company, the total number of new shares which may be issued under ESOS No. 2 and any other schemes involving issuance of new shares to eligible directors and employees which are still subsisting must not exceed 15% of the total number of issued shares of the Company.

The basis of allotment and maximum allowable allocation of ESOS Shares under ESOS No. 2 are as follows:

i. Not more than ten percent (10%) of new shares available under the ESOS No. 2 shall be allocated to any eligible directors or key employee who, singly or collectively through persons connected with such directors or employees, holds twenty percent (20%) or more of the total number of issued shares (excluding treasury shares) of the Company; and
ii. the decision of the Option Committee shall be final, conclusive and binding provided that the Executive Directors and senior management of the Group must not participate in the deliberation or discussion of their own allocation of the ESOS Options.

There was grant of 16,000,000 new options to Directors during the financial year ended 31 March 2020 in relation of ESOS No. 2. The Directors and senior management were granted with options under the ESOS No. 2 to exercise for shares representing 3.93% (Including ESOS No. 1, 9.25%) (Maximum allocation: Including ESOS No. 1, 15%) of the issued share capital of the Company since the commencement of the ESOS No. 2 as at 31 March 2020.

A total of 16,000,000 options were granted and accepted during the financial year ended 31 March 2020 and since the commencement of the ESOS No. 2.

	Financial Year Ended 31 March 2020					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	–	16,000,000	–	–	16,000,000	16,000,000	–	–	16,000,000
There in:									
Directors and Managing Director #	–	16,000,000	–	–	16,000,000	16,000,000	–	–	16,000,000

\# *Re-designated as Chief Executive Officer on 1 July 2020*

There was no option offered to and exercised by Non-Executive Directors pursuant to the ESOS No. 2 during financial year ended 31 March 2020 and since the commencement of the ESOS No. 2.

ADDITIONAL COMPLIANCE STATEMENT (CONTINUED)

- **Utilisation of Proceeds**

  The net proceeds from the exercise of options by eligible Directors and employees granted in accordance to the *ESOS By-Laws* 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.

KEY FOCUS AREAS AND FUTURE PRIORITIES

The key focus areas of the Board on corporate governance practices were to further enhance the independent element within the Board by having at least half of the Board made up of Independent Directors with the re-designation of an Alternate Director to the Chairman (an Independent Director) as Independent Non-Executive Director, and the appointment of an Independent and Non-Executive Co-Chairman during the financial year under review. To demonstrate the Board's zero tolerance commitment towards bribery and corruption, and our compliance with the recent introduction of corporate criminal liability in relation to bribery and corruption via Section 17A of the Malaysian Anti-Corruption Commission Act, the Board put in place the *Anti-Bribery and Corruption Policy* to embed anti-bribery and corruption procedures across the Group.

The future focus of the Board is to further strengthen the Company's corporate governance practices in line with the MCCG. This can be achieved by increasing the notice period for the Annual General Meeting to at least 28 clear days prior to the meeting, to comply with the requirement for all Directors to attend the general meeting of the Company, and to assume a proactive role in the succession planning of directors and key management personnel. The Board will seek to strengthen the Board diversity by establishing a target for female representation on the Board and at senior management level, improve transparency in disclosing the 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 to leverage technology to facilitate voting in absentia and remote shareholders' participation at general meetings should such services be available at reasonable cost.

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 *(Independent Non-Executive Co-Chairman)*
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 the 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 directors and no alternate director had been appointed as a member of the Audit Committee.

The profile of the members are presented on pages 5 to 10 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 2020, 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 a majority of the members present at all of these meetings as required under 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 of the Audit Committee for the proper discharge of its duties and responsibilities diligently and effectively in compliance with the MMLR and its terms of reference. The Company Secretary of the Company, the appointed secretary of the Audit Committee, attended all the meetings during the financial year.

C. MEETINGS (CONTINUED)

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.

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

Minutes of the Committee's meetings were made available to all Board Members for review and to seek clarification and confirmation from the Audit Committee Chairman where necessary.

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 quarterly meetings, the Group Financial Controller presented the draft unaudited quarterly financial results for the 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 the preceding year as well as the immediate preceding quarter, with reasons for 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.

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 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 by the External Auditors as well as changes of the MMLR by the Company Secretary. The Audit Committee member also underwent training by professionals during the financial year to obtain update on the financial reporting and compliance requirements.

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

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 included the engagement team, audit scope, materiality, audit methodology and timing of audit, involvement of component auditors, other independent auditors, significant accounting policies and disclosures, audit focus areas (including changes in MFRS), emerging issues and key milestones. The audit plan was discussed and clarifications were 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 work 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.

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

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 carried out in accordance with the approved audit plan and 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 2020, the Audit Committee met twice on 27 May 2019 and 27 February 2020 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 financial year under review, the Audit Committee conducted an evaluation of the performance, independence and objectivity of the External Auditors via the *External Auditor Performance and Independence Checklist* per the Corporate Governance Guide issued by Bursa Malaysia Berhad with criterias such as calibre of the firm, quality processes and performance, knowledge and skill sets of audit team, independence and objectivity, audit scope and planning, audit fees and audit communications. In addition, during the meetings with the External Auditors, the External Auditors 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.

Based on satisfactory results of the performance, independence and objectivity of the External Auditors, the Audit Committee recommended to the Board for the reappointment of the External Auditors for the financial year ending 31 March 2021.

Audit Committee Report Cont'd

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

8. Reviewed the Internal Audit Function

The Audit Committee received internal audit reports from both in-house internal audit function and outsourced internal audit function on a quarterly basis that contains the findings, recommendations and agreed management action plans for the internal audits conducted based on the approved internal audit plans. In addition to reporting on the audit findings, the status of agreed management action plans for the previous internal audit findings and the status of the approved internal audit plans were also presented to the Audit Committee for their review and deliberations. Additionally, the Audit Committee had assessed the adequacy and effectiveness of the respective Internal Audit Functions through the review of the resources, experience and continuous professional development of the Internal Audit Functions for its adequacy. Further, the Audit Committee conducted a formal evaluation of the performance, independence and objectivity of both the in-house internal audit function and the outsourced internal audit function via the *Internal Audit Function Evaluation Checklist* per the Corporate Governance Guide issued by Bursa Malaysia Berhad.

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 audit function for the review and approval by the Audit Committee.

The oversight role of the Audit Committee on the internal audit function is detailed in the Statement on Risk Management and Internal Control located on page 67 to 68 of this Annual Report.

9. Reviewed Related Party Transactions

During the quarterly meetings, the Audit Committee reviewed the related party transactions entered into by the Group with related parties. It was, 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 2020.

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

During the quarterly meetings, the Audit Committee reviewed the options listing and confirmed that the options have been granted in accordance with the By-Laws during the financial year ended 31 March 2020.

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 Statements and Reports Disclosed in Annual Report

The Audit Committee reviewed the Corporate Governance Report, Corporate Governance Overview Statement, Audit Committee Report, Statement on Risk Management and Internal Control, Management Discussion and Analysis, Sustainability Statement, the Board's responsibility statement for preparing annual audited financial statements and other information required for disclosure (such as profile of directors and key management, Recurrent Related Party Transactions, etc.) and the audited financial statement of the Group to ensure compliance with the MMLR, MCCG and other guidelines for publication in the Company's Annual Report and recommended to the Board for approval.

12. Reviewed the Updated Enterprise Risk Management Report of the Group

The Audit Committee reviewed and deliberated the updated Enterprise Risk Management Report of the Group (included but not limited to, key risk profile, key risk registers (comprise of strategic, governance and key operational risks) and proposed internal audit plan derived therefrom) on its adequacy and effectiveness. Based on the review, the Audit Committee was satisfied with the results of the risk assessment and its responses and subsequently reported the results of review to the Board.

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 reviews of key internal processes within the Group and an outsourced internal audit function with the primary responsibility to conduct internal control reviews of the 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 appointment and resignation of the internal auditors as well as the proposed/budgeted audit fees are subject to review and approval by the Audit Committee for its reporting to the Board for ultimate approval.

The Audit Committee ensures the adequacy of the internal audit scope by way of review of the proposed internal audit plans tabled by the respective internal audit functions for its adequacy of coverage and scope in relation to the key business risk exposure and risk appetite of the Group prior to its approval for execution. The approved internal audit plans are duly executed by the internal audit functions 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 functions performed follow up reviews to ascertain the status of implementation of agreed management action plans. The results of the follow up reviews were reported to the Audit Committee for their review and deliberation.

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

Further details of the internal audit functions and the oversight roles of the Audit Committee in relation to risk management and internal control are disclosed in the Statement on Risk Management and Internal Control available in pages 67 to 68 of this annual report.

STATEMENT ON RISK MANAGEMENT **AND INTERNAL CONTROL**

INTRODUCTION

Pursuant to paragraph 15.26(b) and Practice Note 9 of 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 the 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 stakeholders' interests and protect 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 Risk Management Committee, led by the Managing Director (who was re-designated as Chief Executive Officer on 1 July 2020), Mr. Wong Tak Keong, 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 systems, such systems are designed to manage, rather than eliminate risks that may impede the achievement of the Group's business and corporate objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or losses.

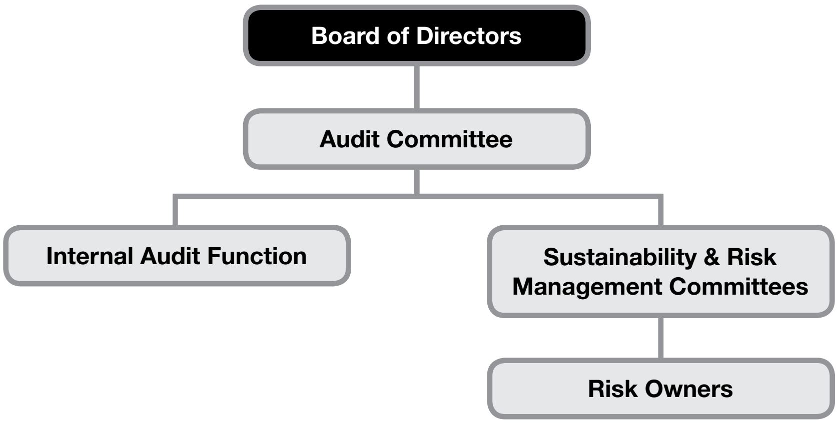
The Board does not review the risk management and internal control system of its associated companies and the joint venture company as the Group does not have management control over the associated company and the joint venture company. Notwithstanding that, the Group's interests are served through representation 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 the Risk Management Framework established by the Board are, in all material aspects, guided by ISO 31000:2018 – Risk Management 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, risk owners, key risk officers and Internal Auditors.

RISK MANAGEMENT (CONTINUED)



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

a) Implement the risk management framework as approved by the Audit Committee and the Board;
b) Develop and implement the risk management process which includes the identification of key risks and devising appropriate and/or additional action plan in cases where existing controls are ineffective, inadequate or non-existent and communicate action plans and 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 group risk management framework (including policies, processes and risk appetite);
d) Periodic review and update of the Key Risks Register of the Group and determination of corrective management action plan, if required;
e) Update the Board on changes to Key Risks Register on annual basis or as and when appropriate and the course of action to be taken by management in managing the changes; and
f) Where applicable, perform SWOT (Strengths, Weaknesses, Opportunities, Threats) Analysis for all options of the proposed strategies and business objectives and to monitor and report to the Board on the progress of the implementation of the strategies during the scheduled meetings

The roles and responsibilities of the 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) Continuously identify risks and evaluate the adequacy or effectiveness of the existing controls. If controls are deemed ineffective, inadequate or non-existent, to implement controls to reduce the likelihood and/or impact;
c) Assist and report to the Risk Management Committee of the emergence of any new business risks or change in the existing business risks, through the use of prescribed form on a timely manner;
d) Assist in the development and implementation of the management action plans;
e) Assist the Risk Management Committee with the yearly update of the changes in the Key Risks Register, management action plans and the status of these plans; and
f) Ensure that all subordinates understand the risk exposure of the relevant process under his/her area of responsibility and the importance of the related controls.

RISK MANAGEMENT (CONTINUED)

The structured risk management process as defined in the Risk Management Framework is employed by the Risk Management Committee and the risk owners for risk and opportunity identification, evaluation, control identification, 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 acceptable as determined by the Board. Based on the risk management process, Key Risk Registers were updated by the Risk Management Committee and risk owners, with the relevant key risks identified and rated based on the agreed upon risk rating scale. 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 response(s) as well as for future risk monitoring.

As an important risk monitoring mechanism, the Risk Management Committee and risk owners 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 risk owners conducted a review and assessment exercise whereby existing strategic, governance and key operational risks were reviewed and any new emerging risks identified, assessed and incorporated into 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, comprising 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 Managing Director (who was re-designated as Chief Executive Officer on 1 July 2020) 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 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 plans 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 system are described below:

- **Board of Directors/Board Committees**

  The role, functions, composition, operation and processes of the Board are guided by a formal *Board Charter* whereby roles and responsibilities of the Board, Independent Non-Executive Chairmen and Managing Director (who was re-designated as Chief Executive Officer on 1 July 2020) are specified to preserve the independence of the Board from the Management.

  Board Committees (i.e. Audit Committee, Remuneration Committee, Nominating Committee and Option Committee) have been established to carry out the 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 Managing Director (who was re-designated as Chief Executive Officer on 1 July 2020) to the Board for their review and approval after taking into account risk considerations and responses.

INTERNAL CONTROL SYSTEM (CONTINUED)

- **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.

  The 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 has in place a formalised *Anti-Bribery & Corruption Policy*, approved by the Audit Committee and Board, to manage the risk of bribery within the Group.

- **Organisation Structure, Accountability and Authorisation Procedures**

  The Group has a formal organisation structure in place with clear lines of reporting and accountability. The Group is committed to employing suitably qualified staff so that the appropriate level of authorities and responsibilities can be delegated while accountability of performance and controls are assigned accordingly to competent staffs to ensure operational efficiency. The establishment and communication of job responsibilities as well as accountability of performance and controls for key positions are further enhanced via the job descriptions established by the Management.

  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.

- **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 attracting, employing and retaining adequate competent employees possessing the necessary knowledge, skill and experience (which are enhanced by continuous trainings thereafter) in order to carry out their job duties and responsibilities effectively and efficiently.

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

Statement on Risk Management and Internal Control Cont'd

INTERNAL CONTROL SYSTEM (CONTINUED)

- **Information and Communication**

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

  The Group has in place effective and efficient information and communication infrastructures and channels, i.e. computerised enterprise resources planning systems, secure electronic mail system and modern telecommunication system, so that operational data and management information can be communicated timely and securely to the relevant personnel within the Group for information, decision making or implementation and for communication with relevant external stakeholders. Apart from that, relevant financial and management reports are generated for the relevant level of employees in the Group for information, review and/or 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 the Executive Directors are closely and directly involved in daily operations of the Group, regular reviews of operational data including production, sales and marketing and financial data are performed by the Executive Directors.

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

  Furthermore, internal audits are carried out by the internal audit function (which reports directly to the Audit Committee) on key risk areas identified based on the key risk profile of the Group. The internal audit function assesses 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 mitigate 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 reviews 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 the internal control review of key internal processes within the Group and an outsourced internal audit function, provided by Messrs. NeedsBridge Advisory Sdn Bhd, with the primary responsibility of the internal control review of the distributorship management system implemented by the Group. The in-house Senior Internal Audit Manager and the engagement director of the outsourced internal audit function 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 reports to the Audit Committee directly and provides the Audit Committee with the assurance it requires on the adequacy and effectiveness of the Group's internal control system.

