



ENVICTUS



BREWING NEW HORIZONS

ENVICTUS INTERNATIONAL HOLDINGS LIMITED

ANNUAL REPORT 2016





CONTENTS

2	Corporate Profile
8	Key Milestones
12	Message from the Chairman
16	Review of Operations
26	Financial Highlights
28	Risk Factors
31	Group Structure
32	Corporate Information
33	Board of Directors
36	Key Management
38	Corporate Governance
50	Financial Statements
132	Statistics of Shareholdings
134	Notice of Annual General Meeting
	• Proxy Form

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 vide 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 the relevant intellectual properties to Asahi Group Holdings Southeast Asia Pte. Ltd.

The Group’s current business divisions comprise Trading and Frozen Food, Food Services (Texas Chicken and San Francisco Coffee), Nutrition as well as Food Processing. The Food Processing Division’s business segments are Bakery, Butchery, Beverages, and Contract Packing for Dairy and Juice-based drinks.

Envictus’ operating facilities are located in Malaysia and New Zealand, with plans in the pipeline for a number of its existing

operations in Malaysia to be centralised in the Selangor Halal Hub, Pulau Indah (“SHHP”).

Apart from Malaysia, the Group’s products can be found elsewhere such as New Zealand, Australia, China, Dubai, Singapore, Pacific Islands, Brunei, Thailand, Indonesia, Papua New Guinea, Pakistan and Vietnam. The Group’s products are traded under various brand names like San Francisco Coffee, Gourmessa, Polygold, Hearty Bake, Family, Daily Fresh, Horleys, Sculpt, Replace, Covet, Pro-Fit, Air Champ and Power Champ.

Helmed by an experienced 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 established standing in the F&B industry to further enhance its strong brand names.



CORPORATE PROFILE



TRADING AND FROZEN FOOD DIVISION

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

Pok Brothers started as a general store business in Petaling Jaya in 1963 and from this humble beginning, it has successfully transformed itself into one of the leading frozen food companies in Malaysia.

As a premium food wholesaler, Pok Brothers imports and distributes food products, both in raw and processed form, with particular emphasis on servicing the hospitality and consumer-based food industry. Its products include frozen/chilled beef and lamb cut, dairy products, seafood, condiments, vegetables, bakery products and cold cuts among many others. Its major clients include major 5-star hotels, airlines, cruise ships, hyper/supermarkets, bakeries, butcheries, fast-food chains, grocery stores, food processors and other wholesalers. Pok Brothers is the sole distributor of major imported brands like Lamb-Weston, Emmi, Devondale, Dr. Oetker, Pritchitt and other imported brands as well. 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, in particular, from the United States, Europe, Australia, New Zealand and Brazil.

It operates out of Glenmarie, Shah Alam in Selangor, and has branches in Penang, Johor, Pahang and Langkawi to cover the length and breadth of Peninsular Malaysia. All the branches have cold room facilities.

Pok Brothers is constructing a new warehouse on a plot of land in Selangor Halal Hub, Pulau Indah. This is to cope with the increased internal demand from the Food Services Division as well as to accommodate future expansion plans of the business. Construction of the warehouse has already commenced in July 2016 and is expected to be completed by mid-2017.

CORPORATE PROFILE



FOOD SERVICES DIVISION

On 10 July 2012, the Group signed an exclusive 10-year International Multiple Unit Franchise 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. These restaurants serve American-styled, big juicy full-flavoured fried chicken, french fries, honey butter biscuits, mashed potatoes, coleslaw, burgers and sundae, to name a few.

This partnership has expanded Envictus' portfolio and will enable the Group to continue to tap on synergistic opportunities in its existing Trading and Frozen Food Division and Beverages business. 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 the neighbouring countries in Asia.

Texas Chicken sets itself apart from the competition, given the substantial attention paid to ingredient sourcing and good quality control to ensure freshness of food at all times. All spices and seasoning for Texas Chicken's great tasting chicken are imported directly from USA for consistency in flavour to ensure that guests who visit Texas Chicken restaurants

in Malaysia enjoy the same great taste created 60 years ago by the founder – Mr. George W. Church, Sr. The attention to detail is seen right down to the choice of the key ingredient – chicken freshly procured from local farms – cooked using an exclusive technique for a juicy and crunchy bite. In addition, Texas Chicken's signature 8-piece cut ensures that customers enjoy bigger chicken portions at greater value.

Since the opening of the first flagship outlet at Aeon Bukit Tinggi Shopping Centre, located 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 good pace to reach a total of 31 outlets as at 8 December 2016, largely within the Klang Valley area in Malaysia. During the financial year, the Group opened a total of 10 outlets.

CORPORATE PROFILE



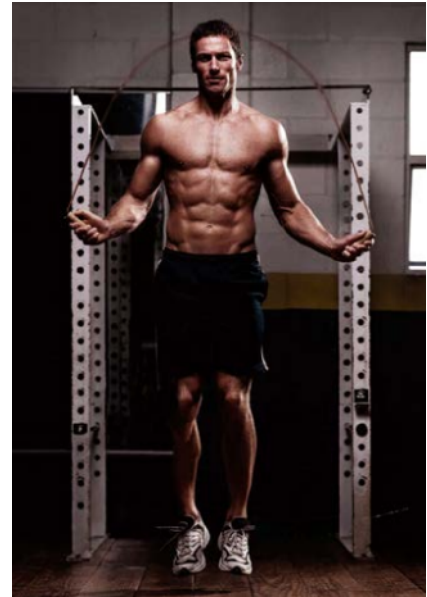
Locations of Texas Chicken outlets as at 8 December 2016

Locations	2013
Aeon Bukit Tinggi Shopping Centre, Klang	31 January
Sri Gombak, Batu Caves	1 March
Sunway Pyramid Shopping Mall, Subang Jaya	12 July
The Mines Shopping Mall, Seri Kembangan	19 July
Kajang	12 December
Locations	2014
Klang Parade, Klang	14 March
Kuala Lumpur International Airport 2, Sepang	3 May
Main Place, Subang Jaya	26 May
Jaya Shopping Centre, Petaling Jaya	26 June
Tesco Extra Cheras, Kuala Lumpur	17 July
Mid Valley Megamall	29 October
IOI City Mall, Putrajaya	20 November
Wangsa Walk Mall, Wangsa Maju	18 December
Locations	2015
Geo Hotel, Kuala Lumpur	12 February
Damansara Uptown	19 March
Tesco Setia Alam, Shah Alam	11 June
KL Festival City Mall, Setapak	9 July
Tesco Extra Jenjarom, Selangor	30 September
PJ New Town	8 October
Evolve Concept Mall, Ara Damansara	5 November
Star Avenue Lifestyle Mall, Shah Alam	12 December
Midpoint Shopping Centre, Pandan Indah	15 December
Locations	2016
M3 Residency Mall, Taman Melati, Setapak	28 January
Tesco Lukut, Port Dickson	25 February
Taman Sri Serdang, Seri Kembangan	14 April
SS15 Courtyard, Subang Jaya	28 April
Utropolis Marketplace, Glenmarie	19 May
Bandar Puchong Jaya	27 June
Seremban Gateway	15 November
KL Sogo	29 November
Sunway Velocity Mall, Sunway Velocity	8 December

On 28 March 2016, Envictus acquired 85% shareholding in Lyndarahim Ventures Sdn Bhd (“LVSB”) which in turn owns San Francisco Coffee Sdn Bhd (“SFCSB”), a specialty coffee chain business that serves house roasted coffee in Malaysia. On 19 August 2016, Envictus acquired the remaining 15% shareholding in LVSB. SFCSB operates 28 specialty coffee outlets and one licensed outlet in Malaysia under its own brand name “San Francisco Coffee”. SFCSB’s house roasted coffee can be found in KLCC, The Sphere at Bangsar South, Mid Valley, Menara Millenium, Menara TM, Menara UOA Bangsar, The Intermark, Wisma Rohas Perkasa, Menara Citibank and Menara Shell among many other office buildings. SFCSB has its own roasting plant and central kitchen to cater to the needs of all its outlets. One of the major initiatives undertaken upon the acquisition is a rebranding exercise which will introduce new concept and design of upcoming stores. While SFCSB maintains the brand promise of freshly roasted coffee and high quality coffee beans, this initiative will allow SFCSB to become competitive in the industry.

Through this strategic acquisition, SFCSB will enjoy lower costs from internal sourcing within Envictus’ Trading and Frozen Food Division, Bakery and Butchery businesses, while these divisions will derive synergistic benefits from higher production output through the supply of its premium products to complement the specialty coffee chain business. This investment is also part of the downstream expansion of Envictus’ growth strategy to increase the presence of its identity and brand in key markets such as Malaysia and the neighbouring countries in Asia.

CORPORATE PROFILE



NUTRITION DIVISION

Naturalac Nutrition Limited (“NNL”), a marketer of branded nutritional food and beverages including products marketed to athletes and mass consumer markets trades under the Horleys™ brand name and other proprietary brands such as Sculpt™ (a weight management product tailored for women) and Replace™ (only available in powdered format).

The key benefits of these products are in the areas of weight management (both muscle mass gain and weight loss through satiety control), energy delivery and hydration. Most recently, NNL also launched a range of nut milks under the Covet™ brand name. The Covet range is manufactured by Envictus Dairies NZ Ltd, another subsidiary in Envictus Group.

NNL became a “virtual” company in 2002 in order to enable its management to focus its efforts on key areas of marketing and product development. As such, this marketing company outsources many of its key functions including manufacturing, distribution and selling to third party providers, both in New Zealand and Australia. This lean business model, akin to popular sports apparel brands, 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, both financial and non-financial, otherwise required for setting up of processing and production centres.

By concentrating on its core competencies, NNL has been able to significantly shorten the time required for product development, from concept to market. This ability is considered an edge over its competitors. In New Zealand, NNL's products are primarily distributed through the route channels (gyms, health food shops, specialty stores and specialty nutrition shops) and retail channels (supermarkets, oil and convenience retail outlets) whilst its Australian sales are made predominantly through the route channels.

CORPORATE PROFILE

FOOD PROCESSING DIVISION

Bakery

De-luxe Food Services Sdn Bhd, which is located in Meru, Klang, manufactures speciality European bread for supply to hotels, restaurants, cafes and supermarkets. It also supplies its products to Subway Malaysia.

In addition to the frozen bakery range produced by De-luxe Food Services Sdn Bhd, the Group also produces and distributes fresh breads and buns through the Family Group, consisting of Family Bakery Sdn Bhd and Daily Fresh Bakery Sdn Bhd.

Family Group's manufacturing facility is located in Meru, Klang and produces fresh breads and buns in Malaysia under the brand name of Daily Fresh and Family. Their products are distributed nationwide to hypermarkets, supermarkets, factory canteens, petrol marts, grocery stores and convenience shops.



Butchery

Gourmessa Sdn Bhd which is 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.



The operations of Gourmessa are currently affected by the limited capacity of its present facilities. The Group has purchased several pieces of land in the Selangor Halal Hub Pulau Indah ("SHHP") and intends to relocate the existing butchery facilities to SHHP whereby bigger production facilities will be built to cater for increased demand. Construction at site has commenced in July 2016 and is expected to complete by mid-2017.

Beverages

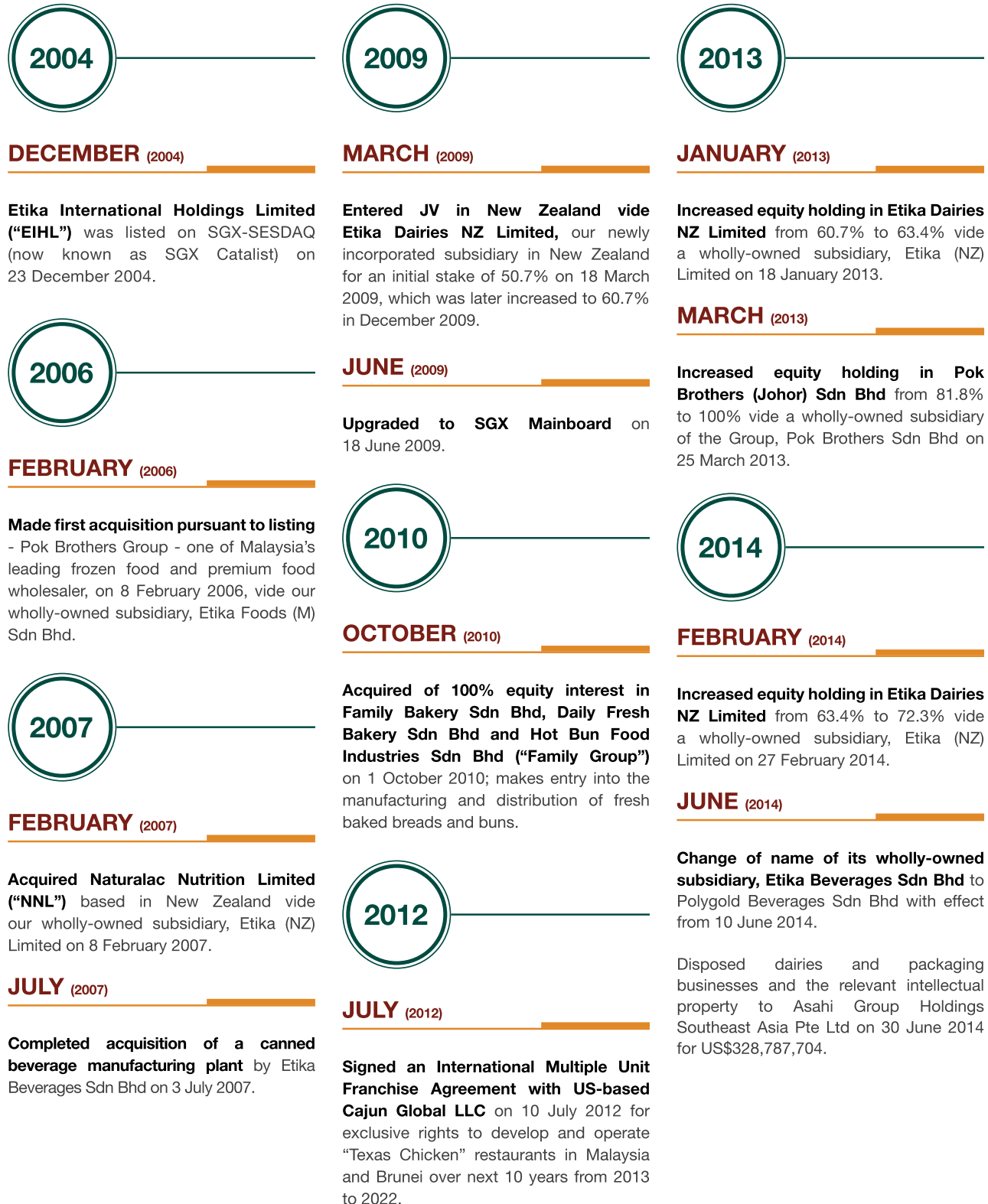
Polygold Beverages Sdn Bhd is a manufacturer of canned and bottled beverages based in Seremban, Negeri Sembilan. Its plant produces both carbonated and non-carbonated drinks under the brand names of Poly and Polygold. In addition, it also produces Air Champ energy drink and Power Champ isotonic sports drink.

