DPOWER ROOT BERHAD
Registration no. 200601013517 (733268-U)
(Incorporated in Malaysia)

MINUTES OF THE NINETEENTH (19^{TH}) ANNUAL GENERAL MEETING OF THE COMPANY HELD AT NO. 1, JALAN SRI PLENTONG, TAMAN PERINDUSTRIAN SRI PLENTONG, 81750 MASAI, JOHOR DARUL TAKZIM, MALAYSIA ON WEDNESDAY, 27 AUGUST 2025 AT 3.00 P.M.

Present	:	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)*
		Dato' How Say Swee	*(Executive Director)*
		Dato' Wong Fuei Boon	*(Executive Director)*
		Mr. See Thuan Po	*(Executive Director)*
		Mr. Ong Kheng Swee	*(Non-Independent Non-Executive Director)*
		Mr. Wong Tak Keong	*(Executive Director & Chief Executive Officer)*
		Ms. Tan Lay Beng	*(Independent Non-Executive Director)*
		Dato' Tea Choo Keng	*(Independent Non-Executive Director)*
		Mr. Low Jun Lee	*(Non-Independent Non-Executive Director)*
In Attendance	:	Ms. Nur Riana Binti Mohd Tahir	*Assistant Manager, Boardroom Corporate Services Sdn. Bhd. (Representative of the Company Secretary)*
		Ms. Chan Yen Ing	*Engagement Partner, KPMG PLT (External Auditors*)

Shareholders Present:
As per the attendance list.

1.0 CHAIRMAN'S WELCOME ADDRESS

The Company's Co-Chairman, Dato' Afifuddin bin Abdul Kadir welcomed all attendees at the Company's Nineteenth (19^{th}) Annual General Meeting ("AGM").

The Chairman highlighted that attendance of this Meeting is restricted to shareholders, proxies, and authorised representatives of corporate shareholders (collectively referred to as "Shareholders"). As discussion that transpired in the Meeting was deemed confidential and only for the knowledge of such relevant parties, any visual or audio recording of the Meeting was strictly prohibited unless prior written consent has been obtained from the Company.

The Chairman introduced all the Board members, the Representative of the Company Secretary and the representative from the External Auditors, Messrs KPMG PLT who were present in person.

2.0 QUORUM

The Chairman invited the Representative of the Company Secretary to confirm the presence of a requisite quorum for the Meeting and the Company Secretary confirmed that there was a quorum for the Meeting.

3.0 NOTICE OF THE MEETING AND PROXY FORMS

The Chairman informed the attendees that the notice of this Meeting and the Annual Report 2025 were announced to Bursa Malaysia Securities Berhad on 24th July 2025 and 25th July 2025 respectively and published on the Company's corporate website and advertised in the newspaper within the stipulated time. Hence, the notice was taken as read.

4.0 CORPORATE REPRESENTATIVE/PROXIES

The Chairman invited the Representative of the Company Secretary to present the proxy forms received. The Company Secretary reported that the Company had received a total of 60 proxy forms from shareholders for a total of 332,402,595 shares representing 78.48% of the issued ordinary shares of the Company.

Out of those, 15 proxy forms representing 23,416,500 ordinary shares of 5.53 % have appointed Chairman of the Meeting as their proxy.

5.0 POLL AND ADMINISTRATIVE MATTER

The Chairman subsequently informed shareholders the polling and administrative matters in conducting this Meeting.

The Chairman informed that in accordance with Main Market Listing Requirements of Bursa Malaysia, there were eleven (11) Ordinary Resolutions to be tabled for shareholders' consideration and all the resolutions would be voted by poll following the deliberation of all agenda items. The Company has appointed Boardroom Share Registrars Sdn. Bhd., the Company's Share Registrar as the Poll Administrator to conduct the polling process and Needsbridge Advisory Sdn. Bhd. as the Scrutineer to verify the poll results.

The Chairman invited the Poll Administrator to brief the shareholders on the voting procedures. After completion of the briefing, the Chairman proceeded to present the agenda of the meeting.