Internal audits are carried out by both the in-house internal audit function and outsourced internal audit function, in all material aspects, in accordance with the International Professional Practices Framework established by the Institute of Internal Auditors Global. The in-house internal audit function comprises one (1) Senior Internal Audit Manager and four (4) Internal Audit Executives.

The in-house internal audit function is governed by the Internal Audit Charter while the outsourced internal audit function is governed by a formal engagement letter 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, higher authority's approval is required), property, personnel, Audit Committee members and other specialised services from within or outside the Group and where necessary, the assistance of personnel in the business units of the Group where they perform audits.

The oversight of the in-house and outsourced internal audit function by the Audit Committee is enhanced with the annual review by the Audit Committee of the resources of the in-house and outsourced internal audit function in terms 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 at an Audit Committee meeting during the financial year under review.

During the financial year under review, the Audit Committee conducted a formal evaluation of the performance, independence and objectivity of both in-house and outsourced internal audit function via *Internal Audit Function Evaluation Checklist* per Corporate Governance Guide issued by Bursa Malaysia Berhad, focusing on the professional qualification, scope, accountability, responsibilities, independence, authorities, knowledge and competency, frequency of internal audit visits, resources, audit budget/fees, compliance with internationally recognised standard and communication channel.

Based on the above review and performance evaluation, 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 function 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 are adequate and effective;
- the results of the internal audit plan, processes or investigation undertaken are adequately communicated to the Audit Committee and appropriate actions are taken on the recommendations of the internal audit function; and
- the in-house and outsourced internal audit function had undertaken continuous professional development in order to equip them with the relevant knowledge and skills to discharge their responsibilities.

INTERNAL AUDIT FUNCTION (CONTINUED)

The risk-based internal audit plan in respect of the financial year ended 31 March 2020 was prepared 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 (if any) were 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 2020, the internal audit functions have conducted reviews for:

- Warehouse transactions
- Controlling and Monitoring Ageing Stock at Warehouse
- Instant Powder Completion Process
- Stretch Wrapping Film and Plastic Bags Usage
- Information Technology Warehouse Management
- Stationery Expenses
- Pallet Management
- Rework process
- Distributor Claims
- Security Guard Management
- Latex Gloves Usage
- Distributorship management system

Upon the completion of the internal audit work, the internal audit reports were presented to the Audit Committee during its quarterly meetings. During such presentations, the internal audit findings and recommendations as well as management responses and action plans were presented to 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 reported the results of the review and deliberations to the Board in order for the Board to discharge its responsibility of ensuring that there are sound internal controls in place 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 2020 amounted to RM 378,370.

ASSURANCE PROVIDED BY THE MANAGING DIRECTOR (WHO WAS RE-DESIGNATED AS CHIEF EXECUTIVE OFFICER ON 1 JULY 2020) AND GROUP FINANCIAL CONTROLLER

In accordance with the Guidelines, the Managing Director (who was re-designated as Chief Executive Officer on 1 July 2020), 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 have operated adequately and effectively, in all material aspects, to meet the Group's objectives during the financial year under review.

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 (who was re-designated as Chief Executive Officer on 1 July 2020) and the Group Financial Controller, the Board is of the view that the risk management and internal control systems are operating satisfactorily and have not resulted in any material losses, contingencies or uncertainties during the financial year under review that would require disclosure in the Group's annual report. The Board continues to take pertinent measures to review and, where necessary, improve the Group's risk management and internal control systems to meet the Group's strategic objectives.

The Board is committed towards maintaining a sound system of internal control and an effective risk management throughout the Group and reaffirms its commitment to continuously review and where necessary, enhance further the risk management and internal control 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 the 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 2020, 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.

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DIRECTORS' REPORT

For the year ended 31 March 2020

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 2020.

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	51,454,842	50,227,125
Non-controlling interests	290,861	–
	51,745,703	50,227,125

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 2019 as reported in the Directors' Report of that year:

- a third dividend of 1.7 sen per ordinary share totalling RM6,698,755 declared on 25 February 2019 and paid on 2 April 2019; and

- a fourth dividend of 2.9 sen per ordinary share totalling RM11,441,032 declared on 27 May 2019 and paid on 2 July 2019.

Directors' Report
For the year ended 31 March 2020
Cont'd

DIVIDENDS (CONTINUED)

ii) In respect of the financial year ended 31 March 2020:

- a first dividend of 2.0 sen per ordinary share totalling RM7,911,847 declared on 27 August 2019 and paid on 1 October 2019;
- a second dividend of 3.0 sen per ordinary share totalling RM12,174,123 declared on 25 November 2019 and paid on 2 January 2020;
- a third dividend of 3.5 sen per ordinary share totalling RM14,343,004 declared on 27 February 2020 and paid on 2 April 2020; and
- a fourth dividend of 4.0 sen per ordinary share totalling RM16,532,292 declared on 28 May 2020 and paid on 3 July 2020.

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

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. Wong Tak Keong	
Mr. See Thuan Po	
Dato' Afifuddin bin Abdul Kadir	Dato' Tea Choo Keng (resigned on 1 September 2019)
Mr. Ong Kheng Swee	
En. Azahar bin Baharudin	
Y.A.D. Tengku Dato' Setia Putra Alhaj bin Tengku Azman Shah Alhaj (appointed on 5 July 2019)	
Dato' Tea Choo Keng (appointed on 1 September 2019)	

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, options over shares and warrants 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 2019**	**Bought**	**Sold**	**Transfer**	**At 31 March 2020**
Company						
Dato' Low Chee Yen	Direct	50,282,016	–	(9,000,000)	–	41,282,016
	Deemed	6,468,000	–	–	–	6,468,000
Dato' How Say Swee	Direct	78,525,236	572,300	–	(3,000,000)	76,097,536
	Deemed	–	–	–	3,000,000	3,000,000
Dato' Wong Fuei Boon	Direct	72,687,156	3,490,000	(3,209,300)	(4,000,000)	68,967,856
	Deemed	6,000,000	–	–	4,000,000	10,000,000
Mr. Wong Tak Keong	Direct	33,058,800	630,000	(1,000,000)	(1,000,000)	31,688,800
	Deemed	7,250,800	–	–	1,000,000	8,250,800
Dato' Tea Choo Keng	Direct	738,480	–	(735,000)	–	3,480
Mr. See Thuan Po	Direct	3,138,000	650,000	–	–	3,788,000
Mr. Ong Kheng Swee	Direct	216,315	9,000	–	–	225,315
	Deemed	144,000	–	–	–	144,000
En. Azahar bin Baharudin	Direct	6	–	–	–	6
Subsidiaries						
- Power Root HK-China Company Limited						
Mr. Wong Tak Keong	Direct	–	100,000	–	–	100,000

		Number of ordinary shares of USD1 each			
Name of Directors	**Interest**	**At 1 April 2019**	**Bought**	**Sold**	**At 31 March 2020**
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 2020
Cont'd

DIRECTORS' INTERESTS IN SHARES (CONTINUED)

Name of Directors	Option price	Number of options over ordinary shares ('000) At 1 April 2019	Granted	Exercised	At 31 March 2020
Company					
Dato' Low Chee Yen	RM0.563#	6,480	–	–	6,480
Dato' How Say Swee	RM0.563#	1,200	–	(240)	960
Dato' Wong Fuei Boon	RM0.563#	1,200	–	(480)	720
Mr. Wong Tak Keong	RM0.563#	3,600	–	(600)	3,000
	RM1.291	–	14,000	–	14,000
Mr. See Thuan Po	RM0.563#	1,440	–	(650)	790
	RM1.291	–	2,000	–	2,000

\# The Company completed its bonus issue exercise on 23 July 2018 and the option exercise price has been adjusted accordingly.

Name of Directors	Interest	Number of Warrants ('000) At 1 April 2019	Bought	Sold	At 31 March 2020
Company					
Dato' Low Chee Yen	Direct	9,978	–	(3,673)	6,305
	Deemed	1,078	–	–	1,078
Dato' How Say Swee	Direct	13,311	–	(4,684)	8,627
Dato' Wong Fuei Boon	Direct	12,365	–	(5,818)	6,547
	Deemed	1,000	–	–	1,000
Mr. Wong Tak Keong	Direct	9,167	1,172	–	10,339
	Deemed	792	–	–	792
Dato' Tea Choo Keng	Direct	123	–	(123)	–
Mr. See Thuan Po	Direct	278	–	(278)	–
Mr. Ong Kheng Swee	Direct	36	–	(36)	–#
	Deemed	24	–	(24)	–
En. Azahar bin Baharudin	Direct	–@	–	–	–@

@ This represents 1 Warrant.
\# This represents 17 Warrants.

None of the other Directors holding office at 31 March 2020 had any interest in the shares, options over shares and warrants 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 29 to the financial statements.

Other than the options granted pursuant to the Employees' Share Option Scheme ("ESOS") and Warrants, there were no other arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

ISSUE OF SHARES

During the financial year, the Company issued:

a) 2,637,000 new ordinary shares for cash totalling RM1,484,631 arising from the exercise of the employees' share options at an exercise price of RM0.563 per ordinary share;

b) 1,185,500 new ordinary shares for cash totalling RM1,847,009 arising from the exercise of the employees' share options at an exercise price of RM1.558 per ordinary share;

c) 104,000 new ordinary shares for cash totalling RM119,600 arising from the exercise of the employees' share options at an exercise price of RM1.150 per ordinary share; and

d) 4,292,720 new ordinary shares for cash totalling RM6,610,789 arising from the exercise of Warrants at RM1.54 per ordinary shares.

At the Annual General Meeting held on 27 August 2019, the shareholders of the Company renewed their approval for the Company to repurchase its own shares. During the financial year, the Company disposed in the open market a total of 8,304,040 of its issued ordinary shares with an average price of RM2.12. The Company subsequently repurchased from the open market a total of 3,569,400 of its issued ordinary shares with an average repurchase price of RM1.76. The repurchase transactions were financed by internally generated funds and the repurchased shares are being held as treasury shares and carried at cost.

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

ISSUE OF WARRANTS

The Warrants are constituted by the deed poll dated 29 June 2018.

The Company issued 65,591,464 free Warrants on the basis of one (1) Warrant for every five (5) existing shares held, which were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") on 27 July 2018.

The main features of the Warrants are as follows:

a) Each Warrant entitles the registered holder to subscribe for one (1) new ordinary share in the Company at the exercise price of RM1.54 during the exercise period, subject to the adjustments in accordance with the Deed Poll constituting the Warrants;

b) The Warrants may be exercised at any time on or after 27 July 2018 until the end of the tenure of the Warrants. The tenure of the Warrants is for a period of five (5) years from 24 July 2018.

ISSUE OF WARRANTS (CONTINUED)

c) The new shares to be issued upon the exercise of the Warrants shall, upon allotment and issue, rank pari passu in all respects with the then existing share of the Company except that they will not be entitled to any dividends, rights, allotments and/or distributions declared, made or paid by the Company prior to the relevant date of allotment and issue of the new shares to be issued pursuant to the exercise of the Warrants;

d) For purpose of trading on Bursa Securities, a board lot for the Warrants shall comprise one hundred (100) Warrants carrying right to subscribe for 100 new shares at any time during the exercise period or such denomination as determined by Bursa Securities; and

e) The Deed Poll and accordingly the Warrants are governed by and shall be construed in accordance with the laws of Malaysia.

4,292,720 (2019:1,000) Warrants were exercised during the financial year. As at year end, 61,297,744 (2019:65,590,464) Warrants remained unexercised.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year apart from the issue of options pursuant to the ESOS.

At the Extraordinary General Meeting held on 23 July 2012, the Company's shareholders approved the establishment of an ESOS of not more than 10% of the issued share capital of the Company to eligible Directors and employees of the Group.

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

a) The ESOS is administered by a committee appointed by the Board of Directors.

b) The aggregate number of options exercised and options offered and to be offered under the ESOS shall not exceed ten percent (10%) of the issued and paid-up ordinary share capital of the Company at any point of time during the duration of the ESOS. Furthermore, not more than ten percent (10%) of ESOS Shares available under the Scheme shall be allocated to any Directors or employee, who singly or collectively through persons connected with such Directors or employee, holds twenty percent (20%) or more of the issued and paid-up share capital of the Company.

c) Any employee of the Group shall be eligible to participate in the Scheme if they attained eighteen (18) years of age and have been confirmed in service and have been in the employment of the Group for a period of at least six (6) months in the Group.

d) Any Director of the Group shall be eligible to participate in the Scheme if they attained eighteen (18) years of age and is an existing Director of the Group.

e) The option price for each share shall be at a discount to the five (5) days weighted average market price of the shares of the Company immediately preceding the date of the offer, provided that the discount shall not exceed ten percent (10%).

f) The ESOS shall be in force for a period of ten (10) years commencing from 23 July 2012.

At the Extraordinary General Meeting held on 10 June 2019, the Company's shareholders approved the establishment of a second ESOS to eligible key employees and Directors of the Group.

OPTIONS GRANTED OVER UNISSUED SHARES (CONTINUED)

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 fifteen percent (15%) of the issued and paid-up ordinary share capital of the Company at any point of time during the duration of the ESOS. Furthermore, not more than ten percent (10%) of ESOS Shares available under the Scheme shall be allocated to any Directors or employee, who singly or collectively through persons connected with such Directors or employee, holds twenty percent (20%) or more of the issued and paid-up share capital of the Company.

c) Any executive director or key employee of the Group shall be eligible to participate in the Scheme if they attained eighteen (18) years of age and (i) must not be an undischarged bankrupt nor subject to any bankruptcy proceedings; (ii) must have complied with any other criteria imposed by the ESOS Committee from time to time; and (iii) must be an existing Director or be a full time employee confirmed in writing by Power Root Berhad and its subsidiaries.

d) 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%).

e) The ESOS shall be in force for a period of ten (10) years commencing from the date of offer, which is 11 June 2019.

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 2019**	**Granted**	**Exercised**	**Forfeited**	**At 31 March 2020**
27 July 2012	0.563*	17,846	–	(2,637)	(792)	14,417
4 November 2015	2.025*	780	–	–	–	780
23 August 2017	1.558*	5,304	–	(1,186)	(1,218)	2,900
3 April 2019	1.150	–	4,125	(104)	(450)	3,571
14 May 2019	1.190	–	120	–	–	120
11 June 2019	1.291	–	16,000	–	–	16,000
		23,930	20,245	(3,927)	(2,460)	37,788

* The Company completed its bonus issue exercise on 23 July 2018 and the exercise price has been adjusted accordingly.

