



**BERJAYA**

**BERJAYA FOOD BERHAD**

(Company No. 876057-U)



ANNUAL REPORT  
**2018**



# VISION

To be the leading Food and Beverage organisation with a portfolio of reputable brands that will enhance profitable and sustainable growth and stakeholder returns.

# MISSION

- 1 To ensure we provide a people culture that is performance driven and built on the foundations of personal development, diversity and mutual respect for each other.
- 2 To ensure total customer satisfaction.
- 3 To generate a profitable rate of return for all our shareholders.
- 4 To carry out our business in ways that are socially and environmentally responsible.



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# CORPORATE PROFILE

## BERJAYA FOOD BERHAD

BERJAYA FOOD BERHAD (“BFood”) was incorporated in Malaysia on 21 October 2009. It was converted into a public limited company on 3 December 2009 and listed on The Main Market of Bursa Malaysia Securities Berhad on 8 March 2011. As part of The Listing Scheme, Berjaya Roasters (M) Sdn Bhd (“BRoasters”) was acquired and became a wholly-owned subsidiary of BFood in January 2011.

BRoasters is engaged in the development and operation of the Kenny Rogers Roasters (“KRR”) chain of restaurants in Malaysia. On 26 July 2011, BFood entered into a conditional joint venture agreement with PT Mitra Samaya, Indonesia, PT Harapan Swasti Sentosa, Indonesia and PT Boga Lestari Sentosa, Indonesia (“PT Boga”) to develop and operate the KRR franchise in Java Island and Bali, Indonesia under PT Boga. On 24 November 2017, Berjaya Food (International) Sdn Bhd (“BFI”), disposed of its entire stake in PT Boga.

On 19 July 2012, BFood completed the acquisition of 11,500,000 ordinary shares of RM1.00 each, representing 50% equity interest in Berjaya Starbucks Coffee Company Sdn Bhd (“BStarbucks”) for a cash consideration of RM71.7 million. The remaining 50% equity interest was held by Starbucks Coffee International, Inc (“SCI”). On 9 August 2012, BFood completed its Rights Issue and the 115,081,760 new shares and 115,081,760 warrants arising from the Rights Issue was listed on the Main Market of Bursa Malaysia Securities Berhad on 13 August 2012. On 18 September 2014, BFood completed the acquisition of 11,500,000 ordinary shares of RM1.00 each, representing the remaining 50% equity interest in BStarbucks not owned by BFood for a total cash consideration of USD88,000,000 (equivalent to about RM279.52 million). BStarbucks is now a 100% owned subsidiary of BFood.

On 7 December 2012, BFood acquired 100% equity interest in Jollibean Foods Pte Ltd, Singapore (“Jollibean Foods”) for a cash consideration of RM19.02 million. On 30 January 2018, the Company’s wholly-owned subsidiary, BFI completed the disposal of 5% equity interest in Jollibean Foods to Mr Sydney Lawrance Quays for a cash consideration of Singapore Dollar (“SGD”) 150,000 (equivalent to about RM445,020).

On 7 October 2013, BFI entered into a Joint Venture Cum Shareholders’ Agreement with Deluxe Daily Food Sdn Bhd (“Deluxe”) for the subscription of 80% equity interest in Berjaya Food Supreme Sdn Bhd, a Brunei Darussalam-incorporated company to undertake the operations of “Starbucks Coffee” chain of cafes in Brunei Darussalam for a total cash consideration of about BND2.40 million (or about RM6.20 million). The remaining 20% was subscribed by Deluxe.

## KENNY ROGERS ROASTERS (“KRR”)

BFood’s holding company, Berjaya Group Berhad (“BGroup”) effectively holds the worldwide KRR franchise following BGroup’s acquisition of KRR International Corp, USA in April 2008. As at 30 April 2018, there are a total of 81 KRR restaurants across Malaysia. KRR restaurants feature rotisserie-roasted chicken as their main core product

complemented by a variety of hot and cold side dishes and KRR’s famous muffins, vegetable salads, pasta, soups, desserts, sandwiches and beverages served in a friendly and comfortable environment. All KRR restaurants serve their customers in a full service, mid-casual dining setting with free “Wi-Fi” services, providing customers with a wholesome dining experience.

## STARBUCKS

Starbucks in Malaysia is operated by BStarbucks. From its first store opening in Kuala Lumpur on 17 December 1998, BStarbucks has expanded to Sabah and Sarawak and celebrated its 19<sup>th</sup> year of operations in December 2017. As at 30 April 2018, there are a total of 260 stores nationwide and is recognised as the leading specialty coffee company and industry benchmark in Malaysia.

BStarbucks also introduced its first drive-thru concept store in December 2009 in Johor Bahru. As at 30 April 2018, there are a total of 39 drive-thru concept stores across Malaysia. In 2012, it opened its first suburban store in Seri Manjung, Perak. In 2015, BStarbucks opened its first Reserve concept store to introduce premium and exceptional coffees to the Malaysia market.

On 16 February 2014, BStarbucks opened its first store in Brunei Darussalam at the Mabohai Shopping Complex. The store features a traditional coffee bar also known as “slow bar”, which allows customers to savour their coffee using the “pour over” brewing method. On 7 September 2014, BStarbucks opened its first drive-thru concept store in Beribi. As at 30 April 2018, there are 4 Starbucks stores in Brunei.

## JOLLIBEAN

Jollibean Foods was incorporated in November 1993. Presently, there are a total of 21 “Jollibean” outlets, 9 “Sushi Deli” outlets, all of which are based on the Quick Service Concept, and 1 “Kopi Alley” outlet in Singapore.

Jollibean’s signature products are its fresh daily made “Jollibean” soy milk drinks using Grade A, non-genetically modified organism (non-GMO), identity-preserved Canadian soy beans to ensure its quality. It also introduced traditional snacks such as the street pancake - Mee Chiang Kueh - which complement its soy milk drinks.

“Sushi Deli” serves an array of “pick-and-choose” sushi, assorted sashimi sets, sushi & maki sets, Japanese salads, bento sets, party platters and Japanese sweets like Tofu Cheese Cake. “Kopi Alley” is a traditional coffee cafe concept which offers traditional food & beverage items such as coffee, tea, toasted bread and nasi lemak.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Dato' Tunku Shazuddin Bin Tunku Sallehuddin  
*Chairman/Independent Non-Executive Director*

Sydney Lawrance Quays  
*Chief Executive Officer*

Tan Thiam Chai  
*Non-Independent Non-Executive Director*

Chryseis Tan Sheik Ling  
*Non-Independent Non-Executive Director*

Datuk Zainun Aishah Binti Ahmad  
*Independent Non-Executive Director*

Dato' Mustapha Bin Abd Hamid  
*Independent Non-Executive Director*

## AUDIT AND RISK MANAGEMENT COMMITTEE

Datuk Zainun Aishah Binti Ahmad  
*Chairman/Independent Non-Executive Director*

Dato' Mustapha Bin Abd Hamid  
*Independent Non-Executive Director*

Tan Thiam Chai  
*Non-Independent Non-Executive Director*

## SECRETARIES

Tham Lai Heng Michelle  
(MAICSA No. 7013702)

Wong Siew Guek  
(MAICSA No. 7042922)

Wong Poo Tyng  
(MAICSA No. 7056052)

## SHARE REGISTRAR

Berjaya Registration Services Sdn Bhd  
Lot 10-04A & 10-04B, Level 10, West  
Berjaya Times Square  
No.1, Jalan Imbi  
55100 Kuala Lumpur  
Tel: 03-2145 0533  
Fax: 03-2145 9702

## AUDITORS

Ernst & Young (AF:0039)  
Chartered Accountants  
Level 23A, Menara Milenium  
Jalan Damanlela  
Pusat Bandar Damansara  
50490 Kuala Lumpur  
Tel : 03-7495 8000  
Fax : 03-2095 5332

## REGISTERED OFFICE

Lot 13-01A, Level 13 (East Wing)  
Berjaya Times Square  
No. 1, Jalan Imbi  
55100 Kuala Lumpur  
Tel : 03-2149 1999  
Fax : 03-2143 1685

## PRINCIPAL BANKERS

AmBank (M) Berhad  
Malayan Banking Berhad

## STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

## STOCK SHORT NAME

BJFOOD (5196)

## PLACE OF INCORPORATION AND DOMICILE

Malaysia

# PROFILE OF DIRECTORS



## **DATO' TUNKU SHAZUDDIN BIN TUNKU SALLEHUDDIN**

*48 years of age, Malaysian, Male*  
Chairman/Independent Non-Executive Director

He was appointed to the Board on 4 December 2017 as the Chairman of the Company. He is a member of the Employees' Share Scheme Committee.

He graduated from Kansas Wesleyan University, United States of America, majoring in design and marketing. He began his career with Johan Design Associates and managed numerous design projects from graphic, interior design to branding for various corporate and private clients. He continued his career in the same industry with other companies including Hewlett Packard, Data One and Keppel Group of Singapore until year 2001. In 2002, he ventured into the design business and formed an agency in 2005 and subsequently became a major shareholder for both Rethink Sdn Bhd and Reka 3 Sdn Bhd.

Currently, he is the Chairman and a Director of Naza Italia Sdn Bhd. He is also a shareholder and Managing Director of Seri Libana Sdn Bhd, a company involved in interior fit-outs and project management specifically handling government contracts. He also provides consultancy services to various state and government departments, including acquisition of new technologies and funding for various agricultural and tourism initiatives.



## **SYDNEY LAWRANCE QUAYS**

*50 years of age, Malaysian, Male*  
Chief Executive Officer

He was appointed to the Board on 12 January 2017 as an Executive Director and subsequently appointed as the Chief Executive Officer of the Company on 1 June 2017. He is the Chairman of the Employees' Share Scheme Committee. He is also a member of the Sustainability Committee.

He graduated with Honors from the American Hotel and Lodging Association, United States of America majoring in Hospitality Management and Marketing in 1988. He started his career in the hotel industry, moving through different divisions and subsequently joined the Quick Service Restaurant industry, working for McDonald's Malaysia as a trainee manager in 1989.

He was a pioneer with Berjaya Starbucks Coffee Company Sdn Bhd ("BStarbucks") holding the position as Marketing and Merchandise Manager when he joined in 1998. Subsequently, he was appointed as Managing Director of BStarbucks on 31 October 2012 and Berjaya Food Supreme Sdn Bhd ("BFood Supreme") on 24 September 2013. He has been awarded "The Asia Pacific Entrepreneurship Award" in years 2014 and 2016 respectively and "The Asia Responsible Entrepreneur" in 2016.

Currently, he is overseeing the day-to-day operational decisions for BStarbucks, Berjaya Roasters (M) Sdn Bhd ("BRoasters"), Jollibean Foods Pte Ltd and BFood Supreme. He is also responsible for developing the business strategies and directions for business growth and new market expansion as well as preparing and implementing comprehensive business and marketing plans, bringing new and innovative ideas to build sales and elevate brand status. In addition, he is also responsible for the financial performance, profitability and future prospects of the business.

He is also a Director of Berjaya Food Trading Sdn Bhd ("BFood Trading") and is responsible for the growth of BFood Trading, which operates the fast-moving consumer goods ("FMCG") business, overseeing the expansion of the FMCG business into different channels and other retail sections as well as new products implementation.

He is also a Director of BRoasters, Berjaya Jollibean (M) Sdn Bhd, Berjaya Food (International) Sdn Bhd and holds directorships in several other private limited companies in the Berjaya Corporation group of companies.

## PROFILE OF DIRECTORS



**TAN THIAM CHAI**

*59 years of age, Malaysian, Male*  
Non-Independent Non-Executive Director

He was appointed to the Board on 20 May 2010 as a Non-Independent Non-Executive Director. He is also a member of the Nomination Committee, Audit and Risk Management Committee, Remuneration Committee and Sustainability Committee.

He graduated with a Diploma in Commerce (Financial Accounting) from Kolej Tunku Abdul Rahman (now known as Tunku Abdul Rahman University College) and also completed The Association of Chartered Certified Accountants (UK) professional course in 1981. He is a Fellow member of the Association of Chartered Certified Accountants (UK) since 1990 and also a member of the Malaysian Institute of Accountants.

He started work with an accounting firm in Kuala Lumpur for about 2 years and thereafter served in various Finance and Accounting positions with the Hong Leong group of companies in Malaysia as well as in Hong Kong for about 8 years. He joined Berjaya group of companies in early 1991 as a Finance Manager of an operating subsidiary and was promoted to Operation Manager later that year. In 1992, he was transferred to the Corporate Head Office of Berjaya Group Berhad to head the Group Internal Audit function and subsequently in 1993, he was promoted to oversee the Group Accounting function of Berjaya Group Berhad.

Currently, he is the Chief Financial Officer of Berjaya Corporation Berhad. He is also an Executive Director of Berjaya Land Berhad, a Director of Atlan Holdings Bhd, Indah Corporation Berhad, Cosway Corporation Berhad, Berjaya Vacation Club Berhad, Tioman Island Resort Berhad, Berjaya Starbucks Coffee Company Sdn Bhd and Cosway Corporation Limited (Hong Kong).

He also holds directorships in several other private limited companies in the Berjaya Corporation group of companies.



**CHRYSEIS TAN SHEIK LING**

*29 years of age, Malaysian, Female*  
Non-Independent Non-Executive Director

She was appointed to the Board on 15 March 2018 as a Non-Independent Non-Executive Director.

She graduated with a Bachelor of Arts in Liberal International Studies from Waseda University, Tokyo in 2012. She also did an exchange programme in Accounting and Finance in London School of Economics, United Kingdom for a year in 2010.

Currently, Ms Chryseis Tan is the Chief Executive Officer of Berjaya Times Square Sdn Bhd, a wholly owned principal subsidiary of Berjaya Assets Berhad, mainly involved in the marketing and overall management of Berjaya Times Square Mall located in Kuala Lumpur.

Ms Chryseis Tan is also a Director of Berjaya Assets Food (BAF) Sdn Bhd ("BAF"), a wholly owned subsidiary of Berjaya Assets Berhad, and she oversees BAF's interest in the Food & Beverage industry. BAF has secured the right to manage the franchise of Greyhound Café from Bangkok, Thailand in Malaysia, with the successful opening of its first outlet at Jalan Bukit Bintang, Kuala Lumpur.

Ms Chryseis Tan is also a Director and Chairman of Natural Avenue Sdn Bhd ("NASB"), a subsidiary of Berjaya Assets Berhad since 1 August 2014. NASB is the exclusive agent for Sarawak Turf Club's Special Cash Sweep Number Forecast Lotteries in Sarawak.

Presently, Ms Chryseis Tan is an Executive Director of Berjaya Assets Berhad and Berjaya Land Berhad as well as the Head of Marketing for Four Seasons Hotel and Residences, Kyoto, Japan, a hotel and residences development project undertaken by Berjaya Kyoto Development (S) Pte Ltd, a subsidiary company of Berjaya Corporation Berhad. She also holds directorships in several other private limited companies.

Her father, Tan Sri Dato' Seri Vincent Tan Chee Yioun, is a major shareholder of the Company.

## PROFILE OF DIRECTORS



**DATUK ZAINUN AISHAH BINTI AHMAD**

*72 years of age, Malaysian, Female*  
Independent Non-Executive Director

She was appointed to the Board on 20 May 2010 as an Independent Non-Executive Director. She is the Chairman of the Audit and Risk Management Committee, Nomination Committee and Sustainability Committee. She is also a member of the Remuneration Committee and Employees' Share Scheme Committee.

She graduated with a Bachelor of Economics degree from University Malaya. She began her career and worked with Malaysian Industrial Development Authority ("MIDA"), the Malaysian government's principal agency for the promotion and coordination of industrial development in the country for 35 years. In her 35 years of service, she has held various key positions in MIDA as well as in some of the country's strategic councils, notably her pivotal role as the National Project Director in the formulation of the first Malaysian Industrial Master Plan. She was the Director-General of MIDA for 9 years and Deputy Director-General for 11 years. Whilst in MIDA, she also sat on various committees/authorities at national level, including being a member of the Industrial Coordination Act Advisory Council, Defence Industry Council and National Committee on Business Competitiveness Council, Malaysia Incorporated and the National Project for Majlis Penyalarsan Perindustrian before retiring in September 2004.

Currently, she is a Director of Degem Berhad, Boustead Holdings Berhad, British American Tobacco (Malaysia) Berhad and Pernec Corporation Berhad.



**DATO' MUSTAPHA BIN ABD HAMID**

*65 years of age, Malaysian, Male*  
Independent Non-Executive Director

He was appointed to the Board on 20 May 2010 as an Independent Non-Executive Director. He is the Chairman of the Remuneration Committee. He is also a member of the Nomination Committee, Audit and Risk Management Committee and Sustainability Committee.

He graduated from the Royal Military College in 1972 and went on to obtain a Bachelor Degree (Honours) in Social Science from Universiti Sains Malaysia, Penang in 1977, and a Diploma in Public Management from the National Institute of Public Administration Malaysia (more commonly known as INTAN) in 1978. He started his career as an Administrative and Diplomatic Officer of the Research Division in the Prime Minister's Department and was posted as the First Secretary of the Malaysian Embassy in Paris, France (1982-1985). During his 16 years in the public service sector, he was also the Consul of Consulate General Malaysia in Medan, Indonesia (1990-1993) and the Principal Assistant Director in the Prime Minister's Department (1993-1994). He was appointed as Chancellor of Saito University College in April 2018 and at the same time was awarded an Honorary Doctorate in Education.

Currently, he is a Director of Teo Guan Lee Corporation Berhad, Acmar FHP Group Berhad and Lii Hen Industries Bhd. He also holds directorship positions in several other private limited companies.

Save as disclosed, none of the Directors have:-

1. any family relationship with any Directors and/or major shareholders of the Company;
2. any conflict of interest with the Company;
3. any conviction for offences within the past 5 years other than traffic offences; and
4. any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

# KEY SENIOR MANAGEMENT

## CHIN WAN CHING (LOUISE)

48 years of age, Malaysian, Female

Vice President Finance

Berjaya Starbucks Coffee Company Sdn Bhd, Berjaya Food Supreme Sdn Bhd and Berjaya Food Trading Sdn Bhd

Louise graduated with a professional accounting qualification, Association of Chartered Certified Accountants (ACCA) in 1995 and currently is a member of Malaysian Institute of Accountants (MIA).

She joined Starbucks Malaysia in 1 December 2008 as a Financial Analyst and was appointed as the Vice President of Finance on 1 October 2017. With her vast experience in field of accounting and finance in various service industries, she has grown her career to her current position and spearheads the Finance and Accounts Department, Supply Chain Operations (SCO) Department and Sustainability Department. She also oversees the Finance and Accounts Department in Berjaya Food Supreme Sdn Bhd (Starbucks Brunei) and Berjaya Food Trading Sdn Bhd since its inception.

## CHUAH PAK NEE (SUANNE)

45 years of age, Malaysian, Female

General Manager

Jollibean Foods Pte Ltd

Suanne has 23 years of hospitality and F&B retail operations at the core management level. She graduated from Domino Carlton Tivoli Hospitality Management School, Switzerland.

She joined Jollibean Foods Pte Ltd as General Manager on 1 January 2018 and prior to that, she joined Berjaya Krispy Kreme Doughnuts Sdn Bhd on 1 July 2014 and spent 3 years working as Assistant General Manager. Before joining the Berjaya Group, she was the Country Manager at San Francisco Coffee which she joined since its inception in 1997 and spent 13 years developing the network, not only in Malaysia but also Singapore, Manila, Hong Kong and Japan.

## LEE SIEW FEI

53 years of age, Malaysian, Female

General Manager

Berjaya Roasters (M) Sdn Bhd

Siew Fei started her career in 1984 when she joined Golden Arches Restaurant Sdn Bhd as a Purchasing Assistant, after graduating from Informatics College Malaysia. She subsequently joined Berjaya Roasters (M) Sdn Bhd as an Assistant Purchasing Manager in 1 October 1994.

She was appointed as General Manager of Berjaya Roasters (M) Sdn Bhd on 1 January 2011 and she currently oversees the Marketing, Product Development, Quality Assurance, Human Resources and Supply Chain departments.

Save as disclosed, none of the Key Senior Management have :-

1. any directorship in public companies and listed issuers;
2. any family relationship with any Directors and/or major shareholders of the Company;
3. any conflict of interest with the Company;
4. any conviction for offences within the past 5 years other than traffic offences; and
5. any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

# CHAIRMAN'S STATEMENT

**On behalf of the Board of Directors of Berjaya Food Berhad (“BFood”), I am pleased to present the Annual Report and Financial Statements for the financial year ended 30 April 2018.**

## FINANCIAL RESULTS

For the financial year ended 30 April 2018, BFood registered a higher revenue of RM639.7 million as compared to a revenue of RM605.4 million recorded in the previous financial year, mainly due to additional Starbucks cafés operating since the beginning of current financial year as well as same-store-sales growth recorded in Malaysia. Pre-tax profit was lower at RM19.2 million in the financial year under review as compared to RM24.3 million in the previous financial year mainly due to the exceptional loss arising from the disposal of PT Boga Lestari Sentosa (“PT Boga”).

## DIVIDEND

For the financial year ended 30 April 2018, the Group had declared and paid a total dividend of 4.0 sen single-tier dividend per share (3.50 sen single-tier dividend per share for the previous financial year ended 30 April 2017).

The total dividend paid was approximately RM15.06 million which represented 1,282% of the attributable profit of the Group for the financial year ended 30 April 2018.

## SIGNIFICANT CORPORATE DEVELOPMENT

On 24 November 2017, the Company announced that its wholly-owned subsidiary, Berjaya Food (International) Sdn Bhd (“BFI”), had disposed of its entire 99.9% stake in PT Boga for a nominal sum of Indonesian Rupiah (“IDR”) 1,000 (equivalent to about RM0.32) and PT Boga agreed to settle a portion of the inter-company debt owing by PT Boga to BFI amounting to IDR9.6 billion (equivalent to about RM3.1 million).

## SUSTAINABILITY

In line with the sustainability reporting requirements from Bursa Malaysia Securities Berhad, a Sustainability Statement will now be included as part of the BFood Annual Report. BFood's inaugural Sustainability Statement (page 16 to page 24) highlights the Company's commitment to undertaking business in a responsible and sustainable manner. Its scope covers material issues arising from the daily business operations of Berjaya Starbucks Coffee Company Sdn Bhd (“BStarbucks”) and Berjaya Roasters (M) Sdn Bhd (“BRoasters”) in Malaysia, and focuses on the economic, environmental, and social considerations of sustainability.



*Starbucks delivers great coffee and customer service to its customers.*

# CHAIRMAN'S STATEMENT

## FUTURE PROSPECTS

The Malaysian economy recorded a growth of 5.4% in the first quarter of 2018, mainly driven by continued expansion in private sector activities and net exports and is expected to remain favourable throughout the year. Along with the positive development in the economy, domestic consumption is expected to improve, and with their increased purchasing power, more consumers will be encouraged to spend on dining out.

The Group will leverage on the strength of BStarbucks and proactively continue with its expansion plans to further strengthen Starbucks' brand position as the leading premium coffee chain in Malaysia. BRoasters has introduced a new walkthrough dining concept for Kenny Rogers Roasters ("KRR") whereby guests are able to view and select the meal of their choice from a wide variety of main course dishes, appetizers, side dishes, desserts, and beverages just like a complete menu found at KRR's table service restaurants. This new concept is currently adopted by 4 KRR restaurants, providing guests with a more interesting dining experience while reducing wastage and helping the company to manage its resources more efficiently.

The respective brands under the Group will continue to leverage on the wide reach and strong engagement power of digital platforms to interact with their customers and build a stronger customer base especially with the younger generation. This will help to enrich the respective brands' marketing initiatives and strengthen brand affiliation among customers.

The respective brands are committed to offering more innovative and enticing items on their menu coupled with attractive seasonal promotions to cater to the discerning tastes of customers in a very competitive and always evolving food and beverage industry. The respective brands will also enhance their loyalty programmes and offer more attractive rewards and value-for-money promotions as an appreciation to supportive customers and to attract the interest of potential customers.

The Group expects its operating performance to be encouraging going forward, with Starbucks as the main revenue contributor.

## APPRECIATION

On behalf of the Board, I would like to express our sincere thanks and heartfelt appreciation to Dato' Sri Robin Tan Yeong Ching, who resigned as Executive Chairman on 4 December 2017, for his valued leadership, dedication, and service to the Company. Dato' Sri Robin has helmed the board of the Company since its inception and grew it to what it is today. His contributions during his tenure on the Board will no doubt help to ensure the continued success of the Company moving forward.

I would also like to welcome Ms Chryseis Tan Sheik Ling, who was appointed as Non-Independent and Non-Executive Director on 15 March 2018.

I would like to extend my sincere appreciation to my fellow colleagues on the Board, the management team, and employees for your commitment and contributions. I am very honoured to be appointed as the Chairman of the Company and look forward to working with all of you to ensure the continuous growth and success of the Group.

On behalf of the Board, I would like to express our sincere gratitude to all our loyal customers and business partners for your consistent support and trust throughout the year. We hope that you will continue to support us in the years to come.

**Dato' Tunku Shazuddin Bin Tunku Sallehuddin**  
Chairman

31 July 2018



*BRoasters provided Wholesome KRR Meals worth more than RM100,000 to Malaysia Dodgeball Federation (MDF) in support of their participation in the 2018 Dodgeball World Cup in Madison Square Garden, New York.*



*Assorted J-Freeze offers by Jollibean.*

# MANAGEMENT DISCUSSION & ANALYSIS



The Company's CEO and Starbucks Malaysia Managing Director, Sydney Quays (second from right) with the team during the Starbucks Reserve store opening in Paradigm Mall, Johor.

## BERJAYA STARBUCKS COFFEE COMPANY SDN BHD

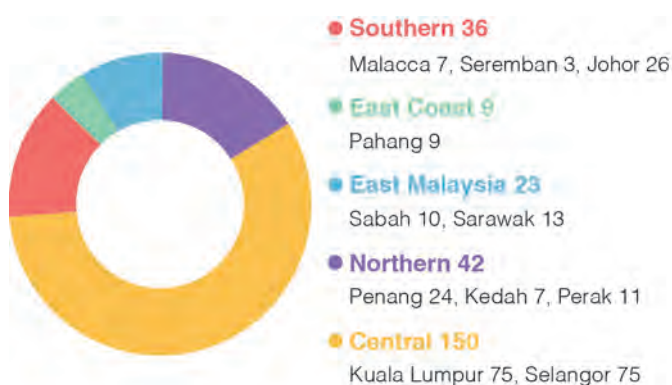
### Overview

Berjaya Starbucks Coffee Company Sdn Bhd ("BStarbucks") was incorporated in Malaysia on 7 May 1998 under the name of Berjaya Coffee Company (M) Sdn. Bhd. and assumed its present name on 16 September 2004. BStarbucks is now a 100% subsidiary of Berjaya Food Berhad.

BStarbucks' nature of business is to sell high-quality whole bean coffees, along with fresh, rich-brewed coffees, Italian-style espresso beverages, cold blended beverages, a variety of pastries and confections, coffee-related equipment and accessories, and a selection of premium teas, among others.

The first Starbucks retail store in Malaysia was opened in KL Plaza on 17 December 1998. As at 30 April 2018, BStarbucks has 260 stores located throughout Malaysia except in Perlis, Kelantan and Terengganu.

### Store Location by Region



### Revenue

BStarbucks registered an increase in revenue of RM54.1 million to RM504.9 million in the financial year under review from RM450.8 million in the previous financial year, mainly contributed by the revenue from rapid expansion, and store growth from 239 stores in the previous financial year to 260 stores in the financial year under review.

During the financial year under review, BStarbucks adopted various tactical programmes to drive sales in a competitive environment such as the production of the Starbucks Malaysia Signature Planner 2018, Chinese New Year fortune packets which featured a modern design inspired by the Starbucks Siren tail, Starbucks' 19th Anniversary merchandise, launch of the Malaysia exclusive designed reusable cup and the "You Are Here" mug series, launch of the Vanilla Sweet Cream Cold Brew and Nitro Cold Brew, as well as the introduction of the Black Eagle Espresso Coffee Machine in conjunction with the latest opening of 2 more Starbucks Reserve Stores during the financial year under review.

The Starbucks Card Programme - My Starbucks Rewards (MSR) - registered its highest ever tender rate at 53% since its launch in 2011, contributing a total of RM312.6 million for the financial year under review as compared to RM271.2 million last year. During the year, three limited edition cards were introduced i.e. the Starbucks Gawai Kaamatan Card, the Malaysia National Day Card and the Malaysia Diwali Card. BStarbucks also introduced a Special Edition Starbucks Card, limited to 6,000 pieces, with an activation amount of RM250 each.

As at 30 April 2018, there are more than 2 million (FY17: 1 million) registered MSR members and a total of 7.8 million (FY17: 5.9 million) Starbucks Cards in active circulation nationwide.

### Profit Before Tax

BStarbucks recorded a higher profit before tax of RM58.7 million as compared to RM53.3 million in the previous financial year, mainly attributed to additional revenue generated from stores opened during the financial year, coupled with effective cost management strategies.

BStarbucks recorded a higher gross margin of RM25.9 million to RM240.3 million in the financial year under review from RM214.4 million in the previous financial year. The improvement in GP margin was due to more store openings, constant cost management strategies, and the strengthening of the Malaysian Ringgit against the US Dollar (1 USD to 4.35 MYR as at 30 April 2017 to 1 USD to 3.92 MYR as at 30 April 2018) during the financial year under review.

# MANAGEMENT DISCUSSION & ANALYSIS

## Future Prospects

In the financial year 2019, BStarbucks plans to open 25 new stores with an additional 2 Reserve concept stores. In order to create affinity and strengthen its brand presence, BStarbucks will use unique and elevated store designs with relevant local motifs as its main focus for its new stores.

In addition, it will also continue to introduce innovative food and beverage items which resonate with its customers' tastes and expectations of Starbucks as a premium coffee company.

To drive loyalty and frequency, BStarbucks will continue to promote the Starbucks Card, which already has a good performance record, offering more card designs and attractive benefits, with plans to introduce MSR Tier rewards in the near future.

BStarbucks will also continue to leverage on digital innovations as well as strengthen its IT capabilities and improve on its Point Of Sales system and Inventory Management system, in order to provide a more efficient and better customer experience at its stores.

As part of its commitment towards empowering Malaysian communities, BStarbucks will continue to obtain raw materials from the local communities to develop food products and merchandise for sale in Starbucks' stores, such as its banana food products and range of Mengkuang merchandise. Through its Signing Store, BStarbucks will continue to support the deaf community by creating job opportunities and encouraging career development.



*The Tandoori Chicken Roll introduced by Starbucks Malaysia during Diwali.*



*Starbucks store at Mabohai Shopping Complex, Brunei.*

## BERJAYA FOOD SUPREME SDN BHD

### Overview

Berjaya Food Supreme Sdn Bhd ("BFS") was incorporated in Brunei on 24 September 2013. It is 80% owned by Berjaya Food (International) Sdn Bhd and is principally engaged in the operation of Starbucks retail stores in Brunei.

The first Starbucks retail store in Brunei was opened in Mabohai Shopping Complex on 16 February 2014. As at 30 April 2018, BFS has 4 Starbucks stores including one drive-thru concept store.

### Revenue

For the financial year ended 30 April 2018, BFS's revenue decreased to RM6.7 million from RM7.5 million in the financial year 2017. The decrease in revenue was mainly due to overall slower retail market conditions in Brunei and the weakening of local consumer purchasing power.

### Profit Before Tax

For the financial year ended 30 April 2018, BFS recorded a profit before tax of RM134,000 compared to the loss before tax of RM321,000 in the previous financial year, mainly due to effective controlling of administrative expenses and efficient ongoing cost management strategies.

### Future Prospects

BFS will continue to review its operational and administrative procedures to reduce operating and administrative costs. In addition, the company will continue to strengthen its brand name as one of the leading coffee retail chains in Brunei by offering innovative food, beverage and merchandise products which resonate with its customers' demand.

# MANAGEMENT DISCUSSION & ANALYSIS



*Starbucks Bottled Frappuccino coffee & tea series.*



*Kenny's Nasi Lemak OMG.*

## BERJAYA FOOD TRADING SDN BHD

### Overview

Berjaya Food Trading Sdn Bhd (“BFT”), a wholly-owned subsidiary of Berjaya Food Berhad (“BFood”), was incorporated in Malaysia on 24 July 2013.

The company is in the business of distributing premium Consumer Packaged Goods (“CPG”) such as the Starbucks Bottled Frappuccino which was launched in July 2016 to all the major retailers in Malaysia such as 7-Eleven, AEON, Cold Storage, Village Grocer, Jaya Grocer, and Petrol Marts, among others. As at 30 April 2018, BFT has a distribution network of more than 1,000 retailer outlets across Malaysia.

### Revenue

For the financial year ended 30 April 2018, BFT’s revenue increased by RM200,000 to RM4 million from RM3.8 million in the previous financial year, mainly due to the expansion of its product range in the financial year under review.

### Profit Before Tax

For the financial year ended 30 April 2018, BFT recorded a higher profit before tax of RM144,000 compared to the profit before tax of RM106,000 in the previous financial year, mainly due to the increase in its product range. The staggered change of the company’s business model from reliance on distributors to a direct selling concept also contributed to the higher profit.

### Future Prospects

BFT will continue to grow its CPG business by launching new products periodically to further elevate the customer experience beyond the stores and potentially reach out to 2,000 retailer outlets nationwide. The company is also planning to develop CPG for the F&B brands owned by BFood, and leverage on existing capabilities, resources and distribution channels to penetrate the market. This initiative will help to contribute to the Company’s profit and at the same time maximise cost efficiency, and create more brand presence and affinity among the BFood brands.

## BERJAYA ROASTERS (M) SDN BHD

### Overview

Berjaya Roasters (M) Sdn Bhd (“BRoasters”) is a wholly-owned subsidiary of Berjaya Food Berhad (“BFood”), and the master franchisee of restaurant chain, Kenny Rogers ROASTERS (“KRR”) in Malaysia. It offers a mid-casual dining setting equipped with complimentary Wi-Fi service in its table service restaurants or its newly-introduced walkthrough concept restaurant.

KRR’s core products include its signature rotisserie-roasted chicken, Outrageous, Mouth-watering, Guiltless (“OMG”) Unfried Fried Chicken, the first Unfried Fried Chicken in Malaysia, and the famous Kenny’s Home-made Muffins, a staple favourite. Other wholesome selections include a wide array of hot and cold dishes, salads, pastas, and soups as well as a healthy list of beverages.

During the financial year under review, KRR also introduced several side dishes such as Sunny Corn Rice, Triple Bean Salad, Smokey Corn Bites, and Kimchi Macaroni to complement the signature rotisserie chicken and OMG Unfried Fried Chicken ensuring that guests get a balanced and wholesome meal when they dine at KRR.

KRR also introduced the Take Me Home Package, giving its customers value-for-money options for takeaway wholesome meals for four which is easy on the wallet. KRR’s ROASTERS On The Move (“ROTM”) mobile restaurant truck made a comeback in January 2018 to make wholesome meals more accessible to customers. The ROTM’s catering service is an ideal choice for any occasion due to a meticulously crafted menu that features KRR’s crowd favorites.

KRR’s new walkthrough concept allows guests to view and select their meal from a wide variety of appetizers, side dishes, main course dishes (a la carte), desserts, and beverages just like a complete menu found at KRR’s table service restaurants.

# MANAGEMENT DISCUSSION & ANALYSIS

## Revenue

For the financial year ended 30 April 2018, BRoasters recorded a revenue of RM92.7 million, a decrease of 4.8% compared to RM97.4 million in the previous financial year. This was mainly due to the closure of 8 non-performing stores during the year and a reduction in menu pricing in October 2017.

