



# RESILIENCE IN OUR EVOLVING BUSINESS

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# CORPORATE PROFILE



**Listed on SGX Catalist (previously known as the SGX-SESDAQ) on 23 December 2004 and upgraded to the Mainboard on 18 June 2009, Envictus International Holdings Limited (“Envictus” or “the Group”), is an established Food and Beverage (“F&B”) Group. The Group has an established portfolio of businesses and brands operating under its key business divisions.**

Founded in 1997, the Group started as a manufacturer and distributor of sweetened condensed milk and evaporated milk, and in the years following its listing, has evolved into a diversified F&B player following several acquisitions. In June 2014, the Group unlocked shareholders’ value in the business through the disposal of its investment in the Dairies and Packaging divisions and relevant intellectual properties to Asahi Group Holdings Southeast Asia Pte. Ltd.

In 2018, the Group added the Dairies Division to its portfolio and subsequently completed the acquisition of Motivage Sdn Bhd (“Motivage”), which specialises in food processing and trading in consumable products under the registered trademarks of “Motilait” and “Family Farm”.

The Group’s business divisions currently comprise Trading and Frozen Food, Food Services (Texas Chicken, San Francisco Coffee and The Delicious Group), Food Processing (Bakery and Butchery), Nutrition and Dairies.

Envictus has operating facilities in Malaysia and New Zealand. Apart from Malaysia, the Group’s products can also be found in other countries such as Australia, New Zealand, China, Japan, Singapore, Indonesia and the Philippines. The Group’s products are traded under various brand names such as SuJohan, San Francisco Coffee, Gourmessa, Hearty Bake, Horleys, Sculpt, Replace, Covet and Delicious.

Helmed by a management team of industry veterans who possess a wide range of expertise in strategic planning, business development, operational and production skills, the Group is well-positioned to tap on its solid foundation in the F&B industry to further enhance its established brand names.

## CORPORATE PROFILE



### Trading and Frozen Food

**With an established track record of over 50 years, Pok Brothers Sdn Bhd (“Pok Brothers”) is one of Malaysia’s leading frozen food and premium food wholesaler.**

Now a household name, Pok Brothers started as a general store business in Petaling Jaya in 1963. As a premium food wholesaler, Pok Brothers imports and distributes food products, in both raw and processed forms, focusing on the hospitality and consumer-based food industries. Its products include frozen/chilled meats, dairy products, seafood and condiments amongst many others. Pok Brothers has an extensive client base which includes major 5-star hotels, airlines, cruise ships, hyper/supermarkets, bakeries, butcheries, fast-food chains, grocery stores, food processors and other wholesalers. With the sole distributor rights to major imported brands such as Lamb-Weston, Emmi, Devondale, Dole, Natural One Juices, Delverde, Fragata, Durkee and Lakeland Dairies Limited, Pok Brothers is also an appointed importer and distributor of proprietary goods for several American restaurant chains in Malaysia.

Most of Pok Brothers’ supplies are sourced internationally, namely from the United States, Europe, Australia, New Zealand and Brazil.

Operating out of Glenmarie, Shah Alam and Selangor Halal Hub, Pulau Indah in Selangor, Pok Brothers has branches in Penang, Johor, Pahang and Langkawi to encompass the length and breadth of Peninsular Malaysia. All facilities are equipped with cold room and dry store functions as well as refrigerated trucks.



## CORPORATE PROFILE

### Food Services Division



#### TEXAS CHICKEN

**On 10 July 2012, the Group signed an exclusive 10-year International Multiple Unit Franchise and Development Agreement with US-based Cajun Global LLC for exclusive rights to develop and operate Texas Chicken restaurants in Malaysia and Brunei from 2013 to 2022.**

This marked the Group's maiden foray into the fast food segment. The restaurants serve American-style, big juicy full-flavoured fried chicken, french fries, honey butter biscuits, mashed potatoes, coleslaw, burgers and sundae, to name a few dishes.

This partnership has expanded Envictus' portfolio and enabled the Group to tap on synergistic opportunities in its existing Trading and Frozen Food Division. In addition, this downstream expansion is part of Envictus' growth strategy to increase the presence of its identity and brand in key markets such as Malaysia and neighbouring countries in Asia.

Texas Chicken sets itself apart from the competition by ensuring freshness of its products at all times. This is done by stringent quality control and sourcing only the best ingredients – spices and seasoning are imported directly from the United States and chickens are procured fresh from local farms.

Since the opening of the first flagship outlet at Aeon Bukit Tinggi Shopping Centre, in Bandar Bukit Tinggi township, Klang on 31 January 2013, Envictus has leveraged on the robust demand for the Texas Chicken restaurant concept by growing its presence at a considerable pace to reach a total of 63 outlets in Malaysia as of 30 November 2019.

New outlets opened between 1 October 2018 to 30 November 2019 are as follows:-

Locations	1 Oct 2018 - 30 Nov 2019
Sungai Petani, Kedah	1 November 2018
Wisma Fui Chiu, Kuala Lumpur	21 November 2018
Tasek Central, Johor Bahru	1 February 2019
I-City Shopping Centre	23 March 2019
The Mall, Mid Valley Southkey, Johor Bahru	23 April 2019
Shell station, Sunway Mentari, Bandar Sunway	29 April 2019
Plaza Merdeka, Melaka	12 June 2019
Queensbay Mall, Penang	15 July 2019
Taman Canning, Ipoh	24 August 2019
Centrepoint Segamat, Johor	24 September 2019
Wetex Parade Shopping Centre, Muar	9 October 2019
Taman Maluri Shopping Centre, Kuala Lumpur	11 October 2019
Batu Pahat Mall, Johor	15 October 2019
Toppen Shopping Centre, Johor Bharu	13 November 2019
Sunway Putra Mall, Kuala Lumpur	19 November 2019
Aeon Mall Station 18, Ipoh	22 November 2019

## CORPORATE PROFILE

Texas Chicken in Malaysia was recognised by the prestigious Putra Brand awards for its quality performance throughout all restaurants in the region, receiving both the Bronze Putra Brand Award, and World Halal Best Brand from The Brand Laureate in September 2019.

Over in Indonesia, on 12 June 2018, the Group had further entered into an International Multiple Unit Franchise and Development Agreement with Cajun Global LLC to develop 80 Texas Chicken restaurants in West Java, Jakarta, Banten, Lampung, South Sumatra and Bengkulu in Indonesia for 10 years from 2018 to 2027. Since September 2018, the Group has opened six outlets.

In September 2019, the Group entered into an agreement for the disposal of its assets in Texas Chicken in Indonesia, to concentrate on the Texas Chicken business in Malaysia, which has started to show a positive bottom line.



### SAN FRANCISCO COFFEE

On 28 March 2016, Envictus acquired 85% shareholding in Lyndarahim Ventures Sdn Bhd ("LVSB") which holds 100% investment in San Francisco Coffee Sdn Bhd ("SFCSB"), a specialty coffee chain business that serves house-roasted coffee in Malaysia.

Envictus subsequently acquired the remaining 15% shareholding in LVSB on 19 August 2016.

SFCSB currently operates 54 wholly-owned specialty coffee outlets in prominent office buildings and malls. New outlets opened between 1 October 2018 to 30 November 2019 are as follows:-

Locations	1 Oct 2018 - 30 Nov 2019
Capital City Mall	17 October 2018
Juru Auto-City	25 December 2018
Sanctuary Mall	30 December 2018
AEON Mall Nilai	1 February 2019
R&F Mall	28 March 2019
The Mall, Mid Valley Southkey, Johor Bahru	23 April 2019
The Prestige	21 June 2019
Symphony Square	28 June 2019
Central i-City	1 July 2019
Menara Prudential	15 November 2019

Aside from the aforementioned office building and mall outlets, SFCSB is currently exploring other operational channels such as kiosk and mobile truck outlets to further increase brand footing and market share.

SFCSB maintains one of its core Corporate Social Responsibility initiatives "Supporting The Local Arts" by engaging up-and-coming artists and photographers to provide mural art, paintings or photographs as a centrepiece for every new outlet. SFCSB is continually exploring other such initiatives, including setting up a foundation that aims to provide financial aid to charities, engaging in community activities among employees, equal opportunity employment, use of environmentally-friendly materials, packaging and consumables as well as decreasing carbon footprint.

SFCSB is increasingly making use of technology in its operations, such as interacting with customers through social media and the development of a digital SF Coffee app, which will integrate into the cloud POS system introduced to café operations in early 2018.

To further contribute to improved processes, logistics and cost efficiencies, the Roasting Plant, Distribution Centre and Kitchen has moved to a central location with larger capacity for further growth.

Three years into Envictus' strategic acquisition, SFCSB continues to enjoy lower costs from internal sourcing within the Group from the Bakery and Butchery businesses in the Food Processing Division. At the same time, these businesses derive synergistic benefits from higher production output through the supply of its premium products to complement the specialty coffee chain business.

## CORPORATE PROFILE



### THE DELICIOUS GROUP

The acquisition of The Delicious Group (“Delicious”) was completed on 21 December 2016. Post-acquisition, a rebranding exercise of Delicious into a new lifestyle restaurant serving hearty Western and Asian-fusion cuisine was implemented.

The name Delicious was maintained as it has garnered a strong reputation for high quality food and excellent presentation at reasonable prices, and holds sentimental value for the management of Envictus.

The concept of Delicious is one of a wholesome dining experience - good food accompanied by a great ambiance. Each of the three ‘Grand Café’ restaurants located at St. Mary Place, Bangsar Village II and One Utama are designed differently, as each offers its own personality with different colours and themes.



## Nutrition Division

In February 2007, the Group added Naturalac Nutrition Limited (“NNL”) to its portfolio of brands. NNL is a marketer of branded sports nutritional food and beverages including products under the Horleys™ brand name and other proprietary brands such as Sculpt™ (a weight management product tailored for

women), Covet™ (a range of nut milks) and Replace™ (an isotonic sports drink in powdered format).

NNL became a “virtual” company in 2002, which enabled its management to focus efforts on key areas of marketing and product development while outsourcing many of its key functions including manufacturing, distribution and selling to third party providers. This lean business model has provided NNL with the needed flexibility and speed in delivering high quality products to its customers, while focusing and leveraging on its key competency in product development, advertising and promotion and customer service. This model has reduced the need for substantial resources required for setting up of processing and production centres. In addition, NNL has been able to significantly shorten the time required for product development, from concept to market, providing it an edge over competitors.

In New Zealand, NNL’s products are primarily distributed through retail channels (supermarkets, oil and convenience retail outlets) along with the traditional route channels (gyms, health food shops, specialty stores and specialty nutrition shops) whilst its Australian sales are done predominantly through the traditional route channels.

## Food Processing Division



### BAKERY

De-luxe Food Services Sdn Bhd (“De-luxe”) manufactures premium frozen bakery products for supply to hotels, retail, entertainment, convenience stores, airline and caterings under its brand name Hearty Bake.

It also supplies its products to Petronas Malaysia, Subway Malaysia, TGIF Japan, Singapore, China and the Philippines. Hearty Bake products are produced in different convenience levels, such as raw dough, par-baked, pre-proven and thaw-and-serve bakery products, in order to better cater to the needs of customers.

De-luxe recently relocated from its previous facility in Meru, Klang to the new and larger facility at Selangor Halal Hub, Pulau Indah.



## CORPORATE PROFILE



### BUTCHERY

**Gourmessa Sdn Bhd ("Gourmessa"), located in Glenmarie, Shah Alam, manufactures and processes cold cuts, sausages, portion control meat and smoked salmon for distribution to supermarkets, hotels and restaurants.**

Its Gourmessa brand of quality cold cuts and sausages are well distributed and displayed in most supermarkets and hypermarket chains across Malaysia. Gourmessa has plans to expand into the export market.

To better accommodate increased demand, plans were put in place for relocation of the manufacturing facility to Selangor Halal Hub, Pulau Indah which is equipped with bigger production facilities. Construction of the new facility was completed in October 2017, and is currently pending audit from the Department of Veterinary Services. Gourmessa is expected to complete the move to the new facility by first quarter of FY2020.



### Dairies Division

**The Dairies Division commenced business in early 2018 with the distribution and sales of sweetened creamer ("SC") and evaporated creamer ("EC"), supplied by original equipment manufacturers. Sales and marketing of the products are done directly via its sales team and appointed distributors.**

In June 2018, the Group completed the acquisition of Motivage, which has a manufacturing license to produce dairy products including SC, EC, milk powder, sterilised milk and tin cans. The dairy manufacturing factory, which is expected to be completed by early next year, will play a major role in the Dairies Division. With the supply of the products (SC and EC) directly from the Group's own plant, the Dairies Division will be able to compete in the market with better pricing and quality of products.

Demand for SC in the local market remains stable due to the drinking culture in Malaysia, thereby providing room for growth for this product. The Group will continue to explore opportunities to grow the Dairies Division, through exporting the manufactured products to overseas markets and distribution of other dairy products.

# KEY MILESTONES

## 2004

### ▶ DECEMBER

**Etika International Holdings Limited ("EIHL")** was listed on SGX-SESDAQ (now known as SGX Catalist) on 23 December 2004.

## 2006

### ▶ FEBRUARY

**Made first acquisition pursuant to listing - Pok Brothers Group** - one of Malaysia's leading frozen food and premium food wholesaler, on 8 February 2006, vide our wholly-owned subsidiary, Etika Foods (M) Sdn Bhd.

## 2007

### ▶ FEBRUARY

**Acquired NNL** based in New Zealand vide our wholly-owned subsidiary, Etika (NZ) Limited on 8 February 2007.

## 2009

### ▶ JUNE

**Upgraded to SGX Mainboard** on 18 June 2009.

## 2012

### ▶ JULY

**Signed an International Multiple Unit Franchise Agreement with US-based Cajun Global LLC** on 10 July 2012 for exclusive rights to develop and operate Texas Chicken restaurants in Malaysia and Brunei over the next 10 years from 2013 to 2022.

## 2014

### ▶ JULY

**Change of company name** from Etika International Holdings Limited to Envictus International Holdings Limited with effect from 15 July 2014.

## 2015

### ▶ DECEMBER

**Platinum Appreciation Sdn Bhd ("PASB")**, a wholly-owned subsidiary of the Company, together with Brothers Coffee Ventures Sdn Bhd, entered into a conditional sale and purchase agreement with Prinsip Lagenda Sdn Bhd and Datuk Abdul Rahim bin Mohd Zin on 14 December 2015 to acquire the entire issued and paid-up share capital of LVSB in relation to the acquisition of San Francisco Coffee Sdn Bhd.

## 2016

### ▶ AUGUST

**Envictus Food Services Sdn Bhd** (formerly known as PASB) increased its shareholding in LVSB from 85% to 100% on 19 August 2016 by acquiring the balance of 15% from Brothers Coffee Ventures Sdn Bhd.

### ▶ NOVEMBER

**Envictus Food Services Sdn Bhd**, a wholly-owned subsidiary of the Company, acquired Delicious, a café and restaurant operator on 30 November 2016.

## 2017

### ▶ NOVEMBER

**Polygold Holdings Sdn Bhd**, a wholly-owned subsidiary of the Company, entered into a conditional share sale agreement with Mr Khor Sin Kok and Madam Khor Guat Bee on 15 November 2017 for the proposed acquisition of 100% of the total issued and paid-up shares of Motivage Sdn Bhd for a consideration of RM24 million, to be satisfied by a combination of cash and the allotment and issuance of 15,775,210 shares in the capital of the Company.

## 2018

### ▶ JUNE

**An EGM was held on 8 June 2018** to obtain shareholders' approval on the proposed acquisition of Motivage as a major transaction and an interested party transaction. The allotment and issue of 15,775,210 consideration shares at an issue price of S\$0.3913 was made as part satisfaction of the consideration for the proposed acquisition. The acquisition was completed on 21 June 2018.

**On 18 June 2018**, the Company proposed a renounceable non-underwritten rights issue of up to 113,534,799 new ordinary shares of the Company at an issue price of S\$0.16 for each Rights Share with up to 113,534,799 free detachable warrants. Each warrant carries the right to subscribe for 1 ordinary share in the capital of the Company at an exercise price of S\$0.16 for each Warrant Share, on the basis of 4 Rights Shares for every 5 existing ordinary shares in the capital of the Company.

### ▶ OCTOBER

**An EGM was held on 19 October 2018** to obtain shareholders' approval on the allotment and issue of the Rights Shares, the Warrants and the Warrant Shares.

### ▶ NOVEMBER

**At the close of the rights exercise on 21 November 2018**, valid acceptances and valid excess application for a total of 105,195,904 Rights Shares with Warrants, representing approximately 92.66% of the 113,543,799 Rights Shares with Warrants available under the Rights cum Warrants Issue were received. This amounts to net proceeds of approximately S\$16.53 million.

# Trading and Frozen Food



POK BROTHERS  
SDN BHD

# MESSAGE FROM THE CHAIRMAN



**DATO' JAYA J B TAN**  
Non-Executive Chairman

Dear Valued Shareholders,

**On behalf of the Board of Directors of Envictus International Holdings Limited, I present to you our Annual Report for the financial year ended 30 September 2019 ("FY2019").**

## REVIEW OF FINANCIAL PERFORMANCE

The Group's revenue increased by RM39.9 million or 9.4% to RM462.5 million, mainly lifted by better performances of the Food Services and the Dairies Divisions. Texas Chicken in Malaysia continued to be the star performer of our fastest growing Food Services Division, riding on its increasing brand awareness and market share. Topline was also boosted by San Francisco Coffee and higher sales from the Dairies Division, with some contributions from Texas Chicken, Indonesia, which was subsequently disposed in October 2019, in line with ongoing re-alignment efforts.

Consequently, with a higher revenue contributed mainly by higher margin products of the Food Services Division, gross profit rose RM24.1 million to RM179.1 million whilst gross profit margin climbed by 2.0 percentage points to 38.7%. The Group's net loss stood at RM36.9 million for FY2019, against a net loss of RM27.9 million for the previous corresponding year ("FY2018") mainly due to higher operating expenses resulting from the expansion of Texas Chicken restaurants and San Francisco Coffee chain. Excluding the one-off impairment loss on intangible assets, write-off of property, plant and equipment and relocation costs of RM9.0 million, the Group loss would be RM27.9 million.

## MESSAGE FROM THE CHAIRMAN

Top line increased  
**RM39.9 million**  
 to  
**RM462.5 million**

Gross profit grew by  
**RM24.1 million**

Gross margin increased to  
**38.7%**



As at 30 September 2019, the Group's balance sheet had cash and cash equivalents of RM22.7 million while shareholders' equity was RM303.5 million.

During the year under review, Texas Chicken in Malaysia remained the top performer, backed by 10 stores openings, improved sales in existing stores, delivery sales and strong underlying market demand arising from increased brand awareness. Subsequent to year-end, we opened another six new outlets, thereby bringing the total outlets to 63 in Malaysia as at 30 November 2019. These stores are located from Klang Valley to the north from Perak to Penang and onto the southern part of Johor Bahru.

As for Texas Chicken in Indonesia, we have divested six stores so that the financial, management and marketing resources can be re-channelled to Texas Chicken in Malaysia to allow us to focus and concentrate on the expansion plan in the pipeline.

At this point, I am proud to share that Texas Chicken in Malaysia has been recognised by the prestigious Putra Brand awards, receiving two recognitions for its quality performance throughout all restaurants in the region – the Bronze Putra Brand Award, and World Halal Best Brand from The BrandLaureate. This is a clear endorsement of Texas Chicken's strong branding and achievement, which would not have been possible without the collective efforts of our people who worked tirelessly to drive the brand forward. These awards will serve as a great boost to our team in our journey ahead to grow our business and bring great dining experiences to even more Malaysians.

For the Food Services Division, we will continue to focus our marketing efforts to further increase our market share and the presence of Texas Chicken in Malaysia. To achieve greater market penetration, we will constantly refresh our businesses through innovative products, improve services to meet customers' preferences and will open more outlets beyond Klang Valley to the east coast covering Kelantan and Terengganu, as well as the southern part of Malaysia – Johor. Another notable progress is that over a short period, we have opened a total of three profitable drive-through Texas Chicken restaurants; with plans to open another five stores in the first quarter of FY2020. To stay abreast with technology advancement and to improve efficiency, we have modernised our restaurants with the introduction of self-ordering kiosks at Texas Chicken.

San Francisco Coffee opened another nine outlets during the financial year, to reach 54 restaurants. To stay competitive, we will constantly review the streamlining of the menus, in conjunction with the upcoming launch of our mobile application for San Francisco Coffee. These initiatives are aimed at better data analysis to improve sales of best seller items, provide greater accuracy for sales promotion campaigns and pricing considerations, and for better wastage management, amongst others. After the financial year end, we have opened another store on 15 November 2019.

As for Delicious, we are also seeing an increase in online ordering in the last few months and this growth is expected to continue. We will focus our efforts on its repositioning as a family and Muslim-friendly brand to better serve the needs of consumers.

Our Dairies Division, which commenced business in January 2018, has also made good progress, with revenue almost doubling during the year under review. Our "SuJohan" brand of sweetened condensed milk and evaporated milk has seen an increase in sales volume. We look forward to the commencement of operations of the factory at Pulau Indah in the second quarter of FY2020, which will enable the Group to scale up operations and ramp up sales.

## MESSAGE FROM THE CHAIRMAN

The Trading and Frozen Food Division saw lower sales from the hotel, restaurant and retail sectors, affected by weak consumer sentiments. Our efforts going forward will be focused on sourcing from other countries to curb rising food costs, to mitigate the weakening of the Malaysian Ringgit against the United States Dollar.

On the other hand, Food Processing Division's performance was boosted by the frozen bakery business, partially offsetting a significant decline in the beverage business. Restructuring of the Food Processing Division has been completed, with the disposal of the contract packing for dairy and juice based drinks business under EDNZ. The proceeds had been utilised to finance the growth of our Group's businesses.

Meanwhile, we are ramping up sales efforts for the Bakery segment to tap on the growing recognition of De-luxe's Hearty Bake bakery products. We are pleased to see the progress made for Hearty Bake in new countries such as China and the Philippines, and will continue to nurture and promote brand awareness. Operationally, we are pleased to note that De-luxe has relocated to our new and bigger plant at Pulau Indah and look forward to its full operation in the first two quarters of FY2020.

Under the Butchery segment, we expect revenue to increase with growing demand from upcoming festivities and school holidays for Gourmessa, where we will be launching a new line of Christmas products. Meanwhile, the butchery operation is anticipated to complete its move to the new plant by the first quarter of FY2020, pending final approval from local authorities.

The Nutrition Division has revised its strategy, placing greater emphasis on marketing initiatives and new product development targeting the growing mainstream health-conscious consumer in the mass market channels to prevent the continuing loss of market share.

### WORDS OF APPRECIATION

I would like to thank our Board of Directors for their guidance and counsel in overseeing the Group. On behalf of the Board, I would also like to record our appreciation and heartfelt thanks to Dato' Kamal Y P Tan for his contributions during his tenure as Group Chief Executive Officer and we look forward to his continuing counsel as a Non-Executive Director and Adviser. At the same time, I will also like to congratulate Mr Khor Sin Kok, who succeeds Dato' Kamal Y P Tan as Group Chief Executive Officer, with effect from 1 April 2019.

I am also deeply appreciative of our senior management team for their tenacity as we continually review and streamline the Group's operations to meet ongoing changes and demands in the F&B industry.

In closing, I would like to thank our management and staff for their dedication and contributions to Envictus. Last but not least, I would like to extend our appreciation to our shareholders, clients, consultants, suppliers, partners and business associates for their strong support as we stay focused on driving growth and value together.

Dato' Jaya J B Tan  
Non-Executive Chairman

# Food Services



*It's Crunch Time!™*



# REVIEW OF OPERATIONS



**In the financial year under review, Envictus focused on consolidating its resources by channelling management and financial resources to growing businesses while trimming loss-making businesses under the Food Services and Food Processing Divisions.**

The Group's core business segments are as follows:

- Food Services Division – Texas Chicken, San Francisco Coffee and Delicious restaurants businesses;
- Trading and Frozen Food Division;
- Food Processing Division comprising of:
  - ▶ Bakery; and
  - ▶ Butchery;
- Nutrition Division; and
- Dairies Division – distribution of condensed and evaporated milk.

Envictus remains committed to bringing quality F&B products to consumers that meet their evolving tastes and preferences, while strengthening its business fundamentals to become a global F&B group.

## CONSOLIDATED INCOME STATEMENT

For the financial year ended 30 September 2019 ("FY2019"), the Group reported a 9.4% increase in revenue from RM422.6 million in the previous corresponding year ("FY2018"), to RM462.5 million. This was mainly attributed to the increased contribution from the Food Services and Dairies Divisions, which was partially offset by a contraction in contribution from the Food Processing, Trading and Frozen Food and Nutrition Divisions.

The Food Services Division remained the star performer in FY2019, registering a strong revenue growth of RM47.0 million, from RM172.5 million in FY2018 to RM219.5 million. The 27.2% increase in revenue was largely contributed by Texas Chicken restaurants and San Francisco Coffee chain. Texas Chicken, Malaysia saw revenue expanding RM33.4 million or 24.7% from RM135.3 million to RM168.7 million, on the back of the opening of 10 new stores, bringing the total number of outlets



## REVIEW OF OPERATIONS

to 57, and overall improvement in performance of existing stores, due to promotional deals and growing brand awareness. Meanwhile, the Group opened six new Texas Chicken stores in Jakarta, Indonesia in the year under review, which were later disposed of on 1 October 2019. Texas Chicken, Indonesia had contributed RM5.6 million to the top line of the Division prior to its disposal. San Francisco Coffee saw a 25.3% increase in revenue from RM28.9 million in FY2018 to RM36.2 million in FY2019, from the opening of nine new stores.

Driven by a higher sales volume, the Dairies Division recorded an improved revenue of RM18.8 million or 94.9% to RM38.6 million in FY2019, from RM19.8 million in FY2018.

The Trading and Frozen Food Division posted a slight dip in revenue of 1.2%, from RM154.8 million in FY2018 to RM153.0 million resulting from lower sales to hotel, restaurant and retail sectors affected by the weak consumer sentiment.

The Food Processing Division posted a lower revenue contribution of RM15.9 million or 32.4% to RM33.1 million in FY2019, from RM49.0 million a year ago. This was largely attributable to the contract packing for dairy and juice based drinks business which saw a significant drop in revenue of 60.4% year-on-year ("y-o-y") from RM22.7 million to RM9.0 million, due to lower demand from existing customers and the disposal of the business on 31 May 2019. Additionally, the beverages business generated a revenue of RM5.0 million in FY2018 and had since been disposed. These decreases were partially mitigated by the 48.1% rise in revenue of the frozen bakery business from RM15.6 million to RM23.1 million over the same comparative year, due to the growing number of local and overseas customers.

Revenue from the Nutrition Division declined 30.9% from RM26.5 million to RM18.3 million affected by more competitively priced US, Australian and New Zealand brands and the aggressive promotional programmes launched by competitors.

In line with the higher revenue achieved, the Group's gross profit margin increased from 36.7% to 38.7% y-o-y on the back of higher sales contribution from the Food Services Division, which derives higher margin from its products.

For FY2019, the Group recorded an operating income of RM17.0 million, as compared to RM17.7 million recorded in the previous year. This was mainly contributed by the one-off gain from disposal of a subsidiary of RM10.5 million, gain on disposal of property, plant and equipment of RM1.3 million and recurring rental income from corporate building of RM1.6 million.

Meanwhile, operating expenses rose 16.4% y-o-y, from RM192.4 million to RM223.9 million, due to the higher selling and marketing expenses incurred, in tandem with the expansion of Texas Chicken restaurants and San Francisco Coffee chains. The increase was partially mitigated by the savings in selling and marketing expenses from the disposed contract packing for dairy and juice based drinks business and lower spending from the Nutrition Division. Other operating expenses of RM10.2 million included one-off RM7.2 million impairment loss on intangible assets, RM1.1 million property, plant and equipment written off and RM0.7 million relocation costs of equipment.

Finance costs increased from RM5.7 million to RM6.7 million due mainly to higher bank borrowings to finance the new factories, warehouse and setting up of new stores.

Overall, the Group registered a loss after tax of RM36.9 million, as compared to the RM27.9 million reported in the previous financial year.

### STATEMENT OF FINANCIAL POSITION

The Group's non-current assets increased by RM91.6 million from RM381.4 million to RM473.0 million in FY2019, on the back of the construction of new factories at Pulau Indah and set-up costs of new stores. Intangible assets declined by RM7.3 million, mainly due to impairment of goodwill, brands and franchise fee for certain subsidiaries. Furthermore, financial assets increased by RM7.7 million arising from the remeasurement of fair value on equity securities upon initial adoption of SFRS(I) 9 on 1 October 2018.

Cash and bank balances declined by RM12.9 million, mainly due to investment in the construction of new factories at Pulau Indah and set-up costs for new stores. Trade and other receivables fell by RM5.0 million, which was partially offset by an increase in inventories of RM5.1 million. Additionally, the proposed disposal of assets relating to Texas Chicken, Indonesia amounting to RM9.0 million were reclassified as assets held for sale. Consequently, the Group's total current assets contracted by RM3.8 million.

The Group's current liabilities increased by RM5.3 million largely due to the higher trade and other payables of RM10.2 million in tandem with the expansion of restaurant businesses and construction of new factories. This was partially offset by the lower bank borrowings of RM5.3 million due to the settlement of bank overdraft from the proceeds of the rights issue.

Non-current liabilities increased by RM63.9 million as a result of higher bank borrowings of RM66.7 million to finance the construction of new factories and setting up of stores. This was partially offset by the settlement of finance lease liabilities of RM3.1 million.

## REVIEW OF OPERATIONS

### CASHFLOW POSITION

The Group's cash and cash equivalents stood at RM22.7 million as at end of FY2019, an increase of RM6.3 million from RM16.4 million recorded in FY2018.

In FY2019, net cash generated from operating activities was RM2.3 million. The increase in trade and other payables generated RM18.0 million, which was partially offset by increase in inventories of RM6.4 million, operating loss of RM4.3 million and payment for interest and income tax of RM3.7 million.

Total cash of RM131.2 million was invested in the construction of new factories and for expansion of existing businesses. This was offset by the net proceeds received/receivable from the disposal of a subsidiary of RM18.2 million resulting in net cash utilised in investing activities amounting to RM111.6 million.

Financial activities recorded a net inflow of RM115.6 million mainly arising from the drawdown of bank borrowings of RM142.1 million and net proceeds raised from the rights issue of RM50.4 million to finance, in part, the construction of the factories and expansion of existing businesses. A part of it was used for the repayment of bank borrowings of RM61.5 million, repayment of finance lease liabilities of RM9.5 million and payment of interest of RM5.2 million.

### SEGMENTAL REVIEW BY BUSINESS DIVISIONS

BUSINESS SEGMENTS	FY2019 RM'000	FY2018 RM'000
<b>REVENUE</b>		
Food Services	219,547	172,509
Trading and Frozen Food	153,019	154,813
Food Processing	33,136	48,977
Nutrition	18,258	26,498
Dairies	38,576	19,808
	<u>462,536</u>	<u>422,605</u>
<b>(LOSS)/PROFIT BEFORE TAX</b>		
Food Services	(22,925)	(17,377)
Trading and Frozen Foods	9,762	10,956
Food Processing	(15,613)	(7,040)
Nutrition	(3,080)	(1,254)
Dairies	(1,902)	(1,461)
Unallocated	(687)	(9,256)
	<u>(34,445)</u>	<u>(25,432)</u>

The Group's business comprises the following divisions – Food Services, Trading and Frozen Food, Food Processing, Nutrition and Dairies. The Food Services Division contributed 47.5% of the total revenue, followed by Trading and Frozen Food of 33.1%, Food Processing of 7.2%, Dairies of 8.3% and Nutrition of 3.9%. Overall, the Group posted a loss before tax of RM34.4 million.



### Food Services Division

The Food Services Division comprises of Texas Chicken quick-service restaurants in Malaysia and Indonesia, San Francisco Coffee chain and Delicious restaurants businesses.

In the year under review, the Division continues to forge ahead on its growth path, achieving a revenue growth of 27.2% to RM219.5 million, from RM172.5 million in FY2018. Texas Chicken, Malaysia remained the star performer in the Division, contributing RM168.7 million in FY2019, a 24.7% y-o-y increase from RM135.3 million. This was attributed to the addition of 10 new stores and improvement in its existing store sales due to promotional deals and its rising brand awareness. In addition, Texas Chicken, Indonesia had opened six new stores in the financial year, which contributed a revenue of RM5.6 million to the Division.

San Francisco Coffee chain opened another nine outlets contributing a revenue of RM36.2 million to the Division, a growth of 25.3% from the previous financial year.

## REVIEW OF OPERATIONS

However, the Division recorded a loss before tax of RM22.9 million as compared to RM17.4 million the previous financial year, on the back of higher selling, marketing and administrative expenses to support the expansion of Texas Chicken restaurants and San Francisco Coffee chain, coupled with the impairment loss on brands, goodwill and franchise fee of RM3.3 million.

Segment assets grew from RM123.8 million to RM141.5 million from the increase in capital expenditure following the opening of new stores. Segmental liabilities experienced a 40.0% y-o-y increment to RM79.5 million from RM56.8 million, due to higher payables and additional bank borrowings to finance the set-up costs for new stores.



### Trading and Frozen Food Division

The Trading and Frozen Food Division recorded a marginal decrease in revenue of 1.2% y-o-y, from RM154.8 million to RM153.0 million, amid lower sales to hotel, restaurant and retail sectors which were affected by weak consumer sentiment. Profit before tax dipped to RM9.8 million for the year under review from RM11.0 million a year ago, mainly due to the higher operating expenses and depreciation for the new warehouse.

Segmental assets saw a 5.6% decline from RM125.1 million to RM118.1 million as a result of the lower receivables, which was partially offset by the increase in capital expenditure for the new warehouse. Segmental liabilities rose 10.7% from RM41.2 million to RM45.6 million in FY2019, mainly due to higher usage of tradeline facilities.



### Food Processing Division

The Food Processing Division comprises the bakery, butchery and contract packing for dairy and juice based drinks businesses.

The Division recorded a 32.4% decrease in revenue to RM33.1 million as compared to the preceding corresponding year of RM49.0 million. The decrease was mainly attributed to the significant drop in revenue of 60.4% from the contract packing for dairy and juice based drinks business from RM22.7 million to RM9.0 million, due to the lower demand from customers and the disposal of the business on 31 May 2019; and the cessation of beverages business in the last quarter of the previous financial year, which resulted in a reduction of RM5.0 million in revenue for the Division. These decreases were partially offset by the improved performance of the frozen bakery business which saw a revenue growth of 48.1% from RM15.6 million in FY2018 to RM23.1 million in the financial year under review, driven by the growing number of local and overseas customers. The division incurred a higher loss before tax of RM15.6 million as compared to RM7.0 million in the previous financial year largely due to absence of one-off gain from disposal of properties amounting to RM7.5 million.

Segmental assets rose 26.7% y-o-y from RM162.8 million to RM206.3 million, mainly attributed to the construction of the factory building. Segmental liabilities increased by 50.2% to RM104.4 million largely from the higher bank borrowings to finance the construction of a factory building.

## REVIEW OF OPERATIONS



### Nutrition Division

The Nutrition Division saw a contraction in revenue of 30.9% from RM26.5 million to RM18.3 million, affected by more competitively priced US, Australian and New Zealand brands and the competitors' aggressive promotional programmes which have led to the Division losing market share. Additionally, the declining revenue can be attributed to the consistent downward pressure on retail prices, resulting from imported products and increasing retailer margin pressure. The Division posted a loss before tax of RM3.1 million, as compared to loss before tax of RM1.3 million recorded a year ago, mainly due to impairment loss from the Horleys brand of RM4.0 million.

Segmental assets decreased 31.5% to RM11.1 million, mainly attributable to lower inventories in tandem with lower sales and impairment of Horleys brand. Segmental liabilities increased to RM3.7 million from RM2.3 million, due to an increase in payables.



### Dairies Division

The Dairies Division posted a revenue of RM38.6 million, representing a 94.9% jump from the RM19.8 million in the previous financial year, driven by higher sales volume. The Division recorded

a loss before tax of RM1.9 million, as compared to RM1.5 million in the previous financial year due to higher operating expenses.

The segment assets recorded a significant increment of 103.9% to RM72.4 million from RM35.5 million in FY2018, mainly attributed to the construction of a factory building. Segmental liabilities increased from RM11.8 million to RM43.6 million, due largely to higher bank borrowings to finance the construction of the factory building.

### PERFORMANCE REVIEW BY GEOGRAPHICAL SEGMENTS

GEOGRAPHICAL SEGMENTS	FY2019	FY2018
	RM'000	RM'000
<b>REVENUE</b>		
Malaysia	426,650	369,222
New Zealand	22,921	41,407
Australia	2,440	5,642
Asean (excluding Malaysia)	8,800	2,196
China	1,526	822
Others	199	3,316
	<b>462,536</b>	<b>422,605</b>

The Group recorded an overall increase in revenue of 9.4% to RM462.5 million. Malaysia remained the Group's biggest market, contributing RM426.7 million or 92.2% of the total revenue from external customers. This is followed by New Zealand, which contributed RM22.9 million or 5.0%, and Asean (excluding Malaysia), which contributed RM8.8 million or 1.9%. The other regions, which includes Australia, China and Others accounted for the remaining 0.9% of the total revenue from external customers or RM4.2 million.

### Malaysia

Malaysia contributed 92.2% to the top line of the Group, entrenching its position as a key market of Envictus. Revenue for this geographical segment grew 15.6% over the same comparative year from RM369.2 million in FY2018 to RM426.7 million in FY2019. The increase was largely on the back of the opening of 10 new Texas Chicken stores, nine new San Francisco Coffee outlets and overall better performance of most outlets, as well as from the improved revenue of the Dairies Division.

## REVIEW OF OPERATIONS

### New Zealand and Australia

Revenue declined 46.0%, from RM47.0 million to RM25.4 million, affected by more competitively priced US, Australian and New Zealand brands and aggressive competition in the Nutrition Division, which saw market share in the Australian and New Zealand markets shrinking. The disposal of contract packing for dairy and juice based drinks business during the financial year has also resulted in the reduction in revenue.

### Asean

Revenue surged 300.0%, from RM2.2 million to RM8.8 million, mainly from Texas Chicken, Indonesia of RM5.6 million which opened six new stores during the financial year.

### China and Others

Revenue declined 58.5% or RM2.4 million, from RM4.1 million to RM1.7 million, mainly due to the cessation of beverages business in the last quarter of FY2018.



## PROSPECTS AND GROWTH PLANS

### Food Services Division

Competition in the F&B industry is intensifying, where competitors are introducing new and improved versions of dishes and offering limited-time offer menu items to captivate and retain consumers.

Texas Chicken has, likewise, introduced innovative products with bundled offers to increase consumers' interest and awareness of its brand. To remain competitive, Texas Chicken has added another new poultry supplier to support its growing business and to further reduce material cost with similar or better quality products. Meanwhile, the brand has continued to attract offers from various shopping malls, street shops and drive-through restaurants at petrol stations, enabling Texas Chicken to secure better locations at more competitive rates.