INDEMNITY AND INSURANCE COSTS

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

QUALIFICATION OF SUBSIDIARIES' FINANCIAL STATEMENTS

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

OTHER STATUTORY INFORMATION

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

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

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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

i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

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

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 March 2020 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

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

The auditors' remuneration is disclosed in Note 19 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 2020

STATEMENTS OF FINANCIAL POSITION

As at 31 March 2020

	Note	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Assets					
Property, plant and equipment	3	79,689,012	78,363,094	9,979	94,423
Investment properties	4	1,727,029	1,767,856	–	–
Intangible assets	5	6,336	21,540	–	–
Investments in subsidiaries	6	–	–	182,318,795	180,375,802
Investments in associates	7	–	–	–	–
Investment in a joint venture	8	–	–	15,300	15,300
Other investments	9	1,145,968	–	1,145,968	–
Deferred tax assets	10	1,705,924	1,528,677	25,000	17,000
Total non-current assets		84,274,269	81,681,167	183,515,042	180,502,525
Inventories	11	64,859,949	66,680,168	–	–
Trade and other receivables	12	114,814,840	117,878,072	38,538,362	40,626,947
Current tax assets		2,551,161	9,070,336	70,711	11,734
Cash and cash equivalents	13	110,072,587	56,844,795	54,767,064	15,314,755
Total current assets		292,298,537	250,473,371	93,376,137	55,953,436
Total assets		376,572,806	332,154,538	276,891,179	236,455,961
Equity					
Share capital	14	230,941,780	220,130,444	230,941,780	220,130,444
Reserves	14	22,318,819	(1,318,447)	25,220,623	3,464,122
Equity attributable to owners of the Company		253,260,599	218,811,997	256,162,403	223,594,566
Non-controlling interests	6	476,766	377,384	–	–
Total equity		253,737,365	219,189,381	256,162,403	223,594,566
Liabilities					
Loans and borrowings/ **Total non-current liabilities**	15	664,404	18,750	–	–
Loans and borrowings	15	7,782,821	18,591,073	–	–
Trade and other payables	16	100,045,212	87,656,580	6,385,772	6,162,641
Dividend payable		14,343,004	6,698,754	14,343,004	6,698,754
Total current liabilities		122,171,037	112,946,407	20,728,776	12,861,395
Total liabilities		122,835,441	112,965,157	20,728,776	12,861,395
Total equity and liabilities		376,572,806	332,154,538	276,891,179	236,455,961

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

STATEMENTS OF PROFIT OR LOSS **AND OTHER COMPREHENSIVE INCOME**

For the year ended 31 March 2020

	Note	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Revenue	17	386,099,399	338,012,360	52,401,292	32,895,000
Other income		11,100,585	3,432,212	1,222,152	816,981
Changes in inventories of finished goods and work-in-progress		(7,001,665)	1,275,310	–	–
Raw materials used		(171,298,587)	(164,712,947)	–	–
Marketing expenses		(44,885,974)	(39,664,275)	–	–
Staff costs		(59,779,506)	(49,171,722)	(1,013,205)	(675,825)
Depreciation and amortisation expenses		(6,114,382)	(5,765,549)	(48,850)	(81,418)
Other expenses		(46,379,280)	(46,832,244)	(2,565,573)	(962,140)
Total expenses		(335,459,394)	(304,871,427)	(3,627,628)	(1,719,383)
Results from operating activities		61,740,590	36,573,145	49,995,816	31,992,598
Finance income		1,378,881	1,130,848	590,899	460,102
Finance costs		(494,806)	(625,419)	–	–
Net finance income		884,075	505,429	590,899	460,102
Profit before tax		62,624,665	37,078,574	50,586,715	32,452,700
Tax expense	18	(10,878,962)	(8,951,617)	(359,590)	(271,937)
Profit for the year	19	51,745,703	28,126,957	50,227,125	32,180,763
Other comprehensive income/ (expense), net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences		676,029	435,069	–	–
Equity investments measured at fair value through other comprehensive (expense)/income		(216,625)	14,896	(216,625)	–
Other comprehensive income/ (expense) for the year		459,404	449,965	(216,625)	–
Total comprehensive income for the year		52,205,107	28,576,922	50,010,500	32,180,763

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

Statements of Profit or Loss and Other Comprehensive Income
For the year ended 31 March 2020
Cont'd

	Note	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Profit attributable to:					
Owners of the Company		51,454,842	28,003,955	50,227,125	32,180,763
Non-controlling interests		290,861	123,002	–	–
Profit for the year		51,745,703	28,126,957	50,227,125	32,180,763
Total comprehensive income attributable to:					
Owners of the Company		51,891,265	28,439,507	50,010,500	32,180,763
Non-controlling interests		313,842	137,415	–	–
Total comprehensive income for the year		52,205,107	28,576,922	50,010,500	32,180,763
Basic earnings per ordinary share (sen)	20	12.83	7.12		
Diluted earnings per ordinary share (sen)	20	11.97	6.94		

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

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

For the year ended 31 March 2020

	Note	Share capital RM	Treasury shares RM	Share option reserve RM	Fair value reserve RM	Exchange fluctuation reserve RM	Non-distributable (Accumulated losses)/ Distributable Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
		← Attributable to owners of the Company								
		← Non-distributable								
Group										
At 1 April 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
Foreign currency translation differences for foreign operations		–	–	–	–	420,656	–	420,656	14,413	435,069
Equity investments measured at fair value through other comprehensive income		–	–	–	14,896	–	–	14,896	–	14,896
Total other comprehensive income for the year		–	–	–	14,896	420,656	–	435,552	14,413	449,965
Profit for the year		–	–	–	–	–	28,003,955	28,003,955	123,002	28,126,957
Total comprehensive income for the year		–	–	–	14,896	420,656	28,003,955	28,439,507	137,415	28,576,922
Contributions by and distributions to owners of the Company										
Own shares acquired	14	–	(315,415)	–	–	–	–	(315,415)	–	(315,415)
Issue of shares pursuant to Employees' Share Option Scheme	14	4,617,623	–	(1,196,126)	–	–	–	3,421,497	–	3,421,497
Exercise of Warrants	14	1,540	–	–	–	–	–	1,540	–	1,540
Share-based payment transactions	21	–	–	385,204	–	–	–	385,204	–	385,204
Dividends to owners of the Company	22	–	–	–	–	–	(21,710,454)	(21,710,454)	–	(21,710,454)
Total transactions with owners of the Company		4,619,163	(315,415)	(810,922)	–	–	(21,710,454)	(18,217,628)	–	(18,217,628)
At 31 March 2019		220,130,444	(11,504,086)	2,134,893	–	2,031,354	6,019,392	218,811,997	377,384	219,189,381

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

Consolidated Statement of Changes in Equity

For the year ended 31 March 2020

Cont'd

		Attributable to owners of the Company								
		Non-distributable								
	Note	Share capital RM	Treasury shares RM	Share option reserve RM	Fair value reserve RM	Exchange fluctuation reserve RM	Distributable Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
Group										
At 1 April 2019		220,130,444	(11,504,086)	2,134,893	–	2,031,354	6,019,392	218,811,997	377,384	219,189,381
Foreign currency translation differences for foreign operations		–	–	–	–	653,048	–	653,048	22,981	676,029
Equity investments measured at fair value through other comprehensive expense		–	–	–	(216,625)	–	–	(216,625)	–	(216,625)
Total other comprehensive (expense)/income for the year		–	–	–	(216,625)	653,048	–	436,423	22,981	459,404
Profit for the year		–	–	–	–	–	51,454,842	51,454,842	290,861	51,745,703
Total comprehensive (expense)/ income for the year		–	–	–	(216,625)	653,048	51,454,842	51,891,265	313,842	52,205,107
Contributions by and distributions to owners of the Company										
Own shares sold	14	–	11,504,086	–	–	–	6,070,491	17,574,577	–	17,574,577
Own shares acquired	14	–	(6,263,446)	–	–	–	–	(6,263,446)	–	(6,263,446)
Issue of shares pursuant to Employees' Share Option Scheme	14	4,200,547	–	(749,307)	–	–	–	3,451,240	–	3,451,240
Exercise of Warrants	14	6,610,789	–	–	–	–	–	6,610,789	–	6,610,789
Share-based payment transactions	21	–	–	7,054,183	–	–	–	7,054,183	–	7,054,183
Dividends to owners of the Company	22	–	–	–	–	–	(45,870,006)	(45,870,006)	–	(45,870,006)
		10,811,336	5,240,640	6,304,876	–	–	(39,799,515)	(17,442,663)	–	(17,442,663)
Changes in ownership interests in subsidiaries		–	–	–	–	–	–	–	56,958	56,958
Dividends to non-controlling interests in subsidiaries		–	–	–	–	–	–	–	(271,418)	(271,418)
Total transactions with owners of the Company		10,811,336	5,240,640	6,304,876	–	–	(39,799,515)	(17,442,663)	(214,460)	(17,657,123)
At 31 March 2020		230,941,780	(6,263,446)	8,439,769	(216,625)	2,684,402	17,674,719	253,260,599	476,766	253,737,365

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

STATEMENT OF **CHANGES IN EQUITY**

For the year ended 31 March 2020

	Note	Share capital RM	Treasury shares RM	Share option reserve RM	Fair value reserve RM	Retained earnings RM	Total equity RM
		Attributable to owners of the Company					
		Non-distributable				Distributable	
Company							
At 1 April 2018		215,511,281	(11,188,671)	2,945,815	–	2,363,006	209,631,431
Profit and total comprehensive income for the year		–	–	–	–	32,180,763	32,180,763
Contributions by and distributions to owners of the Company							
Own shares acquired	14	–	(315,415)	–	–	–	(315,415)
Issue of shares pursuant to Employees' Share Option Scheme	14	4,617,623	–	(1,196,126)	–	–	3,421,497
Exercise of Warrants	14	1,540	–	–	–	–	1,540
Share-based payment transactions	21	–	–	385,204	–	–	385,204
Dividends to owners of the Company	22	–	–	–	–	(21,710,454)	(21,710,454)
Total transactions with owners of the Company		4,619,163	(315,415)	(810,922)	–	(21,710,454)	(18,217,628)
At 31 March 2019		220,130,444	(11,504,086)	2,134,893	–	12,833,315	223,594,566

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

Statement of Changes in Equity
For the year ended 31 March 2020
Cont'd

	Note	Attributable to owners of the Company — Non-distributable: Share capital RM	Treasury shares RM	Share option reserve RM	Fair value reserve RM	Distributable: Retained earnings RM	Total equity RM
Company							
At 1 April 2019		220,130,444	(11,504,086)	2,134,893	–	12,833,315	223,594,566
Equity investments measured at fair value through other comprehensive expense/ Total other comprehensive expense for the year		–	–	–	(216,625)	–	(216,625)
Profit for the year		–	–	–	–	50,227,125	50,227,125
Total comprehensive (expense)/ income for the year		–	–	–	(216,625)	50,227,125	50,010,500
Contributions by and distributions to owners of the Company							
Own shares sold	14	–	11,504,086	–	–	6,070,491	17,574,577
Own shares acquired	14	–	(6,263,446)	–	–	–	(6,263,446)
Issue of shares pursuant to Employees' Share Option Scheme	14	4,200,547	–	(749,307)	–	–	3,451,240
Exercise of Warrants	14	6,610,789	–	–	–	–	6,610,789
Share-based payment transactions	21	–	–	7,054,183	–	–	7,054,183
Dividends to owners of the Company	22	–	–	–	–	(45,870,006)	(45,870,006)
Total transactions with owners of the Company		10,811,336	5,240,640	6,304,876	–	(39,799,515)	(17,442,663)
At 31 March 2020		230,941,780	(6,263,446)	8,439,769	(216,625)	23,260,925	256,162,403

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

STATEMENTS OF CASH FLOWS

For the year ended 31 March 2020

	Group		Company	
	2020 RM	**2019 RM**	**2020 RM**	**2019 RM**
Cash flows from operating activities				
Profit before tax	62,624,665	37,078,574	50,586,715	32,452,700
Adjustments for:				
Amortisation of intangible assets	15,204	15,205	–	–
Bad debts written off	828,708	155,871	852,854	–
Depreciation on:				
- property, plant and equipment	6,058,351	5,710,097	48,850	81,418
- investment properties	40,827	40,247	–	–
Finance costs	494,806	625,419	–	–
(Gain)/Loss on disposal of:				
- property, plant and equipment	(356,732)	(156,036)	(85,717)	–
- other investments	(3,022)	12,032	(3,022)	–
(Reversal of impairment loss)/ Impairment loss on amounts due from:				
- trade receivables	(4,836,267)	6,474,417	–	–
- prepayments	–	93,609	–	–
- subsidiaries	–	–	302,982	123,103
Impairment loss on property, plant and equipment	355,698	–	–	–
Share-based payment transactions	7,054,183	385,204	312,195	84,843
Dividend income from other investments	(3,777)	(7,433)	(3,777)	--
Finance income	(1,378,881)	(1,130,848)	(590,899)	(460,102)
Unrealised (gain)/loss on foreign exchange	(713,259)	82,142	(67,756)	(65,535)
Write down of obsolete and slow-moving inventories	319,182	1,016,089	–	–
Operating profit before changes in working capital	70,499,686	50,394,589	51,352,425	32,216,427
Change in inventories	1,501,037	1,947,865	_	–
Change in trade and other receivables	7,784,050	15,536,203	1,000,505	(23,387,913)
Change in trade and other payables	12,388,632	(19,366,464)	223,131	4,708,259
Cash generated from operations	92,173,405	48,512,193	52,576,061	13,536,773
Interest received	1,378,881	1,130,848	590,899	460,102
Tax paid	(4,537,034)	(8,016,629)	(426,567)	(184,637)
Net cash from operating activities	89,015,252	41,626,412	52,740,393	13,812,238

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

Statements of Cash Flows
For the year ended 31 March 2020
Cont'd

	Note	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Cash flows from investing activities					
Acquisition of:					
- property, plant and equipment	23	(6,207,946)	(8,620,129)	(3,689)	(10,113)
- investment in a subsidiary		–	–	(1,164,204)	–
- other investments		(1,909,798)	–	(1,909,798)	–
Shares issued to non-controlling interest		56,958	–	–	–
Dividend income from other investments		3,777	–	3,777	–
Proceeds from disposal of:					
- property, plant and equipment		780,965	490,014	125,000	–
- other investments		550,227	5,980,767	550,227	–
Net cash used in investing activities		(6,725,817)	(2,149,348)	(2,398,687)	(10,113)
Cash flows from financing activities					
Interest paid		(494,806)	(625,419)	–	–
Issuance of share capital		10,062,029	3,423,037	10,062,029	3,423,037
Dividends paid to:					
- owners of the Company		(38,225,756)	(23,099,436)	(38,225,756)	(23,099,436)
- non-controlling interests		(271,418)	–	–	–
Net sales/(repurchase) of treasury shares		11,311,131	(315,415)	11,311,131	(315,415)
Cash settled share-based payment transactions by subsidiaries		–	–	5,963,199	–
Net repayment of bankers' acceptances		(11,012,749)	(12,795,119)	–	–
Repayment of term loans		(105,128)	(237,360)	–	–
Repayment of hire purchase liabilities		(577,721)	–	–	–
Repayment of finance lease liabilities		–	(412,443)	–	–
Net cash used in financing activities		(29,314,418)	(34,062,155)	(10,889,397)	(19,991,814)
Exchange difference on translation of the financial statements of foreign operation		252,775	8,102	–	–
Net increase/(decrease) in cash and cash equivalents		53,227,792	5,423,011	39,452,309	(6,189,689)
Cash and cash equivalents at 1 April		56,844,795	51,421,784	15,314,755	21,504,444
Cash and cash equivalents at 31 March	13	110,072,587	56,844,795	54,767,064	15,314,755

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

Statements of Cash Flows
For the year ended 31 March 2020
Cont'd

Cash outflows for leases as a lessee

	Note	Group 2020 RM	Group 2019 RM
Included in net cash from operating activities			
Payment relating to short-term leases/ **Total cash outflow for leases**	19	827,981	–

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

Group	At 1 April 2018 RM	Finance lease liabilities obtained during the year RM	Net change from financing cash flows RM	At 31 March 2019 RM	Adjustment on initial application of MFRS 16 RM	At 1 April 2019 RM	Hire purchase liabilities obtained during the year RM	Net change from financing cash flows RM	At 31 March 2020 RM
Finance lease liabilities	576,372	75,000	(412,443)	238,929	(238,929)	–	–	–	–
Hire purchase liabilities	–	–	–	–	238,929	238,929	1,533,000	(577,721)	1,194,208
Bankers' acceptances	31,060,885	–	(12,795,119)	18,265,766	–	18,265,766	–	(11,012,749)	7,253,017
Term loans	342,488	–	(237,360)	105,128	–	105,128	–	(105,128)	–
Total liabilities from financing activities	31,979,745	75,000	(13,444,922)	18,609,823	–	18,609,823	1,533,000	(11,695,598)	8,447,225

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

NOTES TO THE **FINANCIAL STATEMENTS**

Power Root Berhad is a public limited liability company, incorporated and domiciled in Malaysia and 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

Suite 9D, Level 9
Menara Ansar
65, Jalan Trus
80000 Johor Bahru
Johor Darul Takzim
Malaysia

The consolidated financial statements of the Company as at and for the financial year ended 31 March 2020 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 associates and a joint venture. The financial statements of the Company as at and for the financial year ended 31 March 2020 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 2020.