Contract Packing for Dairy and Juice-based drinks

The Group entered into the ready-to-drink segment vide a joint venture in Envictus Dairies NZ Limited to establish New Zealand's first state-of-the-art, UHT Aseptic PET bottling line for dairy, juice and water products with the official opening of its plant on 1 September 2011. The plant, located at Whakatu Industrial Park, near Hastings, is ideally-suited for bottling operations with its existing resources, including bore water rights, trade waste discharge rights and tanker access.

The plant currently produces UHT milk for the China and Taiwan markets, flavoured milk for Australasia, pet milk and fruit juice for local and Asian markets. It has also developed and launched its ready-to-drink sports nutrition beverage including isotonic drinks, protein drinks, weight loss water and pre-workout drinks. Most recently, the plant has expanded into non-dairy alternative nut milks such as coconut, macadamia and almond milk.

KEY MILESTONES



KEY MILESTONES



JULY (2014)

Acquisition of two shelf companies, Polygold Foods Sdn Bhd (“PFSSB”) and Polygold Marketing Sdn Bhd (“PMSB”) by Etika Industries Holdings Sdn Bhd on 1 July 2014. The principal activity of PFSSB is manufacturing of food products whereas PMSB’s principal activity is marketing and distribution of food and beverage products.

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

Change of names of subsidiaries in Malaysia with effect from 16 July 2014 as follows:-

- (a) From Etika Foods (M) Sdn Bhd to Envictus Foods (M) Sdn Bhd
- (b) From Etika Industries Holdings Sdn Bhd to Polygold Holdings Sdn Bhd

AUGUST (2014)

Change of name of its wholly-owned subsidiary, Etika IT Services Sdn Bhd to Envictus IT Services Sdn Bhd with effect from 14 August 2014.

SEPTEMBER (2014)

Acquired a shelf company, namely Glenland Sdn Bhd on 3 September 2014. Its principal activity is investment holding.



OCTOBER (2014)

Acquired a shelf company, namely Gourmessa Sdn Bhd by Envictus Foods (M) Sdn Bhd on 1 October 2014. Its principal activity is manufacturing and distribution of convenient value-added frozen food.

Change of names of subsidiaries in New Zealand with effect from 23 October 2014 as follows:-

- (a) From Etika (NZ) Limited to Envictus NZ Limited
- (b) From Etika Dairies NZ Limited to Envictus Dairies NZ Limited

NOVEMBER (2014)

Change of names of subsidiaries as follows:-

- (a) From Etika Capital (Labuan) Inc. to Envictus Capital (Labuan) Inc. with effect from 29 October 2014
- (b) From Etika Foods International Inc. to Envictus Foods International Inc. with effect from 29 October 2014
- (c) From Etika Brands Pte Ltd to Envictus Brands Pte Ltd with effect from 11 November 2014



JUNE (2015)

The Group had an internal group restructuring exercise to streamline its Trading and Frozen Food and Others Divisions.

The Group structure was reorganised as follows:-

- (a) Envictus Foods (M) Sdn Bhd (“EFMSB”) has transferred 100% of its equity interest in Family Bakery Sdn Bhd to De-luxe Food Services Sdn Bhd (“DFSSB”) on 1 June 2015
- (b) EFMSB has transferred 100% of its equity interest in Hot Bun Food Industries Sdn Bhd to Platinum Appreciation Sdn Bhd on 1 June 2015
- (c) Pok Brothers Sdn Bhd has transferred 100% of its equity interest in DFSSB to EFMSB on 1 June 2015
- (d) The Company transferred 100% of its equity interest in Polygold Beverages Sdn Bhd to Polygold Holdings Sdn Bhd on 18 May 2015
- (e) The Butchery business of DFSSB was transferred to Gourmessa Sdn Bhd on 8 January 2015
- (f) EFMSB has transferred 100% of its equity interest in Daily Fresh Bakery Sdn Bhd to DFSSB on 23 June 2015

KEY MILESTONES



2015

OCTOBER (2015)

Acquired leasehold property with a 99-year lease expiring on 26 May 2067 located at 11, Jalan 225, 46100 Petaling Jaya, Selangor Darul Ehsan from Continental Oasis Sdn Bhd to cater for future office space requirement.

NOVEMBER (2015)

Acquired a shelf company, namely Dominade Marketing Sdn Bhd by EFMSB on 17 November 2015. Its principal activity is wholesaling and trading of food products.

DECEMBER (2015)

Polygold Beverages Sdn Bhd, a wholly-owned subsidiary of the Company, acquired eight plots of land with 99-year lease expiring on 24 February 2097 in Selangor Halal Hub, Pulau Indah on 10 December 2015.



2015

DECEMBER (2015)

Platinum Appreciation Sdn Bhd ("PASB"), a wholly-owned subsidiary of the Company together with Brothers Coffee Ventures Sdn Bhd entered into a conditional Sale & 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 Lyndarahim Ventures Sdn Bhd ("LVSB") in relation to the acquisition of San Francisco Coffee Sdn Bhd.



2016

FEBRUARY (2016)

On 12 February 2016, the Company completed its share consolidation exercise of every five existing issued ordinary shares into one ordinary share in the capital of the Company for compliance with minimum trading price of S\$0.20 as a continuing listing requirement for issuers listed on the Mainboard of SGX-ST.



2016

MARCH (2016)

Platinum Appreciation Sdn Bhd ("PASB") completed 85% acquisition of the entire issued and paid-up share capital of LVSB on 28 March 2016.

JUNE (2016)

Change of name of wholly-owned subsidiary, Platinum Appreciation Sdn Bhd to Envictus Food Services Sdn Bhd with effect from 21 June 2016.

AUGUST (2016)

Envictus Food Services Sdn Bhd 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.

SEPTEMBER (2016)

Incorporation of a new subsidiary company in Singapore known as Envictus QSR Pte Ltd on 6 September 2016. Its principal activity is that of investment holding.



TRADING AND FROZEN FOOD DIVISION

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 am pleased to present our 2016 Annual Report incorporating the financial statements of the Group for the financial year ended 30 September 2016 (“FY2016”).

FY2016 was a year of expanding and developing new revenue streams towards a sustainable business model. The Group is committed to delivering quality F&B products to meet evolving consumer tastes and establishing ourselves as a preeminent regional F&B group.

REVIEW OF FINANCIAL RESULTS

The Group's revenue grew 10.8% year-on-year to RM362.7 million in FY2016 as compared to RM327.4 million in FY2015. The growth of RM35.3 million during the year was primarily contributed by the Food Services Division, our fastest growing segment, driven mainly by Texas Chicken and supported by the newly acquired San Francisco Coffee chain.

Food Services Division's revenue rose significantly by 81.5% to RM80.6 million in FY2016, up from RM44.4 million the previous year, mainly on the back of an impressive showing by Texas Chicken, in line with market acceptance of its products' quality, value and brand recognition. The newly acquired San Francisco Coffee chain with 28 outlets provided a new revenue stream, contributing an additional RM10.4 million to topline growth.

MESSAGE FROM THE CHAIRMAN

Both the Trading and Frozen Food and Food Processing Divisions' revenue grew marginally during the year under review to RM170.6 million and RM75.1 million, respectively. Trading and Frozen Food Division experienced better sales from retail and proprietary segments whilst Food Processing Division saw sales growth from the Contract Packing for Dairy and Juice-based drinks business, offset by lower sales in the Bakery and Beverages businesses due to the weak economy and intense price competition. The Nutrition Division was affected by fierce competition from a multitude of American brands in the Australian market and revenue shrunk by RM2.4 million.

We are pleased that Envictus achieved a turnaround in bottomline, registering a profit after tax of RM1.5 million in FY2016 as compared to a loss after tax of RM3.6 million in FY2015, mainly due to higher sales, gross profit margin and other income. We will stay focused on improvements of process efficiencies to raise productivity within a new streamlined business structure.

The Group's balance sheet remained robust with cash and bank balances and fixed deposits of RM59.4 million and shareholders' equity of RM342.2 million as at 30 September 2016.

EXPANDING AND DEVELOPING INCOME STREAMS

Customer acceptance and support for Texas Chicken has been very promising as we launch new outlets expeditiously. We opened 10 new outlets in this financial year and 4 more outlets before end of December, bringing the total to 32 outlets. We continue to develop and execute marketing strategies such as limited time menu items and promotions to increase market acceptance of the Texas Chicken brand name and to attract new customers.

Following our successful downstream entry into the food services sector with Texas Chicken, we acquired 100% of San Francisco Coffee Sdn Bhd ("SFCSB"), a franchisor which exclusively owns the San Francisco Coffee brand name and has a chain of 28 specialty coffee outlets. This synergistic acquisition will allow San Francisco Coffee to source for premium products internally from our Trading and Frozen Food Division at a much lower cost and help our Food Processing Division achieve improvements in utilisation of machinery due to a higher production output. Our Group revenue has immediately seen the positive effect of this accretive acquisition as seen in our topline growth.

In addition, we have started the construction of warehouse and factory on two plots of land in Selangor Halal Hub Pulau Indah ("SHHP") and this is expected to complete middle of next year. The warehouse is to facilitate the expansion of our Trading and Frozen Food Division to cope with the requirement of Food Services Division and future growth of the Trading and Frozen Food business. The factory is for the relocation of existing facilities of our Butchery business to SHHP, where bigger production facilities will be built to cater for increasing demand. Apart from the benefit of having bigger production facilities, our "Gourmessa" brand will be enhanced by being located in a Halal Park due to recognition; with potential eligibility for special tax incentives for companies located in the Selangor Halal Hub.

FUTURE OUTLOOK AND PROSPECTS

In the year ahead, with our vast industry experience and robust balance sheet, we will push forth with nurturing and growing our businesses in both existing and new markets.

Revenue
RM362.7
million in FY2016

Revenue
growth
10.8%

Profit After Tax
RM1.5
million in FY2016

MESSAGE FROM THE CHAIRMAN

The encouraging market acceptance and growth of Texas Chicken has given us better leverage in our bulk purchases such as higher bulk order rebates from suppliers and better store location and rental terms at malls and shoplots. With these factors, we are confident that Texas Chicken will not just ride but thrive through the slower retail market.

As for San Francisco Coffee, we have embarked on a rebranding exercise where we are redesigning the existing cafes and revising the food menu to stay relevant to today's consumers' expectation. As part of our plans to refresh and re-position this homegrown brand, we also plan to open San Francisco Coffee outlets in shopping malls to target a wider range of customers. We are working actively towards the launch of these initiatives by the second quarter of FY2017.

Our Food Processing Division continues to be affected by the weak Ringgit, a lacklustre consumer sentiment and intense competition. We are executing strategies to potentially increase our revenue streams by extending our footprint both regionally and globally. For example, we will relocate Gourmessa operations to bigger production facilities at the SHHP to capture a larger share of the global Halal processed food market. Our Beverages business is also looking at entering into OEM partnerships with Asean companies to extend export market reach beyond China.

SHARE CONSOLIDATION

Following approval at the last Annual General Meeting, we have successfully undertaken the share consolidation of every five existing issued shares into one consolidated share on 12 February 2016 to comply with the minimum trading price of S\$0.20, a continuing listing requirement for issuers listed on the Mainboard of the Singapore Exchange Securities Trading Limited.

WORDS OF APPRECIATION

I would like to extend our deepest appreciation to faithful shareholders, customers, suppliers, business partners for their confidence and support for Envictus.

I am also grateful for the guidance and contributions by our esteemed board members.

I would also like to thank all management and staff who have worked resolutely as we grow our businesses. They have shown dedication in contributing to the growth of Envictus as an established F&B group.

In closing, we are optimistic about our strategies and are devoted to delivering shareholder value.

DATO' JAYA J B TAN
Chairman

We are redesigning the existing cafes and revising the food menu to stay relevant to today's consumers' expectation.



BIG • JUICY • CRUNCHY

Served in our signature 8-piece cut, you can now enjoy sumptuous chicken at great value

It's Crunch Time!™



**FOOD
SERVICES
DIVISION**

REVIEW OF OPERATIONS

Financial year ended 30 September 2016 was a year of expanding and developing income streams towards a sustainable business model.

Food Services Division's

revenue rose to

RM80.6

million in FY2016 from

RM44.4

million in FY2015

Growth of

81.5%

in topline for
Food Services Division

The Group's core business segments are as follows:-

- (a) **Trading and Frozen Food Division;**
- (b) **Food Services Division – Texas Chicken and San Francisco Coffee;**
- (c) **Nutrition Division; and**
- (d) **Food Processing Division:-**
 - **Bakery;**
 - **Butchery;**
 - **Beverages; and**
 - **Contract Packing for Dairy and Juice-based drinks.**

Envictus remains committed to delivering quality F&B products to meet evolving consumer tastes and establishing ourselves as a preeminent regional F&B group.

CONSOLIDATED INCOME STATEMENT

The Group's revenue grew RM35.3 million or 10.8% to RM362.7 million, compared to the preceding year of RM327.4 million. The increase in the Group's topline was primarily contributed by the exceptional performance from the Food Services Division.