<u>ORDINARY BUSINESS</u>

6.0 AGENDA 1:

FINANCIAL YEAR ENDED 31 MARCH 2025, TOGETHER WITH THE REPORTS OF THE DIRECTORS' AND AUDITORS' THEREON

6.1 The Chairman presented the Audited Financial Statements ("AFS") for the financial period ended 31st March 2025 together with the Directors' and Auditors' Reports, which had been approved by the Board and included in the 2025 Annual Report, for the shareholders' discussion. He further informed that, in accordance with Section 340(1)(a) of the Companies Act 2016, the AFS does not require formal shareholder approval and therefore would not be put to vote.

6.2 The Chairman informed that the Company had received a letter from the Minority Shareholders Watch Group ("MSWG") dated 20 August 2025, and the Board would address the questions raised by the MSWG at this juncture.

6.3 The Chairman invited Mr. See Thuan Po to present the questions raised by MSWG and responses from the Board which are set out in **Appendix A** attached herewith.

6.4 The Chairman invited questions or comments from shareholders and proxies on the AFS. The queries and comments received together with the Company's responses, are set out in **Appendix B** attached hereto.

As there were no further questions from the floor, the Chairman proceeded with the next item on the agenda.

7.0 ***AGENDA 2***

RESOLUTION 1: TO SANCTION PAYMENT OF DIRECTORS' FEES FOR THE FINANCIAL YEAR ENDING 31 MARCH 2025, TO BE PAYABLE ON QUARTERLY BASIS IN ARREARS

The Chairman presented Ordinary Resolution 1 and invited questions from the shareholders.

As no further questions were raised, the Chairman proceeded to the next item on the agenda.

8.0 ***AGENDA 3***

RESOLUTION 2: TO APPROVE THE BENEFIT PAYABLE TO THE DIRECTORS ON AN AGGREGATE AMOUNT OF NOT MORE THAN RM600,000 FOR THE FINANCIAL YEAR ENDING 31 MARCH 2026

The Chairman presented Ordinary Resolution 2 and invited questions from the shareholders.

As there were no question raised, the Chairman proceeded to the next item on the agenda.

9.0 ***AGENDA 4***

RESOLUTION 3: RE-ELECTION OF RETIRING DIRECTOR - DATO' WONG FUEI BOON,

The Chairman presented Ordinary Resolution 3 on the re-election of Dato' Wong Fuei Boon, who retired by rotation in accordance with the Company's Constitution and offered himself for re-election. The Chairman then invited questions from the shareholders.

As no questions were raised, the Chairman proceeded to the next item on the agenda.

10.0 ***AGENDA 5***
RESOLUTION 4: **RE-ELECTION OF RETIRING DIRECTOR - MR. SEE THUAN PO**

The Chairman presented Ordinary Resolution 4 on the re-election of Mr. See Thuan Po, who retired by rotation, in accordance with the Company's Constitution and offered himself for re-election. The Chairman then invited questions from the shareholders.

As no questions were raised, the Chairman proceeded to the next item on the agenda.

11.0 ***AGENDA 6***
RESOLUTION 5: **RE-ELECTION OF RETIRING DIRECTOR - DATO' HOW SAY SWEE**

The Chairman presented Ordinary Resolution 5 on the re-election of Dato' How Say Swee, who retired by rotation, in accordance with the Company's Constitution and offered himself for re-election. The Chairman then invited questions from the shareholders.

As no questions were raised, the Chairman proceeded to the next item on the agenda.

12.0 ***AGENDA 7***
RESOLUTION 6: **RE-APPOINTMENT OF RETIRING AUDITORS**

The Chairman presented Ordinary Resolution 6 on the re-appointment of the retiring auditors, Messrs KPMG PLT for the financial year ending 31st March 2026, and to authorise the Board of Directors to determine their remuneration. The Chairman then invited questions from the shareholders.

As no question were raised, the Chairman proceeded to the next item on the agenda. The Chairman further informed that, as he was an interested party in Ordinary Resolution 7, he passed the Chair to Y.A.D Tengku Dato' Setia Putra Alhaj Bin Tengku Azman Shah Alhaj ("Y.A.D Tengku") to continue with the proceedings.