## Loss Before Tax

For the financial year ended 30 April 2018, BRoasters recorded a higher loss before tax of RM6.7 million compared to the loss before tax of RM4.2 million in the previous financial year, mainly due to an increase in operating expenses and depreciation, as well as a reduction in interest income.

## Future Prospects

BRoasters will continue to introduce enticing seasonal dishes and valued promotions, while further expanding its new walkthrough dining concept to encourage consumer spending and engagement. BRoasters has also refreshed its KRR Reload Card to offer limited edition designs and attractive promotions regularly, which rewards valued guests and encourages brand loyalty.

As at 30 April 2018, 4 KRR restaurants (Awana SkyCentral, Genting SkyAvenue, JB Paradigm & Aeon Kuching) have adopted the walkthrough concept, providing guests with a more engaging dining experience. Adopting the walkthrough concept has helped KRR improve guest servicing, reduce wastage and manage resources more efficiently.

To engage with the younger generation, KRR actively leveraged on online marketing and social platforms to advocate healthy living and promote its latest offerings.



KRR's ROASTERS On The Move mobile restaurant.



Jollibean's new outlet at Singapore Changi Airport Terminal 3.

## JOLLIBEAN FOODS PTE LTD

### Overview

Jollibean Foods Pte Ltd ("Jollibean Foods") is a subsidiary of BFood. The company holds the sole and exclusive worldwide rights to develop, franchise, operate and manage all outlets, stalls, and kiosks, as well as the distribution rights for the products under the brand names of "Jollibean", "Sushi Deli" and "Kopi Alley".

The "Jollibean" brand has become a household name in Singapore since its inception in 1995. It started with the philosophy of bringing back nostalgic childhood memories of Singapore through providing nutritious and healthy traditional snacks, suitable for all ages. As at 30 April 2018, Jollibean Foods operates 31 outlets under the 3 brands in Singapore.

### Revenue

For the financial year ended 30 April 2018, Jollibean Foods recorded a decrease in revenue to RM28.2 million from RM33.4 million in the previous financial year, mainly due to the closure of 14 non-performing stores in the financial year 2017.

### Loss Before Tax

For the financial year ended 30 April 2018, Jollibean Foods recorded a lower loss before tax of RM751,000 compared to a loss before tax of RM2.9 million in the financial year 2017. Besides the closure of non-profitable stores, the management undertook a staff-restructuring exercise and increased labour productivity and efficiency which contributed to lower losses.

### Future Prospects

For the financial year 2019, Jollibean Foods will concentrate on expanding its revenue stream and driving sales growth for its existing operations in Singapore. One of its key focus areas would be to continue with its store expansion plan, with the target of opening 6 -10 new stores during the financial year.

Jollibean Foods will also strengthen its brand presence among the younger generation through digital and social media channels. Jollibean Foods will also continue to develop innovative food and beverage products to attract and retain public interest.

# GROUP FINANCIAL SUMMARY

	2018 USD'000	2018 RM'000	2017 RM'000	2016 RM'000	2015 RM'000	2014 RM'000
Revenue	163,345	639,741	605,441	554,363	376,780	150,369
Profit Before Tax	4,902	19,197	24,319	35,615	182,769	24,573
Profit For The Year	56	218	6,332	17,542	171,099	20,113
Profit Attributable To Shareholders	300	1,175	11,435	21,290	177,574	22,669
Share Capital #	62,104	243,232	240,617	189,144	187,137	134,556
Reserves #	38,369	150,274	159,634	210,359	207,282	28,231
<b>Equity Funds</b>	<b>100,474</b>	<b>393,506</b>	<b>400,251</b>	<b>399,503</b>	<b>394,419</b>	<b>162,787</b>
Treasury Shares	(1,963)	(7,687)	(8,334)	-	-	-
<b>Net Equity Funds</b>	<b>98,511</b>	<b>385,819</b>	<b>391,917</b>	<b>399,503</b>	<b>394,419</b>	<b>162,787</b>
Non-controlling Interests	350	1,370	(17,587)	(11,000)	(6,626)	(641)
<b>Total Equity</b>	<b>98,861</b>	<b>387,189</b>	<b>374,330</b>	<b>388,503</b>	<b>387,793</b>	<b>162,146</b>
Long Term Liabilities	38,355	150,218	136,711	177,606	198,363	5,151
Current Liabilities	70,536	276,256	279,198	180,545	128,076	25,543
<b>Total Equity and Liabilities</b>	<b>207,752</b>	<b>813,663</b>	<b>790,239</b>	<b>746,654</b>	<b>714,232</b>	<b>192,840</b>
Property, Plant & Equipment	59,768	234,083	216,955	173,625	155,504	38,899
Intangible Assets	116,713	457,106	454,734	451,652	447,321	16,088
Investment and Other Non-Current Assets	7,183	28,133	28,744	25,556	4,232	94,543
Current Assets	24,088	94,341	89,806	95,821	107,175	43,310
<b>Total Assets</b>	<b>207,752</b>	<b>813,663</b>	<b>790,239</b>	<b>746,654</b>	<b>714,232</b>	<b>192,840</b>
Net Assets Per Share (US\$/RM)	0.26	1.02	1.05	1.06	1.05	0.60
Net Earnings Per Share (Cents/Sen)	0.08	0.31	3.05	5.66	54.41	8.58
Dividend Per Share (Cents/Sen)	1.02	4.00	3.50	4.25	5.75	4.25
Net Dividend Amount (USD'000/RM'000)	3,846	15,061	13,095	16,011	21,451	11,651

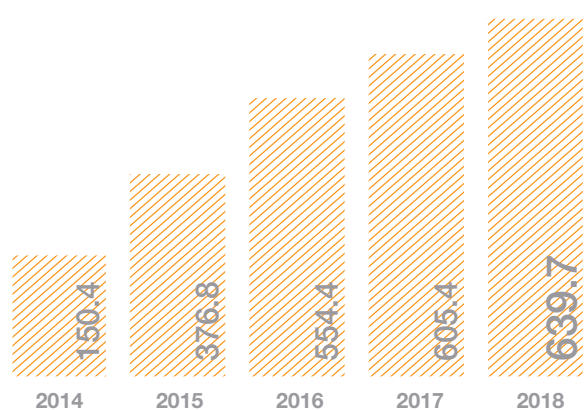
## Notes:

Figures for 2014-2018 are for 12 months ended 30 April. Where additional shares are issued, the earnings per share are calculated based on a weighted average number of shares.

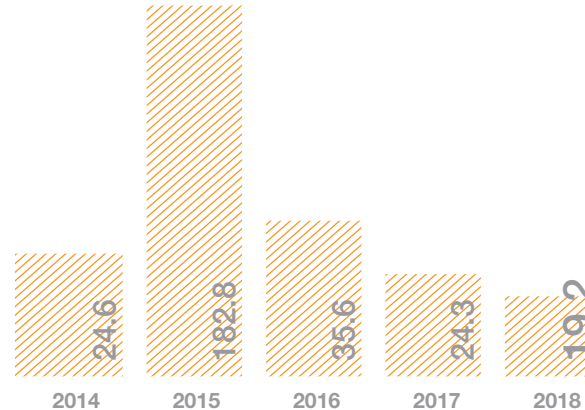
Exchange rate: US\$1.00=RM3.9165

# GROUP FINANCIAL HIGHLIGHTS

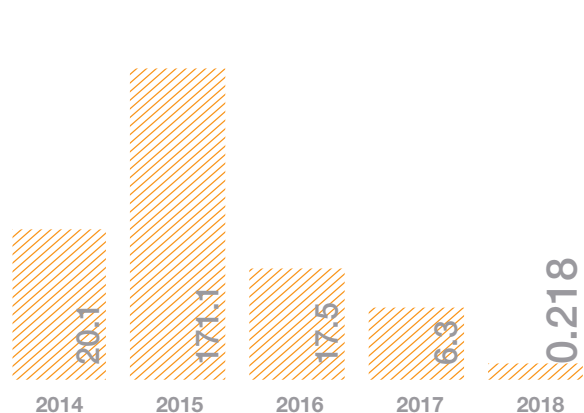
**Revenue** (RM'million)



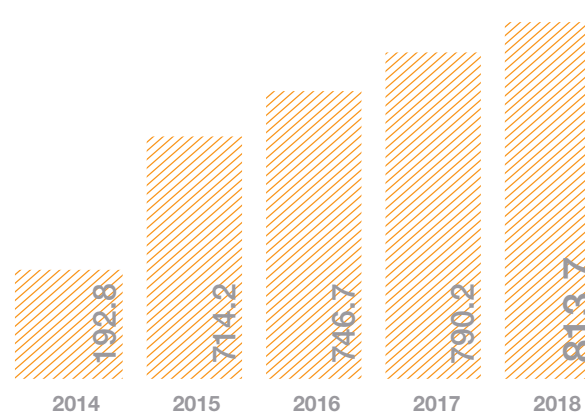
**Profit Before Tax** (RM'million)



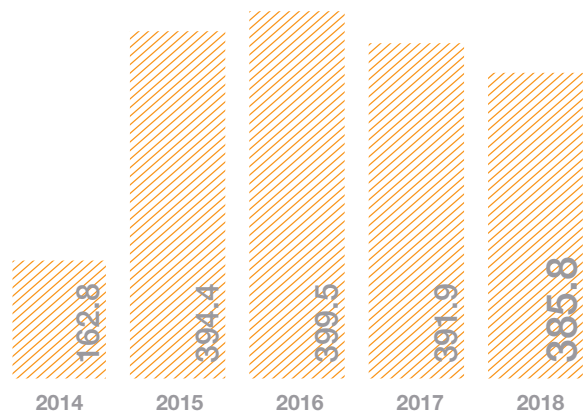
**Profit for the Year** (RM'million)



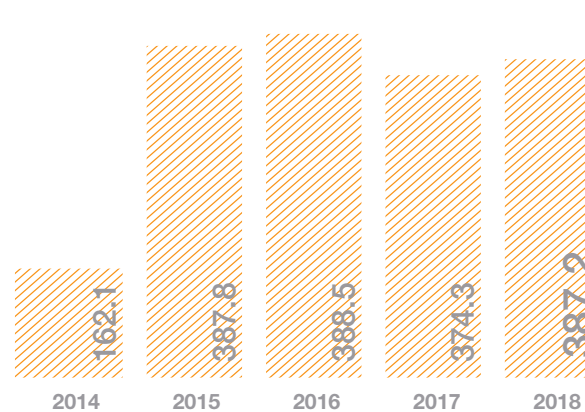
**Total Assets** (RM'million)



**Net Equity Funds** (RM'million)



**Total Equity** (RM'million)



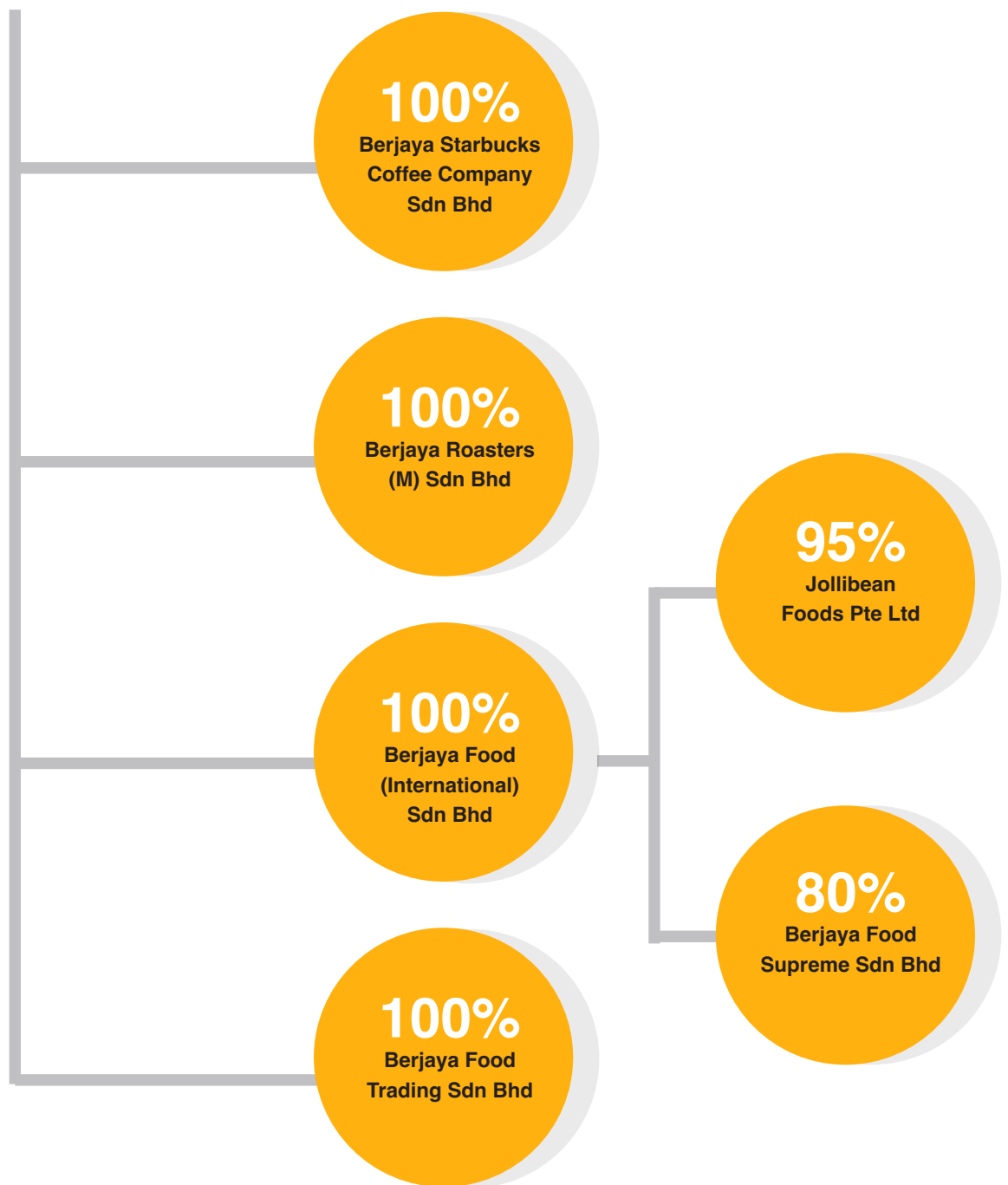
# CORPORATE STRUCTURE

*of operating companies as at 1 August 2018*



**BERJAYA**

**BERJAYA FOOD BERHAD**



# SUSTAINABILITY STATEMENT

## 1. REPORTING PROFILE AND SCOPE

This is the first sustainability statement released by Berjaya Food Berhad (“BFood”) in accordance with Bursa Malaysia Securities Berhad’s (“Bursa Malaysia”) Sustainability Reporting Guide for the financial year ended 30 April 2018 which highlights the Company’s commitment to undertaking business in a responsible and sustainable manner. The information available in this section focuses primarily on the operations and management of economic, environmental and social sustainability of the Company for the financial year ended 30 April 2018.

The scope of the inaugural sustainability statement covers material issues arising from the daily business operations of Berjaya Starbucks Coffee Company Sdn Bhd (“BStarbucks”) and Berjaya Roasters (M) Sdn Bhd (“BRoasters”) in Malaysia. It does not include the environmental and social sustainability aspects of the other business operations in Brunei, Indonesia and Singapore.

The statement offers an overview of the sustainability approach and initiatives made by BFood on how it creates economic value, protects the environment and pursues social development in the food and beverage sector. From the key sustainability initiatives to the community support and development programmes reaching out to various communities, the statement outlines the various practices that have been embedded into the Company’s processes with the ultimate aim of bringing more value to its businesses, society and stakeholders.

Given that this is the Company’s first sustainability statement, the data collection remains limited to selected economic, environment and social indicators that contribute to the sustainable development of BFood and are of interest to its internal and external stakeholders. The information and data disclosed in this statement were derived from internal reporting processes, systems and records. The structure and write-up of this statement draws upon guidance from Bursa Malaysia’s Sustainability Reporting Guide and Toolkits.

## 2. APPROACH TO SUSTAINABILITY

The Company strives to support economic growth that benefits every level of society, while minimising any adverse environmental and social impacts arising from its daily business operations guided by a long-term strategy comprising 3 main aspects:-



### Economic Sustainability

Creation of long-term value for shareholders and added value for all the Company’s stakeholders.



### Environmental Sustainability

Striving towards reducing the Company’s environmental footprint by improving on efficiency of resources and supporting conservation efforts.



### Social Sustainability

Dealing with customers and the public according to good market practices and regulatory requirements, conducive workplace practices and community engagement through a variety of initiatives involving the Company’s monetary and non-monetary resources.

For the year under review, the Company formalised its sustainability journey with the setting up of a Sustainability Working Group comprising representatives from its various business units and teams. Governed by the Board of Directors of BFood, the Sustainability Working Committee oversees the overall planning and implementation of sustainability practices in a continuous and systematic manner.






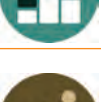

To better understand the impacts and issues that are most relevant and of greatest concern to the Company, a series of meetings were conducted with the key executives and management from the two business segments contributing their expertise to the materiality identification process. The process enabled the team to effectively identify and define the scope of material issues within the economic, environmental and social aspects across the Company. The findings were then submitted to the Sustainability Working Group for evaluation and subsequently, the Sustainability Statement was presented to the Sustainability Committee for review, followed by the Board’s approval. In developing the list of materiality issues and the reporting framework, a broad range of references were studied by the Committee members including Bursa Malaysia’s Sustainability Reporting Guide and Toolkits.

# SUSTAINABILITY STATEMENT

## 3. STAKEHOLDER ENGAGEMENT

The Company believes that the approach of stakeholder engagement is integral to the development of its sustainability strategy and is also a pre-requisite for long-term sustainable growth. As each of the stakeholders impact

and influence the Company's businesses differently, the engagement activities are on an on-going basis, depending on the purpose and needs. The Company's key stakeholders and engagement platforms are as listed below:-

Stakeholder Groups	Engagement Platforms
 Government and Regulators	<ul style="list-style-type: none"> <li>On-going meetings and interactions with the regulators on policy matters, issues and concerns arising from the changing operating environment as well as matters concerning the customers and the general public.</li> </ul>
 Customers	<ul style="list-style-type: none"> <li>Continuous efforts to serve customers better using various channels for feedback and through initiatives that reflect the Company's values.</li> </ul>
 Employees	<ul style="list-style-type: none"> <li>Internal engagement channels.</li> <li>Training and development programmes.</li> <li>Open communication regularly through bi-monthly Town Hall sessions.</li> </ul>
 Contractors / Consultants / Suppliers	<ul style="list-style-type: none"> <li>Tendering and procurement process.</li> <li>Regular meetings with suppliers to give and receive feedback on improving ways of working together.</li> </ul>
 Media	<ul style="list-style-type: none"> <li>Regular engagement and updates with the mainstream media.</li> <li>Media releases relating to key business development as well as corporate social responsibility ("CSR") activities.</li> </ul>
 Communities, non-governmental organisations, peer companies, industry groups	<ul style="list-style-type: none"> <li>Consultation with NGOs for their expert opinions on corporate responsibility areas relevant to the business.</li> <li>Volunteering opportunities and charitable events.</li> </ul>
 Shareholders / Investors	<ul style="list-style-type: none"> <li>Communications via announcements to Bursa Securities, General Meetings, the Company's Annual Report and website as well as conducting briefings and updates for analysts, fund managers and potential investors as and when required.</li> </ul>

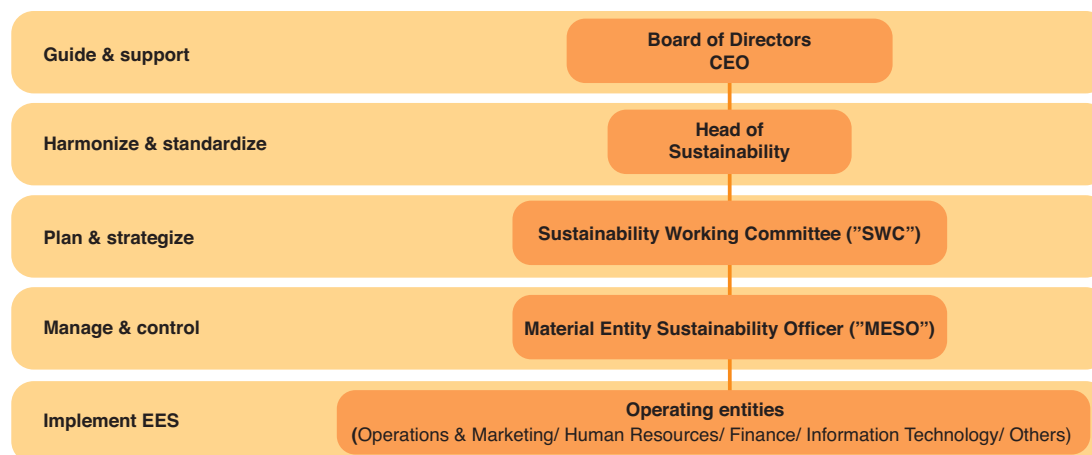
## 4. SUSTAINABILITY GOVERNANCE

Sustainability governance is one of the core elements that governs the sustainable development of the Company's businesses. The Company strives to maintain a high standard of governance and firmly believes in accountability and transparency to maximise economic, environmental and social returns to all its stakeholders. The core responsibilities of the governance structure rest on the Board comprising professionals from a wide range of business experience and expertise. Through focused committees and commitment to adopting best practices, the Board is committed to maintaining sound internal controls and effective risks management to enhance transparency, accountability, integrity and honesty to earn the trust of its stakeholders. The Board views the commitment to promote sustainability strategies in the economic, environmental and social aspects as part of its broader responsibility to all its various stakeholders and the communities in which it operates.

Within the sustainability governance structure, each operating company is represented by a Material Entity Sustainability Officer who collates the various sustainability initiatives implemented and prepares the sustainability report. The sustainability report of each operating company is provided to the Sustainability Working Committee for review and facilitates the preparation of the sustainability statement for the Company. Moving forward, the Company strives to improve its monitoring process on the implementation of its internal control measures and sustainability initiatives. The Board and management are committed to continually refining and improving these processes over time. The financial figures in this Sustainability Statement have been externally verified. For more detailed information on the Company's Statement on Corporate Governance Overview Statement and Statement on Risk Management and Internal Control, please refer to pages 25 to 40 of the BFood Annual Report 2018.

# SUSTAINABILITY STATEMENT

## Sustainability Governance Structure



Note: EES denotes economic, environment and social.

## 5. ECONOMIC SUSTAINABILITY

### i. Financial Performance

#### BFood's financial performance highlights for FYE 2018



#### REVENUE

RM639.7 million (FYE 2017 - RM605.4 million)



#### PROFIT BEFORE TAX

RM19.2 million (FYE 2017 - RM24.3 million)



#### RETURN ON EQUITY

0.30% (FYE 2017 - 2.89%)



#### DIVIDEND DISTRIBUTION

RM15.1 million (FYE 2017 - RM13.1 million)



#### DIVIDEND PAYOUT RATE

1,281.8% (FYE 2017 - 114.5%)

For more information about the Company's financial performance, please refer to the Group Financial Summary and Highlights on pages 13 and 14 of BFood Annual Report 2018.

### ii. Procurement

BStarbucks endeavours to create a positive impact by supporting procurement of products and services from locally established business entities to spur the country's economy.

Procurement is conducted through the evaluation of tenders in terms of pricing, credibility and other related matters such as compliance to the labour law, Good Manufacturing Practice ("GMP") and Hazard Analysis and Critical Control Points ("HACCP") requirements prior to confirmation. BStarbucks has successfully engaged with vendors who comply with ethical sourcing requirements through its procurement and sourcing policy.

BRoasters applies the same procedures of procurement, giving priority to competitively priced locally produced items and ensuring efficient, effective and uniform procurement of all goods and services that are required for the operations of the company. The procurement team continuously source for alternative products that will bring about cost reduction through value without compromising the quality of the products.

BRoasters also ensures that the logistics for delivery of goods to its restaurants are in order and it maintains an efficient inventory control in the central warehouse by using the SAP inventory system.

Both companies also ensure that 100% of their food products adhere to the "Halal" requirements from JAKIM. Suppliers are required to self-declare and provide an updated certification. Audits and compliance are conducted regularly to ensure that local regulatory hygiene practices are in place.

### iii. Indirect Economic Impact

BFood is committed to empowering local Malaysian communities to build a better tomorrow through its Connecting Communities in Malaysia programme; a scalable community project that contributes to small villages in support of local sourcing.

# SUSTAINABILITY STATEMENT

Since 2013, BStarbucks has been supporting the banana farming communities from Kampung Lubuk Jaya and in 2016, BStarbucks engaged with 2 additional villages; Kampung Parit Serong and Kampung Sungai Gulang-Gulang in Kuala Selangor for the supply of more raw bananas to meet the demands of BStarbucks' store growth.

To date, BStarbucks has purchased a total of approximately RM43,850 worth of raw bananas for the production of its banana-based food products such as the Signature Banana Chocolate Chip Muffin, Mini Banana Swiss Roll, Banana Slice and Sticky Doughnut with Banana and Raisins that are available at all Starbucks stores in Malaysia.

In 2015, BStarbucks initiated a collaboration with Craft CT 01 Enterprise to promote *mengkuang*-based products by the local community in FELDA Chini Timur 01, Pahang. Now in the third year of this partnership, BStarbucks has purchased a total of approximately RM113,000 worth of *mengkuang*-based products which are available for sale at selected Starbucks stores located mainly at the airports and tourist attraction stores.

The community of FELDA Chini Timur 01 won the 1<sup>st</sup> place in Jabatan Inovasi Pembangunan Generasi Baharu FELDA for producing an innovative product - the Starbucks *Mengkuang* Hot Cup Sleeve - and awarded the Best Entrepreneur, East Coast Territory by Pusat Internet Peringkat Kebangsaan FELDA.

As part of its on-going efforts to support the communities in FELDA CHINI Timur 01, Pahang, BStarbucks will strive to increase the number of Starbucks stores retailing *mengkuang*-based products.



Starbucks banana-based food products are available at all Starbucks stores in Malaysia.



Coasters made from woven *mengkuang* leaves are on sale at selected Starbucks outlets.

## 6. ENVIRONMENTAL DIMENSION

BFood is working to shrink its environmental footprint and meet the expectations of their customers by increasing recycling, promoting reusable cups and containers, and reducing the waste associated with their cups and other packaging.

### i. Environment

BStarbucks has a "Bring Your Own Tumbler" programme which rewards its customers with a RM2 discount when they bring their personal Starbucks tumbler to purchase coffee in Starbucks stores. BStarbucks has also introduced reusable cups as an important component of its overall waste reduction strategy.

BStarbucks has introduced a few environmental initiatives such as :

- the Starbucks napkin which is made with 100% recycled content with a minimum of 40% post-consumer fiber.
- the Starbucks hot cup sleeve which is made with 60% post-consumer fiber.
- the Starbucks To Go Hot and Cold Cups and Lids which are all recyclable.

BRoasters has introduced the i.Care Box as its on-going environmental initiative to manage waste better. BRoasters also incentivises KRR customers who return using the i.Care Box with a special discount.

In the financial year ended 30 April 2018:

- 862,517 customers used Starbucks tumblers when purchasing their beverages.
- 12,415 customers used the KRR i.Care Box when purchasing their meals.



KRR's i-Care Box.

# SUSTAINABILITY STATEMENT

## ii. Energy

BFood strives towards a more efficient sustainable management strategy in the use of its resources which includes energy to reduce its carbon footprint.

### **Electricity**

BStarbucks implements energy tracking on the consumption of electricity (kWH) in Starbucks stores. BStarbucks has implemented initiatives to save energy in its head office such as the 'lights off' campaign and adjusting the air conditioners in the office to a set temperature of 25°C degrees. BStarbucks has also replaced the conventional lighting in all Starbucks stores with LED type halogen and metal halide bulbs with 5W LED and 50Q LED floodlights which have reduced energy consumption by 20%.

BStarbucks have also implemented solar panels at Starbucks Drive-Thru Tanjung Tokong, Penang. Solar energy has the least negative impact on the environment compared to any other energy source. It does not produce greenhouse gases and does not pollute water.

In its continuing efforts to raise awareness on reducing the consumption of electricity, Starbucks stores nationwide have been celebrating Earth Hour over the past 11 years and encouraging customers to switch off non-essential lights.

BRoasters is in the process of switching to LED lights during the refurbishment process of all of its KRR restaurants. As at 30 April 2018, 15 KRR restaurants have converted to LED lights since the exercise started early 2015. This will contribute to more electricity savings and subsequently, better environmental quality.

### **Managing Resources**

During the financial year under review, BStarbucks took the initiative to consolidate its distribution network (comprising suppliers, distributors, other intermediaries including logistic providers) in an effort to increase efficiency in the deployment of its resources.

Starting with a pilot programme involving 40 stores, BStarbucks consolidated its distribution network for its ambient and frozen products, reducing from 12 trucks (6 trucks each for separate delivery routes for its ambient and frozen products) to 6 trucks for combined deliveries. As a result, the usage of its transportation vehicles was reduced by 50%, and in the process, fuel consumption and emission of carbon monoxide was also reduced.

## iii. Paper Bag Usage

BStarbucks introduced non-woven gift bags in November 2017 to reduce the consumption of the Starbucks Shopper Paper Bags when customers purchase Starbucks merchandise.

From November 2017 until April 2018, BStarbucks has managed to reduce the consumption of paper bags by 13.6% compared to the previous year.

## iv. Waste Management

BStarbucks is committed to significantly reducing and diverting the waste generated by its stores through various ways, including recycling.

The Grounds For Your Garden programme provides interested customers with complimentary 1kg bags of soil-enriching used coffee grounds to take home for their gardens. The coffee grounds make an excellent garden fertilizer and provide much-needed nutrients to the soil. In the financial year ended 30 April 2018, 92% of Starbucks stores diverted 237,919 kg of used coffee grounds from the landfill.



*Starbucks partners (employees) engaged with the community at the Starbucks Drive-Thru Kota Kemuning Edible Garden by educating them on how to mix the used coffee grounds with their own soil.*

## 7. SOCIAL DIMENSION

BFood acknowledges the importance of social sustainability by putting in place various practices which encompass matters relating to product and service compliance, information security and privacy, responsible marketing and communication practices, public policy, and social integration and community development, among others.

### i. Product and Service Compliance

BFood Customer Service Commitment is to make each of their customers feel special by empowering their service staff to 'own' the customer's experience and take it right through service recovery if the customer is less than highly satisfied with their experience.

To ensure the products and services offered by BStarbucks and BRoasters meet consistent standards, random surveys are conducted with customers for their feedback on their experience visiting the stores and their rating on the quality of food and beverage.

### ii. Consumer Health and Safety Ethics

BFood believes it has a responsibility to advocate consumer health and safety that support the health of its businesses, employees and the communities in which it serves.

# SUSTAINABILITY STATEMENT

## **“Halal” Training**

Being a responsible organisation, BFood develops its employees’ capabilities and skills to ensure that they understand “Halal” compliance at work and how it helps them to answer questions on the “Halal” certification. Product safety is also an integral part of the Company’s commitment in terms of ensuring that its food and beverage offerings are safe for consumption and adhere to Halal requirements by JAKIM.

## **Quality Assurance Standards Audit (“QASA”)**

Employees of all BFood outlets are required to attend the Food Handler’s class in which they are educated on safe food handling.

BStarbucks and BRoasters are certified ‘Sekolah Latihan Pengendali Makanan’ by the Ministry of Health Malaysia thus every employee will be awarded a certificate of attendance with a lifetime validity after undergoing the Food Handler training.

All Starbucks stores are audited twice a year unannounced by external auditors and internal Quality Assurance.

Good Catering Practice (“GCP”) audits are also conducted every quarter on all KRR outlets to ensure that local regulatory hygiene practices are in place. These audits are not only a check and balance system but also serve as a reminder that food safety is to be maintained at all times. Recognition for consistent high performers are highlighted every quarter and on an annual basis, the best overall performer is rewarded.

## **Supplier Audit**

To ensure all products and services adhere to the laws and regulations through assessments, Starbucks’ Supplier Audits are based on Global Food Safety Initiative (“GFSI”) standards and the frequency is based on the Supplier Base Management (“SBM”) risk assessment. The risk assessment is based on the four risk categories: Product Risk, Supplier Risk, Business Risk and Brand Risk.

### **iii. Information Security and Privacy**

BFood ensures its customers’ privacy and data are protected through the relevant guidelines and practices under its Data Protection Policy.

In compliance with the Personal Data Protection Act 2010, a terms of use agreement has been published on the Starbucks and KRR websites which states clearly the methods and purpose of collecting customers’ personal information.

### **iv. Integrated Marketing Communication**

BFood communicates its promotional information through social media and in-store materials to create awareness and provide information on the latest promotional offers. BStarbucks reaches out to its approximately 1.3 million registered customers via Electronic Direct Mail (“EDM”) and also provides product information through the Starbucks

Mobile Application which has garnered 400,000 downloads to-date.

BStarbucks and BRoasters also engage with the media, namely print advertisements and radio, to promote their new campaign launches or food and beverage promotions to the mass audience as well as strengthen their brand names in the market.

BRoasters encourages its customers to provide positive or constructive feedback through various channels such as its Facebook page, email or direct feedback to their restaurant staff.

BStarbucks also engages with customers through its baristas and the Starbucks Call Centre staff who are trained to assist with customer enquiries and provide assistance when required.

### **v. Employee Health and Safety**

BFood employees are also encouraged to exercise regularly by taking advantage of the subsidised rates at the Sports Toto Fitness Centre.

During the financial year under review, BStarbucks organised the ‘Starbucks Biggest Loser’ programme to encourage its partners (employees) to do more exercise, eat healthier and have fun!

BStarbucks also collaborated with Life Care Diagnostic Centre to organise a mini health fair to increase health awareness and better management of health behaviour.



*BStarbucks organised the ‘Starbucks Biggest Loser’ programme to encourage their partners to lead a healthier lifestyle.*



*BStarbucks’ mini health fair.*

# SUSTAINABILITY STATEMENT

## vi. Labour Practices

BFood seeks to inspire and nurture the human spirit, understanding that each person brings a distinct life experience to the table. BFood employees are diverse not only in gender, race, ethnicity, disability, religion and age, but also in cultural backgrounds, life experiences, thoughts and ideas. Embracing diversity not only enhances their work culture, it also drives their business success. It is the inclusion of these diverse experiences and perspectives that create a culture of empowerment, one that fosters innovation and economic growth.

BFood places importance on effective recruitment practices by hiring the right candidates. By doing this, the Company would be able to encourage its employees to become more engaged in their work and feel a strong sense of pride which lead to higher productivity and greater staff retention.

BFood has an Employee Referral Programme with an incentive payout. Its Internship Programme is also an ongoing programme and more culinary schools have been submitting internship placements for their students.

BStarbucks has put in place various channels for Employee Engagement, Feedback and Grievance Management, which include the following :-

### i) **Townhall**

An internal event where BStarbucks management will present and update the partners (employees) on the company's business results once every 6 months. At the same time, it creates a platform for the partners (employees) to ask questions and engage with the Starbucks Leadership team.

### ii) **SCOOP**

A quarterly internal newsletter to share the latest updates and information within BStarbucks.

### iii) **Asia Pacific and China Coffee Connection**

An internal e-Newsletter that shares monthly updates and activities within Starbucks in the Asia Pacific Region.