Subsequent to the financial year end, Texas Chicken's store count reached 63 following the latest store opening in Ipoh in November 2019. Going forward, Texas Chicken is expected to open another five stores in the first quarter of the financial year 2020 ("FY2020"), to gain more market share and to increase its brand awareness.

As for San Francisco Coffee, prices of raw materials have held steady despite forex fluctuations. Additionally, the brand has switched to a new and improved syrup that appeals more to customers, with minimal cost increase. The brand is exploring ways to upgrade its takeaway packaging to paper-based or biodegradable materials to be more environmentally-friendly, as part of the Company's corporate social responsibility programme.

However, the coffee industry has been challenging with some competitors offering attractive pricing for limited-time offer menu items, co-branding on merchandise sales and upgrading of food display.

For the current financial year, San Francisco Coffee has a total of 54 stores and it has opened one new store in the first quarter of FY2020. The brand is also targeting to streamline its food and drink menu in conjunction with the launch of the San Francisco Coffee mobile application, which will enable data collection for market research and analysis. The data will be utilised to aid in the launch of more productive offers and campaigns, set more competitive pricing in the menu, increase the efficiency of food preparation processes with minimum wastages and improve sales of best seller items.

Delicious restaurants had implemented food delivery services in tandem with the rising popularity of online food delivery services in the market. Such services make distance redundant and improve price transparency, which price-sensitive consumers appreciate. Delicious restaurants is focusing on repositioning itself as a family and Muslim-friendly brand that offers non-alcoholic beverages and play areas at all outlets.

## REVIEW OF OPERATIONS



### Trading and Frozen Food Division

As the Malaysian Ringgit continues to weaken against the US Dollar in the current financial year, the prices of some main frozen products have inevitably been increasing and thus affected revenue. To mitigate further impact, Pok Brothers is actively sourcing for suppliers from alternative countries.

Australian and New Zealand lamb and mutton prices have been rising steadily due to strong demand and tightening supplies. Meanwhile, the supply of cheese and butter has improved from the previous quarter.

Looking ahead, Pok Brother is expected to reduce the prices of its products in order to maintain market share and compete effectively with competitors.



### Food Processing Division

#### Bakery

The local market is generally improving with higher sales. De-luxe is gaining momentum with quick-service restaurants for its new

proposed bakery products, where Hearty Bake has seen growing awareness from hotels, restaurants and cafés. In line with its growth plans for the bakery segment, the Group has expanded the team, including forming a dedicated team to ensure the quality of its products and services.

Efforts to enter overseas markets have come to fruition, with De-luxe securing an additional distributor in China, the successful launch of Hearty Bake products in the Philippines and repeat monthly orders from customers in Singapore. The Group will continue to pursue better growth and recognition of this brand in overseas markets.

Additionally, De-luxe has relocated to the new plant in Pulau Indah, where it will be able to cater to the higher demand, once the machinery has been set up in the first two quarters of FY2020. With larger facilities, De-luxe is expected to face higher operating costs in the initial period until sales and production volume increase.



#### Butchery

Gourmessa has seen a slight improvement in its top line due to an increase in the volume of orders from hotels and restaurants, and is anticipating revenue to rise further due to upcoming festivities and school holidays. Gourmessa has also launched its new line of Christmas products to capture more customers and expand its income base.

To better accommodate increased demand, plans were put in place to relocate the manufacturing facility of Gourmessa to a bigger facility at Selangor Halal Hub, Pulau Indah. It is currently pending the final approval from authorities and expects to move to the new plant by the first quarter of FY2020.

## REVIEW OF OPERATIONS



### Nutrition Division

Dairy ingredients in the form of milk powders and highly specialised whey proteins comprise a large proportion of the Division's costs. International prices for milk powder have been rising, which is likely to lead to an increase in the price of whey protein powders as well.

Revenue in this segment mostly comes from the New Zealand Grocery channel, which is dominated by two key customer groups. These retailers have been increasing their margin expectations, thus adding pressure on the profitability of the channel.

The Horleys brand, under which the Company markets the range of sports nutrition and weight-management products, has been formulating new products targeted at the growing mainstream health-conscious consumer in the mass market channels. In the increasingly mature protein market, this provides an opportunity for Horley's success, leveraging on its long nutrition heritage and expertise.



### Dairies Division

The Dairies Division is involved in the distribution of sweetened creamers and evaporated creamers. Prices of these items have

been stable for the past 12 months and are likely to remain so for the next 12 months as well.

The competition in the dairy industry is becoming more intense as other manufacturers reduce prices due to cost savings from the lower price of sugar. However, the Company is unable to benefit from this as it currently purchases its products from original equipment manufacturers.

Construction on the dairy manufacturing factory at Pulau Indah has started and is expected to be ready by the second quarter of FY2020, which will enable the Group to take in production, scale up operations and increase sales volume. The Group is also looking to expand the sales team to broaden the customer base and capture a larger market share.

### Computerisation

The Group continuously implements new technology upgrades for the Food Services Division. Self-service ordering kiosk is a milestone technology to modernise Texas Chicken restaurants, enabling a faster ordering process and enhancing the ordering experience through allowing for the customisation of orders. Customers are able to visually preview their orders and latest promotions on the kiosk's large high definition touch screen. Research has shown that customers appreciate the restaurants' full offerings and are likely to try new items on the menu which potentially increase sales. Digital wallets are being widely adopted at a quick rate and we will explore the introduction of digital wallet payment to provide customers a wider option of payment methods.

### Human Resource

The Group's total staff count was approximately 2,500 as at 30 September 2019.

### Utilisation of proceeds from Rights cum Warrants Issue

On 28 November 2018, the Group raised approximately S\$16.5 million (after deducting expenses of S\$0.3 million relating to the Rights cum Warrants Issue) or RM50.4 million from the Rights cum Warrants Issue ("the Net Proceeds"). As at 25 June 2019, it has fully deployed the net proceeds for the repayment of bank borrowings, working capital and the expansion of existing businesses.

## REVIEW OF OPERATIONS

The utilisation of the net proceeds as set out below:

Intended Use of Net Proceeds	Intended Use	Revised Amount Utilised #	
	Amount*	S\$'000	RM'000
Repayment of bank borrowings	6,601	6,593	19,976
Working capital	4,965	4,685	14,196 <sup>®</sup>
Expansion of existing businesses	4,965	5,253	16,240
<b>Total</b>	<b>16,531</b>	<b>16,531</b>	<b>50,412</b>

<sup>®</sup> The breakdown of the amount utilised for working capital is as follow:

	RM'000
Trade suppliers	3,725
Salaries and related expenses	4,043
Other operating expenses	6,428
<b>Total</b>	<b>14,196</b>

\* The use of proceeds from the Rights cum Warrants Issue as disclosed above is in accordance with the intended uses as disclosed in the Offer Information Statement dated 29 October 2018.

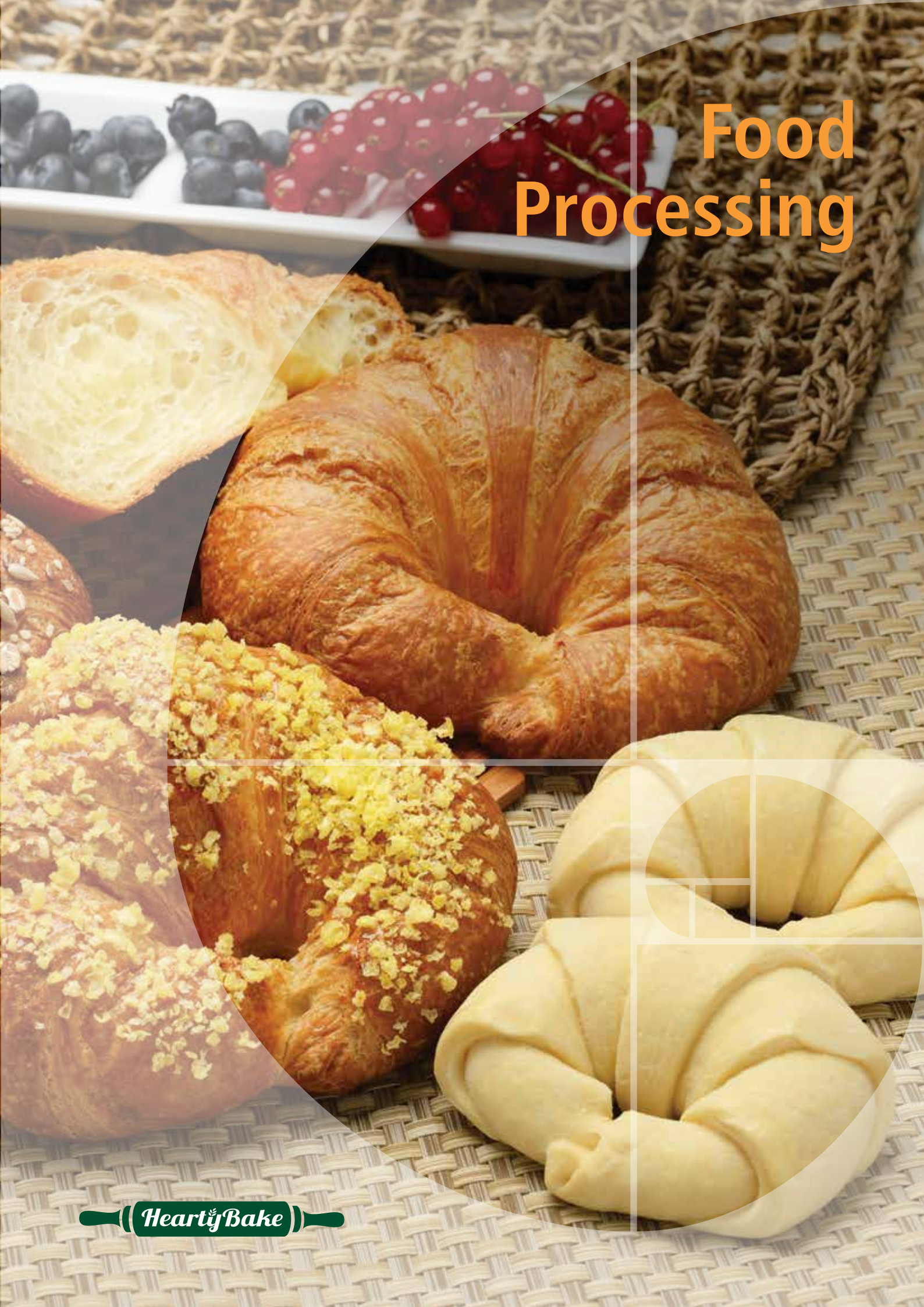
# The Company has re-allocated the unutilised proceeds of S\$0.288 million from repayment of bank borrowings (S\$0.008 million) and working capital (S\$0.28 million) to funding the expansion of existing business as announced on 26 March 2019.

### Watch list

On 4 June 2019, the Group was placed under the watch list by the Singapore Exchange as it did not meet the Minimum Trading Price ("MTP") entry criteria which entails maintaining a volume-weighted average price of at least S\$0.20 cents and an average daily market capitalisation of S\$40 million or more over the last 6 months. To exit the watch list, the Group has 36 months from 6 June 2019 to satisfy the requirements under the MTP criteria.



# Food Processing



# FINANCIAL HIGHLIGHTS

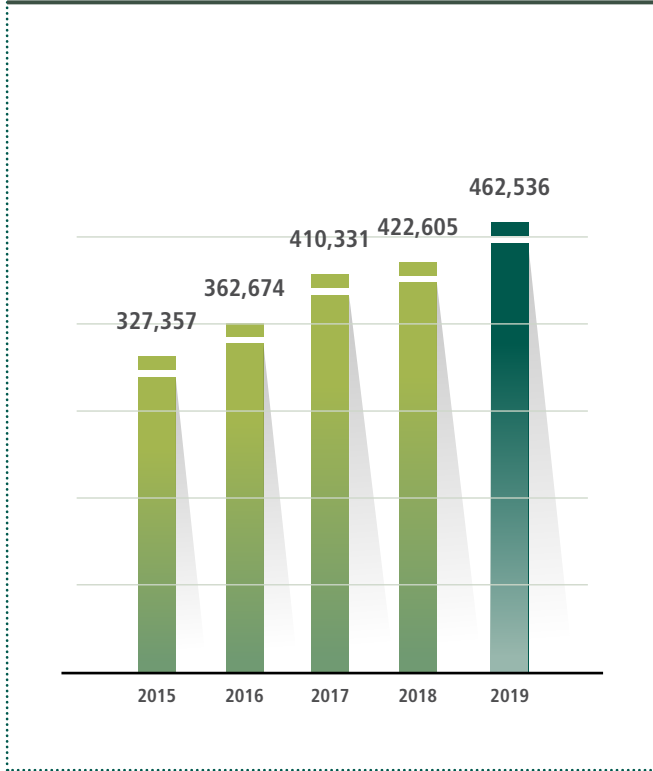
	FY2015	FY2016	FY2017	FY2018	FY2019
<b>KEY FINANCIAL INFORMATION</b>					
Revenue (RM'000)	327,357	362,674	410,331	422,605	462,536
Profit/(Loss) after tax (RM'000)	(3,562)	1,456	(53,541) <sup>^</sup>	(27,866)	(36,851)
Shareholders' equity (RM'000)	373,533	350,514	314,855	294,827	303,545
Total equity (RM'000)	367,394	342,199	305,280	284,796	303,545
Weighted average number of shares	126,143,289 <sup>#</sup>	126,143,289	126,143,289	130,983,901	230,398,342
<b>KEY FINANCIAL RATIO</b>					
Earnings/(Loss) per share (RM sen)	(0.3) <sup>#</sup>	2.3	(41.5)	(20.2)	(15.4)
Return on equity (%)	1.5	2.2	(13.7)	(6.7)	(9.4)
Net assets value per share (RM)	3.0 <sup>#</sup>	2.8	2.5	2.1	1.2

<sup>#</sup> The weighted average number of shares have been adjusted to reflect the effect of Share Consolidation with every five existing shares consolidated to one share in FY2016.

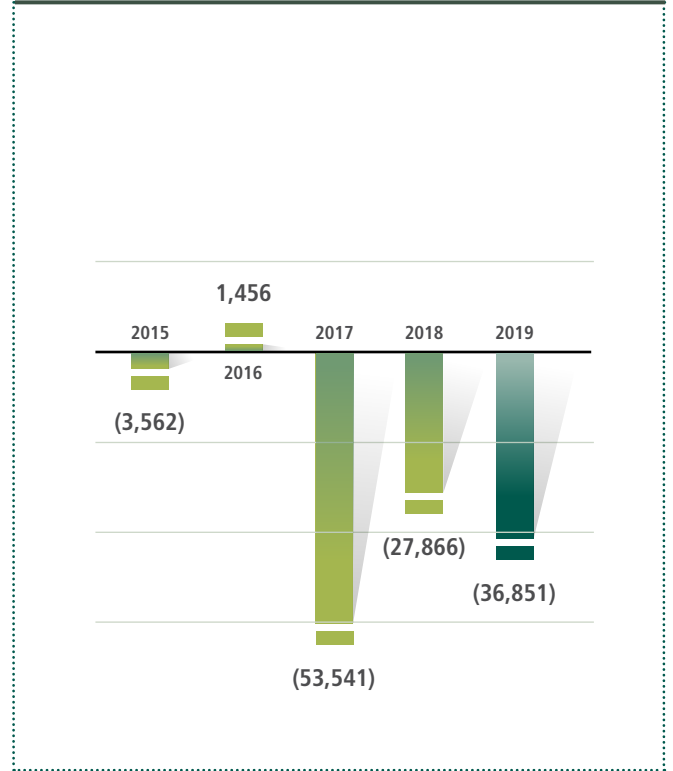
<sup>^</sup> Includes the impairment loss of RM32,870,000 in respect of its available-for-sale financial asset.

## FINANCIAL HIGHLIGHTS

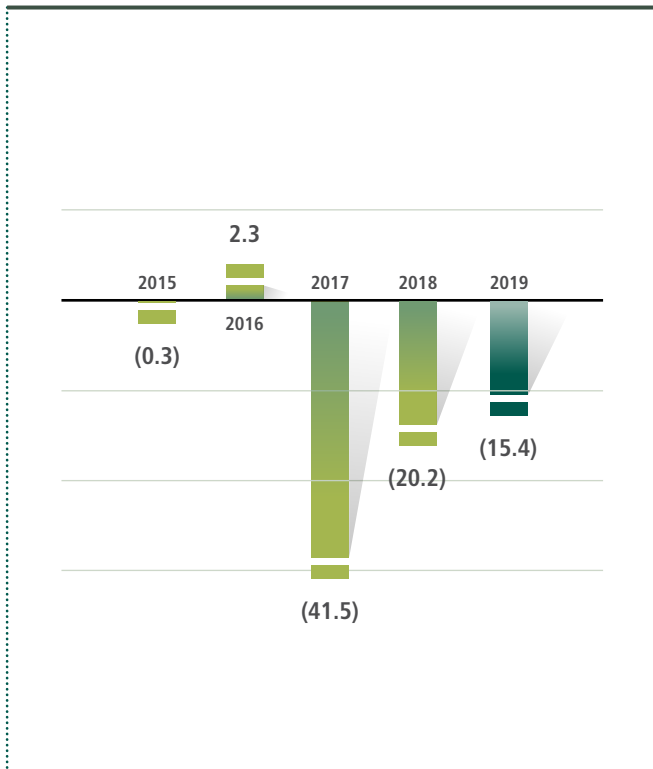
### REVENUE (RM'000)



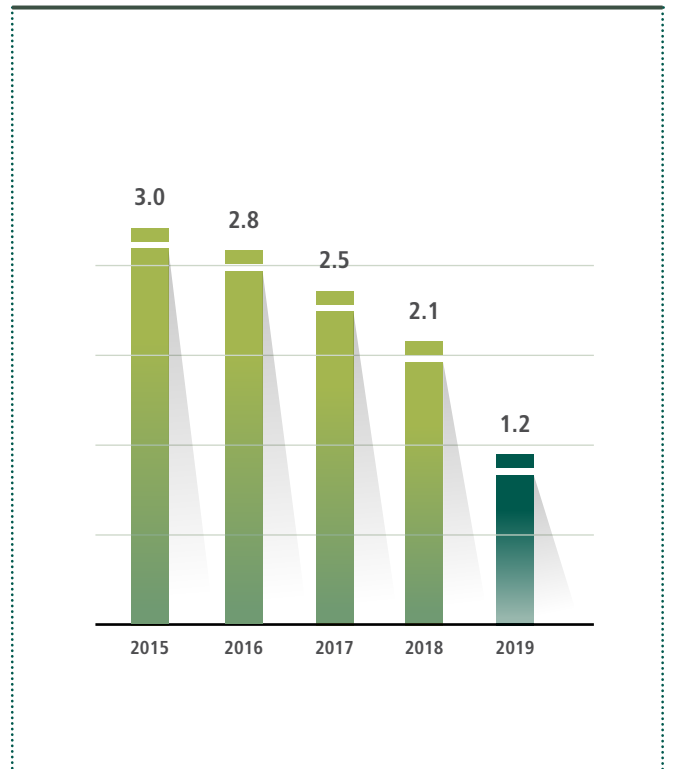
### PROFIT / (LOSS) AFTER TAX (RM'000)



### EARNINGS / (LOSS) PER SHARE (EPS) (RM Sen)



### NET ASSETS VALUE PER SHARE (RM)



# RISK FACTORS

The following is an overview of Envictus' risk factors, with brief description of the nature and extent of the group's exposure to these risks. We strive to provide reasonable assurance to our stakeholders by incorporating sound management control into our daily operations, ensuring compliances with legal requirements, and safeguarding the integrity of the group's financial reporting as well as related disclosures.

## ECONOMIC RISKS

Changes in the economic conditions within and outside of Malaysia where the Group's main operations are based may have material adverse impact on the demand for the Group's products, consequently affecting the operations and financial performance of the Group. While the Group operates in a fairly defensive F&B industry, the Group is not completely shielded from the impact of world economic crisis.

## BUSINESS RISKS

***Any significant increase in the prices of our raw materials would have an adverse impact on our profitability***

The raw materials we utilise for the manufacture of our products within our subsidiaries comprise substantially of whey protein concentrate, milk powder, margarine, yeast, salt, sugar, vitamins, raw meat, flour, palm olein and packaging material (such as paper and plastic packaging, cans, labels and cartons). In order to ensure that we are able to efficiently deliver quality products to our customers at competitive prices, we need to obtain sufficient quantities of good quality raw materials at acceptable prices and in a timely manner. As such, we typically enter into forward supply contracts. In the event that our suppliers are unable to fulfill our raw material needs, we may not be able to seek alternative sources of supply in a timely manner or may be subject to higher costs from alternative suppliers. This may adversely affect our ability to meet our customers' orders and our profitability in the event that we are unable to pass on such costs to our customers.

***Our failure to meet adequate health and hygiene standards will lead to a loss in customer confidence***

Our products are manufactured under very stringent quality control processes and the Group stresses quality and hygiene as a top priority. If there is any incidence of contamination or food poisoning in any of our subsidiaries, our Group may face criminal prosecution under the Food Act 1983 (Act 281) & Regulations (including its sub regulation Food Hygiene Regulations 2009) in Malaysia, Animal Products Act 1999 New Zealand, Food Act 1981 New Zealand or other relevant regulations in jurisdictions to which our products are exported to, a loss in customer confidence and a negative impact on our reputation. Accordingly, our prospects as well as our financial condition will be adversely affected.

It is also possible that the relevant authorities may impose directives as a result of health and hygiene issues to carry out certain remedial actions which may impact on our operations. Failure to comply with such directives may result in our operations/licenses being suspended and/or revoked, which will have a material adverse impact on our reputation and financial performance.

To mitigate this risk, our operations are International Organization for Standardization (ISO) and Hazard Analysis Critical Control Points (HACCP) accredited by international certification bodies and we also subscribe to Good Manufacturing Practice (GMP). We have also met the Malaysian Standard on Halal Food MS 1500: 2009 and therefore issued with the Halal certification from JAKIM (Department of Islamic Development Malaysia). This JAKIM requirement also extends to the material usage in our operations from suppliers which need to be Halal certified. Failure to comply with JAKIM regulations would lead to suspension or revocation of the Halal Certificate issued to us and this will have a serious impact on our reputation and financial performance.

***We may be subject to product liability claims if our products are found to be unfit for consumption***

If our products are found to be unfit for consumption and consumers suffer damage, injury or death as a result of consuming or coming into contact with our products, we may be required to compensate the consumer for any injury or death. The Group's profitability would be adversely affected if the amount payable under the insurance policies covering the Group is not sufficient to meet the compensation amount payable. Accordingly, our reputation, prospects, and financial condition will also be adversely affected.

***Possible changes in consumer taste may lead to lower demand and sales of our products***

Being in the F&B industry, the nature of our business is highly dependent on consumer preferences. We strive to achieve the highest quality in the products we offer. However, the level of market acceptance of our products ultimately relies on consumer taste and lifestyle. The younger affluent generation now has higher purchasing power and is willing to pay a premium for products which cater to their individual desires. Also, the current consumer trend towards healthier lifestyle and organic products may pose threats to our Group's business if we are not flexible enough to adapt and cater to the trend.

## RISK FACTORS

### *An outbreak of disease in livestock, such as cows, goats and chickens, and food scares may lead to loss of consumer confidence in our products*

Any outbreak of disease in livestock and food scares may have an adverse impact on the business of our Group as it may lead to loss in consumer confidence and reduction in consumption of the particular food or related products concerned. It may also affect our Group's sources of supply of raw materials, such as milk powder or raw meat, from that particular area, resulting in our Group having to source for alternative supplies which may be more costly or have negative impact on our production processes and output.

### *We depend on key management personnel and the loss of such personnel may adversely affect our Group's operations*

The Group's success to date has been due largely to the contributions of its management teams and employees. As such, the Group's continued success is dependent on its ability to retain the services of such personnel. There is no certainty that the Group will be able to retain or integrate new personnel into the Group or identify or employ qualified personnel. Accordingly, the loss of the services of these key personnel or the inability to attract additional qualified persons may negatively affect the Group's business, financial condition, results of operations and future development.

### REGIONAL EXPANSION RISKS

The Group now has its operation base in Malaysia and New Zealand. However, we are still constantly seeking new business opportunities overseas. Thus, the Group will focus equally on international expansion for future growth. However, there are considerable risks associated with this regional expansion strategy.

#### *Ability to extract synergies and integrate new investment*

In acquisition, the Group faces challenges arising from being able to integrate newly acquired businesses with our own existing operations, managing businesses in new markets where we have limited experience. There is no assurance that synergies can be created from the new acquisitions and that the returns generated from the new ventures will meet the management's expectations.

#### *Ability to make further acquisitions*

Although we are constantly looking for new opportunities that could contribute to our future growth, there is no assurance that there will be sound acquisition opportunities available as there are constraint factors such as competition from other investors, government policies, political considerations, and last but not least, sincere sellers with sound business deals.

### FINANCIAL RISKS

#### *Credit risks*

Credit risk is the potential financial loss resulting from the failure of a customer or counterparty to settle its financial and contractual obligations to the Group as and when they fall due. While the Group faces the normal business risk associated with ageing collections, it has adopted a prudent accounting policy of making specific provisions once trade debts are deemed not collectible. Nonetheless, a delay or default in payment and/or significant increase in the incidence of bad trade receivables would have a material and adverse impact on our financial position and performance.

#### *Foreign currency risks*

The Group incurs foreign currency risk on transactions and balances that are denominated in currencies other than the entity's functional currency. The currencies giving rise to this risk are primarily Ringgit Malaysia, United States dollar, Singapore dollar, New Zealand dollar, Australian dollar, Hong Kong dollar and Indonesian rupiah. Exposure to foreign currency risk is monitored on an on-going basis to ensure that the net exposure is at an acceptable level and hedging through currency forward exchange contracts is done where appropriate.

#### *Interest rate risks*

The Group's exposure to changes in interest rates relates primarily to bank borrowings and fixed deposits. The Group strives to maintain an efficient and optimal interest cost structure using a combination of fixed and variable rate debts, and long and short term borrowings. The objective for the mix between fixed and floating rate borrowings are set to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if the interest rates fall. In the event of any substantial increase in interest rates, cash borrowings obligations may be extended and our financial performance may be affected.

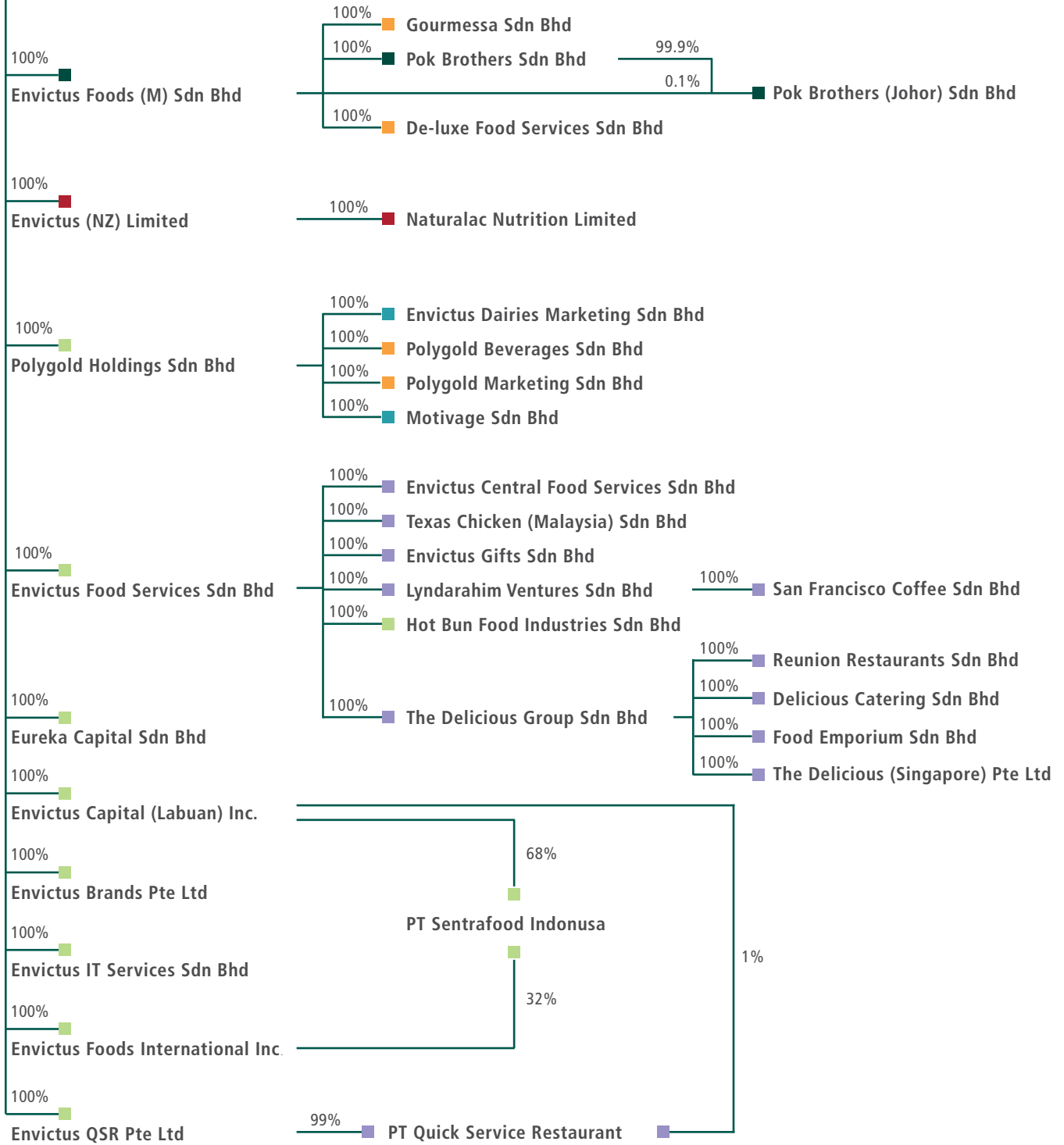
#### *Liquidity risks*

The Group actively manages its operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. As part of our overall prudent liquidity management, the Group maintains sufficient level of cash and cash equivalents to meet its working capital requirements. Short-term funding is obtained from overdraft and trade facilities from banks and finance leases from financial institutions. As such, we are subject to risks normally associated with debt financing, including the risk that our cash flows will be insufficient to meet required payment of principals and interest. In addition, while in the past our cash flows from our operations and financing activities had been sufficient to meet our payments obligations for borrowings and interest, there is however no assurance that we are able to do so in the future. In such event, we may be required to raise additional capital, debt or other forms of financing for our working capital. If any of the aforesaid events occur and we are unable for any reason to raise additional funds to meet our working capital requirements, our business, financial performance and position will be adversely affected.

# GROUP STRUCTURE



## ENVICTUS INTERNATIONAL HOLDINGS LIMITED



■ Trading and Frozen Food Division	■ Nutrition Division	■ Unallocated
■ Food Services Division	■ Food Processing Division	■ Dairies Division

# Nutrition



# CORPORATE INFORMATION



## Board of Directors

Dato' Jaya J B Tan  
(Non-Executive Chairman)

Datuk Sam Goi Seng Hui  
(Non-Executive Vice-Chairman)

Dato' Kamal Y P Tan  
(Non-Executive Director and Adviser)

Mah Weng Choong  
(Independent Director)

John Lyn Hian Woon  
(Independent Director)

Teo Chee Seng  
(Independent Director)

## Company Secretaries

S Surenthiraraj  
Kok Mor Keat

## Registered Office

SGX Centre II, #17-01  
4 Shenton Way  
Singapore 068807  
Telephone : (65) 6361 9883  
Facsimile : (65) 6538 0877

## Share Registrar

Boardroom Corporate & Advisory Services  
Pte Ltd  
50 Raffles Place  
Singapore Land Tower, #32-01  
Singapore 048623

## Independent Auditor

BDO LLP  
Public Accountants and Chartered Accountants  
600 North Bridge Road  
#23-01 Parkview Square  
Singapore 188778  
Partner-in-charge: Poh Chin Beng  
(Appointed since the financial year ended 30  
September 2017)

## Principal Bankers

Maybank Islamic Berhad  
Bank Pertanian Malaysia Berhad  
HSBC Amanah Malaysia Berhad  
Malayan Banking Berhad  
OCBC Al-Amin Bank Berhad

## Solicitors

Morgan Lewis Stamford LLC  
Hutabarat Halim & Rekan



# BOARD OF DIRECTORS



Non-Executive Chairman

- Member of Audit Committee
- Member of Remuneration Committee
- Member of Nominating Committee

## DATO' JAYA J B TAN

Dato' Jaya J B Tan is the Non-Executive Chairman of the Company and was appointed to the Board since 23 December 2003. He graduated from the University of Arizona and is a Mechanical Engineer by training. He has extensive experience in forestry, property development, food retail operations, trading and financial services. Previously, he has served as Chairman of several companies quoted on the stock exchanges of Malaysia, United Kingdom, Singapore, Australia and India. Currently, Dato' Jaya is the Executive Chairman of Lasseters International Holdings Limited, a company listed on the Singapore

Stock Exchange ("SGX"). He is also the Chairman of Cypress Lakes Group Limited, a public company in Australia and the Vice Chairman of Park Hyatt Saigon, a 259-room 5-star hotel in Ho Chi Minh City, Vietnam.

Dato' Jaya was last re-elected as Director at the Annual General Meeting ("AGM") held in January 2019.

Dato' Jaya is the brother of Dato' Kamal Y P Tan.



Non-Executive Vice-Chairman

## DATUK SAM GOI SENG HUI

Datuk Sam Goi Seng Hui joined the Board of Envictus International Holdings Limited as Vice-Chairman and Non-Executive Director on 9 January 2013.

He is the Executive Chairman of Tee Yih Jia Group and SGX Mainboard-listed GSH Corporation Limited.

Established in 1969, Tee Yih Jia Group is a global food and beverage group with operations in Singapore, Malaysia, USA, Europe and China, and exports to over 80 countries worldwide. GSH Corporation Limited is a developer of premium residential and commercial properties in the region, as well as the owner and operator of Sutera Harbour Resort, Marina and Golf Course in Kota Kinabalu, Sabah, Malaysia.

Datuk Sam Goi also has investments across a range of listed and private entities in diverse industries, such as food and beverage, leisure real estate, consumer essentials, renewable energy, healthcare, technology, distribution and logistics. Datuk Sam Goi also serves as Vice Chairman of Mainboard-listed JB Foods Limited, and Director of Tung Lok Restaurants (2000) Ltd.

In April 2018, Datuk Sam Goi was appointed Singapore's Non-Resident Ambassador to the Federative Republic of Brazil.

He was named "Businessman of the Year" at the Singapore Business Awards (2013) and conferred the Public Service Star (Bar) (BBM (L)) at the 49<sup>th</sup> National Day Awards by the President of Singapore for his contributions to the community. Datuk Sam Goi was also conferred the State Award of Panglima Gemilang Darjah Kinabalu (PGDK), which carries the title of Datuk, from the Head of State of Sabah for his social and business contributions to Kota Kinabalu. In 2015, he was awarded the "SG50 Outstanding Chinese Business Pioneers Award" and received the Long Service Award from Singapore's People's Action Party. Datuk Sam Goi was also awarded Enterprise Asia's Lifetime Achievement Award in 2015 and the Asian Strategy & Leadership Institute's Lifetime Achievement Award in 2016. In 2017, he was honoured for his contributions and success as an overseas Chinese by the People's Tribune Magazine in Beijing, China. In 2018, he was conferred the Distinguished Business Leader Award at the World Chinese Economic Forum. In 2019, he was appointed Patron for Advancement and received the inaugural Benefactors Fellow Award from the Singapore University for Technology and Design.

Datuk Sam Goi is also the Honorary Chairman of Ulu Pandan Citizens Consultative Committee.

Datuk Sam Goi was re-elected as Director of the Company at the AGM held in January 2018.

## BOARD OF DIRECTORS



Non-Executive Director and Adviser

### DATO' KAMAL Y P TAN

Dato' Kamal Y P Tan is the Non-Executive Director and Adviser of the Company and was appointed to the Board on 23 December 2003. He was appointed as the Executive Director of the Company upon its listing on 23 December 2004 and subsequently became the Group Chief Executive Officer on 20 January 2009. He has been re-designated as Non-Executive Director and Adviser on 1 April 2019 following his decision for semi-retirement.

Dato' Kamal is an Economics graduate from the London School of Economics and has held board positions with companies listed on the stock exchanges in Malaysia, Singapore, Australia, United Kingdom and India.

Currently, Dato' Kamal is also the Non-Executive Director of another company listed on the Singapore Stock Exchange, namely Lasseters International Holdings Limited. He is a Board member of Park Hyatt Saigon, a 259-room 5-star hotel in Ho Chi Minh City, Vietnam.

Dato' Kamal was re-elected as Director at the AGM held in January 2017. He will retire at the forthcoming AGM and will offer himself for re-election.

Dato' Kamal is the brother of Dato' Jaya J B Tan.



Independent Director

### TEO CHEE SENG

Mr Teo Chee Seng was appointed Independent Director of the Company on 3 August 2004. He holds a Bachelor of Law (Hons) degree from the University of Singapore and is a lawyer in the Singapore private practice for more than 30 years.

Mr Teo acts as the legal consultant to Tzu Chi Foundation, Taiwan's biggest charity organisation which is also a United Nations NGO.

Apart from the present directorship of the Company, Mr Teo is the Independent Director of Lasseters International Holdings Limited and Soilbuild Construction Group Ltd, companies listed on the Singapore Stock Exchange and United Overseas Australia Ltd, which is listed on both Singapore and Australia stock exchanges and UOA Development Bhd, a company listed on the Bursa Malaysia.

Mr Teo was re-elected as Director of the Company at the AGM held in January 2018.

- Chairman of Remuneration Committee
- Chairman of Nominating Committee
- Member of Audit Committee

## BOARD OF DIRECTORS



Independent Director

- Chairman of Audit Committee
- Member of Remuneration Committee
- Member of Nominating Committee

### JOHN LYN HIAN WOON

Mr John Lyn Hian Woon was appointed Independent Director on 3 August 2004. He holds a BSc degree in Mechanical Engineering from the University of Leeds, UK and an MBA from Washington State University.

Mr Lyn is currently the Chief Executive Officer of Indigo Investment Pte Ltd, a family office organization registered in Singapore. He is also a Director of Sirius International Holdings, an international school based in Kuala Lumpur.

Mr Lyn is a former Chairman of Vietnam Asset Management, an associate company of UOB Kay Hian, which manages Public-listed Funds for Vietnam. He has previously held the position of Chief Executive Officer of Colonial Investment Pte.

Ltd. and was responsible for management, strategic planning, investment and corporate restructuring. Prior to that, he was an investment banker with various financial institutions such as Chase Manhattan Bank, Citibank, Schroders Securities and HSBC James Capel with a total of 15 years of experience.

Apart from the directorship of the Company, Mr Lyn does not hold directorship in any other listed companies.

Mr Lyn was re-elected as Director of the Company at the AGM held in January 2017. Mr Lyn will retire at the forthcoming AGM and will offer himself for re-election.