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 ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards, interpretations and amendments of the MFRSs 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 2020

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 June 2020

- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions*

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

- MFRS 17, *Insurance Contracts*

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*

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 accounting standards, interpretations and amendments in the respective financial year when the above accounting standards, interpretations and amendments become effective, if applicable.

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than Note 16 - recognition of advertising and promotional expenses.

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.

Arising from the adoption of MFRS 16, *Leases*, there are changes to the accounting policies applied to lease contracts entered into by the Group entities as compared to those applied in previous financial statements. There is no significant financial impact on the adoption of MFRS 16 except for hire purchase arrangements previously classified as finance lease liabilities under MFRS 117 are now classified as hire purchase liabilities.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(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.

(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 a 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 investment includes transaction costs.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(vi) Joint arrangements

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

Joint arrangements are classified and accounted for as follows:

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

- A joint arrangement is classified as "joint venture" when the Group or the Company has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method. Investments in joint venture are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(vii) Non-controlling interests

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

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(viii) Transactions eliminated on consolidation

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

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

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, which are recognised in other comprehensive income.

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

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

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 March 2011 (the date when the Group first adopted MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments

(i) Recognition and initial 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 asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured 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

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

The categories of financial assets at initial recognition are as follows:

(a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(j)(i)) where the effective interest rate is applied to the amortised cost.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

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

Financial assets (continued)

(b) Fair value through other comprehensive income

(i) Debt investments

Fair value through other comprehensive income category comprises debt investment where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the debt investment, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt investment is not designated as at fair value through profit or loss. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(j)(i)) where the effective interest rate is applied to the amortised cost.

(ii) Equity investments

This category comprises investment in equity that is not held for trading, and the Group and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

(c) Fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, are subject to impairment assessment (see Note 2(j)(i)).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

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

Financial liabilities

The categories of financial liabilities at initial recognition are as follows:

(a) 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 and financial liabilities that are specifically designated into this category upon initial recognition.

On initial recognition, the Group or the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:

(a) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;

(b) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel; or

(c) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

(b) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date or settlement date accounting in the current year.

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.

Settlement date accounting refers to:

(a) the recognition of an asset on the day it is received by the Group or the Company, and

(b) derecognition of an asset and recognition of any gain or loss on disposal on the day that is delivered by the Group or the Company.

Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is accounted in the same way as it accounts for the acquired asset.

Generally, the Group or the Company applies settlement date accounting unless otherwise stated for the specific class of asset.

(iv) Financial guarantee contracts

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

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, *Revenue from Contracts with Customers.*

Liabilities arising from financial guarantees are presented together with other provisions.

(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 transferred, 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 of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(v) Derecognition (continued)

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. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. 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.

(vi) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

(iii) Depreciation

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

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

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

Buildings	20 - 50 years
Plant and machinery	5 - 10 years
Motor vehicles, office equipment, furniture and fittings	3 - 10 years
Renovation and electrical installation	5 - 10 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period and adjusted as appropriate.

(e) Investment properties

Investment properties carried at cost

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

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

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

Buildings	50 years

(f) Leases

The Group has applied MFRS 16 using the modified retrospective approach with no cumulative effect recognised in the retained earnings at 1 April 2019. Accordingly, the comparative information presented for 31 March 2019 has not been restated - i.e. it is presented, as previously reported under MFRS 117, *Leases* and related interpretations.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Leases (continued)

Current financial year

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement

(a) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group entities use their incremental borrowing rate as the discount rate.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Leases (continued)

Current financial year (continued)

(ii) Recognition and initial measurement (continued)

(a) As a lessee (continued)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(b) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

The Group recognises assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. The Group uses the interest rate implicit in the lease to measure the net investment in the lease.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Leases (continued)

Current financial year (continued)

(iii) Subsequent measurement

(a) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) As a lessor

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "revenue".

The Group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the lease. The Group aims to allocate finance income over the lease term on a systematic and rational basis. The Group applies the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income. The net investment in the lease is subject to impairment requirements in MFRS 9, Financial Instruments (see note 2(j)(i)).

Previous financial year

As a lessee

(i) Finance lease

Leases in terms of which the Group or the Company assumed substantially all the risks and rewards of ownership were classified as finance leases. Upon initial recognition, the leased asset was 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 was accounted for in accordance with the accounting policy applicable to that asset.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Leases (continued)

Previous financial year (continued)

As a lessee (continued)

(i) Finance lease (continued)

Minimum lease payments made under finance leases were apportioned between the finance expense and the reduction of the outstanding liability. The finance expense was 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 were accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment was confirmed.

Leasehold land which in substance was a finance lease was 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 did not assume substantially all the risks and rewards of ownership were classified as operating leases and the leased assets were not recognised on the statement of financial position.

Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals were charged to profit or loss in the reporting period in which they were incurred.

Leasehold land which in substance was an operating lease was 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Intangible assets (continued)

(iv) Amortisation

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

Other intangible assets are amortised from the date that they are available for use. Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

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

Product formula	20 years

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

(h) Inventories

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.

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

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables and lease receivables are always measured at an amount equal to lifetime expected credit loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment (continued)

(i) Financial assets (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of debt investments measured at fair value through other comprehensive income is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment (continued)

(ii) Other assets (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

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

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

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

(k) Equity instruments

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

(i) Issue expense

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

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) 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.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Income tax

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

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

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

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or the Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group or the Company transfers control of a good or service at a point in time unless one of the following over time criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;

(b) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(c) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Revenue and other income (continued)

(ii) Dividend income

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

(iii) Interest income

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

(iv) Rental income

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Employee benefits (continued)

(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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 not recognised in the statements of financial position and 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.

(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 value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

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

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

3. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RM	Plant and machinery RM	Motor vehicles, office equipment, furniture and fittings RM	Renovation and electrical installation RM	Construction-in-progress RM	Total RM
Group						
At cost						
At 1 April 2018	60,245,697	41,301,120	21,040,215	2,409,542	5,535,466	130,532,040
Additions	3,318,672	3,200,770	2,028,619	147,068	–	8,695,129
Disposals/Written off	–	(1,946,966)	(1,798,169)	–	–	(3,745,135)
Effect of movements in exchange rates	188,402	–	170,732	–	322,132	681,266
At 31 March 2019/ 1 April 2019	63,752,771	42,554,924	21,441,397	2,556,610	5,857,598	136,163,300
Additions	68,788	3,013,960	2,659,375	370,390	1,628,433	7,740,946
Disposals/Written off	–	(918,118)	(2,090,542)	–	–	(3,008,660)
Reclassification	5,651,620	–	–	–	(5,651,620)	–
Effect of movements in exchange rates	352,565	–	152,330	–	171,213	676,108
At 31 March 2020	69,825,744	44,650,766	22,162,560	2,927,000	2,005,624	141,571,694
Accumulated depreciation						
At 1 April 2018	7,807,396	26,880,694	16,084,598	1,950,114	–	52,722,802
Depreciation charge	915,423	2,836,890	1,844,085	113,699	–	5,710,097
Disposals/Written off	–	(1,620,713)	(1,790,444)	–	–	(3,411,157)
Effect of movements in exchange rates	37,749	–	111,594	–	–	149,343
At 31 March 2019/ 1 April 2019	8,760,568	28,096,871	16,249,833	2,063,813	–	55,171,085
Depreciation charge	1,007,580	3,019,733	1,933,345	97,693	–	6,058,351
Disposals/Written off	–	(756,866)	(1,827,561)	–	–	(2,584,427)
Effect of movements in exchange rates	50,187	–	105,545	–	–	155,732
At 31 March 2020	9,818,335	30,359,738	16,461,162	2,161,506	–	58,800,741

Notes to the Financial Statements Cont'd

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and buildings RM	Plant and machinery RM	Motor vehicles, office equipment, furniture and fittings RM	Renovation and electrical installation RM	Construction-in-progress RM	Total RM
Group						
Accumulated impairment losses						
At 1 April 2018	–	344,723	209,124	166,772	1,803,546	2,524,165
Effect of movements in exchange rate	–	–	–	–	104,956	104,956
At 31 March 2019/ 1 April 2019	–	344,723	209,124	166,772	1,908,502	2,629,121
Impairment losses	–	355,698	–	–	–	355,698
Effect of movements in exchange rate	–	–	–	–	97,122	97,122
At 31 March 2020	–	700,421	209,124	166,772	2,005,624	3,081,941
Carrying amounts						
At 1 April 2018	52,438,301	14,075,703	4,746,493	292,656	3,731,920	75,285,073
At 31 March 2019/ 1 April 2019	54,992,203	14,113,330	4,982,440	326,025	3,949,096	78,363,094
At 31 March 2020	60,007,409	13,590,607	5,492,274	598,722	–	79,689,012

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Motor vehicles, office equipment, furniture and fittings/ Total RM
Company	
At cost	
At 1 April 2018	458,663
Addition	10,113
At 31 March 2019/1 April 2019	468,776
Addition	3,689
Disposals/Written off	(391,696)
At 31 March 2020	80,769
Accumulated depreciation	
At 1 April 2018	292,935
Depreciation charge	81,418
At 31 March 2019/1 April 2019	374,353
Depreciation charge	48,850
Disposals/Written off	(352,413)
At 31 March 2020	70,790
Carrying amounts	
At 1 April 2018	165,728
At 31 March 2019/1 April 2019	94,423
At 31 March 2020	9,979

	Group	
	2020 RM	**2019 RM**
Carrying amounts of land and buildings		
Land	20,344,998	20,344,998
Buildings	39,662,411	34,647,205
	60,007,409	54,992,203

Leased property, plant and equipment

As at 31 March 2019, the carrying amount of leased motor vehicles was RM868,440.

4. INVESTMENT PROPERTIES

Group	RM
At cost	
At 1 April 2018/31 March 2019	2,012,308
At 1 April 2019/31 March 2020	2,012,308
Accumulated depreciation	
At 1 April 2018	204,205
Depreciation charge	40,247
At 31 March 2019/1 April 2019	244,452
Depreciation charge	40,827
At 31 March 2020	285,279
Carrying amounts	
At 1 April 2018	1,808,103
At 31 March 2019/1 April 2019	1,767,856
At 31 March 2020	1,727,029

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

	2020 RM	2019 RM
Rental income	149,858	78,352
Direct operating expenses on income generating investment properties	(28,850)	(9,592)

Fair value information

Fair value of investment properties is categorised as follows:

	Group 2020 RM	Group 2019 RM
Buildings	3,545,658	3,226,189

4. INVESTMENT PROPERTIES (CONTINUED)

Level 3 fair value

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

Description of valuation technique and inputs used	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 (2020: RM195 - RM1,192, 2019: RM166 - RM1,116).	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 2018/31 March 2019	304,480
At 1 April 2019/31 March 2020	304,480
Accumulated amortisation	
At 1 April 2018	267,735
Amortisation charge	15,205
At 31 March 2019/1 April 2019	282,940
Amortisation charge	15,204
At 31 March 2020	298,144
Carrying amounts	
At 1 April 2018	36,745
At 31 March 2019/1 April 2019	21,540
At 31 March 2020	6,336

Notes to the Financial Statements Cont'd

6. INVESTMENTS IN SUBSIDIARIES

	Company 2020 RM	Company 2019 RM
Cost of investment	225,737,827	223,794,834
Less: Impairment loss	(43,419,032)	(43,419,032)
	182,318,795	180,375,802

Included in investments in subsidiaries is an amount of RM3,723,913 (2019: RM2,945,124) arising from the ESOS granted to the subsidiaries' employees.

Details of the subsidiaries are as follows:

Name of entity	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2020 %	2019 %
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
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
Power Root Distributor Sdn. Bhd.	Trading of plastic wrap	Malaysia	100	100
Power Root Support Services Sdn. Bhd.	Dormant	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

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of entity	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2020 %	2019 %
Ali Cafe Sdn. Bhd.	Dormant	Malaysia	100	100
Power Root ME FZCO *	Distribution of various beverage products	United Arab Emirates	97	97
Alicafe Roasters Sdn. Bhd.	Dormant	Malaysia	95	95
Superwrap ME Sdn. Bhd.^	Dormant	Malaysia	75.1	–
Superwrapz International Sdn. Bhd.#	Dormant	Malaysia	100	–
Power Root HK-China Company Limited*&	Distribution of various beverage products	Hong Kong	90	–
Subsidiaries of Power Root ME FZCO				
P.R. Manufacturing ME LLC @	Dormant	United Arab Emirates	–	97
P.R. Egypt*	Dormant	Egypt	97	97
PRME Food Manufacturing LLC (Formerly known as PRME Foodstuff Trading LLC)*	Dormant	United Arab Emirates	97	97

* Not audited by KPMG PLT
@ The subsidiary was deregistered on 15 August 2019
^ Incorporated on 6 August 2019 and disposed subsequent to year end. The disposal has no significant impact to the financial statements
\# Incorporated on 22 January 2020
& Incorporated on 25 April 2019

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

6.1 Non-controlling interest in subsidiaries

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

	2020		
	Power Root ME FZCO	**Other subsidiaries with immaterial NCI**	**Total**
NCI percentage of ownership interest and voting interest	3%		
	RM'000	**RM'000**	**RM'000**
Carrying amount of NCI	421	56	477
Profit allocated to NCI	291	–	291
Summarised financial information before intra-group elimination			
As at 31 March			
Non-current assets	9,351		
Current assets	44,630		
Current liabilities	(39,699)		
Net assets	14,282		
Year ended 31 March			
Revenue	126,834		
Profit for the year	9,703		
Total comprehensive income	10,505		
Cash flows from operating activities	11,868		
Cash flows used in investing activities	(1,035)		
Cash flows used in financing activities	(9,047)		
Net increase in cash and cash equivalents	1,786		
Dividends paid to NCI	271		

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

6.1 Non-controlling interest in subsidiaries (continued)

	2019 Power Root ME FZCO
NCI percentage of ownership interest and voting interest	3%
	RM'000
Carrying amount of NCI	377
Profit allocated to NCI	123
Summarised financial information before intra-group elimination	
As at 31 March	
Non-current assets	7,310
Current assets	43,885
Current liabilities	(38,523)
Net assets	12,672
Year ended 31 March	
Revenue	99,008
Profit for the year	4,113
Total comprehensive income	4,594
Cash flows from operating activities	4,690
Cash flows used in investing activities	(16)
Net increase in cash and cash equivalents	4,674
Dividends paid to NCI	–

No disclosure is made on the summarised financial information of Alicafe Roasters Sdn. Bhd. and Power Root HK-China Company Limited as the non-controlling interest is not material to the Group.

7. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Investment in shares	400,000	696,945	400,000	696,945
Share of post-acquisition reserves	(400,000)	(696,945)	–	–
Less: Impairment loss	–	–	(400,000)	(696,945)
	–	–	–	–

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

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest and voting interest 2020 %	2019 %
Jobtact Sdn. Bhd.	Malaysia	Engaged in the business of information technology related products and services	32.99	32.99
JT Apps Sdn. Bhd.	Malaysia	Engaged in the business of information technology related products and services	–	26.40

No disclosure is made on the summarised financial information as the investments in associates are not material to the Group and the Company.

8. INVESTMENT IN A JOINT VENTURE

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Investment in shares	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.