SPECIAL BUSINESS:

13.0 ***AGENDA 8***
RESOLUTION 7: **CONTINUATION IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR – DATO' AFIFUDDIN BIN ABDUL KADIR**

Y.A.D Tengku took the Chair and presented Ordinary Resolution 7 on the proposed continuation in office of Dato' Afifuddin Bin Abdul Kadir as Independent Non-Executive Director.

The Chairman further explained that the Company is required to adopt the two-tier voting process in seeking shareholders' approval to retain an independent director beyond nine years, in line with Practice 5.3 of the Malaysian Code on Corporate Governance.

Under this process, the shareholders' votes will be cast as follows:-

Tier 1: Large shareholders of the Company; and
Tier 2: All other remaining shareholders.

Y.A.D Tengku then invited questions from the shareholders.

As no questions were raised, Y.A.D Tengku returned the Chair back to the Chairman Dato' Afifuddin.

15.0 ***AGENDA 9***
RESOLUTION 8: AUTHORITY TO ISSUE AND ALLOT SHARES PURSUANT TO SECTION 75(1) AND 76(1) OF THE COMPANIES ACT, 2016 AND THE WAIVER OF PRE-EMPTIVE RIGHTS PURSUANT TO THE SAID ACT

The Chairman presented Ordinary Resolution 8 on the authority to issue and allot shares pursuant to Section 75(1) and 76(1) of the Companies Act 2016 ("CA 2016") and waiver of pre-emptive rights under the CA 2016. The Chairman then invited questions from the shareholders.

As no question were raised, the Chairman then proceeded to the next item on the agenda.

16.0 ***AGENDA 10***
RESOLUTION 9: PROPOSED RENEWAL OF THE AUTHORITY TO ALLOT AND ISSUE NEW ORDINARY SHARES IN POWER ROOT BERHAD ("POWER ROOT SHARES"), IN RELATION TO THE COMPANY'S DIVIDEND REINVESTMENT PLAN ("DRP") THAT PROVIDES THE SHAREHOLDERS OF POWER ROOT BERHAD ("SHAREHOLDERS") THE OPTION TO ELECT TO REINVEST THEIR CASH DIVIDEND IN NEW POWER ROOT SHARES

The Chairman presented Ordinary Resolution 9 on the Proposed Renewal of the Authority to allot and issue new ordinary shares in Power Root Berhad ("Power Root Shares") pursuant to the company's Dividend Reinvestment Plan ("DRP"), which provides shareholders with the option to reinvest their cash dividend into the Power Root Shares. The Chairman then invited questions from the shareholders.

As no question were raised, the Chairman then proceeded to the next item on the agenda.

17.0 ***AGENDA 11***
RESOLUTION 10: **PROPOSED RENEWAL OF THE AUTHORITY TO BUY-BACK ITS OWN SHARES BY THE COMPANY ("PROPOSED RENEWAL OF SHARE BUY-BACK")**

The Chairman presented Ordinary Resolution 10 on the Proposed Renewal of the Authority to Buy-Back Its Own Shares. The Chairman then invited questions from the shareholders.

As no question were raised, the Chairman then proceeded to the next item on the agenda.

18.0 **AGENDA 12**
RESOLUTION 11: **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED SHAREHOLDERS' MANDATE").**

The Chairman presented Ordinary Resolution 11 on the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature. The Chairman then invited questions from the shareholders.

As no question were raised, the Chairman then proceeded to the next item on the agenda.

19.0 ***AGENDA 13*****:** **ANY OTHER BUSINESS**

The Representative of the Company Secretary confirmed that the Company had not received any notice for the transaction of any other business which had been given at this meeting.

20.0 **POLLING VOTING**

The Chairman subsequently invited the shareholders to cast their votes. Upon the conclusion of the voting session, the Chairman informed that the validation of the poll results by the Independent Scrutineers would take approximately 20 minutes, and accordingly, the meeting was adjourned.