Independent Director

### MAH WENG CHOONG

Mr Mah Weng Choong was appointed to the Board on 3 August 2004 as a Non-Executive Director and was re-designated to the position of Group Chief Operating Officer ("Group COO") on 13 May 2010. Mr Mah relinquished his position as Group COO of the Company following the completion of the disposal of the Group's dairies and packaging business to Asahi Group Holdings Southeast Asia Pte. Ltd. and was re-designated as Non-Executive Director with effect from 1 July 2014. Mr Mah was the Group COO of Etika Dairies Sdn Bhd from 30 June 2014 to 30 June 2015. On 1 October 2017, Mr Mah was re-designated from Non-Executive Director to Independent Director of the Company.

Mr Mah is a graduate in Science from the University of Malaya and is an industry veteran who spent more than 5 decades in companies involved in the manufacturing and distribution of sweetened condensed milk, ice-cream, UHT beverages, milk powder packing and other dairy-related products. Experienced and knowledgeable in setting up plants

and strategic planning, Mr Mah is instrumental in the development and expansion plans of the dairies, packaging and beverage divisions of the Group since its inception.

Mr Mah currently acts as a Consultant for the Group's wholly-owned subsidiary, Motivage Sdn Bhd, for the setting up of the Group's sweetened condensed milk manufacturing plant in Selangor Halal Hub in Pulau Indah. He provides advice and guidance on dairy factory design and process design, review construction layout, sourcing of machineries and equipment as well as business advisory services such as raw materials procurement and production process.

Apart from the directorship of the Company, Mr Mah does not hold directorship in any other listed companies.

Mr Mah was last re-elected as a Director at the AGM held in January 2019.

# KEY MANAGEMENT

## KHOR SIN KOK

Group Chief Executive Officer

Mr Khor Sin Kok was appointed as Deputy Group Chief Executive Officer on 1 February 2017 and promoted to Group Chief Executive Officer on 1 April 2019. He holds a degree in Mechanical Engineering from the University of Leeds, UK and a Master degree in Business Administration majoring in Finance from Michigan State University, USA.

Mr Khor has previously worked for the Envictus Group from 1 November 1996 to 30 June 2014, the last position being the Deputy Group Chief Operating Officer of the Company. During his tenure with the Envictus Group, he was one of the key management involved in the setting up of the factory and business operations of Etika Dairies Sdn Bhd ("EDSB"), a company which was involved in the manufacturing of condensed milk and subsequently sold to Asahi Group Southeast Asia Holdings Pte. Ltd. ("Asahi") in June 2014.

Following the completion of the disposal to Asahi, Mr Khor was employed by EDSB as its Deputy Group Chief Operating Officer from 1 July 2014 to 31 December 2014.

Mr Khor has also worked in a Malaysian dairy division of a group listed on the SGX-ST in 1985 as Assistant Project Development Manager. During his 12 years tenure with the said company, he was involved in market research activities, project feasibility studies and implementation and manufacturing operations of various product lines like sweetened condensed milk, evaporated milk, milk powder packing, ice-cream, UHT beverages, sterilised and pasteurised products in plastic bottle and gable-top paper carton and can making plant.

## BILLY LIM YEW THOON

Chief Financial Officer

Mr. Billy Lim joined Envictus as Chief Financial Officer on 1 March 2011. He is a Fellow member of the Association of Chartered Certified Accountants, a member of the Malaysia Institute of Accountants and an Associate member of the Chartered Tax Institute of Malaysia.

Mr Lim brings with him a wealth of experience of more than 18 years in the audit practice and another 8 years in the commercial industry. He has also worked as the General Manager of Internal Audit for more than 3 years in a large public corporation listed on Bursa Malaysia Securities Berhad.

His commercial experience includes monitoring of manufacturing and gaming operations located in Malaysia and overseas as well as participation in the negotiation and takeover of companies.

Prior to joining Envictus, Mr Lim was a Director of a consulting firm which has been providing consultancy and internal audit services to a Malaysian listed company. He was also a sole proprietor of a firm of practising accountants.

## DATO' LAWRENCE POK YORK KEAW

Chief Executive Officer – Frozen Food Division

Dato' Lawrence Pok has extensive experience in the hotel and restaurant industry. He is the Chief Executive Officer of Envictus' Frozen Foods Division and had been with Pok Brothers Sdn Bhd ("PBSB") since the mid 1960's. He was instrumental in building up PBSB from a mini-market trader to an importer of quality foods and distributor of a classic range of international branded products. Among others, his notable achievements include the expansion of PBSB's operations into the manufacturing of value added halal food products through the establishment of De-luxe Food Services Sdn Bhd ("DFSSB") in the early 1980s. The products offered by DFSSB comprise of

portion control meat, delicatessen meat, smoked salmon, bread and pastry products and many more were aimed to complement and enhance the business and service that were offered by PBSB then.

Dato' Lawrence Pok continued to head the operations of PBSB and its group following the acquisition by Envictus Group in 2006. He is currently overseeing the Trading and Frozen Food Division and Butchery sub-division undertaken by Gourmessa Sdn Bhd.

# Dairies



# CORPORATE GOVERNANCE

The Directors and Management of Envictus International Holdings Limited (“Envictus” or the “Company”) and its subsidiaries (collectively with the Company, the “Group”) are committed to maintain high standards of corporate governance in order to protect the interests of its shareholders as well as enhance corporate performance and business sustainability. The Group will continue to uphold good corporate governance practices consistent with the principles of the Code of Corporate Governance (the “Code”), which forms part of the Continuing Obligations of the Singapore Exchange Securities Trading Limited (“SGX-ST”)’s Listing Manual.

This report outlines the Group’s corporate governance processes and activities that were in place throughout the financial year, with specific reference to the Code as revised by the Monetary Authority of Singapore (“MAS”) on 2 May 2012. Deviations from the Code, if any, are explained under the respective sections.

## BOARD MATTERS

### Principle 1: The Board’s conduct of its affairs

The primary function of the Board of Directors (“the Board”) is to provide effective leadership and direction to enhance the long-term value of the Group to its shareholders and other stakeholders. The Board oversees the business affairs of the Group and has the overall responsibility for reviewing the strategic plans and performance objectives, financial plans and annual budget, key operational initiatives, major funding and investments proposals, financial performance reviews and corporate governance practices.

In addition, the principal duties of the Board include:-

1. providing entrepreneurial leadership and guidance on the overall long-term strategic plans and performance objectives as well as operational initiatives and to ensure that the necessary financial and human resources are in place to meet its objectives;
2. reviewing the performance of the Group Chief Executive Officer (“Group CEO”) and senior management executives and ensures they are appropriately remunerated;
3. reviewing the adequacy and effectiveness of the Group’s risk management and internal control systems, financial reporting and compliance, operational compliance and information technology controls;
4. reviewing and approving key operational and business initiatives, major funding proposals, significant investment and divestment proposals, corporate or financial restructuring, share issuance and dividends, the Group’s annual budgets and capital expenditure, the Group’s operating and financial performance, risk management processes and systems, human resource requirements, the release of quarterly and full year financial results and other corporation actions;
5. setting the Company’s values and standards and ensure that obligations to shareholders and other stakeholders are understood and duly met;
6. considering sustainability issues such as environmental and social factors as part of its strategic formulation; and
7. providing the management with advice on issues raised and at the same time monitors the performance of the management.

### Independent judgement

All directors exercise due diligence and independent judgement and make decisions objectively in the best interests of the Group.

### Delegation by the Board

The Board has delegated certain of its functions to the Audit Committee (“AC”), Nominating Committee (“NC”) and Remuneration Committee (“RC”). These committees operate under a clearly defined terms of reference. The Chairman of the respective Committees reports the outcome of the Committees meetings to the Board.

### Key features of board processes

The dates of the Board and board committee meetings are scheduled in advance to assist the directors in planning their attendance. The Board meets at least three times a year and as warranted by particular circumstances. Ad-hoc meetings are also convened to deliberate on urgent and substantive matters. Telephone attendance and conference via audio-visual communication at Board and board committee meetings are allowed under the Company’s Constitution.

## CORPORATE GOVERNANCE

### Directors' attendance at Board and board committee meetings in FY2019

The attendance of the directors at meetings of the Board and Board committees is as follows:-

	Board	Audit Committee	Remuneration Committee	Nominating Committee
No. of meetings held in FY2019	5	4	1	1
<u>Number of Meetings Attended</u>				
Dato' Jaya J B Tan	5	4	1	1
Datuk Sam Goi Seng Hui	3	n/a	n/a	n/a
Dato' Kamal Y P Tan	5	n/a	n/a	n/a
Mah Weng Choong	4	n/a	n/a	n/a
Teo Chee Seng	5	4	1	1
John Lyn Hian Woon	5	4	1	1

n/a - not applicable as director is not a member of the committee.

### Board approval

The Group has adopted a guideline setting forth matters that require the Board approval. The types of material transactions that require Board approval, among others, include:-

1. Announcements for the quarterly and full-year results;
2. Audited Financial Statements;
3. Convening of shareholders' meetings;
4. Declaration of interim dividends and proposal of final dividends;
5. Acceptance of financial facilities and issuance of corporate guarantee;
6. Annual operating and capital budgets;
7. Approval of material acquisition and disposal of assets; and
8. Interested person transactions.

### Induction and training of directors

The Group conducts an orientation briefing to provide newly appointed directors with a better understanding of the Group's business activities, strategic direction and policies, key business risks, governance practices and Group culture to enable them to assimilate into their new roles. Upon the appointment of each director, the Company would provide a formal letter to the director setting out the director's duties and obligations. The directors will be encouraged, on the Company's expense, to attend appropriate training, conferences and seminars for them to stay abreast of relevant business developments and outlook.

The Board is briefed on recent changes on the accounting standards and regulatory updates. The Group CEO updates the Board at each meeting on business and strategic developments of the Group. As part of the Company's continuing education for directors, directors are provided with articles, reports and press releases relevant to the Group's business to keep them updated on current industry trends and issues.

No external training was attended by the directors in FY2019.

## CORPORATE GOVERNANCE

### Principle 2: Board composition and guidance

Presently, the Board of Directors ("the Board") of Envictus comprises the following directors:-

Name	Age	Date of first appointment	Date of last re-election	Designation
Dato' Jaya J B Tan	72	23.12.2003	17.01.2019	Non-Executive Chairman
Datuk Sam Goi Seng Hui	73	09.01.2013	30.01.2018	Non-Executive Vice-Chairman
Dato' Kamal Y P Tan*	67	23.12.2003	18.01.2017	Non-Executive Director and Adviser
Mah Weng Choong	81	03.08.2004	17.01.2019	Independent Director
Teo Chee Seng	65	03.08.2004	30.01.2018	Independent Director
John Lyn Hian Woon	61	03.08.2004	18.01.2017	Independent Director

\* Dato' Kamal Y P Tan was re-designated from Group Chief Executive Officer to Non-Executive Director and Adviser on 1 April 2019.

Each year, the NC reviews the size and composition of the Board and board committees and the skills and core-competencies of its members to ensure an appropriate balance of skills and experience. These competencies include business acumen, legal, accounting and finance, management experience, industry knowledge, strategic planning experience, familiarity with regulatory requirements and knowledge of risk management. The Board considers its directors possess the necessary competencies and knowledge to lead and govern the Group effectively.

Taking into account the nature and scope of the Group's businesses and the number of board committees, the Board considers the current board size as appropriate. The Board believes that the current composition and size provides sufficient diversity without interfering with efficient decision making. The directors' academic and professional qualifications are presented under the section "Board of Directors" in this annual report.

Non-executive directors constructively challenge and help develop proposals on strategy and review the performance of the management in meeting agreed goals and objectives and the reporting of performance. They are encouraged to meet regularly without the presence of the management.

#### Independent Directors

Guideline 2.1 of the Code provides that there should be a strong and independent element on the Board, with independent directors making up to at least one-third of the Board. Guideline 2.2 further provides that the independent directors should make up at least half of the Board where:-

- the Chairman of the Board (the "Chairman") and the CEO is the same person;
- the Chairman and the CEO are immediate family members;
- the Chairman is part of the management; or
- the Chairman is not an independent director.

In accordance with the Code, changes needed to comply with the requirement for independent directors to make up at least half of the boards in specified circumstances (as shown above) should be made at the Annual General Meetings ("AGMs") following the end of financial year commencing on or after 1 May 2016.

For FY2019, the Board structure comprised of 3 non-independent directors and 3 independent directors. Hence, the Company has complied with the requirement of having independent directors making up at least half of the Board.

#### Directors' independence review

Director who has no relationship with the Group, its related corporations, officers or its shareholders with shareholdings of 10% or more in the voting shares of the Company that could interfere, or be reasonably perceived to interfere with the exercise of the director's independent business judgement in the best interests of the Company is considered independent.



## CORPORATE GOVERNANCE

The NC is tasked to determine on an annual basis and as and when the circumstances require whether or not a director is independent. For the purpose of determining the directors' independence, every director has provided declaration of their independence which is deliberated upon by the NC and the Board. After taking into account the views of the NC, the Board considers that the following directors are regarded non-independent directors of the Company for FY2019:

Name of directors	Reasons for non-independence
Dato' Jaya J B Tan	Dato' Jaya is not independent as he holds more than 10% of the Company's voting shares. Dato' Jaya is the brother of Dato' Kamal.
Dato' Kamal Y P Tan	Dato' Kamal is not independent as he is employed as the Group CEO and also holds more than 10% of the Company's voting shares. Dato' Kamal is the brother of Dato' Jaya.
Datuk Sam Goi Seng Hui	Datuk Goi is not independent as he holds more than 10% of the Company's voting shares.

Save for the abovementioned directors, all the other directors on the Board are considered by the NC and the Board to be independent directors.

The Board also recognizes that independent directors may over time develop significant insights in the Group's business and operations and can continue to provide significant and valuable contribution objectively to the Board as a whole. When there are such directors, the Board will do a rigorous review of their continuing contribution and independence and may exercise its discretion to extend the tenures of these directors.

Independent directors, Mr John Lyn Hian Woon, Mr Teo Chee Seng and Mr Mah Weng Choong, have each served on the Board for more than nine years. The NC has conducted a rigorous review of their contributions to the Board to determine if they have maintained their independence. The NC and the Board are satisfied with their continued independence in character and judgement in discharging their responsibilities as Directors of the Company with the utmost commitment to protect and uphold the interests of the Company and all shareholders, not just the substantial shareholders and found no evidence to indicate that the length of service has in any way affected their respective independence.

Mr Lyn, Mr Teo and Mr Mah have also contributed significantly to the discussion on matters before the Board, which includes matters relating to the strategic direction and corporate governance of the Group, expressed individual viewpoints, debated issues, sought clarification as they deemed necessary including direct access to the Management and objectively scrutinised the Management. Having gained in-depth understanding of the business, operating environment and direction of the Group, they provided the Group with much needed experience and knowledge of the industry, impartial and autonomous views at all times and offered valuable advice. They have independent income source apart from the fees received from the Group. Accordingly, the NC, with the concurrence of the Board, is satisfied that Mr Lyn, Mr Teo and Mr Mah have remained independent in their judgement and can continue to discharge their duties objectively.

When a director has multiple board representations, the NC also considers whether or not the director is able to and has adequately carried out his/her duties as a director of the Company. The NC is of the view that there is no current need to determine the maximum number of board representations a director should have as the NC is satisfied that the directors have been giving sufficient time and attention to the affairs of the Company, notwithstanding that some of the directors have multiple board representations. Board and Board Committee meetings are scheduled in advance to facilitate the directors' scheduling of their commitments.

The NC is satisfied that all directors have discharged their duties adequately for the financial year ended 30 September 2019.

Currently, there is no alternate director in the Board.

### Principle 3: Chairman and Chief Executive Officer

The Chairman and the CEO functions in the Company are assumed by different individuals. The Chairman is Dato' Jaya J B Tan and the Group CEO is Mr Khor Sin Kok. There is a clear division of responsibilities between the Chairman and the Group CEO, which ensures the balance of power and authority at the top of the Company.

The Chairman is responsible for the effective workings of the Board and promotes high standards of corporate governance. He ensures that Board meetings are held when necessary and sets the Board meeting agenda in consultation with other directors and the key management. He also reviews Board papers before they are presented to the Board to ensure that information provided to the Board members is adequate. During the Board meetings, he facilitates effective contributions and constructive discussions on strategic issues and business planning from the executive and non-executive directors. He plays a pivotal role in fostering constructive dialogue between shareholders, the Board and the Management at AGMs and other shareholders meetings.

## CORPORATE GOVERNANCE

The Group CEO is responsible for the running of the day-to-day business of the Group within the authorities delegated to him by the Board, ensuring implementation of policies and strategy across the Group as set by the Board, ensuring that the Chairman is kept apprised in a timely manner of issues faced by the Group and of any important events and developments and leading the development of the Group's future strategy including identifying and assessing risks and opportunities for the growth of its business and reviewing the performances of its existing businesses.

The Board has consistently demonstrated it is able to exercise independent decision-making and because of this, the Board has not appointed a lead independent director to date. Notwithstanding this, it may appoint one in the interest of embracing recommended best practices.

Shareholders who wish to contact the independent directors to address any queries on the Company's affairs may access to the Company's website at [www.envictus-intl.com/contact](http://www.envictus-intl.com/contact).

### Principle 4: Board membership

The members of the board committees of the Company are as follows:-

Directors	Audit Committee	Nominating Committee	Remuneration Committee
John Lyn Hian Woon	Chairman	Member	Member
Teo Chee Seng	Member	Chairman	Chairman
Dato' Jaya J B Tan	Member	Member	Member

### NC composition

The NC comprises one non-executive director and two independent non-executive directors, one of whom is also the Chairman of the Committee. The members of the NC are as follows:-

Teo Chee Seng (Chairman)	Non-Executive, Independent
John Lyn Hian Woon (Member)	Non-Executive, Independent
Dato' Jaya J B Tan (Member)	Non-Executive

The NC has adopted its terms of reference that describes the responsibilities of its members.

The NC decides how the Board should be evaluated and selects a set of performance criteria that is linked to long-term shareholders' value, to be used for performance evaluation of the Board.

The NC performs the following principal functions:-

- reviews the structure, size and composition of the Board and make recommendations to the Board;
- identifies candidates and reviews all nomination for the appointment and re-appointment of members of the Board;
- determines annually whether or not a Director is independent in accordance with the guidelines of the Code;
- decides how the Board's performance may be evaluated and proposes objective performance criteria for the Board's approval; and
- assesses the effectiveness of the Board as a whole, as well as the contribution by each member of the Board.

The Board has power from time to time and at any time to appoint a person as a director to fill a casual vacancy or as an addition to the Board. Any new directors appointed during the year shall only hold office until the next Annual General Meeting ("AGM") and submit themselves for re-election and shall not be taken into account in determining the directors who are to retire by rotation at that meeting.

Regulation 87 of Envictus' Constitution requires the Managing Director, Chief Executive Officer or President (or person holding an equivalent position) who is a director to be subject to retirement by rotation.

Regulation 91 of Envictus' Constitution requires one third of the Board to retire by rotation at every AGM. The directors must present themselves for re-nomination and re-election at regular intervals of at least once every three years.

## CORPORATE GOVERNANCE

In reviewing the nomination of the retiring directors, the NC considered the performance and contribution of each of the retiring directors, having regard not only to their attendance and participation at Board and Board Committee meetings but also the time and efforts devoted to the Group's business and affairs, especially the operational and technical contributions.

In considering the appointment of any new director, the NC ensures that the new director possesses the necessary skills, knowledge and experience that could facilitate the Board in the making of sound and well-considered decisions. For re-appointments, NC takes into account the individual director's past contributions and performance.

The NC has recommended the nomination of directors retiring pursuant to the Company's Constitution, namely Dato' Kamal Y P Tan (pursuant to Regulation 91) and Mr Lyn Hian Woon (pursuant to Regulation 91) who will retire and submit themselves for re-election at the forthcoming Annual General Meeting. The NC is satisfied that both Dato' Kamal and Mr Lyn are properly qualified for re-election by virtue of their skills and experience and their contribution and guidance to the Board's deliberation. For information on Directors seeking re-election, please refer to the "Additional information for Directors Seeking Re-election" section of the Annual Report.

Key information, directorships in other listed companies and other principal commitments of the Directors who held office during the financial year up to the date of this report are disclosed under "Board of Directors" section of the Annual Report.

### Principle 5: Board performance

The Board regularly reviews the performance of the Management in meeting agreed goals and objectives and monitors the reporting of performance.

The NC reviews on an annual basis the composition and skills of the Board and determines if it is adequate and appropriate having regard to the nature and scope of the Company's operations and the costs involved.

The NC assesses and makes recommendations to the Board as to whether retiring directors are suitable for re-election.

The NC has conducted a formal assessment of the effectiveness of the Board for the financial year under review. The NC reviewed the Board's performance informally with inputs from the other Board members. The evaluation exercise is carried out annually by way of a Board Assessment Checklist, which is circulated to the Board members for completion and thereafter, for the NC to review and determine the actions required to improve the corporate governance of the Company and the effectiveness of the Board and Board committees as a whole. The performance criteria for the Board/Board Committees evaluation are in respect of size and composition, directors' independence, Board's accountability, board process, internal controls, quality of agenda/board papers, standard of conduct and risk management etc.

The evaluation of the Chairman of the Board is undertaken by the RC and the NC and the results are reviewed by the Board. The assessment of the Chairman of the Board is based on his ability to lead, whether he established procedures to ensure the effective functioning of the Board and that the time devoted to board meetings were appropriate and are conducted in a manner that facilitate open communication and meaningful participation for effective discussion and decision making by the Board.

### Principle 6: Access to information

To assist the Board in its discharge of duties and responsibilities, Management is required to provide adequate and timely information to the Board on Group affairs and issues that require the Board's decision as well as on-going reports relating to operational and financial performance of the Group. Where a physical Board meeting is not possible, timely communication with members of the Board is effected through other means e.g. electronic mail and teleconferencing. Directors are also updated on initiatives and developments for the Group's business whenever possible on an on-going basis.

The Board has separate and independent access to the Company's senior management and the Company Secretaries. At least one of the Company Secretaries attends the Board and Board committee meetings and is responsible for ensuring that board procedures are followed in accordance with the constitution of the Company, and that applicable rules and regulations are complied with.

The Board is entitled to request from the Management and should be provided with such additional information as needed to make informed decisions. The Management shall provide the same in a timely manner. Information provided includes board papers and related materials, background or explanatory information related to matters brought before the Board, and copies of disclosure documents, budgets, forecasts and monthly internal financial statements. In respect of budgets, any material variance between the projections and actual results should also be disclosed and explained.

## CORPORATE GOVERNANCE

The appointment and removal of the Company Secretary are subject to the Board's approval.

Management will, upon direction by the Board, get independent professional advice in furtherance of their duties, at the Company's expense.

### Principle 7: Remuneration Committee

### Principle 8: Level and Mix of Remuneration

### Principle 9: Disclosure on Remuneration

The Remuneration Committee ("RC") comprises one non-executive director and two independent non-executive directors, one of whom is also the Chairman of the Committee, namely:-

Teo Chee Seng (Chairman)	Non-Executive, Independent
John Lyn Hian Woon (Member)	Non-Executive, Independent
Dato' Jaya J B Tan (Member)	Non-Executive

The RC has adopted its terms of reference that describes the responsibilities of its members.

The role of the RC is to review and recommend remuneration policies and packages for directors and key executives and to disseminate proper information on transparency and accountability to shareholders on issues of remuneration of the executive directors of the Group and employees related to the executive directors and controlling shareholders of the Group.

The RC's review covers all aspect of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options, long-term incentive schemes, including share schemes and benefits in kind. Recommendations are made in consultation with the Chairman of the Board and submitted for endorsement by the entire Board. No Director is involved in deciding his own remuneration.

The Group CEO has entered into an employment agreement which link rewards with both corporate and individual performance to promote shareholders' interests, long-term success of the Group and risk management policies. The employment agreement covers the terms of employment, specifically salary and other benefits. The RC has reviewed the Company's obligations arising in the event of termination of the Group CEO's contracts of service and is of the view that such contracts of service contain fair and reasonable termination clauses which are not overly generous. The Company currently does not have contractual provisions to reclaim the incentive component of remuneration from the Group CEO and there are no excessively long or onerous removal clauses in the employment agreement.

Primary functions performed by RC:-

- reviews and recommends to the Board, a framework of remuneration for the Board and key executives taking into account factors such as industry benchmark, the Group's and individual's performance;
- reviews the level of remuneration that are appropriate to attract, retain and motivate the directors and key executives;
- ensures adequate disclosure on directors' remuneration;
- reviews and recommends to the Board the terms for renewal of directors' service contracts;
- reviews and administers the Envictus Employee Share Option Scheme (the "Scheme") adopted by the Group and decides on the allocations and grants of options to eligible participants under the Scheme; and
- recommends to the Board, the Executive Share Option Schemes or any long-term incentive schemes which may be set up from time to time and does all acts necessary in connection therewith.

The RC has the authority to seek appropriate external or other independent professional advice in the field of executive compensation as it considers necessary to carry out its duties. During the financial year, the RC did not require the service of an external remuneration consultant.

### Remuneration paid to directors and the CEO

The annual reviews of the compensation are carried out by the RC to ensure that the remuneration of Group CEO and key management personnel commensurate with their performance and that of the Company, giving due regard to the financial and commercial health and business needs of the Group. In structuring the compensation framework, the RC also takes into account the risk policies of the Group, the need for the compensation to be symmetric with the risk outcomes and the time horizon of risks.

## CORPORATE GOVERNANCE

The Board concurred with the RC that the proposed directors' fees for the year ended 30 September 2019 payable to the Non-Executive Directors is appropriate taking into consideration the level of contributions by the directors and factors such as effort and time spent on the Board and Board Committees as well as the responsibilities and obligations of the Directors.

Directors' fees are recommended by the Board for approval by the shareholders at the AGM of the Company.

Remuneration paid to the directors and the Group CEO for FY2019 is as follows:

	Salary <sup>(1)</sup> %	Directors' Fees %	Bonus <sup>(2)</sup> %	Total Remuneration %
<b>Directors</b>				
<b>Below S\$250,000</b>				
Dato' Jaya J B Tan	-	100.0	-	100.0
Datuk Sam Goi Seng Hui	-	100.0	-	100.0
Dato' Kamal Y P Tan <sup>(3)</sup>	87.1	-	12.9	100.0
Mah Weng Choong	-	100.0	-	100.0
Teo Chee Seng	-	100.0	-	100.0
John Lyn Hian Woon	-	100.0	-	100.0
<b>Group CEO</b>				
<b>S\$250,000 to below S\$500,000</b>				
Khor Sin Kok <sup>(4)</sup>	93.2	-	6.8	100.0

**Notes:**

- (1) Inclusive of benefits in kind, allowances and provident funds, where applicable.  
 (2) On receipt basis during FY2019.  
 (3) Dato' Kamal Y P Tan was re-designated from Group Chief Executive Officer to Non-Executive Director and Adviser on 1 April 2019.  
 (4) Mr Khor Sin Kok was promoted from Deputy Group Chief Executive Officer to Group Chief Executive Officer on 1 April 2019.

The Company has not complied with Guideline 9.2 which requires the Company to disclose the exact details of remuneration of each individual Director and the Group CEO due to the competitive pressures in the talent market and maintaining confidentiality on such matters would be in the best interest of the Company.

The Company is not compliant with Guideline 9.3 of the Code which requires the Company to name and disclose the remuneration of the top five key management personnel (who are not directors or the CEO) in bands of S\$250,000. The Board is of the view that it is not in the interests of the Company to disclose the remuneration of the top five key management personnel (who are not Directors) within the bands of S\$250,000 each, the breakdown of each individual's remuneration and the aggregate total remuneration due to the sensitive and confidential nature of such information and disadvantages that this might bring which among others include group employment sensitivity, potential staff motivational and retention issues.

On the remuneration of the top five key management personnel, there were three of whom are in the less than S\$250,000 band and the remaining two of whom are in between S\$250,000 to S\$500,000 band.

There is no termination, retirement and post-employment benefits granted to Directors, the CEO and the top five key management personnel.

The Company does not use any contractual provisions to reclaim incentive components of remuneration from the Group CEO in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss of the Company.

The Group adopts a process where the executive directors and key management personnel are reviewed and assessed for individual performance against set performance targets. Performance against these targets is a key factor determining their remuneration. On an annual basis, the RC reviews and makes recommendation to the Board for changes relating to the remuneration of the Group CEO, which includes increment and bonus, and will then submit its recommendation to the Board for approval.

## CORPORATE GOVERNANCE

### Immediate family members of Directors

The following are immediate family members of Directors whose remuneration exceeds S\$50,000 during FY2019:-

Name of executives	Designation	Salary <sup>(1)</sup> %	Bonus <sup>(2)</sup> %	Total Remuneration %
<i>S\$50,000 to below S\$100,000</i>				
Tan San May	Head of Bakery and Head of Café	94.7	5.3	100.0
Tan San Yen	Head of Operations - Regional	90.1	9.9	100.0
Tan San Jean	Head of Operations - Business Development	88.8	11.2	100.0

Notes:

<sup>(1)</sup> Inclusive of benefits in kind, allowances and provident funds, where applicable.

<sup>(2)</sup> On receipt basis during FY2019.

Ms Tan San May is a daughter of Dato' Kamal Y P Tan, Non-Executive Director and Adviser while Ms Tan San Yen and Ms Tan San Jean are daughters of Dato' Jaya J B Tan, Non-Executive Chairman. Dato' Jaya J B Tan and Dato' Kamal Y P Tan are brothers. All three executives are employed by Eureka Capital Sdn Bhd, a wholly-owned subsidiary of the Group.

### Envictus Employee Share Option Scheme (ESOS)

The ESOS was approved and adopted by its members at an Extraordinary General Meeting held on 8 November 2004 and has expired on 7 November 2019 after a duration of 15 years. No options were granted during FY2019.

### Principle 10: Accountability

The Board is accountable to shareholders for the stewardship of the Group. The Board updates shareholders on the operations and financial position of Envictus through quarterly and full-year results announcements as well as timely announcements of other matters as prescribed by the relevant rules and regulations. The management is accountable to the Board by providing the Board with the necessary financial information and updates on a timely basis in order that the Board may effectively discharge its duties and make a balanced and informed assessment of the Company's performance, financial position and prospects.

Presently, the management presents to the AC the quarterly and full-year results and the AC reports on the results to the Board for review and approval before releasing the results to the SGX-ST and public via SGXNET.

In presenting the annual financial statements and quarterly announcements to the shareholders, it is the aim of the Board to provide shareholders with detailed analysis and a balanced and understandable assessment of the Company's performance, position and prospects.

All of the directors and the Group CEO have given their undertakings that they shall each in the exercise of their powers and duties comply with the best of their abilities with the provisions of the Listing Manual of the SGX-ST and will procure the Company to do so.

For the financial year under review, the Group CEO and Chief Financial Officer have provided assurance to the Board on the integrity of the financial statements of the Group. The Board has also provided a negative assurance to the shareholders on the quarterly results.

### Principle 11: Risk Management and Internal Controls

The Board reviews the risk profile of the Group and ensures that there are robust risk management policies and internal controls in place. The Board has delegated the responsibility for setting the direction of the Group's risk management strategy to Management. The key risks of the Group have been identified within a group risk framework that has been approved by Management and the AC.

The Group has established risk management policies, guidelines and control procedures to manage its exposure risks. Details of the various financial risk factors and the management of such risks are outlined in the financial statements.

## CORPORATE GOVERNANCE

It is part of the Board's role to ensure that there are adequate policies for risk management and internal controls and to oversee the effectiveness of the policies in achieving the Group's goals and objectives. The responsibility for implementing appropriate policies and procedures to achieve effective risk management and internal control is delegated to Senior Management. The overall framework established by Management is designed to enhance the soundness of the Group's financial reporting, risk management, compliance and internal control systems which include:

- process improvement initiatives undertaken by business units;
- benchmarking against key risk indicators, such as loss reporting, exceptions reporting and management reviews;
- annual formal evaluations by the heads of business units and support functions on the soundness, effectiveness and efficiency of the financial reporting, risk management;
- compliance and internal control systems in their respective areas of responsibility;
- implementation of formal policies and procedures relating to the delegation of authority;
- involvement of experienced and suitably qualified employees who take responsibility for important business functions; and
- segregation of key functions that are deemed incompatible and that may give rise to a risk that errors or irregularities may not be promptly detected.

There is an organisational structure with clearly drawn lines of accountability and delegation of authority. There are documented procedures in place that cover management accounting, financial reporting, investment appraisal, information systems security, compliance and other risk management issues.

The systems that are in place are intended to provide guidance in managing and mitigating the business risks in safeguarding assets, maintenance of proper accounting records, the reliability of financial information, compliance with applicable legislation and best practice, but not absolute assurance against misstatements or losses.

A system of internal controls has been implemented for all companies within the Group. The controls are designed to provide reasonable assurance that assets are safeguarded, operational controls are in place, business risks are suitably protected, proper accounting records are maintained and financial information used within the business and for publication is accurate and reliable.

While no system can provide absolute assurance against loss or misstatement, Management, in designing the controls, had taken into account the business risk, its likelihood of occurrence and the cost of protection. During the financial year, the AC, on behalf of the Board, has reviewed the effectiveness of the various systems in place by Management and is satisfied that there are adequate internal controls in the Group.

Based on the internal controls established and maintained by the Group, the work performed by the external auditors and the reviews conducted by the Management, the Board, with the concurrence of the AC is of the opinion that the Group's risk management and internal controls systems addressing financial, operational, compliance and information technology risks were adequate as at 30 September 2019.

In addition, for the financial year under review, the Group CEO and the CFO have provided assurance to the Board that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and the system of risk management and internal controls in place within the Group is adequate and effective in addressing the material risks in the Group in its current business environment including material financial, operational, compliance and information technology risks.

### Principle 12: Audit Committee

The Audit Committee ("AC") comprises one non-executive director and two independent non-executive directors, one of whom is also the Chairman of the Committee. The members of the AC as at the date of this report are as follows: -

John Lyn Hian Woon (Chairman)	Non-Executive, Independent
Teo Chee Seng (Member)	Non-Executive, Independent
Dato' Jaya J B Tan (Member)	Non-Executive

The principal responsibility of the AC is to assist the Board in maintaining a high standard of corporate governance, particularly by providing an independent review of the Group's material internal controls, including financial, operational, compliance and risk management controls at least once annually, to safeguard the Company's assets and maintain adequate accounting records, with the overall objective of ensuring that the management creates and maintains an effective control environment in the Group.

The AC has authority to investigate any matter within its terms of reference, gain full access to and co-operation by Management, exercise full discretion to invite any director or executive officer to attend its meetings, and gain reasonable access to resources to enable it to discharge its function properly.

## CORPORATE GOVERNANCE

The AC will meet with the external auditors without the presence of the Management at least once a year to review the scope and results of the audit and its cost effectiveness, as well as the independence and objectivity of the external auditors.

The AC has undertaken a review of all non-audit services provided by the external auditors and is of the opinion that the provision of such services would not affect the independence of the auditors.

The members of the AC will carry out their duties in accordance with the terms of reference which include the following:-

- review and discuss with external auditors before the audit commences, the nature and scope of the audit to ensure co-ordination where more than one audit firm is involved;
- review audit plans and results of the audit performed by the external auditors and ensure adequacy of the Group's system of accounting controls;
- review the financial statements of the Company and the consolidated financial statements of the Group before their submission to the Board of Directors;
- review the announcements of the financial results;
- review the Company's material internal controls;
- review independence of the external auditors;
- review interested person transactions;
- review the co-operation given by the management to the external auditors; and
- review the appointment and re-appointment of external auditors of the Company's and the audit fees.

The external auditors have full access to the AC who has the express power to conduct or authorise investigations into any matters within its terms of reference. Minutes of the AC meetings will be regularly submitted to the Board for its information.

The AC has reviewed the Group's risk assessment, and based on the audit reports and management controls in place, is satisfied that there are adequate internal controls in the Group.

For the financial year under review, the Group has accrued an aggregate amount of audit fees of RM636,215, comprising audit fees of RM220,489 paid to auditors of the Company; and RM404,837 and RM10,889 paid to other auditors for audit fees and non-audit service fees, respectively. In compliance with Rule 1207(6) of the Listing Manual issued by Singapore Exchange Securities Trading Limited, the AC confirmed that it has undertaken a review of all non-audit services provided by the Auditors and they would not, in the AC's opinion, affect the independence of the Auditors.

The Group has complied with Rules 712 and 715 of the Listing Manual in relation to its Auditors.

The AC has recommended the re-appointment of BDO LLP as Auditors for the ensuing year, subject to shareholders' approval at the forthcoming AGM.

The Group has put in place a whistle-blowing policy, endorsed by the AC where employees of the Group and outside parties may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters and to ensure that arrangements are in place for the independent investigations of such matters and for appropriate follow up actions.

The AC is guided by the terms of reference which stipulate its principal functions. The Company will arrange to send its AC members to seminars for updates on Financial Reporting Standards, if required. The external auditors provides regular updates and briefings to the AC on changes or amendments to accounting standards to enable the AC to keep abreast of such changes and its corresponding impact on the financial statements, if any.

### Principle 13: Internal Audit

The Board is cognizant of its responsibility for maintaining a sound system of internal controls to safeguard the shareholders' investment and the Group's assets and business. Envictus' auditors, BDO LLP, carry out, in the course of their statutory audit, a review of the effectiveness of Envictus' material internal controls, annually to the extent of their scope laid out in their audit plan.

Material non-compliance and internal control weaknesses noted during their audit and the auditors' recommendations are reported to the AC members. For FY2019, the Board with the concurrence of the AC, is of the view that the system of internal controls that has been maintained by Envictus' management throughout the financial year is adequate to meet the needs of Envictus having addressed the financial, operational and compliance risks. In an effort to further enhance and improve the Group's system of internal controls and risk management policies, internal audit will be carried out on companies within the Group identified by the AC and deemed necessary. The internal audit will be outsourced by the Company.



## CORPORATE GOVERNANCE

### Principle 14: Shareholder rights

The Company is committed to treating all shareholders fairly and equitably. To facilitate shareholders' ownership rights, the Company ensures that all material information is disclosed on an accurate and timely basis via SGXNet, in particular, information relating to the Company's business development and financial performance which could have a material impact on the Company's share price so as to enable shareholders to make informed decisions in respect of their investments.

All shareholders receive the Company's annual report and notice of AGM within the prescribed notice period set out in the Company's Constitution and the prevailing laws and regulations. The notice is also released via SGXNet and published in local newspaper.

The Constitution of the Company allows each shareholder to appoint up to two proxies to attend and vote at general meetings on his/her behalf. On 3 January 2016, amendments to the Companies Act (Chapter 50) came into force, under which, among other things certain members defined as "relevant intermediary" are allowed to attend and participate in general meetings without being constrained by the two-proxy requirement. Relevant intermediary includes corporations holding licenses in providing nominee and custodial services and the Central Provident Fund ("CPF") Board which purchases shares on behalf of the CPF investors.

Shareholders are given the opportunity to participate effectively and vote at general meetings where relevant rules and procedures governing such meeting are clearly communicated. All resolutions at general meetings of the Company will be voted by poll as required by Rule 730A(2) of the Listing Manual.