Food Services Division registered a 81.5% growth in topline from RM44.4 million to RM80.6 million. Texas Chicken continues to achieve a remarkable increase of RM25.8 million or 58.1% in revenue from RM44.4 million to RM70.2 million, as a result of opening 10 new restaurant outlets and improved sales performance attributed to market acceptance of its products quality, value and brand recognition. Newly acquired San Francisco Coffee chain also contributed an additional RM10.4 million revenue to the Division.

Trading and Frozen Food Division's revenue grew marginally from RM169.3 million to RM170.6 million mainly due to improved sales in its retail and proprietary sectors.

Food Processing Division's revenue also grew marginally from RM74.7 million to RM75.1 million. The Contract Packing for Dairy and Juice-based drinks business contributed significant sales growth of RM7.1 million due to greater sales volume and improved sales mix. However, this was offset by the slower growth in the Bakery and Beverages businesses on the back of a slower economy and stiff competition.



REVIEW OF OPERATIONS

Nutrition Division's revenue was impacted by stronger competition in the Australian route channel due to the multitude of American brands that flooded into the market, initially supported by the weaker USD/AUD FX rate over 2015 compounded by the online trading competitors which also took advantage of cheaper US brands.

The Group gross profit margin improved from 27.0% to 30.4% year-on-year on the back of price increases in certain products, lower food costs due to higher rebates and better stock management from Food Services Division.

Other income was lifted by 13.6% to RM24.9 million primarily due to a gain on disposal of land and building in Indonesia of RM9.6 million, the RM5.7 million foreign exchange gain and income arising from held-for-trading investments of RM5.0 million.

Operating expenses rose RM22.7 million or 21.7% for the year from RM104.7 million to RM127.4 million. This was principally due to higher selling and marketing expenses and administrative expenses associated with opening of new Texas Chicken restaurant outlets and the operating costs of the newly acquired San Francisco Coffee business. Other operating expenses included mainly a RM1.2 million write-off of the renovation and equipment as a result of relocation of restaurant outlets and office. The comparative figures of other operating expenses include RM4.6 million fair value loss on held-for-trading investments.

Finance costs rose from RM1.8 million to RM4.2 million mainly from the drawdown of borrowings to finance the acquisition of corporate office building and new business, additional trade line and hire purchase facilities for the new restaurant outlets.

The Group's effective tax rate was at 58.5% mainly arising from the additional tax charge as a result of increase in profit generated by certain subsidiaries and the non-availability of group relief for losses

incurred by certain subsidiaries. This was offset against the adjustment for over-provision of tax by certain subsidiaries. The higher tax expense in the previous year was mainly due to reversal of deferred tax assets by New Zealand subsidiaries.

Overall, the Group registered a turnaround with profit after tax of RM1.5 million as compared to the loss after tax of RM3.6 million in the previous financial year.

STATEMENTS OF FINANCIAL POSITION

Under non-current assets, the increase of RM120.4 million in property, plant and equipment, and investment property (net of depreciation charges) was mainly from the acquisition of land and building of RM102.5 million (inclusive of deposits paid of RM36.4 million) and the set up costs of new Texas Chicken outlets. The Group's investment in available-for-sale financial assets registered a fair value loss of RM15.1 million. Intangible assets increased by RM15.6 million largely from recognition of goodwill and brand arising from acquisition of subsidiaries. These have resulted in the overall increase in non-current assets by RM116.6 million.

Inventories increased by RM6.1 million resulting from higher stock holding in line with the increase in sales and expansion of restaurant business. Trade and other receivables declined by RM2.9 million as a result of higher collections and shorter credit term given to customers. The net proceeds of RM57.2 million from the disposal of held-for-trading investments together with part of cash and bank balances were utilised for the acquisition of land and building, set up costs for new outlets, acquisition of investments and placement of fixed deposits. These have resulted in the overall decrease in current assets by RM95.4 million.

The Group's current liabilities increased by RM19.2 million mainly due to higher purchases of RM7.0 million, payables from a newly acquired subsidiary of RM4.4 million, additional financing of RM6.2 million for the acquisition of

The Group gross profit margin improved from

27.0%

to

30.4%

year-on-year

Contributed by price increases in certain products, lower food costs & better stock management from Food Services Division.

subsidiaries and working capital, and additional RM2.1 million hire purchase facilities to finance new restaurant outlets.

The Group's non-current liabilities increased by RM27.2 million largely due to additional financing for the acquisition of corporate office building and subsidiaries.

CASH FLOW POSITION

The Group registered a net decrease in cash and cash equivalents of RM35.8 million for the current year ended 30 September 2016.

Net cash generated from operating activities amounted to RM4.9 million which was derived from cash generated from operations of RM5.8 million, collection from receivables of RM5.7 million and increase in payables of RM5.9 million, and was partially utilised to fund the inventories of RM5.6 million.

REVIEW OF OPERATIONS

For the investing activities, the Group utilised RM134.1 million mainly for the purchase of property, plant and equipment, and investment property, investment in an available-for-sale financial assets and acquisition of subsidiaries. Cash amounting to RM77.2 million were largely raised from sale of held-for-trading investments and assets held for sale. These resulted in net cash utilised of RM56.9 million in the investing activities.

Net cash generated from financing activities of RM16.2 million arose from the drawdown of bank borrowings of RM112.2 million to partially fund the acquisition of corporate office building, acquisition of subsidiaries and working capital. This amount was reduced by RM95.9 million utilised for settlement on trade line facilities, repayment of hire purchase creditors, term loans, acquisition of non-controlling interests and interest paid.

SEGMENTAL REVIEW BY BUSINESS DIVISIONS

The Group's divisions comprise the Trading and Frozen Food, Food Services, Nutrition and Food Processing divisions. The Trading and Frozen Food Division contributed 47.0% of total revenue. This was followed by the Food Services, Food Processing and Nutrition Divisions which contributed 22.2%, 20.8% and 10.0% to total revenue, respectively. Overall, the Group recorded a profit before tax of RM3.5 million.

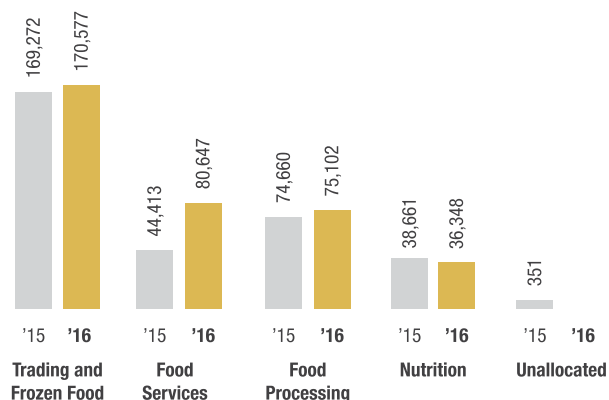
Trading and Frozen Food Division

The Trading and Frozen Food Division grew marginally from RM169.3 million to RM170.6 million due to improved sales in its retail and proprietary sectors. The Division posted a profit before tax of RM5.5 million as compared to RM1.1 million mainly due to lower advertising and promotion expense, recovery of bad debts, higher interest income and favourable foreign currency gain in the current financial year.

Segmental assets increased by 1.6% from RM115.7 million to RM117.6 million mainly from increase in inventories as a result of higher level of stock holding. Segmental liabilities decreased from RM44.6 million to RM42.5 million or 4.7% primarily due to settlement to creditors.

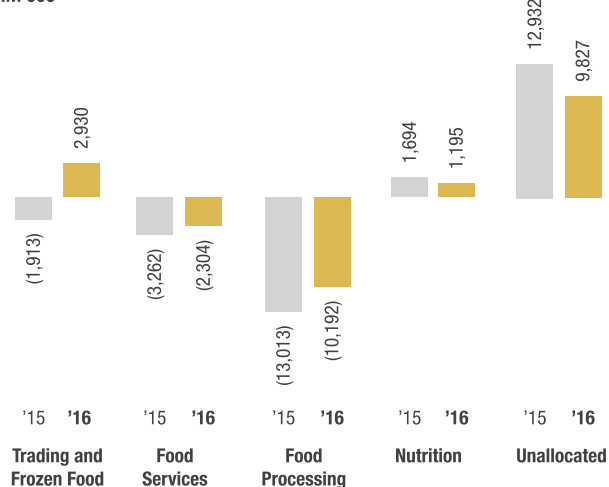
SEGMENTAL REVIEW BY BUSINESS DIVISIONS

REVENUE RM'000



BUSINESS SEGMENTS	FY2015 RM'000	FY2016 RM'000
REVENUE		
Trading and Frozen Food	169,272	170,577
Food Services	44,413	80,647
Food Processing	74,660	75,102
Nutrition	38,661	36,348
Unallocated	351	-
	327,357	362,674

PROFIT/(LOSS) AFTER TAX RM'000



BUSINESS SEGMENTS	FY2015 RM'000	FY2016 RM'000
PROFIT/(LOSS) AFTER TAX		
Trading and Frozen Food	(1,913)	2,930
Food Services	(3,262)	(2,304)
Food Processing	(13,013)	(10,192)
Nutrition	1,694	1,195
Unallocated	12,932	9,827
	(3,562)	1,456

REVIEW OF OPERATIONS

Food Services Division

The Food Services Division comprises of Texas Chicken and San Francisco Coffee businesses. The Division posted a robust growth in topline by 81.5% from RM44.4 million to RM80.6 million mainly driven by Texas Chicken which continues to achieve a strong increase in revenue from RM44.4 million to RM70.2 million, as a result of the opening of 10 new restaurant outlets and improved sales performance attributed to market acceptance of its products quality, value and brand recognition. The newly acquired San Francisco Coffee business with 28 outlets has also contributed an additional RM10.4 million revenue to the Division. As a result, the loss before tax was reduced to RM2.3 million as compared to RM3.3 million in the previous financial year.

The increase in property, plant and equipment following the opening of 10 new outlets during the financial year contributed mainly to the increase in the segmental assets from RM34.7 million to RM57.5 million or 65.7%. Segmental liabilities increased by 65.3% from RM17.0 million to RM28.1 million principally due to the additional hire purchase facilities to finance the purchase of property, plant and equipment, and payables from newly acquired subsidiaries.

Nutrition Division

The sports nutrition and dietary supplements business saw a decrease in revenue by RM2.4 million or 6.2% from RM38.7 million to RM36.3 million primarily due to more competitively priced US brands as well as significant increase in dealing by Australian and New Zealand brands as they fight desperately to retain market share. The NZ route channel remained under pressure from online trading competitors also taking advantage of cheaper US brands. The other main area of impact was in the NZ retail channel which saw strong promotional competition. However, in Q4 there was a much improved uplift in sales performance on the back of the new Covet nut milks that have been launched into the NZ market in August 2016. The Division recorded a profit before tax of RM1.1 million which was similar to the previous financial year.



Segmental assets had increased by 3.3% from RM21.5 million to RM22.2 million principally attributable to the increased inventories due to higher stock holding. Segmental liabilities increased from RM2.9 million to RM5.0 million largely from increase in payables.

Food Processing Division

The Group's Food Processing Division comprises of the Bakery, Butchery, Beverages and Contract Packing for Dairy and Juice-based drinks businesses. The Division has achieved overall marginal growth in sales by RM0.4 million or 0.5% from RM74.7 million to RM75.1 million. This was primarily driven by better performance of Contract Packing for Dairy and Juice-based drinks business which has contributed significant sales growth of RM7.1 million due to greater sales volume and improved sales mix. However, the Division was impacted by the slower growth in its Bakery business, a reduction of RM3.5 million or 8.0% on the back of a weak economy, lower consumer spending and stiff competition. The Beverages business has also recorded a reduction in revenue of RM3.2 million due to lower

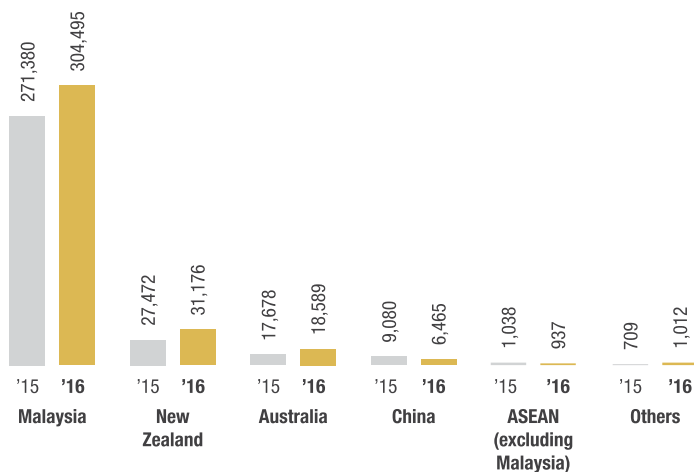
Texas Chicken
increase
RM25.8
million in revenue

Texas Chicken
Restaurant
opened
10 
outlets during
the FY2016

REVIEW OF OPERATIONS

PERFORMANCE REVIEW BY GEOGRAPHICAL SEGMENTS

GEOGRAPHICAL SEGMENTS REVENUE RM'000



GEOGRAPHICAL SEGMENTS	FY2015 RM'000	FY2016 RM'000
REVENUE		
Malaysia	271,380	304,495
New Zealand	27,472	31,176
Australia	17,678	18,589
China	9,080	6,465
ASEAN (excluding Malaysia)	1,038	937
Others	709	1,012
	327,357	362,674

export and local sales resulting from the continued slower China economy and ongoing price wars amongst the local competitors.

Overall the Division incurred a loss before tax of RM9.4 million as compared to RM9.6 million in the previous financial year.

Segmental assets moved up by 57.6% from RM83.9 million to RM132.2 million largely due to acquisition of land in Pulau Indah while segmental liabilities increased by 29.5% from RM22.0 million to RM28.5 million mainly due to the increase in payables and additional trade line facilities taken during the financial year.