9. OTHER INVESTMENTS

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Fair value through other comprehensive income				
Equity instruments:				
- Quoted Shares	1,145,968	–	1,145,968	–
- Unquoted shares	688,945	392,000	688,945	392,000
Less: Impairment loss	(688,945)	(392,000)	(688,945)	(392,000)
	–	–	–	–
	1,145,968	–	1,145,968	–

9.1 Equity investments designated at fair value through other comprehensive income

The Group and the Company designated the investments shown below as equity instruments at fair value through other comprehensive income because these equity instruments represent investments that the Group and the Company intend to hold for long-term strategic purposes.

	Dividend income recognised	
	2020 RM	2019 RM
Group/Company		
Quoted shares	3,777	–

10. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2020 RM	2019 RM	2020 RM	2019 RM	2020 RM	2019 RM
Group						
Property, plant and equipment	–	17,000	(2,952,076)	(2,853,726)	(2,952,076)	(2,836,726)
Provisions	2,681,000	2,716,000	–	–	2,681,000	2,716,000
Unutilised tax losses	1,000,000	–	–	–	1,000,000	–
Unutilised special tax incentive	335,000	309,000	–	–	335,000	309,000
Others	642,000	1,340,403	–	–	642,000	1,340,403
Tax assets/(liabilities)	4,658,000	4,382,403	(2,952,076)	(2,853,726)	1,705,924	1,528,677
Set off of tax	(2,952,076)	(2,853,726)	2,952,076	2,853,726	–	–
Net tax assets	1,705,924	1,528,677	–	–	1,705,924	1,528,677

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

	Company	
	2020 **RM**	**2019** **RM**
Property, plant and equipment	–	17,000
Provision	25,000	–
	25,000	17,000

Unrecognised deferred tax assets

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

	Group	
	2020 **RM'000**	**2019** **RM'000**
Taxable temporary differences	(2,104)	(2,191)
Deductible temporary differences	15,287	10,225
Unabsorbed capital allowances	471	3,270
Unutilised tax losses	35,289	48,243
	48,943	59,547

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

Pursuant to the Finance Act 2018, unutilised tax losses can only be carried forward up to 7 consecutive year of assessment. The unutilised tax losses will expire in the following year of assessment:

	Group	
	2020 **RM'000**	**2019** **RM'000**
2025	32,780	45,734
2026	2,509	2,509
	35,289	48,243

The deductible temporary differences and unabsorbed capital allowances do not expire under the current tax legislation.

The comparative figures have been restated to reflect the revised tax losses carry-forward, capital allowances carry-forward and other temporary differences available to the Group.

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

Movement in temporary differences during the year

	At 1 April 2018 RM	Recognised in profit or loss (Note 18) RM	At 31 March 2019/ 1 April 2019 RM	Recognised in profit or loss (Note 18) RM	At 31 March 2020 RM
Group					
Property, plant and equipment	(2,575,808)	(260,918)	(2,836,726)	(115,350)	(2,952,076)
Provisions	2,293,000	423,000	2,716,000	(35,000)	2,681,000
Unutilised tax losses	–	–	–	1,000,000	1,000,000
Unutilised special tax incentive	957,000	(648,000)	309,000	26,000	335,000
Others	942,648	397,755	1,340,403	(698,403)	642,000
	1,616,840	(88,163)	1,528,677	177,247	1,705,924
Company					
Property, plant and equipment	8,000	9,000	17,000	(17,000)	–
Provision	–	–	–	25,000	25,000
	8,000	9,000	17,000	8,000	25,000

11. INVENTORIES

	Group 2020 RM	2019 RM
Raw materials	47,529,333	37,239,951
Finished goods	14,101,571	26,479,816
Promotional gifts	1,413,388	1,383,168
Consumables	1,815,657	1,577,233
	64,859,949	66,680,168
Recognised in profit or loss:		
- Inventories recognised as cost of sales	177,981,070	162,421,548
- Write down of obsolete and slow-moving inventories	319,182	1,016,089

The write down of obsolete and slow-moving inventories are included in raw materials used.

Notes to the Financial Statements Cont'd

12. TRADE AND OTHER RECEIVABLES

	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Trade receivables	102,910,191	107,658,418	–	–
Other receivables	2,720,012	3,841,005	152,111	761,573
Deposits and prepayments	9,184,637	6,378,649	38,699	38,851
Due from subsidiaries - non-trade	–	–	38,347,552	39,826,523
	114,814,840	117,878,072	38,538,362	40,626,947

The amounts due from subsidiaries are non-trade in nature, unsecured, interest free and repayable on demand.

13. CASH AND CASH EQUIVALENTS

	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Cash and bank balances	83,037,631	41,506,587	27,870,083	7,077,146
Deposits placed with licensed banks	27,034,956	15,338,208	26,896,981	8,237,609
	110,072,587	56,844,795	54,767,064	15,314,755

14. CAPITAL AND RESERVES

Share capital

	Group/Company 2020 RM	Group/Company 2019 RM	Group/Company Number of ordinary shares 2020	Group/Company Number of ordinary shares 2019
Issued and fully paid shares with no par value classified as equity instruments:				
Ordinary shares:				
At 1 April	220,130,444	215,511,281	402,348,389	330,221,185
Exercise of ESOS	4,200,547	4,617,623	3,926,500	5,192,400
Exercise of Warrants	6,610,789	1,540	4,292,720	1,000
Bonus issue	–	–	–	66,933,804
At 31 March	230,941,780	220,130,444	410,567,609	402,348,389

14. CAPITAL AND RESERVES (CONTINUED)

Share capital (continued)

In prior year, the Company completed its bonus issue of 66,933,804 new ordinary shares on the bonus of one (1) bonus share for every five (5) ordinary shares held by the Company.

Reserves

	Group		Company	
	2020 RM	**2019 RM**	**2020 RM**	**2019 RM**
Distributable				
Retained earnings	17,674,719	6,019,392	23,260,925	12,833,315
Non-distributable				
Treasury shares	(6,263,446)	(11,504,086)	(6,263,446)	(11,504,086)
Share option reserve	8,439,769	2,134,893	8,439,769	2,134,893
Exchange fluctuation reserve	2,684,402	2,031,354	–	–
Fair value reserve	(216,625)	–	(216,625)	–
	22,318,819	(1,318,447)	25,220,623	3,464,122

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 27 August 2019, the shareholders of the Company renewed their approval for the Company to repurchase its own shares.

During the financial year, the Company disposed in the open market a total of 8,304,040 (2019: NIL) of its issued ordinary shares with an average price of RM2.12 (2019: NIL). The Company subsequently repurchased from the open market a total of 3,569,400 (2019: 250,000) of its issued ordinary shares with an average repurchase price of RM1.76 (2019: RM1.26). The repurchase transactions were financed by internally generated funds and the repurchased shares are being held as treasury shares and carried at cost.

At 31 March 2020, a total of 3,569,400 (2019: 8,304,040) repurchased shares are being held as treasury shares. The number of outstanding shares issue after the set off is 406,998,209 (2019: 394,044,349).

Treasury shares have no rights to voting, dividends and participation in any other distribution. Treasury shares shall not be taken into account in calculating the number or percentage of shares or of a class of shares in the Company for any purposes including substantial shareholding, take-overs, notices, the requisition of meeting, the quorum for a meeting and the result of a vote on a resolution at a meeting.

14. CAPITAL AND RESERVES (CONTINUED)

Reserves (continued)

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 21.

Exchange fluctuation reserve

Exchange fluctuation reserve represents all foreign currency differences arising from the translation of the financial statements of the Group entities with functional currencies other than RM.

Fair value reserve

Fair value reserve comprises the cumulative net change in the fair value of equity investments measured at fair value through other comprehensive income.

15. LOANS AND BORROWINGS

	Group	
	2020 RM	**2019 RM**
Non-current		
Finance lease liabilities - secured	–	18,750
Hire purchase liabilities - secured	664,404	–
	664,404	18,750
Current		
Finance lease liabilities - secured	–	220,179
Hire purchase liabilities - secured	529,804	–
Term loans - unsecured	–	105,128
Bankers' acceptances - unsecured	7,253,017	18,265,766
	7,782,821	18,591,073
	8,447,225	18,609,823

15. LOANS AND BORROWINGS (CONTINUED)

Finance lease liabilities

Finance lease liabilities were payable as follows:

	Future minimum lease payments RM	Interest RM	Present value of minimum lease payments RM
Group			
2019			
Less than one year	236,059	15,880	220,179
Between one and five years	19,800	1,050	18,750
	255,859	16,930	238,929

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.

16. TRADE AND OTHER PAYABLES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Trade payables	29,131,153	23,031,916	–	–
Other payables	4,322,459	4,014,530	29,595	17,090
Accrued advertising and promotional expenses	48,595,510	43,912,842	–	–
Other accrued expenses	17,996,090	16,697,292	262,452	225,551
Due to subsidiaries - non-trade	–	–	6,093,725	5,920,000
	100,045,212	87,656,580	6,385,772	6,162,641

The amounts due to subsidiaries are non-trade in nature, unsecured, interest free and repayable on demand.

17. REVENUE

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Revenue from contracts with customers				
- At a point in time	386,099,399	338,012,360	–	–
Other revenue				
- Dividend income	–	–	52,401,292	32,895,000
	386,099,399	338,012,360	52,401,292	32,895,000

	Group	
	2020 RM	2019 RM
Disaggregation of revenue from contracts with customers		
- Local	177,403,786	164,484,185
- Export	208,695,613	173,528,175
	386,099,399	338,012,360

17.1 Nature of goods and services

The following information reflects the typical transactions of the Group:

Nature of goods or services	Timing of recognition or method used to recognise revenue	Significant payment terms	Variable elements in consideration
Manufacturing and distribution of various beverages	Revenue is recognised when the goods are delivered and accepted by the customers	Credit period ranging from 14 - 90 days from invoice date	Sales incentives and other sales related expenses are given to customers where the customers meet sales target or based on the agreed advertising and promotional activities

18. TAX EXPENSE

Recognised in profit or loss

Major components of income tax expense include:

	Group		Company	
	2020 RM	**2019 RM**	**2020 RM**	**2019 RM**
Current tax expense				
- Current year	12,138,745	9,227,678	367,000	280,448
- Prior years	(1,082,536)	(364,224)	590	489
	11,056,209	8,863,454	367,590	280,937
Deferred tax (income)/ expense				
- Origination and reversal of temporary differences	(629,247)	(653,837)	(9,000)	(9,000)
- Under provision in prior years	452,000	742,000	1,000	–
	(177,247)	88,163	(8,000)	(9,000)
	10,878,962	8,951,617	359,590	271,937
	RM'000	**RM'000**	**RM'000**	**RM'000**
Reconciliation of tax expense				
Profit before tax	62,625	37,079	50,587	32,453
Income tax calculated using Malaysian tax rate of 24%	15,030	8,899	12,141	7,789
Non-deductible expenses	3,164	1,815	810	396
Tax incentives	(1,639)	(2,413)	–	–
Non-taxable income	(18)	(40)	(12,593)	(7,913)
Effect of unrecognised deferred tax assets	(2,545)	1,312	–	–
Effect of different tax rates in foreign jurisdictions	(2,482)	(999)	–	–
	11,510	8,574	358	272
(Over)/Under provision in prior years	(631)	378	2	–
Tax expense	10,879	8,952	360	272

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.

Notes to the Financial Statements Cont'd

19. PROFIT FOR THE YEAR

		Group		Company	
	Note	**2020 RM**	**2019 RM**	**2020 RM**	**2019 RM**
Profit for the year is arrived at after charging/(crediting)					
Audit fees:					
- Statutory audit					
- KPMG PLT		210,000	210,000	50,000	50,000
- Overseas affiliates of KPMG PLT		68,872	67,411	–	–
- Other auditors		38,241	8,110	–	–
- Non-audit fees					
- KPMG PLT		8,000	16,000	8,000	8,000
- Local affiliates of KPMG PLT		73,000	73,000	4,500	4,500
Bad debts written off		828,708	155,871	852,854	–
(Reversal of impairment loss)/ Impairment loss on amounts due from:					
- trade receivables		(4,836,267)	6,474,417	–	–
- prepayments		–	93,609	–	–
- subsidiaries		–	–	302,982	123,103
Expenses relating to short-term leases	a	827,981	–	–	–
Impairment loss on property, plant and equipment		355,698	–	–	–
Write down of obsolete and slow-moving inventories		319,182	1,016,089	–	–
Personnel expenses (including key management personnel):					
- Contributions to state plans		4,118,527	3,993,109	70,910	63,389
- Wages, salaries and others		52,034,858	44,793,409	630,100	527,593
- Share-based payment transactions	21	7,054,183	385,204	312,195	84,843
Rental expenses		–	2,413,923	–	10,800
Dividend income from other investments		(3,777)	(7,433)	(3,777)	–
(Gain)/Loss on disposal of:					
- property, plant and equipment		(356,732)	(156,036)	(85,717)	–
- other investments		(3,022)	12,032	(3,022)	–
(Gain)/Loss on foreign exchange					
- realised		(1,451,736)	(2,407,096)	(82,567)	(10,224)
- unrealised		(713,259)	82,142	(67,756)	(65,535)
Rental income		(149,858)	(78,352)	–	–

Note a

The Group leases hostels and offices which are short-term. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

20. EARNINGS PER ORDINARY SHARE

Group

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 March 2020 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares calculated as follows:

	Group	
	2020 RM	**2019 RM**
Profit for the year attributable to ordinary shareholders	51,454,842	28,003,955

Weighted average number of ordinary shares are determined as follows:

	Group	
	2020	**2019**
Weighted average number of ordinary shares at 31 March	400,922,657	393,050,851
Basic earnings per ordinary share (sen)	12.83	7.12

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 31 March 2020 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	
	2020 RM	**2019 RM**
Profit attributable to ordinary shareholders (diluted)	51,454,842	28,003,955
Weighted average number of ordinary shares (basic)	400,922,657	393,050,851
Effect of share options in issue	16,833,934	10,486,507
Effect of exercise of Warrants	12,018,387	–*
Weighted average number of ordinary shares (diluted) at 31 March	429,774,978	403,537,358

	2020	**2019**
Diluted earnings per ordinary share (sen)	11.97	6.94

* The Warrants are anti-dilutive.

21. EMPLOYEE BENEFITS

Share-based payments arrangement

Share option programme (equity settled)

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

On 3 July 2013, 4 November 2015, 3 August 2017, 3 April 2019 and 14 May 2019, the Group further granted share options on similar terms (except for exercise price) to qualified employees.

On 11 June 2019, the Group granted a second share options to eligible Directors and key employees 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 10 June 2019.

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
Options granted to eligible employees of its subsidiaries on 3 April 2019	4,125	100% KPI related	3 years
Options granted to eligible employees of its subsidiaries on 14 May 2019	120	100% KPI related	3 years
Options granted to eligible Directors on 11 June 2019	16,000	100% non-KPI related	10 years
	55,930		

21. EMPLOYEE BENEFITS (CONTINUED)

Share-based payments arrangement (continued)

Share option programme (equity settled) (continued)

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

	2020		2019	
	Weighted average exercise price	**Number of options ('000)**	**Weighted average exercise price**	**Number of options ('000)**
Outstanding at 1 April	RM0.831	23,930	RM0.960	25,960
Granted during the year	RM1.262	20,245	–	–
Adjustment for bonus issue during the year	–	–	–	4,208
Forfeited during the year	RM1.163	(2,460)	RM1.552	(1,046)
Exercised during the year	RM 0.879	(3,927)	RM0.659	(5,192)
Outstanding at 31 March	RM1.035	37,788	RM0.831	23,930
Exercisable at 31 March	RM1.100	22,907	RM0.703	6,995

The options outstanding at 31 March 2020 have an exercise price in the range of RM0.563 to RM2.025 (2019: RM0.563 to RM2.025) and a weighted average contractual life of 5.3 years (2019: of 3.2 years).