### Principle 15: Communication with Shareholders

The Group is committed to maintaining high standards of corporate disclosure and transparency. The Board is mindful of the obligation to provide regular, effective and fair communication with shareholders. Besides the release of quarterly results, the Company ensures timely and adequate disclosure of information on material matters required by SGX-ST's Listing Manual through announcements via the SGXNET. The Company does not practice selective disclosure of material information.

The Company values dialogue sessions with its shareholders. The Group welcomes the views of shareholders on matters affecting the Company, whether at shareholders' meetings or on an ad-hoc basis. Shareholders can submit their feedback and raise any questions to the Company's investor relation contact as provided in the Company's website, [www.envictus-intl.com](http://www.envictus-intl.com)

#### Dividend Policy

The Company does not have an official dividend policy. The amount of dividends, if any declared, will depend on the factors that include the Group's profit level, cash position and future cash needs. For FY2019, the Company did not declare any dividend.

### Principle 16: Conduct of shareholders meetings

The Group strongly encourages shareholders' participation during the AGM. All shareholders are encouraged to attend the AGM to ensure high level of accountability and to stay informed of the Group's strategies and visions. The Board of Directors, the AC members and other committee members, the CEO, auditors and the Company Secretary/Secretaries will be present and are available to address any questions from shareholders regarding the Group and its businesses.

The Constitution of the Company allows each shareholder to appoint up to two proxies to attend and vote at general meetings on his/her behalf. On 3 January 2016, amendments to the Companies Act (Cap. 50) came into force, under which, among other things certain members defined as "relevant intermediary" are allowed to attend and participate in general meetings without being constrained by the two-proxy requirement. Relevant intermediary includes corporations holding licenses in providing nominee and custodial services and the Central Provident Fund ("CPF") Board which purchases shares on behalf of the CPF investors.

At the AGMs and other general meetings, separate resolutions are proposed for substantially separate issues for items of special business. Where appropriate, an explanation for any proposed resolution would be provided.

At the last AGM held by the Company, all Directors of the Company, legal advisor and external auditors, were present to address queries from the shareholders who attended the AGM and all resolutions were put to vote by poll. The results of the electronic poll voting were published instantaneously at the AGM.

## CORPORATE GOVERNANCE

The Company's Constitution does not allow a shareholder to vote in absentia due to concerns on authentication of shareholder's identity, other related security and integrity of the information.

Minutes of general meetings include substantial and relevant queries or comments from shareholders relating to the agenda of the meeting and responses from the Board and Management. These minutes would be available to shareholders upon their request.

### Material Contracts

No material contracts were entered into between the Company or any of its subsidiaries involving the interests of any director, chief executive officer or controlling shareholder, which are either subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year up to the date of the financial statements except for related party transactions and director's remuneration as disclosed in the financial statements.

### Interested Person Transactions

Envictus has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the AC and that the transactions are at arm's length basis. All interested person transactions are subject to review by the AC to ensure compliance with the established procedures.

The aggregate value of interested person transactions entered into during the year were as follows:-

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual (excluding transactions less than S\$100,000)
	RM	RM
Perinsu (Broker Insurans) Sdn Bhd - Insurance premium	1,698,069 (or approximately S\$559,551)	-
Tee Yih Jia Food Manufacturing Pte Ltd - Purchase of goods and advertising and promotion income	567,391 (or approximately S\$186,968)	-
Lunaseca Motors Sdn Bhd - Purchase of motor vehicles and maintenance service	449,878 (or approximately S\$148,245)	-
Esperance Motors Sdn Bhd - Purchase of motor vehicles and maintenance service	502,352 (or approximately S\$165,536)	-

*Based on average exchange rate for the year ended 30 September 2019 of S\$1 = RM3.0347*

Dato' Kamal has been re-designated from Group CEO to Non-Executive Director and Adviser on 1 April 2019 following his decision to semi-retire. The Company has appointed Dato' Kamal as Adviser to provide guidance to support the continued growth of the Group due to his in-depth experience and knowledge in the industry. The Company entered into an advisory agreement with Dato' Kamal Y P Tan on 1 April 2019 for an initial term of 2 years from 1 April 2019 to 31 March 2021 at a monthly advisory fee of S\$13,000. For FY2019, the Company paid advisory fees of S\$78,000 to Dato' Kamal for the period from 1 April 2019 to 30 September 2019.

## CORPORATE GOVERNANCE

Motivage Sdn Bhd (“MSB”) has renewed its Consultancy Agreement with Mr Mah Weng Choong which expired on 30 June 2019 for another 12 months from 1 July 2019 to 30 June 2020 at a monthly consultancy fee of RM16,000. Mr Mah is a veteran who had previously contributed to the Group on the setting up and expansion of Etika Dairies’ factories due to his in-depth knowledge and experience in the processed milk industry. Mr Mah’s primary role is to oversee and monitor the construction of a new factory in Pulau Indah for the manufacturing of sweetened condensed creamer and evaporated creamer. Among others, the scope of work include mechanical and engineering, process flow, type of equipment and machineries, procurement of raw materials and other business advisory services.

During FY2019, MSB paid Mr Mah a total of RM183,000 (or approximately S\$60,300) from 1 October 2018 to 30 September 2019. Under the Singapore Code of Corporate Governance, the independence of a Director would be affected if the said director of, any organisation to which the company or any of its subsidiaries made, or from which the company or any of its subsidiaries received, significant payments or material services (which may include auditing, banking, consulting and legal services), in the current or immediate past financial year. As a guide, payments aggregated over any financial year in excess of S\$200,000 should generally be deemed significant. In connection thereto, Mr Mah will remain independent despite his appointment as Consultant by MSB.

### Dealings in Securities

The Company has adopted policies in relation to dealings in the Company securities which pursuant to the SGX-ST Best Practices Guide that are applicable to all its directors and officers. The Company and its officers should not deal with the Company’s shares during the period commencing two weeks before the quarter results announcement for each of the first three quarters of the financial year and one month before the full-year results announcement, as the case may be, and ending on the date of the announcements of the relevant results.

Directors and key executives are also expected to observe the insider-trading laws at all times even when dealing with securities within the permitted trading period and are not to deal in the Company’s securities on short-term considerations.

In the course of doing business for the Company and the Group or in discussion with one of customers, vendors or partners, directors and officers of the Company and the Group may become aware of material non-public information about that organisation. Information is considered material if there is a substantial likelihood that a reasonable investor would consider it important in making a decision to trade in the public securities of the Company. The discussion of this information is on a limited “need to know” basis internally and is not shared with anyone outside the Company or the Group. Directors and officers are not allowed to buy or sell the public securities of the affected organisations, including the Company, on the basis of such information, nor can this information be shared with others.

The Company has complied with Rule 1207(19) of the Listing Manual of the SGX-ST for the financial year ended 30 September 2019.



# Financial Statements

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# DIRECTORS' STATEMENT

The Directors of Envictus International Holdings Limited (the "Company") present their statement to the members together with the audited financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 30 September 2019 and the statement of financial position of the Company as at 30 September 2019 and statement of changes in equity of the Company for the financial year ended 30 September 2019.

## 1. Opinion of the Directors

In the opinion of the Board of Directors,

- (a) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company together with the notes thereon are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 September 2019, and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

## 2. Directors

The Directors of the Company in office at the date of this statement are as follows:

Dato' Jaya J B Tan	(Non-Executive Chairman)
Datuk Sam Goi Seng Hui	(Non-Executive Vice-Chairman)
Dato' Kamal Y P Tan	(Non-Executive Director and Adviser)
Mah Weng Choong	(Independent Director)
John Lyn Hian Woon	(Independent Director)
Teo Chee Seng	(Independent Director)

## 3. Share options

There were no share options granted by the Company or its subsidiary corporations during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations.

There were no unissued shares of the Company or its subsidiary corporations under option as at the end of the financial year.

## 4. Arrangements to enable Directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## DIRECTORS' STATEMENT

### 5. Directors' interests in shares or debentures

The Directors of the Company holding office at the end of the financial year had interests in the shares or debentures of the Company and its related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Chapter 50 (the "Act").

	Shareholdings registered in the name of Directors and Nominees			Shareholdings in which Directors are deemed to have an interest		
	Balance as at 21.10.2019	Balance as at 30.9.2019	Balance as at 1.10.2018	Balance as at 21.10.2019	Balance as at 30.9.2019	Balance as at 1.10.2018
<b>The Company</b>	<i>Number of ordinary shares</i>					
Dato' Jaya J B Tan	44,063,449	44,063,449	19,757,472	44,669,345	44,669,345	20,927,414
Datuk Sam Goi Seng Hui	30,834,777	30,834,777	11,606,664	29,123,680	29,123,680	15,912,600
Dato' Kamal Y P Tan	37,460,385	37,460,385	19,700,214	51,272,409	51,272,409	20,984,672
Mah Weng Choong	15,117,399	15,117,399	6,287,444	-	-	-
John Lyn Hian Woon	545,420	545,420	301,100	-	-	-
Teo Chee Seng	30,000	30,000	30,000	-	-	-
	<i>Number of warrants</i>					
Dato' Jaya J B Tan	24,305,977	24,305,977	-	25,241,931	25,241,931	-
Datuk Sam Goi Seng Hui	17,682,313	17,682,313	-	12,730,080	12,730,080	-
Dato' Kamal Y P Tan	24,260,171	24,260,171	-	25,287,737	25,287,737	-
Mah Weng Choong	5,029,995	5,029,995	-	-	-	-
John Lyn Hian Woon	244,320	244,320	-	-	-	-
Teo Chee Seng	-	-	-	-	-	-

By virtue of Section 7 of the Act, Dato' Jaya J B Tan, Dato' Kamal Y P Tan and Datuk Sam Goi Seng Hui are deemed to have an interest in all related corporations of the Company.

In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company state that, according to the Register of the Directors' Shareholdings, the Directors' interests as at 21 October 2019 in the shares or debentures of the Company have not changed from those disclosed as at 30 September 2019.

On 28 November 2018, the Company allotted and issued 105,195,904 new ordinary shares ("Right Shares") at an issue price of S\$0.16 for each Right Share and 105,195,904 free detachable warrants ("Warrants") pursuant to a renounceable and non-underwritten right cum warrants issue. Each Warrant carries the right to subscribe one new ordinary share in the capital of the Company at an exercise price of S\$0.16 for each new ordinary share and is exercisable at any time during the period commencing on the date falling twelve (12) months from the date of issue of the Warrants and expiring on the day immediately preceding the fourth (4th) anniversary of the date of issue of the Warrants.

## DIRECTORS' STATEMENT

### 6. Audit committee

The Audit Committee ("AC") of the Company is chaired by John Lyn Hian Woon (an Independent Director), and includes Teo Chee Seng (an Independent Director) and Dato' Jaya J B Tan, who are all Non-Executive Directors. The AC has met four times since the last Annual General Meeting ("AGM") and has carried out its functions in accordance with Section 201B(5) of the Act, including reviewing the following, where relevant, with the Executive Directors and external auditors of the Company:

- (a) the audit plans of the external auditors;
- (b) the Company's and the Group's financial and operating results and accounting policies;
- (c) the statement of financial position and statement of changes in equity of the Company and the consolidated financial statements of the Group and external auditor's report on those financial statements before their submission to the Directors of the Company;
- (d) the quarterly, half-yearly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;
- (e) the co-operation and assistance given by the management to the Company's external auditor;
- (f) the re-appointment of the external auditor of the Company;
- (g) review and approve interested person transactions;
- (h) review potential conflict of interests, if any;
- (i) undertake such other reviews and projects as may be requested by the Board and will report to the Board its findings from time to time on matters arising and requiring the attention of the AC; and
- (j) generally undertake such other functions and duties as may be required by statute or the SGX-ST Listing Manual, and by such amendments made thereto from time to time.

The AC has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any Director and executive officer to attend its meetings. The external auditors have unrestricted access to the AC.

The AC has recommended to the Directors the nomination of BDO LLP for re-appointment as external auditor of the Company at the forthcoming AGM of the Company.

### 7. Independent auditor

The independent auditor, BDO LLP, has expressed its willingness to accept re-appointment.

On behalf of the Board of Directors

**Dato' Jaya J B Tan**  
Non-Executive Chairman

**Dato' Kamal Y P Tan**  
Non-Executive Director and Adviser

6 December 2019

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ENVICTUS INTERNATIONAL HOLDINGS LIMITED

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of Envictus International Holdings Limited (the "Company") and its subsidiaries (the "Group"), as set out on pages 58 to 148 which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 September 2019;
- the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 September 2019, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

### Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### 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 period. These matters were 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 these matters.

### KEY AUDIT MATTER

### AUDIT RESPONSE

#### 1. Impairment of property, plant and equipment

As at 30 September 2019, the Group's property, plant and equipment amounted to RM383,044,000, net of accumulated impairment of RM18,382,000, representing 63% of the Group's total assets.

During the financial year, management carried out an impairment assessment on certain property, plant and equipment of the Group as there were indicators that those property, plant and equipment may be impaired.

In carrying out the impairment assessment, management identified the cash-generating units ("CGUs") to which the property, plant and equipment belong and determined the recoverable amounts of the CGUs by estimating the expected discounted future cash flows over the remaining useful lives of the property, plant and equipment in those CGUs. This required key assumptions to be made regarding the respective sales growth rates, gross margins and relevant discount rates.

Based on management's assessment, no further impairment loss was required during the current financial year.

Due to significant management judgement and estimation involved in the impairment assessment, as well as the materiality of the carrying amount of property, plant and equipment to the Group's financial statements, we have determined this area to be a key audit matter.

Our audit procedures included, amongst others:

- Evaluated management's assessment of the remaining useful lives of the property, plant and equipment in the respective CGUs.
- Evaluated the reasonableness of management's key assumptions including sales growth rates and gross margins.
- Engaged our internal valuation specialist to evaluate the reasonableness of the relevant discount rates.
- Performed sensitivity analysis to assess the extent of changes to the key assumptions that would cause the recoverable amounts to be below the carrying amounts of the property, plant and equipment.

Refer to note 2.6, note 3.2(ii) and note 4 of the accompanying financial statements.



**INDEPENDENT AUDITOR'S REPORT**

TO THE MEMBERS OF ENVICTUS INTERNATIONAL HOLDINGS LIMITED

KEY AUDIT MATTER	AUDIT RESPONSE
<p><b>2. Impairment of intangible assets</b></p> <p>As at 30 September 2019, the Group's intangible assets amounted to RM27,525,000, net of accumulated impairment of RM27,745,000, comprising mainly trademarks, franchise fees and goodwill from the Nutrition, Food Services and Trading and Frozen Food business segments.</p> <p>Under SFRS(I) 1-36, the Group is required to carry out impairment assessment at least annually by comparing the carrying amounts of the CGUs to which the intangible assets belong against the recoverable amounts for intangible assets with indefinite useful lives such as trademarks and goodwill, and franchise fees with definite useful lives if there are indication of impairment.</p> <p>Management has determined the recoverable amounts using the value-in-use method by estimating the present value of the future cash flows from these CGUs and additional impairment of RM7,247,000 is recognised for the current financial year.</p> <p>We have determined the impairment of intangible assets as a key audit matter due to significant management judgement and estimate involved in the impairment assessment.</p>	<p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Evaluated the reasonableness of management's key assumptions, including sales growth rates and gross margins. We also evaluated management's assessment of the remaining useful lives of the franchise fees.</li> <li>• Engaged our internal valuation specialist to evaluate the reasonableness of the relevant discount rates.</li> <li>• Performed sensitivity analysis to assess the extent of changes to the key assumptions that would cause the recoverable amount to be below the carrying amount of the intangible assets.</li> <li>• Evaluated the adequacy of the related disclosures in the financial statements.</li> </ul>

Refer to note 2.6, note 3.2(i) and note 9 of the accompanying financial statements.

KEY AUDIT MATTER	AUDIT RESPONSE
<p><b>3. Liquidity of the Group</b></p> <p>As at 30 September 2019, the Group has current bank borrowings, finance lease payables and contracted capital commitments amounting to RM112,664,000. The Group has cash and bank balances of RM22,690,000 as at 30 September 2019.</p> <p>The Group actively manages their operating cash flows and availability of funding so as to ensure that all repayment and funding needs are met. Based on the cash flow forecast prepared and the availability of funds through credit facilities available (includes unutilised credit facilities and new credit facilities applied), management has determined that the Group will have sufficient liquidity for its working capital and financial obligations as and when they fall due.</p> <p>We have determined the liquidity of the Group to be a key audit matter as the availability of fund will impact the Group's ability to continue as a going concern.</p>	<p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Evaluated management's cash flow forecast prepared based on approved budget on the Group's ability to settle its short term obligations and capital commitments.</li> <li>• Performed sensitivity analysis to assess the extent of changes to the key assumptions that would result in inadequate cash flows to fund the Group's operations.</li> <li>• Checked to the contracted capital commitments, availability of unutilised credit facilities and the outcome of application of new credit facilities from financial institutions.</li> <li>• Assessed the adequacy of the related disclosures in the financial statements.</li> </ul>

Refer to note 2.1, note 30.1 and note 32.4 of the accompanying financial statements.

**Other Information**

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements 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, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements 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.

## INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ENVICTUS INTERNATIONAL HOLDINGS LIMITED

### Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group'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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Directors' responsibilities include overseeing the Group's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 SSAs 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 SSAs, 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, 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's 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 ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements 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 consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ENVICTUS INTERNATIONAL HOLDINGS LIMITED

## Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Poh Chin Beng.

**BDO LLP**  
Public Accountants and  
Chartered Accountants

Singapore  
6 December 2019

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# STATEMENTS OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2019

	Note	Group			Company		
		30.9.2019 RM'000	30.9.2018 RM'000	1.10.2017 RM'000	30.9.2019 RM'000	30.9.2018 RM'000	1.10.2017 RM'000
<b>Non-current assets</b>							
Property, plant and equipment	4	383,044	317,354	256,871	-	-	-
Deposits for purchase of property, plant and equipment		31,152	4,566	-	-	-	-
Investment properties	5	22,882	23,364	27,563	-	-	-
Investments in subsidiaries	6	-	-	-	231,760	293,429	90,351
Available-for-sale financial assets	7	-	154	242	-	-	-
Financial assets at fair value through other comprehensive income ("FVOCI")	7	7,676	-	-	7,517	-	-
Deferred tax assets	8	711	1,083	721	-	-	-
Intangible assets	9	27,525	34,853	32,842	-	-	-
		472,990	381,374	318,239	239,277	293,429	90,351
<b>Current assets</b>							
Inventories	10	45,622	40,523	44,644	-	-	-
Trade and other receivables	11	54,381	59,351	59,252	143,799	85,397	279,541
Tax recoverable		846	1,506	573	-	-	-
Held-for-trading investments	32.5	-	-	23,413	-	-	23,413
Fixed deposits	12	1,167	553	14,225	-	-	-
Cash and bank balances	12	22,690	35,554	35,664	458	5,600	5,175
		124,706	137,487	177,771	144,257	90,997	308,129
Non-current assets classified as held for sale	13	9,024	-	-	-	-	-
		133,730	137,487	177,771	144,257	90,997	308,129
Less:							
<b>Current liabilities</b>							
Trade and other payables	14	77,848	67,641	47,748	2,094	2,420	1,518
Bank borrowings	15	41,487	46,799	42,807	-	19,182	8,746
Finance lease payables	16	9,830	9,387	7,316	-	-	-
Current income tax payable		173	234	178	-	158	162
Provision for restoration costs	17	1,378	1,401	109	-	-	-
		130,716	125,462	98,158	2,094	21,760	10,426
<b>Net current assets</b>		<b>3,014</b>	<b>12,025</b>	<b>79,613</b>	<b>142,163</b>	<b>69,237</b>	<b>297,703</b>

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

**STATEMENTS OF FINANCIAL POSITION**

AS AT 30 SEPTEMBER 2019

	Note	Group			Company		
		30.9.2019 RM'000	30.9.2018 RM'000	1.10.2017 RM'000	30.9.2019 RM'000	30.9.2018 RM'000	1.10.2017 RM'000
Less:							
<b>Non-current liabilities</b>							
Bank borrowings	15	146,259	79,562	72,411	-	-	-
Finance lease payables	16	18,804	21,902	16,538	-	-	-
Provision for restoration costs	17	2,735	1,884	1,353	-	-	-
Financial guarantee contracts	18	-	-	-	5,359	3,738	3,522
Deferred tax liabilities	19	4,661	5,181	2,270	-	-	-
Employee benefits liability		-	74	-	-	-	-
		172,459	108,603	92,572	5,359	3,738	3,522
<b>Net assets</b>		303,545	284,796	305,280	376,081	358,928	384,532
<b>Capital and reserves</b>							
Share capital	20	177,865	127,453	111,406	177,865	127,453	111,406
Treasury shares	20	(183)	(183)	(183)	(183)	(183)	(183)
Accumulated profits		144,792	148,393	165,294	181,844	190,408	212,378
Foreign currency translation reserve	21	22,775	23,821	33,400	41,084	41,250	51,424
Fair value reserve	22	(24,619)	(95)	(7)	(24,529)	-	-
Share options reserve	20	-	-	9,507	-	-	9,507
Other reserve	23	(17,085)	(4,562)	(4,562)	-	-	-
<b>Equity attributable to the owners of the Company</b>		303,545	294,827	314,855	376,081	358,928	384,532
Non-controlling interests		-	(10,031)	(9,575)	-	-	-
<b>Total equity</b>		303,545	284,796	305,280	376,081	358,928	384,532

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

	Note	2019 RM'000	2018 RM'000
Revenue	24	462,536	422,605
Cost of goods sold		(283,392)	(267,595)
<b>Gross profit</b>		<b>179,144</b>	<b>155,010</b>
<i>Other item of income</i>			
Other operating income		17,021	17,665
<i>Other items of expense</i>			
Administrative expenses		(50,411)	(48,540)
Selling and marketing expenses		(134,448)	(113,733)
Warehouse and distribution expenses		(28,022)	(26,970)
Research and development expenses		(713)	(829)
Loss allowance on receivables, net		(169)	(523)
Other operating expenses		(10,164)	(1,846)
Finance costs	26	(6,683)	(5,666)
<b>Loss before income tax</b>	25	<b>(34,445)</b>	<b>(25,432)</b>
Income tax expense	27	(2,406)	(2,434)
<b>Loss for the financial year</b>		<b>(36,851)</b>	<b>(27,866)</b>
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		(293)	(8,577)
Net fair value loss on available-for-sale financial assets	7	-	(88)
		(293)	(8,665)
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Net fair value loss on financial assets at FVOCI	7	(70)	-
<b>Other comprehensive income for the financial year, net of tax</b>		<b>(363)</b>	<b>(8,665)</b>
<b>Total comprehensive income</b>		<b>(37,214)</b>	<b>(36,531)</b>
<b>Loss attributable to:</b>			
Owners of the Company		(35,455)	(26,408)
Non-controlling interests		(1,396)	(1,458)
		(36,851)	(27,866)
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		(35,729)	(36,075)
Non-controlling interests		(1,485)	(456)
		(37,214)	(36,531)
<b>Loss per share attributable to owners of the Company (RM sen)</b>			
Basic and diluted	28	(15.39)	(20.16)

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

Group	Attributable to owners of the Company									
	Share capital	Treasury shares	Foreign currency translation reserve	Fair value reserve	Share options reserve	Other reserve	Accumulated profits	Total	Non-controlling interests	Total equity
Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Group 2019</b>										
At 30 September 2018	127,453	(183)	23,821	(95)	-	(4,562)	148,393	294,827	(10,031)	284,796
Effect of adoption of SFRS(I) 9	-	-	-	(25,296)	-	-	31,854	6,558	-	6,558
At 1 October 2018	127,453	(183)	23,821	(25,391)	-	(4,562)	180,247	301,385	(10,031)	291,354
<b>Total comprehensive income for the year:</b>										
<b>Loss for the financial year</b>	-	-	-	-	-	-	(35,455)	(35,455)	(1,396)	(36,851)
Other comprehensive income:										
Exchange differences on translation of foreign operations	-	-	(1,046)	842	-	-	-	(204)	(89)	(293)
Net fair value loss on financial assets at FVOCI	-	-	-	(70)	-	-	-	(70)	-	(70)
Total other comprehensive income, net of tax	-	-	(1,046)	772	-	-	-	(274)	(89)	(363)
<b>Total comprehensive income</b>	-	-	(1,046)	772	-	-	(35,455)	(35,729)	(1,485)	(37,214)
<b>Contribution by owners:</b>										
Issuance of shares under rights issue	51,290	-	-	-	-	-	-	51,290	-	51,290
Transaction costs in respect of the rights issue	(878)	-	-	-	-	-	-	(878)	-	(878)
<b>Changes in ownership interest in a subsidiary:</b>										
Subscription of additional shares in a subsidiary by non-controlling interests	-	-	-	-	-	-	-	-	1,504	1,504
Waiver of debts pursuant to the disposal of a subsidiary	-	-	-	-	-	(12,523)	-	(12,523)	13,027	504
Disposal of a subsidiary	-	-	-	-	-	-	-	-	(3,015)	(3,015)
<b>At 30 September 2019</b>	177,865	(183)	22,775	(24,619)	-	(17,085)	144,792	303,545	-	303,545

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

Group	Attributable to owners of the Company										Total equity RM'000	
	Share capital RM'000	Treasury shares RM'000	Foreign currency translation reserve RM'000	Fair value reserve RM'000	Share options reserve RM'000	Other reserve RM'000	Accumulated profits RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000		
2018												
At 1 October 2017	111,406	(183)	33,400	(7)	9,507	(4,562)	165,294	314,855	(9,575)	305,280		
<b>Total comprehensive income for the year:</b>												
<b>Loss for the financial year</b>	-	-	-	-	-	-	(26,408)	(26,408)	(1,458)	(27,866)		
Other comprehensive income:												
Exchange differences on translation of foreign operations	-	-	(9,579)	-	-	-	-	(9,579)	1,002	(8,577)		
Available-for-sale financial assets	-	-	-	(88)	-	-	-	(88)	-	(88)		
Total other comprehensive income, net of tax	-	-	(9,579)	(88)	-	-	-	(9,667)	1,002	(8,665)		
<b>Total comprehensive income</b>	-	-	(9,579)	(88)	-	-	(26,408)	(36,075)	(456)	(36,531)		
<b>Contribution by owners:</b>												
Acquisition of a subsidiary	16,047	-	-	-	-	-	-	16,047	-	16,047		
<b>Others:</b>												
Share options lapsed	-	-	-	-	(9,507)	-	9,507	-	-	-		
<b>At 30 September 2018</b>	127,453	(183)	23,821	(95)	-	(4,562)	148,393	294,827	(10,031)	284,796		

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



# STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

Note	Share capital RM'000	Treasury shares RM'000	Foreign currency translation reserve RM'000	Fair value reserve RM'000	Share options reserve RM'000	Accumulated profits RM'000	Total equity RM'000
<b>Company 2019</b>							
At 30 September 2018	127,453	(183)	41,250	-	-	190,408	358,928
Effect of adoption of SFRS(I) 9	33	-	-	(25,296)	-	32,143	6,847
At 1 October 2018	127,453	(183)	41,250	(25,296)	-	222,551	365,775
<b>Loss for the financial year</b>	-	-	-	-	-	(40,707)	(40,707)
<b>Other comprehensive income:</b>							
Exchange differences on translation	-	-	(166)	842	-	-	676
Net fair value loss on financial assets at FVOCI	7	-	-	(75)	-	-	(75)
Total other comprehensive income, net of tax	-	-	(166)	767	-	-	601
Total comprehensive income	-	-	(166)	767	-	(40,707)	(40,106)
<b>Contribution by owners:</b>							
Issuance of shares under rights issue	20(a)(ii)	51,290	-	-	-	-	51,290
Transaction costs in respect of the rights issue	20(a)(iii)	(878)	-	-	-	-	(878)
<b>At 30 September 2019</b>	<b>177,865</b>	<b>(183)</b>	<b>41,084</b>	<b>(24,529)</b>	<b>-</b>	<b>181,844</b>	<b>376,081</b>
<b>Company 2018</b>							
At 1 October 2017	111,406	(183)	51,424	-	9,507	212,378	384,532
<b>Loss for the financial year</b>	-	-	-	-	-	(31,477)	(31,477)
<b>Other comprehensive income:</b>							
Exchange differences on translation	-	-	(10,174)	-	-	-	(10,174)
Total comprehensive income, net of tax	-	-	(10,174)	-	-	(31,477)	(41,651)
<b>Contribution by owners:</b>							
Acquisition of a subsidiary	20(a)(i)	16,047	-	-	-	-	16,047
<b>Others:</b>							
Share options lapsed	20(c)	-	-	-	(9,507)	9,507	-
<b>At 30 September 2018</b>	<b>127,453</b>	<b>(183)</b>	<b>41,250</b>	<b>-</b>	<b>-</b>	<b>190,408</b>	<b>358,928</b>

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

	Note	2019 RM'000	2018 RM'000
<b>Operating activities</b>			
Loss before income tax		(34,445)	(25,432)
Adjustments for:			
Allowance for write-down of inventories		-	316
Amortisation of intangible assets		712	487
Depreciation of property, plant and equipment		26,185	26,232
Depreciation of investment properties		482	511
Dividend income		(1)	(156)
Fair value loss arising from held-for-trading investments, net		-	450
Foreign currency exchange gain, net		(172)	(4,864)
Loss allowance on receivables, net		169	523
Loss on disposal of held-for-trading investments		-	1
Gain on disposal of investment properties		-	(2,812)
Gain on disposal of property, plant and equipment		(1,308)	(4,818)
Gain on disposal of subsidiaries		(10,501)	(1,837)
Finance costs	26	6,683	5,666
Interest income		(446)	(701)
Inventories written off		-	566
Impairment of intangible assets		7,247	-
Impairment of property, plant and equipment		161	-
Intangible assets written off		28	-
Property, plant and equipment written off		1,050	1,060
Reversal of allowance for write-down of inventories		(135)	(259)
Operating loss before working capital changes		(4,291)	(5,067)
Working capital changes:			
Inventories		(6,431)	2,314
Trade and other receivables		(1,376)	(7,773)
Trade and other payables		18,035	17,612
Cash generated from operations		5,937	7,086
Interest paid		(1,510)	(1,125)
Income tax paid, net		(2,168)	(3,278)
<b>Net cash generated from operating activities</b>		<b>2,259</b>	<b>2,683</b>

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

**CONSOLIDATED STATEMENT OF CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

	Note	2019 RM'000	2018 RM'000
<b>Investing activities</b>			
Acquisition of a subsidiary, net of cash acquired		-	(4,891)
Disposal of subsidiaries, net of cash disposed	6.3	17,764	723
Consideration receivable from disposal of a subsidiary	6.3	400	-
Dividends received		1	156
Interest received		446	701
Proceeds from disposal of held-for-trading investments		-	22,446
Proceeds from disposal of property, plant and equipment		2,429	9,156
Proceeds from disposal of investment properties		-	6,500
Purchase of intangible assets	9	(1,420)	(2,602)
Purchase of property, plant and equipment	4	(131,245)	(46,262)
<b>Net cash used in investing activities</b>		<b>(111,625)</b>	<b>(14,073)</b>
<b>Financing activities</b>			
Interest paid		(5,173)	(4,541)
Proceeds from Rights Issue	20(a)	51,290	-
Transaction costs in respect of the Rights Issue	20(a)(iii)	(878)	-
Net changes fixed deposits pledged to bank		(624)	(9)
Repayment of finance lease obligations	A	(9,539)	(8,865)
Repayment of borrowings	A	(61,537)	(75,261)
Drawdown of borrowings	A	142,085	67,997
<b>Net cash generated from/(used in) financing activities</b>		<b>115,624</b>	<b>(20,679)</b>
Net change in cash and cash equivalents		6,258	(32,069)
Cash and cash equivalents at beginning of the financial year		16,372	48,873
Effect of exchange rate changes		41	(432)
<b>Cash and cash equivalents at end of the financial year</b>	12	<b>22,671</b>	<b>16,372</b>

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### Note A: Reconciliation of liabilities arising from financing activities

	2018 RM'000	Cash flows RM'000	Non-cash changes		2019 RM'000
			Additions of property, plant and equipment (Note 4) RM'000	Foreign exchange difference RM'000	
Borrowings (excluding bank overdrafts)	107,179	80,548	-	-	187,727
Finance lease payables	31,289	(9,539)	6,876	8	28,634
	138,468	71,009	6,876	8	216,361

	2017 RM'000	Cash flows RM'000	Non-cash changes			2018 RM'000
			Additions of property, plant and equipment (Note 4) RM'000	Disposal of subsidiaries RM'000	Foreign exchange difference RM'000	
Borrowings (excluding bank overdrafts)	114,773	(7,264)	-	(94)	(236)	107,179
Finance lease payables	23,854	(8,865)	17,101	(801)	-	31,289
	138,627	(16,129)	17,101	(895)	(236)	138,468

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

### 1. GENERAL CORPORATE INFORMATION

Envictus International Holdings Limited (the "Company") is a limited liability company incorporated and domiciled in Singapore with its registered office at SGX Centre II, #17-01, 4 Shenton Way, Singapore 068807. The Company's registration number is 200313131Z. The principal place of business is located at 190 Clemenceau Avenue #06-08 Singapore Shopping Centre, Singapore 239924. The Company is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

The principal activity of the Company is that of an investment holding company and providing management services to its subsidiaries.

The principal activities of the subsidiaries are set out in Note 6 to the financial statements. The related companies in these financial statements refer to members of Envictus International Holdings Limited group.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)") under the historical cost convention, except as disclosed in the accounting policies below.

These financial statements are the Group and the Company's first financial statements prepared in accordance with SFRS(I). The Group and the Company have previously prepared its financial statements in accordance with Financial Reporting Standards in Singapore ("FRSs"). As required by SFRS(I) 1 *First-time adoption of Singapore Financial Reporting Standards (International)*, the Group and the Company have consistently applied the same accounting policies in its opening statement of financial position at 1 October 2017 and throughout all financial years presented, as if these policies had always been in effect subject to the mandatory exceptions and optional exemptions under SFRS(I) 1. Comparative information for the financial year ended 30 September 2018 in these financial statements have been restated to give effect to these changes and the financial impact on transition from FRS to SFRS(I) are disclosed in Note 33 to the financial statements.

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The functional currency of the Company is Singapore Dollar. However, as the Group's significant operations are in Malaysia, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Ringgit Malaysia ("RM") which is the functional currency and the presentation currency of the significant components in Malaysia and all values presented are rounded to the nearest thousand ("RM'000") as indicated.

The preparation of financial statements in compliance with SFRS(I) requires management to make judgements, estimates and assumptions that affect the Group's application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. The areas where such judgements or estimates have significant effect are disclosed in Note 3 to the financial statements.

The Group recorded a net loss and net cash generated from operating activities of RM36,851,000 (30 September 2018: RM 27,866,000) and RM2,259,000 (30 September 2018: RM2,683,000), respectively for the financial year ended 30 September 2019. The Group's net current assets and capital commitment contracted but not provided for as at 30 September 2019 were RM3,014,000 (30 September 2018: RM12,025,000) and RM61,347,000 (30 September 2018: RM124,481,000), respectively.

The Directors of the Company are of the opinion that no material uncertainty exists and the going concern basis is appropriate in the preparation of the financial statements. The Directors of the Company have carried out a detailed review of the 12 months cash flow forecast of the Group and are satisfied that the Group has adequate liquidity for its working capital, capital commitments and financial obligations for the next 12 months. The Directors of the Company are also satisfied that there are adequate credit facilities (including the drawing of existing unutilised credit facilities and obtaining new credit facilities) from the Group's bankers and other financial institutions to fund its operations.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.1 Basis of preparation (Continued)

*SFRS(I) and SFRS(I) INT issued but not yet effective*

At the date of authorisation of these financial statements, the following SFRS(I) and SFRS(I) INT that are relevant to the Group were issued but not yet effective, and have not been adopted early in these financial statements:

		Effective date (annual periods beginning on or after)
SFRS(I) 16	: Leases	1 January 2019
SFRS(I) 9	: Prepayment Features with Negative Compensation	1 January 2019
SFRS(I) INT 23	: Uncertainty over Income Tax Treatments	1 January 2019
SFRS(I) 1-1 (Amendments)	: Presentation of Financial Statements	1 January 2020
SFRS(I) 1-8	: Accounting policies, Changes in Accounting Estimates and Errors	1 January 2020
SFRS(I) 1-38	: Intangible Assets	1 January 2020
SFRS(I) 3 (Amendments)	: Definition of a Business	1 January 2020
SFRS(I) 1-1, SFRS(I) 1-8 (Amendments)	: Definition of Material	1 January 2020

Consequential amendments were also made to various standards as a result of these new or revised standards.

Except as disclosed below, the management anticipates that the adoption of the above SFRS(I) and SFRS(I) INT in future periods will not have a material impact on the financial statements of the Group in the period of their initial adoption.

#### **SFRS(I) 16 Leases**

SFRS(I) 16 supersedes SFRS(I) 1-17 *Leases* and introduces a new single lessee accounting model which eliminates the current distinction between operating and finance leases for lessees. SFRS(I) 16 requires lessees to capitalise all leases on the statements of financial position by recognising a 'right-of-use' asset and a corresponding lease liability for the present value of the obligation to make lease payments, except for certain short-term leases and leases of low-value assets. Subsequently, the lease assets will be depreciated and the lease liabilities will be measured at amortised cost.

From the perspective of a lessor, the classification and accounting for operating and finance leases remains substantially unchanged under SFRS(I) 16. SFRS(I) 16 also requires enhanced disclosures by both lessees and lessors.

The Group has performed an assessment on the adoption of SFRS(I) 16 based on currently available information as well as recognition exemptions under SFRS(I) 16. The Group expects to capitalise its operating leases on office premises, warehouses, restaurants, coffee chain and other operating facilities on the consolidated statement of financial position by recognising a 'right-of-use' assets and their corresponding lease liabilities for the present value of future lease payments. This assessment may be subject to changes from the ongoing analysis until the finalisation of transition entries.

The Group plans to adopt the standard in the financial year beginning on 1 October 2019 using the modified retrospective method in accordance with the transitional provisions, and therefore will only recognise leases on statement of financial position as at 1 October 2019. The Group will include the required additional disclosures in its financial statements for the financial year ending 30 September 2020.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Subsidiaries are entities over which the Group has control. The Group controls an investee if the Group has power over the investee, exposure to variable returns from its involvement with the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Subsidiaries are consolidated from the date on which the Group obtains control over the investee and cease from consolidation when the control is lost.

All intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides an impairment indicator of the transferred asset.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the Group.

Non-controlling interests represents the equity in subsidiaries which is not attributable directly or indirectly to the equity owners of the parent. They are shown separately in the consolidated statements of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary and any non-controlling interest. The profit or loss on disposal is 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 (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to accumulated profits) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9 or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

In the separate financial statements of the Company, investments in subsidiaries are carried at cost, less any impairment loss that has been recognised in profit or loss.

### 2.3 Property, plant and equipment

All items of property, plant and equipment are initially recognised at cost. The cost includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

Subsequent expenditure on an item of property, plant and equipment is added to the carrying amount of the item if it is probable that future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.3 Property, plant and equipment (Continued)

Property, plant and equipment are stated at cost, less accumulated depreciation and any impairment losses.

Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their amounts over their estimated useful lives as follows:

	Years
Leasehold land	52 - 81
Factory/office buildings	50
Plant and machinery	1.5 - 14.2
Cold room and freezer	5 - 10
Laboratory equipment	5 - 10
Furniture and fittings	3 - 10
Renovation	3 - 10
Motor vehicles	3 - 7
Equipment	5 - 10
Computer system	3 - 5

Assets under construction represents property, plant and equipment under construction, which is stated at cost less any impairment loss and is not depreciated. Assets under construction are reclassified to appropriate categories of property, plant and equipment when completed and ready for use and depreciation will commence at that time.

No depreciation is provided for freehold land.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The estimated useful lives, residual values and depreciation methods are reviewed, and adjusted as appropriate, at the end of each reporting period.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation are initially recognised at cost and subsequently carried at cost less accumulated depreciation and impairment losses. Depreciation is charged, using the straight-line method, so as to write off the cost over their estimated useful lives of 50 to 52 years. The residual values, useful lives and depreciation method of investment properties are reviewed and adjusted as appropriate, at the end of each reporting period. The effects of any revision are included in profit or loss when the changes arise.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements are capitalised as additions and carrying amounts of the replaced components are written off to the profit or loss. The cost of maintenance, repairs and minor improvement are charged to the profit or loss when incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment at the date of reclassification and becomes its cost for accounting purposes.

On disposal or retirement of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss.

### 2.5 Intangible assets

#### (i) Goodwill on acquisition

Goodwill arising on the acquisition of a subsidiary represents the excess of the consideration transferred (see Note 2.2), the amount of any non-controlling interests in the acquiree over the acquisition date fair value of identifiable assets, liabilities and contingent liabilities of the subsidiary at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of gain or loss on disposal.

#### (ii) Trademarks

Trademarks acquired by the Group have indefinite useful lives and are initially measured at cost less any accumulated impairment losses.

#### (iii) Computer software

Acquired computer software licenses are initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributable costs of preparing the software for its intended use. Direct expenditure which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured is added to the original costs of the software. Costs associated with maintaining computer software are recognised as an expense as incurred.

Computer software licenses are subsequently carried at cost less accumulated amortisation and any accumulated impairment losses. These costs are amortised using the straight-line method over their estimated useful lives of 3 to 5 years.

#### (iv) Franchise fees

Franchise fees are initially capitalised at cost and subsequently measured at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives of 10 to 20 years.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.5 Intangible assets (Continued)

The amortisation period and amortisation method of intangible assets other than goodwill and trademarks are reviewed at least at the end of each reporting period. The effects of any revision are recognised in the profit or loss when the changes arise.

#### *Intangible assets acquired in a business combination*

Intangible assets acquired in a business combination are identified and recognised separately from goodwill if the assets and their fair values can be measured reliably. The cost of such intangible assets is their fair value as at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

### 2.6 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment loss and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, or when annual impairment testing for an asset (intangible assets with indefinite useful life and intangible assets not yet available for use) is required, the recoverable amounts are estimated.

An impairment loss is recognised whenever the carrying amount of the asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent of other assets and groups of assets. Impairment loss is recognised in the profit or loss.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value-in-use. Recoverable amount is determined for individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. The fair value less cost to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. Value-in-use is the present value of estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life, discounted at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit for which the future cash flow estimates have not been adjusted.

An assessment is made at the end of each reporting period as to whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. An impairment loss for an asset other than goodwill is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised. Reversals of impairment loss are recognised in the consolidated statement of comprehensive income. After such a reversal, the depreciation or amortisation is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

#### *Goodwill*

Goodwill is tested annually for impairment, as well as when there is any indication that the goodwill may be impaired.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating unit expected to benefit from the synergies of the business combination. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit including the goodwill, the impairment loss is recognised in profit or loss and allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Cost of finished goods and work-in-progress includes cost of raw materials, direct labour, other direct costs and manufacturing overheads (based on normal operating capacity) but excludes borrowing cost.

Cost of inventories are calculated based on the following:

#### i) First-in-First-out Method

Trading and Frozen, Dairies, Food Processing (bakery, butchery and beverages) Divisions

#### ii) Weighted Average Method

Food Services and Nutrition Divisions

Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution, at which the inventories can be realised in the normal course of business after allowing for the costs of realisation. Allowance is made for obsolete, slow-moving and defective inventories.

### 2.8 Cash and bank balances

Cash and bank balances in the statements of financial position comprise cash on hand, demand deposit and other short-term highly liquid investments which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash and bank balances, fixed deposits and bank overdrafts (for working capital) and excludes any deposits pledged. Bank overdrafts for working capital requirements of the Group are presented in the statements of financial position and in borrowings under current liabilities.

### 2.9 Financial instruments

The Group recognises a financial asset or a financial liability in its statements of financial position when, and only when, the Group becomes party to the contractual provisions of the instrument.

#### Financial assets

The Group classifies its financial assets into one of the categories below, depending on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset. The Group shall reclassify its affected financial assets when and only when the Group changes its business model for managing these financial assets. Other than financial assets in a qualifying hedging relationship, the Group's accounting policy for each category is as follows:

#### Amortised cost

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. Interest income from these financial assets is included in interest income using the effective interest rate method.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.9 Financial instruments (Continued)

#### Financial assets (Continued)

##### Amortised cost (Continued)

Impairment provisions for trade receivables are recognised based on the simplified approach within SFRS(I) 9 using the lifetime expected credit losses. During this process, the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within administrative expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for other financial assets are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether at each reporting date, there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve months expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Group's financial assets measured at amortised cost comprise trade and other receivables (excluding GST receivables, prepayments and advances to suppliers), fixed deposits and cash and bank balances in the statement of financial position.

##### Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- When there is a breach of financial covenants by the counterparty; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

##### Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.9 Financial instruments (Continued)

##### Financial assets (Continued)

##### *Financial assets at fair value through other comprehensive income ("FVOCI")*

The Group has a number of strategic investments in listed entities which are not accounted for as subsidiaries, associates or jointly controlled entities. For those equity investments, the Group has made an irrevocable election to classify the investments at fair value through other comprehensive income rather than through profit or loss as the Group considers this measurement to be the most representative of the business model for these assets. They are carried at fair value with changes in fair value recognised in other comprehensive income and accumulated in the fair value through other comprehensive income reserve. Upon disposal, any balance within fair value through other comprehensive income reserve is reclassified directly to accumulated profits and is not reclassified to profit or loss.

Dividends are recognised in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment, in which case the full or partial amount of the dividend is recorded against the associated investments carrying amount.

Purchases and sales of financial assets measured at fair value through other comprehensive income are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in the fair value through other comprehensive income reserve.

##### *Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

##### Accounting policy for financial assets prior to 1 October 2018

All financial assets are initially recognised at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially recognised at fair value.

The Group and the Company classifies their financial assets as loans and receivables, available-for-sale financial assets and financial assets at fair value through profit or loss. The classification depends on the nature and purpose for which the assets were acquired. Management determines the classification of the financial assets at initial recognition and re-evaluates this designation at the end of the reporting period where allowed and appropriate.

##### *(i) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise "trade and other receivables excluding prepayments, GST receivables and advances to suppliers", and include "fixed deposit" and "cash and bank balances" in the statements of financial position.

After initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less impairment loss, if any.

##### *(ii) Financial assets at fair value through profit or loss ("FVTPL")*

Financial assets are classified as FVTPL if the financial asset is either held-for-trading or is designated as such upon initial recognition.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.9 Financial instruments (Continued)

#### Accounting policy for financial assets prior to 1 October 2018 (Continued)

##### *(ii) Financial assets at fair value through profit or loss ("FVTPL") (Continued)*

A financial asset is classified as held-for-trading investment if it has been acquired principally for the purpose of selling in the short term; or if it is part of an identified portfolio of financial instruments with a recent actual pattern of short-term profit-taking and which is managed by the Group and the Company; or if it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee contract.

A financial asset which is not classified as held-for-trading may be designated as FVTPL upon initial recognition if the financial asset is managed as part of a group of financial instruments, with its performance being evaluated on a fair value basis, in accordance with the Group's and the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

FVTPL are stated at fair value, with any resultant gain or loss recognised in the profit or loss. The net gain or loss recognised in profit or loss incorporates unrealised foreign exchange gain or loss.

##### *(iii) Available-for-sale financial assets ("AFS")*

Certain shares held by the Group are classified as AFS if they are not classified in any of the other categories. Subsequent to initial recognition, they are measured at fair value and changes therein are recognised in other comprehensive income and accumulated in the fair value reserve.

#### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at "fair value through profit or loss".

#### *Impairment*

The Group assesses at the end of each reporting date whether there is objective evidence that a financial asset or a group of financial assets other than financial assets at FVTPL, is impaired and recognise as allowance for impairment when such evidence exists.

##### *(i) Loans and receivables*

An allowance for impairment of loans and receivables is recognised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the consolidated statement of comprehensive income.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.9 Financial instruments (Continued)

#### Accounting policy for financial assets prior to 1 October 2018 (Continued)

##### *Impairment (Continued)*

##### *(i) Loans and receivables (Continued)*

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 shall be reversed through profit or loss to the extent the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

##### *(ii) Available-for-sale financial assets*

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in the consolidated statement of comprehensive income, is transferred from other comprehensive income to the profit or loss. Increase in their fair value after impairment are recognised directly in other comprehensive income.

#### Financial liabilities and equity instruments

##### Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

##### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs. The Group classifies ordinary shares as equity instruments.

When shares recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale issue or cancellation of treasury shares.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the accumulated profits of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised as changes in equity of the Company.

##### Financial liabilities

The Group classifies all financial liabilities as subsequently measured at amortised cost, except for financial liabilities at fair value through profit or loss and financial guarantee contracts loans.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.9 Financial instruments (Continued)

#### Financial liabilities and equity instruments (Continued)

##### Financial liabilities (Continued)

##### (i) *Trade and other payables*

Trade and other payables (excluding sales related tax payable, provision for employee benefits and contract liabilities), are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method.

##### (ii) *Bank borrowings*

Interest-bearing bank loans and overdrafts are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (Note 2.16).

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the end of reporting period, in which case they are presented as non-current liabilities.

##### (iii) *Financial guarantee contracts*

The Company has issued corporate guarantees to banks for borrowings and finance lease of certain subsidiaries and these guarantees qualify as financial guarantees because the Company is required to reimburse the banks if these subsidiaries breach any repayment term.

Financial guarantee contract liabilities are measured initially at their fair values, net of transaction costs. Financial guarantee contracts are subsequently measured at the higher of:

- a) premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and
- b) the amount of loss provisions determined in accordance with SFRS(I) 9.

Prior to 1 October 2018, financial guarantees are measured initially at their fair value, net of transaction cost and were subsequently measured at the higher of amount initially recognised less amortisation and the expected amounts payable to the banks in the event it is probable that the Company will reimburse the banks.

##### Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The differences between the carrying amount and the consideration paid is recognised in profit or loss.

### 2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.11 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. The increase in the provision due to the passage of time is recognised in the consolidated statement of comprehensive income as finance expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

### 2.12 Revenue recognition

Revenue is recognised when a performance obligation is satisfied. Revenue is measured based on consideration of which the Group expects to be entitled in exchange for transferring promised good or services to a customer, excluding amounts collected on behalf of third parties (i.e. sales related taxes). The consideration promised in the contracts with customers may include fixed amounts, variable amounts or both derived. The Group's revenue is derived from fixed price contracts and therefore, the amount of revenue earned for each contract is determined by reference to those fixed prices.

#### *Sale of food and beverages ("F&B") from food services*

The Group sells food and beverages directly to consumers through the stores operated by the Group. Revenue from the operations of the food business is recognised at point in time upon delivery of food and beverages to the customers. The revenue is net of discount and/or any portion that are allocated to the beverage to be rewarded under the customer loyalty programmes.

The Group has a customer loyalty programme for its coffee chain whereby F&B customers are entitled to redeem beverage after a specific number of purchases using the stored value cards. This gives rise to a separate performance obligation as it provide a right of redemption to the customer. Based on the accumulated historical experience, the estimated amount of customer loyalty was negligible.

#### *Revenue from sale of food, beverages, dairies and nutrition products*

Revenue from the processing and distribution of food, beverages, dairies and nutrition products is recognised at a point in time when the performance obligations are satisfied and the controls of products are transferred to the customers. There is limited judgement needed to identify when the point of control passes to customers. There is no element of significant financing component in the Group's revenue transactions as customers are required to pay within the credit term.

The Group provides volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Revenue from these contracts is recognised based on the contract price specified in the contract, net of estimated volume rebates.

Past historical experience is considered and used by the Group to estimate the expected discounts entitled, using expected value method and restrict the amount of revenue that is recognised such that it is highly probable that there will not be a reversal of previously recognised revenue in the future. At the end of each reporting period, the Group reviews and updates the transaction price when necessary. A contract liability is recognised for expected volume discounts arising from such arrangement.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.12 Revenue recognition (Continued)

#### *Interest income*

Interest income is recognised using the effective interest rate method.

#### *Rental income*

Rental income from investment properties is recognised on a straight-line basis over the term of the relevant lease.

#### *Dividend income*

Dividend income is recognised when the right to receive payment is established.

#### Accounting policy for revenue recognition prior to 1 October 2018

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of business of the Group. Revenue is presented net of estimated customer returns, rebates or other similar allowances and sales related taxes. The revenue recognition policy are the same as the current financial year for management fees, rental income, dividend income and interest income, except as follow:

#### *Sale of food and beverages from food services*

Revenue from the operations of the food business is recognised net of discounts upon delivery of food and beverages to the customers.

#### *Revenue from sale of food, beverages, dairies and nutrition products*

Revenue from the processing and distribution of food, beverages, dairies and nutrition products is recognised net of discounts and sales returns when the significant risks and rewards of ownership of the products have been transferred to the buyer upon passage of title to the customers, which generally coincides with their delivery and acceptance, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

### 2.13 Research and development expenses

Research and development expenses are recognised as expenses when incurred.

### 2.14 Employment benefits

#### *Defined contribution plan*

Payments to defined contribution plans are charged as an expense in the period in which the related service is performed. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, and has no legal and constructive obligation to pay further once the payments are made.

#### *Employee leave entitlement*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated undiscounted liability for annual leave expected to be settled wholly within 12 months from the reporting date as a result of services rendered by employees up to the end of the reporting period.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.15 Leases

##### Finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased assets to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are capitalised as property, plant and equipment of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to the acquisition, construction or production of qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

##### Operating leases

Rentals payable under operating leases (net of any incentives received from lessors) are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

#### 2.16 Borrowing costs

Borrowing costs are recognised in the profit or loss in the period in which they are incurred using the effective interest method except for those costs that are directly attributable to the acquisition, construction or production of the qualifying assets.

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 qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

#### 2.17 Income tax

Income tax expense comprise current tax expense and deferred tax expense.

##### Current income tax

Current income tax expense is the amount of income tax payable in respect of the taxable profit for a period. Current income tax liabilities for the current and prior periods shall be measured at the amount expected to be paid to the taxation authorities, using the tax rates and tax laws in the countries where the Group operates, that have been enacted or substantively enacted by the end of the reporting period.

Current income tax expenses 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.

##### Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases of asset and liabilities, except when the temporary difference arises from the initial recognition of goodwill or other assets and liabilities that is not a business combination and affects neither the accounting profit nor taxable profit.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.17 Income tax (Continued)

##### *Deferred tax (Continued)*

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiaries except where the Group is able to control the timing of reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured using the tax rates expected to apply for the period when the asset is realised or the liability is settled, based on tax rate and tax law that have been enacted or substantially enacted by the end of reporting period. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects to recover or settle its assets and liabilities, except for investment properties at fair value which are presumed to be recovered through sale.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is recognised in profit or loss, except when it relates to items recognised outside profit or loss, in which case the tax is also recognised either in other comprehensive income or directly in equity, or where it arises from the initial accounting for a business combination. Deferred tax arising from a business combination, is taken into account in calculating goodwill on acquisition.

##### *Sales tax*

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- (i) when the sales tax that is incurred on purchase of assets or services is not recoverable from the taxation authorities, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and
- (ii) receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

#### 2.18 Foreign currency transactions and translations

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded at the rates of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated 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 not retranslated.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.18 Foreign currency transactions and translations (Continued)

Exchange differences arising on the settlements of monetary items and on retranslation of monetary items are included in the consolidated statement of comprehensive income for the financial year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated statement of comprehensive income for the financial year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Company and the Group's foreign operations (including comparatives) are expressed in Ringgit Malaysia using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the financial year, unless exchange rates fluctuated significantly during that financial year, in which case the exchange rates of the dates at the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve.

On disposal of a foreign operations, the accumulated foreign exchange reserve relating to that operation is reclassified to profit or loss.

Goodwill and fair value adjustments arising on acquisition of foreign operations are treated as assets and liabilities of the foreign operations, and translated at the closing exchange rate.

#### 2.19 Dividends

Equity dividends are recognised when they become legally payable. Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which the dividends are approved by the shareholders. Dividends proposed or declared after the end of the reporting period are not recognised as a liability at the end of the reporting period.

#### 2.20 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group Chief Executive Officer who makes strategic decisions.

#### 2.21 Contingencies

A contingent liability is:

- (i) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (ii) a present obligation that arises from past events but is not recognised because:
  - a. it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - b. the amount of the obligation cannot be measured with sufficient reliability.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.21 Contingencies (Continued)

Contingencies are not recognised on the statements of financial position, except for contingent liabilities assumed in a business combination that are present obligations and which the fair value can be reliably determined.

### 2.22 Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the asset's previous carrying amount and fair value less costs to sell. The assets are not depreciated or amortised while classified as held for sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

## 3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2 to the financial statements, management made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources. The estimates and associated assumptions were based on historical experience and other factors that were considered to be reasonable under the circumstances. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### 3.1 Critical judgements made in applying the accounting policies

In the process of applying the Group's accounting policies, the management is of the opinion that there are no critical judgements involved that have a significant effect on the amounts recognised in the financial statements.

### 3.2 Key sources of estimation uncertainty

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

(i) *Impairment of goodwill, trademarks and franchise fees*

The management determines whether goodwill and trademarks are impaired at least on an annual basis and as and when there is an indication that goodwill and trademarks may be impaired. Franchise fees are assessed for indicators of impairment at the end of each reporting period. This requires an estimation of the value-in-use of the cash-generating units to which the goodwill, trademarks and franchise fees are allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable growth rate, gross margin and discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill, trademarks and franchise fees as at 30 September 2019 are as disclosed in Note 9 to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

#### 3.2 Key sources of estimation uncertainty (Continued)

(ii) *Impairment of property, plant and equipment*

The Group carries out impairment assessment for certain property, plant and equipment where there is indication of an impairment. In carrying out the impairment assessment, management has identified the cash-generating units ("CGUs") to which the property, plant and equipment belong and determined the recoverable amounts of the CGUs by estimating the expected discounted future cash flows over the remaining useful lives of the property, plant and equipment. Estimating the recoverable amounts requires the Group to determine a suitable sales growth rate, gross margin, discount rate and to make an estimate of the expected future cash flows from the cash-generating unit in order to calculate the present value of those cash flows. The carrying amount of property, plant and equipment as at 30 September 2019 is as disclosed in Note 4 to the financial statements.

(iii) *Income taxes*

The management has exercised significant estimates when determining the Group's and the Company's provisions for income taxes. These involve assessing the probabilities that deferred tax assets resulting from deductible temporary differences, unutilised tax losses and unabsorbed tax allowances, if any, can be utilised to offset future taxable income. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of action. Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income.

Given the wide range of international business arrangements, the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate adjustments to tax income and expense in future periods. The Group and the Company establish reasonable provision for possible consequences of audits by the tax authorities of the respective countries.

The amount of such provisions and/or its subsequent reversals is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group and Company domicile. The carrying amounts of deferred tax assets and deferred tax liabilities of the Group and of the Company as at 30 September 2019 are as disclosed in Note 8 and 19 to the financial statements respectively.

(iv) *Loss allowance for impairment of trade and other receivables*

The Group uses the simplified approach to calculate expected credit losses ("ECLs") for trade receivables. The provision rates are based on various customer's historical observed default rates.

The Group will consider and assess the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the customers, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

#### 3.2 Key sources of estimation uncertainty (Continued)

(iv) *Loss allowance for impairment of trade and other receivables (Continued)*

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Other than trade receivables, the Group and the Company assess the credit risk of other receivables at each reporting date on an individual basis, to determine whether or not there have been significant increases in credit risk since the initial recognition of these assets. To determine whether there is a significant increase in credit risks, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtors and default or significant delay in payments. Where there is a significant increase in credit risk, the Group and the Company determine the lifetime expected credit loss by considering the loss given default and the probability of default assigned to each counterparty customer. The financial assets are written off either partially or in full when there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amount subject to the write-offs.

The carrying amounts of the trade and other receivables at the end of the reporting period are disclosed in the Note 11 to the financial statements.

(v) *Inventories and related allowance*

Inventories are stated at the lower of cost and net realisable value. The management primarily determines cost of inventories using the "first-in, first-out" and weighted average methods. The management estimates the net realisable value of inventories based on assessment of receipt or committed sales prices and provide for excess and obsolete inventories based on historical usage, estimated future demand and related pricing. In determining excess quantities, the management considers recent sales activities, related margin and market positioning of its products. However, factors beyond its control, such as demand levels and pricing competition, could change from period to period. Such factors may require the Group to reduce the value of its inventories. The carrying amount of the Group's inventories as at 30 September 2019 is as disclosed in Note 10 to the financial statements.

(vi) *Impairment of investments in subsidiaries*

At the end of each reporting period, an assessment is made on whether there is indication that the investments in subsidiaries are impaired. The management's assessment for impairment of investments in subsidiaries is based on the estimation of value-in-use of the cash-generating unit ("CGU") by forecasting the expected future cash flows using a suitable discount rate in order to calculate the present value of those cash flows. The Company's carrying amount of investments in subsidiaries as at 30 September 2019 is as disclosed in Note 6 to the financial statements.

(vii) *Valuation of financial assets, at fair value through other comprehensive income ("FVOCI")*

The Group has an investment in a quoted equity security classified as FVOCI which was temporarily suspended from trading on the Singapore Exchange Securities Trading Limited ("SGX-ST") since 16 September 2017. The Group engaged an independent professional valuer to perform valuation on the quoted equity security as at 1 October 2018 and 30 September 2019. The quoted equity security was valued using valuation techniques that are commonly used by market participants. The valuation model is based on Asset Approach and publicly available information adjusted for the effect of non-marketability of the equity investment and lack of control.

The carrying amount of the FVOCI as at 30 September 2019 is disclosed in Note 7 to the financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

## 4. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Leasehold land RM'000	Factory/ office buildings RM'000	Plant and machinery RM'000	Cold room and freezer RM'000	Laboratory equipment RM'000	Furniture and fittings RM'000	Renovation RM'000	Motor vehicles RM'000	Equipment* RM'000	Computer system RM'000	Assets under construction RM'000	Total RM'000
<b>2019</b>													
<b>Cost</b>													
At 1 October 2018	7,133	94,133	34,992	83,154	14,272	336	23,687	56,300	11,178	48,203	3,510	59,153	436,051
Additions	-	-	4,790	898	1,726	-	3,861	16,587	2,096	11,638	287	70,249	112,132
Disposal of subsidiaries (Note 6.3)	-	-	-	(26,924)	-	-	(20)	-	(60)	-	(35)	-	(27,039)
Reclassification	-	-	22,478	10,244	10,362	6	5,617	425	-	664	-	(49,796)	-
Disposals	(230)	-	(690)	(4,539)	-	-	(209)	-	(691)	(24)	(44)	-	(6,427)
Written off	-	-	-	(40)	(397)	-	(1,543)	(2,294)	-	(2,286)	(18)	-	(6,578)
Reclassified as held for sale (Note 13)	-	-	-	-	(317)	-	-	(2,872)	-	(3,860)	-	-	(7,049)
Currency realignment	-	-	-	(1,064)	-	(6)	(3)	36	(19)	56	(41)	25	(1,016)
At 30 September 2019	6,903	94,133	61,570	61,729	25,646	336	31,390	68,182	12,504	54,391	3,659	79,631	500,074
<b>Accumulated depreciation</b>													
At 1 October 2018	-	2,852	2,465	37,857	4,483	236	5,451	22,762	5,973	16,184	2,213	-	100,476
Depreciation for the financial year	-	1,333	723	5,631	1,710	22	2,742	6,171	1,922	5,425	506	-	26,185
Disposal of subsidiaries (Note 6.3)	-	-	-	(15,872)	-	-	(15)	-	(19)	-	(31)	-	(15,937)
Disposals	-	-	(189)	(4,235)	-	-	(186)	-	(650)	(11)	(35)	-	(5,306)
Reclassified as held for sale (Note 13)	-	-	-	-	(22)	-	-	(243)	-	(277)	-	-	(542)
Written off	-	-	-	(17)	(186)	-	(1,344)	(1,915)	-	(2,048)	(18)	-	(5,528)
Currency realignment	-	-	-	(633)	1	(6)	(9)	5	(28)	6	(36)	-	(700)
At 30 September 2019	-	4,185	2,999	22,731	5,986	232	6,639	26,780	7,198	19,279	2,599	-	98,648
<b>Accumulated impairment</b>													
At 1 October 2018	-	-	-	18,221	-	-	-	-	-	-	-	-	18,221
Impairment during the financial year	-	-	-	60	-	-	93	-	-	8	-	-	161
At 30 September 2019	-	-	-	18,281	-	-	93	-	-	8	-	-	18,382
<b>Net carrying amount</b>													
At 30 September 2019	6,903	89,948	58,571	20,717	19,660	84	24,658	41,402	5,306	35,104	1,060	79,631	383,044

\* Equipment comprises of sales equipment, store equipment and office equipment.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

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

Group	Freehold land RM'000	Leasehold land RM'000	Factory/office buildings RM'000	Plant and machinery RM'000	Cold room and freezer RM'000	Laboratory equipment RM'000	Furniture and fittings RM'000	Renovation RM'000	Motor vehicles RM'000	Equipment* RM'000	Computer system RM'000	Assets under construction RM'000	Total RM'000
2018													
<b>Cost</b>													
At 1 October 2017	8,533	72,133	19,462	86,031	7,715	557	15,969	41,726	12,620	38,544	3,572	59,614	366,476
Additions	-	-	219	6,665	789	37	4,024	17,028	2,662	11,164	1,052	29,663	73,303
Acquisition of a subsidiary	-	22,000	-	-	-	-	-	-	-	-	-	-	22,000
Disposal of subsidiaries	-	-	-	(1,414)	-	-	(1,742)	(33)	(3,065)	(837)	-	-	(7,091)
Reclassification	-	-	16,713	1,213	5,889	-	5,677	-	-	632	-	(30,124)	-
Disposals	(1,400)	-	(1,402)	(4,926)	(56)	(228)	(89)	(830)	(1,032)	(365)	(3)	-	(10,331)
Written off	-	-	-	(1,387)	(65)	(11)	(98)	(1,591)	-	(935)	(955)	-	(5,042)
Currency realignment	-	-	-	(3,028)	-	(19)	(54)	-	(7)	-	(156)	-	(3,264)
At 30 September 2018	7,133	94,133	34,992	83,154	14,272	336	23,687	56,300	11,178	48,203	3,510	59,153	436,051
<b>Accumulated depreciation</b>													
At 1 October 2017	-	1,807	2,366	38,411	3,373	390	5,474	16,120	7,778	13,487	2,178	-	91,384
Depreciation for the financial year	-	1,045	395	6,896	1,163	53	1,736	8,552	1,829	4,144	419	-	26,232
Disposal of subsidiaries	-	-	-	(735)	-	-	(1,547)	(15)	(2,766)	(380)	-	-	(5,443)
Reclassification	-	-	-	(5)	-	-	(7)	-	-	12	-	-	-
Disposals	-	-	(296)	(3,816)	(6)	(180)	(77)	(496)	(860)	(260)	(2)	-	(5,993)
Written off	-	-	-	(1,326)	(47)	(15)	(79)	(1,399)	-	(819)	(297)	-	(3,982)
Currency realignment	-	-	-	(1,568)	-	(12)	(49)	-	(8)	-	(85)	-	(1,722)
At 30 September 2018	-	2,852	2,465	37,857	4,483	236	5,451	22,762	5,973	16,184	2,213	-	100,476
<b>Accumulated impairment</b>													
At 1 October 2017	-	-	-	-	-	-	-	-	-	-	-	-	-
30 September 2018	-	-	-	18,221	-	-	-	-	-	-	-	-	18,221
<b>Net carrying amount</b>													
At 30 September 2018	7,133	91,281	32,527	27,076	9,789	100	18,236	33,538	5,205	32,019	1,297	59,153	317,354
At 1 October 2017	8,533	70,326	17,096	29,399	4,342	167	10,495	25,606	4,842	25,057	1,394	59,614	256,871

\* Equipment comprises of sales equipment, store equipment and office equipment.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

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

During the financial year, the Group acquired property, plant and equipment as follows:

	30.9.2019 RM'000	30.9.2018 RM'000
Additions of property, plant and equipment	112,132	73,303
Acquired under finance lease	(6,876)	(17,101)
	105,256	56,202
Add/(Less): Changes in other payables	1,646	(8,613)
(Less)/Add: Changes in prepayment	(1,501)	(4,033)
Add: Deposits paid	26,586	4,566
Less: Provision for restoration costs (Note 17)	(742)	(1,860)
Cash payments made to acquire property, plant and equipment	131,245	46,262

Included in property, plant and equipment are the following assets acquired under finance lease arrangements (Note 16):

	Group	
	30.9.2019 RM'000	30.9.2018 RM'000
<b>Net carrying amount</b>		
Plant and machinery	1,662	1,849
Cold room and freezer	1,525	1,539
Furniture and fittings	6,725	7,346
Motor vehicles	3,909	4,045
Office equipment and computer system	60	97
Store equipment	16,536	17,431
Renovation	6,676	5,213
	37,093	37,520

Borrowing costs of RM1,884,000 (30 September 2018: RM1,695,000, 1 October 2017: RM602,000) which arose on the financing specifically entered into for the construction of the factory buildings were capitalised by the Group during the financial year.

Assets under construction represents expenditure for factory buildings in the course of construction.

The carrying amount of leasehold land, buildings, assets under construction and non-movable assets of RM208,506,000 (30 September 2018: RM107,164,000, 1 October 2017: RM92,067,000) are pledged to licensed banks as security for banking facilities granted to the Group (Note 15).

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

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

The following express conditions and restrictions on the Group's leasehold land (Pulau Indah) and assets under construction with net carrying amount of RM225,670,000 (30 September 2018: RM165,702,000, 1 October 2017: RM117,761,000):

- (i) the land is designated as Selangor Halal Hub and shall be used only for industrial purposes;
- (ii) the industrial activities to be carried out shall be in compliance with the Halal Park guidelines and requirements, and in accordance with Islamic principles;
- (iii) shall only consist of industries whose activities are consistent and within the overall concept of the Selangor Halal Hub and must have been approved by the appropriate authorities; and
- (iv) any assignment, pledge and lease of land requires the consent of the appropriate authorities.

As at 30 September 2019, information relating to the Group's freehold/leasehold properties are as follows:

Location	Description	Existing use	Gross land area (sq ft)	Gross floor area (sq ft)
<b>Trading and Frozen Food Division</b>				
No. 2, Jalan U1/24, Seksyen U1, Hicom Glenmarie Industrial Park, 40150 Shah Alam, Selangor, Malaysia	Industrial land with 2 storey warehouse	Office, warehouse, cold room and food processing factory	68,674	53,554
Lot 1-3-1, Sri Kerjaya Apartment, Shah Alam, Selangor, Malaysia	Apartment	Staff quarters	-	883
Lot 1-3-3, Sri Kerjaya Apartment, Shah Alam, Selangor, Malaysia	Apartment	Staff quarters	-	893
49, Lorong Wong Ah Jang, 25100 Kuantan, Pahang, Malaysia	Shop office	Cold room and office	1,560	2,976
No. 139, Jalan Makloom, 10150 Pulau Pinang, Malaysia	Industrial land with 4 storey warehouse	Office, warehouse and cold room	10,613	16,860
7, Jalan Tiong Emas 1, Kawasan Perindustrian Tiong Nam, 81100 Johor Bahru, Johor, Malaysia	Industrial warehouse	Cold room and office	13,433	12,846
Lot no. 84, Section 4, Phase 2C, Selangor Halal-Hub, Pulau Indah, Selangor, Malaysia	Factory	Office and factory	-	38,594

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

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

Location	Description	Existing use	Gross floor area (sq ft)	Gross land area (sq ft)
<b>Food Processing Division</b>				
Lots nos. 76, 77, 78, 79, 80, 83, 84 and 85, Section 4, Phase 2C, Selangor Halal-Hub, Pulau Indah, Selangor, Malaysia	Industrial land	Lots nos. 76, 77, 79, 80 and 85: Vacant  Lot no. 78: Construction of factory building	-	1,550,736
Lot no. 83, Section 4, Phase 2C, Selangor Halal-Hub, Pulau Indah, Selangor, Malaysia	Warehouse	Office and warehouse	44,937	-
<b>Dairies Division</b>				
Lots nos. 81 and 82, Section 4, Phase 2C, Selangor Halal-Hub, Pulau Indah, Selangor, Malaysia	Industrial land	Lot no. 81: Vacant  Lot no. 82: Construction of factory building	-	361,112

#### 5. INVESTMENT PROPERTIES

	30.9.2019 RM'000	Group 30.9.2018 RM'000	1.10.2017 RM'000
<b>Cost</b>			
At the beginning of the financial year	24,771	28,773	24,133
Disposal	-	(4,002)	-
Reclassification from property, plant and equipment	-	-	4,640
At the end of the financial year	24,771	24,771	28,773
<b>Accumulated depreciation</b>			
At the beginning of the financial year	1,407	1,210	431
Depreciation for the financial year	482	511	482
Disposal	-	(314)	-
Reclassification from property, plant and equipment	-	-	297
At the end of the financial year	1,889	1,407	1,210
<b>Net carrying amount</b>	22,882	23,364	27,563

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 5. INVESTMENT PROPERTIES (CONTINUED)

	Group		
	30.9.2019 RM'000	30.9.2018 RM'000	1.10.2017 RM'000
<b>Represented by:</b>			
Freehold land	-	-	1,520
Leasehold land	15,895	16,226	16,556
Leasehold building	6,987	7,138	7,290
Factory building	-	-	2,197
	22,882	23,364	27,563

The following amounts are recognised in profit or loss:

	Group		
	30.9.2019 RM'000	30.9.2018 RM'000	1.10.2017 RM'000
Rental income from investment properties (Note 25)	1,584	1,826	1,594
Direct operating expenses arising from:			
- Rental-generating investment properties	512	516	493
- Non-rental-generating investment properties	995	1,012	703
	1,507	1,528	1,196

In the previous financial year, the Group had disposed a freehold land and factory building with a carrying value of RM3,688,000 for a consideration of RM6,500,000 resulting in a gain of RM2,812,000 net of tax and incidental expenses.

As at 30 September 2019, the fair value of the Group's investment properties amounted to RM49,000,000 (30 September 2018: RM41,500,000, 1 October 2017: RM53,927,000). The leasehold land and building with fair value is partially owner-occupied where the net carrying amount of RM16,831,000 (30 September 2018: RM17,186,000, 1 October 2017: RM17,540,000) is included in property, plant and equipment (Note 4).

The fair values of the office building and factory building were estimated based on management's estimation by using the direct sales comparison approach by making reference to market evidence of prices per square feet for comparable properties, adjusted for key attributes such as size, tenure, location, condition and prevailing market conditions.

In the previous financial year, the management had assessed the valuation of the Group's office building with the assistance of an independent professional valuation firm on 11 December 2017 that has the relevant experience in the location and category of the property. The valuation was based on the assets highest and best used arrived using the direct sales comparison approach by analysing sales and listing of similar properties in the locality and adjusted for differences in key attributes such as property size, location and other relevant factors.

The resulting fair values of investment properties are considered level 3 fair value measurements.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 5. INVESTMENT PROPERTIES (CONTINUED)

The carrying amount of leasehold land and building of RM22,882,000 (30 September 2018: RM23,364,000, 1 October 2017: RM23,846,000) was pledged to a licensed bank as security for a banking facility granted to the Group (Note 15).

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance or enhancement.

Details of the Group's investment property are as detailed below:

Location	Description	Tenure	Unexpired lease term
No. 11 Jalan 225, Petaling Jaya, 46100 Selangor Darul Ehsan, Malaysia	Office building	Leasehold	48 years

### 6. INVESTMENTS IN SUBSIDIARIES

#### 6.1 Investments in subsidiaries comprise:

	Company		
	30.9.2019 RM'000	30.9.2018 RM'000	1.10.2017 RM'000
Unquoted equity shares in corporations, at cost	11,207	11,180	11,489
Issuance of financial guarantee contracts granted	8,682	5,086	4,732
Share options granted to employees	626	624	641
Deemed as capital contribution in subsidiaries*	255,101	284,359	73,489
Allowance for impairment loss	(43,856)	(7,820)	-
	231,760	293,429	90,351

\* Amounts due from subsidiaries of RM255,101,000 (30 September 2018: RM284,359,000, 1 October 2017: RM73,489,000) which are non-trade were reclassified as deemed investments in subsidiaries as the planned settlements are either through capitalisation of debt through subscription of ordinary shares of the subsidiaries or the settlements are neither planned nor likely to occur in the foreseeable future.

During the financial year, the Group carried out a review of the recoverable amount of the investment in a subsidiary from the Food Services Division (30 September 2018: Food Processing Division, 1 October 2017: Nil) due to the losses reported in this segment. The review led to the recognition of an impairment loss of RM36,036,000 (30 September 2018: RM7,820,000, 1 October 2017: RM Nil) that has been recognised in profit or loss. The recoverable amount of the investment in the subsidiary of RM84,207,000 has been determined on the basis of its value in use. The pre-tax discount rate used in measuring value in use ranges from 12.01% - 16.68% (30 September 2018: 13.45% - 13.9%).