### iv) **Exchange Meeting**

To keep the competitive edge and adopt best practices from other industrial player BStarbucks connect with local and international companies to share and learn from each other. During the financial year under review, BStarbucks had Exchange Meetings with Peacebird (retail fashion, China) and Feruni Ceramiche (retail tiles, local)

## v) **Starbucks Barista Championship**

Being in the coffee business, BStarbucks has created the Starbucks Barista Championship, a yearly event which provides an exciting platform where Starbucks Coffee Masters from all over Malaysia come together and showcase their coffee knowledge, skill and passion over coffee. During the financial year under review, 300 Coffee Masters took part in this event.

## vii. Awards

As testament to its commitment towards ensuring best practices and creating a conducive work environment where its employees can thrive in, BStarbucks was awarded a number of awards during the financial year under review.

- **Asia Corporate Excellence and Sustainability (ACES)**  
2017 Top Companies to Work for in Asia 2017  
2017 Sydney Quays, Eminent Leaders in Asia
- **Asia Halal Brand Awards (AHBA)**  
2018 Best Premium Roasted Coffee  
2018 Best Specialty Coffee Chain
- **Malaysian Branding Institute**  
2016-2017 Malaysia Best Employer Brand Awards
- **TalentCorp Malaysia-Life@Work**  
2017/18 Honouree
- **Putra Brands Awards**  
2017 Most Preferred Brand, Restaurant & Fast Food Category



*BStarbucks received two awards at the Asia Corporate Excellence and Sustainability Awards ("ACES Awards") 2017.*

# SUSTAINABILITY STATEMENT

## viii. Education and Training

BFood employee development programmes provide learning opportunities which maximise the potential of its employees to meet its business needs and contribute to the success of the Company. In total BFood invested 192,000 hours in training and development.

BStarbucks provides its partners (employees) a learning and development platform conducted by internal and external parties to develop partners' (employees) capabilities and skills and ensure that they are able to perform their day-to-day tasks. The Coffee Master Programme is aimed at deepening each partner's (employee's) knowledge and elevating the coffee experience for BStarbucks customers. Coffee Masters inspire fellow team members to seek more knowledge, make perfect handcrafted beverages and help customers find the right coffee. There are currently 1,066 BStarbucks partners (employees) that have been successfully certified as Coffee Master.

As part of its commitment in developing its employees' capabilities and skills, BRoasters leverages on three aspects of the business, i.e. on service, training effectiveness, and consistent delivery of workshops. These initiatives are to enhance both technical and soft skills, increase job competencies and create sustainable transferability of skills and knowledge among KRR team members, the future leaders of the company.

## ix. Employee Benefits and Welfare

BFood attracts, develops and retains the best people in the Company, in line with its expectations of creating a high performance and motivated culture.

The Company's employee benefits and welfare are constantly enhanced through periodic surveys on best market practices. During the year, BRoasters further enhanced the employees annual leave entitlement for those who have served the company exceeding ten years.

The Annual Performance Review was also improved to cater equally for both key responsibilities and competencies in order to carry out a fair assessment on each employee's performance.

## x. Community Investment

Every BFood store is a part of a community, and BFood is committed to strengthening the neighbourhoods in wherever it operates.

BFood has always believed that it can - and should - have a positive impact on the communities in which it serves, and one of the most impactful ways to achieve this is through community service which reflects its mission and values.

## Global Month of Service

In 2018, BStarbucks celebrated its eighth annual Global Month of Service (GMoS) in the month of April, where its partners (employees), customers, non-profit organisations, civic leaders and business partners dedicated their time and energy to create positive and meaningful change in the communities they serve by holding local service events.

Starbucks Malaysia's Green Outreach Programme welcomed NGO, EcoKnights, to establish a sustainable Community Edible Garden for the Perumahan Awam Rumah Panjang Ikan Emas community in Cheras, Kuala Lumpur in the hopes of improving the livelihood of its residents by growing their own vegetables which helps the community to cope with the rising cost of living in the city. The Community Edible Garden also serves as an excellent educational activity with the youth and children in the community.

150 people participated, bringing together BStarbucks partners (employees), customers, non-profit organisations, civic leaders, business partners, friends and family to create an edible garden spanning 30 meters in length and running along the Kerayong River. Plans in the pipeline involve an area that opens up further once the community is better equipped to maintain a larger garden.

Together with EcoKnights, BStarbucks raised a total of RM15,000 through the sale of limited edition Starbucks Reusable Cups where RM1 from each purchased cup was contributed to EcoKnights' efforts in helping communities build their own Edible Garden and operating workshops for the public aimed at increasing awareness and knowledge on farming and gardening through composting and up-cycling, among other initiatives.

As at 30 April 2018, BStarbucks contributed a total of 2,078 community service hours for the financial year under review.



*BStarbucks collaborated with EcoKnights for the Community Edible Garden in Cheras.*

# SUSTAINABILITY STATEMENT

## Starbucks Signing Store

The Starbucks Signing Store celebrated its first anniversary on 20 July 2017. The Starbucks Signing Store provides a platform and the opportunity for deaf partners to have a meaningful career and aim for self-sustainability. Deaf partners (employees) serve customers a uniquely uplifting Starbucks Experience and the store celebrates the contributions of deaf partners (employees) and raises awareness of people with disabilities in the workplace.

To date, BStarbucks has successfully certified 4 deaf partners (employees) as Coffee Masters and promoted 1 deaf partner to a Shift Manager. As at 30 April 2018, there are a total of 9 deaf partners (employees) at its Signing Store in Bangsar. BStarbucks is considering the opening of a second Signing Store.

## Starbucks Opportunity for Youth Grant

BStarbucks applied its Opportunity for Youth Grant of RM33,480 (USD8,205.88) to run the Starbucks Outreach Community Programme at the Starbucks Signing Store, Bangsar Village 2 from September 2016 until October 2017. The project provided learning in an environment that is open and informal, accessible and inclusive, i.e. it involved Starbucks employees, persons who are deaf and hard of hearing, the neighbourhood community and individuals. The project has benefitted 1,060 people.

There are 3 workshops under the Starbucks Outreach Community Programme:

1. Starbucks Signing Workshop
2. Starbucks Deaf Youth Empowerment & Awareness Workshop
3. Starbucks Personal & Professional Workshop



Starbucks Signing Workshop.

## KRR Community Chest Programme

Under the KRR Community Chest programme, BRoasters continues to contribute to the communities in which it operates with its annual campaigns such as the ROASTERS Chicken Run and Wishing Tree.

Since its inception in 2005, the Roasters Chicken Run has garnered a total contribution of RM716,000 and provided 5,340 wholesome KRR meals to 58 homes and organisations.

Also in its 13th year, BRoasters' annual Wishing Tree campaign has fulfilled a total of 20,000 simple yet meaningful children's Christmas wishes.

BRoasters also continued to contribute to the community by donating its i.Care Boxes to several events such as the Bursa Run 2017 and BRoasters corporate social responsibility programmes such as Muffins @ School, Christmas Wishing Tree and Chinese New Year Old Folks Home Visit. A total of 984 meal boxes were contributed during the financial year under review.

In addition, BRoasters encourages the public to adopt a wholesome diet and an active lifestyle through its annual Roasters Eating Day, collaborating with well-known personalities who help advocate a healthy lifestyle.

In 2017, BRoasters won the Social Media Excellence Award under the CSR Category from MY Social Media Week.



ROASTERS Chicken Run



BRoasters' annual Wishing Tree campaign has fulfilled a total of 20,000 children's Christmas wishes.

## xi. Security Practices

To ensure that adequate security measures are in place to protect business interests and company assets, all BFood outlets are equipped with standard security systems e.g. safes, CCTV and alarms.

For added security and protection of its employees and customers, selected Starbucks stores are equipped with security guards for night shifts, and a secondary safe for enhanced cash management practices.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (“Board”) of Berjaya Food Berhad (“the Company”) recognises the importance of corporate governance towards promoting business growth, increasing financial strength and well-being and corporate accountability to protect and enhance shareholders’ value as well as the interest of the Company.

The Board is committed in ensuring that the Company and its subsidiaries (collectively “the Group”) carries out its business operations within the required standards of corporate governance as set out in the new Malaysian Code on Corporate Governance (“MCCG”).

The Board is pleased to provide an overview of the corporate governance (“CG”) practices, which made reference to the three (3) key CG principles as set out in the MCCG throughout the financial year ended 30 April 2018 (“FYE 2018”), which are as follows:-

- (a) Principle A : Board Leadership and Effectiveness
- (b) Principle B : Effective Audit and Risk Management; and
- (c) Principle C : Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

This CG Overview Statement, approved by the Board, shall be read together with the CG Report 2018 (“CG Report”) of the Company which is available on website of Bursa Malaysia Securities Berhad (“Bursa Securities”) at [www.bursamalaysia.com](http://www.bursamalaysia.com).

The CG Report provides the details on how the Company has applied each Practice as set out in the MCCG and any departures thereof during the FYE 2018. The Board is satisfied that the Company has substantially complied with the MCCG throughout the FYE 2018 save for the exceptions which are fully described in the CG Report.

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

### Board Responsibilities

The Board is responsible for the performance and affairs of the Group and to provide leadership, guidance for setting strategic direction for the Group. The roles and responsibilities of the Board in discharging its fiduciary and leadership function has been formalised in the Board Charter.

### Chairman and Chief Executive Officer (“CEO”)

The Board is led by the Chairman, Dato’ Tunku Shazuddin Bin Tunku Sallehuddin, an Independent Non-Executive Director of the Company. The Chairman is responsible to ensure that he will preside at all Board Meetings and general meetings of the Company. The Chairman always ensured that procedural rules are followed in the conduct of meetings and that decisions made are formally recorded and adopted.

The Board has delegated the day-to-day affairs of the Group’s business to the CEO of the Company, Mr Sydney Lawrance Quays. The CEO holds the primary executive responsibility for the Group’s business performance and to manage the Group in accordance with the strategies and policies approved by the Board. The CEO will focus on the business and leads the Senior Management of the Company in making and implementing the day-to-day decisions on the business operations, managing resources and risks in pursuing the corporate objectives of the Group. The CEO may delegate appropriate functions to any member of the Senior Management reporting to the CEO.

The CEO and Management meet regularly to review and monitor the performance of the Group’s operating divisions. The CEO briefs the Board on the Group’s business operations and Management’s initiatives during the quarterly Board Meetings.

### Separation of Positions of the Chairman and CEO

The Chairman and the CEO are held by two different individuals. The distinct and separate roles of the Chairman and CEO with clear division of responsibilities have ensured the balance of the power and authority and that no one has unfettered control of the Board. The roles and responsibilities of the Chairman and CEO have been formalised in the Board Charter of the Company.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## Non-Executive Directors

The Non-Executive Directors are not involved in the day-to-day management of the Group but contribute their own particular expertise and experience in the development of the business strategy of the Group and to make insightful contribution during the Board's deliberation. They also assist and ensure the Board adopts a good CG practice within the Group.

The presence of three (3) Independent Non-Executive Directors is sufficient to provide the required checks and balances on the decision making process of the Board. The Independent Non-Executive Directors are essential in providing unbiased and impartial opinion, advice and judgment to ensure the interests of the Group, shareholders, employees, customers and other stakeholders in which the Group conducts its businesses are well represented and taken into account. The significant contributions of the Independent Directors in the decision making process is evidenced in their participation as members of the various committees of the Board.

In addition, the two (2) Non-Independent Non-Executive Directors on the Board also help to provide views and contributions from a different perspective as they are not involved in the day to day operations of the Group.

## Board Committee

The Board has established the following Board Committees which consist of a majority of Non-Executive Directors to support the Board in discharging its oversight function and to ensure that there are appropriate checks and balances in place:-

- (i) Audit and Risk Management Committee;
- (ii) Nomination Committee,
- (iii) Remuneration Committee,
- (iv) Employees' Share Scheme Committee; and
- (v) Sustainability Committee.

Each of the Board Committee operates within its respective terms of reference ("TOR") that also clearly define its respective functions and authorities. The TOR of the respective Board Committees are periodically reviewed by the Board Committee and approved by the Board to ensure that the TOR remains relevant and adequate in governing the responsibilities of the Committees and to reflect the latest developments in the Main Market Listing Requirements of Bursa Securities and the MCCG. These Board Committees have the authority to report to the Board with their recommendations. However, the ultimate responsibility for the final decision on all matters still lies with the Board.

## Company Secretary

The Board is supported by the Company Secretaries, who are members of the professional body namely, Malaysian Institute of Chartered Secretaries and Administrators and they are also qualified under the Companies Act 2016. The Company Secretaries play an important role in facilitating the overall compliance with the Companies Act 2016, the Main Market Listing Requirements of Bursa Securities and other relevant laws and regulations. The Company Secretaries also assist the Board and Board Committees to function effectively and in accordance with their respective TOR and best practices and ensuring adherence to the existing Board policies and procedures. The roles and responsibilities of the Company Secretaries have been formalised in the Board Charter which provides reference for Company Secretaries in the discharge of their duties.

The Company Secretaries have also been continuously attending the necessary training programmes, conferences, seminars and/or forums so as to keep themselves abreast with the current regulatory changes in laws and regulatory requirements that are relevant to their profession and enabling them to provide the necessary advisory role to the Board.

## Board Meeting and Meeting Materials

In order to discharge their responsibilities effectively, the Board meets regularly on a quarterly basis. Additional or special Board Meetings may be convened as and when necessary to consider and deliberate on any urgent proposals or matters under their purview and which requires the Board's expeditious review or consideration. Such meetings will enable the Board members to effectively assess the viability of the business and corporate proposals and the principal risks that may have significant impact on the Group's business or on its financial position and the mitigating factors. All Board approvals sought are supported with all the relevant information and explanations required for an informed decision to be made.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

Prior to the Board Meeting, the Directors will be provided with the relevant agenda and Board papers five (5) business days' notice to enable them to have an overview of matters to be discussed or reviewed at the meetings and to seek further clarifications, if any. The Board papers provide, among others, the minutes of preceding meetings of the Board and Committees, summary of dealings in shares by the directors or affected persons and directors' circular resolutions, reports on the Group's financial statements, operations, any relevant corporate developments and proposals.

In addition, there is a schedule of matters reserved for Board's deliberations and decision, including among others, to review, evaluate, adopt and approve the policies and strategic plans for the Company and the Group. The Board will ensure that the strategic plans of the Company and the Group supports long term value creation, including strategies on economic, environmental and social considerations underpinning sustainability as well as to review, evaluate and approve any material acquisitions and disposals of undertakings and assets in the Group and any new major ventures.

## **Access to information and advice**

The Directors shall have unrestricted access to the advice and services of the Company Secretaries and Senior Management staff in the Group to assist them in carrying out their duties. They may also obtain independent professional advice at the Company's expense in furtherance of their duties whenever the need arises.

## **Board Charter, Ethical Standards through Code of Ethics, Code of Conduct and Whistleblowing Policy and Procedures**

The Board has the following in place:-

### **(a) Board Charter**

The Board has adopted a Board Charter to promote the standards of corporate governance and clarifies, among others, the roles and responsibilities of the Board.

The Board Charter is subject to review by the Board annually to ensure that it remains consistent with the Board's roles and responsibilities as well as the prevailing legislation and practices. The Board Charter is also available on the Company's website at [www.berjaya.com](http://www.berjaya.com).

### **(b) Code of Ethics for Director**

The Board has also adopted a Code of Ethics for Directors ("Code") which is incorporated in the Board Charter. The Code was formulated to enhance the standard of corporate governance and to promote ethical conduct of the Directors.

### **(c) Code of Conduct and Business Ethics**

The Group has established and adopted a Code of Conduct covering business ethics, workplace safety and employees' personal conduct for all employees of the Company and all of its subsidiaries and associates. This is to ensure that all employees and Directors maintain and enforce the highest standards of ethics and professional conduct in the performance of their duties and responsibilities throughout the organisation.

All employees and Directors of the Company are required to declare that they have received, read and understood the provisions of the Code of Conduct and agreed to comply with its terms throughout their employment or tenure with the Company.

The Board will periodically review the Code of Conduct. The Code of Conduct is available on the Company's website at [www.berjaya.com](http://www.berjaya.com).

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## (d) Whistleblowing Policy and Procedures

The Group acknowledges the importance of lawful and ethical behaviours in all its business activities and is committed to adhere to the values of transparency, integrity, impartiality and accountability in the conduct of its business and affairs in its workplace.

The Group has in place a Whistleblowing Policy which provides an avenue for employees, the Group's third party service providers, independent contractors, vendors and suppliers and members of the public to raise genuine concerns and to disclose alleged, suspected or actual wrongdoings or known improper conduct on a confidential basis, without fear of any form of victimisation, harassment, retribution or retaliation.

The Whistleblowing Policy, underlining its protection and reporting channels, is available on the Company's website at [www.berjaya.com](http://www.berjaya.com).

## Sustainability Strategies

The Board views the commitment to promote sustainability strategies in the environment, social and governance aspects as part of its broader responsibility to all its various stakeholders and the communities in which it operates.

The Group strives to achieve a long term sustainability balance between meeting its business goals, preserving the environment to sustain the ecosystem and improving the welfare of its employees and the communities in which it operates. The Group's efforts to promote sustainability initiatives for the environment, the communities in which it operates and its employees have been set out in the Sustainability Statement in this Annual Report.

## Board Composition

The Board currently has six (6) members comprising three (3) Independent Non-Executive Directors (including the Chairman), the CEO and two (2) Non-Independent Non-Executive Directors. The profiles of the Directors are set out on Pages 3 to 5 of this Annual Report.

The present composition of the Board is in compliance with Paragraph 15.02 of the Main Market Listing Requirements of Bursa Securities which requires at least one third (1/3) of its members to be Independent Directors. The Board composition is also in compliance with the Practice 4.1 of the MCCG which requires at least half of the Board members to be Independent Directors.

The Board composition of the Company represents a mix of knowledge, skills, and expertise which assist the Board in effectively discharging its stewardship and responsibilities.

The Board is satisfied that the current size and composition of the Board is considered adequate to provide an optimum mix of skills and experience.

## Boardroom Diversity

The Board acknowledges the importance of boardroom diversity in terms of age, gender, nationality, ethnicity and recognises the benefits of this diversity.

The Board also recognises that having a range of different skills, backgrounds, experience and diversity is essential to ensure a broad range of viewpoints to facilitate optimal decision making and effective governance.

The Board is of the view that while promoting boardroom diversity is essential, the normal selection criteria of a Director, based on an effective blend of competencies, skills, extensive experience and knowledge to strengthen the Board, should remain a priority. The Board will continuously strive to meet the targets for gender diversity requirement and will actively take the necessary measures towards promoting a corporate culture that embraces gender diversity in the boardroom.

The Company takes diversity not only in the Boardroom but also in the workplace as it is an essential measure of good governance, critically attributing to a well-functioning organisation and sustainable development of the Company.

The Company is committed to maintaining an environment of respect for people regardless of their gender in all business dealings and achieving a workplace environment free of harassment and discrimination on the basis of gender, physical or mental state, ethnicity, nationality, religion, age or family status. The same principle is applied to the selection of potential candidates for appointment to the Board.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

Currently, the Board has two (2) female Directors namely, Datuk Zainun Aishah Binti Ahmad and Ms Chryseis Tan Sheik Ling and they represent about 33% of the full Board of six (6) members. They are part of the Board's gender diversity and have brought value to Board discussions from different perspectives and approaches.

The Board has in place a Diversity Policy for the Company and a copy is available on the Company's website at [www.berjaya.com](http://www.berjaya.com).

## Time Commitment

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company. During the FYE 2018, the Board met five (5) times and the attendances of the Directors at the Board Meetings were as follows:-

Directors	Attendance
Dato' Tunku Shazuddin Bin Tunku Sallehuddin # (appointed on 4 December 2017)	2/2*
Sydney Lawrance Quays	5/5
Tan Thiam Chai	5/5
Datuk Zainun Aishah Binti Ahmad #	5/5
Dato' Mustapha Bin Abd Hamid #	5/5
Chryseis Tan Sheik Ling (appointed on 15 March 2018)	@
Dato' Sri Robin Tan Yeong Ching (resigned on 4 December 2017)	3/3*

Notes:

# Independent Non-Executive Director

@ Ms Chryseis Tan Sheik Ling has been appointed as a Non-Independent Non-Executive Director of the Company on 15 March 2018. There was no Board Meeting held subsequent to the date of her appointment up to 30 April 2018.

\* Reflects the attendance and the number of Meetings held during the financial year since the Director held office.

All the Directors of the Company do not hold more than five (5) directorships in listed issuers as required under Paragraph 15.06 of the Main Market Listing Requirements of Bursa Securities. They are required to notify the Chairman of the Board before accepting any new directorships outside the Group and indicating the time that will be spent on the new directorship. Similarly, the Chairman of the Board shall also do likewise before taking up any additional appointment of directorships.

## Directors' Training

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

The Board believes that continuous training for Directors is vital for the Board members to enhance their skills and knowledge and to enable them to discharge their duties effectively. As such, the Directors will continuously attend the necessary training programmes, conferences, seminars and/or forums so as to keep abreast with the current developments in the various industries as well as the current changes in laws and regulatory requirements.

The Board is also updated by the Company Secretaries on the relevant training programmes relating to the regulatory, governance, industry related and current issue on an on-going basis.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

During the year, the training programmes, seminars and conferences attended by the Directors were as follows:-

Directors	Training Programmes/Seminars/Conferences/Forum
Dato' Tunku Shazuddin Bin Tunku Sallehuddin	- Mandatory Accreditation Programme for Directors of Public Listed Companies
Sydney Lawrance Quays	- Advocacy Session to enhance Quality of Management Discussion & Analysis for Chief Executive Officer and Chief Financial Officers of Listed Issuers - Corporate Governance Briefing Session: Malaysian Corporate Code of Governance Reporting and Corporate Governance Guide
Tan Thiam Chai	- The New Malaysian Code on Corporate Governance 2016 - LHAG Tax, GST & Customs Seminar 2017 - Advocacy Session to enhance Quality of Management Discussion & Analysis for MD& A - Corporate Governance Breakfast Series with Directors- Integrating an Innovation Mindset with Effective Governance - Corporate Governance Briefing Session: Malaysian Corporate Code of Governance Reporting and Corporate Governance Guide
Datuk Zainun Aishah Binti Ahmad	- The new Companies Act 2016 - The Key Issues and Pitfalls and Disclosures of Interest by the Nominee Director - Fraud and Risk Management Workshop - Companies Act 2016 and Malaysian Code on Corporate Governance - Corporate Governance Briefing Session: Malaysian Corporate Code on Governance Reporting and Corporate Governance Guide
Dato' Mustapha Bin Abd Hamid	- Fraud and Risk Management Workshop - OIC-Asia-Africa Trade & Economic Forum - Corporate Governance Breakfast Series for Directors: Leading in a Volatile, Uncertain, Complex Ambiguous (VUCA) World - Corporate Governance Briefing Session: Malaysian Corporate Code on Governance Reporting and Corporate Governance Guide

The Board will, on a continuous basis, evaluate and determine the training needs of its members to assist them in the discharge of their duties as Directors.

## Appointment to the Board

The Company has a Nomination Committee, which comprises exclusively Non-Executive Directors with a majority of them being Independent Directors. The members are as follows:-

Datuk Zainun Aishah Binti Ahmad	-	Chairman/ Independent Non-Executive Director
Dato' Mustapha Bin Abd Hamid	-	Independent Non-Executive Director
Tan Thiam Chai	-	Non-Independent Non-Executive Director

The Chairman of the Nomination Committee, Datuk Zainun Aishah Binti Ahmad is an Independent Director and has been identified as the Senior Independent Non-Executive Director of the Board to whom concerns may be conveyed.

The composition, authority as well as the duties and responsibilities of the Nomination Committee are set out under its TOR, which is available on the Company's website at [www.berjaya.com](http://www.berjaya.com).

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board delegates to the Nomination Committee the responsibility of making recommendations on any potential candidate for the appointment as a new Director. The Nomination Committee is responsible to ensure that the procedures for appointing new Directors are transparent and rigorous and that appointments are made on merits.

The process for the appointment of a new Director is summarised in the sequence as follows:-

1. The candidate identified upon the recommendation by the existing Directors, Senior Management staff, major shareholders and/or other consultants;
2. In evaluating the suitability of candidates for appointment to the Board, the Nomination Committee considers, inter-alia, the competency, experience, commitment, contribution and integrity of the candidates, and in the case of candidates proposed for appointment as Independent Non-Executive Directors, the candidate's independence;
3. Recommendation shall then be made by Nomination Committee to the Board. This also includes recommendation for appointment as a member of the various Board Committees, where necessary; and
4. Decision to be made by the Board on the proposed new appointment, including appointment to the various Board Committees.

The Nomination Committee has recommended to the Board the appointments of Dato' Tunku Shazuddin Bin Tunku Sallehuddin as the Chairman (Independent Non-Executive Director) of the Company and Ms Chryseis Tan Sheik Ling as a Non-Independent Non-Executive Director of the Company on 4 December 2017 and 15 March 2018 respectively.

## Annual Assessment

The Nomination Committee reviews annually, the effectiveness of the Board and Board Committees as well as the performance of individual directors. The evaluation involves individual Directors and Committee members completing separate evaluation questionnaires regarding the processes of the Board and its Committees, their effectiveness and where improvements could be considered. The criteria for the evaluation are guided by the Corporate Governance Guide issued by Bursa Securities. The evaluation process also involved a peer and self-review assessment, where each Director will assess their own performance and that of their fellow Directors. These assessments and comments by all Directors were summarised and discussed at the Nomination Committee meeting and were then reported to the Board at the Board Meeting held thereafter. All assessments and evaluations carried out by the Nomination Committee in the discharge of its duties are properly documented.

During the FYE 2018, the Nomination Committee has carried out the following activities:-

- (i) Recommended to the Board the appointments of new Directors;
- (ii) Recommended to the Board the reconstitution of the Board Committees;
- (iii) Reviewed and assessed the mix of skills, expertise, composition, size and experience of the Board;
- (iv) Reviewed and assessed the performance of each individual Director, independence of the Independent Directors, effectiveness of the Board and Board Committees;
- (v) Reviewed the performance of the Audit and Risk Management Committee and its members;
- (vi) Recommended to the Board the re-election of Directors who are due for retirement by rotation for shareholder approval at the forthcoming annual general meeting;
- (vii) Reviewed the Board Diversity Policy; and
- (viii) Reviewed the TOR of the Nomination Committee.

## Re-election of Directors

The Nomination Committee also conducted an assessment of the Directors who are subject to retirement at the forthcoming annual general meeting ("AGM") in accordance with the provisions of the Articles of Association of the Company and the relevant provisions of the Companies Act 2016.

The Company's Articles of Association provides that at least one-third (1/3) of the Directors are subject to retirement by rotation at each AGM and that all Directors shall retire once in every three years, and are eligible to offer themselves for re-election. The Articles of Association also provides that a Director who is appointed during the year shall be subject to re-election at the next AGM to be held following his/her appointment.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Nomination Committee is also responsible for recommending to the Board those Directors who are eligible to stand for re-election.

At the forthcoming Ninth AGM, the Director who will retire by rotation and eligible for re-election pursuant to Article 94 of the Company's Articles of Association is Dato' Mustapha Bin Abdul Hamid. The new Directors who were appointed on 4 December 2017 and 15 March 2018 namely, Dato' Tunku Shazuddin Bin Tunku Sallehuddin and Ms Chryseis Tan Sheik Ling will also retire and be eligible for re-election at the forthcoming AGM pursuant to Article 100 of the Company's Articles of Association.

## Tenure of Independent Directors

The tenure of an Independent Director shall not exceed a cumulative term of twelve (12) years. However, the retention of Independent Directors after serving a cumulative term of nine (9) years shall be subject to shareholders' approval in line with the recommendation of the MCGG.

The Board is of the view that the independence of the Independent Directors should not be determined solely or arbitrarily by their tenure of service. The Board believes that continued contribution will provide stability and benefits to the Board and the Company as a whole, especially their invaluable knowledge of the Group and its operations gained through the years. The calibre, qualification, experience and personal qualities, particularly of the Director's integrity and objectivity in discharging his/her responsibilities in the best interest of the Company should be the predominant factors to determine the ability of a Director to serve effectively as an Independent Director.

The Board is also confident that the Independent Directors themselves, after having provided all the relevant confirmations on their independence, will be able to determine if they can continue to bring independent and objective judgment during Board deliberations and decision making.

As at the date of this CG Overview Statement, none of the Independent Directors has served the board for more than nine (9) years.

## Annual Assessment of Independence

The Board recognises the importance of independence and objectivity in its decision making process. The presence of the Independent Non-Executive Directors is essential in providing unbiased and impartial opinion, advice and judgment to ensure the interests of the Group, shareholders, employees, customers and other stakeholders in which the Group conducts its businesses are well represented and taken into account.

The Board, through the Nomination Committee, has assessed the independence of its Independent Non-Executive Directors namely, Dato' Tunku Shazuddin Bin Tunku Sallehuddin, Datuk Zainun Aishah Binti Ahmad and Dato' Mustapha Bin Abd Hamid based on criteria set out in the Main Market Listing Requirements of Bursa Securities.

The Independent Directors of the Company have fulfilled the criteria of "independence" as prescribed under Chapter 1 of the Main Market Listing Requirements of Bursa Securities.

## Remuneration Policies and Procedures

The Company has a Remuneration Committee, which comprises exclusively Non-Executive Directors with a majority of them being Independent Directors. The members are as follows:-

Dato' Mustapha Bin Abd Hamid	-	Chairman/ Independent Non-Executive Director
Datuk Zainun Aishah Binti Ahmad	-	Independent Non-Executive Director
Tan Thiam Chai	-	Non-Independent Non-Executive Director

The composition, authority as well as the duties and responsibilities of the Remuneration Committee are set out in its TOR which is available at the Company's website at [www.berjaya.com](http://www.berjaya.com).

The Board has adopted a Remuneration Policy to support the Directors and Key Senior Management in carrying out their responsibilities and fiduciary duties in steering the Group to achieve its long-term goals and enhance shareholders' value. The Board's objective in this respect is to offer a competitive remuneration package in order to attract, motivate, retain and reward Directors and Key Senior Management who will manage and drive the Company's success.



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

← RM →						
Group	Fees	Salaries	Bonus	Benefits in-kind	Other Emoluments	Total
<b>Executive Directors</b>						
Sydney Lawrance Quays	-	1,110,000	190,000	14,433	157,770	1,472,203
Dato' Sri Robin Tan Yeong Ching	-	-	-	-	331,716	331,716
Dato' Lee Kok Chuan	-	51,750	-	1,425	9,988	63,163
<b>Non-Executive Directors</b>						
Dato' Tunku Shazuddin Bin Tunku Sallehuddin*	12,165	-	-	-	99,865	112,030
Datuk Zainun Aishah Binti Ahmad	30,000	-	-	-	8,100	38,100
Dato' Mustapha Bin Abdul Hamid	30,000	-	-	-	6,600	36,600
	<b>72,165</b>	<b>1,161,750</b>	<b>190,000</b>	<b>15,858</b>	<b>614,039</b>	<b>2,053,812</b>

\* Denotes appointed on 4 December 2017

## (b) The Remuneration of top three (3) Key Senior Management in bands of RM50,000 on an aggregate basis

The number of top three (3) Key Senior Management and their total remuneration from the Group categorised into the various bands are as follows:-

		Number of Key Senior Management
RM200,001	- RM250,000	1
RM250,001	- RM300,000	1
RM400,001	- RM450,000	1
		<b>3</b>

Although the MCCG has stipulated that the Company should disclose the detailed remuneration of the top five (5) Key Senior Management on a named basis, the Board has opined that it is not in the best interest of the Company to make such disclosures on the remuneration of the Key Senior Management due to the sensitivity of their remuneration package, privacy and issue of staff poaching.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

### Audit and Risk Management Committee

The Audit Committee was renamed as the Audit and Risk Management Committee (“ARMC”) with effect from 3 March 2011. The ARMC of the Company comprises three (3) members, all of whom are Non-Executive Directors with a majority of them being Independent Directors. The members are as follows:-

Datuk Zainun Aishah Binti Ahmad	-	Chairman/ Independent Non-Executive Director
Dato’ Mustapha Bin Abd Hamid	-	Independent Non-Executive Director
Tan Thiam Chai	-	Non-Independent Non-Executive Director

The Chairman of the ARMC is appointed by the Board and is not the Chairman of the Board. The composition, authority as well as the duties and responsibilities of the ARMC are set out in its TOR and a copy is available on the Company’s website at [www.berjaya.com](http://www.berjaya.com).

The members of the ARMC possess a mix of skill, knowledge and appropriate level of expertise and experience to enable them to discharge their duties and responsibilities pursuant to the TOR of the ARMC. In addition, the ARMC members are financially literate and are able to understand, analyse and challenge matters under purview of the ARMC including the financial reporting process.

The Board is responsible to ensure the annual financial statements are prepared in accordance with the provisions of the Companies Act 2016 and the applicable financial reporting standards in Malaysia. In presenting the annual financial statements and quarterly announcement of results, the Board seeks to provide shareholders with a clear, balanced and understandable assessment of the Group’s financial position and prospects. The ARMC assists the Board to discharge its duties in financial reporting by ensuring the reliability and integrity of the Group’s accounting and financial reporting process and to ensure the financial statements give a true and fair view in accordance with the provisions of the Companies Act 2016 and the applicable financial reporting standards in Malaysia. In addition, the ARMC reviews the annual financial statements and quarterly financial results before they are submitted to the Board for approval.

Besides overseeing the Group’s accounting and financial reporting process, ARMC is also responsible to assist the Board to review the nature, scope and results of the external audit, its cost effectiveness and the independence and objectivity of the External Auditors, to oversee and monitor the Group internal audit functions, oversees recurrent related party transactions, risk management activities and other activities such as governance matters. The details on the activities of the ARMC are set out in the ARMC Report on pages 41 to 45 of this Annual Report.

The performance of the ARMC is reviewed annually by the Nomination Committee. Based on the evaluation, the Nomination Committee concluded that the AMRC has been effective in its performance and has carried out its duties in accordance with its TOR during the FYE 2018.

### Assessment of External Auditors

The Board maintains a transparent and professional relationship with the External Auditors through the ARMC. Under the existing practice, the ARMC invites External Auditors to attend its meetings at least twice a year to discuss their audit plan and their audit findings on the Company’s annual financial statements. In addition, the ARMC will also have private meetings with the External Auditors without the presence of the Chief Executive Officer and Senior Management to enable exchange of views on issues requiring attention.

The Board has delegated to the ARMC to perform an annual assessment on the quality of the audit which encompassed the performance and calibre of the External Auditors and their independence, objectivity and professionalism. The assessment process involves identifying the areas of assessment, setting the minimum standards and devising tools to obtain the relevant data. The areas of assessment include among others, the External Auditors’ calibre, quality processes, audit team, audit scope, audit communication, audit governance and independence as well as the audit fees. Assessment questionnaires were used as a tool to obtain input from the Company’s personnel who had constant contact with the external audit team throughout the year.

The ARMC has put in place an External Auditors Policy (“EA Policy”) which outlines the policies and procedures for the ARMC to govern the assessment and to monitor the External Auditors. The EA Policy covers, among others, the appointment of External Auditors, assessment of External Auditors, independence of External Auditors, non-audit services including the need to obtain approvals from the Chief Financial Officer (if any)/ Executive Director/ Head of Group Accounts or the ARMC for non-audit work up to a certain threshold and the annual reporting and rotation of the External Audit Engagement Partner. In addition, the EA policy also included a requirement for a former audit partner to observe a cooling-off period for at least two (2) years before they can be considered for appointment as a member of the ARMC and/or the Board.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

To support the ARMC's assessment of their independence, the External Auditors will provide the ARMC with a written assurance confirming their independence throughout the conduct of the audit engagement in accordance with the relevant professional and regulatory requirements. The External Auditors are required to declare their independence annually to the ARMC as specified in the By-Laws issued by the Malaysian Institute of Accountants. The External Auditors have provided the declaration in their annual audit plan presented to the ARMC of the Company.