PERFORMANCE REVIEW BY GEOGRAPHICAL SEGMENTS

The Group recorded an overall increase in revenue of RM35.3 million. Malaysia remained the Group's core market, contributing RM304.5 million or 84.0% of total revenue. This was followed by New Zealand which contributed RM31.2 million or 8.6% of the topline and Australia accounting for RM18.6 million or 5.1% of revenue. China contributed RM6.5 million or 1.8% of revenue while the rest was from ASEAN (excluding Malaysia) and others with individually insignificant revenue.

Malaysia

Malaysia continued to be the Group's key growth market, contributing 84.0% of the overall revenue. Revenue rose from RM271.4 million in FY2015 to RM304.5 million in



FY2016, representing an increase of 12.2%, largely due to higher sales volume generated by the Food Services Division, which opened 10 additional Texas Chicken outlets and newly acquired San Francisco Coffee chain during the financial year.

New Zealand and Australia

Revenue grew by 10%, from RM45.2 million to RM49.8 million, driven by better performance of Contract Packing for Dairy and Juice-based drinks business as a result of greater sales volume and improved sales mix.

China

Revenue dropped by RM2.6 million or 28.8% primarily due to lower export sales resulting from the continued slower China economy and stiff competition.

PROSPECTS AND GROWTH PLANS

Trading and Frozen Food Division

The US Dollar continues to be volatile, strengthening against the Malaysian Ringgit. To mitigate cost pressure, prices of certain products were increased. However, the increase is constrained by competition and the limit imposed by the Anti-Profitteering Act imposed during the implementation of the GST in April 2015. Operating costs have increased due to high fuel price and high recruitment fee for

REVIEW OF OPERATIONS

foreign workers. Consumer spending has been muted due to the current economic slowdown both globally and in Malaysia. Revenue could also be impacted by closure of some retail outlets and restaurants and tightening of credit controls. To mitigate the effect, more promotions are held to stimulate sales with support from principals of agency products in the form of advertising and promotion funds.

The prices of imported beef, lamb and mutton from Australia and New Zealand continue to hike due to shortage of animals and reduction of slaughtering during the winter season. Brazilian beef prices have also increased significantly negating the cost advantage it had previously. Price for lamb shoulder has also been increasing due to strong demand from China. The Division expects the next quarter i.e Q1 FY2017 to generate improved revenue due to the coming holidays and festive seasons. The Division has resumed its import of turkey from the United States as it was unable to do so previously due to bird flu.

Food Services Division

Price of fries has increased slightly due to the depreciating Ringgit against the US Dollar. Price of bone-in-chicken remains unchanged. However, higher rebates have been obtained from suppliers due to achievement of higher volume. Overall, Texas Chicken should be able to negotiate for better prices of most food costs as it will be in a better bargaining position as volume grows in tandem with the increasing number of outlets. The Division also constantly source for new suppliers to complement its growing business to ensure the lowest prices are obtained.

Consumer sentiment is lower following the implementation of the GST which has triggered increase in prices of goods and services compounded with the increase in toll charges, reduction in rebate for electricity charges and increase in fuel price. All these factors have resulted in a slower retail market with consumers tightening on spending. Despite these factors, Texas Chicken is able to sustain healthy sales due to market acceptance of its brand, products quality, value and services.

31
Total number of Texas Chicken outlets
 (as at 8 December 2016)

San Francisco Coffee
 operates
28 
 specialty coffee outlets

Texas Chicken brand continues to grow from strength to strength as evidenced by the encouraging support during the openings of new outlets during the year in Klang Valley. Texas Chicken opened 10 outlets during the financial year and expects to open three more outlets before end of December 2016, bringing a total of 32 outlets. The topline continues to grow on the back of successful operations executions, marketing strategy and limited time offers together with the growing number of outlets. Because of the continuing strength of Texas Chicken, it has been attracting offers from malls and shoplots in the Klang Valley and outstation. This enables Texas Chicken to improve site selections and rental terms.

The Group has completed the acquisition of San Francisco Coffee (“SFC”) on 28 March 2016. Although there are no major changes in raw material prices, management is constantly focused on improving the quality and efficiency of its supply chain. The acquisition has enabled SFC to improve their margin and enhance their product offerings through sharing of resources and R&D assistance from its related companies.

Management has embarked on a rebranding exercise which will introduce new design for their stores as well as menu offerings to compete effectively in the coffee market. These initiatives are expected to be launched by the second quarter of FY2017.


Nutrition Division



Dairy ingredients in the form of milk powders and highly specialised whey proteins form a significant component of the Division’s costs.

The worldwide oversupply of milk powder has eased and international prices are increasing in recent months after a long period of low prices. Prices for specialised whey proteins purchased to manufacture Horleys products however do not always directly follow the price trends for Whole and Skim milk. The prices for whey proteins have

REVIEW OF OPERATIONS

The Horleys Brand stabilised with **32%**  market share of New Zealand



been stable if not falling for several quarters but it remains to be seen whether prices will also lift for whey proteins in line with the overall recovery of dairy. This period of soft pricing for whey proteins has continued to deliver some improvement in cost of goods sold. The company predominantly draws their specialised protein ingredients exclusively from Fonterra Cooperative, New Zealand's preeminent dairy product supplier. All remaining raw materials and packaging requirements are actively tendered via the company's contracted powder products manufacturer on an open book costing basis.

The Division markets their range of sports nutrition and weight management products under the Horleys brand. The Horleys brand had been losing market share in the key New Zealand supermarket channel for a period but has currently stabilised with 32% market share of New Zealand key accounts. The aggressive promotional programme being activated by key competitor, Vitaco, is the primary reason for the loss of share.

In the traditional channel for sales of sports and weight management supplements being gyms, health food and supplement shop channel, Horleys has lost market share for some period. This has been primarily due to more competitively priced US brands as well as significant increase in dealing by Australian and New Zealand brands as they fight desperately to retain some market share. The continued strengthening of the US dollar is slowly beginning to impact the US brands however there has been little significant change in market share or trade buying interest at this stage. Horleys is slowly stabilising sales and has significantly reduced the 'cost to serve' customers, reflecting the changing retail environment with an increasing proportion of sales through web purchases.

Focus is currently on developing products within the sports and nutrition range with a natural positioning. An exciting new range of bars developed with a natural protein

claim profile was launched in the last quarter of FY2016. A plant based protein powder offering reflecting international trend in this direction will be launched in first quarter of FY2017.

The Division is also in the process of diversifying its product offering from a sole dependence on sports nutrition and weight management products. A new range of UHT long life non-dairy beverages (PET bottles), almond, macadamia and coconut milks has been launched throughout Australia and New Zealand in the emerging and growing chilled supermarket segment. Selected ranging has been achieved throughout the New Zealand supermarket trade with encouraging initial off-take leading to additional ranging. Presentations will also be made to the Australian supermarket groups in Q1 and Q2 of FY2017.

REVIEW OF OPERATIONS



Food Processing Division

a. Bakery

Wheat, which forms a material portion of raw material cost, is on a continuous downtrend due to weak global demand especially from China. However, the advantage of the reduction in wheat price has been negated by flour millers who have totally withdrawn rebate since February 2016 and the current weak Ringgit which impacted the import cost from US and Australia. The weakening Ringgit has also resulted in the increased costs of sugar, yeast, and other ingredients. In addition, the Malaysian government has put a cap price on industrial diesel, thus preventing the price from falling further when sold to the industrial users.

Due to lack of stimulus from the market arising from the low global fuel price, consumer spending remains weak following the implementation

of the GST coupled with increase in toll charges and reduction in rebate on electricity charges and lifting of subsidy for cooking oil. Most grocers and retailers have temporarily delayed any expansion plan and undertaken reduced promotional activities.

In order to counteract the intense competition among bakeries, we have embarked on some branding activities like revamping logo, new packaging and engagement of customers on social media. To control costs, measures have been undertaken to improve process efficiencies and controlling wastages and returns. In addition, the Bakery business has implemented price increase for certain of its existing products to mitigate the escalating costs of raw materials and labour. As the industry experiences labour shortage, the Bakery business will focus on the production of frozen dough which will provide the Bakery business with a competitive edge in the market. A major supply chain contract has been signed and a new business lead is under development with a local major grocer and a restaurant group. The Bakery business also has plans to penetrate overseas markets to improve revenue and reduce its reliance in an overcrowded local market.

b. Butchery

The weakening of the Ringgit together with the strong demand from various countries have resulted in an increase in all imported meat prices. Even prices of Brazilian meat, which were cheaper previously, have increased significantly. Other than negotiating with major customers for price increase, cost reduction measures have been undertaken to mitigate the impact on the increased costs.

Consumer sentiment has been affected by global slowdown and its impact on our Malaysian economy, resulting in slowdown in the business. Retail customers are switching to lower quality meat which the Butchery

business cannot compete in. To counteract the impact, the Butchery business has introduced more products into the market, focusing on the 100gm retail pack which is still very popular in the local market. It has also embarked on promotions and roadshows to promote its products and has now penetrated into the new markets of Sabah and Sarawak.

The operations at Gourmessa are currently affected by the limited capacity of its present facilities. The Group has purchased several pieces of land at the Selangor Halal Hub Pulau Indah ("SHHP") and intends to relocate the Butchery's existing facilities to SHHP whereby bigger production facilities will be built to cater for increased demand. Other than the benefit of having bigger production facilities, Gourmessa's brand will be enhanced by being located in a Halal Park and can also potentially be eligible for special tax incentives for companies located in SHHP.

c. Beverages

Export sales were affected by the slower growth in China. To mitigate the impact, the Division will focus on other export markets including entering into OEM partnership with companies in ASEAN countries.

In the local market, there is currently a price war amongst competitors. To remain competitive and maintain volume, discounts, incentives and other promotional activities are provided to the retailers. In addition, two new products with better profit margins will be launched in first quarter of FY2017. To support growth, manpower has been increased.

In the coming months, prices of raw material i.e. sugar, soya bean and other packaging materials will increase due to the weakening of the Ringgit against the US Dollar. Price of empty tin cans is expected to increase in the second quarter of FY2017

REVIEW OF OPERATIONS

New cloud POS system infrastructure to provide a cost effective growth in terms of IT solutions.

Total Staff
1,600 
as at 30 September 2016



after the previous contracted price expires at the end of 2016. However, any increase in raw material prices will impact all manufacturers in the industry.

d. Contract Packing for Dairy and Juice-Based Drinks

Farm Milk forms a significant component of the business costs. Farmgate price is still at a low NZD4.75/kg.

Demand for PET Aseptic products continues to grow within Australia and New Zealand. There are currently no major PET Aseptic manufacturers with any significant capacity in the region to compete with EDNZ.

EDNZ's unique advantage remains as dairy and non-dairy Aseptic co-packing in PET Bottles with direct access to New Zealand Fresh Farm milk. These factors together with co-pack price increases are contributing to improve margins for new and existing customers. The company continues to enjoy strong demand for supply of high value added Aseptic PET bottled products.

The Contract Packing business continues to focus on new product offerings to meet the increase in consumer demand for aseptically bottled beverages. The current focus is on nut based dairy free alternative milk beverages such as coconut, almond and macadamia. Drinking yoghurt and real coffee are under development.

RESOURCES REQUIREMENT

Computerisation

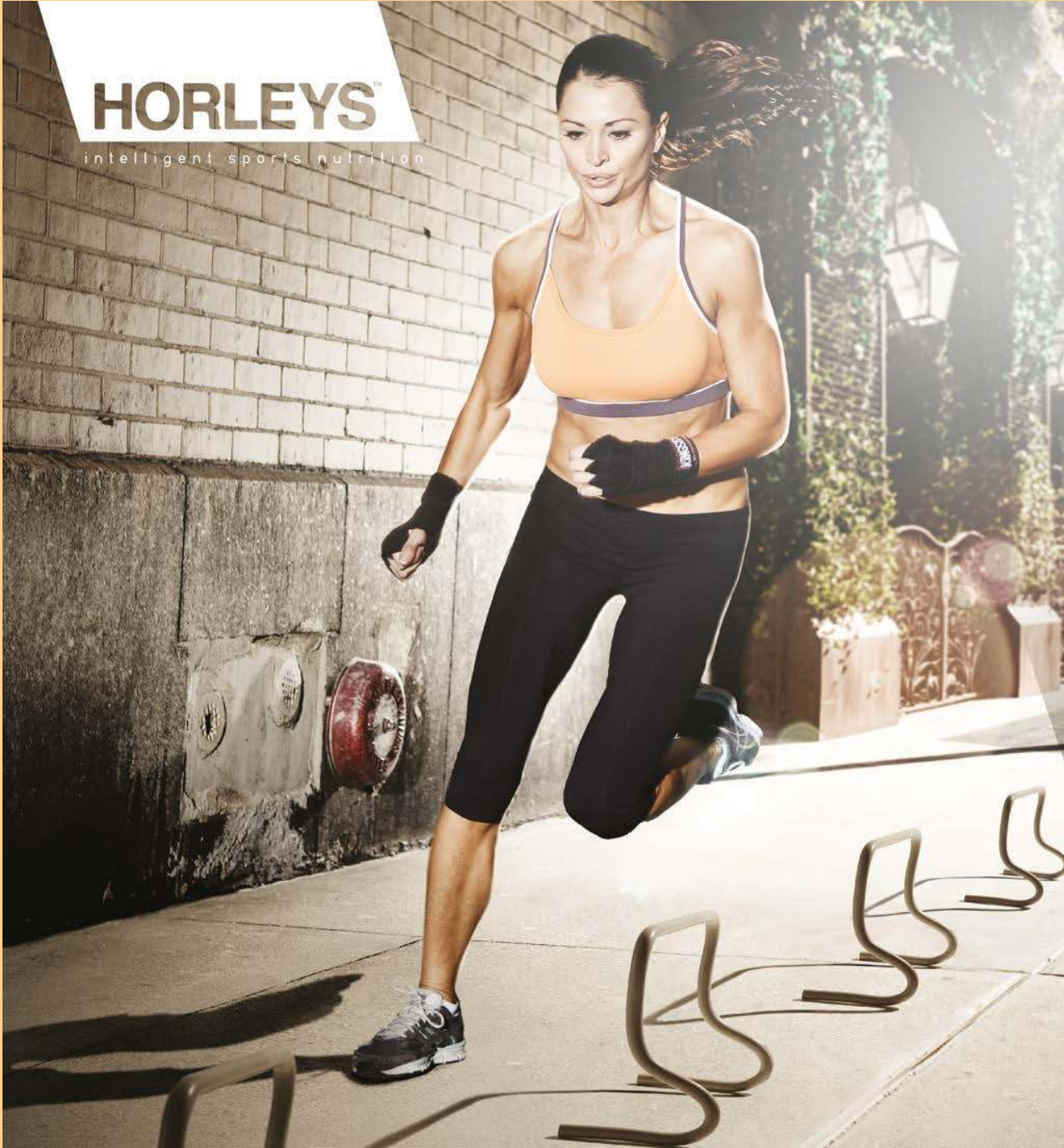
New generation servers and data storage have been successfully implemented in 2nd quarter of financial year 2016 and it has greatly enhanced the performance of existing application system and also providing larger data storage for demanding database growth. Virtualisation technology is utilised in these new servers to reduce the total physical servers required and utilising resources much more effectively. Backup and disaster recovery was vastly enhanced with new backup application and hardware that reduces the backup and restoration time by double over the previous generation installed servers.