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

#### 6.2 Particulars of subsidiaries

Name of company (Country of incorporation/ principal place of business)	Principal activities	Effective equity held by the Group		
		30.9.2019 %	30.9.2018 %	1.10.2017 %
<b>Held by the Company</b>				
Polygold Holdings Sdn Bhd <sup>(2)</sup> (Malaysia)	Investment holding	100	100	100
Envictus Brands Pte Ltd <sup>(1)</sup> (Singapore)	Collecting royalties for the brands that it owns	100	100	100
Envictus Capital (Labuan) Inc. <sup>(2)</sup> (Malaysia)	Intra-group lending and investment holding	100	100	100
Envictus Foods International Inc. <sup>(2)</sup> (Malaysia)	Investment holding	100	100	100
Envictus Foods (M) Sdn Bhd <sup>(2)</sup> (Malaysia)	Investment holding	100	100	100
Envictus IT Services Sdn Bhd <sup>(2)</sup> (Malaysia)	IT services	100	100	100
Envictus NZ Limited <sup>(3)</sup> (New Zealand)	Investment holding	100	100	100
Eureka Capital Sdn Bhd <sup>(2)</sup> (Malaysia)	Providing management services and property investment	100	100	100
Envictus Food Services Sdn Bhd <sup>(2)</sup> (Malaysia)	Investment holding	100	100	100
Envictus QSR Pte Ltd <sup>(1)</sup> (Singapore)	Investment holding	100	100	100
<b>Held by the subsidiaries</b>				
<b>- Envictus Capital (Labuan) Inc.</b>				
PT Sentrafood Indonusa <sup>(4)(5)(7)</sup> (Indonesia)	In liquidation	100	100	100
<b>- Envictus Foods (M) Sdn Bhd</b>				
Pok Brothers Sdn Bhd <sup>(2)</sup> (Malaysia)	Wholesalers of foodstuff, provisions and frozen meat	100	100	100
De-luxe Food Services Sdn Bhd <sup>(2)</sup> (Malaysia)	Manufacturer and distributor of bakery products	100	100	100
Gourmessa Sdn Bhd <sup>(2)</sup> (Malaysia)	Manufacturing of convenient value added frozen food	100	100	100



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

#### 6.2 Particulars of subsidiaries (Continued)

Name of company (Country of incorporation/ principal place of business)	Principal activities	Effective equity held by the Group		
		30.9.2019 %	30.9.2018 %	1.10.2017 %
<b>Held by the subsidiaries (Continued)</b>				
<b>- Polygold Holdings Sdn Bhd</b>				
Polygold Beverages Sdn Bhd <sup>(2)</sup> (Malaysia)	Investment property	100	100	100
Polygold Marketing Sdn Bhd <sup>(2)</sup> (Malaysia)	Dormant	100	100	100
Envictus Dairies Marketing Sdn Bhd <sup>(2)</sup> (Malaysia)	Distributing of beverages and dairies products	100	100	100
Motivage Sdn Bhd <sup>(2)</sup> (Malaysia)	Manufacturing of dairies products	100	100	-
<b>- Envictus NZ Limited</b>				
Envictus Dairies NZ Limited <sup>(8)</sup> (New Zealand)	Manufacturing of dairies and water based products	-	72.3	72.3
Naturalac Nutrition Limited <sup>(3)</sup> (New Zealand)	Marketing of branded sport nutrition and weight management foods	100	100	100
<b>- Envictus QSR Pte Ltd</b>				
PT Quick Service Restaurant <sup>(4)(6)(9)</sup> (Indonesia)	Operation of fast food restaurant business	100	100	100
<b>- Pok Brothers Sdn Bhd</b>				
Pok Brothers (Johor) Sdn Bhd <sup>(2)</sup> (Malaysia)	Wholesalers of foodstuff, provisions and frozen meat	100	100	100
<b>- Envictus Food Services Sdn Bhd</b>				
Texas Chicken (Malaysia) Sdn Bhd <sup>(2)</sup> (Malaysia)	Operation of fast food restaurant business	100	100	100
Hot Bun Food Industries Sdn Bhd <sup>(2)</sup> (Malaysia)	Dormant	100	100	100
Lyndarahim Ventures Sdn Bhd <sup>(2)</sup> (Malaysia)	Investment holding	100	100	100

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

#### 6.2 Particulars of subsidiaries (Continued)

Name of company (Country of incorporation/ principal place of business)	Principal activities	Effective equity held by the Group		
		30.9.2019 %	30.9.2018 %	1.10.2017 %
<b>Held by the subsidiaries (Continued)</b>				
<b>- Envictus Food Services Sdn Bhd (Continued)</b>				
The Delicious Group Sdn Bhd <sup>(2)</sup> (Malaysia)	Café and restaurant operator	100	100	100
Envictus Central Food Services Sdn Bhd <sup>(2)</sup> (Malaysia)	Operation of central kitchen for production of food to be supplied to restaurants and cafes	100	100	100
Envictus Gifts Sdn Bhd <sup>(2)</sup> (Malaysia)	Selling of restaurant and café vouchers	100	100	100
<b>- Lyndarahim Ventures Sdn Bhd</b>				
San Francisco Coffee Sdn Bhd <sup>(2)</sup> (Malaysia)	Operating of specialty coffee chain	100	100	100
<b>- The Delicious Group Sdn Bhd</b>				
Delicious Catering Sdn Bhd <sup>(2)</sup> (Malaysia)	Dormant	100	100	100
Food Emporium Sdn Bhd <sup>(2)</sup> (Malaysia)	Dormant	100	100	100
Reunion Restaurants Sdn Bhd <sup>(2)</sup> (Malaysia)	Dormant	100	100	100
The Delicious (Singapore) Pte Ltd <sup>(1)</sup> (Singapore)	Dormant	100	100	100

<sup>(1)</sup> Audited by BDO LLP, Singapore, a member firm of BDO International Limited.

<sup>(2)</sup> Audited by BDO Malaysia, a member firm of BDO International Limited.

<sup>(3)</sup> Audited by BDO Auckland, New Zealand, a member firm of BDO International Limited.

<sup>(4)</sup> Audited by Kosasih, Nurdyaman, Mulyadi, Tjahjo & Rekan, a member of Crowe Horwath International (2018: Reanda Bernardi, Indonesia).

<sup>(5)</sup> Envictus Capital (Labuan) Inc. and Envictus Foods International Inc. hold 68% and 32%, respectively.

<sup>(6)</sup> Envictus QSR Pte Ltd and Envictus Capital (Labuan) Inc. hold 99% and 1%, respectively.

<sup>(7)</sup> PT Sentrafood Indonusa is in the process of liquidation.

<sup>(8)</sup> The subsidiary was disposed off on 31 May 2019.

<sup>(9)</sup> The subsidiary ceased its operation on 30 September 2019.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

#### 6.3 Disposal of Envictus Dairies NZ Limited ("EDNZ") in financial year 2019

On 12 April 2019, the Group's subsidiary company, Envictus NZ Limited has entered into a sale and purchase agreement (the "SPA") with EDNZ's shareholder for the sale of its entire 72.35% interest in Envictus Dairies NZ Limited ("EDNZ"), for an aggregate consideration of NZD7,000,000 (equivalent to approximately RM18,970,000). The Purchaser is a founding shareholder who has non-controlling interest of 18.89% in EDNZ.

Key conditions precedent to the completion of the SPA are as detailed below:-

- (a) The transfer of aggregate consideration of NZD7,000,000 (approximately RM18,970,000) based on the agreed terms of the SPA;
- (b) Issuance of ordinary shares according to the proportionate interests to the immediate holding company and the non-controlling interest parties for the capitalisation of debts of RM3,935,000 (NZD1,414,973) and RM1,504,000 (NZD540,867), respectively. The subscription of ordinary shares by the non-controlling interest parties resulted in an increase in non-controlling interests of RM1,504,000; and
- (c) Entering into deed of forgiveness of debts between EDNZ with certain companies within the Group and non-controlling interests, where the relevant counterparties agreed to forgive all amounts owed by EDNZ of RM46,462,000 (NZD16,870,000) and RM504,000 (NZD183,000), respectively.

The effects of the waiver of debts by certain subsidiaries within the Group and the non-controlling interests are as detailed below:

	Group 2019 RM'000
Amount waived by the non-controlling interests	504
Less: Amount waived by subsidiaries within the Group	(13,027)
Total amount recognised in equity reserves (Note 23)	(12,523)

On 31 May 2019, the Group had completed the disposal of its entire interest in EDNZ and the net proceeds after working capital adjustments amounted to NZD6,799,000 (equivalent to approximately RM18,379,000).

The effects of the disposal as at the date of disposal were:

	Carrying Amount RM'000
Property, plant and equipment <sup>#</sup>	11,484
Inventories	1,317
Trade and other receivables	1,857
Deferred tax assets	68
Cash and cash equivalents	215
Trade and other payables	(2,998)
Shareholder advances	(1,050)
Net identifiable assets disposed	10,893
Less: Non-controlling interests	(3,015)
Fair value of net asset disposed	7,878

<sup>#</sup> Includes effects of currency alignment

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

#### 6.3 Disposal of Envictus Dairies NZ Limited ("EDNZ") in financial year 2019 (Continued)

The effects of disposal of a subsidiary on cash flows are as follows:

	RM'000
Consideration for disposal of a subsidiary	18,970
Less: Working capital adjustments	(591)
Net consideration receivable	18,379
Net identifiable assets disposed (as above)	(7,878)
Gain on disposal (Note 25)	10,501
Net consideration receivable	18,379
Less: Cash and cash equivalents disposed	(215)
Less: Sale consideration receivable	(400)
Net cash inflow on disposal	17,764

### 7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")/AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group			Company		
	30.9.2019 RM'000	30.9.2018 RM'000	1.10.2017 RM'000	30.9.2019 RM'000	30.9.2018 RM'000	1.10.2017 RM'000
<b>Quoted equity securities, at fair value</b>						
Reported under FRS39	154	242	17,041	-	-	16,829
Effect of adopting SFRS(I) 9 (Note 33)	7,574	-	-	7,574	-	-
Reported under SFRS (I) 9	7,728	242	17,041	7,574	-	16,829
Fair value gain/(loss) recognised directly in other comprehensive income	(70)	(88)	30	(75)	-	-
Cumulative fair value reserve reclassified to profit or loss	-	-	15,541	-	-	15,541
Impairment loss for the financial year	-	-	(32,870)	-	-	(32,870)
	-	-	(17,329)	-	-	(17,329)
Currency realignment	18	-	500	18	-	500
Total	7,676	154	242	7,517	-	-
Quoted equity securities:						
- SGX-ST	7,517	-	-	7,517	-	-
- Bursa Malaysia Securities Berhad	159	154	242	-	-	-
Total	7,676	154	242	7,517	-	-

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")/AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

- i) The Group has designated all equity investments previously classified as available-for-sale financial assets in financial year ended 30 September 2018, to be measured at fair value through other comprehensive income ("FVOCI") as at 1 October 2018. The Group intends to hold these investments for long-term for appreciation in value as well as strategic investments purposes. See Note 33 to the financial statements on the details of reclassification of available-for-sale financial assets as at 1 October 2018 on the adoption of SFRS(I).
- (ii) The investments in listed equity securities have no fixed maturity date nor coupon rate. The fair values of these securities are based on closing quoted market prices on the last market day of the financial year, except for an equity security with a fair value of RM7,517,000 which was temporarily suspended from trading on the Singapore Exchange Securities Trading Limited ("SGX-ST") since 16 September 2017.

The Group and Company engaged an independent professional valuer to perform valuation on the equity security as at 30 September 2019. The equity security was valued using valuation techniques that are commonly used by market participants. The valuation model is based on Asset Approach and publicly available information adjusted for the effect of non-marketability of the equity investment and lack of control.

The currency profiles of the equity investment at FVOCI at each reporting date are as follows:

	Group			Company		
	30.9.2019 RM'000	30.9.2018 RM'000	1.10.2017 RM'000	30.9.2019 RM'000	30.9.2018 RM'000	1.10.2017 RM'000
Ringgit Malaysia	159	154	242	-	-	-
Singapore dollar	7,517	-	-	7,517	-	-
	7,676	154	242	7,517	-	-

### 8. DEFERRED TAX ASSETS

	Group		
	30.9.2019 RM'000	30.9.2018 RM'000	1.10.2017 RM'000
At the beginning of the financial year	1,083	721	1,067
Currency realignment	1	(44)	19
Disposal of a subsidiary (Note 6.3)	(68)	-	-
Recognised in profit or loss	(305)	406	(365)
At the end of the financial year	711	1,083	721

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 8. DEFERRED TAX ASSETS (CONTINUED)

The following are the deferred tax assets recognised by the Group and movements thereon during the financial year:

Group	Property, plant and equipment RM'000	Unutilised tax losses RM'000	Other deductible temporary differences RM'000	Total RM'000
At 1 October 2017	365	88	268	721
Currency realignment	-	(7)	(37)	(44)
Recognised in profit or loss	(41)	223	224	406
At 30 September 2018	324	304	455	1,083
Disposal of a subsidiary	-	-	(68)	(68)
Currency realignment	1	-	-	1
Recognised in profit or loss	(9)	-	(296)	(305)
At 30 September 2019	316	304	91	711

At the end of the reporting period, the deferred tax assets not recognised comprises unutilised tax losses and unabsorbed capital allowances of approximately RM80,694,000 (30 September 2018: RM58,070,000) and RM15,848,000 (30 September 2018: RM14,831,000), respectively that are available for set-off against future taxable profits. No deferred tax asset has been recognised in respect of these items due to the unpredictability of the profit streams. The unutilised tax losses are subject to agreement by relevant tax authorities. These deductible temporary differences do not expire under current tax legislation.

Deferred tax assets have not been recognised in respect of the following items:-

	← 2019 →				← 2018 →		
	Malaysia RM'000	New Zealand RM'000	Indonesia RM'000	Singapore RM'000	Malaysia RM'000	New Zealand RM'000	Indonesia RM'000
Unutilised tax losses	48,896	9,516	19,093	3,189	39,612	3,318	15,140
Unabsorbed capital allowances	15,848	-	-	-	14,831	-	-
	64,744	9,516	19,093	3,189	54,443	3,318	15,140
Unutilised deferred tax assets on the above temporary differences	15,539	2,664	4,773	542	13,066	929	3,785

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 9. INTANGIBLE ASSETS

Group	Goodwill RM'000	Trademarks RM'000	Computer software RM'000	Franchise fees* RM'000	Total RM'000
<b>2019</b>					
<b>Cost</b>					
At 1 October 2018	28,403	23,364	1,756	6,567	60,090
Additions	-	238	68	1,114	1,420
Reclassified as held for sale (Note 13)	-	-	-	(2,635)	(2,635)
Written off	-	-	(35)	-	(35)
Currency realignment	-	(452)	(8)	124	(336)
At 30 September 2019	28,403	23,150	1,781	5,170	58,504
<b>Accumulated amortisation</b>					
At 1 October 2018	-	-	1,370	1,480	2,850
Amortisation for the financial year	-	-	116	596	712
Reclassified as held for sale (Note 13)	-	-	-	(321)	(321)
Written off	-	-	(7)	-	(7)
Currency realignment	-	-	(8)	8	-
At 30 September 2019	-	-	1,471	1,763	3,234
<b>Accumulated impairment</b>					
At 1 October 2018	10,947	11,440	-	-	22,387
Impairment in value	417	5,322	-	1,508	7,247
Reclassified as held for sale (Note 13)	-	-	-	(1,536)	(1,536)
Currency realignment	-	(381)	-	28	(353)
At 30 September 2019	11,364	16,381	-	-	27,745
<b>Net carrying amount</b>					
At 30 September 2019	17,039	6,769	310	3,407	27,525

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 9. INTANGIBLE ASSETS (CONTINUED)

Group	Goodwill RM'000	Trademarks RM'000	Computer software RM'000	Franchise fees* RM'000	Total RM'000
<b>2018</b>					
<b>Cost</b>					
At 1 October 2017	28,409	24,691	2,345	4,119	59,564
Additions	-	-	154	2,448	2,602
Acquisition of a subsidiary	992	-	-	-	992
Disposal of subsidiaries	-	-	(743)	-	(743)
Currency realignment	(998)	(1,327)	-	-	(2,325)
At 30 September 2018	28,403	23,364	1,756	6,567	60,090
<b>Accumulated amortisation</b>					
At 1 October 2017	-	-	1,705	1,121	2,826
Amortisation for the financial year	-	-	125	362	487
Disposal of subsidiaries	-	-	(460)	-	(460)
Currency realignment	-	-	-	(3)	(3)
At 30 September 2018	-	-	1,370	1,480	2,850
<b>Accumulated impairment</b>					
At 1 October 2017	11,945	11,951	-	-	23,896
Currency realignment	(998)	(511)	-	-	(1,509)
At 30 September 2018	10,947	11,440	-	-	22,387
<b>Net carrying amount</b>					
At 30 September 2018	17,456	11,924	386	5,087	34,853
At 1 October 2017	16,464	12,740	640	2,998	32,842

\* The remaining useful life of the franchise fees is between 3 to 20 years (30 September 2018: 4 to 20 years, 1 October 2017: 5 to 20 years).

The amortisation of computer software and franchise fees is included in the "Administrative expenses" in the consolidated statement of comprehensive income.

In the previous financial year, the Group entered into an International Multiple Unit Franchise and Development Agreement ("IMUFDA") with the United States based franchisor, Cajun Global LLC, to develop 80 franchised "Texas Chicken" exclusively for the territories of parts of West Java, Jakarta, Banten, Lampung, South Sumatra and Bengkulu in the country of Republic of Indonesia for 10 years from 2018 to 2027 and paid exclusive territory fees of RM1,962,000.

During the financial year, the Group paid franchise fees for to new stores of RM1,114,000 (30 September 2018: RM486,000, 1 October 2017: RM652,000) in accordance with the IMUFDA to develop and operate "Texas Chicken" restaurants for a period of 10 to 20 years in Malaysia and Indonesia.

Trademarks are registered brands names such as Horleys, San Francisco Coffee, and Delicious acquired through business combinations.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 9. INTANGIBLE ASSETS (CONTINUED)

The useful lives of the trademarks are estimated to be indefinite because based on the current market share of the trademarks, management believes that there is no foreseeable limit to the period over which the trademarks are expected to generate net cash flow for the Group. As such there is no amortisation of the costs of trademarks.

#### *Impairment testing of goodwill, trademarks and other intangible assets*

Goodwill acquired in a business combination is allocated to the cash-generating units ("CGUs") that are expected to benefit from that business combination.

The Group tests significant CGUs for impairment annually, or more frequently when there is an indication that the unit may be impaired.

During the financial year, the management carried out the review of the recoverable amount of the following business divisions:-

- (i) The Nutrition division and a business unit from the Food Services division have made an impairment of goodwill and trademarks amounting to RM417,000 and RM5,322,000, respectively mainly due to continuing operating losses by the respective CGUs.
- (ii) A business unit from the Food Services division had ceased operations as at reporting date and was classified as asset held for sale. Based on the fair value less cost to sell, an impairment of RM1,508,000 is required on franchise fee.

The total impairments of goodwill, trademarks and franchise of RM7,247,000 have been included under "other operating expenses" in the profit and loss.

For presentation purposes, the carrying amounts of significant goodwill, trademarks and other intangible assets allocated to the respective CGUs have been grouped to the following segments:

- (a) Food Services;
- (b) Trading and Frozen Food; and
- (c) Nutrition.

	Food Services RM'000	Trading and Frozen Food RM'000	Nutrition RM'000
<b>30.9.2019</b>			
<b>Net carrying amount</b>			
Goodwill	12,005	4,042	-
Trademarks	3,300	-	3,232
Franchise fees	3,407	-	-
<b>30.9.2018</b>			
<b>Net carrying amount</b>			
Goodwill	12,422	4,042	-
Trademarks	4,629	-	7,295
Franchise fees	5,087	-	-
<b>1.10.2017</b>			
<b>Net carrying amount</b>			
Goodwill	12,422	4,042	-
Trademarks	4,629	-	8,111
Franchise fees	2,998	-	-

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 9. INTANGIBLE ASSETS (CONTINUED)

#### *Impairment testing of goodwill, trademarks and other intangible assets (Continued)*

The recoverable amount of the CGUs are determined from value-in-use calculations based on forecasts derived from the most recent cash flow projections approved by management covering a 5-year period or more, no growth is projected after the fifth year. The key assumptions for these value-in-use calculations are those regarding the discount rates, sales growth rates and gross margins.

	Food Services %	Trading and Frozen Food %	Nutrition %
<b>30.9.2019</b>			
Gross margin <sup>(1)</sup>	58.90 - 64.00	21.00	48.01
Sales growth rate <sup>(2)</sup>	17.00 - 18.90	5.00	(18.23)
Discount rate <sup>(3)</sup>	12.01 - 16.00	15.12	18.61
<b>30.9.2018</b>			
Gross margin <sup>(1)</sup>	58.50 - 64.00	18.09	47.00
Sales growth rate <sup>(2)</sup>	18.20 - 20.90	10.00	2.98
Discount rate <sup>(3)</sup>	13.45 - 13.90	11.13	13.37
<b>1.10.2017</b>			
Gross margin <sup>(1)</sup>	57.50 - 64.00	17.61	46.40
Sales growth rate <sup>(2)</sup>	21.16 - 22.00	10.55	3.46
Discount rate <sup>(3)</sup>	6.65	6.65	5.50

<sup>(1)</sup> Average budgeted gross margin.

<sup>(2)</sup> Average sales growth rate used to extrapolate cash flows for the 5-year period.

<sup>(3)</sup> Pre-tax discount rate applied to the cash flow projections.

#### *Key assumptions used in the value-in-use calculations*

The calculations of value-in-use for all the CGUs are most sensitive to the following assumptions:

**Budgeted gross margins** – Gross margins are based on average values achieved in the five years preceding the start of the budget period. These are increased over the budget period for anticipated efficiency improvements and expectations of future changes in market condition.

**Sales growth rates** – The forecasted sales growth rates are based on management estimates with reference to the historical trend.

**Pre-tax discount rates** – Discount rates are based on the Group's beta adjusted to reflect management's assessment of specific risks related to the cash generating unit.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 9. INTANGIBLE ASSETS (CONTINUED)

#### *Sensitivity to changes in assumptions*

If any of the following changes were made to the above key assumptions, the carrying amounts of the CGUs would not be materially different from their recoverable amounts.

	Group		
	30.9.2019	30.9.2018	1.10.2017
Budgeted gross margins	Reduction from 5.0% - 10%	Reduction from 5.2% - 10%	Reduction from 6.6% - 10%
Sales growth rates	Reduction of 10%	Reduction of 10%	Reduction of 10%
Pre-tax discount rates	Increase of 10%	Increase of 10%	Increase of 10%

### 10. INVENTORIES

	Group		
	30.9.2019 RM'000	30.9.2018 RM'000	1.10.2017 RM'000
Finished goods	35,917	31,128	36,232
Raw materials	3,850	2,907	3,012
Packaging materials	1,950	2,820	2,820
Work in progress	19	362	238
Consumables	4,944	4,499	3,478
	46,680	41,716	45,780
Allowance for write-down of inventories	(1,058)	(1,193)	(1,136)
	45,622	40,523	44,644

Movements in the allowance for write-down of inventories are as follows:

	Group		
	2019 RM'000	2018 RM'000	2017 RM'000
At 1 October	1,193	1,136	285
Allowance made during the financial year	-	316	1,136
Reversal of allowance no longer required	(135)	(259)	(285)
At 30 September	1,058	1,193	1,136

The cost of inventories recognised as an expense and included in "cost of goods sold" in the consolidated statement of comprehensive income amounted to RM265,394,000 (30 September 2018: RM246,176,000).

The allowance provided during the financial year is RM Nil (30 September 2018: RM316,000, 1 October 2017: RM1,136,000) pertains to the slow moving inventories. The reversal of allowance no longer required of RM135,000 (30 September 2018: RM259,000) pertains to inventories sold above their carrying amounts in the current financial year. The reversal was included in the "cost of sales" line item in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 11. TRADE AND OTHER RECEIVABLES

	Group			Company		
	30.9.2019 RM'000	30.9.2018 RM'000	1.10.2017 RM'000	30.9.2019 RM'000	30.9.2018 RM'000	1.10.2017 RM'000
<b>Current receivables</b>						
Trade receivables	38,346	40,852	39,478	-	-	-
Loss allowance on trade receivables	(2,823)	(1,746)	(1,571)	-	-	-
	35,523	39,106	37,907	-	-	-
Other receivables	1,879	2,189	964	169	169	172
GST receivables	424	1,902	2,309	-	-	-
Loss allowance on other receivables	(28)	(38)	(27)	-	-	-
	2,275	4,053	3,246	169	169	172
Prepayments	5,298	5,163	9,083	77	73	45
Deposits	11,266	11,012	9,016	35	35	447
Advances to suppliers	19	17	-	-	-	-
	16,583	16,192	18,099	112	108	492
Due from subsidiaries						
- non-trade	-	-	-	190,242	154,108	327,119
Loss allowance on receivables	-	-	-	(46,724)	(68,988)	(48,242)
	-	-	-	143,518	85,120	278,877
<b>Total trade and other receivables</b>	<b>54,381</b>	<b>59,351</b>	<b>59,252</b>	<b>143,799</b>	<b>85,397</b>	<b>279,541</b>

The trade amounts owing by third parties are repayable within the normal trade credit terms 30 to 90 days (30 September 2018: 30 to 90 days, 1 October 2017: 30 to 60 days).

In the current financial year, the non-trade amounts due from subsidiaries are unsecured, interest-free, are repayable on demand and are to be settled in cash.

In the previous financial year, the amount due from a subsidiary of RM24,845,000 (1 October 2017: RM26,035,000) bears interest at 5.55% (1 October 2017: 5.55%) per annum.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 11. TRADE AND OTHER RECEIVABLES (CONTINUED)

The currency profiles of the Group's and Company's trade and other receivables (excluding GST receivables, prepayments and advances to suppliers) at each reporting date are as follows:

	Group			Company		
	30.9.2019 RM'000	30.9.2018 RM'000	1.10.2017 RM'000	30.9.2019 RM'000	30.9.2018 RM'000	1.10.2017 RM'000
Ringgit Malaysia	45,180	45,221	40,657	131,748	83,780	178,715
Singapore dollar	421	169	592	958	762	29,176
United States dollar	9	1,650	179	105	95	29,926
New Zealand dollar	2,606	3,893	5,132	-	-	40,443
Australian dollar	294	816	1,300	-	-	49
British Pound sterling	-	-	-	-	-	872
Euro	-	12	-	4,481	-	-
Indonesian rupiah	130	508	-	6,430	687	315
	48,640	52,269	47,860	143,722	85,324	279,496

### 12. CASH AND BANK BALANCES

	Group			Company		
	30.9.2019 RM'000	30.9.2018 RM'000	1.10.2017 RM'000	30.9.2019 RM'000	30.9.2018 RM'000	1.10.2017 RM'000
Fixed deposits	1,167	553	14,225	-	-	-
Cash and bank balances	22,690	35,554	35,664	458	5,600	5,175
	23,857	36,107	49,889	458	5,600	5,175

Fixed deposits are placed for a period of approximately 30 to 365 days (30 September 2018: 30 to 365 days, 1 October 2017: 30 to 365 days) and the effective interest rates on the fixed deposits ranged from 2.95% to 3.90% (30 September 2018: 2.95% to 3.90%, 1 October 2017: 2.95% to 3.90%) per annum. The total fixed deposits of RM1,167,000 (30 September 2018: RM553,000, 1 October 2017: RM571,000) was pledged as security for the bank guarantee and payroll letter of credit facility.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 12. CASH AND BANK BALANCES (CONTINUED)

The currency profiles of the Group's and Company's fixed deposits and cash and bank balances as at each reporting date are as follows:

	Group			Company		
	30.9.2019 RM'000	30.9.2018 RM'000	1.10.2017 RM'000	30.9.2019 RM'000	30.9.2018 RM'000	1.10.2017 RM'000
Ringgit Malaysia	22,741	32,940	30,062	53	4,720	3,170
Singapore dollar	400	906	1,817	372	849	1,738
United States dollar	4	5	32	2	2	30
New Zealand dollar	427	1,186	2,628	20	19	23
Australian dollar	35	113	287	11	10	111
Indonesian rupiah	250	957	14,960	-	-	-
Hong Kong dollar	-	-	103	-	-	103
	23,857	36,107	49,889	458	5,600	5,175

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following at the end of the reporting period:

	Group		
	30.9.2019 RM'000	30.9.2018 RM'000	1.10.2017 RM'000
Fixed deposits	1,167	553	14,225
Cash and bank balances	22,690	35,554	35,664
Total	23,857	36,107	49,889
Less: pledged fixed deposits	(1,167)	(553)	(571)
Less: bank overdraft (Note 15)*	(19)	(19,182)	(445)
Cash and cash equivalents for the purpose of the consolidated statement of cash flows	22,671	16,372	48,873

\* Bank overdraft of RM19,000 was utilised for operating activities (excluded from cash and cash equivalents) and the remaining balance of RM930,000 for financing activities.

### 13. ASSETS CLASSIFIED AS HELD FOR SALE

On 18 September 2019, a wholly-owned Indonesian subsidiary, PT Quick Service Restaurant ("PTQSR") has entered into a sale and purchase agreement with PT Quick Serve Indonesia ("Purchaser") for the disposal of assets ("Sale of Assets") for a consideration of IDR31,183,000,000 (approximately RM9,200,000) on terms and conditions of the Agreement.

The salient terms of the agreement are as detailed below:-

- (a) PTQSR operates six Texas Chicken restaurants ("restaurants") in Indonesia. The Sale of Assets comprise the Texas Chicken franchise rights, all the fixtures and fittings, kitchen equipment, lease deposits and prepayments of operating lease for the six Texas Chicken outlets.

The purchaser has agreed to take over all the Sale of Assets and bear the operational costs of the restaurants from 1 October 2019;

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 13. ASSETS CLASSIFIED AS HELD FOR SALE (CONTINUED)

The salient terms of the agreement are as detailed below:- (Continued)

- (b) The Purchaser agrees to make an offer of employment to all existing employees of the Company on the same terms and conditions as the existing employment contract and be responsible for their payroll. If any of the employee rejected the offer of employment from the Purchaser, PTQSR will terminate the employment contract and agrees to bear the costs of any labour claims; and
- (c) The ownership of the Sale of Assets will be transferred from the Company to the Purchaser on 31 March 2020 or such other date as agreed by the Company and the Purchaser (the "Completion Date").

The Sale of Assets were classified as assets held for sale on the consolidated statement of financial position. The operations were part of the Group's food services segment.

The major classes of assets classified as held for sale as at 30 September 2019 were as follows:

	Group 2019 RM'000
Property, plant and equipment (Note 4)	6,507
Intangible assets (Note 9)	778
Trade and other receivables	1,739
Total assets, representing net assets classified as held for sale	9,024

### 14. TRADE AND OTHER PAYABLES

	Group			Company		
	30.9.2019 RM'000	30.9.2018 RM'000	1.10.2017 RM'000	30.9.2019 RM'000	30.9.2018 RM'000	1.10.2017 RM'000
Trade payables – third parties	31,824	23,583	19,850	-	-	-
GST and SST payables	218	58	143	-	-	-
Provision for employee benefits	107	282	439	-	-	-
Other payables	21,120	24,299	11,433	11	13	12
Contract liabilities	713	159	187	-	-	-
Refundable deposits received	1,782	535	787	-	-	-
Accruals	22,084	18,725	14,909	1,343	1,381	1,499
Due to a subsidiary – non-trade	-	-	-	740	1,026	7
Total trade and other payables	77,848	67,641	47,748	2,094	2,420	1,518

The average credit period on purchases of goods ranges from 7 to 90 days (30 September 2018 and 1 October 2017: 7 to 60 days).

The non-trade amount due to a subsidiary is unsecured, interest-free and repayable on demand to be settled in cash.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 14. TRADE AND OTHER PAYABLES (CONTINUED)

#### *Contract liabilities*

	Group		
	30.9.2019 RM'000	30.9.2018 RM'000	1.10.2017 RM'000
Volume rebates	204	-	-
Deferred income	509	159	187
	713	159	187

Contract liabilities for expected volume rebates are discounts offered to customers with large volumes of orders.

Deferred income are obligations to transfer goods and services to the customers for which payments from sale of F&B vouchers and sale of goods were received in advance from customers. Deferred income are recognised as revenue upon redemption of the vouchers or delivery of the performance obligations which are generally within 12 months.

The currency profiles of the Group's and Company's trade and other payables (excluding GST payables, Sale and Service Tax ("SST") payables, contract liabilities and provision for employee benefits) as at each reporting date are as follows:

	Group			Company		
	30.9.2019 RM'000	30.9.2018 RM'000	1.10.2017 RM'000	30.9.2019 RM'000	30.9.2018 RM'000	1.10.2017 RM'000
Ringgit Malaysia	67,074	55,029	34,819	739	1,161	15
Singapore dollar	1,427	1,548	1,631	1,349	1,253	1,503
United States dollar	1,635	1,259	457	6	6	-
New Zealand dollar	2,222	7,002	6,460	-	-	-
Australian dollar	1,417	270	1,806	-	-	-
Euro	494	378	965	-	-	-
Swiss franc	-	289	421	-	-	-
British pound	-	399	380	-	-	-
Indonesian rupiah	2,541	968	40	-	-	-
	76,810	67,142	46,979	2,094	2,420	1,518



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 15. BANK BORROWINGS

	Group			Company		
	30.9.2019 RM'000	30.9.2018 RM'000	1.10.2017 RM'000	30.9.2019 RM'000	30.9.2018 RM'000	1.10.2017 RM'000
<b>Current liabilities</b>						
<i>Secured:</i>						
Banker's acceptance	27,656	17,518	24,886	-	-	-
Revolving credit	-	-	8,746	-	-	8,746
Bank overdraft	949	19,182	445	-	19,182	-
Term loans	12,882	10,099	8,730	-	-	-
	41,487	46,799	42,807	-	19,182	8,746
<b>Non-current liabilities</b>						
<i>Secured:</i>						
Term loans	146,259	79,562	72,411	-	-	-
Total bank borrowings	187,746	126,361	115,218	-	19,182	8,746

The carrying amounts of bank borrowings approximate their fair values as they are floating rate instruments that are re-priced to market interest rates or drawdown near the end of the reporting period.

The currency profiles of bank borrowings of the Group's and the Company's as at each reporting date are as follows:

	Group			Company		
	30.9.2019 RM'000	30.9.2018 RM'000	1.10.2017 RM'000	30.9.2019 RM'000	30.9.2018 RM'000	1.10.2017 RM'000
Ringgit Malaysia	187,746	126,361	106,472	-	19,182	-
Singapore dollar	-	-	8,746	-	-	8,746
	187,746	126,361	115,218	-	19,182	8,746

	Group			Company		
	30.9.2019 %	30.9.2018 %	1.10.2017 %	30.9.2019 %	30.9.2018 %	1.10.2017 %
<b>Effective interest rates</b>						
Banker's acceptance	3.51 – 4.25	3.25 – 4.65	3.20 – 4.70	-	-	-
Revolving credit	-	-	3.10 – 3.35	-	-	3.10 – 3.35
Bank overdraft	8.40	8.15	7.65	-	8.15	-
Term loans	3.75 – 7.25	4.35 – 6.65	4.35 – 7.35	-	-	-

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 15. BANK BORROWINGS (CONTINUED)

Non-current bank borrowings are repayable as follows:

	Group			Company		
	30.9.2019 RM'000	30.9.2018 RM'000	1.10.2017 RM'000	30.9.2019 RM'000	30.9.2018 RM'000	1.10.2017 RM'000
After one year	13,059	14,688	9,685	-	-	-
Two to five years	63,481	32,784	28,517	-	-	-
After five years	69,719	32,090	34,209	-	-	-
	146,259	79,562	72,411	-	-	-

The Group's bank borrowings as at 30 September 2019 are secured against the following:

- Company's corporate guarantee, except for a secured term loan of RM Nil (30 September 2018: RM Nil, 1 October 2017: RM102,000) (Note 18);
- Pledge of leasehold land and buildings and assets under construction (Note 4 and Note 5);
- Pledge of shares of a subsidiary; and
- Debenture comprising fixed and floating charge over all future and present assets of certain subsidiaries.

### 16. FINANCE LEASE PAYABLES

	Minimum lease payments RM'000	Future finance charges RM'000	Present value of lease payments RM'000
<b>Group</b>			
<b>30.9.2019</b>			
Within one year	11,107	(1,277)	9,830
After one year but within five years	20,227	(1,423)	18,804
	31,334	(2,700)	28,634
<b>30.9.2018</b>			
Within one year	10,914	(1,527)	9,387
After one year but within five years	23,712	(1,810)	21,902
	34,626	(3,337)	31,289
<b>1.10.2017</b>			
Within one year	8,485	(1,169)	7,316
After one year but within five years	17,849	(1,311)	16,538
	26,334	(2,480)	23,854

The finance lease terms range from 1 to 5 years (30 September 2018 and 1 October 2017: 1 to 5 years). The effective interest rates charged during the financial year ranges from 2.28% to 16.34% (30 September 2018: 2.50% to 16.34% and 1 October 2017: 2.50% to 5.77%) per annum. Interest rates are fixed at the contract dates.

All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The Group's obligations under finance leases are secured by the leased assets (Note 4) and certain finance leases are secured by corporate guarantee (Note 18) issued by the Company.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 16. FINANCE LEASE PAYABLES (CONTINUED)

The currency profiles of the Group's finance lease payables as at 30 September are as follows:

	Group		
	30.9.2019 RM'000	30.9.2018 RM'000	1.10.2017 RM'000
Ringgit Malaysia	28,513	31,151	23,854
Indonesian rupiah	121	138	-
	28,634	31,289	23,854

### 17. PROVISION FOR RESTORATION COSTS

	Group		
	30.9.2019 RM'000	30.9.2018 RM'000	1.10.2017 RM'000
At the beginning of the financial year	3,285	1,462	1,193
Arose during the financial year (Note 4)	742	1,860	305
Discount rate adjustment	137	(7)	65
Unused amounts reversed	(16)	(30)	(3)
Utilised	(35)	-	(98)
At the end of the financial year	4,113	3,285	1,462
Less: Current portion	(1,378)	(1,401)	(109)
Non-current portion	2,735	1,884	1,353

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 costs 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 current liabilities unless the tenancy agreement, for which the restoration is required, expire more than 12 months after the reporting date.

### 18. FINANCIAL GUARANTEE CONTRACTS

	Company		
	30.9.2019 RM'000	30.9.2018 RM'000	1.10.2017 RM'000
At the beginning of the financial year	3,738	3,522	1,606
Additions during the financial year	3,584	1,265	2,844
Amortisation during the financial year	(1,970)	(953)	(979)
Currency realignment	7	(96)	51
At the end of the financial year	5,359	3,738	3,522

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 18. FINANCIAL GUARANTEE CONTRACTS (CONTINUED)

The Company provided corporate guarantee to banks for certain bank borrowings and finance lease payables of its subsidiaries. The balance as at reporting date represents the fair value of financial guarantee contracts discounted at interest rates ranging from 2.85% to 7.25% (30 September 2018: 2.85% to 7.15%, 1 October 2017: 2.85% to 6.50%) per annum for over 1 to 12 years (30 September 2018: 1 to 14 years, 1 October 2017: 1 to 9 years).

The currency profiles of the Company's financial guarantee contracts as at reporting date are denominated in Ringgit Malaysia.