The ARMC also ensures that the External Auditors are independent of the activities they audit and will review the contracts for provision of non-audit services by the External Auditors. The recurring non-audit services were in respect of tax compliance and the annual review of the Statement on Risk Management and Internal Control. The non-recurring non-audit services are acting as reporting accountants for any corporate exercises as well as technical advisory fees in preparation for adoption of new accounting standards.

During the financial year, the amount of non-audit fees paid/payable to the External Auditors and its affiliates by the Company and the Group respectively for the FYE 2018 were as follows: -

	Company		Group	
	FYE 2018 RM	FYE 2017 RM	FYE 2018 RM	FYE 2017 RM
Statutory audit fees paid/payable to:-				
- Ernst & Young ("EY") Malaysia	65,000	35,000	194,000	176,400
- Affiliates of EY Malaysia	-	-	15,984	16,829
<b>Total (a)</b>	<b>65,000</b>	<b>35,000</b>	<b>209,984</b>	<b>193,229</b>
Non-audit fees paid/payable to:-				
- EY Malaysia	41,864	11,514	66,464	31,214
- Affiliates of EY Malaysia	-	-	9,952	9,349
<b>Total (b)</b>	<b>41,864</b>	<b>11,514</b>	<b>76,416</b>	<b>40,563</b>
<b>% of non-audit fees (b/a)</b>	<b>64%</b>	<b>33%</b>	<b>36%</b>	<b>21%</b>

In considering the nature and scope of non-audit fees, the ARMC was satisfied that they were not likely to create any conflict or impair the independence and objectivity of the External Auditors.

Upon completion of the assessment, the ARMC will make recommendation for re-appointment of the External Auditors to the Board. The proposed appointment will be subject to shareholders' approval at the AGM.

## Risk Management and Internal Control

The Board has delegated and entrusted the ARMC which comprises a majority of Independent Directors, with the overall responsibility to regularly review and monitor risk management activities of the Group and all internal controls and to approve appropriate risk management procedures and measurement methodologies.

The key aspects of the Risk Management process are as follows:-

- (i) The business units are required to identify the risks relevant to their business.
- (ii) The risks are then assessed based on the probability of their occurrence and are evaluated as low, medium or high. The level of residual risk is determined after evaluating the effectiveness of controls and mitigating measures.
- (iii) The business units develop control procedures or actions plans to either prevent the occurrence or reduce the impact upon its occurrence.
- (iv) The business units are required to update their risk profiles and review their processes in monitoring the risks periodically.
- (v) On a quarterly basis, the business units are required to prepare a report summarising the significant risks and status of action plan. Selected reports will be submitted to the ARMC for review and deliberation.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Company continues to maintain and review its risk management and internal control procedures to ensure, as far as possible, the protection of its assets and its shareholders' investments.

## Internal Audit Function

The Board acknowledges its overall responsibility for the Group's system of internal control and its effectiveness as well as reviewing its adequacy and integrity to safeguard the Group's assets and the shareholders' investments.

The internal audit function of the Company is outsourced to the Group Internal Audit Division of the ultimate holding company, Berjaya Corporation Berhad and they are free from any relationships or conflict of interest that could impair their objectivity and independence. The Internal Auditors reports directly to the ARMC and carries out their internal audit based on the plan approved by the ARMC. The Internal Auditors assist the Board in providing independent assessment on the adequacy and effectiveness of the governance, risk management and internal control processes for the purposes of safeguarding the Group's assets and the shareholders' investments.

The Internal Auditors are responsible for preparing and tabling the Internal Audit Reports on a quarterly basis to the ARMC and to highlight areas for improvement for each of the operating units within the Group. The Internal Auditors will follow up closely on the areas highlighted to determine the extent of the implementation of their recommendation and to ensure that they are satisfactorily resolved by the Management.

The summary of the activities undertaken by the Internal Auditors during the FYE 2018 is set out in the ARMC Report.

The details of the risk management and system of internal control of the Company are set out in the Statement on Risk Management and Internal Control of this Annual Report.

## PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

### Communication with Stakeholders

The Company recognises the importance of being transparent and accountable to its shareholders and has used various channels of communications to enable the Board and Management to continuously communicate, disclose and disseminate comprehensive and timely information to investors, shareholders, financial community and the public generally. However, whilst the Company endeavours to provide as much information as possible to its shareholders, it is mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

The various channels of communications with stakeholders are through the following: -

- (i) the quarterly announcements on financial results and other periodical or relevant announcement to Bursa Securities;
- (ii) circulars and annual reports;
- (iii) general meetings of shareholders;
- (iv) meetings with investors, analysts and fund managers and briefings where appropriate; and
- (v) the Company's website at [www.berjaya.com](http://www.berjaya.com) where shareholders can have easy access to the Company's corporate information such as the Board Charter, TOR of the Board Committees, Company Policies, press releases, financial information, Company announcements and others.

The above channels of communication will help to enhance stakeholders' understanding of the business and operations of the Group and to make informed investment decisions.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## Conduct of General Meetings

The Company fully recognises the rights of the shareholders and importance of shareholders' participation at the Company's general meetings and encourages them to exercise their rights at such meetings. The AGM of the Company remains the principal forum for dialogue with shareholders where they may seek clarifications on issues pertaining to the Annual Report, audited financial statements and businesses of the Group.

The Company despatches its notice of meeting at least twenty-eight (28) days before the AGM together with a copy of the Annual Report and an Administrative Details to the shareholders of the Company to enable them to have sufficient time to consider the resolution that will be discussed at the AGM as well as to make the necessary arrangement to attend and participate personally at the AGM or through proxy or corporate representative. Each item of special business included in the Notice of AGM is accompanied by a brief explanatory statement on the proposed resolution to facilitate a better understanding and evaluation of issues involved.

At the Eighth AGM of the Company held on 2 October 2017, all the Directors, Board Committees, Company Secretaries, Senior Management team of the Group and the External Auditors were in attendance at the AGM to engage directly with the shareholders and to provide adequate response and answers to the queries raised by the shareholders.

During the AGM, the Chairman will ensure the orderly conduct of the meeting. The Senior General Manager of Group Accounts and Budgets will present a financial overview of the Group's performance for the financial year to the shareholders. The shareholders or proxies are also invited to raise questions pertaining to the agenda and resolutions tabled and/or business activities of the Group during the AGM. The External Auditors are also present to provide professional and independent clarification on issues and concerns raised by the shareholders in connection with the Audited Financial Statements. The interested Directors and persons connected to them will declare their interests and will abstain from deliberation and voting on the resolution that they have interest in respect of their direct and/or indirect shareholdings.

## Poll Voting

All the resolutions passed by the shareholders at the previous AGM held on 2 October 2017 were voted by way of a poll in accordance with the Paragraph 8.29A (1) of the Main Market Listing Requirements of Bursa Securities. The shareholders were briefed on the voting procedures by the Share Registrar namely, Berjaya Registration Services Sdn Bhd while the results of the poll were verified and announced by the independent scrutineer, Messrs LT Lim & Associates.

The Company Secretaries will announce the poll results of the AGM with details on the number of votes cast for and against for each resolution and the respective percentage on the same day to Bursa Securities. The minutes of the AGM will be made available on the Company's website after it has been confirmed and signed by the Chairman of the AGM.

The Company may consider adopting the electronic voting moving forward to facilitate a more efficient voting process and to ensure that the voting results are transparent and accurate. The Company will also explore the use of technology to facilitate the voting in absentia and/or remote shareholders' participation at general meetings, taking into consideration the number of shareholders, the accuracy and stability of such technologies, applicable laws and regulations and the cost and resources required vis-a-vis the benefits.

This CG Overview Statement was approved by the Board of the Company on 6 August 2018.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## INTRODUCTION

The Board of Directors (“the Board”) of Berjaya Food Berhad (“BFood” or “the Group”) is committed to maintaining a sound system of risk management and internal controls to provide for a platform for Group’s business objectives to be achieved. The Board sets out below the nature and scope of the risk management and internal controls of the Group.

## RESPONSIBILITY

The Board of BFood recognises that the Board is responsible for the Group’s system of internal control and for reviewing its adequacy and integrity. The Board’s responsibility in relation to the system of internal control extends to all subsidiaries of the Group.

The Group’s system of internal control is designed to manage the principal business risks that may impede the Group from achieving its business objectives. Due to the limitations that are inherent in any system of internal control, the Group’s internal control system cannot completely eliminate the risk of failure to achieve its business objectives. The system can only provide reasonable assurance against material misstatement or loss.

The Board has undertaken a review of the adequacy and effectiveness of the risk management and internal control system and concluded that the risk management and internal control system is adequate and effective. Further, the Board has obtained assurance from the Chief Executive Officer (“CEO”) that the Group’s risk management and internal control system is operating adequately and effectively, in all material aspects.

## MANAGEMENT STYLE AND CONTROL CONSCIOUSNESS

The Group is involved in various food and beverage related businesses. These business interests are operated by the subsidiaries of the Group. Management of the day-to-day affairs of the Group’s various subsidiaries are assigned to local management who are accountable for the conduct and performance of their subsidiaries within agreed business strategies. The CEO attends various scheduled management meetings as well as conducting regular reviews of financial and operational reports. These provide the platform for timely identification of the Group’s risks and development of systems to manage those risks. The CEO regularly updates the Boards on any significant matters.

## INTERNAL CONTROL PROCESSES

The key aspects of the internal control process are as follows:

- The business units identify the areas of control relevant to their business, design the internal control procedures and document the procedures in manuals.
- The internal auditors of the Group establish the annual audit plan and table the plan to the Audit and Risk Management Committee (“ARMC”) for approval.
- The internal auditors perform the audit and present their audit reports to the ARMC, highlighting any shortcomings by the business units in implementing the controls and the remedial procedures implemented by the business units.

## ASSURANCE MECHANISM

The Board has assigned the ARMC with the duty of reviewing and monitoring the effectiveness of the Group’s system of internal control. The internal auditors furnish the ARMC with reports from visits conducted at various subsidiaries, as well as from the external auditors on areas for improvement identified during the course of their statutory audit.

The Board also reviews the minutes of the meetings of the ARMC. The Report of the ARMC is set out on Pages 41 to 45 of the Annual Report.

## KEY FEATURES OF THE INTERNAL CONTROL SYSTEM

The Group has an extensive system of internal control that enables the management to ensure that established policies, guidelines and procedures are followed and complied with. Some key features of BFood’s system of internal control, include:

1. Clear organisation structure with delineated reporting lines
2. Defined levels of authority
3. Capable workforce with ongoing training efforts
4. Centralised human resource function which outlines procedures for recruitment, training, appraisal and the reward system
5. Timely financial and operations reports
6. Scheduled operations and management meetings
7. Centralised procurement function that ensures approval procedures are adhered to, as well as to leverage on the Group’s purchasing power

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

8. Payment functions controlled at Head office
9. Regular visits to the operating units of the Group's businesses by the CEO and senior management personnel
10. Independent assurance on the system of internal control from regular internal audit visits

## INTERNAL CONTROL FUNCTION

The Board recognises that effective monitoring on a continuous basis is a vital component of a sound internal control system. In this respect, the ARMC carries out an internal audit function to monitor and assess the effectiveness of the internal control system. Observations from internal audits were presented to the ARMC together with management's response and proposed action plans for its review. The action plans were then followed up during subsequent internal audits with implementation status reported to the ARMC.

The internal audit function is outsourced to the Group Internal Audit Division of Berjaya Corporation Berhad, which reports directly to the ARMC. The scope of work covered by the internal audit function is determined by the ARMC after careful consideration and discussion of the audit plan with the Board.

## WHISTLEBLOWING POLICY

The Group has in place a whistleblowing policy, designed to enable all its employees (including Directors) with the appropriate mechanisms to confidentially provide information in an independent and unbiased manner, on any genuine concerns, without fear of recrimination so as to enable prompt corrective action to be taken where appropriate.

## RISK MANAGEMENT

In line with the Malaysian Code of Corporate Governance, and as part of the Company's plans to further enhance the Group's system of internal control, it has established a risk management system. The Board entrusts the ARMC with the overall responsibility to regularly review and monitor the risk management activities of the Group, in accordance with the Internal Control Guidance, and to approve appropriate risk management procedures and measurement methodologies.

## RISK MANAGEMENT PROCESS

The key aspects of the risk management process are as follows:

- The business units are required to identify the risks relevant to their businesses.
- The risks are then assessed based on the probability of their occurrence and are evaluated as Low, Medium or High. The level of residual risk is determined after evaluating the effectiveness of controls and mitigating measures.
- The business units develop control procedures or action plans to either prevent the occurrence or reduce the impact upon its occurrence.
- The business units are required to update their risk profiles and review their processes in monitoring the risks periodically.
- On a quarterly basis, the business units are required to prepare a report summarising the significant risks and status of action plan. Selected reports will be submitted to the ARMC for review and deliberation.

## REVIEW BY EXTERNAL AUDITORS

The external auditors have performed limited assurance procedures on the Statement on Risk Management and Internal Control ("SRMIC") pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3 (previously the Recommended Practice Guide 5 (Revised 2015), Guidance for Auditors on Engagements to Report on the SRMIC included in the Annual Report issued by the Malaysian Institute of Accountants), for the year ended 30 April 2018, and reported to the Board that nothing has come to their attention that causes them to believe the SRMIC intended to be included in the Annual Report is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the SRMIC: Guidelines for Directors of Listed Issuers, nor is the SRMIC factually inaccurate. AAPG 3 does not require the auditors to consider whether the Directors' SRMIC 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 Directors and management thereon. The report from the external auditors was made solely to the Board in connection with their compliance with the Listing Requirements of Bursa Malaysia and for no other purposes or parties. The external auditors do not assume responsibility to any person other than the Board in respect of any aspect of this report.

## CONCLUSION

The Board remains committed towards operating a sound system of internal control and recognises the need for the system to continuously evolve to support the types of businesses and size of operations of the Group. The Board, in striving for continuous improvement will put in place appropriate action plans, when necessary, to further enhance the Group's system of internal control.

The system of internal control was satisfactory and has not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's Annual Report.

# AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

The Board of Directors of Berjaya Food Berhad (“BFood”) is pleased to present the report of the Audit and Risk Management Committee (“the ARMC”) for the financial year ended 30 April 2018.

## MEMBERS AND MEETING ATTENDANCE

The members of the ARMC are as follows:-

Datuk Zainun Aishah Binti Ahmad  
- *Chairman/Independent Non-Executive Director*

Dato’ Mustapha Bin Abd Hamid  
- *Independent Non-Executive Director*

Tan Thiam Chai  
- *Non-Independent Non-Executive Director*

The ARMC held five (5) meetings during the financial year ended 30 April 2018. The details of attendance of the ARMC members are as follows:-

Directors	Attendance
Datuk Zainun Aishah Binti Ahmad	5/5
Dato’ Mustapha Bin Abd Hamid	5/5
Tan Thiam Chai	5/5

The ARMC meetings were convened with proper notices and agenda and these were distributed to all members of the ARMC with sufficient notification. The minutes of each of the ARMC meetings were recorded and tabled for confirmation at the next ARMC meeting and tabled at the Board Meeting for the Directors’ review and notation.

The Chief Executive Officer was invited to attend all the ARMC meetings to report on the overall operations of the Company and its subsidiaries (“the Group”) while the senior management of the relevant operations was invited to provide clarification on the audit and risk related issues of their respective operations. The General Manager and Deputy General Manager of Group Internal Audit as well as the Senior General Manager of Group Accounts and Budgets of Berjaya Corporation Berhad were also invited to attend the ARMC meetings. The External Auditors were invited to attend three (3) of these meetings.

## SUMMARY OF ACTIVITIES AND WORK OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

The duties and responsibilities of the ARMC are set out in its terms of reference, a copy of which is available at [www.berjaya.com](http://www.berjaya.com).

In discharging its duties and responsibilities, the ARMC had undertaken the following activities and work during the year:-

### Financial Reporting

- (a) Reviewed the quarterly financial statements including the draft announcements pertaining thereto and made recommendations to the Board for approval of the same as follows:-

Date of Meetings	Review of Quarterly Financial Statements
14 June 2017	Fourth quarter results as well as the unaudited results of the Group for the financial year ended 30 April 2017
15 September 2017	First quarter results for financial year ended 30 April 2018
13 December 2017	Second quarter results for financial year ended 30 April 2018
15 March 2018	Third quarter results for financial year ended 30 April 2018

# AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

The above review is to ensure that the Company's quarterly financial reporting and disclosures present a true and fair view of the Group's financial position and performance and are in compliance with the Malaysian Financial Reporting Standard 134 - Interim Financial Reporting Standards in Malaysia and International Accounting Standard 34 - Interim Financial Reporting as well as the applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad.

- (b) Reviewed and made recommendations to the Board in respect of the audited financial statements of the Company and the Group for the financial year ended 30 April 2017 at its meeting held on 24 July 2017 and to ensure that it presented a true and fair view of the Company's financial position and performance for the year and compliance with regulatory requirements. Prior to that, the ARMC had reviewed the status report on the Audit Plan for financial year ended 30 April 2017 prepared by the External Auditors at the meeting held on 14 June 2017.

## External Audit

- (a) Evaluated the performance of the External Auditors for the financial year ended 30 April 2017 covering areas such as calibre, quality processes, audit team, audit scope, audit communication, audit governance and independence as well as the audit fees of the External Auditors. The ARMC, having been satisfied with the independence, suitability and performance of Messrs Ernst & Young ("EY"), had recommended to the Board for approval of the re-appointment of EY as External Auditors for the ensuing financial year end of 30 April 2018 at its meeting held on 24 July 2017 for approval.
- (b) Discussed and considered the significant accounting adjustments and auditing issues arising from the interim audit as well as the final audit with the External Auditors including the following key audit matters raised in the external auditors' report for the financial year ended 30 April 2017:-
  - (i) Impairment of goodwill;
  - (ii) Impairment of investment in a subsidiary company; and
  - (iii) Impairment of amount due from a subsidiary company.

The ARMC also had a private discussion with the External Auditors on 24 July 2017 without the presence of Management during the review of the audited financial statements for the year ended 30 April 2017 to discuss any problems/issues arising from the final audit and the assistance given by the employees during the course of audit by External Auditors. However, there was no major issue raised during the private session.

- (c) Reviewed with the External Auditors at the meeting held on 15 March 2018, their audit plan for the financial year end of 30 April 2018, outlining the audit scope, methodology and timetable, audit materiality, areas of focus, fraud considerations and the risk of management override, the new and revised auditors reporting standards, on-going review of key audit matters, changes in regulatory environment and updates by External Auditors to leverage on technology to perform their audit moving forward.

## Internal Audit

- (a) Reviewed the Internal Audit Reports on the Company's subsidiaries namely, Berjaya Food Supreme Sdn Bhd ("BFood Supreme"), Jollibean Foods Pte Ltd ("JFPL"), Berjaya Roasters (M) Sdn Bhd ("BRoasters") and Berjaya Starbucks Coffee Company Sdn Bhd ("BStarbucks") during the financial year under review. The ARMC also reviewed the audit findings and Internal Auditors' recommendations to improve any weaknesses or non-compliance together with the Management's responses from the respective business units thereto. The Internal Auditors monitored the implementation of Management's action plan on outstanding issues through follow up reports to ensure that all key risks and control weaknesses are being properly addressed.
- (b) Reviewed and approved the Internal Audit Plan for financial year ending 30 April 2019 to ensure that the scope and coverage of the internal audit on the operations of the BFood Group is adequate and comprehensive and that all the risk areas are audited annually.

# AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

## Recurrent Related Party Transactions

- (a) Reviewed the 2017 Circular to Shareholders in connection with the Recurrent Related Party Transactions (“RRPT”) that arose within the Group to ensure that the transactions are fair and reasonable to, and are not to the detriment of, the minority shareholders.

The framework set up for identifying and monitoring the RRPT includes inter-alia, the following:-

- (i) The transaction prices are based on prevailing market rates/prices that are agreed upon under similar commercial terms for transactions with third parties, business practices and policies and on terms which are generally in line with industry norms;
- (ii) The related parties and interested Directors will be notified of the method and/or procedures of the RRPT for the BFood Group;
- (iii) Records of RRPT will be retained and compiled by the Group accountant for submission to the ARMC for review;
- (iv) The ARMC is to provide a statement that it has reviewed the terms of the RRPT to ensure that such transactions are undertaken based on terms not more favourable to the related parties than those generally available to the public, are not detrimental to the minority shareholders and are in the best interest of the BFood Group;
- (v) The ARMC also reviewed the procedures and processes with regards to the RRPT on a half yearly basis to ensure that the transactions are within the approved mandate;
- (vi) Directors who have any interest in any RRPT shall abstain from Board deliberations and voting and will ensure that they and any person connected with them will also abstain from voting on the resolution(s) at the Extraordinary General Meeting or Annual General Meeting to be convened for the purpose; and
- (vii) Disclosures will be made in the annual report on the breakdown of the aggregate value of the RRPT during the financial year, amongst others, based on the following information:-
  - (a) the type of the RRPT made; and
  - (b) the names of the related parties involved in each type of the RRPT made and their relationships with the BFood Group.

## Risk Management Activities

- (a) Reviewed the risk management activities on the Company’s subsidiaries namely, BFood Supreme, JFPL, BRoasters and BStarbucks including the risk descriptions, risk mitigation strategies and controls and its existing controls to ensure the business activities and risk areas are re-aligned and enhanced on an on-going basis.
- (b) Reviewed the summary of the risk register covering areas such as the likelihood of occurrence, the impact of the risks, risk score, risk treatment, risk owner and control effectiveness to ensure that the management of the relevant risks is appropriately placed within the Group.

# AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

## Other Activities

- (a) Reviewed and recommended to the Board for approval, the ARMC Report, Statement on Corporate Governance and Statement on Risk Management and Internal Control for inclusion in the 2017 Annual Report.
- (b) Verified the allocation and movement of the new Employee Share Scheme (“ESS”) for the financial year ended 30 April 2017 to ensure that it had been carried out according to the criteria and matrix stipulated in the ESS’s Bylaws.
- (c) Reviewed and took note of the changes and amendments to the Companies Act 2016, the new Malaysian Code on Corporate Governance (“MCCG”), Malaysian Financial Reporting Standards and other regulatory requirements tabled by the Company Secretary and External Auditors.
- (d) Reviewed the analysis of the MCCG prepared by the Company Secretary on the Practices of the MCCG which related to the roles and responsibilities of the ARMC in carrying out their duties in preparing the Corporate Governance Report and the action plan to improve the gap of the Practices of MCCG.
- (e) Reviewed and approved the External Auditors Policy of the Company which encompassed the appointment of External Auditors, assessment of External Auditors, independence of the External Auditors, non-audit services, annual reporting, rotation of external audit engagement partner and appointment of a former key audit partner as member of ARMC and/or Director in order to govern the assessment and monitor the External Auditors.
- (f) Reviewed and recommended to the Board for approval the establishment of Sustainability Committee, adoption of Sustainability Practices and Policy and Terms of Reference of Sustainability Committee.
- (g) Reviewed and recommended to the Board for approval the revised Terms of Reference of the ARMC following the amendments to the Listing Requirements of Bursa Malaysia Securities Berhad which took effect on 2 January 2018 and the new MCCG as follows:-
  - (i) Inclusion a statement that any former audit partner shall observe a two-year cooling-off period before being appointed as a member of ARMC;
  - (ii) Inclusion of responsibilities of the Chairman of the ARMC; and
  - (iii) Enhancement of authority and duties of the ARMC.

In order to discharge the above duties and responsibilities of ARMC effectively, the ARMC had undertaken continuous professional development by attended various seminars, training programmes and conferences during the financial year. They were also briefed by the External Auditors of the latest accounting and audit standards applicable to the Group and topics on changes in regulatory environment. The list of training attended is disclosed in the Corporate Governance Overview Statement as set out in this Annual Report.

## SUMMARY OF WORK OF THE INTERNAL AUDIT FUNCTION

The Internal Audit Division of Berjaya Corporation Berhad was engaged to undertake the internal audit function that would enable the Audit and Risk Management Committee (“ARMC”) to discharge its duties and responsibilities. Their role is to provide the ARMC with independent and objective reports on the state of internal controls of the operating units within the Group and the extent of compliance with the Group’s established policies, procedures and statutory requirements.

The activities of Internal Audit are guided by Internal Audit Charter and the Internal Audit Division adopts a risk-based approach focusing on high risk areas. All high risk activities in each auditable area are audited annually.

For the financial year under review, the Internal Audit Division conducted audit assignments on the operating units of the Group involved in the development and operation of the “Starbucks Coffee” stores in Malaysia & Brunei, “Kenny Rogers Roasters” chain of restaurants in Malaysia and “Jollibean”, “Sushi Deli” & “Kopi Alley” outlets in Singapore.

# AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

The activities undertaken by the Internal Audit Division during the financial year ended 30 April 2018 included the following:

1. Tabled Internal Audit Plan for the ARMC's review and endorsement.
2. Reviewed the existing systems, controls and governance processes of the operating units within the Group.
3. Conducted audit reviews and evaluated risk exposures relating to the Group's governance process and system of internal controls on reliability and integrity of financial and operational information, safeguarding of assets, efficiency of operations, compliance with established policies and procedures and statutory requirements.
4. Provided recommendations to assist the operating unit and the Group in accomplishing its internal control requirements by suggesting improvements to the control processes.
5. Issued internal audit reports incorporating audit recommendations and Management's responses in relation to audit findings on weaknesses in the systems and controls to the ARMC and the management of the respective operations.
6. Presented internal audit reports to the ARMC for review.
7. Followed up review to ensure that the agreed internal audit recommendations are effectively implemented.

The cost incurred for the internal audit function in respect of the financial year ended 30 April 2018 was approximately RM132,342.00.

## **TERMS OF REFERENCE OF THE ARMC**

The terms of reference of the ARMC can be viewed on the Company's website at [www.berjaya.com](http://www.berjaya.com).

# STATEMENT OF DIRECTORS' RESPONSIBILITY IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

The Directors are required by the Companies Act 2016 to prepare financial statements which give a true and fair view of the state of affairs of the Group and the Company at the end of each financial year and of their results and cash flows for the financial year then ended.

In preparing the financial statements, the Directors have:

- adopted appropriate accounting policies and applied them consistently;
- made judgements and estimates that are reasonable;
- ensured that applicable accounting standards have been complied with; and
- applied the going concern basis.

The Directors are responsible for ensuring that the Group and the Company keep proper accounting records, which disclose with reasonable accuracy on the financial position of the Group and of the Company, and which enable them to ensure that the financial statements comply with the provisions of the Companies Act 2016.

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

# FINANCIAL STATEMENTS



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# DIRECTORS' REPORT

## DIRECTORS' REPORT

The directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 April 2018.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiary companies are the development and operation of restaurant and caf  chains and retail outlets in Malaysia and other South-East Asian countries, and investment holding.

## RESULTS

	<u>Group</u> RM'000	<u>Company</u> RM'000
Profit for the year	<u>218</u>	<u>30,563</u>
Attributable to:		
- Owners of the parent	1,175	30,563
- Non-controlling interests	<u>(957)</u>	<u>-</u>
	<u>218</u>	<u>30,563</u>

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

# DIRECTORS' REPORT

## DIVIDENDS

The dividends paid by the Company since 30 April 2017 were as follows:

	RM'000
<u>In respect of the financial year ended 30 April 2017</u>	
Fourth interim dividend of 1.0 sen per share single-tier dividend, paid on 28 July 2017	<u>3,746</u>
<u>In respect of the financial year ended 30 April 2018</u>	
First interim dividend of 1.0 sen per share single-tier dividend, paid on 27 October 2017	3,759
Second interim dividend of 1.0 sen per share single-tier dividend, paid on 26 January 2018	3,765
Third interim dividend of 1.0 sen per share single-tier dividend, paid on 27 April 2018	<u>3,768</u>
	<u>11,292</u>
Total dividend paid during the financial year ended 30 April 2018	<u>15,038</u>
The directors declared and approved on 21 June 2018: Fourth interim dividend of 1.0 sen per share single-tier dividend, payable on 26 July 2018	<u>3,769*</u>

\* The financial statements for the current financial year do not reflect this dividend. This dividend will be accounted for in the shareholders' equity as an appropriation of retained earnings in the financial year ending 30 April 2019.

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

## DIRECTORS

The names of the directors of the Company in office during the financial year and during the period from the end of the financial year to the date of this report are:

Dato' Tunku Shazuddin Bin Tunku Sallehuddin	(Appointed on 4 December 2017)
Sydney Lawrance Quays	
Datuk Zainun Aishah binti Ahmad	
Dato' Mustapha bin Abd Hamid	
Tan Thiam Chai	
Chryseis Tan Sheik Ling	(Appointed on 15 March 2018)
Dato' Sri Robin Tan Yeong Ching	(Resigned on 4 December 2017)
Dato' Lee Kok Chuan	(Resigned on 1 June 2017)

The names of directors of subsidiary companies are set out in the respective subsidiary company's statutory accounts and the said information is deemed incorporated herein by such reference and made a part hereof.

# DIRECTORS' REPORT

## DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the share options granted under the Employees' Share Scheme ("ESS").

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 22 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

The Company maintained a Directors' and Officers' Liability Insurance in respect of any legal action taken against the directors and officers in the discharge of their duties while holding office for the Company and the Group. The total amount of insurance premium effected for any director and officer of the Company as at the financial year end was RM31,227. The directors and officers shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

## DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares, options and debentures of the Company and its related corporations during the financial year were as follows:

	Number of ordinary shares			
	At 1.5.17	Acquired	Disposed	At 30.4.18
<b>The Company</b>				
Sydney Lawrance Quays	382,000	42,000 *	-	424,000
(a)	-	5,000	-	5,000
Datuk Zainun Aishah binti Ahmad	169,800	12,000 *	-	181,800
Dato' Mustapha bin Abd Hamid	91,000	112,000 #	50,000	153,000
Tan Thiam Chai	325,800	132,000 ^	-	457,800

	Number of ordinary shares under Employees' Share Scheme ("ESS")			
			Exercised/	
<b>ESS Options</b>				
Sydney Lawrance Quays	988,000	-	-	988,000
Datuk Zainun Aishah binti Ahmad	320,000	-	-	320,000
Dato' Mustapha bin Abd Hamid	320,000	-	100,000	220,000
Tan Thiam Chai	320,000	-	-	320,000
<b>ESS Shares</b>				
Sydney Lawrance Quays	280,000	-	42,000	238,000
Datuk Zainun Aishah binti Ahmad	80,000	-	12,000	68,000
Dato' Mustapha bin Abd Hamid	80,000	-	12,000	68,000
Tan Thiam Chai	80,000	-	12,000	68,000

# DIRECTORS' REPORT

**Subsidiary company:  
Jollibean Foods Pte Ltd**

	Number of ordinary shares			At 30.4.18
	At 1.5.17	Acquired	Disposed	
Sydney Lawrance Quays	-	50,000	-	50,000

**Ultimate holding company:**

	Number of ordinary shares			At 30.4.18
	At 1.5.17 or at date of appointment	Acquired	Disposed	
<b>Berjaya Corporation Berhad ("BCorp")</b>				
Sydney Lawrance Quays	25	-	-	25
Tan Thiam Chai	126,992	-	-	126,992
(a) Chryseis Tan Sheik Ling	107,288	-	-	107,288
	202,910	-	-	202,910

**Number of 5% Irredeemable Convertible  
Unsecured Loan Stocks 2012/2022 of  
RM1.00 nominal value each**

	Number of 5% Irredeemable Convertible Unsecured Loan Stocks 2012/2022 of RM1.00 nominal value each			At 30.4.18
	At 1.5.17 or at date of appointment	Acquired	Disposed	
Tan Thiam Chai	20,600	-	-	20,600
(a) Chryseis Tan Sheik Ling	17,400	-	-	17,400
	275,000	-	-	275,000

**Number of 2% Irredeemable Convertible  
Unsecured Loan Stocks 2016/2026 of  
RM1.00 nominal value each**

	Number of 2% Irredeemable Convertible Unsecured Loan Stocks 2016/2026 of RM1.00 nominal value each			At 30.4.18
	At 1.5.17	Acquired	Disposed	
Tan Thiam Chai	1,000	-	-	1,000

**Number of warrants 2012/2022**

	Number of warrants 2012/2022			At 30.4.18
	At 1.5.17	Acquired	Disposed	
Tan Thiam Chai	20,600	-	-	20,600
(a) Chryseis Tan Sheik Ling	17,400	-	-	17,400

**Number of warrants 2016/2026**

	Number of warrants 2016/2026			At 30.4.18
	At 1.5.17	Acquired	Disposed	
Tan Thiam Chai	1,000	-	-	1,000

# DIRECTORS' REPORT

## Related companies:

	Number of ordinary shares			At 30.4.18
	At 1.5.17 or at date of appointment	Acquired	Disposed	
<b>Berjaya Land Berhad</b>				
Tan Thiam Chai	40,000	-	-	40,000
Chryseis Tan Sheik Ling	5,000,000	-	-	5,000,000

	Number of ordinary shares			At 30.4.18
	At 1.5.17	Acquired	Disposed	
<b>Berjaya Sports Toto Berhad</b>				
Tan Thiam Chai	172,284	-	-	172,284
(a)	133,165	-	-	133,165

## Notes:

- (a) Indirect interests pursuant to Section 59(11)(c) of the Companies Act 2016.
- \* Shares arising from the vesting of ESS shares.
- # Shares arising from the vesting of ESS shares and exercise of ESS Options.
- ^ Shares arising from the vesting of ESS shares and exercise of warrants which expired on 8 August 2017.

Other than as disclosed above, none of the other directors in office at the end of the financial year had any interest in shares, warrants, options and debentures of the Company or its related corporations during the financial year.

## EMPLOYEES' SHARE SCHEME

On 18 November 2016, the Company obtained all required approvals and complied with the requirements pertaining to the Employees' Share Scheme ("ESS"). The ESS is approved for granting to the eligible employees of the Group, including directors of the Company, of the followings:

- i) the right to receive new and/or existing ordinary shares of the Company ("ESS Shares"); and/or
- ii) option which entitle the right to exercise and receive the ordinary shares of the Company ("ESS Options").

The ESS Shares and ESS Options shall collectively be known as "Awards".

The committee administering the ESS comprises Sydney Lawrance Quays, Dato' Tunku Shazuddin Bin Tunku Sallehuddin and Datuk Zainun Aishah binti Ahmad.

The maximum number of ESS Shares (including shares in respect of ESS Options granted which have yet to be exercised) which may be made available under the ESS shall not exceed in aggregate five percent (5%) of the total issued and paid-up ordinary share capital of the Company (excluding treasury shares, if any) at any point of time throughout the duration of the ESS.

The salient features and terms of the ESS, details of ESS movements during the financial year are disclosed in Note 27 to the financial statements. No person to whom the option has been granted has any right to participate by virtue of the option in any share issue of any other company.

# DIRECTORS' REPORT

## ISSUE OF SHARES

During the financial year, the Company increased its share capital from RM240,617,331 to RM243,232,513 by way of:

- (i) the issuance of 517,760 new ordinary shares at an issue price of RM1.44 per share pursuant to the exercise of the share options that was granted under the ESS;
- (ii) the issuance of 1,766,817 new ordinary shares at an issue price of RM0.70 per share pursuant to the exercise of the warrants; and
- (iii) the inclusion of RM632,836 from employees' share plan reserves as part of the paid up share capital upon the forfeiture of the ESS options of RM84,859, upon the exercise of ESS options of RM212,282 and upon the exercise of warrants of RM335,695.