During the financial year, 3,926,500 (2019: 5,192,400) share options were exercised. The weighted average share price at the date of exercise for the year was RM1.93 (2019: RM1.69).

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

Fair value of options and assumptions	**ESOS 1 (27 July 2012) Eligible employees 2020**	**ESOS 2 (11 June 2019) Eligible employees 2020**
Fair value at grant date	RM0.21	RM0.37
Share price at grant date	RM1.29 - 1.34	RM1.44
Expected volatility (weighted average volatility)	40%	29%
Option life (expected weighted average life)	5 years	10 years
Expected dividends	6%	6%
Risk-free interest rate (based on Malaysian Government Securities)	3.02% - 3.38%	3.72%

21. EMPLOYEE BENEFITS (CONTINUED)

Share-based payments arrangement (continued)

Value of employee services received for issue of share options

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Share options granted in 2013	561	253	304	85
Share options granted in 2016	(46)	(8)	–	–
Share options granted in 2018	237	140	–	–
Share options granted in 2020	6,302	–	8	–
Total expense recognised as share-based payments	7,054	385	312	85

22. DIVIDENDS

Dividends recognised by the Company are:

	Sen per share	Total amount RM	Date of payment
2020			
Fourth dividend 2019	2.9	11,441,032	2 July 2019
First dividend 2020	2.0	7,911,847	1 October 2019
Second dividend 2020	3.0	12,174,123	2 January 2020
Third dividend 2020	3.5	14,343,004	2 April 2020
		45,870,006	
2019			
Fourth dividend 2018	0.5	1,618,237	5 July 2018
First dividend 2019	1.7	6,695,881	2 October 2018
Second dividend 2019	1.7	6,697,581	2 January 2019
Third dividend 2019	1.7	6,698,755	2 April 2019
		21,710,454	

After the end of the reporting year, the Directors declared a fourth dividend of 4.0 sen per ordinary share totalling RM16,532,292 in respect of the year ended 31 March 2020 on 28 May 2020 which was paid on 3 July 2020.

The fourth dividend will be accounted for in the statement of changes in equity as an appropriation of retained earnings in subsequent financial year.

23. ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM7,740,946 (2019: RM8,695,129) of which RM1,533,000 (2019: RM75,000) was financed by hire purchase/finance lease.

24. OPERATING SEGMENTS

The Group operates principally in Malaysia with the manufacturing and distribution of beverage products (i.e. 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	
	2020 RM'000	**2019 RM'000**
Local	177,404	164,484
Overseas :		
- Middle East	170,383	135,158
- Others	38,312	38,370
	386,099	338,012

Major customers

There is an overseas customer with revenue equal or more than 10% of the Group's total revenue:

	2020 RM'000	**2019 RM'000**
	52,097	43,286

25. FINANCIAL INSTRUMENTS

25.1 Categories of financial instruments

All financial assets and liabilities are categorised as amortised cost in accordance with the Group's accounting policies as disclosed in Note 2(c) except as stated below:

(a) Fair value through other comprehensive income ("FVOCI")
- Equity instrument designated upon initial recognition ("EIDUIR")

	FVOCI-EIDUIR	
	2020 RM'000	**2019 RM'000**
Group/Company		
Financial assets		
Other investments	1,146	–

Notes to the Financial Statements Cont'd

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.2 Net gains and losses arising from financial instruments

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Net (losses)/gains on:				
Equity instruments at fair value through other comprehensive income				
- recognised in profit or loss	3	(5)	3	–
- recognised in other comprehensive income	(217)	14	(217)	–
	(214)	9	(214)	–
Financial assets at amortised cost	7,551	(3,174)	(415)	413
Financial liabilities at amortised cost	(495)	(625)	–	–
	6,842	(3,790)	(629)	413

25.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

25.4 Credit risk

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries. There are no significant changes as compared to prior period.

Trade 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.

At each reporting date, the Group assesses whether any of the trade receivables are credit impaired.

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.4 Credit risk (continued)

Trade receivables (continued)

Risk management objectives, policies and processes for managing the risk (continued)

The gross carrying amounts of credit impaired trade receivables are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to prior period.

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.

Concentration of credit risk

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

	Group	
	2020 RM'000	**2019 RM'000**
Local	65,146	66,653
Overseas	37,764	41,005
	102,910	107,658

Recognition and measurement of impairment loss

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 Group uses an allowance matrix to measure expected credit losses ("ECLs") of trade receivables. Consistent with the debt recovery process, invoices which are past due 90 days will be considered as credit impaired.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to 90 days past due.

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.4 Credit risk (continued)

Trade receivables (continued)

Recognition and measurement of impairment loss (continued)

Loss rates are based on actual credit loss experience over the past three years. The Group also considers differences between (a) economic conditions during the period over which the historic data has been collected, (b) current conditions and (c) the Group's view of economic conditions over the expected lives of the receivables. Nevertheless, the Group believes that these factors are immaterial for the purpose of impairment calculation for the year.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at the end of the reporting date which are grouped together as they are expected to have similar risk nature.

	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
Group			
2020			
Current (not past due)	74,499	–	74,499
1 - 30 days past due	9,703	–	9,703
31 - 60 days past due	3,835	–	3,835
61 - 90 days past due	1,367	–	1,367
	89,404	–	89,404
Credit impaired			
More than 90 days past due	11,127	–	11,127
Individually impaired	5,594	3,215	2,379
	106,125	3,215	102,910
2019			
Current (not past due)	62,824	–	62,824
1 - 30 days past due	17,441	–	17,441
31 - 60 days past due	2,029	–	2,029
61 - 90 days past due	424	–	424
	82,718	–	82,718
Credit impaired			
More than 90 days past due	16,814	–	16,814
Individually impaired	16,176	8,050	8,126
	115,708	8,050	107,658

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.4 Credit risk (continued)

Trade receivables (continued)

Recognition and measurement of impairment loss (continued)

The movements in the allowance for impairment in respect of trade receivables and an associate during the year are shown below.

	Credit impaired 2020 RM'000	Credit impaired 2019 RM'000
Group		
At 1 April	8,050	1,507
Net remeasurement of loss allowance	(4,836)	6,474
Exchange difference	1	69
At 31 March	3,215	8,050

No further impairment loss is required for credit impaired receivables 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 RM23,702,000 (2019: RM22,981,000), which is included in the accrued advertising and promotional expenses in Note 16.

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. 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.

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

Other receivables

Risk management objectives, policies and processes for managing the risk

The Group and the Company monitor the exposure to credit risk on individual basis.

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.

Notes to the Financial Statements Cont'd

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.4 Credit risk (continued)

Other receivables (continued)

Recognition and measurement of impairment loss

The Group and the Company consider other receivables have low credit risk.

The following table provides information about the exposure to credit risk and ECLs for other receivables as at the end of the reporting period.

	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
Group			
2020			
Low credit risk	2,720	–	2,720
Credit impaired	230	230	–
	2,950	230	2,720
2019			
Low credit risk	3,841	–	3,841
Credit impaired	230	230	–
	4,071	230	3,841
Company			
2020			
Low credit risk	152	–	152
Credit impaired	230	230	–
	382	230	152
2019			
Low credit risk	762	–	762
Credit impaired	230	230	–
	992	230	762

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.4 Credit risk (continued)

Other receivables (continued)

Recognition and measurement of impairment loss (continued)

The movements in the allowance for impairment in respect of other receivables during the year are shown below.

	Credit impaired	
	2020	**2019**
	RM'000	**RM'000**
Group/Company		
Balance at 1 April/31 March	230	230

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 RM7,253,017 (2019: RM18,609,823) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

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

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

Inter-company balances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured advances to subsidiaries. The advances are repayable on demand. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

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

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.4 Credit risk (continued)

Inter-company balances (continued)

Recognition and measurement of impairment loss

The Company considers amounts due from subsidiaries have low credit risk. The Company assumes that there is a significant increase in credit risk when the subsidiaries' financial position deteriorates significantly. The Company considers amounts due from subsidiaries to be credit impaired when:

- The subsidiaries are unlikely to repay its amount due to the Company in full; or
- The subsidiaries are continuously loss making and is having a deficit shareholders' fund.

The following table provides information about the exposure to credit risk and ECLs for subsidiaries as at the end of the reporting period.

	Gross carrying amount RM'000	Impairment loss allowance RM'000	Net balance RM'000
Company			
2020			
Low credit risk	38,285	–	38,285
Credit impaired	1,995	1,932	63
	40,280	1,932	38,348
2019			
Low credit risk	39,806	–	39,806
Credit impaired	1,650	1,629	21
	41,456	1,629	39,827

The movements in the allowance for impairment in respect of subsidiaries during the financial year were:

	Credit impaired	
	2020 RM'000	2019 RM'000
Company		
At 1 April	1,629	1,506
Net remeasurement of loss allowance	303	123
At 31 March	1,932	1,629

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.5 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.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

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
2020					
Group					
Non-derivative financial liabilities					
Secured hire purchase liabilities	1,194	1.98 - 2.80	1,277	566	711
Unsecured bankers' acceptances	7,253	2.30 - 2.70	7,253	7,253	–
Trade and other payables	100,045	–	100,045	100,045	–
Dividend payable	14,343	–	14,343	14,343	–
	122,835		122,918	122,207	711
Company					
Non-derivative financial liabilities					
Trade and other payables	6,386	–	6,386	6,386	–
Dividend payable	14,343	–	14,343	14,343	–
Financial guarantee*	–	–	7,253	7,253	–
	20,729		27,982	27,982	–

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.5 Liquidity risk (continued)

Maturity analysis (continued)

	Carrying amount RM'000	Contractual interest rate/coupon %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000
2019					
Group					
Non-derivative financial liabilities					
Secured finance lease liabilities	239	2.51 - 2.80	256	236	20
Unsecured term loans	105	7.70	107	107	–
Unsecured bankers' acceptances	18,266	3.09 - 4.05	18,308	18,308	–
Trade and other payables	87,657	–	87,657	87,657	–
Dividend payable	6,699	–	6,699	6,699	–
	112,966		113,027	113,007	20
Company					
Non-derivative financial liabilities					
Trade and other payables	6,163	–	6,163	6,163	–
Dividend payable	6,699	–	6,699	6,699	–
Financial guarantee*	–	–	18,610	18,610	–
	12,862		31,472	31,472	–

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

25.6 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 ("CNY").

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.6 Market risk (continued)

Currency risk (continued)

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 of the Company are kept to an acceptable level.

Exposure to foreign currency risk

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

	Denominated in		
	USD RM'000	**SGD RM'000**	**CNY RM'000**
Group			
2020			
Trade and other receivables	34,145	7,739	–
Cash and cash equivalents	17,672	1,607	–
Trade and other payables	(38,180)	(5,421)	(291)
	13,637	3,925	(291)
2019			
Trade and other receivables	34,834	5,654	–
Cash and cash equivalents	20,316	1,955	–
Trade and other payables	(38,226)	(1,520)	(609)
	16,924	6,089	(609)

	Denominated in USD	
	2020 RM'000	**2019 RM'000**
Company		
Inter-company balances	1,464	1,129

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.6 Market risk (continued)

Currency risk (continued)

Currency risk sensitivity analysis

A 10% (2019: 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**
2020		
USD	(1,036)	(111)
SGD	(298)	–
CNY	22	–
2019		
USD	(1,286)	(86)
SGD	(463)	–
CNY	46	–

A 10% (2019: 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 endeavour to keep the exposure at an acceptable level.

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.6 Market risk (continued)

Interest rate risk (continued)

Exposure to interest rate risk

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

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Fixed rate instruments				
Financial assets	27,035	15,338	26,897	8,238
Financial liabilities	(8,447)	(18,505)	–	–
	18,588	(3,167)	26,897	8,238
Floating rate instruments				
Financial liabilities	–	(105)	–	–

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 NIL (2019: RM1,000). 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 quoted shares.

Risk management objectives, policies and processes for managing the risk

Management of the Group monitors the investment on portfolio basis.

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.6 Market risk (continued)

Other price risk (continued)

Equity price risk sensitivity analysis

This analysis assumes that all other variables remain constant and the Group's investments moved in correlation with the FTSE Bursa Malaysia KLCI ("FBMKLCI").

A 10% strengthening/(weakening) in FBMKLCI at the end of the reporting period would have increased/(decreased) equity by 115,000 (2019: NIL) for investments in quoted shares classified as fair value through other comprehensive income. A 10% weakening in FBMKLCI would have had equal but opposite effect on equity.

25.7 Fair value information

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

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

The table below analyses other financial instruments at fair value.

	Fair value of financial instruments carried at fair value		Fair value of financial instruments not carried at fair value	Total fair value	Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	RM'000	RM'000
Group					
2020					
Financial assets					
Quoted shares	1,146	–	–	1,146	1,146
Financial liabilities					
Hire purchase liabilities	–	–	(1,224)	(1,224)	(1,194)
2019					
Financial liabilities					
Finance lease liabilities	–	–	(249)	(249)	(239)

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.

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.7 Fair value information (continued)

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial year (2019: no transfer in either directions).

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/hire purchase liabilities/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.

26. 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.

27. CAPITAL COMMITMENT

	Group	
	2020 RM'000	**2019 RM'000**
Capital expenditure commitment		
Property, plant and equipment		
Contracted but not provided for	6,969	6,695

Notes to the Financial Statements Cont'd

28. CONTINGENT LIABILITIES

	Company 2020 RM'000	Company 2019 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 facilities of subsidiaries	7,253	18,610

29. 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 include all the Directors of the Group and certain members of senior management of the Group.

The Group has related party relationship with its 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. 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 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
A. Subsidiaries				
Dividend income (gross)	–	–	(52,397,515)	(32,895,000)
Management fees	–	–	(983,052)	(741,222)
Rental expense	–	–	10,800	10,800
B. Fees paid to a firm in which a Director/an alternate Director of the Company is a partner	53,766	21,011	52,000	19,250

29. RELATED PARTIES (CONTINUED)

Significant related party transactions (continued)

		Group		Company	
		2020 RM	**2019 RM**	**2020 RM**	**2019 RM**
C.	**Company related to Directors**				
	Management fees	637,876	915,301	–	–
	Secretarial fees	38,743	40,050	20,750	21,350
D.	**Key management personnel**				
	Directors				
	- Fees	226,355	168,000	226,355	168,000
	- Remuneration	11,646,737	8,878,125	42,687	8,500
	- Share-based payments	6,303,315	136,764	301,907	83,341
		18,176,407	9,182,889	570,949	259,841

The estimated monetary value of Directors' benefit-in-kind for the Group and the Company are RM136,177 (2019: RM269,370) and NIL (2019: RM21,250) respectively.

	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Other key management personnel				
- Remuneration	571,353	622,787	–	–
- Share-based payments	118,391	51,173	–	–
	689,744	673,960	–	–

The estimated monetary value of other key management personnel's benefit-in-kind for the Group is RM9,820 (2019: RM13,146).

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.

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 80 to 153 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 2020 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 2020

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 80 to 153 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 2020.

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 2020 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 80 to 153.

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 2020, 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' International Code of Ethics for Professional Accountants (including International Independence Standards) ("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, Statement of Profit or Loss and Other Comprehensive Income and Note 16 - Trade and other payables.

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.

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/amount 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.

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, actions taken to eliminate threats or safeguards applied.