### 19. DEFERRED TAX LIABILITIES

	Group		
	30.9.2019	30.9.2018	1.10.2017
	RM'000	RM'000	RM'000
At the beginning of the financial year	5,181	2,270	2,553
Acquisition of a subsidiary	-	2,075	-
Disposal of subsidiaries	-	(82)	-
Currency realignment	2	(2)	-
Recognised in profit or loss	(522)	920	(283)
At the end of the financial year	4,661	5,181	2,270

The following are the deferred tax liabilities recognised by the Group and movements thereon during the financial year:

	Property, plant and equipment RM'000	Other taxable temporary differences RM'000	Total RM'000
<b>Group</b>			
At 1 October 2017	2,883	(613)	2,270
Acquisition of a subsidiary	1,993	-	1,993
Currency realignment	2	(2)	-
Recognised in profit or loss	(438)	1,358	920
At 1 October 2018	4,440	743	5,183
Recognised in profit or loss	(72)	(450)	(522)
At 30 September 2019	4,368	293	4,661

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 20. SHARE CAPITAL AND TREASURY SHARES

#### (a) Share capital

	30.9.2019		Group and Company 30.9.2018		1.10.2017	
	S\$'000	RM'000	S\$'000	RM'000	S\$'000	RM'000
<b>Issued and fully paid:</b>						
At the beginning of the financial year	51,968	127,453	46,526	111,406	46,526	111,406
Issued for acquisition of a subsidiary	-	-	5,442	16,047	-	-
Issuance of new shares under the rights issue	16,831	51,290	-	-	-	-
Transaction costs in respect of the rights issue	(288)	(878)	-	-	-	-
At the end of the financial year	68,511	177,865	51,968	127,453	46,526	111,406

The Company has only one class of ordinary shares which carry no right to fixed income. The holders of ordinary shares of the Company are entitled to receive dividends as and when declared by the Company. All ordinary shares of the Company carry one vote per share without restriction. Share capital does not have a par value. All of these newly issued ordinary shares rank pari-passu with the existing ordinary shares.

- (i) On 11 June 2018, the Company issued 15,775,210 new ordinary shares for a total consideration of RM16,047,000 at fair value of RM1.017 (S\$0.345) per share for the acquisition of Motivage Sdn Bhd, representing the remaining consideration paid for the acquisition.
- (ii) On 28 November 2018, the Company completed its renounceable non-underwritten Rights cum Warrants following the issuance and allotment of 105,195,904 new ordinary shares in the Company (the "Rights Shares") at an issue price of RM0.49 (S\$0.16) per Rights Share, together with up to 105,195,904 free detachable Warrants (the "Warrants"), on the basis of four (4) Rights Shares for every five (5) existing ordinary shares in the capital of the Company held by entitled shareholders as at books closure date on 29 October 2018, with one (1) Warrant for every one (1) Rights Share subscribed by the shareholders of the Company.

Each Warrant carries the right to subscribe one new ordinary share in the capital of the Company at an exercise price of RM0.49 (S\$0.16) for each new ordinary share and is exercisable at any time during the period commencing on the date falling twelve (12) months from the date of issue of the Warrants and expiring on the day immediately preceding the fourth (4th) anniversary of the date of issue of the Warrants.

The newly issued shares rank pari-passu in all respect with the previously issued shares.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 20. SHARE CAPITAL AND TREASURY SHARES (CONTINUED)

#### (a) Share capital (Continued)

(iii) Movements in number of shares issued:

	Group and Company		
	Number of ordinary shares		
	30.9.2019	30.9.2018	1.10.2017
	'000	'000	'000
At the beginning of the financial year	142,160	126,385	126,385
Issued for acquisition of a subsidiary	-	15,775	-
Issuance of new shares under rights issue	105,196	-	-
At the end of the financial year	247,356	142,160	126,385

The Group raised approximately RM50,412,000 (\$16,543,000) after deducting expenses of RM878,000 (\$288,000) relating to the Rights cum Warrant Issues.

#### (b) Treasury shares

Movement in treasury shares:

	Group and Company					
	Number of treasury shares			Amount		
	30.9.2019	30.9.2018	1.10.2017	30.9.2019	30.9.2018	1.10.2017
	'000	'000	'000	RM'000	RM'000	RM'000
At the beginning/end of the financial year	242	242	242	183	183	183

The total amount paid to repurchase the shares has been deducted from shareholders' equity. The repurchased shares are held as treasury shares.

#### (c) Share option reserve

Share option reserve represents the equity-settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options.

Unexercised share options had lapsed on expiry of the share options on 12 October 2017. Accordingly, share options previously recognised in share options reserve had been transferred to the accumulated profits in the statements of changes in equity in the previous financial year.

### 21. FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve of the Group and the Company represents foreign exchange differences arising from the translation of the financial statements of foreign operations and the Company whose functional currencies are different from that of the Group's presentation currency. This is non-distributable and the movements in this account are set out in the statements of changes in equity.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 22. FAIR VALUE RESERVE

The fair value reserve represents the cumulative change in the fair value adjustment of FVOCI financial assets (30 September 2018 and 1 October 2017: available-for-sale financial assets) until the assets are derecognised or impaired. Movements in this reserve are set out in the statement of changes in equity.

### 23. OTHER RESERVE

The other reserve of RM4,562,000 represents premium paid for the acquisition of non-controlling interests in subsidiaries. The remaining balance of other reserve of RM12,523,000 represents the dilutive effects arising from the forgiveness of debts on balances owed by a subsidiary with non-controlling interests as disclosed in Note 6.3(c) to the financial statements. Movements in this reserve are set out in the consolidated statement of changes in equity.

### 24. REVENUE

Revenue represents sale of food and beverages from food services as well as processing and distribution of food, beverages, dairies and nutrition products recognised at a point in time (Note 31).

### 25. LOSS BEFORE INCOME TAX

In addition to the charges and credits disclosed elsewhere in the financial statements, loss before income tax is arrived at after charging/ (crediting) the following:

	Group	
	2019	2018
	RM'000	RM'000
Advertising and promotions	8,629	11,129
Amortisation of intangible assets	712	487
Audit fees:		
- Auditor of the Company	220	219
- Other auditors	405	357
Non-audit fees:		
- Other auditors	11	85
Depreciation of:		
- Property, plant and equipment	26,185	26,232
- Investment properties	482	511
Directors' remuneration:		
- Directors of the Company	549	1,343
- Directors of the subsidiaries	1,376	1,608
Directors' fee of the Company	1,041	940
Operating lease expense:		
- Fixed portion	30,836	24,056
- Variable portion	1,764	1,875
Property, plant and equipment written off	1,050	1,060
Intangible assets written off	28	-
Allowance for write down of inventories	-	316

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 25. LOSS BEFORE INCOME TAX (CONTINUED)

In addition to the charges and credits disclosed elsewhere in the financial statements, loss before income tax is arrived at after charging/ (crediting) the following: (Continued)

	Group	
	2019 RM'000	2018 RM'000
Inventories written off	-	566
Reversal of allowance for write down of inventories	(135)	(259)
Staff costs:		
- Salaries, bonuses and allowances	84,971	77,396
- Employer contributions to defined contribution plans	7,105	6,652
Impairment of intangible assets	7,247	-
Impairment of property, plant and equipment	161	-
Dividend income*	(1)	(156)
Fair value loss on held-for-trading investments, net*	-	450
Foreign currency exchange loss/(gain), net*	742	(4,080)
Loss/(Gain)* on disposal of:		
- Held-for-trading investments	-	1
- Property, plant and equipment	(1,308)	(4,818)
- Investment properties	-	(2,812)
Gain on disposal of subsidiaries*	(10,501)	(1,837)
Interest income*	(446)	(701)
Rental income:*		
- Investment properties	(1,584)	(1,826)
- Others	(63)	(67)

\* Included in other operating income.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 26. FINANCE COSTS

	Group	
	2019 RM'000	2018 RM'000
Interest expense		
- Bank overdraft	311	373
- Banker's acceptance	966	659
- Term loans	3,556	2,930
- Revolving credit	-	12
- Finance lease	1,617	1,599
- Others	233	93
	<b>6,683</b>	<b>5,666</b>

### 27. INCOME TAX EXPENSE

	Group	
	2019 RM'000	2018 RM'000
<b>Current tax:</b>		
- Current year	2,379	1,999
- Under/(over) provision in prior years	244	(79)
	<b>2,623</b>	<b>1,920</b>
<b>Deferred tax:</b>		
- Current year	142	667
- Over provision in prior years	(359)	(153)
	<b>(217)</b>	<b>514</b>
	<b>2,406</b>	<b>2,434</b>

The Group has significant operations in Malaysia, for which the corporate income tax rate applicable is 24% (30 September 2018: 24%). Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 27. INCOME TAX EXPENSE (CONTINUED)

The corporate income tax applicable to the Company and its subsidiaries in Indonesia is at 25% (30 September 2018: 25%) and in New Zealand is 28% (30 September 2018: 28%).

The income tax expense varied from the amount of income tax expense determined by applying the Malaysia income tax rate of 24% (30 September 2018: 24%) to loss before income tax as a result of the following differences:

	Group	
	2019 RM'000	2018 RM'000
<b>Loss before income tax</b>	(34,445)	(25,432)
Income tax calculated at Malaysia statutory tax rate of 24% (2018: 24%)	(8,267)	(6,104)
Effect of different tax rates in other countries	208	(534)
Expenses not deductible for tax purposes	7,582	5,072
Income not subject to tax	(2,969)	(3,153)
Tax incentives	(11)	-
Under/(over) provision in prior years	244	(79)
Deferred tax over provision in prior years	(359)	(153)
Deferred tax assets not recognised	6,300	7,259
Utilisation of deferred tax assets previously not recognised	(562)	(577)
Withholding tax	199	703
Others	41	-
	<b>2,406</b>	<b>2,434</b>

### 28. LOSS PER SHARE

Basic loss per share is calculated by dividing the Group's loss after income tax attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2019	2018
Loss after income tax attributable to owners of the Company (RM'000)	(35,455)	(26,408)
Weighted average number of ordinary shares in issue during the financial year ('000)	230,398	130,984
Basic/diluted loss per share (RM sen)	(15.39)	(20.16)

Diluted loss per share is the same as the basic loss per share because there are no potential ordinary shares as at the end of the current financial year.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 29. SIGNIFICANT RELATED PARTY TRANSACTIONS

During the financial year, in addition to the information disclosed elsewhere in the financial statements, the Group and the Company entered into the following transactions with related parties at rates and terms agreed between the parties:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
With related parties:				
- Insurance premium paid to a related party*	1,698	1,643	17	20
- Purchase of goods from a related party*	567	800	-	-
- Purchase of motor vehicles from related parties*	952	958	-	-
- Acquisition of a subsidiary#	-	21,047	-	-
- Rental income	177	172	-	-
- Consultancy services®	183	45	-	-
- Advisory fees paid to a Director	237	-	237	-

	Company	
	2019 RM'000	2018 RM'000
With subsidiaries:		
- Management fees	(912)	(1,176)
- Interest income	(707)	(1,379)
- Net settlement of liabilities on behalf of subsidiaries	4,724	3,096
- Management fees expenses	915	-
- Advances to subsidiaries	(75,718)	(70,088)
- Repayments from subsidiaries	18,229	28,424

\* A related party is a company where the Directors have beneficial interest or significant influence over the entity.

# Related parties where a Director of the subsidiaries and a close family member of the Director have beneficial interest or significant influence over the entity.

® Consultancy fee paid to a Director to oversee and monitor construction of a factory.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 29. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

The remuneration of Directors and other members of key management of the Group and of the Company are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Short-term employee benefits	4,944	5,906	1,485	2,242
Post-employment benefits	245	324	15	41
	5,189	6,230	1,500	2,283
Analysed into:				
- Directors of the Company	1,500	2,283	1,500	2,283
- Directors of the subsidiaries	1,286	1,608	-	-
- Other key management personnel	2,403	2,339	-	-
	5,189	6,230	1,500	2,283

### 30. COMMITMENTS

#### 30.1 Capital commitments

As at the end of the reporting period, the Group had the following capital commitments:

	Group	
	30.9.2019 RM'000	30.9.2018 RM'000
Contracted but not provided for:		
Construction of a factory	8,536	80,818
Renovation, purchase of plant and equipment	52,811	43,663
	61,347	124,481

#### 30.2 Operating lease commitments – as lessee

As at the end of the reporting period, there were operating lease commitments for rental payable in subsequent accounting periods as follows:

	Group	
	30.9.2019 RM'000	30.9.2018 RM'000
Within one year	25,462	23,218
Two to five years	16,087	23,334
More than five years	-	2,989
	41,549	49,541

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 30. COMMITMENTS (CONTINUED)

#### 30.2 Operating lease commitments – as lessee (Continued)

As at the end of the reporting period, the Group leases office premises and other operating facilities under operating leases. Leases are negotiated and rentals are fixed for a period of 1 to 5 years (30 September 2018: 1 to 10 years) with an option to renew at the prevailing market rates. Apart from the above lease commitment, the Group is required to pay contingent rentals based on percentage of sales derived from the operations for certain rented premises.

#### 30.3 Operating lease commitments – as lessor

As at the end of the reporting period, there were non-cancellable operating lease commitments for rental receivable for premises in subsequent accounting periods as follows:

	Group	
	30.9.2019 RM'000	30.9.2018 RM'000
Within one year	1,585	366
Two to three years	366	-
	1,951	366

The above lease agreements expire within 1 to 2 year expiring in 2020 (30 September 2018: within 1 year expiring in 2018). The current rent receivables under the leases are subject to revision after expiry with no provisions for contingent rent.

Upon expiry of the lease term, the lessee is granted an option to renew the tenancy for two years subject to compliance and observation of all the terms and conditions in the tenancy agreements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

## 31. SEGMENT INFORMATION

### Business segments

A segment is a distinguishable component of the Group's business that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Management has determined the operating segments based on the reports reviewed that are used to make strategic decisions.

The Group's reportable segments are strategic business units that are organised based on their function and targeted customer groups. They are managed separately because each business unit requires different skill sets and marketing strategies.

Management monitors the operating results of the segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on operation profit or loss which is similar to the accounting profit or loss.

The accounting policies of the operating segments are the same of those described in the summary of significant accounting policies. There is no asymmetrical allocation to reportable segments.

Management evaluates performance on the basis of profit or loss from operation before tax expense not including non-recurring gains and losses and foreign exchange gains or losses.

The Group's businesses segments are as follows:

- (a) Food Services Division – Texas Chicken, San Francisco Coffee and Delicious Restaurants;
- (b) Trading and Frozen Food Division – wholesalers of foodstuff, provisions and frozen meat;
- (c) Food Processing Division comprising of:
  - bakery;
  - butchery;
  - beverages; and
  - contract packaging for daily and juice-based drinks
- (d) Nutrition Division – marketing and distribution of branded sport nutrition and weight management food; and
- (e) Dairies Division – distribution of condensed and evaporated milk.

### Intersegment sales

The Group accounts for intersegment sales and transfer as if the sales or transfers were to third parties, which approximate market prices. These intersegment transactions are eliminated on consolidation. Inter-segment pricing is determined on an arm's length basis.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 31. SEGMENT INFORMATION (CONTINUED)

#### Business segments (Continued)

	Food Services RM'000	Trading and Frozen Food RM'000	Food Processing RM'000	Nutrition RM'000	Dairies RM'000	Unallocated RM'000	Total RM'000
<b>30.9.2019</b>							
<b>Revenue</b>							
Total revenue	220,454	169,382	34,871	19,092	38,746	4,564	487,109
Intersegment revenue	(907)	(16,363)	(1,735)	(834)	(170)	(4,564)	(24,573)
Revenue from external customers	219,547	153,019	33,136	18,258	38,576	-	462,536
<b>Results</b>							
Segment results	(20,853)	11,338	(14,449)	(3,089)	(1,667)	512	(28,208)
Interest income	80	185	28	9	59	85	446
Finance costs	(2,152)	(1,761)	(1,192)	-	(294)	(1,284)	(6,683)
<b>(Loss)/Profit before income tax</b>	<b>(22,925)</b>	<b>9,762</b>	<b>(15,613)</b>	<b>(3,080)</b>	<b>(1,902)</b>	<b>(687)</b>	<b>(34,445)</b>
Income tax (expense)/credit	(12)	(2,190)	266	(246)	-	(224)	(2,406)
<b>(Loss)/Profit after tax</b>	<b>(22,937)</b>	<b>7,572</b>	<b>(15,347)</b>	<b>(3,326)</b>	<b>(1,902)</b>	<b>(911)</b>	<b>(36,851)</b>
<b>Segment assets</b>	<b>141,526</b>	<b>118,140</b>	<b>206,313</b>	<b>11,085</b>	<b>72,372</b>	<b>57,284*</b>	<b>606,720</b>
<b>Segment liabilities</b>	<b>79,549</b>	<b>45,592</b>	<b>104,434</b>	<b>3,659</b>	<b>43,569</b>	<b>26,372<sup>®</sup></b>	<b>303,175</b>
<b>Other information</b>							
Additions to property, plant and equipment	32,747	7,299	51,892	120	20,005	69	112,132
Additions to intangible assets	1,169	9	2	-	240	-	1,420
Depreciation and amortisation	12,691	4,079	7,828	128	358	2,295	27,379
Loss allowance on receivables, net	-	276	121	(247)	19	-	169
Property, plant and equipment written off	612	438	-	-	-	-	1,050
Loss/(Gain) on disposal of property, plant and equipment	26	(1,503)	147	22	-	-	(1,308)
Gain on disposal of a subsidiary	-	-	-	-	-	(10,501)	(10,501)
Impairment of property, plant and equipment	101	-	60	-	-	-	161
Impairment of intangible assets	3,255	-	-	3,992	-	-	7,247

\* Included in unallocated segment assets are financial assets at FVOCI, cash and bank balances, property, plant and equipment and investment properties of the Company and certain subsidiaries amounting to RM7,517,000, RM3,403,000, RM22,368,000 and RM22,882,000, respectively which are not attributable to the reporting segments.

® Included in unallocated segment liabilities is bank borrowings of certain subsidiaries amounting RM23,264,000 which are not attributable to the respective reporting segments.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 31. SEGMENT INFORMATION (CONTINUED)

#### Business segments (Continued)

	Food Services RM'000	Trading and Frozen Food RM'000	Food Processing RM'000	Nutrition RM'000	Dairies RM'000	Unallocated RM'000	Total RM'000
<b>30.9.2018</b>							
<b>Revenue</b>							
Total revenue	172,814	167,990	52,000	27,453	19,957	10,589	450,803
Intersegment revenue	(305)	(13,177)	(3,023)	(955)	(149)	(10,589)	(28,198)
Revenue from external customers	172,509	154,813	48,977	26,498	19,808	-	422,605
<b>Results</b>							
Segment results	(15,602)	12,055	(6,323)	(1,263)	(1,439)	(7,895)	(20,467)
Interest income	68	234	93	8	-	298	701
Finance costs	(1,843)	(1,333)	(810)	1	(22)	(1,659)	(5,666)
<b>(Loss)/Profit before income tax</b>	<b>(17,377)</b>	<b>10,956</b>	<b>(7,040)</b>	<b>(1,254)</b>	<b>(1,461)</b>	<b>(9,256)</b>	<b>(25,432)</b>
Income tax (expense)/credit	(27)	(2,173)	205	(47)	308	(700)	(2,434)
<b>(Loss)/Profit after tax</b>	<b>(17,404)</b>	<b>8,783</b>	<b>(6,835)</b>	<b>(1,301)</b>	<b>(1,153)</b>	<b>(9,956)</b>	<b>(27,866)</b>
<b>Segment assets</b>	<b>123,779</b>	<b>125,063</b>	<b>162,770</b>	<b>16,216</b>	<b>35,497</b>	<b>55,536*</b>	<b>518,861</b>
<b>Segment liabilities</b>	<b>56,808</b>	<b>41,225</b>	<b>69,486</b>	<b>2,348</b>	<b>11,771</b>	<b>52,427®</b>	<b>234,065</b>
<b>Other information</b>							
Additions to property, plant and equipment	33,131	8,322	28,807	140	24,203	700	95,303
Additions to intangible assets	2,523	8	7	-	1,056	-	3,594
Depreciation and amortisation	13,878	2,319	8,567	120	96	2,250	27,230
Loss allowance on receivables, net	(314)	645	192	-	-	-	523
Property, plant and equipment written off	299	1	117	643	-	-	1,060
Allowance for write down of inventories	-	-	316	-	-	-	316
Gain on disposal of property, plant and equipment	(105)	(11)	(4,702)	-	-	-	(4,818)
Gain on disposal of investment properties	-	-	(2,812)	-	-	-	(2,812)

\* Included in unallocated segment assets are cash and bank balances, property, plant and equipment and investment properties of the Company and certain subsidiaries amounting to RM7,509,000, RM24,148,000 and RM23,364,000, respectively which are not attributable to the reporting segments.

® Included in unallocated segment liabilities is bank borrowings of the Company and certain subsidiaries amounting to RM19,182,000 and RM29,253,000, respectively which are not attributable to the respective reporting segments.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 31. SEGMENT INFORMATION (CONTINUED)

#### Business segments (Continued)

	Food Services RM'000	Trading and Frozen Food RM'000	Food Processing RM'000	Nutrition RM'000	Dairies RM'000	Unallocated RM'000	Total RM'000
<b>1.10.2017</b>							
Other information							
Additions to property, plant and equipment	25,389	25,039	33,787	503	-	3,977	88,695
Additions to intangible assets	2,603	85	33	-	-	-	2,721
Segment assets	94,689	127,715	158,131	20,609	-	94,866*	496,010
Segment liabilities	35,881	47,863	56,877	4,116	-	45,993 <sup>®</sup>	190,730

\* Included in unallocated segment assets is cash and bank balances, held-for-trading investments, property, plant and equipment and investment properties of the Company and certain subsidiaries amounting to RM21,245,000, RM23,413,000, RM25,216,000 and RM23,846,000, respectively which are not attributable to the reporting segments.

<sup>®</sup> Included in unallocated segment liabilities is bank borrowings of the Company and certain subsidiaries amounting to RM8,746,000 and RM33,710,000, respectively which are not attributable to the respective reporting segments.

#### Geographical segments

The Group's business segments operate in five main geographical areas. Revenue is based on the country in which the customer is located. Segment non-current assets consist primarily of non-current assets other than financial instruments and deferred tax assets. Segment non-current assets are shown by geographical area in which the assets are located.

	Malaysia RM'000	China RM'000	Asean (excluding Malaysia) RM'000	New Zealand RM'000	Australia RM'000	Others* RM'000	Total RM'000
<b>30.9.2019</b>							
<b>Revenue</b>							
External revenue	426,650	1,526	8,800	22,921	2,440	199	462,536
Segment non-current assets	460,652	-	195	3,756	-	-	464,603
<b>30.9.2018</b>							
<b>Revenue</b>							
External revenue	369,222	822	2,196	41,407	5,642	3,316	422,605
Segment non-current assets	355,858	-	4,082	20,197	-	-	380,137
<b>1.10.2017</b>							
Segment non-current assets	293,107	-	-	24,169	-	-	317,276

\* Comprise countries with individually insignificant revenue and assets

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 32. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

The Group's activities expose the Group to financial risks (including credit risk, foreign currency risk, interest rate risk and liquidity risk) arising in the normal course of business. The Group's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Group's financial performance.

The management is responsible for setting the objectives and underlying principles of financial risks management for the Group. The management continually monitors the Group's financial risk management process to ensure that an appropriate balance between risk and control is achieved.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks. The Group and the Company do not hold or issue derivative financial instruments for trading purposes.

#### 32.1 Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group performs ongoing credit evaluation of its counterparties' financial condition and generally does not require collateral.

At each reporting date, the Group's and Company's maximum exposure to credit risk were represented by the carrying amount of the financial assets on the statement of financial position except for the financial guarantees as disclosed in Note 32.4 to the financial statements.

The Group's and Company's major classes of financial assets are fixed deposits, cash and bank balances and trade and other receivables (excluding GST receivables, prepayments and advances to supplier).

##### Trade receivables

The age analysis of trade receivables that are past due are as follows:

	30.9.2019		30.9.2018		1.10.2017	
	Gross receivables RM'000	Impaired RM'000	Gross receivables RM'000	Impaired RM'000	Gross receivables RM'000	Impaired RM'000
<b>Group</b>						
Past due 1 day to 3 months	12,808	109	18,865	893	15,582	-
Past due over 3 to 6 months	332	8	1,256	13	2,123	-
Past due over 6 to 12 months	380	344	581	120	-	-
Past due over 12 months	2,397	2,362	830	720	1,661	1,571
	15,917	2,823	21,532	1,746	19,366	1,571

The management measures loss allowance for trade receivables at an amount equal to lifetime expected credit losses ("ECL"). The ECL on trade receivables, excluding trade receivables determined to be credit-impaired, are determined based on historical credit loss rate and historical payment pattern, adjusted for current conditions and forecast of future economic conditions that may affect the ability of the customer to settle the trade receivables at the reporting date. As at 30 September 2019, the Group recognised loss allowance of RM2,823,000 (30 September 2018: RM1,746,000, 1 October 2017: RM1,571,000).

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 32. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

#### 32.1 Credit risk (Continued)

##### *Trade receivables* (Continued)

Movements in the allowance for impairment loss on trade receivables are as follows:

	Group		
	30.9.2019 RM'000	30.9.2018 RM'000	1.10.2017 RM'000
Reported under FRS39	1,746	1,571	4,746
Effect of SFRS(I) 9	1,016	-	-
Reported under SFRS(I) 9	2,762	1,571	4,746
Allowance made during the financial year	621	1,052	679
Write back of allowance no longer required	(442)	(540)	(245)
Written off	(36)	(74)	(3,552)
Disposal of subsidiaries	(83)	(236)	-
Currency realignment	1	(27)	(57)
	2,823	1,746	1,571

As disclosed in Note 2.9 to the financial statements, the impairment of trade receivables in prior years was assessed based on objective evidence that the estimated future cash flows have been impacted. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Trade receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group.

##### *Other receivables and deposits*

The Group has assessed credit risk for other receivables amounts due from third parties based on 12-month expected credit loss basis which reflects the low credit risk of exposures.

For amount due from subsidiaries, the management has taken into account information that it has available internally about these subsidiaries' past, current and expected operating performance and cash flow position. The management monitor and assess at each reporting date on any indicator of significant increase in credit risk on the amount due from the subsidiaries, by considering their financial performance and any default in external debt.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 32. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

#### 32.1 Credit risk (Continued)

##### *Other receivables and deposits* (Continued)

Movements in the allowance for impairment loss on other receivables and amounts due from subsidiaries are as follows:

	Group			Company		
	30.9.2019 RM'000	30.9.2018 RM'000	1.10.2017 RM'000	30.9.2019 RM'000	30.9.2018 RM'000	1.10.2017 RM'000
Reported under FRS39	38	27	38	68,988	48,242	65,572
Effect of SFRS(I) 9	-	-	-	727	-	-
Reported under SFRS(I) 9	38	27	38	69,715	48,242	65,572
Allowance made during the financial year	9	19	-	1,743	25,061	-
Write back of allowance no longer required	(19)	(8)	(11)	(25,701)	(1,709)	(17,831)
Currency realignment	-	-	-	967	(2,606)	501
	28	38	27	46,724	68,988	48,242

The management individually assessed and determined that there is a significant increase in credit risk on the amount due from a subsidiary of RM1,743,000. The subsidiary has a history of losses and had ceased operations at year end. The balances has been determined to be credit-impaired as the likelihood of recovery is remote. As at 30 September 2019, the Company had recognised a loss allowance of RM1,743,000 (30 September 2018: RM25,061,000, 1 October 2017: RM Nil). Write back of allowance no longer required is due to amount recovered during the financial year.

##### *Cash and bank and fixed deposits*

Bank balances and fixed deposits are mainly deposits with financial institutions with high credit-ratings assigned by international credit rating agencies which are assigned with investment grade ratings of generally at least BBB. Impairment of cash and bank balances have been measured based on 12 months expected credit loss model. At the reporting date, the Group did not expect any credit loss from non-performance by the counterparties.

#### 32.2 Foreign currency risk

The Group operates and trades in several countries predominantly in Singapore, China, Malaysia, New Zealand, Indonesia and Australia. Currency risk arises within entities in the Group when transactions are denominated in foreign currencies.

Exposure to foreign currency risk is monitored on an ongoing basis to ensure that the net exposure is at an acceptable level, as the Group manages its transactional exposure by matching, as far as possible, receipts and payments in each individual currency.

In relation to the Group's overseas investments in foreign operations where net assets are exposed to currency translation risks, they are not hedged as currency positions in these foreign currencies are considered to be long-term in nature. Differences arising from such translation are recorded under the foreign currency translation reserves.

Foreign currency risk arises from transactions denominated in currencies other than the functional currencies of the respective companies in the Group and the Company.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 32. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

#### 32.2 Foreign currency risk (Continued)

The currencies that give rise to this risk of the Group are primarily Ringgit Malaysia ("MYR"), United States dollar ("USD"), Singapore dollar ("SGD"), New Zealand dollar ("NZD"), Australian dollar ("AUD") and Indonesian rupiah ("IDR").

The currencies that give rise to this risk of the Company are primarily Ringgit Malaysia ("MYR"), United States dollar ("USD"), New Zealand dollar ("NZD"), Australian dollar ("AUD"), Euro ("EUR"), Singapore dollar ("SGD") and Indonesian rupiah ("IDR").

The Group and the Company have not entered into any currency forward exchange contracts as at the end of the reporting period.

The Group's and the Company's material exposure from foreign currency denominated financial assets and financial liabilities as at the end of the reporting period is as follows:

	MYR RM'000	USD RM'000	SGD RM'000	NZD RM'000	AUD RM'000	IDR RM'000
<b>Group</b>						
<b>30.9.2019</b>						
Total financial assets	67,921	13	821	3,033	329	380
Total financial liabilities	(283,333)	(1,635)	(1,427)	(2,222)	(1,417)	(2,662)
Net financial (liabilities)/assets	(215,412)	(1,622)	(606)	811	(1,088)	(2,282)
Less:						
Net financial liabilities/(assets) denominated in the respective entities' functional currencies	347,129	(28,812)	(14,380)	(1,003)	-	9,155
Currency exposure of financial assets/ (liabilities) net of those denominated in the respective entities' functional currencies	131,717	(30,434)	(14,986)	(192)	(1,088)	6,873
<b>30.9.2018</b>						
Total financial assets	78,161	1,655	1,075	5,079	929	1,465
Total financial liabilities	(212,541)	(1,259)	(1,548)	(7,002)	(270)	(1,106)
Net financial (liabilities)/assets	(134,380)	396	(473)	(1,923)	659	359
Less:						
Net financial liabilities/(assets) denominated in the respective entities' functional currencies	221,411	(27,560)	(50,527)	16,319	(44)	57
Currency exposure of financial assets/ (liabilities) net of those denominated in the respective entities' functional currencies	87,031	(27,164)	(51,000)	14,396	615	416

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 32. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

#### 32.2 Foreign currency risk (Continued)

The Group's and the Company's material exposure from foreign currency denominated financial assets and financial liabilities as at the end of the reporting period is as follows: (Continued)

	MYR RM'000	USD RM'000	SGD RM'000	NZD RM'000	AUD RM'000	IDR RM'000	
<b>Group</b>							
<b>1.10.2017</b>							
Total financial assets	70,961	6,223	13,378	7,760	5,357	14,960	
Total financial liabilities	(165,254)	(457)	(10,377)	(6,460)	(1,806)	(40)	
Net financial (liabilities)/assets	(94,293)	5,766	3,001	1,300	3,551	14,920	
Less:							
Net financial liabilities/(assets) denominated in the respective entities' functional currencies	270,665	(1,121)	(35,085)	55,701	-	(14,909)	
Currency exposure of financial assets/ (liabilities) net of those denominated in the respective entities' functional currencies	176,372	4,645	(32,084)	57,001	3,551	11	
	MYR RM'000	USD RM'000	NZD RM'000	SGD RM'000	HKD RM'000	EUR RM'000	IDR RM'000
<b>Company</b>							
<b>30.9.2019</b>							
Total financial assets	131,801	107	20	1,330	-	4,481	6,430
Total financial liabilities	(6,098)	(6)	-	(1,349)	-	-	-
Net currency exposure of financial assets	125,703	101	20	(19)	-	4,481	6,430
<b>30.9.2018</b>							
Total financial assets	88,500	97	19	1,610	-	-	687
Total financial liabilities	(24,081)	(6)	-	(1,253)	-	-	-
Net currency exposure of financial assets	64,419	91	19	357	-	-	687
<b>1.10.2017</b>							
Total financial assets	181,885	35,968	40,466	41,883	2,765	-	315
Total financial liabilities	(3,537)	-	-	(10,249)	-	-	-
Net currency exposure of financial assets	178,348	35,968	40,466	31,634	2,765	-	315

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 32. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

#### 32.2 Foreign currency risk (Continued)

##### *Foreign currency sensitivity analysis*

The following tables detail the Group's sensitivity to a 10% (30 September 2018 and 1 October 2017: 10%) change in MYR, SGD, USD, NZD and IDR against the Group entities' respective functional currency and the Company's sensitivity to a 10% (30 September 2018 and 1 October 2017: 10%) change in MYR, SGD and IDR against the Company's functional currency (SGD). The sensitivity analysis assumes an instantaneous 10% (30 September 2018 and 1 October 2017: 10%) change in the foreign currency exchange rates from the end of the financial year, with all other variables held constant. The results of the model are also constrained by the fact that only monetary items, which are denominated in SGD, USD, NZD, IDR and MYR are included in the analysis.

	Increase/(Decrease)		
	Group		
	Profit or Loss		
	30.9.2019	30.9.2018	1.10.2017
	RM'000	RM'000	RM'000
<i>MYR</i>			
Strengthened against SGD	13,172	8,703	17,637
Weakened against SGD	(13,172)	(8,703)	(17,637)
<i>SGD</i>			
Strengthened against MYR	(1,499)	(5,100)	(3,208)
Weakened against MYR	1,499	5,100	3,208
<i>USD</i>			
Strengthened against MYR	(3,043)	(2,716)	464
Weakened against MYR	3,043	2,716	(464)
<i>NZD</i>			
Strengthened against MYR	(19)	1,440	5,700
Weakened against MYR	19	(1,440)	(5,700)
<i>IDR</i>			
Strengthened against MYR	687	41	1
Weakened against MYR	(687)	(41)	(1)

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 32. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

#### 32.2 Foreign currency risk (Continued)

*Foreign currency sensitivity analysis (Continued)*

	Increase/(Decrease)		
	Company Profit or Loss		
	30.9.2019 RM'000	30.9.2018 RM'000	1.10.2017 RM'000
<i>MYR</i>			
Strengthened against SGD	12,570	6,442	17,835
Weakened against SGD	(12,570)	(6,442)	(17,835)
<i>EUR</i>			
Strengthened against SGD	448	-	-
Weakened against SGD	(448)	-	-
<i>HKD</i>			
Strengthened against SGD	-	-	277
Weakened against SGD	-	-	(277)
<i>IDR</i>			
Strengthened against SGD	643	69	32
Weakened against SGD	(643)	(69)	(32)

The potential impact of foreign exchange rate fluctuation in profit or loss as described in the sensitivity analysis above is attributable mainly to foreign exchange rate fluctuations of the Group's and the Company's foreign exchange exposure on foreign currency denominated cash and cash equivalents, held-for-trading investments, receivables and payables at the end of the financial year.

	Increase/(Decrease)		
	Company Equity		
	30.9.2019 RM'000	30.9.2018 RM'000	1.10.2017 RM'000
<i>SGD</i>			
Strengthened against MYR	750**	-	-
Weakened against MYR	(750)	-	-

\*\* *The potential impact of foreign exchange fluctuation in equity as described in the sensitive analysis above attributable mainly to translation of the FVOCI financial asset from SGD to RM.*

#### 32.3 Interest rate risk

The Group's exposure to market risks for changes in interest rates relates primarily to bank borrowings and fixed deposits (30 September 2018 and 1 October 2017: bank borrowings and fixed deposits) with financial institutions. The Group maintains an efficient and optimal interest cost structure using a combination of fixed and variable rate debts, and long and short term borrowings.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 32. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

#### 32.3 Interest rate risk (Continued)

##### *Interest rate sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to interest rate risk for bank borrowings at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. The sensitivity analysis assumes an instantaneous 100 basis point (30 September 2018 and 1 October 2017: 100 basis point) change in the interest rates from the end of the financial year, with all variables held constant.

If the interest rates increase by 100 basis point (30 September 2018 and 1 October 2017: 100 basis point), loss before tax of the Group will increase by:

	Group		
	Loss before tax		
	30.9.2019	30.9.2018	1.10.2017
	RM'000	RM'000	RM'000
Bank borrowings	1,877	1,264	1,152

A 100 basis point (30 September 2018 and 1 October 2017: 100 basis point) decrease in the interest rates would have an equal but opposite effect to the Group.

The Company had on 17 October 2017, settled all its outstanding revolving credit balance. Accordingly, the Company does not have any significant exposure to the financial risk arising from changes in interest rate risk. Therefore, no sensitivity analysis is disclosed.

#### 32.4 Liquidity risk

The Group and the Company actively manage their operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. As part of their overall prudent liquidity management, the Group and the Company maintain sufficient levels of cash and cash equivalents and by ensuring the availability of funding through adequate amount of credit facilities from financial institutions to meet their working capital requirements.

The following table details the Group's remaining contractual maturity for its non-derivative financial instruments. The table has been drawn up based on undiscounted cash flows of financial instruments based on the earlier of the contractual date or when the Group is expected to pay. The table includes both interest and principal cash flows.

	Effective interest rate %	Less than 1 year RM'000	1 to 2 years RM'000	2 to 5 years RM'000	More than 5 years RM'000	Total RM'000
<b>Group</b>						
<b>30.9.2019</b>						
Bank borrowings	3.51 – 8.40	46,896	18,309	86,571	81,963	233,739
Finance lease payables	2.28 – 16.34	11,107	9,031	11,196	-	31,334
Trade and other payables**	-	76,810	-	-	-	76,810
		134,813	27,340	97,767	81,963	341,883

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 32. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

#### 32.4 Liquidity risk (Continued)

	Effective interest rate %	Less than 1 year RM'000	1 to 2 years RM'000	2 to 5 years RM'000	More than 5 years RM'000	Total RM'000
<b>Group</b>						
<b>30.9.2018</b>						
Bank borrowings	3.25 – 8.15	53,362	18,577	40,991	35,518	148,448
Finance lease payables	2.50 – 16.34	10,914	9,517	14,195	-	34,626
Trade and other payables**	-	67,142	-	-	-	67,142
		131,418	28,094	55,186	35,518	250,216
<b>1.10.2017</b>						
Bank borrowings	3.10 – 7.65	47,921	13,106	36,405	36,466	133,898
Finance lease payables	2.50 – 5.77	8,485	7,394	10,455	-	26,334
Trade and other payables**	-	46,979	-	-	-	46,979
		103,385	20,500	46,860	36,466	207,211

\*\* Excludes GST payables, sales and services tax ("SST") payable, contract liabilities and provision for employee benefits.

The repayment terms of the bank borrowings and finance leases are disclosed in Notes 15 and 16 to the financial statements.

	Effective interest rate %	Less than 1 year RM'000
<b>Company</b>		
<b>30.9.2019</b>		
Trade and other payables	-	2,094
<b>30.9.2018</b>		
Bank borrowing	8.15	20,746
Trade and other payables	-	2,420
		23,166
<b>1.10.2017</b>		
Bank borrowing	3.10 – 3.35	9,028
Trade and other payables	-	1,518
		10,546

As at 30 September 2019, the Company provided financial guarantees to the banks for borrowings of certain subsidiaries which amounted to RM180,774,000 (30 September 2018: RM117,879,000 and 1 October 2017: RM100,895,000). These borrowings represent the maximum amount that the guarantees could be called within one financial year should the subsidiaries default on repayment.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 32. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

#### 32.5 Fair values of financial assets and financial liabilities

The fair values of financial assets and financial liabilities are determined as follows:

- (i) Financial instruments that are not carried at fair value and whose carrying amounts are a reasonable approximation of fair value.