21.0 **DECLARATION OF POLL RESULTS**

After 20 minutes, the Chairman reconvened the meeting and welcomed the shareholders. He informed that the poll results, having been validated by the Independent Scrutineers, had been received, and he proceeded to declare the results as displayed on the screen as follows: -

RESOLUTION	FOR		AGAINST	
	SHARES	%	SHARES	%
1	285,721,010	99.9512	139,500	0. 0488
2	25,118,806	49.6806	25,441,780	50.3194
3	258,742,425	99.9177	213,100	0.0823
4	330,394,807	99.9157	278,900	0.0843
5	258,314,165	99.9176	213,100	0.0824
6	344,245,807	99.9794	70,900	0.0206
7.1	292,235,970	100.0000	0	0.0000
7.2	4,958,557	9.5209	47,122,180	90.4791
8	297,308,427	86.3474	47,008,280	13,6526
9	344,315,607	99.9997	1,100	0.0003
10	344,315,707	99.9997	1,000	0.0003
11	293,809,407	99.9997	1,000	0.0003

Based on the poll results, the Chairman declared that all eleven (11) resolutions tabled at the 19th AGM were duly passed by the shareholders save for Resolution 2 and 7 which were rejected by the shareholders.

22.0 **TERMINATION**

On behalf of the Board and Management, the Chairman expressed his appreciation to the Shareholders for their participation and attendance at the Meeting.

There being no other business, the Chairman declared the Meeting concluded at 4.30 p.m.

CONFIRMED AND SIGNED AS A CORRECT RECORD

Dato' Afifuddin bin Abdul Kadir
Chairman

"APPENDIX A"

Mr. See Thuan Po presented the questions raised by the Minority Shareholders Watch Group ("MSWG") and responses from the Board.

Questions from Minority Shareholders Watch Group

Operational & Financial Matters

1. In pursuing upstream opportunities, the Group has invested in a 30% stake in MyLiberica in FY 2025. Currently, MyLiberica has plantation operations in Johor and processes its own coffee beans which will allow POWER ROOT to tap into the prospects of "bean to cup" process. (page 19 of AR 2025)

a) What is the current annual production capacity of MyLiberica's plantations in Johor?

MyLiberica has an annual production capacity of producing 20 tonnes of green beans.

b) What percentage of the Group's total coffee bean requirements could MyLiberica realistically supply?

Subject to our requirement and demand in future, MyLiberica will supply approximately 50% of its Liberica beans to the Group.

c) For the Group's recently acquired 80-acre plantation in Johor, which specific coffee varieties are planned for cultivation? Will MyLiberica provide technical expertise or operational support for this venture?

We will want to plant Liberica coffee trees and yes, MyLiberica's management will be involved in this venture, providing the technical expertise and operational support.

2. As a result of rising production costs and ongoing inflationary pressures, the Group made a strategic decision to adjust product prices in response to market trends and to protect margins. (page 18 of AR 2025)

a) What was the quantum of the recent price increases? Were these adjustments applied across all product categories and markets?

The price adjustments were selectively implemented based on market conditions and cost considerations, rather than applied uniformly across all categories and regions. Over the financial year, we had 3 major price adjustments applied at April 24, October 24 and March 25.

The price increases are as follows:

i) coffee SKUs ranged from 3% - 12%;

ii) Energy drinks ranging from 4% - 6%; and

iii) Chocolate malt in excess of 13%.

b) What are the average locked-in prices for coffee beans and for how long are they secured? How do these prices compare to those from a year ago?

The price of our main coffee powder has risen 6% year-on-year (FY25 vs. FY24). Based on the current utilisation, we have secured our coffee powder supply up to the end of the calendar year 2026.

3. It was a challenging year for POWER ROOT in the Middle East and North Africa (MENA) region with performance falling short of expectations. Although the sugar tax was introduced several years ago in markets such as the UAE and Saudi Arabia, its full impact has now materialised with the resulting price increases dampening consumer demand (page 20 of AR 2025)

a) What actions is the Group taking to mitigate the impact? Is the Group considering launching low or no-sugar variants tailored for MENA markets?

b) What is the expected recovery trajectory in MENA? Has consumer demand stabilised or are further contractions anticipated?