With the rapid expansion of Food Services Division, traditional POS system connecting to client server are replaced with new cloud POS system infrastructure to provide a cost effective growth in terms of IT solutions. New cloud POS system eliminates the limitation of delayed reporting and better control as it synchronises real-time data to the cloud server. With the power of cloud POS system, reports are able to be generated instantly to provide a quick decision making process by the management. New POS system is capable of evolving and adapting to the rapid change of demanding user requirements which will help to improve the overall customer and user experience in our store.

Texas Chicken Malaysia and San Francisco Coffee will be fully upgraded with new cloud system POS by the third quarter of 2017.

Human Resource

The Group's total staff count was approximately 1,600 as at 30 September 2016.



NUTRITION DIVISION

FINANCIAL HIGHLIGHTS

	FY2012	FY2013	FY2014	FY2015	FY2016
KEY FINANCIAL INFORMATION					
Revenue (RM'000)					
- Continuing [@]	269,296	296,895	306,789	327,357	362,674
- Discontinued [@]	715,504	684,882	540,891	-	-
Total	984,800	981,777	847,680	327,357	362,674
Profit/(Loss) after tax (RM'000)					
- Continuing [@]	(21,454)	(47,388)	(72,353)*	(3,562)	1,456
- Discontinued [@]	42,050	52,488	610,021**	-	-
Total	20,596	5,100	537,668	(3,562)	1,456
Shareholders' equity (RM'000)	227,870	273,026	346,766	373,533	350,514
Total equity (RM'000)	230,866	273,592	343,826	367,394	342,199
Weighted average number of shares	106,788,336 [#]	118,225,782 [#]	124,525,438 [#]	126,143,289 [#]	126,143,289
KEY FINANCIAL RATIO					
Earnings/(Loss) per share (RM sen)	20.6 [#]	6.3 [#]	435.7 [#]	(0.3) [#]	2.3
Return on equity (%)	24.7	18.3	188.2**	1.5	2.2
Dividend per share (RM sen)	9.9 [#]	6.6 [#]	392.0 [#]	-	-
Net assets value per share (RM)	2.2 [#]	2.3 [#]	2.8 [#]	2.9 [#]	2.7

* Includes the one time gain from disposal of relevant intellectual property and impairments of plant and equipment and intangible assets of RM34,248,000 and RM44,673,000 respectively.

** Includes the one time gain from disposal of subsidiaries of RM573,276,000.

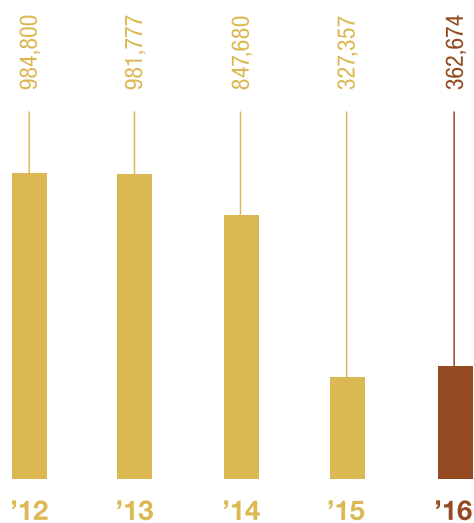
@ For FY2012 to FY2013, the revenue and profit/(loss) after tax have been disaggregated for comparative purposes due to discontinued operations in FY2014.

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.

FINANCIAL HIGHLIGHTS

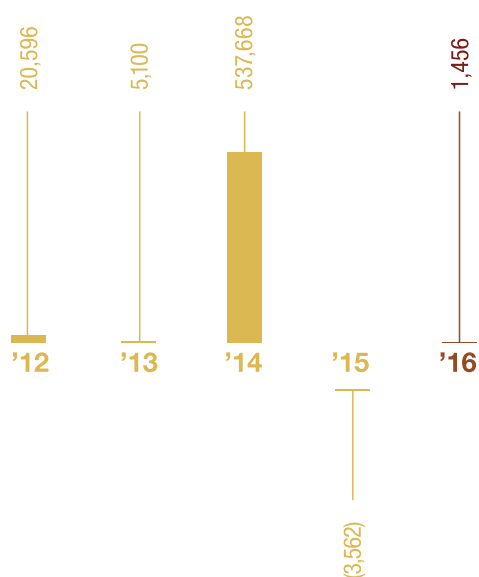
REVENUE

(RM'000)



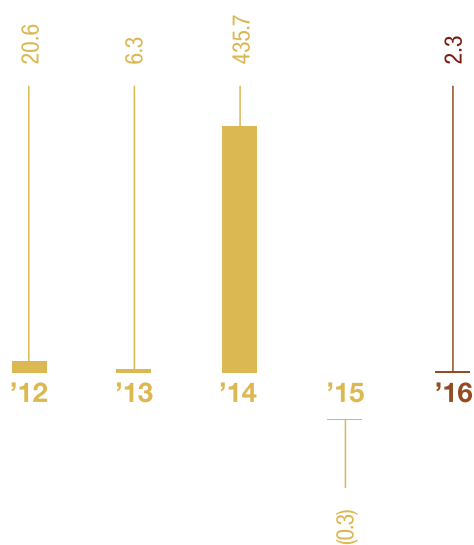
PROFIT/(LOSS) AFTER TAX

(RM'000)



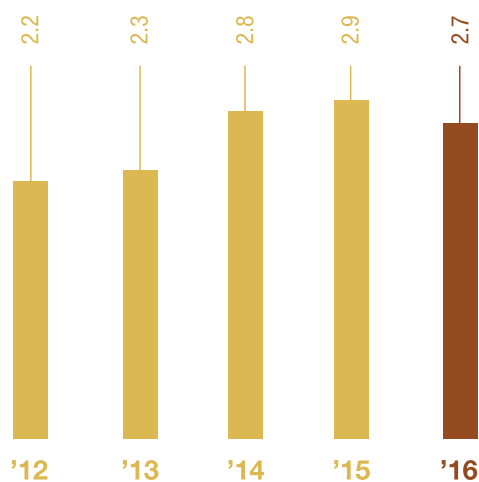
EARNINGS/(LOSS) PER SHARE (EPS)

(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, liquid fresh milk, 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 (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 licenses being suspended and/or revoked, which will have a material adverse impact on our financial performance.

To mitigate this risk, our operations are International Organization for Standardization (ISO) and Hazard Analysis and Critical Control Point (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).

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.

RISK FACTORS

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.

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.

RISK FACTORS

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 Indonesia 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.

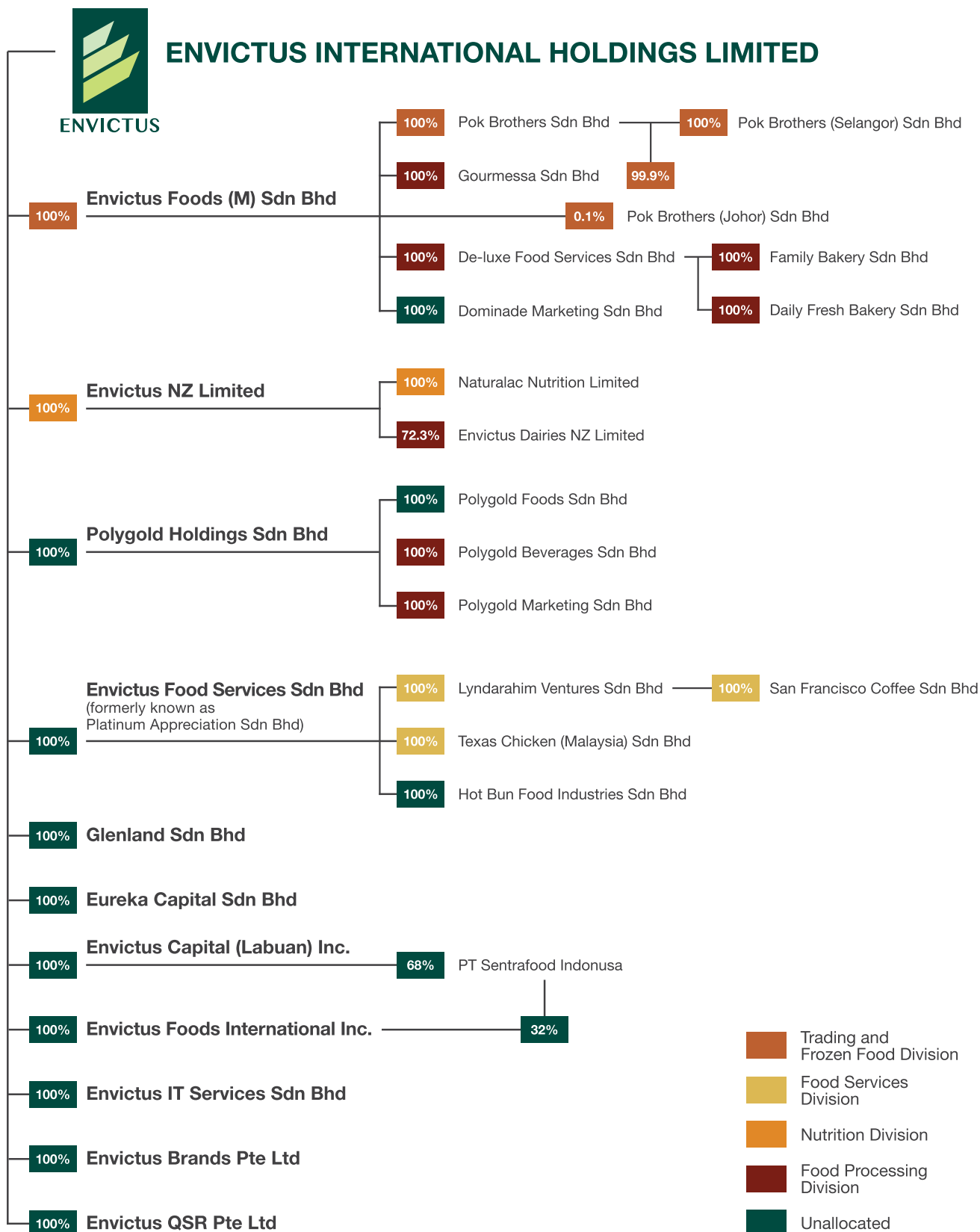
Liquidity risks

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.

Equity price risks

The Group is exposed to equity price risks arising from equity investments classified as either available-for-sale financial assets or held-for-trading financial assets. Available-for-sale equity investments are held for strategic rather than trading purposes. The Group does not actively trade available-for-sale equity investments.

GROUP STRUCTURE



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
(Group Chief Executive Officer)

Mah Weng Choong
(Non-Executive Director)

John Lyn Hian Woon
(Independent Director)

Teo Chee Seng
(Independent Director)

COMPANY SECRETARIES

S Surethiraraj @ S Suresh
Kok Mor Keat, ACIS

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: Ng Kian Hui
*(Appointed since the financial year
ended 30 September 2012)*

PRINCIPAL BANKERS

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

SOLICITORS

Morgan Lewis Stamford LLC
Hutabarat Halim & Rekan

BOARD OF DIRECTORS



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 2016. Dato' Jaya is the brother of Dato' Kamal Y P Tan.

DATO' JAYA J B TAN

Non-Executive Chairman

COMMITTEE:

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



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. GSH Corporation Limited is a growing property developer with a portfolio of residential, commercial and hospitality real estate in Southeast Asia and China. The company owns the landmark GSH Plaza building in Raffles Place Singapore and has properties under development in Kuala Lumpur and Kota Kinabalu. GSH owns and operates the 5-star Sutera Harbour Resort, marina and golf course in Kota Kinabalu.

Apart from these core businesses, Datuk Sam Goi has investments across a range of listed and private entities in numerous industries, such as food and beverage, consumer essentials, recycling, distribution and logistics. Datuk Sam Goi also serves on the board of three other Mainboard-listed companies – Vice Chairman of Super Group Limited, Vice Chairman of JB Foods Limited, and Director of Tung Lok Restaurants (2000) Ltd.

DATUK SAM GOI SENG HUI

Non-Executive Vice-Chairman

He was named "Businessman of the Year" at the Singapore Business Awards (2014) and conferred the Public Service Star (Bar) (BBM (L)) at the 49th 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". Datuk Sam Goi was also awarded the Asia Pacific Entrepreneurship Award's Lifetime Achievement Award in 2015 and the Lifetime Achievement Award at the 8th World Chinese Economic Summit in 2016.

Datuk Sam Goi is also a member of the Singapore University of Technology and Design (SUTD) Board of Trustee, and Chairman of Dunman High School Advisory Committee and Ulu Pandan Citizens Consultative Committee.

Datuk Sam Goi was re-elected as Director of the Company at the AGM held in January 2016.

BOARD OF DIRECTORS



DATO' KAMAL Y P TAN

Group Chief Executive Officer

Dato' Kamal Y P Tan is the Group Chief Executive Officer 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 has been re-designated to the current position since 20 January 2009.