## TREASURY SHARES

The number of treasury shares held in hand as at 30 April 2018 was 5,019,540 (2017: 5,442,300) units. During the financial year, 422,760 units were reissued for the vesting of ESS shares.

As at 30 April 2018, the issued ordinary share capital of the Company with voting rights was 376,839,217 (2017: 374,131,880) ordinary shares.

## OTHER STATUTORY INFORMATION

- (a) Before the statements of financial position and statements of profit or loss and other comprehensive income of the Group and of the Company were made out, the directors took reasonable steps:
  - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts have been written off and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current asset which was unlikely to realise its value as shown in the accounting records in the ordinary course of business had been written down to an amount which it might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
  - (i) the amount written off for bad debts or the amount of provision for doubtful debts inadequate to any substantial extent; and
  - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

# DIRECTORS' REPORT

- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

## **SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

Significant events during the financial year are disclosed in Note 35 to the financial statements.

## **SIGNIFICANT EVENT SUBSEQUENT TO THE FINANCIAL YEAR**

Significant event subsequent to the financial year is disclosed in Note 36 to the financial statements.

## **AUDITORS**

The auditors, Ernst & Young, have expressed their willingness to continue in office.

The remuneration of the auditors of the Group is disclosed in Note 21 to the financial statements.

## **INDEMNIFICATION OF AUDITORS**

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement against claims by third parties arising from the audit. No payment has been made to indemnify Ernst & Young during the financial year and since the end of the financial year.

Signed on behalf of the Board in accordance with a resolution of the directors dated 6 August 2018

Sydney Lawrance Quays

Tan Thiam Chai

# STATEMENT BY DIRECTORS

(Pursuant to Section 251(2) of the Companies Act 2016)

We, Sydney Lawrance Quays and Tan Thiam Chai, being two of the directors of BERJAYA FOOD BERHAD, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 56 to 128 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 state of affairs of the Group and of the Company as at 30 April 2018 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 6 August 2018

Sydney Lawrance Quays

Tan Thiam Chai

# STATUTORY DECLARATION

(Pursuant to Section 251(1)(b) of the Companies Act 2016)

I, Tan Thiam Chai, being the director primarily responsible for the financial management of BERJAYA FOOD BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 56 to 128 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Tan)  
Thiam Chai at Kuala Lumpur in the Federal Territory on 6)  
August 2018

) Tan Thiam Chai  
MIA No. : 4719

Before me:

Y.M TENGKU FARIDDUDIN BIN TENGKU SULAIMAN (W533)  
Commissioner for Oaths

Kuala Lumpur

# STATEMENTS OF FINANCIAL POSITION

AS AT 30 APRIL 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Non-current assets</b>					
Property, plant and equipment	3	234,083	216,955	9	11
Subsidiary companies	4	-	-	441,688	428,737
Deferred tax assets	14	5,005	6,004	-	-
Intangible assets	5	457,106	454,734	-	-
Receivables	7	23,128	22,740	-	-
		<u>719,322</u>	<u>700,433</u>	<u>441,697</u>	<u>428,748</u>
<b>Current assets</b>					
Inventories	6	34,068	37,752	-	-
Trade and other receivables	7	24,281	21,391	8,945	18,094
Tax recoverable		3,730	4,398	-	119
Deposits with financial institutions	8	884	2,400	-	-
Cash and bank balances	9	31,378	23,865	8,005	4,994
		<u>94,341</u>	<u>89,806</u>	<u>16,950</u>	<u>23,207</u>
<b>TOTAL ASSETS</b>		<u>813,663</u>	<u>790,239</u>	<u>458,647</u>	<u>451,955</u>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to equity holders of the Company</b>					
Share capital	10	243,232	240,617	243,232	240,617
Reserves	11	150,274	159,634	46,980	29,346
		<u>393,506</u>	<u>400,251</u>	<u>290,212</u>	<u>269,963</u>
Treasury shares	12	(7,687)	(8,334)	(7,687)	(8,334)
		<u>385,819</u>	<u>391,917</u>	<u>282,525</u>	<u>261,629</u>
Non-controlling interests		1,370	(17,587)	-	-
<b>Total equity</b>		<u>387,189</u>	<u>374,330</u>	<u>282,525</u>	<u>261,629</u>
<b>Non-current liabilities</b>					
Long term borrowings	13	137,495	124,689	135,970	124,648
Deferred tax liabilities	14	1,271	1,863	-	-
Provisions	15	11,452	10,159	-	-
		<u>150,218</u>	<u>136,711</u>	<u>135,970</u>	<u>124,648</u>
<b>Current liabilities</b>					
Trade and other payables	16	68,708	90,882	30,384	28,763
Provisions	15	2,282	2,584	-	-
Short term borrowings	17	141,758	130,667	9,750	36,915
Taxation		273	6	18	-
Deferred income	18	63,235	55,059	-	-
		<u>276,256</u>	<u>279,198</u>	<u>40,152</u>	<u>65,678</u>
<b>Total liabilities</b>		<u>426,474</u>	<u>415,909</u>	<u>176,122</u>	<u>190,326</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>813,663</u>	<u>790,239</u>	<u>458,647</u>	<u>451,955</u>

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

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 APRIL 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Revenue	19	639,741	605,441	43,240	43,585
Cost of sales		(357,562)	(342,007)	-	-
<b>Gross profit</b>		<b>282,179</b>	<b>263,434</b>	<b>43,240</b>	<b>43,585</b>
Other income		6,404	6,805	2,349	2,539
Administrative expenses		(221,148)	(212,185)	(2,776)	(2,076)
Selling and distribution expenses		(13,747)	(12,295)	-	-
Other expenses		(18,259)	(6,744)	-	(54,139)
		35,429	39,015	42,813	(10,091)
Finance costs	20	(16,232)	(14,696)	(11,879)	(11,862)
<b>Profit/(Loss) before tax</b>	21	<b>19,197</b>	<b>24,319</b>	<b>30,934</b>	<b>(21,953)</b>
Income tax expense	23	(18,979)	(17,987)	(371)	(441)
<b>Profit/(Loss) for the year</b>		<b>218</b>	<b>6,332</b>	<b>30,563</b>	<b>(22,394)</b>
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
- Foreign currency translation		2,474	(2,466)	-	-
- Foreign currency reserve transferred to profit or loss due to disposal of a subsidiary company		817	-	-	-
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:					
- Actuarial gain on defined benefit plan		-	22	-	-
- Tax effect relating to defined benefit plan		-	(6)	-	-
<b>Total comprehensive income for the year</b>		<b>3,509</b>	<b>3,882</b>	<b>30,563</b>	<b>(22,394)</b>
<b>Profit/(Loss) attributable to:</b>					
- Owners of the parent		1,175	11,435	30,563	(22,394)
- Non-controlling interests		(957)	(5,103)	-	-
		<b>218</b>	<b>6,332</b>	<b>30,563</b>	<b>(22,394)</b>
<b>Total comprehensive income attributable to:</b>					
- Owners of the parent		3,247	10,469	30,563	(22,394)
- Non-controlling interests		262	(6,587)	-	-
		<b>3,509</b>	<b>3,882</b>	<b>30,563</b>	<b>(22,394)</b>
Earnings per share (sen)	24				
- Basic		0.31	3.05		
- Diluted		0.31	3.02		

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 APRIL 2018

GROUP	Attributable to the equity holders of the Company											
	Non-distributable							Distributable			Non-controlling interests	Total equity
	Share capital	Share premium	Employees' share plan reserve	Consolidation reserve	Warrant reserve	Exchange reserve	Merger deficit	Retained earnings	Treasury shares	Total		
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 May 2016	189,144	49,466	-	-	441	612	(55,087)	214,927	-	399,503	(11,000)	388,503
Profit for the year	-	-	-	-	-	-	-	11,435	-	11,435	(5,103)	6,332
Other comprehensive income	-	-	-	-	-	(974)	-	8	-	(966)	(1,484)	(2,450)
Total comprehensive income for the year	-	-	-	-	-	(974)	-	11,443	-	10,469	(6,587)	3,882
<b>Transactions with owners</b>												
Treasury shares acquired	-	-	-	-	-	-	-	-	(8,334)	(8,334)	-	(8,334)
Share-based payment under ESS	-	-	1,846	-	-	-	-	-	-	1,846	-	1,846
ESS options exercised	1,657	-	(367)	-	-	-	-	-	-	1,290	-	1,290
ESS options forfeited	3	-	(3)	-	-	-	-	-	-	-	-	-
Warrants exercised	312	35	-	-	(74)	-	-	-	-	273	-	273
Dividends (Note 25)	-	-	-	-	-	-	-	(13,130)	-	(13,130)	-	(13,130)
	1,972	35	1,476	-	(74)	-	-	(13,130)	(8,334)	(18,055)	-	(18,055)
Transfer pursuant to S618(2) of CA 2016~	49,501	(49,501)	-	-	-	-	-	-	-	-	-	-
At 30 April 2017/1 May 2017	240,617	-	1,476	-	367	(362)	(55,087)	213,240	(8,334)	391,917	(17,587)	374,330
Profit for the year	-	-	-	-	-	-	-	1,175	-	1,175	(957)	218
Other comprehensive income	-	-	-	-	-	2,072	-	-	-	2,072	1,219	3,291
Total comprehensive income for the year	-	-	-	-	-	2,072	-	1,175	-	3,247	262	3,509
<b>Transactions with owners</b>												
Share-based payment under ESS	-	-	3,389	-	-	-	-	-	-	3,389	-	3,389
Reissued for ESS shares vested	-	-	(655)	-	-	-	-	8	647	-	-	-
Adjustment in relation to part disposal of equity interest in a subsidiary company	-	-	-	322	-	-	-	-	-	322	124	446
Disposal of a subsidiary company	-	-	-	-	-	-	-	-	-	-	18,571	18,571
ESS options exercised	958	-	(212)	-	-	-	-	-	-	746	-	746
ESS options forfeited	85	-	(85)	-	-	-	-	-	-	-	-	-
Warrants exercised	1,572	-	-	-	(336)	-	-	-	-	1,236	-	1,236
Warrants expired	-	-	-	-	(31)	-	-	31	-	-	-	-
Transfer between reserves	-	-	-	-	-	(61)	-	61	-	-	-	-
Dividends (Note 25)	-	-	-	-	-	-	-	(15,038)	-	(15,038)	-	(15,038)
	2,615	-	2,437	322	(367)	(61)	-	(14,938)	647	(9,345)	18,695	9,350
At 30 April 2018	243,232	-	3,913	322	-	1,649	(55,087)	199,477	(7,687)	385,819	1,370	387,189

~ Pursuant to Section 618(2) of the Companies Act 2016 ("CA2016"), any outstanding share premium and capital redemption reserve accounts shall become part of share capital.

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

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 APRIL 2018

COMPANY	Non-distributable			Distributable		Total equity	
	Share capital	Share premium	Employees' share plan reserve	Warrant reserve	Retained earnings		Treasury shares
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 May 2016	189,144	49,466	-	441	63,027	-	302,078
Total comprehensive income for the year	-	-	-	-	(22,394)	-	(22,394)
<b>Transactions with owners</b>							
Treasury shares acquired	-	-	-	-	-	(8,334)	(8,334)
Share-based payment under ESS	-	-	1,846	-	-	-	1,846
ESS options exercised	1,657	-	(367)	-	-	-	1,290
ESS options forfeited	3	-	(3)	-	-	-	-
Warrants exercised	312	35	-	(74)	-	-	273
Dividends (Note 25)	-	-	-	-	(13,130)	-	(13,130)
	1,972	35	1,476	(74)	(13,130)	(8,334)	(18,055)
Transfer pursuant to S618(2) of CA 2016 ~	49,501	(49,501)	-	-	-	-	-
At 30 April 2017/1 May 2017	240,617	-	1,476	367	27,503	(8,334)	261,629
Total comprehensive income for the year	-	-	-	-	30,563	-	30,563
<b>Transactions with owners</b>							
Share-based payment under ESS	-	-	3,389	-	-	-	3,389
Reissued for ESS shares vested	-	-	(655)	-	8	647	-
ESS options exercised	958	-	(212)	-	-	-	746
ESS options forfeited	85	-	(85)	-	-	-	-
Warrants exercised	1,572	-	-	(336)	-	-	1,236
Warrants expired	-	-	-	(31)	31	-	-
Dividends (Note 25)	-	-	-	-	(15,038)	-	(15,038)
	2,615	-	2,437	(367)	(14,999)	647	(9,667)
At 30 April 2018	243,232	-	3,913	-	43,067	(7,687)	282,525

~ Pursuant to Section 618(2) of the CA 2016, any outstanding share premium and capital redemption reserve accounts shall become part of share capital.

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

# STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 APRIL 2018

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	647,316	617,869	-	-
Payment to suppliers and operating expenses	(566,678)	(521,970)	(1,310)	(1,431)
Payment of tax	(17,704)	(21,620)	(234)	(448)
Other receipts	368	814	-	-
Net cash flow generated from/(used in) operating activities	63,302	75,093	(1,544)	(1,879)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Sales of property, plant and equipment	307	1,056	-	-
Sales of investment in subsidiary companies (Note a)	-	-	-	-
Acquisition of property, plant and equipment	(45,753)	(74,969)	(4)	(8)
Acquisition of intangible assets	(4,217)	(4,899)	-	-
Interest received	194	188	2,349	2,539
Dividend received	-	-	43,240	43,585
Loan to related companies	-	-	(2,747)	(6,582)
Repayment from related companies	-	-	1,007	500
Net cash flow (used in)/generated from investing activities	(49,469)	(78,624)	43,845	40,034
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Issuance of share capital	1,982	1,563	1,982	1,563
Treasury shares acquired	-	(8,334)	-	(8,334)
Drawdown of bank borrowings	204,943	64,000	145,718	-
Repayment of bank borrowings	(184,515)	(38,477)	(163,336)	(13,000)
Payment of hire purchase	(115)	(30)	-	-
Interest paid	(14,696)	(13,742)	(10,479)	(10,919)
Dividends paid	(15,038)	(13,130)	(15,038)	(13,130)
Withdrawal of bank deposits	-	89	-	-
Net withdraw/(placement) with bank as security pledged for borrowing	1,529	(122)	1,539	(58)
Advance from related companies	374	3	2,235	5,278
Repayment to related companies	(627)	-	(372)	-
Net cash flow used in financing activities	(6,163)	(8,180)	(37,751)	(38,600)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	7,670	(11,711)	4,550	(445)
<b>EFFECT OF EXCHANGE RATE CHANGES</b>	(144)	120	-	-
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	21,256	32,847	556	1,001
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	28,782	21,256	5,106	556

# STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 APRIL 2018

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>CASH AND CASH EQUIVALENTS</b>				
The closing cash and cash equivalents comprise of the following:				
Cash and bank balances	31,378	23,865	8,005	4,994
Deposits with financial institutions	884	2,400	-	-
	32,262	26,265	8,005	4,994
Less: Cash pledge with bank - restricted	(2,899)	(4,438)	(2,899)	(4,438)
Deposits pledged with bank - restricted	(581)	(571)	-	-
	<u>28,782</u>	<u>21,256</u>	<u>5,106</u>	<u>556</u>

Notes:

- a) Analysis of the effects of subsidiary companies disposed:

	Group	
	2018 RM'000	2017 RM'000
Property, plant and equipment	1,052	-
Net other liabilities disposed	(7,311)	-
Non-controlling interests	18,571	-
Net liabilities disposed	12,312	-
Excluding: Cash and cash equivalent of subsidiary company disposed	(22)	-
Cash consideration	*	-
Deposit received from partial disposal of shares in a subsidiary company	22	-
Net loss arising from disposal	(12,312)	-
Cash flow on disposal (net of cash in subsidiary company disposed)	-	-

\* denotes cash consideration less than RM1,000.

# STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 APRIL 2018

b) Changes in liabilities arising from financing activities:

	<b>Group</b>	<b>Company</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Total borrowings</u>		
At beginning of the year	255,356	161,563
Drawdown of bank borrowings	204,943	145,718
Additional hire purchase (Note 3)	1,811	-
Repayment of bank borrowings and hire purchase	(184,630)	(163,336)
Unwinding of discount and charge out of deferred transaction costs (Note 20)	1,775	1,775
Exchange difference	(2)	-
At end of the year	<u>279,253</u>	<u>145,720</u>

	<b>Group</b>	<b>Company</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Due to related company</u>		
At beginning of the year	330	28,135
Advance from related companies	374	2,235
Repayment to related companies	(627)	(372)
At end of the year	<u>77</u>	<u>29,998</u>

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

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2018

## 1. CORPORATE INFORMATION

The principal activity of the Company is investment holding.

The principal activities of the subsidiary companies consist of the development and operation of restaurant and caf  chains and retail outlets in Malaysia and other South-East Asian countries and investment holding.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

The registered office of the Company is located at Lot 13-01A, Level 13 (East Wing), Berjaya Times Square, No.1 Jalan Imbi, 55100 Kuala Lumpur.

The holding company is Berjaya Group Berhad ("BGroup") and the ultimate holding company is Berjaya Corporation Berhad ("BCorp"), both of which are incorporated in Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 6 August 2018.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise indicated in the accounting policies below and in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

At the beginning of the current financial year, the Group and the Company had adopted MFRSs which are mandated for financial period beginning on or after 1 May 2017 as described in Note 2.3.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("RM'000") except when otherwise indicated.

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Summary of significant accounting policies

#### (a) Subsidiaries and basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company.

Subsidiary companies are those investees controlled by the Group. The Group controls an investee if and only if the Group has all the following:

- (i) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) exposure, or rights, to variable returns from its investment with the investee; and
- (iii) the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting rights of an investee, the Group considers the following in assessing whether or not the Group's voting rights in an investee are sufficient to give it power over the investee:

- (i) the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- (ii) potential voting rights held by the Group, other vote holders or other parties;
- (iii) rights arising from other contractual arrangements; and
- (iv) any additional facts and circumstances that indicates that the Group has, or does not have, the current ability to direct the relevant activities at the time that decision need to be made, including voting patterns at previous shareholders' meetings.

Subsidiary companies are consolidated using the acquisition method of accounting except for the business combination with Berjaya Roasters (M) Sdn Bhd ("BRoasters"), which was accounted for under the pooling of interests method as the business combination of this subsidiary company involved an entity under common control.

Under the pooling of interests method of accounting, the results of the entities under common control are presented as if the entities had been combined throughout the current and previous financial years. The difference between the cost of acquisition and the nominal value of the share capital acquired are reflected within equity as merger reserve or merger deficit in the case of debit differences.

Under the acquisition method of accounting, subsidiary companies are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until that date such control ceases.

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Summary of significant accounting policies (continued)

#### (a) Subsidiaries and basis of consolidation (continued)

The cost of acquisition of a subsidiary company depends on whether it is a business combination, in accordance to the specifications in MFRS 3, or not. If it is not a business combination, the cost of acquisition consists of the consideration transferred ("CT"). The CT is the sum of fair values of the assets transferred by the Group, the liabilities incurred by the Group to the former owners of the acquiree and the equity instruments issued by the Group in exchange for control of the acquiree on the date of acquisition and any contingent consideration. For an acquisition that is not a business combination, the acquisition-related costs can be capitalised as part of the cost of acquisition. If it is a business combination, the cost of acquisition (or specifically, the cost of business combination) consists of CT, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held equity interest in the acquiree. For an acquisition that is a business combination, the acquisition-related costs are recognised in profit or loss as incurred.

When control in a business is acquired in stages, the previously held equity interests in the acquiree are re-measured to fair value at the acquisition date with any corresponding gain or loss recognised in profit or loss.

Any excess of the cost of business combination, as the case may be, over the net amount of the fair value of identifiable assets acquired and liabilities assumed is recognised as goodwill. For business combinations, provisions are made for the acquiree's contingent liabilities existing at the date of acquisition as the Group deems that it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations.

Any excess in the Group's interest in the net fair value of the identifiable assets acquired and liabilities assumed over the cost of business combination is recognised immediately in profit or loss.

The contingent consideration to be transferred by the acquirer will be recognised at fair value at the date of acquisition. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the date of acquisition) about the facts and circumstances that existed at the date of acquisition. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with MFRS 139: Financial Instruments – Recognition and Measurement or MFRS 137: Provisions, Contingent Liabilities and Contingent Assets, as appropriate with the corresponding gain or loss being recognised in profit or loss.

Uniform accounting policies are adopted in the consolidated financial statements for similar transactions and other events in similar circumstances. In the preparation of the consolidated financial statements, the financial statements of all subsidiary companies are adjusted for the material effects of dissimilar accounting policies. Intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Summary of significant accounting policies (continued)

#### (a) Subsidiaries and basis of consolidation (continued)

Profit or loss and each component of other comprehensive income are attributed to the non-controlling interest, even if this results in the non-controlling interests having a deficit balance.

Non-controlling interests represent the equity in subsidiary companies not attributable, direct or indirectly, to the Group which consist of the amount of those non-controlling interests at the date of original combination, and the non-controlling interests' share of changes in the equity since the date of the combination.

Non-controlling interests are presented separately in the consolidated statements of financial position within equity, separately from the equity of the owners of the parent.

Equity instruments and equity components of hybrid financial instruments issued by subsidiary companies but held by the Group will be eliminated on consolidation. Any difference between the cost of investment and the value of the equity instruments or the equity components of hybrid financial instruments will be recognised immediately in equity upon elimination.

When there is share buyback by a subsidiary company, the accretion of the Group's interest is recognised as a deemed acquisition of additional equity interest in the subsidiary company. Any differences between the consideration of the share buyback over the Group's revised interest in the net fair value of the identifiable assets acquired and liabilities assumed is recognised directly in equity attributable to owners of the parent.

Changes in the Group's ownership interest in a subsidiary company that do not result in the Group losing control over the subsidiary company are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary companies. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary company, a gain or loss calculated as the difference between:

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- (ii) the previous carrying amount of the assets and liabilities of the subsidiary company and any non-controlling interest;

is recognised in profit or loss. The subsidiary company's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary company at the date control is lost is regarded as the cost on initial recognition of the investment.

In the Company's separate financial statements, investments in subsidiary companies are stated at cost less impairment losses.

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Summary of significant accounting policies (continued)

#### (b) Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group or the Company and the cost of the item can be measured reliably. Subsequent to recognition, when a property, plant and equipment are required to be replaced in intervals, the company recognises such parts as individual assets with specific useful lives. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

Depreciation of property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Buildings	2%
Office equipment, smallwares and motor vehicles	20% - 33%
Computers	20% - 40%
Plant, machinery, kitchen equipment, furniture and fittings	10% - 33%
Renovation and restoration	Based on lease term

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gains or losses on the derecognition of the asset are included in profit or loss in the year the asset is derecognised.

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Summary of significant accounting policies (continued)

#### (c) Intangible assets

##### (i) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets acquired and liabilities assumed. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

##### (ii) Trademarks

The cost of trademarks acquired represents its fair value as at the date of acquisition. Following initial recognition, trademarks are carried at cost less any accumulated impairment losses. Trademarks, which are considered to have indefinite useful lives, are not amortised but tested for impairment, annually or more frequently when indicators of impairment are identified. The useful lives of trademarks are reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

##### (iii) Development right fees and licence fees

Development right fees are required to be paid for the rights to develop the "Starbucks" franchise in Malaysia. The development right fees are capitalised and amortised over the period of the development agreement from the date the operation commences.

Licence fees are required to be paid in respect of the opening of new "Starbucks" outlets in Malaysia and Brunei. The licence fees paid are capitalised and amortised over the remaining period of the development agreement. The licence fees are amortised from the date when the respective outlet commences operations.

##### (iv) Computer software

Computer software acquired separately are measured on initial recognition at cost. Following initial recognition, computer software are carried at cost less any accumulated amortisation and any accumulated impairment losses. Computer software are amortised on a straight-line basis over its estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for a computer software are reviewed at each reporting date.

#### (d) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in first-out basis. Cost represents cost of food, beverages and materials purchased plus incidental expenses. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Summary of significant accounting policies (continued)

#### (e) Financial assets

Financial assets are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

The category that is applicable to the Group and the Company is as follows:

#### (i) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Summary of significant accounting policies (continued)

(f) Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

(i) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics.

Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and sundry receivables, where the carrying amounts are reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Summary of significant accounting policies (continued)

#### (g) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, deferred tax assets and non-current assets (or disposal groups) held for sale, are reviewed at each reporting date to determine whether there is an indication of impairment. If any such impairment exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each reporting date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use ("VIU"). In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in profit or loss in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the fair value reserve for the same asset.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Summary of significant accounting policies (continued)

#### (h) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definition of a financial liability.

Financial liabilities, within the scope of MFRS 139, are 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 financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

The category that is applicable to the Group and the Company is as follows:

#### (i) Other financial liabilities

Other financial liabilities of the Group and the Company include trade and other payables and bank borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group and the Company have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

#### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Summary of significant accounting policies (continued)

(i) Fair value measurement

Fair value is 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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (i) in the principal market for the asset or liability; or
- (ii) in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming the market participants act in their economic best interest.

A fair value measurement of a non-financial asset 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.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation technique for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation technique for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categories (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Summary of significant accounting policies (continued)

(j) Provisions

Provisions are recognised when the Group or the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations, and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a post-tax discount rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

Provisions for restoration costs are made at the lease inception date for the estimated costs of dismantling, removing or restoring the property, plant and equipment relating to operating leases with requirements to remove leasehold improvements at the end of the lease term.

(k) Cash and cash equivalents

Cash comprises cash in hand, at bank and short term deposits with a maturity of three months or less. Cash equivalents, which are short term, highly liquid investments that are readily convertible to known amounts subject to insignificant risk of changes in value, against which the bank overdrafts, if any, are deducted.

(l) Equity instruments

Ordinary shares are classified as equity instruments. Dividends on ordinary shares are recognised in equity in the period in which they are approved for payment.

The transaction costs of an equity transaction are accounted for as a deduction from equity. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(m) Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditure and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

(n) Current and non-current classification

The Group and the Company present assets and liabilities in statements of financial position based on current and non-current classification.

An asset is classified as current when it is:

- (i) expected to be realised or intended to be sold or consumed in normal operating cycle;
- (ii) held primarily for the purpose of trading;
- (iii) expected to be realised within 12 months after the reporting period; or
- (iv) cash and cash equivalents unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Summary of significant accounting policies (continued)

(n) Current and non-current classification (continued)

All other assets are classified as non-current.

A liability is classified as current when:

- (i) it is expected to be settled in normal operating cycle;
- (ii) it is held primarily for the purpose of trading;
- (iii) it is due to be settled within 12 months after the reporting period; or
- (iv) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities, respectively.

(o) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

(i) Sale of food, beverages and merchandises

Revenue relating to sale of food, beverages and merchandises is recognised net of indirect tax and discounts when the transfer of risks and rewards has been completed.

(ii) Royalty income

Revenue relating to royalty income is recognised on an accrual basis in accordance with the terms of the "Rights to Franchise Outlets" agreement between Roasters Asia Pacific (M) Sdn Bhd, a related company to the Group and BRoasters, a subsidiary company of the Group.

(iii) Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment is established.

(iv) Interest income

Interest income is recognised on an accrual basis unless recoverability is in doubt.

(v) Gift vouchers and stored value cards

Revenue from gift vouchers and stored value cards, are recognised when redeemed, or when the vouchers and stored value cards expire.

(vi) Other income

Other than above, all other income are recognised on accrual basis.

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Summary of significant accounting policies (continued)

(p) Customer loyalty programme

Certain subsidiary companies of the Group operate customer loyalty programmes which consist of stored value cards and allow customers to redeem free food, beverage or merchandise after a specific number of purchases.

The value of the free food and beverage to be rewarded to the programme members is deferred in the recognition of revenue at the time when the transaction is concluded, based on the estimated value of the free food, beverage or merchandise that is expected to be redeemed and will only be recognised as revenue when redeemed.

(q) Foreign currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated and separate financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

(ii) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Summary of significant accounting policies (continued)

(q) Foreign currencies (continued)

(iii) Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency ("RM") of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate prevailing at the reporting date;
- Income and expenses for each profit or loss and other comprehensive income are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- All resulting exchange differences are recognised in other comprehensive income and accumulated in a separate component of equity under the header of exchange reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets or liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

(r) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group and the Company pay fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF"). The foreign subsidiary companies of the Group also make contributions to their countries' statutory pension schemes.

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Summary of significant accounting policies (continued)

(r) Employee benefits (continued)

(iii) Defined benefit plan

A foreign subsidiary company prior to its disposal operates an unfunded, defined Retirement Benefit Scheme (“Scheme”) for its eligible employees. The obligation recognised in the consolidated statement of financial position under the Scheme is calculated by independent actuary using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- (i) the date of the plan amendment or curtailment; and
- (ii) the date that the Group recognises restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises service costs and net interest expense or income to profit or loss.

(iv) Employees’ share scheme

Employees of the Group received remuneration in the form of share options or share awards as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the share options and share awards on the date of grant. This cost is recognised in profit or loss, with a corresponding increase in the employees’ share plan reserve over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of share options and share awards that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised at the beginning and end of the period.

No expense is recognised for share options or share awards that do not ultimately vest, except for share options or share awards where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. When the share options are exercised or share awards are vested, the employees’ share plan reserve relating to the exercised options or vested shares is transferred to share capital. When the share options or share awards are forfeited, the employees’ share plan reserve relating to the forfeited share options or share awards is transferred to share capital.

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Summary of significant accounting policies (continued)

#### (s) Leases

##### As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor if any, is recognised as a reduction of rental expense over the lease term on a straight-line basis.

#### (t) Tax

##### (i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

##### (ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Summary of significant accounting policies (continued)

(t) Tax (continued)

(ii) Deferred tax (continued)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

(iii) Goods and Services Tax ("GST") or Value Added Tax ("VAT")

Where the GST or VAT incurred in a purchase of assets or services is not recoverable from the respective taxation authorities, it is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

The net amount of GST or VAT being the difference between output and input of GST or VAT, payable to or receivable from the respective taxation authorities at the reporting date, is included in trade and other payables or trade and other receivables accordingly in the statements of financial position.

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Summary of significant accounting policies (continued)

(u) Segmental information

For management purposes, the Group is organised into operating segments based on the geographical locations which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Group who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance.

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Revenue and expenses do not include items arising on investing or financing activities. Revenue is attributed to geographical segments based on location where the sales are transacted. Segment assets include all operating assets used by a segment and do not include items arising on investing or financing activities. Assets are allocated to a geographical segment based on location of assets. Segment liabilities comprise operating liabilities and do not include liabilities arising on investing or financing activities such as bank borrowings.

(v) Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group or of the Company.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and the Company except for contingent liabilities assumed in a business combination of which the fair value can be reliably measured.

(w) Warrants

Warrants are classified as equity instrument and it is allocated its value based on the closing price of the first trading day, if the warrant is listed, or estimated using option pricing models, if the warrant is not listed.

The issuance of the ordinary shares upon exercise of the warrants is treated as new subscription of ordinary shares for the consideration equivalent to the exercise price of the warrants.

### 2.3 Changes in accounting policies

On 1 May 2017, the Group and the Company adopted the following Amendments to MFRSs and Annual Improvements:

**Effective for financial periods beginning on or after 1 January 2017:**

- Amendments to MFRS 107: Statement of Cash Flows - Disclosure Initiative
- Amendments to MFRS 112: Income taxes - Recognition of Deferred Tax Assets for Unrealised Losses
- Annual Improvements to MFRSs 2014-2016 Cycle - Amendments to MFRS 12: Disclosure of Interests in Other Entities

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Changes in accounting policies (continued)

Adoption of the above Amendments to MFRSs and Annual Improvements did not have any effect on the financial performance or position of the Group and the Company except as discussed below:

#### Amendment to MFRS 107: Statement of Cash Flows – Disclosure Initiative

The amendments to MFRS 107 Statement of Cash Flows require an entity to provide disclosure that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of these amendments, entities are not required to provide comparative information for preceding periods. Apart from the additional disclosures in statement of cash flows, the application of these amendments has had no impact on the Group and on the Company.

#### Amendments to MFRS 112 Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that an entity needs to consider whether tax law restrict the sources of taxable profits against which it may make deductions on the reversal of the deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The application of these amendments has had no impact on the Group and on the Company as the Group and the Company already assessed the sufficiency of future profits in a way that is consistent with these arrangements.

### 2.4 Standards issued but not yet effective

At the date of authorisation of these financial statements, the following new MFRSs, Amendments to MFRSs, Annual Improvements and IC Interpretations were issued but not yet effective and have not been applied by the Group and the Company:

#### **Effective for financial periods beginning on or after 1 January 2018:**

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

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Standards issued but not yet effective (continued)

#### Effective for financial periods beginning on or after 1 January 2019:

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

#### Effective for financial periods beginning on or after 1 January 2020:

- Amendments to MFRS 2: Share-based Payment
- Amendments to MFRS 3: Business Combinations
- Amendments to MFRS 6: Exploration for and Evaluation of Mineral Resources
- Amendments to MFRS 14: Regulatory Deferral Accounts
- Amendments to MFRS 101: Presentation of Financial Statements
- Amendments to MFRS 108: Accounting Policies, Changes in Accounting Estimates and Errors
- Amendments to MFRS 134: Interim Financial Reporting
- Amendments to MFRS 137: Provisions, Contingent Liabilities and Contingent Assets
- Amendments to MFRS 138: Intangible Assets
- IC Interpretation 12: Service Concession Arrangements
- IC Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments
- IC Interpretation 20: Stripping Costs in the Production Phase of a Surface Mine
- IC Interpretation 22: Foreign Currency Transactions and Advance Consideration
- IC Interpretation 132: Intangible Assets – Web Site Costs

#### Effective for financial periods beginning on or after 1 January 2021:

- MFRS 17: Insurance Contracts

#### Effective date yet to be determined:

- Amendments to MFRS 10 and MFRS 128: Sales or Contribution of Assets between an Investor and its Associate or Joint Venture (Deferred)

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Standards issued but not yet effective (continued)

Unless otherwise described below, the new MFRSs, Amendments to MFRSs, Annual Improvements to MFRSs and IC Interpretations above are expected to have no significant impact on the financial statements of the Group and of the Company upon their initial application except for the changes in presentation and disclosures of financial information arising from the adoption of the above new MFRSs, Amendments to MFRSs, Annual Improvements to MFRSs and IC Interpretations.

The Group is currently assessing the impact that these standards below will have on the financial position and performance.

#### MFRS 9: Financial Instruments

MFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. During 2018, the Group has performed a detailed impact assessment of all three aspects of MFRS 9. The assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2019 when the Group adopts MFRS 9.

Based on the analysis of the Group's financial assets and liabilities as at 30 April 2018 on the facts and circumstances that exist at that date, the directors of the Company have assessed the impact of MFRS 9 to the Group's financial statements as follows:

(a) Classification and measurement

The Group does not expect a significant impact on its statements of financial position or equity on applying the classification and measurement requirements of MFRS 9.

Loans and receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under MFRS 9. Therefore, reclassification for these instruments is not required.

(b) Impairment

The Group will apply the simplified approach and record lifetime expected losses on all trade receivables. The directors of the Company have assessed the impact of MFRS 9 in accordance with the simplified approach and determined that there is no significant impact to the Group's and the Company's financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Standards issued but not yet effective (continued)

#### MFRS 15: Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118: Revenue, MFRS 111: Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

The Group and the Company plan to adopt the new standard on the required effective date using the full retrospective method and apply all the practical expedients available for modified retrospective approach. The directors have assessed the effects of applying the new standard on the Group’s and the Company’s financial statements and have identified the following areas that will be affected.