<u>**This reply is for 3(a) & 3(b) collectively**</u>

For FY26, we expect the contributions from the MENA region to contract. This is mainly due to the absence of a distributor for KSA since January 2025. However, the recovery in the MENA region is expected to be gradual and the main factors to the recovery are as follows:

i) Sales recovery from KSA – the positive news is that we will be signing on a new distributor by the Q3 of FY26, hence the resumption of sales from KSA;

ii) Revision of sugar tax rule on sugar-based drinks in UAE – The UAE is set to implement a new excise tax on sugar-based drinks, shifting from a flat 50% tax rate to a tiered volumetric model based on sugar content per 100ml. This new model aims to incentivize producers to reduce sugar levels and promote healthier consumer choices. This will allow us to re-formula our products and ultimately have them priced at more competitive levels. The new rule is expected to be effective from January 2026 and we expect the KSA to adopt this new ruling; and

iii) Continuous development of the African markets – Over FY25, we have successfully penetrated our products into 5 countries, namely Egypt, Kenya, Ghana, Tanzania and Mauritius. We will continue to develop these markets though:

(a) coordinated marketing and promotional activities;

(b) opening new countries; and

(c) introducing new SKUs to these markets.

<u>Corporate Governance Matters</u>

2. The Group has not adopted Practice 1.4 of the Malaysian Code of Corporate Governance, which stipulates that the Chairman of the board should not be a member of the Audit Committee, Nomination Committee or Remuneration Committee.

   Dato' Afifuddin bin Abdul Kadir, who is the Co-Chairman of the Board is also a member of the Audit Committee and the Chairman of the Nominating Committee and Remuneration Committee.

a) How does the Board ensure that the Chairman's presence does not influence the discussions or decisions of this committee?

   The Board is of the view that his presence does not impair the independence and objectivity of the Committees' deliberations and decision-making processes, because:

   i) Two Co-Chairmen structure – As a safeguard, the Board is chaired by Y.A.D. Tengku Dato' Setia Putra Alhaj, providing a counterbalance of authority and thereby ensuring independent leadership at the Board level.

   ii) Collective decision-making – All matters are decided collectively by Committee members, and no single member, including the Chairman, dominates the discussions or decisions.

   iii) Safeguards and transparency – The Board and Committees operate within clearly defined Terms of Reference which outline their authority, responsibilities, and limits, thereby providing checks and balances.

3. Dato' Afifuddin has served as an Independent Director for more than nine years. Given this extended tenure, what is the Board's plan and timeline for identifying a replacement?

   The Company values the extensive contribution of Dato' Afifuddin, who has served as an Independent Director for more than nine years. With his wealth of xperience, particularly from his background in the Malaysian Industrial Development uthority (MIDA), his leadership, experience, independence, objectivity, and involvement in other corporate organisations will provide invaluable guidance to the Board.

   As such, the Board intends to retain Dato' Afifuddin as an Independent Director by seeking shareholders' approval through a two-tier voting process at the upcoming 19th AGM.

Sustainability Matters

4. Energy intensity increased from 2.07 GJ/MT in FY2024 to 2.27 GJ/MT in FY2025. (page 50 of AR 2025)

a) What factors contributed to the increase in energy intensity despite flat revenue?

   i) **Change in shift from a two-shift to a one-shift operational model that requires more frequent machinery start-ups and shutdowns, resulting in higher diesel and electricity usage. While this contributed to the increase of energy intensity, the one-shift model still provides overall net cost savings under current business conditions.**

   ii) **Additionally, the Group has expanded its scope to two other subsidiary companies which contributed to an increase of 3% of the total energy consumption and energy intensity in FY25.**

b) What steps is the Group taking to reduce energy intensity going forward?

   The Group will be able to reduce and mitigate its energy intensity by:

   i) Expanding solar generating capacity and explore for heat energy recovery technologies, further reducing reliance on non-renewable energy and enhance long-term cost savings; and

   ii) Subject to market demand, the Group will increase its production output to improve energy optimization.

c) Is there an internal benchmark or efficiency target that the Group is working toward?