The carrying amounts of current financial assets and financial liabilities, such as trade and other receivables, trade and other payables and borrowings are reasonable approximation of fair value, either 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 end of the reporting period.

The carrying amounts of the non-current bank borrowings and financial guarantees approximate their fair values due to floating rates or frequent repricing. The fair value of financial guarantees in the financial statements have been disclosed in Note 18 to the financial statements.

- (ii) Equity investment at fair value through other comprehensive income ("FVOCI")/available-for-sale financial asset.

Quoted equity securities (Level 1): The fair value is determined by reference to the exchange quoted market bid prices at the close of business at the end of the reporting period.

- (iii) Held-for-trading investments

Quoted equity securities and fixed income (Level 1): The fair value is determined by reference to the exchange quoted market bid prices at the close of business at the end of the reporting period.

Unit trusts and funds (Level 2): The fair value of the unit trusts and funds are based on net asset values of the underlying investments.

- (iv) Finance lease payables (Level 2)

The fair value is estimated by future contractual cash flows at market incremental borrowing rate for similar type of borrowing arrangement at the end of the reporting period.

- (v) Equity investment at fair value through other comprehensive income ("FVOCI")

As at 30 September 2019, the Group has 10.48% investment in Yamada Green Resources Limited ("YGRL"), which was temporarily suspended from trading on the Singapore Exchange Trading Limited ("SGX-ST") since 16 September 2017.

Quoted equity securities (Level 3): The fair value is determined based on asset approach and publicly available information adjusted for the effect of non-marketability of the equity investment and lack of control.

#### **Significant unobservable inputs:**

- Discount for lack of marketability ("DLOM") of 45%
- Discount for lack of control ("DLOC") of 24.4%

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 32. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

#### 32.5 Fair values of financial assets and financial liabilities (Continued)

- (v) Equity investment at fair value through other comprehensive income ("FVOCI") (Continued)

##### Inter-relationship between key unobservable inputs and fair value

Increased DLOM and DLOC would decrease fair value; lower DLOM and DLOC would increase fair value.

##### *Fair value hierarchy*

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are determined using the other observable inputs such as quoted prices for similar asset/liability in active markets, quoted prices for identical or similar asset/liability in non-active markets or inputs other than quoted prices that are observable for the asset or liability.
- Level 3: Unobservable inputs for the asset or liability.

There were no transfer between levels of the fair value hierarchy during the financial year.

There have been no changes in the valuation techniques of the various classes of financial instruments during the financial year.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 32. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

#### 32.5 Fair values of financial assets and financial liabilities (Continued)

##### *Determination of fair value*

The following tables set out the financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

	Note	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Carrying amount RM'000
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	
<b>30.9.2019</b>										
<b>Group</b>										
<b>Financial assets</b>										
- Financial assets at fair value through other comprehensive income	7	159	-	7,517	7,676	-	-	-	-	7,676
<b>Financial liabilities</b>										
- Finance lease payables	16	-	-	-	-	-	26,793	-	26,793	28,634
<b>Company</b>										
<b>Financial assets</b>										
- Financial assets at fair value through other comprehensive income	7	-	-	7,517	7,517	-	-	-	-	7,517
<b>Financial liabilities</b>										
- Financial guarantee contracts	18	-	-	5,359	5,359	-	-	-	-	5,359

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 32. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

#### 32.5 Fair values of financial assets and financial liabilities (Continued)

##### *Determination of fair value (Continued)*

	Note	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Carrying amount RM'000	
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000		Level 3 RM'000
<b>30.9.2018</b>									
<b>Group</b>									
<b>Financial assets</b>									
- Financial assets at fair value through profit or loss	7	154	-	-	154	-	-	-	154
<b>Financial liabilities</b>									
- Finance lease payables	16	-	-	-	-	-	29,002	-	29,002
<b>Company</b>									
<b>Financial liabilities</b>									
- Financial guarantee contracts	18	-	-	3,738	3,738	-	-	-	3,738

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

**32. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)****32.5 Fair values of financial assets and financial liabilities (Continued)***Determination of fair value (Continued)*

1.10.2017 Group	Note	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Total RM'000	Total RM'000	Carrying amount RM'000
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000			
<b>Financial assets</b>										
- Available-for-sale financial assets	7	242	-	-	-	-	-	242	-	242
- Held-for-trading investments <sup>#</sup>		12,403	11,010	-	-	-	23,413	-	-	23,413
<b>Financial liabilities</b>										
- Finance lease payables	16	-	-	-	-	22,313	-	-	22,313	23,854
<b>Company</b>										
<b>Financial assets</b>										
- Held-for-trading investments <sup>#</sup>		12,403	11,010	-	-	-	23,413	-	-	23,413
<b>Financial liabilities</b>										
- Financial guarantee contracts	18	-	-	3,522	-	-	3,522	-	-	3,522

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 32. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

#### 32.5 Fair values of financial assets and financial liabilities (Continued)

*Determination of fair value (Continued)*

# Held-for-trading Investments

	Group and Company		
	30.9.2019 RM'000	30.9.2018 RM'000	1.10.2017 RM'000
Quoted equity securities <sup>(1)</sup>	-	-	12,403
Unit trust <sup>(2)</sup>	-	-	11,010
	-	-	23,413

<sup>(1)</sup> Traded in United States, Singapore and Hong Kong Stock Exchanges.

<sup>(2)</sup> Traded in various countries.

The currency profiles of the Group's and Company's held-for-trading investments as at 30 September are as follows:

	Group and Company		
	30.9.2019 RM'000	30.9.2018 RM'000	1.10.2017 RM'000
Singapore dollar	-	-	10,969
United States dollar	-	-	6,012
Hong Kong dollar	-	-	2,662
Australian dollar	-	-	3,770
	-	-	23,413



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 32. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

#### 32.6 Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting dates:

	Group			Company		
	30.9.2019 RM'000	30.9.2018 RM'000	1.10.2017 RM'000	30.9.2019 RM'000	30.9.2018 RM'000	1.10.2017 RM'000
<b>Financial assets</b>						
<b>Financial assets at fair value through profit or loss</b>						
Held-for-trading investments	-	-	23,413	-	-	23,413
Trade and other receivables*	48,640	52,269	47,860	143,722	85,324	279,496
Fixed deposits	1,167	553	14,225	-	-	-
Cash and bank balances	22,690	35,554	35,664	458	5,600	5,175
<b>Financial assets at amortised cost/Loan and receivables</b>	<b>72,497</b>	<b>88,376</b>	<b>97,749</b>	<b>144,180</b>	<b>90,924</b>	<b>284,671</b>
<b>Financial assets at fair value through other comprehensive income</b>	<b>7,676</b>	<b>-</b>	<b>-</b>	<b>7,517</b>	<b>-</b>	<b>-</b>
Available-for-sale financial assets	-	154	242	-	-	-
	7,676	154	242	7,517	-	-
<b>Total financial assets</b>	<b>80,173</b>	<b>88,530</b>	<b>121,404</b>	<b>151,697</b>	<b>90,924</b>	<b>308,084</b>

\* Excludes GST receivables, prepayments and advances to suppliers.

	Group			Company		
	30.9.2019 RM'000	30.9.2018 RM'000	1.10.2017 RM'000	30.9.2019 RM'000	30.9.2018 RM'000	1.10.2017 RM'000
<b>Financial liabilities</b>						
Trade and other payables**	76,810	67,142	46,979	2,094	2,420	1,518
Bank borrowings	187,746	126,361	115,218	-	19,182	8,746
Finance lease payables	28,634	31,289	23,854	-	-	-
<b>Financial liabilities at amortised cost</b>	<b>293,190</b>	<b>224,792</b>	<b>186,051</b>	<b>2,094</b>	<b>21,602</b>	<b>10,264</b>
Financial guarantee contracts	-	-	-	5,359	3,738	3,522
<b>Total financial liabilities</b>	<b>293,190</b>	<b>224,792</b>	<b>186,051</b>	<b>7,453</b>	<b>25,340</b>	<b>13,786</b>

\*\* Excludes GST payables, sales and services tax ("SST") payable, contract liabilities and provision for employee benefits.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 32. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

#### 32.7 Offsetting financial assets and financial liabilities

The following table details the Company's financial assets which are subject to offsetting, enforceable master netting arrangements and similar agreements.

	Gross carrying amounts RM'000	Gross amounts offset in the statement of financial position RM'000	Net amounts in the statement of financial position RM'000
<b>Company</b>			
<b>As at 30 September 2019</b>			
Other receivables	146,017	(2,499)	143,518
Other payables	(3,239)	2,499	(740)
<b>As at 30 September 2018</b>			
Other receivables	118,466	(33,346)	85,120
Other payables	(34,372)	33,346	(1,026)
<b>As at 1 October 2017</b>			
Other receivables	310,712	(31,835)	278,877
Other payables	(31,842)	31,835	(7)

#### 32.8 Capital management policies and objectives

The Group and the Company manage their capital to ensure that the Group and the Company are able to continue as a going concern and maintain an optimal capital structure so as to maximise shareholders' values.

The capital structure of the Group consists of debt and equity attributable to equity holders of the Company, comprising issued capital, reserves and accumulated profits as shown in the statements of financial position.

The Company may purchase its own shares from the market and the timing of these purchases depends on market prices. Buy and sell decisions are made on a specific transaction basis by the management. The Company does not have a defined buy-back plan.

The Group overall strategy remains unchanged since prior financial year.

Management constantly reviews the capital structure to ensure the Group and the Company are able to service all debt obligations (include principal repayment and interests) based on its operating cash flows.

The Group is in compliance with externally imposed capital requirements for the financial years ended 30 September 2019, 30 September 2018 and 1 October 2017.

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus and finance leases liabilities less fixed deposits and cash and bank balances. Total capital is calculated as equity plus net debt.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 32. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

#### 32.8 Capital management policies and objectives (Continued)

	Group		
	30.9.2019 RM'000	30.9.2018 RM'000	1.10.2017 RM'000
Net debt	192,523	121,543	89,183
Total equity	303,545	284,796	305,280
Total capital	496,068	406,339	394,463
Gearing ratio	38.81%	29.91%	22.61%

### 33. CONVERGENCE TO SFRS(I)s

The Group has transited to SFRS(I) on 1 October 2018. In transiting to SFRS(I), the Group is required to apply all of the specific transition requirements under SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*.

The accounting policies set out in Note 2 to the financial statements comply with SFRS(I) effective on 1 October 2018. These accounting policies have been applied in preparing the financial statements of the Group for the financial year ended 30 September 2019, as well as comparative information presented in these financial statements for the financial year ended 30 September 2018 and in the preparation of the opening statements of financial position at 1 October 2017 ("date of transition").

#### (a) Optional exemptions applied

The Group has applied the following exemptions in preparing their first set of financial statements in accordance with SFRS(I):

##### Short-term exemption on adoption of SFRS(I) 9 *Financial Instruments*

The Group has elected to apply the short-term exemptions upon adoption of SFRS(I) 9 on 1 October 2018. As a result, the financial instruments included in the comparatives have been accounted for in accordance with FRS 39 *Financial Instruments: Recognition and Measurement*. The Group is also exempted from complying with SFRS(I) 7 *Financial Instruments: Disclosure* on the disclosure requirements in relation to SFRS(I) 9.

##### Practical expedients on adoption of SFRS(I) 15 *Revenue from Contracts with Customers*

There is no significant impact on revenue recognition for the Group when the new standard is effective.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 33. CONVERGENCE TO SFRS(I)s (CONTINUED)

(b) Reconciliation of the Group's equity reported in accordance with FRS to SFRS(I)

	Reported under FRS RM'000 30.9.2018	Effect of SFRS(I) 9 RM'000	Reported under SFRS(I) RM'000 1.10.2018
<b>Non-current assets</b>			
Property, plant and equipment	317,354	-	317,354
Deposits for purchase of property , plant and equipment	4,566	-	4,566
Investment properties	23,364	-	23,364
Available-for-sale financial assets	154	(154)	-
Financial assets at FVOCI	-	7,728	7,728
Deferred tax assets	1,083	-	1,083
Intangibles assets	34,853	-	34,853
	<u>381,374</u>	<u>7,574</u>	<u>388,948</u>
<b>Current assets</b>			
Inventories	40,523	-	40,523
Trade and other receivables	59,351	(1,016)	58,335
Tax recoverable	1,506	-	1,506
Fixed deposits	553	-	553
Cash and bank balances	35,554	-	35,554
	<u>137,487</u>	<u>(1,016)</u>	<u>136,471</u>
Less:			
<b>Current liabilities</b>			
Trade and other payables	67,641	-	67,641
Bank borrowings	46,799	-	46,799
Finance lease payables	9,387	-	9,387
Current Income tax payable	234	-	234
Provision for restoration cost	1,401	-	1,401
	<u>125,462</u>	<u>-</u>	<u>125,462</u>
<b>Net current assets</b>	<u>12,025</u>	<u>(1,016)</u>	<u>11,009</u>
Less:			
<b>Non-current liabilities</b>			
Provision for restoration cost	1,884	-	1,884
Bank Borrowings	79,562	-	79,562
Finance lease payables	21,902	-	21,902
Deferred tax liabilities	5,181	-	5,181
Employee benefits liability	74	-	74
	<u>108,603</u>	<u>-</u>	<u>108,603</u>
<b>Net assets</b>	<u>284,796</u>	<u>6,558</u>	<u>291,354</u>
<b>Capital and reserves</b>			
Share capital	127,453	-	127,453
Treasury shares	(183)	-	(183)
Foreign currency translation reserve	23,821	-	23,821
Fair value reserve	(95)	(25,296)	(25,391)
Other reserve	(4,562)	-	(4,562)
Accumulated profits	148,393	31,854	180,247
Equity attributable to equity holders of the Company	<u>294,827</u>	<u>6,558</u>	<u>301,385</u>
Non-controlling interests	(10,031)	-	(10,031)
<b>Total equity</b>	<u>284,796</u>	<u>6,558</u>	<u>291,354</u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 33. CONVERGENCE TO SFRS(I)s (CONTINUED)

- (c) Reconciliation of the Company's equity reported in accordance with FRS to SFRS(I)

	Reported under FRS RM'000 30.9.2018	Effect of SFRS(I) 9 RM'000	Reported under SFRS(I) RM'000 1.10.2018
<b>Non-current assets</b>			
Investments in subsidiaries	293,429	-	293,429
Available-for-sale financial assets	-	-	-
Financial assets at FVOCI	-	7,574	7,574
	<u>293,429</u>	<u>7,574</u>	<u>301,003</u>
<b>Current assets</b>			
Trade and other receivables	85,397	(727)	84,670
Cash and bank balances	5,600	-	5,600
	<u>90,997</u>	<u>(727)</u>	<u>90,270</u>
Less:			
<b>Current liabilities</b>			
Trade and other payables	2,420	-	2,420
Bank borrowings	19,182	-	19,182
Current Income tax payable	158	-	158
	<u>21,760</u>	<u>-</u>	<u>21,760</u>
<b>Net current assets</b>	<u>69,237</u>	<u>(727)</u>	<u>68,510</u>
Less:			
<b>Non-current liabilities</b>			
Financial guarantee contract	3,738	-	3,738
	<u>3,738</u>	<u>-</u>	<u>3,738</u>
<b>Net assets</b>	<u>358,928</u>	<u>6,847</u>	<u>365,775</u>
<b>Capital and reserves</b>			
Share capital	127,453	-	127,453
Treasury shares	(183)	-	(183)
Foreign currency translation reserve	41,250	-	41,250
Fair value reserve	-	(25,296)	(25,296)
Accumulated profits	190,408	32,143	222,551
<b>Total equity</b>	<u>358,928</u>	<u>6,847</u>	<u>365,775</u>

- (d) Reconciliation of the Group's total comprehensive income reported in accordance with FRSs to SFRS(I)s

There were no material adjustments to the Group's statement of comprehensive income arising from the transition from FRSs to SFRS(I)s.

- (e) Reconciliation to Group's statement of cash flows under FRSs to SFRS(I)s

There were no material adjustments to the Group's statement of cash flows arising from the transition from FRSs to SFRS(I)s.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

### 33. CONVERGENCE TO SFRS(I)s (CONTINUED)

#### Explanatory notes to reconciliation

The effects of transition to SFRS(I)s mainly arises from the adoption of SFRS(I) 9.

#### Adoption of SFRS(I) 9

As disclosed above in (a), the Group has elected to apply the short-term exemption by not restating the comparatives on adoption of SFRS(I) 9. The relevant accounting policy for financial instruments is disclosed in Note 2.9 to the financial statements.

#### (i) Classification and measurement of financial assets

Based on the requirements of SFRS(I) 9, the Group has assessed the business model of financial assets held as at 1 October 2018 and classified them into the relevant categories under SFRS(I) 9.

The Group elected to measure listed equity investments not held for trading as financial assets, at FVOCI as at 1 October 2018 (Note 7). These listed equity investments were previously classified as available-for-sale financial assets (Note 7) and certain equity investment was previously impaired in accordance with FRS 39. As a result, the previously recognised impairment loss of RM32,870,000 was reclassified from accumulated profits to fair value reserve on 1 October 2018 in the statements of changes of equity of the Group and the Company.

On 1 October 2018, a fair value adjustment of RM7,574,000 was recognised for an equity security which was temporarily suspended from trading on the SGX-ST since 16 September 2017. Due to the availability of financial information during this financial year, the equity security was valued by an independent professional valuer using valuation techniques that are commonly used by market participants. The valuation model is based on Asset Approach and publicly available information adjusted for the effect of non-marketability of the equity investment and lack of control.

#### (ii) Loss allowance on financial assets

SFRS(I) 9 introduces a new-forward looking impairment model based on expected credit losses to replace incurred loss model. Lifetime expected losses will be recognised on these assets when there is a significant increase in credit risk from initial recognition.

#### Trade receivables

The Group has adopted the simplified approach in determining the loss allowance on trade receivables from third parties and recorded a loss allowance for lifetime expected losses from initial recognition. The Group considered the historical default rates and adjusted for forward looking estimates in deriving the expected credit losses on trade receivables from third parties and recognised a loss allowance of RM1,016,000 as at 1 October 2018.

#### Amount due from subsidiaries

The Company adopted the 12-months expected credit losses for amount due from subsidiaries. On the date of initial application, the management has determined and considered all possible recovery strategies. Consequently, the Company recognised a loss allowance of RM727,000 as at 1 October 2018.

### 34. AUTHORISATION OF FINANCIAL STATEMENTS

The consolidated financial statements of the Group, the statement of financial position of the Company as at 30 September 2019 and statement of changes in equity of the Company for the financial year ended 30 September 2019 were authorised for issue by the Board of Directors of the Company on 6 December 2019.

# STATISTICS OF SHAREHOLDINGS

AS AT 29 NOVEMBER 2019

Issued and fully paid-up capital	: S\$69,714,839.268
Number of ordinary shares in issue	: 247,356,403
Class of shares	: Ordinary share
Voting rights	: One vote per share
Number of Treasury Shares held	: 242,000
Number of ordinary shares excluding Treasury Shares	: 247,114,403
Percentage of Treasury Shares	: 0.1% <sup>(1)</sup>

Note :

<sup>(1)</sup> Calculated based on 247,114,403 voting shares as at 29 November 2019.

## VOTING RIGHTS

Shareholder's voting rights are set out in Regulation 65 of the Company's Constitution.

Every Member present in person or by proxy shall have one vote for every share which he holds or represents.

## SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") requires that at least 10% of the equity securities (excluding preference shares and convertible equity securities) of a listed company in a class that is listed are at all times held by the public.

Based on the information provided and to the best knowledge of the Directors, approximately 24.7% of the issued ordinary shares of the Company are held in the hands of the public as at 29 November 2019 and therefore Rule 723 of the Listing Manual of the SGX-ST is complied with.

## DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of shareholders	%	No. of Shares	%
1 – 99	16	1.45	841	0.00
100 – 1,000	174	15.77	102,973	0.04
1,001 – 10,000	538	48.78	2,446,432	0.99
10,001 – 1,000,000	352	31.91	23,314,910	9.44
1,000,001 and above	23	2.09	221,249,247	89.53
<b>TOTAL</b>	<b>1,103</b>	<b>100.00</b>	<b>247,114,403</b>	<b>100.00</b>

## STATISTICS OF SHAREHOLDINGS

### TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1.	JAYA J B TAN	35,313,449	14.29
2.	GOI SENG HUI	30,834,777	12.48
3.	CITIBANK NOMINEES SINGAPORE PTE LTD	29,599,400	11.98
4.	TEE YIH JIA FOOD MANUFACTURING PTE LTD	29,123,680	11.79
5.	PHILLIP SECURITIES PTE LTD	18,056,560	7.31
6.	BNP PARIBAS NOMINEES SINGAPORE PTE. LTD.	17,367,474	7.03
7.	HSBC (SINGAPORE) NOMINEES PTE LTD	15,583,399	6.31
8.	KWONG YUEN SENG	7,071,444	2.86
9.	YUEN CHOOI CHUN @ YUEN PIK CHAN	5,882,000	2.38
10.	UOB KAY HIAN PRIVATE LIMITED	5,652,860	2.29
11.	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	4,370,168	1.77
12.	DBS NOMINEES (PRIVATE) LIMITED	3,855,760	1.56
13.	POK YORK KEAW	2,891,000	1.17
14.	OCBC SECURITIES PRIVATE LIMITED	2,592,040	1.05
15.	KAMAL Y P TAN	2,036,385	0.82
16.	HEW MARGARET WYE YOONG OR HEW LEONARD YOKE LEONG	1,800,000	0.73
17.	SOME YEW PEW	1,658,400	0.67
18.	RHB SECURITIES SINGAPORE PTE. LTD.	1,446,520	0.59
19.	TAN SU LAN @ TAN SOO LUNG	1,340,500	0.54
20.	PHANG MAH THIANG	1,318,200	0.53
	<b>TOTAL</b>	<b>217,794,016</b>	<b>88.15</b>

### SUBSTANTIAL SHAREHOLDERS

(as recorded in the Register of Substantial Shareholders)

Name	Direct		Deemed		Total	
	interest	%	interest	%	interest	%
<sup>(1)(2)</sup> Dato' Jaya J B Tan	44,063,449	17.83	44,669,345	18.08	88,732,794	35.91
<sup>(1)(2)</sup> Dato' Kamal Y P Tan	37,460,385	15.16	51,272,409	20.75	88,732,794	35.91
<sup>(3)</sup> Datuk Sam Goi Seng Hui	30,834,777	12.48	29,123,680	11.79	59,958,457	24.27
Tee Yih Jia Food Manufacturing Pte Ltd	29,123,680	11.79	-	-	29,123,680	11.79
<sup>(2)</sup> Khor Sin Kok	16,849,254	6.82	-	-	16,849,254	6.82
<sup>(2)</sup> Mah Weng Choong	15,117,399	6.12	-	-	15,117,399	6.12

#### Notes:

- <sup>(1)</sup> Deemed interested in each others shares through the shares held by Dato' Jaya, Dato' Kamal, spouse of Dato' Jaya and spouse of Dato' Kamal.
- <sup>(2)</sup> Direct interest includes shares held through nominees.
- <sup>(3)</sup> Deemed interested in shares held by Tee Yih Jia Food Manufacturing Pte Ltd by virtue of section 7 of the Companies Act, Cap. 50.



# STATISTICS OF WARRANTHOLDINGS

AS AT 29 NOVEMBER 2019

## DISTRIBUTION OF WARRANTHOLDINGS

Size of Warrantholdings	No. of Warrantholders	%	No. of Warrants	%
1 – 99	1	0.39	96	0.00
100 – 1,000	14	5.47	10,760	0.01
1,001 – 10,000	116	45.31	629,844	0.60
10,001 – 1,000,000	115	44.92	10,616,328	10.09
1,000,001 and above	10	3.91	93,938,876	89.30
<b>TOTAL</b>	<b>256</b>	<b>100.00</b>	<b>105,195,904</b>	<b>100.00</b>

## TWENTY LARGEST WARRANTHOLDERS

No.	Name	No. of Warrants	%
1.	JAYA J B TAN	21,305,977	20.25
2.	GOI SENG HUI	17,682,313	16.81
3.	CITIBANK NOMINEES SINGAPORE PTE LTD	14,544,000	13.83
4.	TEE YIH JIA FOOD MANUFACTURING PTE LTD	12,730,080	12.10
5.	KAMAL Y P TAN	8,516,171	8.10
6.	PHILLIP SECURITIES PTE LTD	6,834,980	6.50
7.	HSBC (SINGAPORE) NOMINEES PTE LTD	5,123,755	4.87
8.	UOB KAY HIAN PRIVATE LIMITED	2,808,640	2.67
9.	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	2,392,960	2.27
10.	KWONG YUEN SENG	2,000,000	1.90
11.	HEW MARGARET WYE YOONG OR HEW LEONARD YOKE LEONG	800,000	0.76
12.	SOME YEW PEW	700,000	0.67
13.	KE WENG SEONG	517,840	0.49
14.	POK YORK KENG	514,707	0.49
15.	YAP BENG WEI	492,000	0.47
16.	RHB SECURITIES SINGAPORE PTE. LTD.	491,120	0.47
17.	DBS NOMINEES (PRIVATE) LIMITED	470,260	0.45
18.	YUEN CHOOI CHUN @ YUEN PIK CHAN	392,000	0.37
19.	OCBC SECURITIES PRIVATE LIMITED	285,680	0.27
20.	MAH ZHONG DA (MA ZHONGDA)	240,720	0.23
	<b>TOTAL</b>	<b>98,843,203</b>	<b>93.97</b>

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Annual General Meeting of Envictus International Holdings Limited will be held at Crystal Suite, Level 2, Holiday Inn Singapore Orchard City Centre, 11 Cavenagh Road, Singapore 229616 on Tuesday, 14 January 2020 at 10.00 a.m. to transact the following business:

## AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement, Audited Financial Statements and Auditors' Report for the financial year ended 30 September 2019 and the Auditors' Report thereon. **(Resolution 1)**
  
2. To re-elect the following Directors retiring pursuant to the Company's Constitution and who, being eligible, offer themselves for re-election:
  - (i) Dato' Kamal Y P Tan (Regulation 91) **(Resolution 2)**
  
  - (ii) Mr Lyn Hian Woon (Regulation 91) **(Resolution 3)**

**Note:**  
Mr Lyn will, upon re-election as a Director of the Company, remain as a Chairman of the Audit Committee and member of the Nominating and Remuneration Committees. He will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited (SGX-ST).
  
3. To approve the payment of Directors' fees of S\$343,500 for the financial year ended 30 September 2019 (FY2018: S\$313,000). **(Resolution 4)**
  
4. To re-appoint Messrs BDO LLP as the Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**
  
5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

## AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following as Ordinary Resolution, with or without modifications:

6. **ORDINARY RESOLUTION – AUTHORITY TO ISSUE SHARES** **(Resolution 6)**

"THAT pursuant to Section 161 of the Companies Act, Cap. 50 of Singapore and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company be authorized and empowered to:

- (a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any instruments made or granted by the Directors of the Company while this Resolution was in force, provided that:

## NOTICE OF ANNUAL GENERAL MEETING

- (i) the aggregate number of shares (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) to be issued pursuant to this Resolution does not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to shareholders of the Company does not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (ii) below).
- (ii) (subject to such calculation as may be prescribed by SGX-ST), for the purpose of determining the aggregate number of shares that may be issued in under sub-paragraph (i) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of passing this Resolution, after adjusting for:
  - (a) new shares arising from the conversion or exercise of any convertible securities;
  - (b) new shares arising from the exercising share options or vesting of shares awards which are outstanding or subsisting at the time of the passing of this Resolution; and
  - (c) any subsequent bonus issue, consolidation or subdivision of shares.
- (iii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and
- (iv) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.”  
[See Explanatory Note (a)]

### BY ORDER OF THE BOARD

S Surenthiraraj @ S Suresh  
Kok Mor Keat  
Company Secretaries

Singapore  
27 December 2019

## NOTICE OF ANNUAL GENERAL MEETING

### Explanatory Notes on Special Business to be transacted

- (a) Ordinary Resolution 6, if passed, will enable the Directors to issue shares in the Company up to 50% of the total number of issued shares excluding treasury shares and subsidiary holdings in the capital of the Company (in the case of issuance other than on a pro-rata basis to existing shareholders, such aggregate number of shares not to exceed 20% of the total number of issued shares excluding treasury shares and subsidiary holdings in the capital of the Company) for such purposes as they consider to be in the interests of the Company.

### NOTES:

1. A member (other than a Relevant Intermediary (as defined below)) entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. The instrument appointing a proxy must be deposited at the Share Registrar's Office at 50 Raffles Place, Singapore Land Tower #32-01, Singapore 048623 not less than seventy-two (72) hours before the time for holding the Annual General Meeting.
3. Any member who is a Relevant Intermediary entitled to attend and vote at the Meeting is entitled to appoint more than two (2) proxies to attend and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member.

A "Relevant Intermediary" is:

- (a) a banking corporation licensed under the Banking Act, Cap. 19 of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
  - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Cap. 289 of Singapore and who holds shares in that capacity; or
  - (c) the Central Provident Fund ("CPF") Board established by the Central Provident Fund Act, Cap. 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the CPF, if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
4. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.

### PERSONAL DATA PRIVACY:

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

# ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Dato' Kamal Y P Tan and Mr Lyn Hian Woon are the Directors seeking re-election at the forthcoming Annual General Meeting of the Company to be convened on 14 January 2020 ("AGM") (collectively, the "Retiring Directors" and each a "Retiring Director").

Pursuant to Rule 720(6) of the Listing Rules of the SGX-ST ("Listing Rules"), the following is the information relating to the Retiring Directors as set out in Appendix 7.4.1 of the Listing Rules:

Details	Dato' Kamal Y P Tan	Mr Lyn Hian Woon
Date of Appointment	23 December 2003	3 August 2004
Date of last re-appointment	18 January 2017	18 January 2017
Age	67	62
Country of principal residence	Malaysia	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("NC") and has reviewed and considered the contribution and performance, attendance, preparedness, participation, candour and suitability of Dato' Kamal Y P Tan for re-appointment as Non-Executive Director of the Company. The Board have reviewed and concluded that Dato' Kamal Y P Tan possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("NC") and has reviewed and considered the contribution and performance, attendance, preparedness, participation, candour and suitability of Mr Lyn Hian Woon for re-appointment as Independent Non-Executive Director of the Company. The Board have reviewed and concluded that Mr Lyn Hian Woon possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Non-Executive Director and Adviser	Independent Director, Chairman of Audit Committee and member of Remuneration Committee and Nominating Committee.
Professional qualifications	Bachelor of Science (Economics), The London School of Economics and Political Science	BSc in Mechanical Engineering, University of Leeds, UK and MBA, Washington State University.
Working experience and occupation(s) during the past 10 years	Envictus International Holdings Limited - Group CEO - Executive Director	Indigo Investment Pte Ltd - Chief Executive Officer Vietnam Asset Management - Chairman Colonial Investment Pte. Ltd. - Chief Executive Officer
Shareholding interest in the listed issuer and its subsidiaries	Direct Interest – 37,460,385 ordinary shares and 24,260,171 warrants  Deemed Interest – 51,272,409 ordinary shares and 25,287,737 warrants	Direct interest – 545,420 ordinary shares and 244,320 warrants
Any relationship (including immediate family relationships) with any existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Brother of Substantial Shareholder and Director, Dato' Jaya J B Tan	No
Conflict of Interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes

## ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Details	Dato' Kamal Y P Tan	Mr Lyn Hian Woon
<i>Other Principal Commitments Including Directorships</i>		
Past (for last 3 years)	Directorships: Envictus Dairies NZ Limited Lasseters Corporation Limited PT Sentrafood Indonusa Sutera Mesra Sdn Bhd	Directorships: Vietnam Asset Management Colonial Investment Pte. Ltd.
Present	Directorships: Envictus International Holdings Limited Envictus Brands Pte Ltd Envictus QSR Pte Ltd The Delicious (Singapore) Pte Ltd Envictus Capital (Labuan) Inc. Envictus Foods International Inc. Envictus (NZ) Limited Naturalac Nutrition Limited PT Quick Service Restaurant Delicious Catering Sdn Bhd De-luxe Food Services Sdn Bhd Envictus Central Food Services Sdn Bhd Envictus Dairies Marketing Sdn Bhd Envictus Food Services Sdn Bhd Envictus Foods (M) Sdn Bhd Envictus Gifts Sdn Bhd Envictus IT Services Sdn Bhd Eureka Capital Sdn Bhd Food Emporium Sdn Bhd Gourmessa Sdn Bhd Hot Bun Food Industries Sdn Bhd Lyndarahim Ventures Sdn Bhd Motivage Sdn Bhd Pok Brothers (Johor) Sdn Bhd Pok Brothers Sdn Bhd Polygold Beverages Sdn Bhd Polygold Holdings Sdn Bhd Polygold Marketing Sdn Bhd Reunion Restaurant Sdn Bhd San Francisco Coffee Sdn Bhd Texas Chicken (Malaysia) Sdn Bhd The Delicious Group Sdn Bhd Lasseters International Holdings Limited Lasseters International Pte Ltd Lasseters Resorts Pte Ltd Lasseters Investments Pte Ltd Lasseters Interactive Gaming Pte Ltd Lasseters Holdings Pty Ltd Ford Dynasty Pty Ltd Lasseters Seaford Hotel Pty Ltd Lasseters CLG Pty Ltd Lasseters Valley Pty Ltd Lasseters Health Club Pty Ltd Lasseters Management (M) Sdn Bhd Lasseters Properties Sdn Bhd Merry Palms Sdn Bhd Super Ace Resources Sdn Bhd Cypress Lakes Group Pty Ltd Cypress Lakes Golf & Country Club Pty Ltd Cypress Lakes Property Pty Ltd The Golden Door Pty Ltd	Directorships: Envictus International Holdings Limited Indigo Investment Pte Ltd Sirius International Holdings

## ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Details	Dato' Kamal Y P Tan	Mr Lyn Hian Woon
Present (Continued)	The Golden Door Holdings Pty Ltd The Golden Door Health Retreat – Elysia Pty Ltd The Golden Door Health Retreat – Willow Vale Pty Ltd Consistent Earnings Sdn Bhd Eleven Section Sixteen Sdn Bhd Luhur Prisma Sdn Bhd Medan Beringin Sdn Bhd Motif Etika Sdn Bhd Panglima Etika Sdn Bhd Perinsu (Broker Insurans) Sdn Bhd Success In Motion Development Sdn Bhd Universal Topaz Sdn Bhd Radiant Investments Limited United Pacific Corporation Ltd Nurring Group Limited Able New Investments Ltd Grand Imperial Saigon Hotel LLC ES Ceramics Technology Bhd SAC Arms (KL) Sdn Bhd Juara Arms Sdn Bhd Sarasutra Arms Centre Sdn Bhd	
<b>Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.</b>		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No

## ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Details	Dato' Kamal Y P Tan	Mr Lyn Hian Woon
e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:– i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No



## ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Details	Dato' Kamal Y P Tan	Mr Lyn Hian Woon
<p>ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or</p> <p>iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or</p> <p>iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere</p> <p>in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?</p>		
k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No
<b>Disclosure applicable to the appointment of Director only</b>		
<p>Any prior experience as a director of a listed company?</p> <p>If yes, please provide details of prior experience.</p> <p>If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.</p> <p>Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).</p>	Not applicable as this relates to re-election of Director.	Not applicable as this relates to re-election of Director.

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**ENVICTUS INTERNATIONAL HOLDINGS LIMITED**

Company Registration No. 200313131Z  
(Incorporated in the Republic of Singapore)

# PROXY FORM

## ANNUAL GENERAL MEETING

**IMPORTANT**

1. Relevant intermediaries as defined in Section 181 of the Companies Act, Cap 50 of Singapore may appoint more than two proxies to attend, speak and vote at the Annual General Meeting (please see Note 3 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy shares in the Company, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or is purported to be used by them.
3. Please read the notes to the Proxy Form.

I/We, \_\_\_\_\_

of \_\_\_\_\_

being a member/members of **ENVICTUS INTERNATIONAL HOLDINGS LIMITED** (the "Company"), hereby appoint

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the Annual General Meeting ("AGM") of the Company to be held on Tuesday, 14 January 2020 at 10.00 a.m. and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any item arising not summarised below, the proxy/proxies will vote or abstain from voting at his/their discretion. If no person is named in the above boxes, the Chairman of the AGM shall be my/our proxy to vote, for or against the Resolutions to be proposed at the AGM as indicated hereunder for me/us and on my/our behalf at the AGM and at any adjournment thereof.

No.	Resolutions	No. of Votes For	No. of Votes Against
1	Adoption of Directors' Statement, Audited Financial Statements and Auditors' Report for the year ended 30 September 2019.		
2	Re-election of Dato' Kamal Y P Tan as Director.		
3	Re-election of Mr Lyn Hian Woon as Director.		
4	Approval of payment of Directors' fees.		
5	Re-appointment of Messrs BDO LLP as auditors and to authorise the Directors to fix their remuneration.		
6	Authority to allot and issue new shares.		

**Note:**

1. If you wish to exercise all your votes "For" or "Against" the relevant resolution, please insert [ x ] within the relevant box provided. Alternatively, please indicate the number of Shares as appropriate.
2. Please note that the short descriptions given above of the resolutions to be passed do not in any way whatsoever reflect the intent and purpose of the resolutions. The short descriptions have been inserted for convenience only. Shareholders are encouraged to refer to the Notice of AGM dated 27 December 2019 for the full purpose and intent of the resolutions to be passed.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2020

\_\_\_\_\_  
Signature(s) of Member(s) or,  
Common Seal of Corporate Shareholder

**IMPORTANT: PLEASE READ NOTES OVERLEAF**

Total Number of Shares held	
CDP Register	
Register of Members	

**Notes :**

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Cap. 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company (other than a Relevant Intermediary (as defined below)) is entitled to appoint not more than two (2) proxies to attend, speak and vote in his stead at the Annual General Meeting but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Such proxy need not be a member of the Company.
3. Any member who is a Relevant intermediary is entitled to appoint more than two (2) proxies to attend and vote at the Annual General Meeting.

A "Relevant Intermediary" is:

- (a) a banking corporation licensed under the Banking Act, Cap. 19 of Singapore or a wholly-owned subsidiary of such a banking corporation. Whose business includes the provision of nominee services and who holds shares in that capacity;
  - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Cap. 289 of Singapore and who holds shares in that capacity; or
  - (c) the Central Provident Fund ("CPF") Board established by the Central Provident Fund Act, Cap. 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the CPF, if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
4. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.
  5. The instrument appointing a proxy or proxies must be deposited at the Share Registrar's office at 50 Raffles Place, Singapore Land Tower #32-01, Singapore 048623 not less than seventy-two (72) hours before the time appointed for the Annual General Meeting. If a shareholder submits a proxy form and subsequently attends the meeting in person and votes, the appointment of the proxy should be revoked.
  6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of an officer or attorney duly authorised.
  7. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter of power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
  8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with Section 179 of the Companies Act, Cap. 50 of Singapore.

**General :**

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies.

In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

**Personal Data Privacy**

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



[www.envictus-intl.com](http://www.envictus-intl.com)

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