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

Tan Teck Eng
Approval Number: 02986/05/2022 J
Chartered Accountant

Johor Bahru

Date: 20 July 2020

LIST OF **PROPERTIES**

As at 31 March 2020

Location	Existing use	Tenure of land/ Age of Building	Land area/ built up area (sq feet)	Net Book value (RM)	Date of Acquisition
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/ 22 years	41,354/21,269	3,193,735	9 June 2004
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/ 22 years	41,801/24,177	2,073,073	28 July 2006
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/ 13 years	772,098/201,404	39,849,783	15 February 2008
Lot 945, Springs 10 Street 7, Villa 33, Type 3E The Springs Emirates Living Dubai	Residential	Freehold/ 14 years	4,080/2,275	1,165,829	20 July 2011
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/ 24 years	19,493/14,516	2,925,982	10 September 2004
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/ 24 years	19,300/14,512	3,655,383	21 April 2008
No. 305, 3rd Floor Sobha Sapphire Business Bay (Al Khail Road Entrance) Dubai	Office	Freehold/ 7 years	2,510	2,528,190	25 June 2013

List of Properties
As at 31 March 2020
Cont'd

Location	Existing use	Tenure of land/ Age of Building	Land area/ built up area (sq feet)	Net Book value (RM)	Date of Acquisition
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 for 99 years expiring on 18.02.2112	2,099/6,297	561,200	14 September 2016
Villa 575, Maple 1-Maple Community Dubai Hills Estate Dubai, UAE	Residential	Freehold/ < 1 year	2,228/1,683	2,531,105	30 June 2015
Villa 548, Maple 1-Maple Community Dubai Hills Estate Dubai, UAE	Residential	Freehold/ < 1 year	2,462/1,897	3,250,158	30 June 2015

ANALYSIS OF SHAREHOLDINGS

As at 30 June 2020

ISSUED CAPITAL	:	418,553,527 ordinary shares
CLASS OF SHARES	:	Ordinary shares
VOTING RIGHTS	:	One vote per ordinary share
NUMBER OF HOLDERS	:	3,090

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	173	5.60	6,215	0.01
100 - 1,000	661	21.39	341,653	0.08
1,001 - 10,000	1,578	51.07	6,070,349	1.45
10,001 - 100,000	489	15.82	13,909,966	3.32
100,001 to less than 5% of issued shares	186	6.02	305,136,892	72.90
5% and above of issued shares	3	0.10	93,088,452	22.24
Total	**3,090**	**100.00**	**418,553,527**	**100.00**

DIRECTORS' INTEREST IN SHARES

		Direct Interest		Deemed Interest	
No.	Name of Directors	No. of Shares	%	No. of Shares	%
1	DATO' AFIFUDDIN BIN ABDUL KADIR	–	–	–	–
2	Y.A.D TENGKU DATO' SETIA PUTRA ALHAJ BIN TENGKU AZMAN SHAH ALHAJ	–	–	–	–
3	DATO' LOW CHEE YEN	41,282,016	9.86	6,468,000 (1)	1.55
4	DATO' WONG FUEI BOON	67,767,856	16.19	10,000,000 (2)	2.39
5	DATO' HOW SAY SWEE	76,019,536	18.16	3,000,000 (2)	0.72
6	ONG KHENG SWEE	225,315	0.05	144,000 (1)	0.03
7	DATO' TEA CHOO KENG	3,480	0.00	–	–
8	SEE THUAN PO	3,788,000	0.91	–	–
9	WONG TAK KEONG	29,038,800	6.94	8,250,800 (2)	1.97
10	AZAHAR BIN BAHARUDIN	6	0.00	–	–

LIST OF SUBSTANTIAL SHAREHOLDERS

		Direct Interest		Deemed Interest	
No.	Name of Substantial Shareholders	No. of Shares	%	No. of Shares	%
1	DATO' HOW SAY SWEE	76,019,536	18.16	3,000,000 (2)	0.72
2	DATO' WONG FUEI BOON	67,767,856	16.19	10,000,000 (2)	2.39
3	DATO' LOW CHEE YEN	41,282,016	9.86	6,468,000 (1)	1.55
4	WONG TAK KEONG	29,038,800	6.94	8,250,800 (2)	1.97
5	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	25,526,780	6.10	5,653,000	1.35

Notes:
(1) Deemed interested by virtue of his spouse
(2) Deemed interested by virtue of his spouse and children

Analysis of Shareholdings
As at 30 June 2020
Cont'd

LIST OF THIRTY (30) LARGEST SHAREHOLDERS

No.	Name	No. of Shares Held	%
1	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB FOR WONG FUEI BOON (PB)*	44,174,856	10.55
2	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	25,526,780	6.10
3	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB FOR HOW SAY SWEE (PB)*	23,386,816	5.59
4	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR HOW SAY SWEE (6000382)*	18,928,000	4.52
5	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR HOW SAY SWEE (M04)*	13,800,000	3.30
6	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LOW CHEE YEN*	13,686,000	3.27
7	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD *DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTSSMALL-CAP FUND*	13,483,020	3.22
8	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD *EXEMPT AN FOR AFFIN HWANG ASSET MANAGEMENT BERHAD (TSTAC/CLNT-T)*	11,096,160	2.65
9	CITIGROUP NOMINEES (ASING) SDN BHD *CBNY FOR NORGES BANK (FI 17)*	8,928,400	2.13
10	MERCSEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR WONG FUEI BOON*	8,613,000	2.06
11	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR WONG TAK KEONG (6000698)*	8,556,000	2.04
12	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB BANK FOR HOW SAY SWEE (PB-0J0044)*	7,363,640	1.76
13	RHB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LOW CHEE YEN*	7,264,440	1.74
14	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB BANK FOR WONG FUEI BOON (PB-0J0043)*	7,080,000	1.69
15	HOW SAY SWEE	7,015,080	1.68
16	PAU CHOON MEI	6,468,000	1.55
17	MAYBANK NOMINEES (TEMPATAN) SDN BHD *NATIONAL TRUST FUND (IFM KENANGA)*	6,150,940	1.47
18	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB FOR WONG BOON FONG (PB)*	6,000,000	1.43
19	AMSEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR WONG TAK KEONG*	5,700,000	1.36
20	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LOW CHEE YEN (7001504)*	5,657,100	1.35

LIST OF THIRTY (30) LARGEST SHAREHOLDERS (CONTINUED)

No.	Name	No. of Shares Held	%
21	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB FOR SEE SEANG HUAT & COMPANY SDN BERHAD (PB)*	5,472,600	1.31
22	CIMB ISLAMIC NOMINEES (TEMPATAN) SDN BHD *CIMB ISLAMIC TRUSTEE BERHAD - KENANGA SYARIAH GROWTH FUND*	5,051,300	1.21
23	LING SHI YNG	5,050,800	1.21
24	AMANAHRAYA TRUSTEES BERHAD *PMB SHARIAH AGGRESSIVE FUND*	4,586,600	1.10
25	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD *DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTS ISLAMIC SMALL-CAP FUND*	4,495,320	1.07
26	TOKIO MARINE LIFE INSURANCE MALAYSIA BHD *AS BENEFICIAL OWNER (PF)*	4,310,600	1.03
27	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB BANK FOR WONG TAK KEONG (PBCL-0G0952)*	3,796,280	0.91
28	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *EMPLOYEES PROVIDENT FUND BOARD*	3,789,900	0.91
29	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB BANK FOR LOW CHEE YEN (PBCL-0G0549)*	3,752,378	0.90
30	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR DATO' HOW SAY SWEE*	3,676,000	0.88
	TOTAL	**292,860,010**	**69.99**

ANALYSIS OF WARRANT HOLDINGS

As at 30 June 2020

Number of Unexercised Warrants	:	53,565,326
Exercise Price	:	RM1.54
Warrant Issue Date	:	24 July 2018
Expiry Date	:	24 July 2023
Number of Warrant Holders	:	1,698

Size of Warrant Holdings	No. of Warrant Holders	%	No. of Warrants	%
1-99	354	20.85	11,076	0.02
100 - 1,000	731	43.05	331,732	0.61
1,001 - 10,000	415	24.44	1,637,787	3.06
10,001 - 100,000	136	8.00	4,052,913	7.57
100,001 to less than 5% of issued warrants	58	3.42	35,378,146	66.05
5% and above of issued warrants	4	0.24	12,153,672	22.69
Total	**1,698**	**100.00**	**53,565,326**	**100.00**

DIRECTORS' INTEREST IN WARRANTS

		Direct Interest		Deemed Interest	
No.	Name of Directors	No. of Warrants	%	No. of Warrants	%
1	DATO' AFIFUDDIN BIN ABDUL KADIR	–	–	–	–
2	Y.A.D TENGKU DATO' SETIA PUTRA ALHAJ BIN TENGKU AZMAN SHAH ALHAJ	–	–	–	–
3	DATO' LOW CHEE YEN	6,304,786	11.77	1,078,000 (1)	2.01
4	DATO' WONG FUEI BOON	6,547,226	12.22	1,000,000 (1)	1.87
5	DATO' HOW SAY SWEE	5,295,206	9.89	–	–
6	ONG KHENG SWEE	17	0.00	–	–
7	DATO' TEA CHOO KENG	–	–	–	–
8	SEE THUAN PO	–	–	–	–
9	WONG TAK KEONG	8,866,400	16.55	791,800 (2)	1.48
10	AZAHAR BIN BAHARUDIN	1	0.00	–	–

Notes:
(1) Deemed interested by virtue of his spouse
(2) Deemed interested by virtue of his spouse and children

LIST OF THIRTY (30) LARGEST WARRANT HOLDERS

No.	Name	No. of Warrants Held	%
1	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB FOR WONG FUEI BOON (PB)*	3,314,026	6.19
2	AMSEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR WONG TAK KEONG*	3,309,620	6.18
3	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB FOR HOW SAY SWEE (PB)*	2,824,026	5.27
4	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD *EXEMPT AN FOR AFFIN HWANG ASSET MANAGEMENT BERHAD (TSTAC/CLNT-T)*	2,706,000	5.05
5	CARTABAN NOMINEES (TEMPATAN) SDN BHD *CN CIMB COMMERCE TRUSTEE BERHAD FOR KENANGA GROWTH FUND SERIES 2*	2,414,900	4.51
6	TA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR WONG TAK KEONG*	2,306,600	4.31
7	MERCSEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR WONG FUEI BOON*	2,053,200	3.83
8	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LOW CHEE YEN (7001504)*	1,500,000	2.80
9	HOW SAY SWEE	1,471,180	2.75
10	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB BANK FOR LOW CHEE YEN (PBCL-0G0549)*	1,330,886	2.48
11	CIMB ISLAMIC NOMINEES (TEMPATAN) SDN BHD *CIMB ISLAMIC TRUSTEE BERHAD - KENANGA SYARIAH GROWTH FUND*	1,200,000	2.24
12	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB BANK FOR WONG FUEI BOON (PB-0J0043)*	1,180,000	2.20
13	CARTABAN NOMINEES (TEMPATAN) SDN BHD *RHB TRUSTEES BERHAD FOR KENANGA ASIA PACIFIC TOTAL RETURN FUND*	1,133,500	2.12
14	PAU CHOON MEI	1,078,000	2.01
15	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR HOW SAY SWEE (M04)*	1,000,000	1.87
16	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB FOR WONG BOON FONG (PB)*	1,000,000	1.87
17	MAI MANG LEE	1,000,000	1.87
18	MAYBANK NOMINEES (TEMPATAN) SDN BHD *NATIONAL TRUST FUND (IFM KENANGA)*	954,840	1.78
19	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB BANK FOR WONG TAK KEONG (PBCL-0G0952)*	926,000	1.73

Analysis of Warrant Holdings
As at 30 June 2020
Cont'd

LIST OF THIRTY (30) LARGEST WARRANT HOLDERS (CONTINUED)

No.	Name	No. of Warrants Held	%
20	WONG TAK KEONG	920,000	1.72
21	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD *CIMB COMMERCE TRUSTEE BERHAD FOR KENANGA GROWTH OPPORTUNITIES FUND (50154 TR01)*	840,000	1.57
22	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD *CIMB COMMERCE TRUSTEE BERHAD FOR KENANGA SHARIAH GROWTH OPPORTUNITIES FUND (50156 TR01)*	800,000	1.49
23	RHB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LOW CHEE YEN*	767,900	1.43
24	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD *CIMB COMMERCE TRUSTEE BERHAD - KENANGA MALAYSIAN INC FUND*	713,600	1.33
25	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB BANK FOR WONG TAK KEONG (PB-0J0021)*	672,380	1.26
26	AMBANK (M) BERHAD *PLEDGED SECURITIES ACCOUNT FOR WONG TAK KEONG (SMART)*	600,000	1.12
27	LING SHI YNG	591,800	1.10
28	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *KENANGA ISLAMIC INVESTORS BHD FOR TABUNG WARISAN NEGERI SELANGOR (A)*	565,000	1.05
29	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *KENANGA ISLAMIC INVESTORS BHD FOR TABUNG WARISAN NEGERI SELANGOR*	564,200	1.05
30	YAYASAN GURU TUN HUSSEIN ONN	554,080	1.03
	TOTAL	**40,291,738**	**75.21**

NOTICE OF THE FOURTEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fourteenth Annual General Meeting 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 Wednesday, 26 August 2020 at 3.00 p.m. for the purpose of considering the following businesses:-

AGENDA

ORDINARY BUSINESS:-

1. To receive the Audited Financial Statement for the financial year ended 31 March 2020 together with the Directors' and Auditors' reports thereon.

2. To sanction payment of Directors' fees for the financial year ending 31 March 2021, to be payable on quarterly basis in arrears. ***(Resolution 1)***

3. To approve the benefit payable to the Directors an aggregate amount of not more than RM600,000 for the financial year ending 31 March 2021. ***(Resolution 2)***

4. To re-elect Dato' How Say Swee, who retires pursuant to Clause 100 of the Company's Constitution and being eligible, offers himself for re-election. ***(Resolution 3)***

5. To re-elect Mr. Ong Kheng Swee, who retires pursuant to Clause 100 of the Company's Constitution and being eligible, offers himself for re-election. ***(Resolution 4)***

6. To re-elect Dato' Afifuddin Bin Abdul Kadir, who retires pursuant to Clause 100 of the Company's Constitution and being eligible, offers himself for re-election. ***(Resolution 5)***

7. To re-elect Dato' Tea Choo Keng, who retires pursuant to Clause 107 of the Company's Constitution and being eligible, offers himself for re-election. ***(Resolution 6)***

8. 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 BUSINESSES:-

To consider and if thought fit, to pass the following Ordinary Resolutions:-

9. **Retention of Independent Director, Mr. Ong Kheng Swee** ***(Resolution 8)***

   To retain Mr. Ong Kheng Swee as an Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance.

SPECIAL BUSINESSES:- (CONTINUED)

10. **Authority for Directors to Issue Shares Pursuant To Sections 75(1) and 76(1) of the Companies Act 2016 ("Authority to Allot Shares")** ***(Resolution 9)***

"**THAT** pursuant to Section 75(1) and Section 76(1) 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 total number of issued shares 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 conferred by this resolution shall commence upon passing this resolution until:

a) the conclusion of the Annual General Meeting held next after the approval was given; or
b) the expiry of the period within which the next Annual General Meeting is required to be held after the approval was given,

whichever occurs first."

11. **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."

SPECIAL BUSINESSES:- (CONTINUED)

12. **Proposed Renewal of the Authority to Buy-Back Its Own Shares by the Company ("Proposed Renewal of Share Buy-Back")** ***(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 number of issued shares 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.

THAT The Board be and is hereby authorised to deal with the shares purchased at their absolute discretion, either partially or fully, in the following manner:

a) cancel all the shares so purchased; or
b) distribute the shares as share dividends to the shareholders; or
c) resell the shares through Bursa Securities in accordance with the rules of Bursa Securities; or
d) transfer the shares for the purpose of or under an employees' share scheme; or
e) transfer the shares as purchase consideration; or
f) such other manners as may be permitted by the Act

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:

a) 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;
b) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; or
c) the earlier revocation or variation of the authority through a general meeting,

whichever is the earlier."