   The Group does not have an internal benchmark or efficiency target. However, the Group will continuously explore opportunities to improve its energy consumption efficiencies. For instance, we have commissioned Phase 2 solar PV system in October 2024, expanding our total solar PV capacity to contribute 15% of the Group's total electricity consumption from solar energy annually in the next two years, progressing from 10% in FY25.

"APPENDIX B"

Question 1:

We refer to the Resolution 2 on the approval of benefits payable to Directors in an aggregate amount not exceeding RM600,000 for the financial year ending 31 March 2026. From the explanatory note, it appears that this resolution is to sanction payment of Directors' fees and benefits for future payments up to 31 March 2026. Could you please clarify what is the actual amount being proposed for approval? Is it the same as what is currently being paid, meaning no changes to the quantum?

Based on page 85 of the Annual Report, the amount paid last year was RM187,000. This reflects an increase of approximately RM400,000. Could the Board kindly explain the reason for this significant increase?

Our Response

You are correct that this resolution is to seek shareholders' upfront approval for Directors' fees and benefits for the coming financial year ending 31 March 2026. The aggregate amount of RM600,000 is in line with what was approved for the previous year.

To clarify, the RM600,000 is the limit we are seeking shareholders' approval for, but the actual utilisation has always been much lower which the amount utilised was RM187,000.

This RM600,000 limit is a legacy figure that has been in place since the beginning, and it provides flexibility. However, it does not mean that the full amount will be utilised. In practice, the actual expenditure has consistently been far below the approved limit.

Question 2:

We noted that in the Annual Report and the Corporate Governance Statement, there is no detailed disclosure of individual Directors' Remuneration. As you are aware, the Bursa Malaysia Listing Requirements mandate disclosure of Directors' fees and benefits on an individual basis, with the amount in ringgit and broken down by components. I hope the Company will consider making this disclosure moving forward, so that it will be in full compliance with the Listing Requirements.

Our Response

Thank you for highlighting this point. We take note of your observation regarding disclosure of Directors' Remuneration. The Company is mindful of Bursa Malaysia's requirements, and we will review the reporting format to ensure that future disclosures are aligned with the Listing Requirements. We appreciate your feedback and will look into enhancing transparency in our upcoming reports.

Question 3:

In reviewing the Company's financial performance, it is noted that exports to the MENA region, as well as other markets, were significantly impacted. Apart from the initiatives that have already been presented or addressed in response to earlier questions, could you please elaborate on any additional strategies or measures that the Company is implementing to further enhance and strengthen its export performance in the MENA region?

Our Response

In our efforts to recover exports performance, the Company has undertaken concerted initiatives, with a key focus on expanding participation in international exhibitions. Previously, our efforts were concentrated on a single annual event in Dubai. We have since shifted our approach to target participation in one exhibition each month, guided by industry best practices and supported by a dedicated team specialising in exhibition activities.

To date, we have participated in exhibitions in Mexico, as well as several countries in the Middle East and Africa, and the results have been encouraging with new customer leads and steady growth in small-scale orders. While the initial volume remains modest, these efforts are viewed as strategic groundwork for long-term, sustainable business growth in new markets. Notably, this year marked our participation in MIHAS and ANUGA, one of the world's largest food exhibitions. Moving forward, we plan to expand our presence to Japan, Russia, and other countries. Although such initiatives require investment, the returns in terms of new orders and customer acquisition have proven to be worthwhile.

Question 4:

With reference to Note 23 in the Financial Statements (page 154), it is noted that, apart from MENA, exports to other markets were also significantly impacted. Could the Board clarify which specific countries or regions were most affected, and outline the measures being implemented to mitigate these challenges and improve export performance?

Our Response

With regard to market performance, the decline in exports has been mainly from the MENA region, as well as from China and Hong Kong. In the latter markets, the challenges were attributed to heightened competition and the weak operational management. These issues have since been addressed through a restructuring exercise and the appointment of a new team to oversee operations in China and Hong Kong, and we are beginning to see positive results from these changes.