#### (a) Presentation and disclosure requirements

The presentation and disclosure requirements in MFRS 15 are more detailed than the current standard. Many of the disclosure requirements in MFRS 15 are new and the Group and the Company have assessed that the impact of some of these disclosures will be significant. In particular, the Group expects that the notes to the financial statements will be expanded because of the disclosure of significant judgements made; when determining the transaction price of those contracts that include variable consideration, how the transaction price has been allocated to each performance obligation, and the assumptions made to estimate the stand-alone selling prices of each performance obligation. In addition, extended disclosures are also expected as a result of the significant judgement made when assessing the contract where the Group has concluded that it acts as an agent instead of a principal. MFRS 15 also requires revenue recognised to be disaggregated into categories that depict the nature, amount, timing and uncertainty of revenue and cash flows.

The Group continued testing the appropriate systems, internal controls, policies and procedures necessary to collect and disclose the required information.

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Standards issued but not yet effective (continued)

#### MFRS 16: Leases

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases. MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

The Group and the Company are currently assessing the impact of MFRS 16 and plan to adopt the new standard on the required effective date.

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.5 Significant accounting estimates and judgements

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

#### (a) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

##### (i) Impairment assessment of goodwill

The Group performs an impairment test on its goodwill on a periodic basis or when there is indication of impairment. This requires an estimation of the VIU of the CGU to which goodwill is allocated. Estimating a VIU amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Details of assumptions used for VIU computation are disclosed in Note 5.1.

##### (ii) Impairment assessment of trademark

The Group performs an impairment test on its trademark on a periodic basis or when there is indication of impairment. This requires an estimation of the VIU of the trademark. Estimating a VIU amount requires management to make an estimate of the expected savings on royalty and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Details of the assumptions used for VIU computation are disclosed in Note 5.1.

##### (iii) Deferred income

Deferred income represents a part of the sale proceeds received from customers which relates to free food and beverage to be rewarded to the customer royalty programme members. The amount of sale proceeds apportioned to deferred income is measured at the fair value of food and beverage to be rewarded, which is estimated based on the historical redemption pattern. Details of deferred income are disclosed in Note 18.

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2018

## 3. PROPERTY, PLANT AND EQUIPMENT

### GROUP

	Buildings	Office equipment, furniture and fittings and motor vehicles	Computer	Plant, machinery, kitchen equipment and smallwares	Renovations and restoration	Capital work-in- progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2018</b>							
<u>Net carrying amount</u>							
At beginning of year	17,236	33,025	3,787	42,035	114,909	5,963	216,955
Additions	815	8,848	2,378	9,786	28,741	7,634	58,202
Disposals	-	(188)	-	-	-	-	(188)
Depreciation charge for the year	(351)	(7,292)	(1,302)	(6,918)	(20,179)	-	(36,042)
Write off	-	(432)	(22)	(371)	(1,845)	-	(2,670)
Adjustment	-	-	-	-	-	(683)	(683)
Disposal of subsidiary	-	(255)	(40)	(456)	(301)	-	(1,052)
Exchange differences	-	(75)	(4)	(67)	(293)	-	(439)
Reclassification	-	210	(707)	-	6,384	(5,887)	-
At end of year	17,700	33,841	4,090	44,009	127,416	7,027	234,083
<b>As at 30 April 2018</b>							
Cost	18,284	66,180	12,306	93,426	223,937	7,027	421,160
Accumulated depreciation	(584)	(32,036)	(8,216)	(49,386)	(95,428)	-	(185,650)
Accumulated impairment	-	(303)	-	(31)	(1,093)	-	(1,427)
Net carrying amount	17,700	33,841	4,090	44,009	127,416	7,027	234,083
<b>2017</b>							
<u>Net carrying amount</u>							
At beginning of year	-	32,923	3,959	38,787	94,325	3,631	173,625
Additions	17,469	8,829	906	12,564	38,491	5,443	83,702
Disposals	-	(726)	-	(28)	-	-	(754)
Depreciation charge for the year	(233)	(7,565)	(1,030)	(7,049)	(18,588)	-	(34,465)
Write off	-	(365)	-	(322)	(2,670)	-	(3,357)
Impairment loss	-	(267)	(61)	(2,176)	(234)	-	(2,738)
Exchange differences	-	196	13	259	474	-	942
Reclassification	-	-	-	-	3,111	(3,111)	-
At end of year	17,236	33,025	3,787	42,035	114,909	5,963	216,955
<b>As at 30 April 2017</b>							
Cost	17,469	66,927	11,790	97,029	195,103	5,963	394,281
Accumulated depreciation	(233)	(33,212)	(7,823)	(50,555)	(77,650)	-	(169,473)
Accumulated impairment	-	(690)	(180)	(4,439)	(2,544)	-	(7,853)
Net carrying amount	17,236	33,025	3,787	42,035	114,909	5,963	216,955

Included in property, plant and equipment of the Group are fully depreciated assets which are still in use costing about RM63,774,000 (2017: RM54,489,000).

Included in the Group's adjustment row is over accrual of capital work-in-progress of RM683,000.

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2018

## 3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

COMPANY	Office equipment	Furniture and fittings	Computer	Total
	RM'000	RM'000	RM'000	RM'000
<b>2018</b>				
<u>Net carrying amount</u>				
At beginning of year	3	1	7	11
Additions	-	-	4	4
Depreciation charge for the year	(1)	-	(5)	(6)
At end of year	<u>2</u>	<u>1</u>	<u>6</u>	<u>9</u>
<b>As at 30 April 2018</b>				
Cost	5	1	19	25
Accumulated depreciation	(3)	-	(13)	(16)
Net carrying amount	<u>2</u>	<u>1</u>	<u>6</u>	<u>9</u>
<b>2017</b>				
<u>Net carrying amount</u>				
At beginning of year	2	1	6	9
Additions	2	-	6	8
Depreciation charge for the year	(1)	-	(5)	(6)
At end of year	<u>3</u>	<u>1</u>	<u>7</u>	<u>11</u>
<b>As at 30 April 2017</b>				
Cost	5	1	15	21
Accumulated depreciation	(2)	-	(8)	(10)
Net carrying amount	<u>3</u>	<u>1</u>	<u>7</u>	<u>11</u>

The additions in property, plant and equipment were acquired by way of:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Finance lease	1,811	-	-	-
Cash	45,753	74,969	4	8
Amounts due to suppliers	8,793	7,152	-	-
Provision for restoration cost	1,845	1,581	-	-
	<u>58,202</u>	<u>83,702</u>	<u>4</u>	<u>8</u>

Certain furniture and fittings and office equipment with a carrying amount of RM1,750,000 (2017: RM99,160) are under finance lease.

During the financial year, the Group conducted a review of the recoverable amount of certain property, plant and equipment and the review has concluded that no impairment was required as the recoverable amount was higher than the carrying amount. The recoverable amount was determined based on VIU and the post-tax discount rate used was 12.50%.

The review in the previous year led to the recognition of an impairment loss of RM2,738,000 in respect of certain property, plant and equipment for which the recoverable amount was less than the carrying amount. The recoverable amount was determined based on VIU and the post-tax discount rates used were in the range of 10.00% to 12.50%.

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2018

## 4. SUBSIDIARY COMPANIES

	Company	
	2018 RM'000	2017 RM'000
Unquoted shares in Malaysia, at cost	440,927	430,036
ESS granted to employees of subsidiary companies	5,791	3,731
	446,718	433,767
Less: Accumulated impairment	(5,030)	(5,030)
	441,688	428,737

In the previous financial year, the Company conducted a review of the recoverable amount of its investment in a subsidiary company of which its carrying amount of investment less amount owing to the subsidiary company exceeded its recoverable amount of RM69,030,000 and recognised an impairment loss of RM5,030,000. The recoverable amount was determined based on a five years cash flow projection discounted at the post-tax discount rate of 12.5%.

The Group's effective equity interest in the subsidiary companies, their respective activities and countries of incorporation are shown below:

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group <sup>^</sup>		% of ownership interest held by non-controlling interests <sup>^</sup>	
			2018	2017	2018	2017
<b>Held by the Company:</b>						
Berjaya Starbucks Coffee Company Sdn Bhd ("BStarbucks")	Malaysia	Development and operation of the "Starbucks Coffee" chain of cafes and retail outlets in Malaysia.	100	100	-	-
Berjaya Roasters (M) Sdn Bhd	Malaysia	Development and operation of the "Kenny Rogers Roasters" chain of restaurants in Malaysia.	100	100	-	-
Berjaya Food (International) Sdn Bhd ("BFI")	Malaysia	Investment holding.	100	100	-	-
Berjaya Food Trading Sdn Bhd	Malaysia	Sale and distribution of food and beverage in Malaysia.	100	100	-	-

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2018

## 4. SUBSIDIARY COMPANIES (CONTINUED)

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group <sup>^</sup>		% of ownership interest held by non-controlling interests <sup>^</sup>	
			2018	2017	2018	2017
<b>Subsidiaries of Berjaya Food (International) Sdn Bhd</b>						
PT Boga Lestari Sentosa ("PT Boga")*	Indonesia	Development and operation of the "Kenny Rogers Roasters" chain of restaurants in Java island, Bali and Medan, Indonesia.	-	51	100	49
Jollibean Foods Pte Ltd * ("JLPL")	Singapore	Operation of retail outlets and food caterer in Singapore.	95	100	5	-
Berjaya Food Supreme Sdn Bhd ("BFSSB")#	Brunei	Development and operation of the "Starbucks Coffee" chain of cafes and retail stores in Brunei.	80	80	20	20
Berjaya Roasters (Cambodia) Ltd *	Cambodia	Dormant.	70	70	30	30
<b>Subsidiary of Jollibean Foods Pte Ltd:</b>						
Berjaya Jollibean (M) Sdn Bhd	Malaysia	Dormant.	100	100	-	-

<sup>^</sup> equals to the proportion of voting rights held.

# audited by other member firm of Ernst & Young Global.

\* audited by other firms of chartered accountants.

### 4.1 Acquisition of subsidiary companies subsequent to financial year end

There is no acquisition of subsidiary company subsequent to the financial year end.

### 4.2 Disposal of subsidiary company

During the current financial year, Berjaya Food (International) Sdn Bhd completed the disposal of its entire equity stake in PT Boga (refer to Note 35(1)).

The effects of the disposal on the financial position of the Group are disclosed in the Consolidated Statement of Cash Flows, Note (a).

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2018

## 4. SUBSIDIARY COMPANIES (CONTINUED)

### 4.3 Subsidiary companies with material non-controlling interests

Summarised financial information of the subsidiary companies which have non-controlling interests that are material to the Group is set out below. The summarised financial information presented below is that of the amounts before inter-company elimination.

	PT Boga		BFSSB		Total	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-current assets	-	1,306	5,866	7,193	5,866	8,499
Current assets	-	1,462	2,257	1,685	2,257	3,147
Non-current liabilities	-	(402)	(968)	(1,084)	(968)	(1,486)
Current liabilities	-	(40,900)	(1,187)	(1,634)	(1,187)	(42,534)
Net (liabilities)/assets	-	(38,534)	5,968	6,160	5,968	(32,374)
Equity attributable to the owners of the parent	-	(19,652)	4,774	4,928	4,774	(14,724)
Non-controlling interests	-	(18,882)	1,194	1,232	1,194	(17,650)
	-	(38,534)	5,968	6,160	5,968	(32,374)
Revenue	4,525	12,281	6,730	7,548	11,255	19,829
(Loss)/Profit for the year	(1,983)	(9,967)	122	(318)	(1,861)	(10,285)
Other comprehensive income	2,229	(3,263)	(314)	455	1,915	(2,808)
Total comprehensive income for the year	246	(13,230)	(192)	137	54	(13,093)
(Loss)/Profit attributable to the:						
- Owners of the parent	(1,011)	(5,083)	98	(254)	(913)	(5,337)
- Non-controlling interests	(972)	(4,884)	24	(64)	(948)	(4,948)
(Loss)/Profit for the year	(1,983)	(9,967)	122	(318)	(1,861)	(10,285)
Total comprehensive income attributable to:						
- Owners of the parent	-	(6,747)	(154)	110	(154)	(6,637)
- Non-controlling interests	246	(6,483)	(38)	27	208	(6,456)
Total comprehensive income for the year	246	(13,230)	(192)	137	54	(13,093)
Net cash (used in)/generated from						
- Operating activities	(291)	(442)	805	180	514	(262)
- Investing activities	(21)	(1,652)	(15)	(177)	(36)	(1,829)
- Financing activities	143	2,062	-	-	143	2,062
Net change in cash and cash equivalents	(169)	(32)	790	3	621	(29)

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2018

## 5. INTANGIBLE ASSETS

### GROUP

	Goodwill	Trademark	Development		Computer software	Total
			Licence fees	right fees		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2018</b>						
<u>Net carrying amount</u>						
At beginning of year	429,828	7,646	12,962	96	4,202	454,734
Additions	-	-	2,701	-	1,854	4,555
Amortisation	-	-	(631)	(9)	(1,523)	(2,163)
Reclassification	-	-	-	(29)	29	-
Exchange differences	-	-	(16)	-	(4)	(20)
At end of year	<u>429,828</u>	<u>7,646</u>	<u>15,016</u>	<u>58</u>	<u>4,558</u>	<u>457,106</u>
<b>As at 30 April 2018</b>						
Cost	430,367	7,646	20,700	114	7,763	466,590
Accumulated amortisation	-	-	(5,684)	(56)	(3,205)	(8,945)
Accumulated impairment losses	(539)	-	-	-	-	(539)
Net carrying amount	<u>429,828</u>	<u>7,646</u>	<u>15,016</u>	<u>58</u>	<u>4,558</u>	<u>457,106</u>
<b>2017</b>						
<u>Net carrying amount</u>						
At beginning of year	430,367	7,646	10,799	106	2,734	451,652
Additions	-	-	2,757	-	2,138	4,895
Amortisation	-	-	(511)	(10)	(675)	(1,196)
Impairment	(539)	-	-	-	-	(539)
Write off	-	-	(110)	-	-	(110)
Exchange differences	-	-	27	-	5	32
At end of year	<u>429,828</u>	<u>7,646</u>	<u>12,962</u>	<u>96</u>	<u>4,202</u>	<u>454,734</u>
<b>As at 30 April 2017</b>						
Cost	430,450	7,646	18,020	143	5,884	462,143
Accumulated amortisation	-	-	(5,058)	(47)	(1,682)	(6,787)
Accumulated impairment losses	(622)	-	-	-	-	(622)
Net carrying amount	<u>429,828</u>	<u>7,646</u>	<u>12,962</u>	<u>96</u>	<u>4,202</u>	<u>454,734</u>

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2018

## 5. INTANGIBLE ASSETS (CONTINUED)

### 5.1 Impairment testing on goodwill

#### (1) Allocation of goodwill

Goodwill has been allocated to the Group's CGU identified according to geographical segments as follows:

	Group	
	2018 RM'000	2017 RM'000
Malaysia	422,723	422,723
Singapore	7,105	7,105
	<u>429,828</u>	<u>429,828</u>

#### (2) Key assumptions used in VIU calculations

The recoverable amount of a CGU is determined based on VIU calculation using cash flow projections based on financial budgets covering a period ranging from three to ten years. The key assumptions used for VIU calculations are:

##### (a) Budgeted gross margin and growth rate

The basis used to determine the value assigned to the budgeted gross margins and growth rate is the average gross margin and average growth rate achieved in the years before the budgeted year and adjusted for expected efficiency improvements.

##### (b) Discount rate

The discount rates used reflects specific risks relating to the CGU. The significant post-tax discount rates, applied to cash flows, used for identified CGUs are in the range of 12.00% - 12.50% (2017: 12.00% -12.50%).

#### (3) Sensitivity to changes in assumptions

Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying values of the CGUs to materially exceed their recoverable amounts.

#### (4) Impairment

In the previous financial year, the Group assessed that certain CGUs were carried in excess of their VIU and recognised impairment loss of RM539,000 based on the recoverable amount of RM654,000. The Group continues to carry out impairment assessment on goodwill and no further impairment on goodwill is necessary as the recoverable amounts of the respective CGU is assessed to be higher than the carrying value of the CGU.

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2018

## 5. INTANGIBLE ASSETS (CONTINUED)

### 5.2 Impairment testing on trademark

(1) Key assumptions used in VIU calculation

The recoverable amount of a CGU is determined based on the VIU calculation using cash flow projection for the estimated savings on royalties based on financial budgets covering a five-year period. The key assumptions used for VIU calculations are:

(a) Estimated royalty rate

The estimated royalty rate is determined by referring to other royalty rates in similar businesses.

(b) Discount rate

The discount rate used reflects specific risks relating to the CGU. The significant post-tax discount rate, applied to cash flows, used for the identified CGU is 12.00% (2017: 12.50%).

(2) Sensitivity to changes in assumptions

Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the CGU to materially exceed the recoverable amount.

## 6. INVENTORIES

	Group	
	2018 RM'000	2017 RM'000
<b>At cost</b>		
Food and beverages	16,098	18,320
Inventories for resale	10,088	12,519
Spares and other supplies	7,882	6,913
	<u>34,068</u>	<u>37,752</u>

The cost of inventories recognised as an expense during the financial year of the Group amounted to RM165,308,000 (2017: RM149,860,000).

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2018

## 7. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b><u>Current</u></b>				
<b>Trade receivables</b>	5,591	3,946	-	-
<b>Other receivables</b>				
Deposits	9,018	11,524	-	-
Sundry receivables	4,493	2,062	2	-
Amount owing by :				
- related companies	1,078	902	-	-
- subsidiary companies	-	-	8,894	67,155
	14,589	14,488	8,896	67,155
Less: Allowance for impairment	(2,253)	-	-	(49,109)
	12,336	14,488	8,896	18,046
<b>Other current assets</b>				
Prepayments	6,354	2,935	49	48
Indirect tax recoverable	-	22	-	-
	6,354	2,957	49	48
Total current receivables	24,281	21,391	8,945	18,094
<b><u>Non-current</u></b>				
Deposits	23,128	22,740	-	-
Total trade and other receivables	47,409	44,131	8,945	18,094

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2018

## 7. TRADE AND OTHER RECEIVABLES (CONTINUED)

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or groups of debtors.

### 7.1 Trade receivables

The trade receivables are corporate customers and credit card companies which are generally on 6 - 90 (2017: 6 - 90) days term.

#### (1) Ageing analysis of trade receivables

	Group	
	2018 RM'000	2017 RM'000
Neither past due nor impaired	4,468	3,035
1 to 30 days past due not impaired	691	328
31 to 60 days past due not impaired	41	53
61 to 90 days past due not impaired	52	23
More than 90 days past due not impaired	339	507
	1,123	911
	5,591	3,946

#### (2) Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

#### (3) Receivables that are past due but not impaired

The Group has trade receivables amounting to RM1,123,000 (2017: RM911,000) that are past due at the reporting date but not impaired. There is no concern on the credit worthiness of the counter parties and the recoverability of these debts.

### 7.2 Other receivables

Movements in allowance accounts:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At beginning of year	-	-	49,109	-
Charge for the year (Note 21)	2,253	-	-	49,109
Written off	-	-	(49,109)	-
At end of year	2,253	-	-	49,109

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2018

## 7. TRADE AND OTHER RECEIVABLES (CONTINUED)

### 7.2 Other receivables (continued)

#### (a) Sundry receivables

Included in sundry receivables is an amount of RM430,000 being the balance of the consideration for the disposal of 5% equity interest in JLPL (refer to Note 35(2)).

Sundry receivables are non-interest bearing and generally on 30 to 90 (2017: 30 to 90) days term.

#### (b) Amounts owing by related companies and subsidiary companies

The amounts owing by related companies are unsecured, non-interest bearing and repayable on demand.

The amounts owing by subsidiary companies are unsecured and repayable on demand. The amount totalling RM8,582,000 (2017: RM16,726,000) is interest bearing.

## 8. DEPOSITS WITH FINANCIAL INSTITUTIONS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deposits with:				
Licensed banks	884	2,400	-	-

The interest rates per annum and maturities of deposits as at reporting date were as follows:

	Group		Company	
	2018	2017	2018	2017
Interest rates per annum (%)				
- Licensed banks	3.20 - 3.30	3.00 - 3.30	-	-
Maturities (days)				
- Licensed banks	9 - 31	3 - 31	-	-

Included in deposits of the Group are monies held in debt service reserve accounts amounting to RM581,000 (2017: RM571,000).

## 9. CASH AND BANK BALANCES

Included in cash and bank balances of the Group and Company are monies held in debt service reserve accounts amounting to RM2,899,000 (2017: RM4,438,000) and RM2,899,000 (2017: RM4,438,000), respectively.

# NOTES TO THE FINANCIAL STATEMENTS

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## 10. SHARE CAPITAL

	Group and Company			
	Number of shares		Share capital	
	2018 '000	2017 '000	2018 RM'000	2017 RM'000
<b>Issued and fully paid</b>				
At beginning of year	379,574	378,288	240,617	189,144
Employees' share options exercised	518	896	958	1,657
Employees' share options forfeited	-	-	85	3
Warrants exercised	1,767	390	1,572	312
	<u>381,859</u>	<u>379,574</u>	<u>243,232</u>	<u>191,116</u>
Transfer pursuant to S618(2) of CA 2016	-	-	-	49,501
At end of year	<u>381,859</u>	<u>379,574</u>	<u>243,232</u>	<u>240,617</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All the ordinary shares rank equally with regard to the Company's residual assets.

## 11. RESERVES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Merger deficit (Note a)	(55,087)	(55,087)	-	-
Employees' share plan reserve (Note b)	3,913	1,476	3,913	1,476
Consolidation reserves (Note c)	322	-	-	-
Warrant reserve (Note d)	-	367	-	367
Exchange reserves	1,649	(362)	-	-
	<u>(49,203)</u>	<u>(53,606)</u>	<u>3,913</u>	<u>1,843</u>
Retained earnings (Note e)	199,477	213,240	43,067	27,503
	<u>150,274</u>	<u>159,634</u>	<u>46,980</u>	<u>29,346</u>

Notes:

(a) Merger deficit

Merger deficit represents the difference between the Company's cost of investment in a subsidiary company and the nominal value of share capital of the subsidiary company acquired.

(b) Employees' share plan ("ESP") reserve

The ESP reserve represents the equity-settled share options/grants to directors and certain employees of the Group. The ESP reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of the share options/grants and is reduced by the expiry or exercise of the share options, or forfeiture of the share options/grants.

(c) The consolidation reserve comprises the consolidation effects of change in the Group's equity interest in a subsidiary company which does not result in loss of control.

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2018

## 11. RESERVES (CONTINUED)

### (d) Warrant reserve

On 9 August 2012, 115,081,760 5-year Warrants 2012/2017 (“Warrants”) were issued by the Company to the subscribers of the rights issue of the Company’s ordinary shares. The Warrants are constituted by a deed poll dated 2 July 2012. The Warrants were listed on Bursa Malaysia on 13 August 2012. The Warrants expired on 8 August 2017.

#### Warrants Movement

	Group and Company	
	2018 Units'000	2017 Units'000
At beginning of year	1,929	2,319
Exercised during the year	(1,767)	(390)
Cancellation of unexercised warrants upon expiry	(162)	-
At end of year	-	1,929

The main features of the Warrants were as follows:

Each Warrant entitles the registered holder at any time during the exercise period to subscribe for one new ordinary share in the Company at an exercise price of RM0.70 per ordinary share.

The exercise price and the number of Warrants are subject to adjustment in the event of alteration to the share capital, bonus issue, capital distribution and rights issue by the Company in accordance with the conditions provided in the deed poll.

The Warrants shall be exercisable at any time within the period commencing on and including the date of issue on 9 August 2012 of the Warrants and ending on the date preceding the fifth anniversary of the date of issue of the Warrants.

Upon exercise of the Warrants into new ordinary shares, such shares shall rank pari passu in all respects with the ordinary shares of the Company in issue at the time of exercise except that they shall not be entitled to any dividend, right, allotment and/or other distributions, the book closure date of which is prior to the allotment of the new ordinary shares to be issued upon exercise of the Warrants.

At the expiry of the exercise period, any Warrants which have not been exercised will lapse and cease to be valid for any purposes.

### (e) Retained earnings

The Company may distribute dividend out of its entire retained earnings as at 30 April 2018 under the single-tier system.

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2018

## 12. TREASURY SHARES

	Group and Company			
	Ordinary shares			
	2018	2017	2018	2017
No. of shares	No. of shares	RM'000	RM'000	
	'000	'000		
At beginning of year	5,442	-	8,334	-
Shares bought back during the year	-	5,442	-	8,334
Reissued for ESS shares vested	(423)	-	(647)	-
At end of year	5,019	5,442	7,687	8,334

Pursuant to an Annual General Meeting held on 10 October 2013, the Company obtained a shareholder's mandate to undertake the purchase of up to 10% of the issued and paid-up share capital of the Company at the time of purchase.

The renewal of the Company's mandate relating to the share buyback of up to 10% of the existing total paid-up share capital, inclusive of all treasury shares that have been bought back, was approved by the shareholders of the Company at the Annual General Meeting held on 2 October 2017.

During the financial year, the Company did not buy back any of its shares from the open market. In the previous financial year, the Company bought back 5,442,300 shares from the open market at an average price of about RM1.53 per share for a total cash consideration of approximately RM8,334,000 with internally generated funds. The shares bought back are held as treasury shares. During the financial year, 422,760 shares were reissued for the vesting of ESS shares.

## 13. LONG TERM BORROWINGS

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<b>Secured</b>				
Term loan (Note a)	145,720	161,563	145,720	161,563
Portion repayable within 12 months included under short term borrowings (Note 17)	(9,750)	(36,915)	(9,750)	(36,915)
	135,970	124,648	135,970	124,648
Hire purchase payable (Note b)	1,772	78	-	-
Portion repayable within 12 months included under short term borrowings (Note 17)	(247)	(37)	-	-
	1,525	41	-	-
	137,495	124,689	135,970	124,648

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2018

## 13. LONG TERM BORROWINGS (CONTINUED)

Details of the long term borrowings outstanding are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Amounts repayable:				
More than one year but not later than two years	10,097	42,469	9,773	42,469
More than two years two years but not later than five years	60,577	82,220	59,376	82,179
More than five years	66,821	-	66,821	-
	<u>137,495</u>	<u>124,689</u>	<u>135,970</u>	<u>124,648</u>

Notes:

- (a) The secured term loan is secured by way of a fixed charge on the shares of a subsidiary company.

The range of interest rates per annum at the reporting date for the term loan was 5.43% to 5.69% (2017: 5.55% to 5.80%).

- (b) The Group's hire purchase payable bore effective interest rate of 5.35% (2017: 2.81%) per annum.

The commitment terms under hire purchase payable are summarised as follows:

	Group	
	2018 RM'000	2017 RM'000
Gross amount payable:		
Within one year after reporting date	420	37
More than one year but not later than two years	459	44
More than two years but not later than five years	1,377	-
	<u>2,256</u>	<u>81</u>
Less: Unexpired interest	(484)	(3)
	<u>1,772</u>	<u>78</u>

The present value of hire purchase payable is summarised as follows:

	Group	
	2018 RM'000	2017 RM'000
Within one year after reporting date	247	37
More than one year but not later than two years	324	41
More than two years but not later than five years	1,201	-
	<u>1,772</u>	<u>78</u>

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2018

## 14. DEFERRED TAX

	Group	
	2018 RM'000	2017 RM'000
At beginning of the year	(4,141)	(3,390)
Recognised in profit or loss	393	(726)
Recognised in other comprehensive income	-	6
Arising on disposal of subsidiary company	26	-
Exchange differences	(12)	(31)
At end of the year	<u>(3,734)</u>	<u>(4,141)</u>

Presented after appropriate offsetting as follows:

	Group	
	2018 RM'000	2017 RM'000
Deferred tax assets	(5,005)	(6,004)
Deferred tax liabilities	1,271	1,863
	<u>(3,734)</u>	<u>(4,141)</u>

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

GROUP	Deferred	Property,	Retirement	Total
	income	plant and	benefits	
	RM'000	equipment	and others	RM'000
<b><u>Deferred Tax Assets</u></b>				
<b>2018</b>				
At beginning of the year	(13,211)	(81)	(2,714)	(16,006)
Recognised in profit or loss	(1,831)	43	1,438	(350)
Arising on disposal of subsidiary	-	-	26	26
Exchange differences	-	2	3	5
At end of the year	<u>(15,042)</u>	<u>(36)</u>	<u>(1,247)</u>	<u>(16,325)</u>
Set-off against deferred tax liabilities				<u>11,320</u> <u>(5,005)</u>
<b>2017</b>				
At beginning of the year	(10,608)	(894)	(2,276)	(13,778)
Recognised in profit or loss	(2,603)	865	(439)	(2,177)
Recognised in other comprehensive income	-	-	6	6
Exchange differences	-	(52)	(5)	(57)
At end of the year	<u>(13,211)</u>	<u>(81)</u>	<u>(2,714)</u>	<u>(16,006)</u>
Set-off against deferred tax liabilities				<u>10,002</u> <u>(6,004)</u>

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2018

## 14. DEFERRED TAX (CONTINUED)

### GROUP

	Property, plant and equipment	Total
	RM'000	RM'000
<b><u>Deferred Tax Liabilities</u></b>		
<b>2018</b>		
At beginning of the year	11,865	11,865
Recognised in profit or loss	743	743
Exchange differences	(17)	(17)
At end of the year	<u>12,591</u>	<u>12,591</u>
Set-off against deferred tax assets		<u>(11,320)</u>
		<u>1,271</u>
<b>2017</b>		
At beginning of the year	10,388	10,388
Recognised in profit or loss	1,451	1,451
Exchange differences	26	26
At end of the year	<u>11,865</u>	<u>11,865</u>
Set-off against deferred tax assets		<u>(10,002)</u>
		<u>1,863</u>

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2018	2017
	RM'000	RM'000
Unused tax losses	1,815	35,093
Unabsorbed capital allowances	781	862
Other deductible temporary differences	<u>642</u>	<u>98</u>

The availability of the foreign unused tax losses is subject to the tax legislation of the respective countries.

Deferred tax asset has not been recognised in respect of unused tax losses and the unabsorbed capital allowance as it is not probable that future taxable profits from a business source as defined by the Malaysian tax legislation will be available against which the unabsorbed capital allowances can be utilised.

The reduction in unused tax losses was mainly due to disposal of a subsidiary company.

# NOTES TO THE FINANCIAL STATEMENTS

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## 15. PROVISIONS

GROUP	Restoration costs	Retirement benefits	Total
	RM'000	RM'000	RM'000
<b>2018</b>			
At beginning of year	12,584	159	12,743
Provision for the year	1,845	20	1,865
Utilisation of provision	(453)	-	(453)
Disposal of subsidiary	(149)	(168)	(317)
Exchange differences	(93)	(11)	(104)
At end of year	<u>13,734</u>	<u>-</u>	<u>13,734</u>
<b>At 30 April 2018</b>			
Current	2,282	-	2,282
Non-current	11,452	-	11,452
	<u>13,734</u>	<u>-</u>	<u>13,734</u>
<b>2017</b>			
At beginning of year	11,951	123	12,074
Provision for the year	1,581	44	1,625
Utilisation of provision	(1,092)	-	(1,092)
Recognised in other comprehensive income	-	(22)	(22)
Exchange differences	144	14	158
At end of year	<u>12,584</u>	<u>159</u>	<u>12,743</u>
<b>At 30 April 2017</b>			
Current	2,584	-	2,584
Non-current	10,000	159	10,159
	<u>12,584</u>	<u>159</u>	<u>12,743</u>

Notes:

(a) Restoration costs

Provision for restoration costs is made based on the estimated cost of restoring the rented premises, arising from the use of such premises and in accordance to the stipulations in the tenancy agreements. The estimated costs of such restoration are included in the cost of property, plant and equipment.

The estimated restoration costs are reviewed and updated annually based on the latest cost of restoring a premise.

Provision for restoration costs is classified as non-current liabilities unless the tenancy agreement, for which the restoration is required, expires within 12 months after the reporting date.

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2018

## 15. PROVISIONS (CONTINUED)

### (b) Retirement benefits

A foreign subsidiary company prior to its disposal maintains an unfunded retirement benefit plan where the estimated liabilities of employee benefit is determined based on actuary valuation by an independent actuary using the projected unit credit method.

The amount of unfunded defined benefit obligation recognised in the consolidated statement of financial position is the present value of the obligation.

The amount recognised in the profit or loss is as follows:

	Group	
	2018 RM'000	2017 RM'000
Current service cost, representing retirement benefits recognised in staff costs	20	34
Net interest cost	-	10
	20	44

The following principal assumptions were used to determine the unfunded defined benefit obligations as at the reporting date:

	Group	
	2018 %	2017 %
Discount rate	-	7.88
Rate of average salary increase	-	6.00

### Sensitivity analysis for the defined benefit obligations

The management is of the view that changes in the discount rate at the reporting date would affect the defined benefit obligations in the following manner:

	Increase/(decrease)		Impact on defined benefit obligations	
	Group		Group	
	2018 %	2017 %	2018 RM'000	2017 RM'000
Discount rate	-	1.00	-	(23)
Discount rate	-	(1.00)	-	28

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2018

## 16. TRADE AND OTHER PAYABLES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Trade payables</b>	24,326	32,501	-	-
<b>Other payables</b>				
Sundry payables	25,370	23,791	-	-
Accruals	16,768	32,549	386	628
Refundable deposit	1,988	1,566	-	-
Amount owing to				
- related companies	77	330	6	5
- subsidiary company	-	-	29,992	28,130
	44,203	58,236	30,384	28,763
<b>Other current liability</b>				
Indirect tax payable	179	145	-	-
	68,708	90,882	30,384	28,763

(a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on 30 - 120 days (2017: 30 - 120 days) term.

(b) Sundry payables

These amounts are non-interest bearing. Sundry payables are normally settled on 30 - 180 days (2017: 30 - 180 days) term.

(c) Accruals

Included in accruals of the Group are accrued royalty expenses, accrual for utilities and retention sums in relation to renovation works for outlets and restaurants.

(d) The amounts owing to related companies are unsecured, non-interest bearing and repayable on demand.

The amount owing to a subsidiary company is unsecured, interest-bearing and repayable on demand.

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2018

## 17. SHORT TERM BORROWINGS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Secured</b>				
Long term loan - portion repayable within 12 months (Note 13)	9,750	36,915	9,750	36,915
Short term loan	45,738	33,715	-	-
Revolving credits	80,000	60,000	-	-
Bankers acceptance	6,023	-	-	-
Hire purchase payable (Note 13)				
- portion repayable within 12 months	247	37	-	-
	<u>141,758</u>	<u>130,667</u>	<u>9,750</u>	<u>36,915</u>

The short term loan, revolving credits and bankers acceptance are secured by corporate guarantees provided by the Company. A short term loan is further secured by monies held by debt service reserve accounts as disclosed in Notes 8 and 9. As at the reporting date, a subsidiary company had a technical non-compliance of a covenant of its short term loan. A one-time waiver of this compliance has been granted by the financial institution subsequent to the financial year end.