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 Director of Cypress Lakes Group Limited, a public company in Australia and 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 2015. 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.



MAH WENG CHOONG

Non-Executive Director

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.

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.

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

Mr Mah was last re-appointed as a Director at the AGM held in January 2016.

BOARD OF DIRECTORS



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 an 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 2015.

TEO CHEE SENG

Independent Director

COMMITTEE:

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



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 Executive Director of Pine Forest Capital, a Boutique Fund Management Company, registered in Singapore. He is also a Director of Sirus 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.

JOHN LYN HIAN WOON

Independent Director

COMMITTEE:

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

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 2014. He will retire at the forthcoming AGM and will offer himself for re-election.

KEY MANAGEMENT

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, a member of the Malaysian Institute of Corporate Governance, an Associate member of the Chartered Tax Institute of Malaysia and an Associate member of Institute of Internal Auditors.

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.

RICHARD ROWNTREE

Managing Director, Naturalac Nutrition Ltd

Mr Richard Rowntree has overall responsibility for the nutritional products business. Based in New Zealand, the business heritage is in the niche health & fitness centre sales. With the market's broader awareness of the role of supplementary nutrition to assist achieving personal performance goals future prospects for growth lie in further development of mass market channels in New Zealand and Australia. In a recent move to further diversify the sales base for the business the company has introduced a range of chilled nut milks to the market. Mr Rowntree also represents the group's interests in relation to ensuring the success of Envictus Dairies NZ Limited the aseptic UHT beverage manufacturing business based in New Zealand. The potential for growth of this business will draw on Mr Rowntree's extensive experience in international business development. Prior to his appointment to his current role with Naturalac Nutrition Ltd in March 2003, he had been employed in international business development senior management roles with a number of public-listed New Zealand based companies including Cerebos, Fletcher Challenge and (Heinz) Watties. Mr Rowntree has had previous experience in leading export business development into markets including United Kingdom, Australia, the Pacific Islands and a number of South East Asian countries.

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.

NEIL MCGARVA

Chief Executive Officer, Envictus Dairies NZ Ltd

Mr Neil McGarva studied food science at Massey University and holds a Royal Society of Health Diploma in Public Health Inspection. He spent 10 years working for NZ Government as a food safety auditor and Environmental Health Officer.

In 1992, he established Pandoro Bakeries, an Artisan bread manufacturing factory in Auckland, New Zealand, expanding operations to multiple manufacturing sites Nationwide. In 2002, he established the Natural Pet Treat Company in Auckland, which continues today as a major manufacturer and exporter of quality natural pet foods. In 2006, he established New Zealand's first UHT Aseptic PET Bottling plant in Hawkes Bay. In 2009, he merged this operation with Envictus International Holdings Limited to form Etika Dairies NZ Ltd, now known as Envictus Dairies NZ Ltd, in 2014.

He is currently CEO of Envictus Dairies NZ Ltd, a contract manufacturer of ESL and shelf stable PET bottled plain and flavoured milk, protein drinks, juice, lactose free milk, drinking yoghurt, coconut milk and almond milk for domestic and export markets.



FOOD PROCESSING DIVISION

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. Provides leadership and guidance on the overall strategic direction and business conduct of the Company;
2. Reviews the performance of the Group Chief Executive Officer (“Group CEO”) and senior management executives and ensures they are appropriately remunerated;
3. Reviews the adequacy and effectiveness of the Group’s risk management and internal control systems including financial, operational compliance and information technology controls;
4. Reviews and approves 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; and
5. Provides management with the advice on issues raised and at the same time monitors the performance of the Management team.

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.

CORPORATE GOVERNANCE

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.

Directors' attendance at Board and board committee meetings in FY2016

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 FY2016	5	4	2	1
<u>Number of meetings attended</u>				
Dato' Jaya J B Tan	5	4	2	1
Datuk Sam Goi Seng Hui	5	n/a	n/a	n/a
Dato' Kamal Y P Tan	5	n/a	n/a	n/a
Mah Weng Choong	5	n/a	n/a	n/a
Teo Chee Seng	5	4	2	1
John Lyn Hian Woon	5	4	2	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 FY2016.

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/ re-appointment	Designation
Dato’ Jaya J B Tan	69	23.12.2003	27.01.2016	Non-Executive Chairman
Datuk Sam Goi Seng Hui	70	09.01.2013	27.01.2016	Non-Executive Vice-Chairman
Dato’ Kamal Y P Tan	64	23.12.2003	29.01.2015	Group Chief Executive Officer
Mah Weng Choong	78	03.08.2004	27.01.2016	Non-Executive Director
Teo Chee Seng	62	03.08.2004	29.01.2015	Independent Director
John Lyn Hian Woon	58	03.08.2004	23.01.2014	Independent Director

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:-

- (a) The Chairman of the Board (the “Chairman”) and the CEO is the same person;
- (b) The Chairman and the CEO are immediate family members;
- (c) The Chairman is part of the management; or
- (d) 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.

Based on the current Board structure, there are 4 non-independent directors and 2 independent directors. Hence, the Company has not complied with the requirement of having independent directors making up at least half of the Board. The Company has departed from the compliance of the Code and the following are the explanations for departure:-

1. Mr Mah Weng Choong was employed by the Group until 30 June 2014, a period which falls within the past three financial years which renders a director to be considered non-independent. Assuming Mr Mah remains as a director at the end of the financial year 2017, he would be considered independent as the criteria for past employment will no longer be applicable to him. The Board will then comprise of 3 independent directors and 3 non-independent directors, thereby complying with the requirement of having at least half the Board made up by independent directors. Hence, the Nominating Committee as well as the Board is of the opinion that no additional independent director will be appointed during the interim period.
2. The NC considers that its current composition is appropriate for the Company’s size, operations and future direction and includes an appropriate mix of skills and expertise, relevant to the Company’s business and level of operations.

CORPORATE GOVERNANCE

3. The Board has been structured such that its composition and size will enable it to effectively discharge its responsibilities and duties.
4. The Board considers that its structure is, and will continue to be, appropriate in the context of the Company's recent history. The Company considers that the non-independent directors possess the skills and experience suitable for building the Company.
5. Furthermore, the Board considers that in the current phase of the Company's growth, the Company's shareholders are better served by directors who have a vested interest in the Company.

The NC, will regularly review the structure, size and composition of the Board and the Company's compliance with the Code. As the Company's activities develop in size, nature and scope, subject to the NC's recommendations, the Company will take measures such as the appointment of additional independent directors to comply with the Code.

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.

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:-

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 a deemed interest of more than 10% of the Company's voting shares through Tee Yih Jia Food Manufacturing Pte. Ltd.
Mah Weng Choong	Mr Mah is not independent as he was employed by the Company up to 30 June 2014, a period which is within the past 3 financial years.

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 and Mr Teo Chee Seng, 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 and Mr Teo 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. Both have independent income source apart from the fees received from the Group. Accordingly, the NC, with the concurrence of the Board, is satisfied that both Mr Lyn and Mr Teo have remained independent in their judgement and can continue to discharge their duties objectively.

CORPORATE GOVERNANCE

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 2016.

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 Dato' Kamal Y P Tan. Dato' Jaya and Dato' Kamal are brothers. 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.

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. The Board is of the opinion the role of Dato' Kamal as Group CEO of the Company does not affect the independence of the Board.

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.

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.

CORPORATE GOVERNANCE

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.

Article 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.

Article 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.

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 Articles 87 and 91) and Mr John Lyn Hian Woon (pursuant to Article 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.

Key information 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.

A formal review of the Board's performance will be undertaken collectively and individually by the Board annually. The NC will also review 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 committees as a whole.

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.

CORPORATE GOVERNANCE

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 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.

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 service 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 service agreements cover 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 service 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.

CORPORATE GOVERNANCE

Remuneration paid to directors and the CEO

Remuneration paid to the directors and the Group CEO for FY2016 is as follows:-

	Salary*	Directors' Fees	Bonus**	Total Remuneration
	%	%	%	%
<u>Directors</u>				
Below S\$250,000				
Dato' Jaya J B Tan	-	100.0	-	100.0
Datuk Sam Goi Seng Hui	-	100.0	-	100.0
Mah Weng Choong	-	100.0	-	100.0
Teo Chee Seng	-	100.0	-	100.0
John Lyn Hian Woon	-	100.0	-	100.0
<u>Group CEO</u>				
S\$250,000 to below S\$500,000				
Dato' Kamal Y P Tan	76.9	-	23.1	100.0

Notes:

* Inclusive of benefits in kind, allowances and provident funds, where applicable.

** On receipt basis during FY2016.

The Company has not disclosed exact details of the 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 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 potential staff motivational and retention issues.

There is no termination, retirement and post-employment benefits granted to Directors, the Group 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.

Immediate family members of Directors

Ms Tan San May, the daughter of Dato' Kamal Y P Tan, the Group CEO, is employed by Eureka Capital Sdn Bhd, a subsidiary of the Group, as Head of Bakery and Head of Cafe and has received remuneration during FY2016 in that capacity. Her total remuneration for FY2016 was between S\$50,000 and S\$100,000, comprising 90.8% salary and 9.2% bonus.

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. Details of the Company's ESOS and the options granted can be found in the Directors' Statement of this Annual Report.

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 for the discharge of its duties.

CORPORATE GOVERNANCE

Presently, the Management presents to the AC the interim 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.

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.

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.

For the financial year under review, the Group CEO and the CFO have provided assurance to the Board that 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.

During the financial year, the Board with the concurrence of AC, after carrying out a review, is of the opinion that the internal controls of the Group are adequate and effective to address operational, financial, compliance risks and technology risks. In arriving at the opinion, the Board is of the view that the internal controls of the Group have reasonable assurance about achieving the effectiveness and efficiency of operations; reliability of financial reporting; and compliance with applicable laws and regulations.

CORPORATE GOVERNANCE

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.

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 RM650,585, comprising audit fees of RM214,991 paid to auditors of the Company; and RM340,987 and RM94,607 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.

CORPORATE GOVERNANCE

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 FY2016, 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.

Principle 14 : Shareholder Rights

The Board ensures that all shareholders are treated fairly and equitably and the rights of all shareholders, including non-controlling shareholders, are protected.

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 Group welcomes the views of shareholders on matters affecting the Company, whether at shareholders' meetings or on an ad-hoc basis.

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 FY2016, 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 welcome to attend the AGM. The Board of Directors, AC members and other committee members, chief financial officer, 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 (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.

CORPORATE GOVERNANCE

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) RM	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
Perinsu (Broker Insurans) Sdn Bhd		
- Insurance premium	1,502,833 (or approximately S\$501,095)	-
Motif Etika Sdn Bhd		
- Rental of office premises	660,000 (or approximately S\$220,066)	-
Tee Yih Jia Food Manufacturing Pte Ltd		
- Purchase of goods	991,615 (or approximately S\$330,638)	-
- Advertising and promotion income	387,417 (or approximately S\$129,178)	-

Based on average exchange rate for the year ended 30 September 2016 of S\$1 = RM2.9991

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.

The Company has complied with Rule 1207(19) of the Listing Manual of the SGX-ST for the financial year ended 30 September 2016.

FINANCIAL STATEMENTS

51	Directors' Statement
55	Independent Auditor's Report
56	Statements of Financial Position
58	Consolidated Statement of Comprehensive Income
59	Consolidated Statements of Changes in Equity
61	Statements of Changes in Equity
62	Consolidated Statement of Cash Flows
64	Notes to the Financial Statements

DIRECTORS' STATEMENT

The Directors of the Company present their report to the members together with the audited financial statements of the Group for the financial year ended 30 September 2016 and the statement of financial position and statement of changes in equity of the Company as at 30 September 2016.

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 2016, 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 report are:

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

3. SHARE OPTIONS

At an Extraordinary General Meeting held on 8 November 2004, the shareholders approved the Envictus Employee Share Options Scheme ("ESOS") granting share options to employees and Directors of the Group, including the controlling shareholder, namely Dato' Kamal Y P Tan.

On 22 January 2010, the Company's shareholders approved the amendments to the rules of the ESOS as contained in the Circular to Shareholders dated 5 January 2010 to be in line with the relevant laws and regulations of the Listing Manual following the transfer of the listing status from Catalist Board to the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST") as well as to better clarify the terms and conditions of the ESOS.

On 24 September 2010, the Company's shareholders approved the participation of the other controlling shareholders, namely Dato' Jaya J B Tan and Tan Yet Meng, in the ESOS.

The Remuneration Committee is responsible for administering the ESOS. As at the date of the report, the members of the Remuneration Committee are Teo Chee Seng, John Lyn Hian Woon and Dato' Jaya J B Tan.

DIRECTORS' STATEMENT

3. SHARE OPTIONS (CONTINUED)

Options granted pursuant to the ESOS are in respect of ordinary shares of the Company. Options exercised and cancelled during the financial year and options outstanding as at the end of the financial year under the ESOS were as follows:

Date of grant	Balance at 01.10.2015	Adjustment*	Exercised	Lapsed/ Cancelled	Balance at 30.09.2016	Exercise price*	Exercise period
10.02.2010	283,000	(122,400)	-	(130,000)	30,600	S\$0.82	10.02.2012 to 09.02.2017
13.10.2010	11,890,000	(9,512,000)	-	-	2,378,000	S\$2.00	13.10.2012 to 12.10.2017
	12,173,000	(9,634,400)	-	(130,000)	2,408,600		

* Adjusted for share consolidation exercise with every five existing shares consolidated to one share on 12 February 2016.

All of the above options were granted at a discount of 20% of the Market Price. The Market Price is equal to the weighted average price per share, calculated based on the total value of transactions in the share (the sum of each transacted price multiplied by the respective volume) divided by the volume transacted for the last three traded market days immediately preceding the offer date of that option, as determined by reference to the daily official list or other publication published by the SGX-ST and rounded up to the nearest whole cent in the event of fractional prices.