Historically, approximately two-thirds of the Group's profits were derived from exports, despite exports contributing only about 40–45% of total sales. Currently, however, the profit contribution from Malaysia has increased significantly, driven by improved margins in the domestic market. While export contributions have declined,

the Group has remained profitable, with the majority of current earnings generated locally.

Question 5:

It is noted that advertisement and promotion expenses have increased during the year. Could the Board elaborate on how this increase has translated into return on investment, particularly given that revenue appears to be flattening? Has the additional spend resulted in measurable growth, such as higher sales volumes or an increase in cans sold? If not, does the Company intend to recalibrate its marketing and promotional strategies to achieve better results?

Our Response

The increase in advertising and promotion expenditure reflects our focus on new product launches and the revitalisation of the Alicafe brand in Malaysia. These investments are aimed at strengthening our market positioning and supporting both domestic and export recovery strategies.

In terms of media spend, our approach has shifted towards the social media and digital network marketing. Rather than relying on traditional advertisements that consumers often overlook, we aim to create content with viral potential. This requires a fundamental change in mindset.

As a foundation step in this financial year, we established a dedicated Digital Marketing Division, which was previously part of our of the general marketing team. This change was necessary, as past digital marketing efforts were repetitive, uninspiring, and lacked creativity.

Moving forward, our objective is to deliver more creative, impactful, and 'out-of-the-box' campaigns. Unlike conventional media, digital marketing demands continuous fresh content, varied messaging, and an organic presentation that does not appear overly commercialised. To meet this demand, we built a specialised team solely dedicated to this evolving area. Consequently, the increase in digital marketing spend reflects this strategic shift.

Question 6:

On the topic of sustainability, I commend the company for investing in My Liberica Coffee Sdn Bhd to ensure a consistent supply of coffee beans. From the responses earlier, I understand that the target is to secure about 50% of the company's bean requirements through this initiative.

However, while coffee is one aspect, the global supply of cocoa has also been declining. Could the Board share the company's plans to ensure a stable and sustainable supply of cocoa, given the current challenges in availability? I also note the references made in the Annual Report - how does the company intend to mitigate the risks associated with cocoa supply shortages?

Our Response

At this point, the impact of cocoa prices on us is not significant, as cocoa-based products represent only a small portion of our portfolio.

That said, cocoa is a highly competitive commodity dominated by major global players. For us, venturing into cocoa cultivation and processing solely for internal use would be extremely challenging. Should that ever become viable, it would mean we have reached the scale of global giants such as Nestlé, but for now, this is not our focus.

Our strategy with Liberica, however, carries a much broader vision. It is not only about securing supply for our own needs but also about contributing to the national agenda. We aim to put Malaysia on the global coffee map. Today, people are familiar with Ethiopian, Colombian or Kenyan coffee but rarely Malaysian coffee. We aspire to change that by developing and branding Liberica coffee as Malaysia's very own specialty coffee.

Ultimately, our ambition is for Malaysia, through Liberica, to gain recognition as a world-renowned coffee producer, standing alongside established names like Ethiopia, Colombia, Tanzania, and Kenya.

Question 7:

I was previously under the impression that the distributorship issue in the Middle East particularly in Saudi Arabia had been resolved. I understand that challenges can arise and I appreciate the efforts made thus far.

That said, you mentioned there are plans to address this matter again. Could you please elaborate further on these plans, so that we can have greater assurance the same situation will not recur going forward?

Our Response

Yes, there were some unforeseen challenges along the way. Initially, we had planned to appoint a distributor, but the company we identified became entangled in an internal shareholder dispute. The shareholder who supported us was ousted, and as a result, the appointment could not proceed. In hindsight, it was fortunate that this issue surfaced before the appointment was finalized, rather than after operations had already started.