The range of interest rates per annum at the reporting date for borrowings was as follows:

	Group		Company	
	2018 %	2017 %	2018 %	2017 %
<b>Secured</b>				
Short term loan	4.70 - 5.45	5.05 - 5.35	-	-
Bankers acceptance	4.67 - 4.72	-	-	-
Revolving credits	4.64 - 5.28	4.56 - 5.27	-	-

## 18. DEFERRED INCOME

Deferred income represents the cash balances in the stored value cards and the deferral in the recognition of revenue relating to the customer loyalty programmes based on the estimated fair value of the free food, beverage or merchandise that is expected to be redeemed. The deferred income will only be recognised when the cash balances are used for purchases or when redemption occurs or when upon expiry of the redemption period.

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2018

## 19. REVENUE

Revenue consists of the following:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Sale of food, beverages and merchandises	639,741	605,441	-	-
Dividend income from subsidiary companies	-	-	43,240	43,585
	<u>639,741</u>	<u>605,441</u>	<u>43,240</u>	<u>43,585</u>

## 20. FINANCE COST

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Interest expenses on				
- Bank borrowings	14,058	13,472	8,410	9,492
- Unwinding of discount and charge out of deferred transaction costs	1,775	934	1,775	934
- Amounts due to subsidiary company	-	-	1,694	1,434
- Defined benefit plans (Note 15)	-	10	-	-
- Hire purchase	-	3	-	-
- Loan related expenses	399	277	-	2
	<u>16,232</u>	<u>14,696</u>	<u>11,879</u>	<u>11,862</u>



# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2018

## 21. PROFIT/(LOSS) BEFORE TAX (CONTINUED)

(a) Staff costs consist of the following:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Wages, salaries and allowances	103,959	97,147	105	-
Social security costs and employees insurance	1,763	1,627	-	-
Bonuses	3,509	4,255	12	-
Pension costs				
- defined contribution plans	12,916	11,738	15	-
- defined benefit plan	20	34	-	-
Reversal of provision for short term compensated absences	-	(5)	-	(5)
Share-based payments (Note b)	2,060	1,200	-	-
Other staff related expenses	15,543	12,753	-	-
	<u>139,770</u>	<u>128,749</u>	<u>132</u>	<u>(5)</u>

Staff costs exclude remuneration of executive directors.

(b) Share-based payments under ESS consist of the following:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Share-based payments for:				
- employees of the Group	2,060	1,200	-	-
- directors of the Company	1,329	646	1,329	646
	<u>3,389</u>	<u>1,846</u>	<u>1,329</u>	<u>646</u>

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2018

## 21. PROFIT/(LOSS) BEFORE TAX (CONTINUED)

### (c) Other expenses

Included in other expenses are the following:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Impairment in value of:				
- investment in subsidiary	-	-	-	5,030
- goodwill	-	539	-	-
- plant and equipment	-	2,738	-	-
- amount owing by subsidiary company	-	-	-	49,109
- sundry receivables	2,253	-	-	-
Loss on disposal of a subsidiary company	12,312	-	-	-
Foreign currency reserve transferred to profit or loss due to disposal of a subsidiary company	817	-	-	-
Intangible assets written off	-	110	-	-
Property, plant and equipment written off	2,670	3,357	-	-

### (d) Other income

Included in other income are the following:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Interest income				
- subsidiary company	-	-	2,293	2,481
- financial institutions	194	226	56	58
Royalty fee income from a related company	306	204	-	-
Gain on sale of property, plant and equipment	119	302	-	-
Service charge income	-	2,014	-	-

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2018

## 22. DIRECTORS' REMUNERATION

The aggregate directors' remuneration for all directors of the Group and of the Company categorised into appropriate components for the financial year are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Directors of the Company</b>				
Executive				
- Fees	-	25	-	-
- Salaries and other emoluments	1,661	2,091	154	294
- Bonus	190	235	20	19
- Benefit-in-kind	16	33	2	17
	<u>1,867</u>	<u>2,384</u>	<u>176</u>	<u>330</u>
Non-executive				
- Fees	72	60	72	60
- Other emoluments	114	8	114	8
	<u>186</u>	<u>68</u>	<u>186</u>	<u>68</u>
	<u>2,053</u>	<u>2,452</u>	<u>362</u>	<u>398</u>
<b>Other directors of the Group</b>				
- Salaries and other emoluments	903	-	-	-
- Benefit-in-kind	16	-	-	-
	<u>919</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total directors' remuneration</b>	<u>2,972</u>	<u>2,452</u>	<u>362</u>	<u>398</u>

# NOTES TO THE FINANCIAL STATEMENTS

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## 23. INCOME TAX EXPENSE

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current income tax				
- Malaysian tax	18,454	18,848	371	441
- Foreign tax	510	-	-	-
	<u>18,964</u>	<u>18,848</u>	<u>371</u>	<u>441</u>
(Over)/under provision in prior year				
- Malaysian tax	(378)	(156)	-	-
- Foreign tax	-	21	-	-
	<u>(378)</u>	<u>(135)</u>	<u>-</u>	<u>-</u>
	<u>18,586</u>	<u>18,713</u>	<u>371</u>	<u>441</u>
Deferred tax				
- Relating to origination and reversal of temporary differences	582	(501)	-	-
- Over provision in prior year	(189)	(225)	-	-
	<u>393</u>	<u>(726)</u>	<u>-</u>	<u>-</u>
Income tax expense	<u>18,979</u>	<u>17,987</u>	<u>371</u>	<u>441</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2017: 24%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

A reconciliation of income tax expense applicable to profit/(loss) before tax at the statutory income tax rate to income tax expense at the effective tax rate of the Group and of the Company is as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit/(loss) before tax	19,197	24,319	30,934	(21,953)
Applicable tax rate (%)	24	24	24	24
Taxation at applicable tax rate	4,607	5,836	7,424	(5,269)
Income not subject to tax	(210)	(72)	(10,378)	(10,460)
Expenses not deductible under tax legislation	14,593	10,966	3,325	16,170
Effect of different tax rate in other countries	(8)	22	-	-
Effect of withholding tax	481	-	-	-
Deferred tax assets not recognised during the financial year	83	1,595	-	-
Over provision of income tax in prior years	(378)	(135)	-	-
Over provision of deferred tax in prior years	(189)	(225)	-	-
Income tax expense	<u>18,979</u>	<u>17,987</u>	<u>371</u>	<u>441</u>

# NOTES TO THE FINANCIAL STATEMENTS

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## 24. EARNINGS PER SHARE

### (a) Basic

Basic earnings per share is calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2018 RM'000	2017 RM'000
Profit attributable to equity holders	1,175	11,435
Weighted average number of ordinary shares in issue ('000)	375,831	375,481
Basic earnings per share (sen)	0.31	3.05

### (b) Diluted

For the purpose of calculating diluted earnings per share, the profit for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the financial year, have been adjusted for the dilutive effects of the dilutive instruments of the Group.

	Group	
	2018 RM'000	2017 RM'000
Profit attributable to equity holders	1,175	11,435
Weighted average number of ordinary shares in issue ('000)	375,831	375,481
Assumed shares issued from the		
- exercise of employees' share options ('000)	1,468	1,933
- exercise of warrants ('000)	-	1,153
Adjusted weighted average number of ordinary shares ('000)	377,299	378,567
Diluted earnings per share (sen)	0.31	3.02

# NOTES TO THE FINANCIAL STATEMENTS

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## 25. DIVIDENDS

	Company			
	2018 Dividend per share Sen	2018 Dividend RM'000	2017 Dividend per share Sen	2017 Dividend RM'000
<b>Recognised during the year:</b>				
<u>in respect of prior financial year</u>				
- 4th interim dividend of 1.0 sen single-tier dividend (2017: 4th interim dividend of 1.0 sen single-tier dividend)	1.00	3,746	1.00	3,781
<u>in respect of current financial year</u>				
- 1st interim dividend of 1.0 sen single-tier dividend (2017: 1st interim dividend of 0.5 sen single-tier dividend)	1.00	3,759	0.50	1,876
- 2nd interim dividend of 1.0 sen single-tier dividend (2017: 2nd interim dividend of 1.0 sen single-tier dividend)	1.00	3,765	1.00	3,733
- 3rd interim dividend of 1.0 sen single-tier dividend (2017: 3rd interim dividend of 1.0 sen single-tier dividend)	1.00	3,768	1.00	3,740
	<u>4.00</u>	<u>15,038</u>	<u>3.50</u>	<u>13,130</u>

On 21 June 2018, the Company approved and declared a fourth interim single-tier dividend of 1.0 sen per share in respect of the financial year ended 30 April 2018 amounting to about RM3,769,000. The financial statements for the current financial year do not reflect this dividend. This dividend will be accounted for in the shareholders' equity as an appropriation of retained earnings in the financial year ending 30 April 2019.

## 26. SEGMENTAL INFORMATION

The Group operates predominantly in one business segment in Malaysia and outside Malaysia. The primary format, geographical segments, is based on the Group's management and internal reporting structure.

Unallocated assets include items relating to investing and financing activities and items that cannot be reasonably allocated to individual segments.

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2018

## 26. SEGMENTAL INFORMATION (CONTINUED)

	2018 RM'000	2017 RM'000
<b>Results</b>		
Malaysia	56,363	52,678
Indonesia	(1,983)	(7,484)
Singapore	(751)	(2,936)
Other South-East Asian countries	134	(851)
	<u>53,763</u>	<u>41,407</u>
Unallocated corporate expenses	(3,146)	(2,079)
	<u>50,617</u>	<u>39,328</u>
Investment related income		
- interest income	194	226
	<u>50,811</u>	<u>39,554</u>
Investment related expenses		
- Impairment on goodwill	-	(539)
- Impairment on sundry receivable	(2,253)	-
- Foreign currency reserve transferred to profit or loss due to disposal of a subsidiary company	(817)	-
- Loss on disposal of subsidiary company	(12,312)	-
	<u>(15,382)</u>	<u>(539)</u>
Finance costs	(16,232)	(14,696)
Profit before tax	<u>19,197</u>	<u>24,319</u>
Income tax expenses	(18,979)	(17,987)
Profit for the year	<u>218</u>	<u>6,332</u>

	Revenue	Capital expenditure	Assets	Liabilities
	RM'000	RM'000	RM'000	RM'000
<b>2018</b>				
Malaysia	600,290	61,898	338,215	142,113
Indonesia	4,525	-	-	-
Singapore	28,196	844	5,000	2,461
Other South-East Asian countries	6,730	15	8,337	1,376
	<u>639,741</u>	<u>62,757</u>	<u>351,552</u>	<u>145,950</u>
Unallocated items	-	-	462,111	280,524
<b>Total</b>	<u>639,741</u>	<u>62,757</u>	<u>813,663</u>	<u>426,474</u>
<b>2017</b>				
Malaysia	550,932	87,740	310,668	146,163
Indonesia	12,281	122	2,768	7,352
Singapore	33,918	558	6,597	3,315
Other South-East Asian countries	8,310	177	9,468	1,860
	<u>605,441</u>	<u>88,597</u>	<u>329,501</u>	<u>158,690</u>
Unallocated items	-	-	460,738	257,219
<b>Total</b>	<u>605,441</u>	<u>88,597</u>	<u>790,239</u>	<u>415,909</u>

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2018

## 27. EMPLOYEES' SHARE SCHEME

The Company implemented an Employees' Share Scheme ("ESS" or "Scheme") which came into effect on 18 November 2016 for a period of 5 years to 17 November 2021. The ESS may be extended for a maximum period of five (5) years if so recommended by the ESS Committee and approved at the discretion of the board. The ESS is governed by the By-Laws which were approved by the shareholders on 5 October 2016.

The main features of the Scheme for ESS are as follows:

- (a) The aggregate maximum number of ESS Shares and ESS Options that may be granted to any eligible director or employee of the Group shall be determined by the ESS Committee provided that:
  - (i) the directors (including non-executive directors) and eligible employees do not participate in the deliberation and discussion of their own allocation and the allocation to any person connected with them;
  - (ii) no allocation of more than seventy percent (70%) of the total of ESS Shares and ESS Options shall be made in aggregate to the directors and/or senior management of the Group; and
  - (iii) no allocation of more than ten percent (10%) of the ESS Shares and ESS Options shall be made to any eligible directors or employee of the Group who, either singly or collectively through persons connected with them, hold more than twenty percent (20%) of the issued and paid-up share capital of the Company (excluding treasury shares, if any).
- (b) An eligible employee shall pay a sum of RM1.00 as consideration for acceptance of that offer. The ESS options shall be exercisable at a price which is the five-day weighted average market price of the shares in the Company on the date of offer, with a discount not exceeding ten per cent.
- (c) The ESS Committee may in its absolute discretion and subject to compliance with the provisions of the Act and the Company's Constitution and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, decide that the ESS Shares to be satisfied by issuance of new ordinary shares of the Company, acquisition of existing issued ordinary shares of the Company from the market, payment of cash or a combination of the above.
- (d) The Company establish a Trust to be administered by a trustee consisting of such trustee appointed by the Company ("Trustee") from time to time for the purposes of subscribing for new ordinary shares of the Company and/or acquiring existing issued ordinary shares of the Company and transferring to the participants at such time as the ESS Committee shall direct.
- (e) The new ordinary shares issued upon the ESS will be subject to all the provisions of the Company's Constitution and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and shall rank pari passu in all respects with the existing issued ordinary shares of the Company, save and except that the new shares shall not be entitled for any dividends, rights, allotments and/or other distribution in respect of which the entitlement date is prior to the allotment of the new shares to the Trustee.
- (f) The existing issued ordinary shares procured pursuant to the ESS shall rank pari passu in all respect with the existing issued ordinary shares of the Company, save and except that the Trustee shall not be entitled for any dividends, rights, allotments and/or other distribution in respect of which the entitlement date is prior to the date on which the existing issued ordinary shares of the Company are credited into the CDS Account of the Trustee.

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2018

## 27. EMPLOYEES' SHARE SCHEME (CONTINUED)

### (i) ESS Options

The following table illustrates the number ("units") and weighted average exercise price ("WAEP") of, and movements in, ESS Options during the financial year:

	<b>Company 2018</b>	
	<b>Units</b>	<b>WAEP (RM)</b>
Outstanding at beginning of year	11,210,400	1.44
- Forfeited	(1,090,400)	1.44
- Exercised	(517,760)	1.44
Outstanding at end of year	<u>9,602,240</u>	1.44
Exercisable at end of year	<u>2,551,040</u>	

- The fair value of ESS Options granted at the grant date was estimated to be RM0.41 per option.
- The weighted average share price at the date of exercise of the ESS Options exercised during the financial year was RM1.80 per share.
- The exercise price for ESS Options outstanding at the end of the year was RM1.44 per share. The remaining contractual life for the ESS Options is 3.55 years.

The fair value of the ESS Options granted is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the instruments were granted.

The following table lists the inputs to the option pricing model:

	<b>Grant date 6.2.2017</b>
Dividend yield (%)	4.03
Expected volatility (%)	32.53
Risk-free interest rate (% p.a)	3.70
Expected life of options (Years)	4.85
Underlying share price (RM)	1.55

The expected life of the options is based on the contractual life of the options. The expected volatility reflects the assumption that the historical volatility, over a period similar to the life of the options, is indicative of future trends, which may not necessarily be the actual outcome.

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2018

## 27. EMPLOYEES' SHARE SCHEME (CONTINUED)

### (ii) ESS Shares

The following table illustrates the number and movements in ESS Shares:

	<b>Company 2018</b>
	<b>Units</b>
Balance at beginning of year	3,026,600
- Vested	(422,760)
- Forfeited	<u>(298,640)</u>
Balance at end of year	<u><u>2,305,200</u></u>

The estimated fair value of ESS Shares granted during the year was RM1.55 per share. The fair value of ESS Shares is determined using binominal option pricing model, taking into account the terms and conditions upon which the instruments were granted.

The following table lists the inputs to the option pricing model:

	<b>Grant date 6.2.2017</b>
Dividend yield (%)	4.03
Expected volatility (%)	32.53
Risk-free interest rate (% p.a)	3.70
Expected life of options (Years)	4.85
Underlying share price (RM)	1.55

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2018

## 28. SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to the transactions detailed in Notes 21 and 35, the Group had the following transactions with related parties during the financial year:

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Management fees payable to BCorp		300	300	300	300
Purchase of cleaning material from Kimia Suchi Marketing Sdn Bhd	a	175	206	-	-
Promotion and advertising expenses charged by Sun Media Corporation Sdn Bhd.	b	453	523	95	100
Loyalty reward charges and reload card payable to BLoyalty Sdn Bhd	a	301	420	-	-
Rental of premises payable to Berjaya Times Square Sdn Bhd	b	1,429	1,743	-	-
Security guard services payable to Berjaya Guard Services Sdn Bhd	a	336	297	-	-
Sales of products to 7- Eleven Malaysia Sdn Bhd	c	1,936	369	-	-
Purchase of a property unit from Deru Klasik Sdn Bhd	d	-	17,469	-	-

Notes:

- (a) Subsidiary company of BCorp group.
- (b) Associate company of BCorp group.
- (c) 7-Eleven Malaysia Sdn Bhd is a wholly-owned subsidiary of 7-Eleven Malaysia Holdings Berhad. Tan Sri Vincent Tan ("TSVT"), a major shareholder of BCorp, is a deemed major shareholder of 7-Eleven Malaysia Sdn Bhd by virtue of his direct and indirect interests in 7-Eleven Malaysia Holdings Berhad.
- (d) A company in which a person connected with Dato' Sri Robin Tan Yeong Ching, before his resignation as an executive chairman of the Company, has interest.

The purchase of products such as cleaning material and rendering of services by related companies to the Group and other related parties are entered into based on mutually agreed terms between the related parties.

# NOTES TO THE FINANCIAL STATEMENTS

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## 29. KEY MANAGEMENT PERSONNEL COMPENSATION

The compensation of the key management personnel of the Group and of the Company, are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Short-term benefits	2,694	2,789	341	348
Post-employment benefits	278	107	21	50
Share-based payment	1,329	695	1,329	646
	<u>4,301</u>	<u>3,591</u>	<u>1,691</u>	<u>1,044</u>

## 30. COMMITMENTS

	Group	
	2018 RM'000	2017 RM'000
Capital expenditure		
Property, plant and equipment		
- approved and contracted for	8,945	11,653
- approved but not contracted for	12,120	11,426
	<u>21,065</u>	<u>23,079</u>
Licence fees	2,448	2,720
	<u>23,513</u>	<u>25,799</u>

The future aggregate minimum lease payments under non-cancellable operating leases contracted for as at the reporting date but not recognised as liabilities are as follows:

	Group	
	2018 RM'000	2017 RM'000
Non-cancellable operating lease commitments as lessees		
- Within 1 year after reporting date	72,417	78,824
- Later than 1 year but not more than 5 years	209,941	185,144
- More than 5 years	133,770	110,067
	<u>416,128</u>	<u>374,035</u>

## 31. FINANCIAL GUARANTEES

The financial guarantees provided to financiers for subsidiary companies are no longer disclosed as contingent liability but would instead be accounted as financial liabilities if considered likely to crystallise. The Company has assessed the financial guarantee contracts and concluded that the financial impact of the guarantees is not material.

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2018

## 32. FINANCIAL INSTRUMENTS

### 32.1 Classification of financial instruments

The following table analyses the financial assets and financial liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Financial assets</b>					
<u>Loan and receivables</u>					
Trade and other receivables	7	41,055	41,174	8,896	18,046
Deposits with financial institutions	8	884	2,400	-	-
Cash and bank balances	9	31,378	23,865	8,005	4,994
Total financial assets		<u>73,317</u>	<u>67,439</u>	<u>16,901</u>	<u>23,040</u>
<b>Financial liabilities</b>					
<u>Other financial liabilities</u>					
Trade and other payables	16	68,529	90,737	30,384	28,763
Long term borrowing	13	137,495	124,689	135,970	124,648
Short term borrowings	17	141,758	130,667	9,750	36,915
Total financial liabilities		<u>347,782</u>	<u>346,093</u>	<u>176,104</u>	<u>190,326</u>

### 32.2 Determination of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair values:

	Note
<u>Current</u>	
Trade and other receivables	7
Long term borrowing	13
Trade and other payables	16
Short term borrowings	17

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The fair value of the finance lease obligation is estimated by discounting expected future cash flows at market incremental lending rate for similar type of leasing arrangement at reporting date.

The fair value of financial guarantees are determined based on the probability weighted discounted cash flows method. The probability has been estimated and assigned for the following key assumptions:

- the likelihood of the guaranteed party defaulting within the guaranteed period;
- the exposure on the portion that is not expected to be recovered due to the guaranteed party's default; and
- the estimated loss exposure if the party guaranteed were to default.

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2018

## 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its market risk (including interest rate risk and foreign exchange risk), liquidity risk and credit risk. The Group operates within clearly defined guidelines and the Group's policy is not to engage in speculative transactions.

### 33.1 Market risk

#### (1) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group manages the interest rate risks of its deposits with licensed financial institutions by placing them at the most competitive interest rates obtainable, which yield better returns than cash at bank. The Group also ensures that the rates contracted for its interest bearing receivables are reflective of the prevailing market rates.

The Group manages its interest rate risk exposure by actively reviewing its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes. The Group does not utilise interest swap contracts or other derivatives instruments for trading or speculation purposes.

The information on maturity dates and effective interest rates of financial assets and liabilities are disclosed in their respective notes.

At the reporting date, the interest rate profile of the interest-bearing financial instruments was:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<u>Fixed rate instruments</u>				
Financial assets	884	2,400	8,582	16,726
Financial liabilities	1,772	78	29,992	28,130
<u>Floating rate instruments</u>				
Financial liabilities	277,481	255,278	145,720	161,563

#### Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not measure any fixed rate instruments at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect the statement of profit or loss and other comprehensive income.

#### Sensitivity analysis for interest rate risk

A change of 25 basis points in interest rates at the reporting date would result in change in profit or loss before tax of the Group and of the Company to be higher/lower by RM694,000 (2017: RM638,000) and by RM364,000 (2017: RM404,000), respectively. This analysis assumes that all the other variables remain constant.

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2018

## 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### 33.1 Market risk (continued)

#### (2) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is mainly exposed to United States Dollar ("USD"). The net significant unhedged financial liabilities of the Group that are not denominated in their functional currencies are as follows:

<b>Functional Currency of the Group companies</b>	<b>USD RM'000</b>
<b>As at 30 April 2018</b>	
Trade and other payables	
RM	2,599
Brunei Dollar ("BND")	89
	<u>2,688</u>
<b>As at 30 April 2017</b>	
Trade and other payables	
RM	15,047
BND	36
	<u>15,083</u>

#### Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in those foreign currencies and MYR exchange rates, against the respective functional currencies of the Group entities, with all other variables remain constant.

<u>Increase/(decrease) to profit for the year</u>		<b>2018 RM'000</b>	<b>2017 RM'000</b>
USD/RM	- strengthened 10%	(260)	(1,505)
	- weakened 10%	260	1,505
USD/RM	- strengthened 10%	(9)	(4)
	- weakened 10%	9	4

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2018

## 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### 33.2 Credit risk

The Group's credit risk is primarily attributable to credit card sales. The Group trades only with recognised and creditworthy card centres.

The Group's sales are mainly on cash basis, as such, it is not exposed to significant credit risks in relation to its sales. Credit risks, or the risk of counterparties defaulting are minimised and monitored via strictly limiting the Group's associations to business partners with high creditworthiness.

At the reporting date, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

The Group does not have any significant exposure to any individual customer or counter party nor does it have any major concentration of credit risk related to any financial instrument.

#### Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 7. Deposits with banks and other financial institutions are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

### 33.3 Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group actively manages its debt maturity profile, operating cash flows and the availability of funds so as to ensure that all refinancing, repayment and funding needs are met. As part of the Group's liquidity management, it maintains sufficient levels of cash and seeks co-operation and support from its suppliers and vendors to meet its working capital requirements.

As at 30 April 2018, the net current liabilities of the Group and of the Company was RM181,915,000 (2017: RM189,392,000) and RM23,202,000 (2017: RM42,471,000) respectively. Despite of the net current liabilities position of the Group and the Company, the directors believe the Group and the Company are able to generate sufficient cash flows from operations as well as to refinance its short term borrowings to meet their obligations in the next 12 months. On this basis, the directors have prepared the financial statements of the Group and the Company on a going concern basis.

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2018

## 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### 33.3 Liquidity risk (continued)

#### Analysis of financial instruments by remaining contractual maturities

Group	On demand or within one year	One to five years	More than five years	Total
	RM'000	RM'000	RM'000	RM'000
<b>2018</b>				
<b>Financial liabilities</b>				
Trade and other payables	68,529	-	-	68,529
Borrowings	150,298	97,119	71,885	319,302
	<u>218,827</u>	<u>97,119</u>	<u>71,885</u>	<u>387,831</u>
<b>2017</b>				
<b>Financial liabilities</b>				
Trade and other payables	90,737	-	-	90,737
Borrowings	139,405	136,623	-	276,028
	<u>230,142</u>	<u>136,623</u>	<u>-</u>	<u>366,765</u>
<b>Company</b>				
	On demand or within one year	One to five years	More than five years	Total
	RM'000	RM'000	RM'000	RM'000
<b>2018</b>				
<b>Financial liabilities</b>				
Trade and other payables	30,384	-	-	30,384
Borrowings	18,117	95,283	71,885	185,285
	<u>48,501</u>	<u>95,283</u>	<u>71,885</u>	<u>215,669</u>
<b>2017</b>				
<b>Financial liabilities</b>				
Trade and other payables	28,763	-	-	28,763
Borrowings	45,653	136,579	-	182,232
	<u>74,416</u>	<u>136,579</u>	<u>-</u>	<u>210,995</u>

# NOTES TO THE FINANCIAL STATEMENTS

30 APRIL 2018

## 34. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to maintain an optimal capital structure in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic condition. To maintain or adjust its capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is total debt divided by total equity. Total equity represents net equity attributable to the owners of the parent plus non-controlling interests.

	Group	
	2018 RM'000	2017 RM'000
Long term borrowings	137,495	124,689
Short term borrowings	141,758	130,667
Total debt	<u>279,253</u>	<u>255,356</u>
Total equity	<u>387,189</u>	<u>374,330</u>
Gearing ratio	<u>72.12%</u>	<u>68.22%</u>

The gearing ratio is not governed by MFRS and its definition and calculation may vary from one Group/Company to another.

## 35. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (1) On 24 November 2017, the Company announced that its wholly-owned subsidiary, BFI, had entered into an agreement ("Agreement") to dispose off its entire stake in PT Boga and also to accept a settlement of a portion of the inter-company debt owing by PT Boga to BFI amounting to Indonesian Rupiah ("IDR") 9.6 billion (equivalent to about RM2.9 million). The cash consideration for the disposal is only a nominal sum of IDR1,000 (equivalent to about RM0.32).

The disposal was completed upon the execution of the Agreement with the receipt of the cash consideration.

- (2) On 30 January 2018, the Company's wholly-owned subsidiary, BFI completed the disposal of 5% equity interest comprising 50,000 ordinary shares in JLPL to Mr Sydney Lawrance Quays for a cash consideration of Singapore Dollar ("SGD") 150,000 (equivalent to about RM445,020). Mr Sydney Lawrance Quays is a director of JFPL as well as the Chief Executive Officer of the Company.

## 36. SIGNIFICANT EVENT SUBSEQUENT TO THE FINANCIAL YEAR

On 31 July 2018, BStarbucks, a wholly owned subsidiary company of the Company, entered into a sales and purchase agreement for the proposed acquisition of a freehold commercial unit in Berjaya Times Square from Deru Klasik Sdn Bhd, for a cash consideration of RM12,435,000 or RM15,000 per square foot.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BERJAYA FOOD BERHAD  
(INCORPORATED IN MALAYSIA)

## Report on the financial statements

### *Opinion*

We have audited the financial statements of Berjaya Food Berhad, which comprise the statements of financial position as at 30 April 2018 of the Group and of the Company, and 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 56 to 128.

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 30 April 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

### *Basis for opinion*

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

### *Independence and other ethical responsibilities*

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

### *Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. We have determined that there are no key audit matters to communicate in our report on the financial statements of the Company. The key audit matter for the audit of the financial statements of the Group is described below. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. For the matter below, our description of how our audit addressed the matter is provided in that content.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BERJAYA FOOD BERHAD  
(INCORPORATED IN MALAYSIA)

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis of our audit opinion on the accompanying financial statements.

## 1. Impairment of Goodwill

(refer to Note 5 to the financial statements – Intangible Assets)

Goodwill amounting to RM429,828,000, formed 60% and 53% of non-current assets and total assets of the Group as at 30 April 2018, respectively.

Goodwill is subject to an annual impairment test. The Group estimates the recoverable amount of a cash generating unit ("CGU") based on value-in-use ("VIU"). Estimating the VIU of the CGU involves assumptions made by the management relating to the future cash inflows and outflows that will be derived from the CGU, and discounting them at an appropriate rate. The cash flow forecasts, which have been approved by the Board of Directors, contain a number of significant judgements and estimates including estimates on revenue growth rate, discount rate and terminal growth rate. No impairment was required during the current financial year.

We consider this to be an area of focus for our audit as the amounts involved are significant, the assessment process is complex and involves significant management judgements about future market and economic conditions.

Our procedures to address this area of focus include, amongst others, the following:

- Involvement of our internal experts in reviewing the impairment assessment performed by management on the goodwill;
- Obtaining an understanding of the relevant internal controls over the process of estimating the recoverable amounts of the CGUs;
- Evaluating the appropriateness of the methodology and approach applied, and considered whether it is commonly used in the industry;
- Checking the basis of preparing the cash flow forecasts by taking into consideration the assessment of management's historical budgeting accuracy;
- Evaluating whether key assumptions which comprise the revenue growth rate and terminal growth rate are reasonable by making comparisons to historical trends, taking into consideration the current and expected outlook of economic growth in Malaysia;
- Challenging whether the rate used in discounting the future cash flows to its present value was appropriate. This included an assessment of the specific inputs to the discount rate, including the risk-free rate, equity risk premium and beta, along with gearing and cost of debt. Such inputs were benchmarked to equivalent data for peer companies; and
- Analysing the sensitivity of the key assumptions by assessing the impact of changes to the key assumptions to the recoverable amount.

We have also evaluated the adequacy of the disclosures concerning those key assumptions to which the outcome of the impairment test is most sensitive. The disclosures on key assumptions and sensitivities are included in Note 5.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BERJAYA FOOD BERHAD  
(INCORPORATED IN MALAYSIA)

## *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 Group's 2018 Annual Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon. The Group's 2018 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements of the Group and of the Company does not cover the other information 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 other information and, in doing so, consider whether the other information 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 this other information, 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 Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BERJAYA FOOD BERHAD  
(INCORPORATED IN MALAYSIA)

## *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 Group's and the Company's internal control.
- 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 Group's or the Company's ability 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 achieves fair presentation.
- 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.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BERJAYA FOOD BERHAD  
(INCORPORATED IN MALAYSIA)

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

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

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

## 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 4 to the financial statements.

## Other matters

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.