The information on Directors participating in the option schemes are as follows:

Name	Options adjusted* during financial year	Aggregate options granted since commencement of the plan to 30.09.2016	Aggregate options exercised since commencement of the plan to 30.09.2016	Aggregate options exercised since commencement of the plan to 30.09.2015
Directors who are also controlling shareholders				
Dato' Kamal Y P Tan	(2,000,000)	8,000,000	5,500,000	5,500,000
Dato' Jaya J B Tan	(1,680,000)	6,000,000	3,900,000	3,900,000
Director				
Mah Weng Choong	(1,528,000)	4,000,000	2,090,000	2,090,000

* Adjusted for share consolidation exercise with every five existing shares consolidated to one share on 12 February 2016.

There were no share options granted in the Company or its subsidiaries during the financial year under review.

These options do not entitle the holder to participate by virtue of the options, in any share issue of any other corporations.

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, except as disclosed in paragraph 3 above.

DIRECTORS' STATEMENT

5. DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

The Directors of the Company holding office at the end of the financial year had no 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"), except as follows:

	Shareholdings registered in the name of Directors and Nominees			Shareholdings in which Directors are deemed to have an interest		
	Balance as at 21.10.2016*	Balance as at 30.09.2016*	Balance as at 01.10.2015	Balance as at 21.10.2016*	Balance as at 30.09.2016*	Balance as at 01.10.2015
The Company	<i>Number of ordinary shares</i>					
Dato' Jaya J B Tan	19,757,472	19,757,472	95,987,364	20,190,214	20,190,214	97,951,072
Datuk Sam Goi Seng Hui	-	-	-	15,400,000	15,400,000	77,000,000
Dato' Kamal Y P Tan	19,700,214	19,700,214	95,501,072	20,247,472	20,247,472	98,437,364
Mah Weng Choong	6,287,444	6,287,444	31,437,224	-	-	-
John Lyn Hian Woon	17,200	17,200	86,000	-	-	-
Teo Chee Seng	30,000	30,000	150,000	-	-	-
				Balance as at 21.10.2016*	Balance as at 30.09.2016*	Balance as at 01.10.2015
The Company	<i>Number of options pursuant to Employee Share Options Scheme to subscribe for ordinary shares</i>					
Dato' Jaya J B Tan				420,000	420,000	2,100,000
Dato' Kamal Y P Tan				500,000	500,000	2,500,000
Mah Weng Choong				382,000	382,000	1,910,000

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

* Adjusted for share consolidation exercise with every five existing shares consolidated to one share on 12 February 2016.

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 five times since the last Annual General Meeting ("AGM") and has carried out its functions in accordance with section 201B(5), including reviewing the following, where relevant, with the executive Directors and external auditors of the Company:

- the audit plans of the external auditors;
- the Company's and the Group's financial and operating results and accounting policies;
- 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;
- 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;
- the co-operation and assistance given by the management to the Company's external auditor;
- the re-appointment of the external auditor of the Company;
- review and approve interested person transactions;
- review potential conflict of interests, if any;

DIRECTORS' STATEMENT

6. AUDIT COMMITTEE (CONTINUED)

- (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 audit committee 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 audit committee.

The audit committee 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 reaccept re-appointment.

On behalf of the Board of Directors

Dato' Jaya J B Tan
Non-Executive Chairman

Dato' Kamal Y P Tan
Group Chief Executive Officer

8 December 2016

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ENVICTUS INTERNATIONAL HOLDINGS LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Envictus International Holdings Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 56 to 131, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 September 2016, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and statement of changes in equity of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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 Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the 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 Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 30 September 2016 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 ended on that date.

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 the subsidiary corporation incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

BDO LLP

Public Accountants and
Chartered Accountants

Singapore
8 December 2016

STATEMENTS OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-current assets					
Property, plant and equipment	4	195,930	99,252	1	15
Investment property	5	23,702	-	-	-
Investments in subsidiaries	6	-	-	13,627	2,988
Available-for-sale financial assets	7	17,041	165	16,829	-
Deferred tax assets	8	1,067	964	-	-
Intangible assets	9	30,667	15,090	7	63
Deposits for purchase of property, plant and equipment	11	-	36,359	-	-
		268,407	151,830	30,464	3,066
Current assets					
Inventories	10	43,723	37,637	-	-
Trade and other receivables	11	56,669	59,594	290,687	230,122
Tax recoverable		2,291	776	1,127	-
Held-for-trading investments	12	57,278	115,629	57,278	115,629
Fixed deposits	13	13,821	255	-	-
Cash and bank balances	13	45,561	96,471	4,633	48,209
		219,343	310,362	353,725	393,960
Non-current assets classified as held for sale	14	-	4,366	-	-
		219,343	314,728	353,725	393,960
Less:					
Current liabilities					
Trade and other payables	15	46,054	34,653	148,214	162,900
Bank borrowings	16	48,525	42,343	3,919	-
Finance lease payables	17	5,672	3,554	-	-
Current income tax payable		425	892	425	827
		100,676	81,442	152,558	163,727
Net current assets		118,667	233,286	201,167	230,233
Less:					
Non-current liabilities					
Provision for restoration costs		864	-	-	-
Bank borrowings	16	26,409	4,275	-	-
Finance lease payables	17	15,049	10,045	-	-
Financial guarantee contracts	18	-	-	1,606	1,897
Deferred tax liabilities	19	2,553	3,402	-	-
		44,875	17,722	1,606	1,897
Net assets		342,199	367,394	230,025	231,402

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

STATEMENTS OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Capital and reserves					
Share capital	20	111,406	111,406	111,406	111,406
Treasury shares	20	(183)	(183)	(183)	(183)
Foreign currency translation reserve	21	31,791	40,219	44,458	51,404
Fair value reserve	22	(15,727)	(667)	(15,107)	-
Share options reserve		9,507	9,507	9,507	9,507
Other reserve	23	(4,562)	(2,168)	-	-
Accumulated profits		218,282	215,419	79,944	59,268
Equity attributable to the owners of the Company		350,514	373,533	230,025	231,402
Non-controlling interests		(8,315)	(6,139)	-	-
Total equity		342,199	367,394	230,025	231,402

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

	Note	2016 RM'000	2015 RM'000
Revenue	24	362,674	327,357
Cost of goods sold		(252,476)	(239,122)
Gross profit		110,198	88,235
Other operating income	26	24,922	21,940
Administrative expenses		(37,753)	(30,925)
Selling and marketing expenses		(61,589)	(43,339)
Warehouse and distribution expenses		(24,881)	(24,537)
Research and development expenses		(1,433)	(1,236)
Other operating expenses	26	(1,750)	(4,687)
Finance costs	25	(4,202)	(1,784)
Profit before income tax	26	3,512	3,667
Income tax expense	27	(2,056)	(7,229)
Profit/(Loss) for the financial year		1,456	(3,562)
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		(9,316)	27,250
Fair value loss on available-for-sale financial assets		(15,060)	(120)
Other comprehensive income, net of tax		(24,376)	27,130
Total comprehensive income for the financial year		(22,920)	23,568
Profit/(Loss) attributable to:			
Owners of the Company		2,863	(363)
Non-controlling interests		(1,407)	(3,199)
		1,456	(3,562)
Total comprehensive income attributable to:			
Owners of the Company		(20,625)	26,767
Non-controlling interests		(2,295)	(3,199)
		(22,920)	23,568
Earnings/(Loss) per share attributable to owners of the Company (RM sen)	28		
Basic		2.27	(0.29)
Diluted		2.27	(0.29)

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

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 RM'000	Other reserve RM'000	Accumulated profits RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000	
2016	111,406	(183)	40,219	(667)	9,507	(2,168)	215,419	373,533	(6,139)	367,394	
At 1 October 2015	-	-	-	-	-	-	2,863	2,863	(1,407)	1,456	
Profit/(Loss) for the financial year	-	-	(8,428)	-	-	-	-	(8,428)	(888)	(9,316)	
Other comprehensive income:											
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	-	-	
Fair value loss on available-for-sale financial assets	-	-	-	(15,060)	-	-	-	(15,060)	-	(15,060)	
Total other comprehensive income	-	-	(8,428)	(15,060)	-	-	-	(23,488)	(888)	(24,376)	
Total comprehensive income for the financial year	-	-	(8,428)	(15,060)	-	-	2,863	(20,625)	(2,295)	(22,920)	
Changes in ownership interests in subsidiaries:											
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	1,497	1,497	
Acquisition of non-controlling interest without a change in control	-	-	-	-	-	(2,394)	-	(2,394)	(1,378)	(3,772)	
Total changes in ownership interests in subsidiaries	-	-	-	-	-	(2,394)	-	(2,394)	119	(2,275)	
At 30 September 2016	111,406	(183)	31,791	(15,727)	9,507	(4,562)	218,282	350,514	(8,315)	342,199	

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

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
2015										
At 1 October 2014	111,406	(183)	12,969	(547)	9,507	(2,168)	215,782	346,766	(2,940)	343,826
Loss for the financial year	-	-	-	-	-	-	(363)	(363)	(3,199)	(3,562)
Other comprehensive income:										
Exchange differences on translation of foreign operations	-	-	27,250	-	-	-	-	27,250	-	27,250
Fair value loss on available-for-sale financial assets	-	-	-	(120)	-	-	-	(120)	-	(120)
Total other comprehensive income	-	-	27,250	(120)	-	-	-	27,130	-	27,130
Total comprehensive income for the financial year	-	-	27,250	(120)	-	-	(363)	26,767	(3,199)	23,568
At 30 September 2015	111,406	(183)	40,219	(667)	9,507	(2,168)	215,419	373,533	(6,139)	367,394

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

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
Company							
2016							
At 1 October 2015	111,406	(183)	51,404	-	9,507	59,268	231,402
Profit for the financial year	-	-	-	-	-	20,676	20,676
Other comprehensive income:							
Exchange differences on translation	-	-	(6,946)	-	-	-	(6,946)
Fair value loss on available-for-sale financial assets	7	-	-	(15,107)	-	-	(15,107)
Total other comprehensive income	-	-	(6,946)	(15,107)	-	-	(22,053)
Total comprehensive income for the financial year	-	-	(6,946)	(15,107)	-	20,676	(1,377)
At 30 September 2016	111,406	(183)	44,458	(15,107)	9,507	79,944	230,025
2015							
At 1 October 2014	111,406	(183)	9,707	-	9,507	71,432	201,869
Loss for the financial year	-	-	-	-	-	(12,164)	(12,164)
Other comprehensive income:							
Exchange differences on translation	-	-	41,697	-	-	-	41,697
Total other comprehensive income	-	-	41,697	-	-	-	41,697
Total comprehensive income for the financial year	-	-	41,697	-	-	(12,164)	29,533
At 30 September 2015	111,406	(183)	51,404	-	9,507	59,268	231,402

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

	Note	2016 RM'000	2015 RM'000
Operating activities			
Profit before income tax		3,512	3,667
Adjustments for:			
Allowance for doubtful receivables		449	300
Allowance for doubtful receivables no longer required, now written back		(435)	(294)
Allowance for write down of inventories		285	350
Amortisation of intangible assets		546	362
Depreciation of property, plant and equipment		15,990	12,244
Depreciation of investment property		431	-
Dividend income		(3,375)	(3,411)
Fair value (gain)/loss arising from held-for-trading investments		(217)	4,634
Foreign currency exchange loss, net		(5,153)	(1,944)
Gain on disposal of held-for-trading investments		(802)	(1,767)
Gain on disposal of assets held for sale		(9,559)	-
(Gain)/Loss on disposal of property, plant and equipment		(156)	1,828
Finance costs	25	4,202	1,784
Interest income		(1,587)	(1,177)
Inventories written off		173	-
Property, plant and equipment written off		1,466	27
Write back of impairment on property, plant and equipment		(13)	(3,598)
Operating profit before working capital changes		5,757	13,005
Working capital changes:			
Inventories		(5,629)	2,177
Trade and other receivables		5,737	(10,105)
Trade and other payables		5,868	(12,302)
Cash generated from/(used in) operations		11,733	(7,225)
Interest paid		(1,514)	(721)
Income tax paid, net		(5,332)	(8,436)
Net cash generated from/(used in) operating activities		4,887	(16,382)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

	Note	2016 RM'000	2015 RM'000
Investing activities			
Acquisition of held-for-trading investments		(1,059)	(261,097)
Acquisition of available-for-sale financial assets	7	(32,123)	-
Acquisition of subsidiaries, net of cash acquired	6.5	(17,456)	-
Adjustment amount of sale proceeds from disposal of subsidiaries		-	57,417
Deposits paid for purchase of property, plant and equipment	11	-	(36,359)
Dividends received		3,375	3,411
Interest received		1,587	1,177
Proceeds from disposal of held-for-trading investments		57,242	158,803
Proceeds from disposal of assets held for sale		14,426	-
Proceeds from disposal of property, plant and equipment		563	2,912
Purchase of intangible assets	9	(938)	(908)
Purchase of investment property		(24,133)	-
Purchase of property, plant and equipment	4	(58,359)	(8,152)
Net cash used in investing activities		(56,875)	(82,796)
Financing activities			
Acquisition of non-controlling interests	6.6	(3,772)	-
Net changes in fixed deposits pledged to banks		-	(252)
Interest paid		(2,688)	(1,063)
Repayment of finance lease obligations		(4,476)	(2,972)
Repayment of bank borrowings		(85,000)	(14,650)
Drawdown of bank borrowings		112,152	54,575
Net cash generated from financing activities		16,216	35,638
Net change in cash and cash equivalents		(35,772)	(63,540)
Cash and cash equivalents at beginning of the financial year		96,471	144,047
Effect of exchange rate changes		(2,376)	15,964
Cash and cash equivalents at end of the financial year	13	58,323	96,471

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (“FRS”) including related interpretations of FRS (“INT FRS”) and are prepared under the historical cost convention, except as disclosed in the accounting policies below.

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 (“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.

All financial information presented in RM has been rounded to the nearest thousand (“RM’000”) as indicated, unless otherwise stated.

The preparation of financial statements in conformity with FRS 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 the most significant effect on the financial statements are disclosed in Note 3.