Following that setback, we immediately began searching for a replacement in KSA. It took some time, but we eventually identified three strong candidates and have now narrowed it down to one company. I can share that this distributor is a very established player in the Middle East partly owned by Pepsi and the owner/distributor of Rani Juice, the largest fruit and cordial drink company in the region. Their distribution network is extensive, and this is actually the first time we are appointing a distributor of this scale.

At this stage, we are asking them to focus specifically on KSA first. We want to see how they perform before expanding discussions to other markets. That said, the main challenge in KSA is not only distributorship but also the sugar tax. As highlighted earlier, the UAE recently revised its law from a flat tax on even 0.001% sugar to a structure similar to Malaysia's system. We see this as a positive development, because when Malaysia implemented its sugar tax, we reformulated our products successfully without affecting sales or pricing.

Based on this experience, we are confident that once the UAE's new law comes into effect, our product prices there could drop by 40–50%, making us more competitive and driving recovery in sales.

For KSA, the situation is less certain, as the government is facing a significant budget deficit and may be reluctant to reduce tax revenue. However, historically, KSA has often followed the UAE's lead in policy matters across the GCC. Therefore, while the timeline may be uncertain, we remain optimistic that KSA will eventually align with UAE's approach, which would further strengthen our position in that market.

Question 8:

Typically, partnerships with large and established distributors come with tougher negotiate on terms. Do you foresee this having an impact on profitability in the Middle East?

Our Response

That was precisely why we were very selective in choosing the right partner. Of the three major distributors we engaged, two insisted on either higher margins or excessive control over how the business should be managed. In contrast, our soon to be distributor distinguished itself by being cooperative, aligned with our long-term vision, and open to building a true partnership rather than focusing solely on transactional terms.

One of their key strengths lies in the ready-to-drink segment, and they are committed to manufacturing our canned coffee products for the GCC market. With their extensive distribution footprint across all GCC countries and established manufacturing facilities, we see significant potential for joint ventures and deeper collaboration going forward.

That said, we remain realistic and cautious given the fluid business environment in these markets. Nevertheless, we believe the soon to be distributor offers the best balance of scale, capability, and long-term partnership potential.

Question 9:

Given that the profitability outlook in the Middle East still hinges on finalizing the appointment of a distributor, and with FY2026 already underway, should we expect that a full profit recovery from this region may not be materialized within this financial year?

Our Response

If the sugar tax policy is revised, we are confident that both profitability and revenue in these markets will recover. However, if the policy remains unchanged, our products will continue to face headwinds. The reason is straightforward, our 3-in-1 products become relatively more expensive, and consumers may find it more cost-effective to buy black coffee and add their own sugar and creamer.

On top of that, operating under a sugar tax environment significantly increases costs. New not only have to offer price discounts but also absorb part of the sugar tax in our promotions. For instance, if a product is priced at RM40, with RM20 attributable to sugar tax, any promotional discount applied to the full RM40, not just our share. This structure makes promotional spending much more expensive under the current framework and adds to the overall cost of business.

Question 10:

On coffee and price lock-ins, I would like some clarity on your hedging for FY2026. Specifically, are the lock-in prices higher compared to FY2025, and if so, is the increase above 5% or below 5%?

Our Response

It's definitely more than 5%, but still manageable given the price adjustments we have implemented, both in Malaysia and in our export markets.

Question 11:

The company has maintained a low gearing level, supported by prudent cash flow management. I am not suggesting that higher gearing is inherently negative, but as seen during COVID-19, companies with elevated gearing often came under pressure and were forced into reactive decisions. For FY2026, do you anticipate gearing to increase further compared to current levels?

Our Response

We have planned this carefully. The increase in gearing primarily reflects our strategic property investments, particularly in Johor Bahru. In retrospect, these were the right decisions, as the assets have appreciated significantly in value.

Looking ahead, we expect that the potential sale of certain properties including the 771,949sf site in Taman Molek along with several excess industrial plots acquired at attractive prices will generate sufficient proceeds to comfortably repay the RM100 million Sukuk financing upon its maturity in about six years.

While gearing has increased in the short term, it is fully backed by strong asset values, and we have clear visibility on repayment. We are confident this obligation will be managed without issue.