ERNST & YOUNG  
AF: 0039  
Chartered Accountants

Kuala Lumpur, Malaysia  
Date: 6 August 2018

KUA CHOO KAI  
No. 02030/03/2020 J  
Chartered Accountant

# RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

For the year ended 30 April 2018

Berjaya Food Berhad (“BFood”) Group with the following Related Parties	Nature of transactions undertaken by BFood and/or its unlisted subsidiaries	Amount transacted from 1.5.17-30.4.18 (RM’000)
<b>Berjaya Corporation Berhad (“BCorp”) and its unlisted subsidiaries:-</b>		
BCorp	Management fees payable by BFood for services rendered that include, inter-alia, the provision of finance, secretarial, internal audit and general administrative services.	300
Berjaya Registration Services Sdn Bhd	Receipt of share registration services and other related services by BFood.	55
Berjaya Books Sdn Bhd	Rental payable by Berjaya Starbucks Coffee Company Sdn Bhd (“BStarbucks”) at RM10,748 per month or based on 15% of monthly net sales generated, whichever is higher, for renting of shoplot at Lot G16, Ground Floor, The Walk, Jalan PJU 7/3, Mutiara Damansara, 47800 Petaling Jaya, Selangor. Tenure of the rental agreement is for a period of 3 years and renewable thereafter.	137
	Rental payable by BStarbucks at RM11,789 per month or based on 15% of monthly net sales generated, whichever is higher, for renting of shoplot at Lot 1F-91 & 92, QueensBay Mall, 100 Persiaran Bayan Indah, 11900 Bayan Lepas, Penang. Tenure of the rental agreement is for a period of 3 years and renewable thereafter.	149
	Rental payable by BStarbucks at RM13,992 per month or based on 13.5% of monthly net sales generated, whichever is higher, for renting part the floor space at Lot S-209, 2nd Floor, The Gardens Mall, Lingkaran Syed Putra, Mid Valley City, 59200 Kuala Lumpur. Tenure of the rental agreement is for a period of 3 years and renewable thereafter.	168
Berjaya Education Sdn Bhd	Receipt of education and staff training services by BFood Group	34
BLoyalty Sdn Bhd	Procurement of reload card and other related services by Berjaya Roasters (M) Sdn Bhd (“BRoasters”).	168
	Loyalty reward charges payable by BFood Group.	134

# RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

For the year ended 30 April 2018

Berjaya Food Berhad ("BFood") Group with the following Related Parties	Nature of transactions undertaken by BFood and/or its unlisted subsidiaries	Amount transacted from 1.5.17-30.4.18 (RM'000)
<b>Berjaya Corporation Berhad ("BCorp") and its unlisted subsidiaries:-</b>		
Roasters Asia Pacific (M) Sdn Bhd	Royalty fee payable by BRoasters.	278
	Income receivable by BRoasters pursuant to the rights awarded for granting of franchises to the Independent Franchisees	183
Roasters Asia Pacific (Cayman ) Limited	Royalty fee payable by PT Boga Lestari Sentosa ("PT Boga") in respect of ongoing training and support services provided.	10
	Advertisement and promotion fund paid/payable by PT Boga.	17
Securexpress Services Sdn Bhd	Provision of transportation services to BRoasters.	59
Kimia Suchi Marketing Sdn Bhd	Purchase of cleaning chemical products by BRoasters.	175
E.V.A. Management Sdn Bhd	Receipt of human resource management services by the BFood Group.	13
<b>Total</b>		<b>1,880</b>

## **Berjaya Land Berhad ("BLand") and its unlisted subsidiaries:-**

Cempaka Properties Sdn Bhd	Rental payable at RM5,540 per month for renting of shoplot by BRoasters at Lot G-83 (Ground Floor) and concourse area at Lot CCS-B-Bay 5A, Berjaya Megamall, Kuantan. Tenure of the rental agreement is for a period of 3 years and renewable thereafter.	66
	Rental payable at RM900 per month for renting of kiosk by BRoasters at Lot G-29D (Ground Floor), Berjaya Megamall, Kuantan. Tenure of the rental agreement is for a period of 3 years and renewable thereafter.	11
	Rental payable by BStarbucks at RM12,397 per month or based on 10% of monthly gross sales generated, whichever is higher, for renting of shoplot and outdoor seating at Lot G-15, Ground Floor, Berjaya Megamall, Jalan Tun Ismail, Kuantan. Tenure of the rental agreement is for a period of 3 years and renewable thereafter.	176
	Rental payable by BStarbucks at RM283 per month for renting of storage space at Lot S2.B, 2nd Floor, Berjaya Megamall, Jalan Tun Ismail, Kuantan. Tenure of the rental agreement is for a period of 3 years and renewable thereafter.	3

# RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

For the year ended 30 April 2018

Berjaya Food Berhad ("BFood") Group with the following Related Parties	Nature of transactions undertaken by BFood and/or its unlisted subsidiaries	Amount transacted from 1.5.17-30.4.18 (RM'000)
<b>Berjaya Land Berhad ("BLand") and its unlisted subsidiaries:-</b>		
Kota Raya Complex Management Sdn Bhd	Rental payable by BRoasters at RM500 per month for renting of signage at Lot G05, G06, G07 at Kota Raya Complex, Jalan Cheng Lock, Kuala Lumpur.	6
Kota Raya Development Sdn Bhd	Rental payable by BStarbucks at RM9,847 per month for renting of kiosk at Kiosk G1 Sidewalk Café Kota Raya Complex, Jalan Tun Tan Cheng Lock, 50450 Kuala Lumpur. Tenure of rental is for a period of one month and renewable on a monthly basis.	118
Nural Enterprise Sdn Bhd	Rental payable by BStarbucks at RM1,248 per month for renting of kiosk at Kiosk 1, Ground Floor, Plaza Berjaya, No.12, Jalan Imbi, 55100 Kuala Lumpur. Tenure of rental is for a period of one month and renewable on a monthly basis.	15
	Rental payable by BStarbucks at RM4,148 per month for renting of office at Lot 1.07-1.08, Podium Block, Plaza Berjaya, No.12, Jalan Imbi, 55100 Kuala Lumpur. Tenure of the rental agreement is for a period of 2 years and renewable thereafter.	50
	Rental payable by BStarbucks at RM1,314 per month for renting of store at Lot 3.01 & 3.04, Podium Block, Plaza Berjaya, No.12, Jalan Imbi, 55100 Kuala Lumpur. Tenure of rental is for a period of one month and renewable on a monthly basis.	16
Berjaya Guard Services Sdn Bhd	Receipt of security guard services by BStarbucks.	336
ANSA Hotel KL Sdn Bhd	Rental payable by BStarbucks at RM92,952 per month for renting of shoplot at Lot 03, Ground floor, ANSA Hotel KL, Bukit Bintang, 55100 Kuala Lumpur. Tenure of the rental agreement is for a period of 3 years and renewable thereafter.	1,115
<b>Total</b>		<b>1,912</b>

# RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

For the year ended 30 April 2018

Berjaya Food Berhad ("BFood") Group with the following Related Parties	Nature of transactions undertaken by BFood and/or its unlisted subsidiaries	Amount transacted from 1.5.17-30.4.18
<b>Berjaya Assets Berhad ("BAssets") and its unlisted subsidiaries:-</b>		
Berjaya Times Square Sdn Bhd	Rental payable at RM31,705 per month for renting of shoplot by BRoasters at Lot 03-85, 3rd Floor, Berjaya Times Square, No. 1 Jalan Imbi, 55100 Kuala Lumpur. Tenure of the rental agreement is for a period of 3 years and renewable thereafter.	380
	Rental payable at RM1,134 per month for renting of walkway area adjacent to Lot 03-85A, 3rd Floor, Berjaya Times Square, No. 1 Jalan Imbi, 55100 Kuala Lumpur. Tenure of the rental agreement is for a period of 3 years and renewable thereafter	14
	Rental payable at RM 19,920 per month for renting of office by BRoasters at Lots 09-06 to 09-13, 9th Floor, Berjaya Times Square, No.1, Jalan Imbi, Kuala Lumpur. Tenure of the rental agreement is for a period of 3 years and renewable thereafter.	246
	Rental payable at RM23,400 per month for renting of office by BStarbucks at Lot 10-02, Level 10, West Wing, Berjaya Times Square, No. 1, Jalan Imbi, 55100 Kuala Lumpur. Tenure of the rental agreement is for a period of 3 years and renewable thereafter.	281
	Rental payable at RM619 per month for renting of store room by BStarbucks at Lot 10-02c, Level 10, West Wing, Berjaya Times Square, No. 1, Jalan Imbi, 55100 Kuala Lumpur. Tenure of the rental agreement is for a period of 3 years and renewable thereafter.	7
	Rental payable at RM7,840 per month for renting of shoplot by BStarbucks at Lot No. G-09C and G-09D, Ground Floor, Berjaya Times Square, No.1, Jalan Imbi, 55100 Kuala Lumpur. Tenure of the rental agreement is for a period of 3 years and renewable thereafter.	94
	Rental payable at RM3,360 per month for renting of shoplot by BStarbucks at Lot No. G-09G, Ground Floor, Berjaya Times Square, No.1, Jalan Imbi, 55100 Kuala Lumpur. Tenure of the rental agreement is for a period of 3 years and renewable thereafter.	40
	Rental payable at RM9,039 per month for renting of office by BStarbucks at Lot 09-26 to 09-28, 9th floor, Berjaya Times Square, No. 1, Jalan Imbi, 55100 Kuala Lumpur. Tenure of the rental agreement is for a period of 3 years and renewable thereafter.	63

# RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

For the year ended 30 April 2018

<b>Berjaya Food Berhad (“BFood”) Group with the following Related Parties</b>	<b>Nature of transactions undertaken by BFood and/or its unlisted subsidiaries</b>	<b>Amount transacted from 1.5.17-30.4.18</b>
<b>Berjaya Assets Berhad (“BASSETS”) and its unlisted subsidiaries:-</b>		
Berjaya Times Square Sdn Bhd	Rental payable at RM13,818 per month or based on 15% of monthly gross sales generated, whichever is higher, for renting of shoplot by BStarbucks at Lot No. 01-01-28, 1st Avenue, 1st Floor, Berjaya Times Square, No.1, Jalan Imbi, 55100 Kuala Lumpur. Tenure of the rental agreement is for a period of 3 years and renewable thereafter.	281
BTS Car Park Sdn Bhd	Parking charges payable by BFood Group.	148
Berjaya Waterfront Sdn Bhd	Rental payable at RM9,356 per month or based on 12% of monthly gross sales generated, whichever is higher, for renting of shoplot by BStarbucks at Lot 1.31 to 1.33, Level 1, Berjaya Waterfront Complex, No.88, Jalan Ibrahim Sultan Stulang Laut, 80300 Johor Bahru. Tenure of the rental agreement is for a period of 3 years and renewable thereafter.	110
<b>Total</b>		<b>1,664</b>
<b>Berjaya Media Berhad (“BMedia”) and its unlisted subsidiaries:-</b>		
Sun Media Corporation Sdn Bhd	Procurement of advertising and publishing services by BFood Group.	453
<b>Total</b>		<b>453</b>
<b>Other related companies:-</b>		
Qinetics Services Sdn Bhd (a)	Purchase of hardware, software and network equipment, maintenance and management services by BFood Group.	73
MOLPay Sdn Bhd (b)	Online transaction fees payable by BStarbucks.	127
<b>Total</b>		<b>200</b>
<b>Grand total</b>		<b>6,109</b>

Notes:

- Qinetics Services Sdn Bhd is a wholly-owned subsidiary of Qinetics Solutions Sdn Bhd which in turn is an 88%-owned subsidiary of MOL.com Sdn Bhd Tan Sri Dato’ Seri Vincent Tan Chee Yioun (“TSVT”) is a deemed Major Shareholder of Qinetics Services Sdn Bhd by virtue of his 81.17% direct interest in MOL.com Sdn Bhd.
- MOLPay Sdn Bhd is a 75%-owned subsidiary of MOL AccessPortal Sdn Bhd which in turn is a wholly-owned subsidiary of MOL Global Inc. TSVT and BCorp are Major Shareholders of MOL Global Inc.

# OTHER INFORMATION

## Material Contracts

Other than as disclosed in Notes 7, 16, 19, 21, 28 and 30 to the financial statements for the financial year ended 30 April 2018, there were no other material contracts entered into by Berjaya Food Berhad and its subsidiary companies involving Directors and major shareholders.

## Additional Information

The amount of non-audit fees incurred for services rendered to the Group for the financial year ended 30 April 2018 amounted to RM38,000.

## ADDITIONAL DISCLOSURES

The Company had granted Employees' Share Scheme ("ESS") which comprises ESS Options and ESS Shares governed by the By-Laws that was approved by the Company's shareholders at the Extraordinary General Meeting held on 5th October 2016. The ESS is to be in force for a period of 5 years from 18 November 2016. There is one (1) ESS in existence during the financial year ended ("FYE") 30 April 2018 with information as follows:-

	Total ESS Options		Total ESS Shares		Grand Total ESS	
	During FYE 30 April 2018	Since ESS Commencement on 18 November 2016	During FYE 30 April 2018	Since ESS Commencement on 18 November 2016	During FYE 30 April 2018	Since ESS Commencement on 18 November 2016
Total number of options and shares granted	12,144,800	12,144,800	3,036,200	3,036,200	15,181,000	15,181,000
Total number of options and shares vested	2,428,960	4,250,680	455,430	455,430	2,884,390	4,706,110
Total number of options and shares exercised	517,760	1,413,760	-	-	517,760	1,413,760
Total number of options outstanding	9,602,240	9,602,240	2,305,200	2,305,200	11,907,440	11,907,400

Granted to Directors &	Total ESS Options		Total ESS Shares		Grand Total ESS	
	During FYE 30 April 2018	Since ESS Commencement on 18 November 2016	During FYE 30 April 2018	Since ESS Commencement on 18 November 2016	During FYE 30 April 2018	Since ESS Commencement on 18 November 2016
Total number of options and shares granted	1,948,000	4,240,000	520,000	1,060,000	2,468,000	5,300,000
Total number of options and shares vested	600,000	636,000	78,000	-	678,000	636,000
Total number of options and shares exercised	100,000	386,000	-	-	100,000	386,000
Total number of options outstanding	1,848,000	3,854,000	442,000	1,060,000	2,290,000	4,914,000

Granted to Directors & Senior Management	Total ESS Options		Total ESS Shares		Grand Total ESS	
	During FYE 30 April 2018	Since ESS Commencement on 18 November 2016	During FYE 30 April 2018	Since ESS Commencement on 18 November 2016	During FYE 30 April 2018	Since ESS Commencement on 18 November 2016
Aggregate maximum allocation in percentage	-	49.52	-	49.52	-	49.52
Actual percentage granted	-	48.28	-	48.28	-	48.28

# MATERIAL PROPERTY OF THE GROUP

AS AT 30 APRIL 2018

<b>Location</b>	<b>Tenure</b>	<b>Size</b>	<b>Estimated age of building</b>	<b>Date of acquisition</b>	<b>Net book value (RM'000)</b>
No. G-11, Ground Floor, Berjaya Times Square, No.1, Jalan Imbi, 55100 Kuala Lumpur	Freehold	161 sq m	15 years	5/8/2016	17,700

# STATEMENT OF DIRECTORS' SHAREHOLDINGS

AS AT 12 JULY 2018

The Company	Number of ordinary shares			
	Direct Interest	%	Deemed Interest	%
Sydney Lawrance Quays	424,000	0.11	10,000	0.00
Tan Thiam Chai	457,800	0.12	-	-
Datuk Zainun Aishah Binti Ahmad	181,800	0.05	-	-
Dato' Mustapha Bin Abd Hamid	153,000	0.04	-	-

	Number of ordinary shares under Employees' Share Scheme ("ESS")			
	Direct Interest	%	Deemed Interest	%

## ESS Options

Sydney Lawrance Quays	988,000	0.26	-	-
Tan Thiam Chai	320,000	0.08	-	-
Datuk Zainun Aishah Binti Ahmad	320,000	0.08	-	-
Dato' Mustapha Bin Abd Hamid	220,000	0.06	-	-

## ESS Shares

Sydney Lawrance Quays	238,000	0.06	-	-
Tan Thiam Chai	68,000	0.02	-	-
Datuk Zainun Aishah Binti Ahmad	68,000	0.02	-	-
Dato' Mustapha Bin Abd Hamid	68,000	0.02	-	-

## Subsidiary company: Jollibean Foods Pte Ltd

	Number of ordinary shares			
	Direct Interest	%	Deemed Interest	%
Sydney Lawrance Quays	50,000	5.00	-	-

## Ultimate holding company: Berjaya Corporation Berhad

	Number of ordinary shares			
	Direct Interest	%	Deemed Interest	%
Sydney Lawrance Quays	25	0.00	-	-
Tan Thiam Chai	126,992	0.00	107,288 #	0.00
Chryseis Tan Sheik Ling	202,910	0.00	-	-

	Number of 5% Irredeemable Convertible Unsecured Loan Stocks 2012/2022 of RM1.00 nominal value each			
	Direct Interest	%	Deemed Interest	%
Tan Thiam Chai	20,600	0.00	17,400 #	0.00
Chryseis Tan Sheik Ling	275,000	0.04	-	-

	Number of 2% Irredeemable Convertible Unsecured Loan Stocks 2016/2026 of RM1.00 nominal value each			
	Direct Interest	%	Deemed Interest	%
Tan Thiam Chai	1,000	0.00	-	-

# STATEMENT OF DIRECTORS' SHAREHOLDINGS

AS AT 12 JULY 2018

	Number of Warrants 2012/2022			
	Direct Interest	%	Deemed Interest	%
Tan Thiam Chai	20,600	0.00	17,400 #	0.0

	Number of Warrants 2016/2026			
	Direct Interest	%	Deemed Interest	%
Tan Thiam Chai	1,000	0.00	-	-

## Related companies: Berjaya Land Berhad

	Number of ordinary shares			
	Direct Interest	%	Deemed Interest	%
Tan Thiam Chai	40,000	0.00	-	-
Chryseis Tan Sheik Ling	5,000,000	0.10	-	-

## Berjaya Sports Toto Berhad

	Number of ordinary shares			
	Direct Interest	%	Deemed Interest	%
Tan Thiam Chai	172,284	0.01	133,165 #	0.01

# Denotes indirect interest pursuant to Section 59 (11) (c) of the Companies Act 2016.

Save as disclosed, none of the other Directors of the Company had any interest in the shares, warrants and debentures of the Company or its related corporations as at 12 July 2018.

## SUBSTANTIAL SHAREHOLDERS AS AT 12 JULY 2018

Name	Number of ordinary shares			
	Direct Interest	%	Deemed Interest	%
Berjaya Group Berhad	162,349,920	43.08	2,300,000 (a)	0.61
Berjaya Corporation Berhad	-	-	164,649,920 (b)	43.69
Tan Sri Dato' Seri Vincent Tan Chee Yioun	1,000,000	0.27	180,764,720 (c)	47.97

(a) Deemed interested by virtue of its interests in Berjaya Land Berhad (the holding company of Bukit Kiara Resort Berhad) and Berjaya Sports Toto Berhad (the holding company of Berjaya Philippines Inc).

(b) Deemed interested by virtue of its 100% interest in Berjaya Group Berhad and its interests in Berjaya Land Berhad (the holding company of Bukit Kiara Resort Berhad) and Berjaya Sports Toto Berhad (the holding company of Berjaya Philippines Inc).

(c) Deemed interested by virtue of his interests in Berjaya Corporation Berhad (the holding company of Berjaya Group Berhad and the ultimate holding company of Berjaya Philippines Inc and Bukit Kiara Resort Berhad), Berjaya Assets Berhad (the holding company of Berjaya Bright Sdn Bhd (Formerly known as Sublime Cartel Sdn Bhd)), MOL.com Sdn Bhd and B&B Enterprise Sdn Bhd and his deemed interest in Berjaya Retail Berhad.

# STATISTICS ON SHARES

AS AT 12 JULY 2018

## ANALYSIS OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Ordinary Shares	%
less than 100	180	7.69	2,020	0.00
100 - 1,000	859	36.71	406,246	0.11
1,001 - 10,000	895	38.25	3,907,395	1.04
10,001 - 100,000	264	11.28	8,010,088	2.12
100,001 - 18,843,040	140	5.98	315,555,068	83.73
18,843,041* and above	2	0.09	48,980,000	13.00
<b>Total</b>	<b>2,340</b>	<b>100.00</b>	<b>376,860,817</b>	<b>100.00</b>

Note: Each share entitles the holder to one vote.

\* Denotes 5% of the total number of issued shares with voting rights.

## THIRTY (30) LARGEST SHAREHOLDERS

Name of Shareholders	No. of Ordinary Shares Held	%
<b>1 RHB Capital Nominees (Tempatan) Sdn Bhd</b> Pledged Securities Account For Berjaya Group Berhad ( Berjaya Corp )	29,400,000	7.80
<b>2 Maybank Nominees (Tempatan) Sdn Bhd</b> Pledged Securities Account For Berjaya Group Berhad	19,580,000	5.20
<b>3 CIMB Group Nominees (Asing) Sdn. Bhd.</b> Exempt An For DBS Bank Ltd (SFS)	18,480,000	4.90
<b>4 Maybank Nominees (Tempatan) Sdn Bhd</b> Pledged Securities Account For Berjaya Group Berhad (414084-91161A)	17,696,720	4.70
<b>5 ABB Nominee (Tempatan) Sdn Bhd</b> Pledged Securities Account For Berjaya Group Berhad (RC8 Facility)	16,400,000	4.35
<b>6 Affin Hwang Nominees (Tempatan) Sdn. Bhd.</b> Pledged Securities Account For Berjaya Group Berhad	13,400,000	3.56
<b>7 ABB Nominee (Tempatan) Sdn Bhd</b> Pledged Securities Account For Berjaya Group Berhad (BCorp RC5)	13,333,333	3.54
<b>8 Kumpulan Wang Persaraan (Diperbadankan)</b>	12,633,000	3.35
<b>9 CIMB Group Nominees (Tempatan) Sdn Bhd</b> Pledged Securities Account For Berjaya Group Berhad (BCB CBM-C2-RC)	12,300,000	3.26
<b>10 Citigroup Nominees (Asing) Sdn Bhd</b> UBS Sec LLC For Chambers Street Global Fund, LP	10,325,500	2.74
<b>11 Citigroup Nominees (Asing) Sdn Bhd</b> Exempt An For Citibank New York (Norges Bank 1)	9,486,000	2.52
<b>12 CIMB Group Nominees (Tempatan) Sdn Bhd</b> Pledged Securities Account For Berjaya Group Berhad (BCB CBM-C2-SBLC)	9,200,000	2.44

# STATISTICS ON SHARES

AS AT 12 JULY 2018

## THIRTY (30) LARGEST SHAREHOLDERS (CONT'D)

Name of Shareholders	No. of Ordinary Shares Held	%
<b>13 RHB Nominees (Tempatan) Sdn Bhd</b> Bank Of China (Malaysia) Berhad Pledged Securities Account For Berjaya Group Berhad	9,000,000	2.39
<b>14 Tokio Marine Life Insurance Malaysia Bhd</b> As Beneficial Owner (PF)	8,500,000	2.26
<b>15 HLIB Nominees (Tempatan) Sdn Bhd</b> Pledged Securities Account For Berjaya Group Berhad	7,500,000	1.99
<b>16 ABB Nominee (Tempatan) Sdn Bhd</b> Pledged Securities Account For Berjaya Group Bhd (Berjaya Corporation Bhd RC Facility)	6,666,667	1.77
<b>17 Berjaya Bright Sdn Bhd (Formerly known as Sublime Cartel Sdn Bhd)</b>	6,250,000	1.66
<b>18 Lim Boon Liat</b>	5,104,900	1.35
<b>19 Inter-Pacific Equity Nominees (Tempatan) Sdn Bhd</b> Pledged Securities Account For Arsam Bin Damis (AA0023)	4,800,000	1.27
<b>20 DYMM Sultan Ibrahim Johor</b>	4,500,000	1.19
<b>21 Amanahraya Trustees Berhad</b> Public Smallcap Fund	4,415,860	1.17
<b>22 Berjaya Group Berhad</b>	4,300,000	1.14
<b>23 HSBC Nominees (Tempatan) Sdn Bhd</b> HSBC (M) Trustee Bhd For Manulife Insurance Berhad (Equity Fund)	4,134,700	1.10
<b>24 HSBC Nominees (Tempatan) Sdn Bhd</b> HSBC (M) Trustee Bhd For Manulife Investment Progress Fund (4082)	4,091,300	1.09
<b>25 DB (Malaysia) Nominee (Asing) Sdn Bhd</b> BNYM SA/NV For Ramam World Recovery Fund	4,020,500	1.07
<b>26 Citigroup Nominees (Tempatan) Sdn Bhd</b> Kumpulan Wang Persaraan (Diperbadankan) (Affin Hwng SM CF)	3,989,000	1.06
<b>27 HSBC Nominees (Tempatan) Sdn Bhd</b> HSBC (M) Trustee Bhd For Allianz Life Insurance Malaysia Berhad (P)	3,725,400	0.99
<b>28 Citigroup Nominees (Asing) Sdn Bhd</b> Exempt An For Citibank New York (Norges Bank 9)	3,702,448	0.98
<b>29 Citigroup Nominees (Asing) Sdn Bhd</b> Exempt An For Citibank New York (Norges Bank 14)	3,636,200	0.96
<b>30 HSBC Nominees (Tempatan) Sdn Bhd</b> HSBC (M) Trustee Bhd For Pertubuhan Keselamatan Sosial (CIMB-P 6939-404)	3,481,400	0.92
	<b>274,052,928</b>	<b>72.72</b>

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Ninth Annual General Meeting of Berjaya Food Berhad will be held at Perdana Ballroom, Bukit Jalil Golf & Country Resort, Jalan Jalil Perkasa 3, Bukit Jalil, 57000 Kuala Lumpur on Tuesday, 2 October 2018 at 10.00 a.m. for the following purposes:-

## AGENDA

1. To receive and adopt the audited financial statements of the Company for the financial year ended 30 April 2018 and the Directors' and Auditors' Reports thereon.
2. To approve the payment of Directors' fees amounting to RM72,165.00 to the Non-Executive Directors of the Company for the financial year ended 30 April 2018. **Resolution 1**
3. To approve the payment of Directors' remuneration (excluding Directors' fees) to the Chairman (Independent Non-Executive Director) of the Company up to an amount of RM224,000.00 for the period from 4 December 2017 until the Annual General Meeting of the Company to be held in 2018. **Resolution 2**
4. To approve the payment of Directors' remuneration (excluding Directors' fees) to the Non-Executive Directors of the Company up to an amount of RM292,000.00 for the period from 3 October 2018 until the next Annual General Meeting of the Company to be held in 2019. **Resolution 3**
5. To re-elect Dato' Mustapha Bin Abdul Hamid who retires pursuant to Article 94 of the Company's Articles of Association. **Resolution 4**
6. To re-elect the following Directors who retire pursuant to Article 100 of the Company's Articles of Association:
  - (a) Dato' Tunku Shazuddin Bin Tunku Sallehuddin **Resolution 5**
  - (b) Chryseis Tan Sheik Ling **Resolution 6**
7. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 7**
8. As special business:-

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

### **(i) Authority to issue and allot shares pursuant to Sections 75 and 76 of the Companies Act 2016**

"THAT, subject always to the Companies Act 2016, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Articles of Association of the Company and the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered, pursuant to Sections 75 and 76 of the Companies Act 2016, to issue and allot shares in the Company from time to time at such price 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 from Bursa Malaysia Securities Berhad for the listing and quotation for the additional shares so issued AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company." **Resolution 8**

### **(ii) Proposed Renewal of and new Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**

"THAT, subject to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given for the Company and its subsidiary companies, to enter into recurrent related party transactions of a revenue or trading nature with the related parties as specified in Section 2.3 of the Circular to Shareholders dated 20 August 2018 ("Proposed Mandate") which are necessary for the day-to-day operations and/or in the ordinary course of business of the Company and its subsidiary companies on terms not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company and that such approval shall continue to be in force until:-

# NOTICE OF ANNUAL GENERAL MEETING

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

whichever is the earlier;

AND FURTHER THAT authority be and is hereby given to the Directors of the Company and its subsidiary companies to complete and do all such acts and things (including executing such documents as may be required) to give effect to such transactions as authorised by this Ordinary Resolution.”

## Resolution 9

### (iii) Proposed Renewal of Authority for the Company to Purchase its Own Shares

“THAT, subject always to the Companies Act 2016 (“Act”), rules, regulations and orders made pursuant to the Act, provisions of the Company’s Memorandum and Articles of Association, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Exchange”) and the requirements of any other relevant authority, the Directors of the Company be and are hereby authorised to purchase such number of ordinary shares in the Company (“BFood Shares”) through the Exchange and to take all such steps as are necessary (including the opening and maintaining of a central depositories account under the Securities Industry (Central Depositories) Act, 1991) and enter into any agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities from time to time and to do all such acts and things in the best interests of the Company, subject further to the following:-

- 1. the maximum number of ordinary shares which may be purchased and held by the Company shall be equivalent to ten per centum (10%) of the total number of issued shares of the Company;
- 2. the maximum funds to be allocated by the Company for the purpose of purchasing the ordinary shares shall not exceed the total retained profits of the Company;
- 3. the authority shall commence immediately upon passing of this ordinary resolution until:-
  - (a) the conclusion of the next Annual General Meeting (“AGM”) of the Company following the AGM at which such ordinary resolution was passed, at which time it will lapse, unless by ordinary resolution passed at that general meeting, the authority is renewed, either unconditionally or subject to conditions; or
  - (b) the expiration of the period within which the next AGM after that date it is required by law to be held; or
  - (c) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting;

whichever occurs first;

# NOTICE OF ANNUAL GENERAL MEETING

AND THAT upon completion of the purchase(s) of the BFood Shares or any part thereof by the Company, the Directors of the Company be and are hereby authorised to deal with any BFood Shares so purchased by the Company in the following manner:-

- (a) cancel all the BFood Shares so purchased; or
- (b) retain all the BFood Shares as treasury shares (of which may be dealt with in accordance with Section 127(7) of the Act); or
- (c) retain part thereof as treasury shares and subsequently cancelling the balance; or
- (d) in any other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act and the requirements of the Exchange and any other relevant authority for the time being in force.”

## Resolution 10

By Order of the Board

**THAM LAI HENG MICHELLE**  
(MAICSA 7013702)  
Secretary

Kuala Lumpur  
20 August 2018

## NOTES:

### 1. Audited Financial Statements

The Audited Financial Statements are meant for discussion only as it does not require shareholders' approval pursuant to the provisions of Section 340(1)(a) of the Companies Act 2016. Hence, this item on the Agenda is not put forward for voting.

### 2. Directors' Fees

The quantum of the Directors' fees for each of the Non-Executive Directors is the same as the previous financial year ended 30 April 2017. The Director's fee for the newly appointed Chairman (Independent Non-Executive Director) namely, Dato' Tunku Shazuddin Bin Tunku Sallehuddin was pro-rated from the date of his appointment up to 30 April 2018.

### 3. Directors' Remuneration (excluding Directors' Fees)

Section 230(1) of the Companies Act 2016 provides that the "fees" of the Directors and "any benefits" payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting. Pursuant thereto, shareholders' approval shall be sought at this Annual General Meeting ("AGM") for the payment of Directors' remuneration (excluding Directors' fees) payable to the Chairman (Independent Non-Executive Director) of the Company for the period from 4 December 2017 until this AGM of the Company under Resolution 2 and to the Non-Executive Directors of the Company for the period from 3 October 2018 until the next AGM of the Company under Resolution 3.

The current Directors' Remuneration (excluding Directors' fees) payable to the Non-Executive Directors of the Company comprises of chairman allowances and meeting allowances.

In determining the estimated remuneration payable to the Non-Executive Directors, the Board considered various factors including the number of scheduled meetings for the Board of Directors ("Board"), Board Committees' and general meeting of the Company as well as the number of Non-Executive Directors involved in these meetings.

In the event where the payment of Directors' remuneration (excluding Directors' fees) payable during the above period exceeded the estimated amount sought at this AGM, a shareholders' approval will be sought at the next AGM.

# NOTICE OF ANNUAL GENERAL MEETING

## 4. Authority to issue and allot shares pursuant to Sections 75 and 76 of the Companies Act 2016

Resolution 8 is proposed for the purpose of granting a renewed general mandate (“General Mandate”) and empowering the Directors of the Company, pursuant to Sections 75 and 76 of the Companies Act 2016, to issue and allot new shares in the Company from time to time at such price provided that the aggregate number of shares issued pursuant to the General Mandate does not exceed 10% of the total number of issued shares of the Company for the time being. The General Mandate, unless revoked or varied by the Company in general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the Eighth Annual General Meeting held on 2 October 2017 and which will lapse at the conclusion of the Ninth Annual General Meeting.

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.

## 5. Proposed Renewal of and new Shareholders’ Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

Resolution 9, if passed, will allow the Company and its subsidiaries to enter into Recurrent Related Party Transactions in accordance with Paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Proposed Shareholders’ Mandate”). Detailed information on the Proposed Shareholders’ Mandate is set out under Part A of the Circular/Statement to Shareholders dated 20 August 2018 which is despatched together with the Company’s 2018 Annual Report.

## 6. Proposed Renewal of Authority for the Company to Purchase its Own Shares

Resolution 10, if passed, will provide the mandate for the Company to buy back its own shares up to a limit of 10% of the total number of issued shares of the Company (“Proposed Share Buy-Back Renewal”). Detailed information on the Proposed Share Buy-Back Renewal is set out under Part B of the Circular/Statement to Shareholders dated 20 August 2018 which is despatched together with the Company’s 2018 Annual Report.

## 7. Proxy and Entitlement of Attendance

- (i) A member of the Company who is entitled to attend, speak and vote at the meeting is entitled to appoint a proxy to exercise all or any of his/her rights to attend, participate, speak and vote in his/her stead. A proxy may but need not be a member.
- (ii) A member, other than an authorised nominee or an exempt authorised nominee, may appoint only one (1) proxy.
- (iii) An authorised nominee, as defined under the Securities Industry (Central Depositories) Act 1991 (“SICDA”), may appoint one (1) proxy in respect of each securities account.
- (iv) An exempt authorised nominee, as defined under the SICDA, and holding ordinary shares in the Company for multiple beneficial owners in one securities account (“omnibus account”), may appoint multiple proxies in respect of each of its omnibus account.
- (v) An individual member who appoints a proxy must sign the Form of Proxy personally or by his attorney duly authorised in writing. A corporate member who appoints a proxy must execute the Form of Proxy under seal or under the hand of its officer or attorney duly authorised.
- (vi) The duly executed Form of Proxy must be deposited at the Company's Registered Office at Lot 13-01A, Level 13 (East Wing), Berjaya Times Square, No. 1, Jalan Imbi, 55100 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the meeting.
- (vii) Only members whose names appear in the Record of Depositors as at 25 September 2018 shall be entitled to attend and vote at the meeting.

## 8. Poll Voting

Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the Resolutions set out in this Notice will be put to vote by poll.



# FORM OF PROXY

**BERJAYA FOOD BERHAD**  
(Company No. 876057-U)

I/We \_\_\_\_\_  
(Name in full)

I.C. or Company No. \_\_\_\_\_ CDS Account No. \_\_\_\_\_  
(New and Old I.C. Nos.)

of \_\_\_\_\_  
(Address)

being a member/members of BERJAYA FOOD BERHAD

hereby appoint \_\_\_\_\_ I.C No. \_\_\_\_\_ of  
(Name in full) (New and Old I.C. Nos.)

\_\_\_\_\_ of  
(Address)

or failing him/her \_\_\_\_\_ I.C No. \_\_\_\_\_ of  
(Name in full) (New and Old I.C. Nos.)

\_\_\_\_\_ of  
(Address)

or failing him/her, the CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf, at the Ninth Annual General Meeting of the Company to be held at Perdana Ballroom, Bukit Jalil Golf & Country Resort, Jalan Jalil Perkasa 3, Bukit Jalil, 57000 Kuala Lumpur on Tuesday, 2 October 2018 at 10.00 a.m. and at any adjournment thereof.

This proxy is to vote on the Resolutions set out in the Notice of the Meeting as indicated with an "X" in the appropriate spaces. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.

		FOR	AGAINST
RESOLUTION 1	To approve payment of Directors' fees.		
RESOLUTION 2	To approve payment of Directors' remuneration (excluding Directors' fees) for the period from 4 December 2017 until the Annual General Meeting of the Company in 2018.		
RESOLUTION 3	To approve payment of Directors' remuneration (excluding Directors' fees) for the period from 3 October 2018 until the next Annual General Meeting of the Company in 2019.		
RESOLUTION 4	To re-elect Dato' Mustapha Bin Abdul Hamid as Director.		
RESOLUTION 5	To re-elect Dato' Tunku Shazuddin Bin Tunku Sallehuddin as Director.		
RESOLUTION 6	To re-elect Chryseis Tan Sheik Ling as Director.		
RESOLUTION 7	To re-appoint Auditors.		
RESOLUTION 8	To approve authority to issue and allot shares.		
RESOLUTION 9	To renew shareholders' mandate for Recurrent Related Party Transactions.		
RESOLUTION 10	To renew authority for the Company to purchase its own shares.		

NO. OF SHARES HELD

.....  
Signature(s) / Common Seal of Member(s)

Dated this ..... day of ....., 2018.

Notes:

- (1) A member of the Company who is entitled to attend, speak and vote at the meeting is entitled to appoint a proxy to exercise all or any of his/her rights to attend, participate, speak and vote in his/her stead. A proxy may but need not be a member.
- (2) A member, other than an authorised nominee or an exempt authorised nominee, may appoint only one (1) proxy.
- (3) An authorised nominee, as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), may appoint one (1) proxy in respect of each securities account.
- (4) An exempt authorised nominee, as defined under the SICDA, and holding ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), may appoint multiple proxies in respect of each of its omnibus account.
- (5) An individual member who appoints a proxy must sign the Form of Proxy personally or by his attorney duly authorised in writing. A corporate member who appoints a proxy must execute the Form of Proxy under seal or under the hand of its officer or attorney duly authorised.
- (6) The duly executed Form of Proxy must be deposited at the Company's Registered Office at Lot 13-01A, Level 13 (East Wing), Berjaya Times Square, No. 1, Jalan Imbi, 55100 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the meeting.
- (7) Only members whose names appear in the Record of Depositors as at 25 September 2018 shall be entitled to attend and vote at the meeting.
- (8) Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the Resolutions set out in this Notice will be put to vote by poll.

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*Affix Stamp*

THE COMPANY SECRETARY  
**BERJAYA FOOD BERHAD**  
LOT 13-01A, LEVEL 13 (EAST WING)  
BERJAYA TIMES SQUARE  
NO. 1 JALAN IMBI  
55100 KUALA LUMPUR

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# GROUP ADDRESSES

## **Berjaya Food Berhad**

Lot 13-01A, Level 13 (East Wing),  
Berjaya Times Square,  
No. 1, Jalan Imbi,  
55100 Kuala Lumpur.  
Tel : 03-2149 1999  
Fax : 03-2143 1685  
[www.berjaya.com](http://www.berjaya.com)

## **Berjaya Food Supreme Sdn Bhd**

95, Jalan Pemancha,  
Bandar Seri Begawan BS8811,  
Brunei Darussalam.  
Tel : 03-2052 5888  
Fax : 03-2052 5889

## **Berjaya Roasters (M) Sdn Bhd**

Lot 09-16, Level 9 (East Wing),  
Berjaya Times Square,  
No. 1, Jalan Imbi,  
55100 Kuala Lumpur.  
Tel : 03-2119 9888  
Fax : 03-2142 7688

## **Jollibean Foods Pte Ltd**

No. 63 Ubi Avenue 1,  
#07-06 63@ UBI,  
Singapore 408937.  
Tel : +65 6746 3877  
Fax : +65 6746 8802

## **Berjaya Starbucks Coffee Company Sdn Bhd**

Lot 10-04, Level 10 (West Wing),  
Berjaya Times Square,  
No. 1, Jalan Imbi,  
55100 Kuala Lumpur.  
Tel : 03-2052 5888  
Fax : 03-2052 5889

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### **The Company Secretary**

Lot 13-01A, Level 13 (East Wing), Berjaya Times Square, No. 1, Jalan Imbi, 55100 Kuala Lumpur.

Tel : 03-2149 1999

Fax : 03-2143 1685