Notice of the Fourteenth Annual General Meeting Cont'd

SPECIAL BUSINESSES:- (CONTINUED)

13. **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")** ***(Resolution 12)***

"THAT approval be and is hereby given to the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the related parties mentioned under Part B, Section 2.5 of the Circular to Shareholders dated 28 July 2020 which are necessary in the course of business of the Company and/or its subsidiaries for day-to-day operations and on normal commercial terms which are not more favorable to the related parties than those available to the public and not detrimental to the minority shareholders of the Company and such approval shall continue to be in force until:-

a) the conclusion of the next Annual General Meeting of the Company at which such Proposed Shareholders' Mandate is passed, at which time will lapse, unless by ordinary resolution passed at the Annual General Meeting whereby the authority is renewed, either unconditionally or subject to conditions; or
b) the expiration of the period within the next Annual General Meeting of the Company after the date it is required to be held pursuant to Section 340(2) of the Companies Act, 2016, ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever occurs first."

14. To transact any other business appropriate to an Annual General Meeting, due notice of which shall have been previously given in accordance with the Companies Act 2016 and the Company's Constitution.

By Order of the Board

ZURIATI BINTI YAACOB (F) SSM PC No. 202008003191 (LS 0009971)
LEONG SIEW FOONG (F) SSM PC No. 202008001117 (MAICSA NO. 7007572)
SANTHI A/P SAMINATHAN (F) SSM PC No. 201908002933 (MAICSA NO. 7069709)
Company Secretaries

Johor Bahru
Dated: 28 July 2020

Notes:

a) General Meeting Record of Depositors

Only depositors whose name appears in the Record of Depositors as at 19 August 2020 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 Share Registrar of the Company, located at BOARDROOM SHARE REGISTRARS SDN BHD situated at 11th Floor, Menara Symphony No. 5, Jalan Professor Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor, Malaysia, not less than forty-eight (48) hours before the time set for the meeting or any adjournment thereof.

Notice of the Fourteenth Annual General Meeting Cont'd

EXPLANATORY NOTES TO ORDINARY BUSINESSES:-

Audited Financial Statement for the financial year ended 31 March 2020

This Agenda is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 does not require a formal approval from the shareholders and hence is not put forward for voting.

Directors' Fees and Benefits

Resolution 1 & 2, pursuant to Section 230(1) of the Companies Act 2016, the fees of the directors and any benefits payable to the directors of a listed company and its subsidiaries shall be pre-approved at a general meeting. In this respect, the Board shall seek shareholders' approval at the 14th Annual General Meeting on the Directors' fees and benefits in two (2) separate resolutions as below: -

- Resolution 1 - To sanction payment of Directors' fees for the financial year ending 31 March 2021, to be payable on quarterly basis in arrears; and
- Resolution 2 - To approve the benefit payable to the Directors an aggregate amount of not more than RM600,000 for the financial year ending 31 March 2021.

Payment of directors' fees will be made by the Company after they have discharged their responsibilities and rendered their services to the Company for the financial year ending 31 March 2021, if proposed Resolutions 1 & 2 passed at the forthcoming Annual General Meeting. Details of the Directors' fees and benefits paid to the Directors are disclosed in Practice 7.1 of the CG Report.

Re-election of Directors Who Retire in Accordance with Clause 100 and Clause 107 of the Company's Constitution

Clause 100 of the Company's Constitution provides that one-third (1/3) of the Directors of the Company for the time being shall retire by rotation at an Annual General Meeting of the Company. With the current Board size of ten (10), one (1) Director shall retire in accordance with Clause 107 of the Company's Constitution, three (3) Directors are to retire in accordance with Clause 100 of the Company's Constitution provided that all Directors shall retire from office once at least in every three (3) yeas and shall be eligible for re-election.

Clause 107 of the Company's Constitution provides that the Board shall have the power to appoint any person to be a Director to fill a casual vacancy or as an addition to the existing Board, and that any Director so appointed shall hold office until the next following AGM and shall then be eligible for re-election.

Nominating Committee has assessed the performance of these Directors seeking for re-election under Clause 100 and Clause 107 of the Company's Constitution.

The satisfactory outcome of the assessment was reported to the Board of Directors and the Board recommends these Directors to be re-elected according to the resolutions put forth in the forthcoming Annual General Meeting.

These Directors standing for re-election have abstained from deliberation and participation of their own agenda in the relevant Nominating Committee meeting and Board meeting.

Re-appointment of Auditors

Pursuant to Section 273(b) of the Act, the term of office of the present Auditors, Messrs. KPMG PLT, shall lapse at the conclusion of the forthcoming Annual General Meeting unless they are re-appointed by the shareholders to continue in office. Messrs. KPMG PLT, have indicated their willingness to continue their service until the conclusion of next Annual General Meeting. The re-appointment of Messrs. KPMG PLT as Auditors has been considered against the relevant criteria prescribed by Paragraph 15.21 of the MMLR. This proposed Resolution 7, if passed, will also give the Directors of the Company, the authority to determine the remuneration of the Auditors.

EXPLANATORY NOTES TO SPECIAL BUSINESSES:-

Retention of Independent Director, Mr. Ong Kheng Swee

The Board of Directors via the Nominating Committee assessed the independence of Mr. Ong Kheng Swee, who has served on the Board as Independent Non-Executive Director of the Company for a cumulative of more than twelve (12) 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 twelve (12) 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 calibre, 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.

Mr. Ong Kheng Swee shall be subjected to two tier voting in accordance with the Malaysian Code on Corporate Governance as he has served the Company for more than twelve (12) years.

Authority to Allot Shares

The Proposed Resolution 9 if passed, is for the purpose of granting a general mandate ("General Mandate") empowering the Directors of the Company, pursuant to Sections 75(1) and 76(1) 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 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.

Proposed Renewal of Authority to allot and issue new ordinary shares in Power Root for the purpose of the Company's Dividend Reinvestment Plan

The Proposed 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 Annual General Meeting of the Company held on 27 August 2019. This authority will, unless revoked or varied by the Company in general meeting, expires at the next Annual General Meeting of the Company.

Proposed Renewal of Share Buy-Back

The Proposed 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 total number of issued shares of the Company. The audited retained earnings of the Company stood at RM23.3 million as at 31 March 2020. The General Mandate for Share Buy-Back has been granted by the shareholders at the AGM of the Company held on 27 August 2019. This authority will, unless revoked or varied by the Company in general meeting, expires at the next Annual General Meeting of the Company.

EXPLANATORY NOTES TO SPECIAL BUSINESSES:- (CONTINUED)

Proposed Shareholders' Mandate

The Proposed Resolution 12 is for the purpose of obtaining a shareholders' mandate at the forthcoming Annual General Meeting of the Company.

The Proposed Shareholders' Mandate is to facilitate transactions in the normal course of business of the Company and its subsidiaries ("the Group") which are transacted from time to time with the specified classes of related parties, provided that they are carried out on an arm's length basis and on the Group's normal commercial terms and are not prejudicial to the shareholders on terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders.

By obtaining the shareholders' mandate on an annual basis, the necessity to convene separate general meetings from time to time to seek shareholders' approval as and when such recurrent related party transactions occur would not arise. This would reduce substantial administrative time, inconvenience and expenses associated with the convening of such meetings, without compromising the corporate objectives of the Group or adversely affecting the business opportunities available to the Group.

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 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.

ADMINISTRATIVE GUIDE

ADMINISTRATIVE GUIDE OF FOURTEENTH ANNUAL GENERAL MEETING ("14TH AGM") FOR THE SHAREHOLDERS OF POWER ROOT BERHAD

Dear Valued Shareholders,

In view of the COVID-19 outbreak, your safety remains our utmost priority. The 14th AGM of the Company will be conducted in accordance with the General Standard Operating Procedures to Government and Private Sector ("General SOP") issued by Malaysian National Security Council on 16 June 2020 and Guidance Note and FAQs on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission of Malaysia on 18 June 2020 ("SC Guidance Note & FAQs").

This Administrative Guide is necessary to introduce safety measures and controls to be undertaken by the Company to safeguard the well-being of our shareholders/proxies during the 14th AGM as well as to comply with the Government and/or authorities' directives and guidelines on public gatherings and events which may be issued from time to time.

The Company wishes to highlight that the 14th AGM may be re-scheduled and/or postponed in view of the current COVID-19 Outbreak and the Malaysian Government's announcements or guidelines made from time to time. Rest assured, all members/proxies including attendees shall be kept informed of any unexpected changes.

Public Health Precautions and Preventive Measures

- In light of the COVID-19 outbreak, we appreciate if all shareholders, proxies and invited guests could take all the necessary precautions and preventive measures as issued by the Ministry of Health when attending the 14th AGM.

- If you are unwell with **sore throat, flu, fever, cough, aches and pains, nasal congestion, runny nose, diarrhoea or shortness of breath,** and/or you are under high risk group which is **above age of 60**, your attendance in person at the 14th AGM will be denied. You are hereby strongly advised and encouraged to submit your Form of Proxy prior to the 14th AGM.

- To safeguard the health and safety of shareholders, proxies and invited guests who may be attending the 14th AGM in person, the Company will also implement the following precautionary measures for the 14th AGM:-

  (a) Shareholders, proxyholders and corporate representatives ("Participants") will have to go through a compulsory body temperature screening and will be required to provide his/her health declaration at guardhouse and check-in via MySejahtera application during the registration process, specifically to facilitate the Company in preventing any potential spread of COVID-19. Any person with a body temperature of above 37.5°C or is experiencing any symptoms of being unwell above, you will **NOT** be allowed to enter the venue of the 14th AGM.

  (b) Wearing a face mask in advance and throughout the 14th AGM proceedings is required. Please be informed that the Company will not be providing face masks.

  (c) We strongly advise you to frequently wash your hands and use the hand sanitiser before and after the 14th AGM. Hand sanitiser will be provided by the Company.

Administrative Guide
Cont'd

ADMINISTRATIVE GUIDE OF FOURTEENTH ANNUAL GENERAL MEETING ("14TH AGM") FOR THE SHAREHOLDERS OF POWER ROOT BERHAD (CONTINUED)

Registration

1. Pursuant to SC Guidance Note & FAQs, the Participants who will be attending the 14th AGM in person are required to pre-register themselves with the Company by providing their name, NRIC/Passport No. and CDS account no. to the Company via email at agm@powerroot.com.my not later than Wednesday, **19 August 2020 at 3.00 p.m.**, otherwise the attendance of Participants in person will be denied. Participants will be notified via email once the registration is successful. This is to allow the Company to make necessary arrangements for the 14th AGM.

2. The Company is abiding with the General SOP issued by Malaysian National Security Council in conducting the 14th AGM. Please present your original MyKad to the registration staff for verification against the pre-registration of attendance.

3. Please download the MySejahtera application in advance and upon verification and body temperature screening, scan the QR code for health declaration during the registration process. Please be mindful of one metre social distancing.

Refreshment

Due to social distancing, buffet refreshment will not be served. Only packed food will be distributed.

No Recording or Photography

No recording or photography of the AGM proceedings is allowed without the prior written permission of the Company.

Voting by Proxy

For the health and safety of shareholders, the Company would like to encourage shareholders to exercise their right to vote at the 14th AGM by appointing the Chairman of the 14th AGM as their proxy and indicate the voting instructions in the Form of Proxy instead of attending the 14th AGM in person.

If a shareholder is unable to attend the 14th AGM on **26 August 2020**, he/she can appoint the Chairman of the meeting as his/her proxy to attend, speak and vote in his/her stead. Please submit your Form of Proxy to the office of the Company's Share Registrar, Boardroom Share Registrars Sdn. Bhd. at 11th Floor, Menara Symphony, No. 5, Jalan Professor Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor not later than Monday, **24 August 2020 at 3.00 p.m**.

Enquiry

If you have any enquiries prior to the 14th AGM, please contact the following during the office hours from Mondays to Fridays, 9.00 a.m. to 5.30 p.m. (except on public holidays):-

Share Registrar
Boardroom Share Registrars Sdn. Bhd.
Ms. Hastini Hassim
Tel No. : 603-7890 4700
Fax No. : 603-7890 4670
Email : Hastini.Hassim@boardroomlimited.com

Power Root Berhad
Ms. Koh Chi Hui
Tel No. : 603-6272 0303
Fax No. : 603-6272 9788
Email : agm@powerroot.com.my

POWER ROOT BERHAD
(Registration No. 200601013517 (733268-U))
(Incorporated In Malaysia)

PROXY FORM

CDS account no.	
No. of 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 Fourteenth Annual General Meeting of the Company to be held at No. 1, Jalan Sri Plentong, Taman Perindustrian Sri Plentong, 81750 Masai, Johor on Wednesday, 26 August 2020 at 3.00 p.m. or any adjournment thereof.

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

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

No.	RESOLUTIONS	FOR	AGAINST
1.	To sanction payment of Directors' fees for the financial year ending 31 March 2021, to be payable on quarterly basis in arears.		
2.	To approve the benefit payable to the Directors an aggregate amount of not more than RM600,000 for the financial year ending 31 March 2021.		
3.	To re-elect the Director, Dato' How Say Swee who retires pursuant to Clause 100 of the Company's Constitution.		
4.	To re-elect the Director, Mr. Ong Kheng Swee who retires pursuant to Clause 100 of the Company's Constitution.		
5.	To re-elect the Director, Dato' Afifuddin Bin Abdul Kadir who retires pursuant to Clause 100 of the Company's Constitution.		
6.	To re-elect the Director, Dato' Tea Choo Keng who retires pursuant to Clause 107 of the Company's Constitution.		
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.		
8.	Retention of Independent Director, Mr. Ong Kheng Swee		
9.	Proposed Renewal of the Authority to Issue Shares Pursuant to Sections 75(1) and Section 76(1) 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 Share Buy-Back		
12.	Proposed Shareholders' Mandate		

Please indicate with (X) how you wish your vote to be casted. If no specific instruction as to voting is given, the proxy may vote as he thinks fit.

* Strike out whichever not applicable

Signed this .... day of 2020

....
Signature of Member/Common Seal

Fold this flap for sealing

Notes:

i. *Only depositors whose name appears in the Record of Depositors as at 19 August 2020 shall be regarded as Member of the Company entitled to attend, speak and vote at this Meeting or appoint proxy (ies) to attend, speak and vote in his stead.*

ii. *A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company and a proxy appointed to attend, speak and vote at a meeting shall have the same rights as the member to speak at the meeting.*

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

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

v. *Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*

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

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

viii. *Where the Proxy Form is executed by a corporation, it must be either under its Common Seal or under the hand of an officer or attorney duly authorised.*

ix. *The Proxy Form must be deposited at the Share Registrar of the Company, located at BOARDROOM SHARE REGISTRARS SDN BHD situated at 11th Floor, Menara Symphony, No. 5, Jalan Professor Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya Selangor, Malaysia, not less than forty-eight (48) hours before the time set for the meeting or any adjournment thereof.*

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 General Meeting dated 28 July 2020.

Then fold here

AFFIX
STAMP

THE SHARE REGISTRAR

POWER ROOT BERHAD

(Registration No. 200601013517 (733268-U))

Boardroom Share Registrars Sdn. Bhd.
11th Floor, Menara Symphony,
No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13,
46200 Petaling Jaya,
Selangor, Malaysia.

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81750 Masai, Johor Darul Takzim, Malaysia.
Tel: +607-386 6868
Fax: +607-386 6688
Email: sales@powerroot.com.my