In the current financial year, the Group has adopted all the new or revised FRS that are relevant to their operations and effective for the current financial year. The adoption of these new or revised FRS did not result in any substantial changes to the Group’s accounting policies and had no material effect on the amounts reported for the current or prior years, except as disclosed below:

FRS issued but not yet effective

At the date of authorisation of these financial statements, the following FRS that may be relevant to the Group were issued but not yet effective, and have not been adopted early in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

FRS issued but not yet effective (Continued)

		Effective date (annual periods beginning on or after)
FRS 1 (Amendments)	: <i>Disclosure Initiative</i>	1 January 2016
FRS 7 (Amendments)	: <i>Disclosure Initiative</i>	1 January 2017
FRS 12 (Amendments)	: <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
FRS 16 and FRS 38 (Amendments)	: <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
FRS 27 (Amendments)	: <i>Equity Method in Separate Financial Statements</i>	1 January 2016
FRS 102	: <i>Classification and measurement Share-based Payment Transactions</i>	1 January 2018
FRS 109	: <i>Financial Instruments</i>	1 January 2018
FRS 115	: <i>Revenue from Contracts with Customers</i>	1 January 2018
FRS 115 (Amendments)	: <i>Clarification of Revenue from Contracts with Customers</i>	1 January 2018
FRS 116	: <i>Leases</i>	1 January 2019
Improvements to FRSs (November 2014)		1 January 2016

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

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

FRS 109 *Financial Instruments*

FRS 109 supersedes FRS 39 *Financial Instruments: Recognition and Measurement* with new requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Under FRS 109, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for certain equity investments, for which the Group will have a choice to recognise the gains and losses in other comprehensive income. A third measurement category has been added for debt instruments – fair value through other comprehensive income. This measurement category applies to debt instruments that meet the Solely Payments of Principal and Interest contractual cash flow characteristics test and where the Group is holding the debt instrument to both collect the contractual cash flows and to sell the financial assets.

FRS 109 carries forward the recognition, classification and measurement requirements for financial liabilities from FRS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, FRS 109 retains the requirements in FRS 39 for de-recognition of financial assets and financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

FRS issued but not yet effective (Continued)

FRS 109 *Financial Instruments* (Continued)

FRS 109 introduces a new forward-looking impairment model based on expected credit losses to replace the incurred loss model in FRS 39. This determines the recognition of impairment provisions as well as interest revenue. For financial assets at amortised cost or fair value through other comprehensive income, the Group will now always recognise (at a minimum) 12 months of expected losses in profit or loss. Lifetime expected losses will be recognised on these assets when there is a significant increase in credit risk after initial recognition.

FRS 109 also introduces a new hedge accounting model designed to allow entities to better reflect their risk management activities in their financial statements.

The Group plans to adopt FRS 109 in the financial year beginning on 1 October 2018 with retrospective effect in accordance with the transitional provisions. There may be a potentially significant impact on the accounting for financial instruments on initial adoption. The Group is in the process of making a detailed assessment of the impact of this standard, however the Group will be required to reassess the classification and measurement of financial assets, particularly those currently classified as available-for-sale, and the new impairment requirements are expected to result in changes for impairment provisions on trade and other receivables and other financial assets not measured at fair value through profit or loss.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 introduces a comprehensive model that applies to revenue from contracts with customers and supersedes all existing revenue recognition requirements under FRS. The model features a five-step analysis to determine whether, how much and when revenue is recognised, and two approaches for recognising revenue: at a point in time or over time. The core principle is that an entity recognises revenue when control over promised goods or services is transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FRS 115 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

On initial adoption of this standard there may be a potentially impact on the timing and profile of revenue recognition of the Group. The Group plans to adopt the standard in the financial year beginning on 1 October 2018 with retrospective effect in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.

FRS 116 *Leases*

FRS 116 supersedes FRS 17 *Leases* and introduces a new single lessee accounting model which eliminates the current distinction between operating and finance leases for lessees. FRS 116 requires lessees to capitalise all leases on the statement 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 FRS 116. FRS 116 also requires enhanced disclosures by both lessees and lessors.

On initial adoption of this standard, there may be a potentially significant impact on the accounting treatment for the Group's leases, particularly rented office premises and other operating facilities, which the Group, as lessee, currently accounts for as operating leases. Due to the recent release of this standard, the Group has not yet made a detailed assessment of the impact of this standard. The Group plans to adopt the standard in the financial year beginning on 1 September 2019 with either full or modified retrospective effect in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation

The consolidated financial statements incorporate 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 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 control is transferred to the Group up to the effective date on which control ceases, as appropriate.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

The financial statements of the subsidiaries are prepared for the same reporting date as 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 in subsidiaries relate to the equity in subsidiaries which is not attributable directly or indirectly to the owners of the parent. They are shown separately in the consolidated statements of comprehensive income, financial position and changes in equity.

Non-controlling interests in the acquiree that are a present ownership interest and entitle its holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value, of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. 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. 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 Company.

When the Group loses control of a subsidiary it derecognises the assets and liabilities of the subsidiary and any non-controlling interest, the gain 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 consolidated statement of comprehensive income or transferred directly to retained earnings) 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 FRS 39 *Financial Instruments: Recognition and Measurement* 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 stated at cost, less any accumulated impairment loss that has been recognised in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation (Continued)

Business combination from 1 October 2009

The acquisition of subsidiaries and businesses is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in the consolidated statement of comprehensive income as incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair values at the acquisition date.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in the consolidated statement of comprehensive income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to the consolidated statement of comprehensive income, where such treatment would be appropriate if that interest were disposed of.

Goodwill arising on acquisition is recognised as an asset at the acquisition date and initially measured at cost, being the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date fair value amounts of the identifiable assets acquired and the liabilities and contingent liabilities assumed.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in consolidated statement of comprehensive income as a bargain purchase gain.

Business combination before 1 October 2009

In comparison to the above mentioned requirements, the following differences applied:

Business combinations were accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquirees' identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests were treated as a revaluation and recognised in equity.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was probable and a reliable estimate was determinable. Subsequent measurements to the contingent consideration affected goodwill.

2.3 Property, plant and equipment

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

The cost of property, plant and equipment 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 of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

Subsequent expenditure relating to the property, plant and equipment is added to the carrying amount of the item if it is probable that the future economic benefits associated with the item, will flow to the Group, and the cost can be reliably measured. All other costs of servicing are recognised in the consolidated statement of comprehensive income as expenses when incurred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Property, plant and equipment (Continued)

On disposal of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount is recognised in the profit or loss.

Depreciation is calculated on the straight-line method so as to write off the depreciable amount of the property, plant and equipment over their estimated useful lives as follows:

	Years
Leasehold land	52 - 81
Factory/office buildings	20 - 50
Plant and machinery	5 - 20
Cold room and freezer	5 - 10
Lab equipment	5 - 10
Furniture and fittings	5 - 10
Store equipment	5
Renovation	5 - 50
Motor vehicles	3.3 - 6.7
Office equipment	5 - 14.9
Computer system	3 - 5

Assets under construction represent 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 financial year.

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.

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.

2.4 Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation is 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 50-52 years. The residual values, useful lives and depreciation method of investment properties are reviewed and adjusted as appropriate, at the end of each financial year. The effects of any revision are included in profit or loss when the changes arise.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Investment properties (Continued)

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

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 acquire 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) Patents and trademarks

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

(iii) Product licenses

Product licenses are stated at cost less accumulated amortisation and any impairment losses. The useful life of the product licenses is 5 years, representing the period that benefits are expected to be received.

(iv) 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 to the consolidated statement of comprehensive income using the straight-line method over their estimated useful lives of 5 years.

(v) 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.

The amortisation period and amortisation method of intangible assets other than goodwill, patents and trademarks are reviewed at least at the end of each financial year. The effects of any revision are recognised in the consolidated statement of comprehensive income when the changes arise.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Intangible assets (Continued)

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 excluding goodwill

The carrying amounts of the Group's non-financial assets are reviewed at the end of each financial year 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 consolidated statement of comprehensive income.

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 financial year 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 recognised in prior periods is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment in value was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss 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 the consolidated statement of comprehensive income 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 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Inventories

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

Cost of raw materials, packing materials and finished goods are determined on the “first-in, first-out” basis and comprise original cost of purchase and other costs 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.

Net realisable value is 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 deposit and bank overdrafts and excludes any deposits pledged. In the statements of financial position, bank overdrafts are presented within borrowings under current liabilities.

2.9 Financial assets

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 financial year 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, advances to suppliers and deposits paid for property, plant and equipment”, 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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets (Continued)

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

FVTPL are stated at fair value, with any resultant gain or loss recognised in the consolidated statement of comprehensive income. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial assets.

(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.

Derecognition

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company have transferred substantially all risks and rewards of ownership of the asset to another entity.

On derecognition, any difference between the carrying amount and the sum of proceeds received is recognised in the consolidated statement of comprehensive income. Where the sale relates to an available-for-sale financial asset, the cumulative gain or loss previously recognised in the fair value reserve is included in the consolidated statement of comprehensive income for the period.

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 assess at the end of each financial year 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets (Continued)

Impairment (Continued)

(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.

2.10 Financial liabilities

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

Financial liabilities measured at amortised cost include trade and other payables (excluding GST payables and provision for employee benefits), bank borrowings and finance leases.

The accounting policies adopted for specific financial liabilities are set out below:

(i) *Trade and other payables*

Trade and other payables are recognised initially at cost which represents the fair value of the consideration to be paid in the future less transaction cost, for goods received or services rendered, whether or not billed to the Group and the Company, and are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the consolidated statement of comprehensive income when the liabilities are derecognised as well as through the amortisation process.

(ii) *Bank borrowings*

Borrowings are initially recognised at the fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is taken to the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings which are due to be settled within 12 months after the end of the financial year are presented as current borrowings even though the original term was for a period longer than 12 months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the end of the financial year and before the financial statements are authorised for issue. Other borrowings due to be settled more than 12 months after the end of the financial year are presented as non-current borrowings in the statements of financial position.

(iii) *Financial guarantee contracts*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contract liabilities are measured initially at their fair values plus transaction costs and subsequently at the higher of the amount of the obligation under the contract recognised as a provision in accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised, less cumulative amortisation in accordance with FRS 18 *Revenue*.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial liabilities (Continued)

Recognition and derecognition

Financial liabilities are recognised on the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are derecognised when and only when the contractual obligation has been discharged, or cancelled or expired.

On derecognition of a financial liability, the difference between the carrying amount and the consideration paid is recognised in the consolidated statement of comprehensive income.

2.11 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.

2.12 Equity instruments and treasury shares

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

When share capital recognised as equity is reacquired ("treasury shares"), the amount of consideration paid including any directly attributable incremental cost is presented as a deduction within equity, until they are subsequently cancelled, sold or reissued.

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

When the treasury shares are subsequently sold or reissued pursuant to the employee share options scheme, 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 a change in equity of the Company.

2.13 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the end of the financial year, 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 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Revenue recognition

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, other similar allowances and sales related taxes. The Group's revenue is in respect of external transactions only.

Sale of food and beverages from food services

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

Revenue from sale of food, beverages and nutrition products

Revenue from the processing and distribution of food, beverages 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.

Interest income

Interest income is recognised when earned, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's carrying amount.

Rental income

Rental income under operating leases is recognised in the consolidated statement of comprehensive income on a straight-line basis over the term of the lease.

Dividend income

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

2.15 Research and development expenses

Research and development expenses are recognised as expenses when incurred.

2.16 Employment benefits

Defined contribution plan

Contributions to defined contribution plans are recognised as an expense in the consolidated statement of comprehensive income in the same financial year as the employment that gives rise to the contributions.

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 financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Leases

When the Group is the lessee of a finance lease

Leases in which the Group assume substantially all the risks and rewards incidental to ownership of the leased assets are classified as finance lease.

Upon initial recognition, property, plant and equipment acquired through finance leases are capitalised at the lower of its fair value at the inception of the lease and the present value of the minimum lease payment. Any initial direct costs are also added to the amount capitalised.

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Lease payments are apportioned between finance charge and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charge is recognised in the consolidated statement of comprehensive income.

Capitalised leased asset is depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the finance lease term.

When the Group is the lessee of an operating lease

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals payable under the operating lease (net of any incentives received from the lessors) are recognised in the consolidated statement of comprehensive income on a straight-line basis over the period of the 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.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial year in which termination takes place.

2.18 Borrowing costs

Borrowing costs are recognised in the consolidated statement of comprehensive income 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.

2.19 Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is recognised at the amount expected to be paid or recovered from the taxation authorities and is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Income tax (Continued)

Current income tax (Continued)

Current income taxes are recognised as an expense or income in the consolidated statement of comprehensive income, except when they relate to items credited or debited directly to equity, in which case the tax is recognised 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 used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each financial year 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 asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year.

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.

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

Deferred tax is recognised as an expense or income in the consolidated statement of comprehensive income, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Non-current assets held for sale and discontinued operations

Non-current assets 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 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 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 consolidated statement of comprehensive income.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area operations that has been disposed of, classified as held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative consolidated statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

2.21 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 financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the financial year. 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.

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 financial year. 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. Such translation differences are recognised in the consolidated statement of comprehensive income in the financial year in which the foreign operations is disposed off.

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 consolidated statement of comprehensive income.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 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 financial year are not recognised as a liability at the end of the financial year.

2.23 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.

2.24 Share-based payment

The Company issues equity settled share-based payments to certain employees and directors.

The fair value of the employee services received in exchange for the grant of options is recognised as an expense in consolidated statement of comprehensive income with a corresponding increase in the share options reserve over the vesting period.

The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of grant. In the valuation process, no account is taken of any performance conditions except of conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

The expense recognised in the consolidated statement of comprehensive income at each reporting date reflects the manner in which the benefits will accrue to employees under the option plan over the vesting period. The consolidated statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

When the options are exercised and new ordinary shares issued, the proceeds received (net of any attributable transaction costs) are credited to share capital, or to the treasury shares account, when treasury shares are reissued to employees. The share options reserve remained unchanged as a separate reserve when the options are exercised.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 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.

A contingent asset is a possible asset 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.

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

2.26 Restoration costs

Provision for restoration costs is made based on the estimated cost of restoring the rented premises, arising from the use of such premises and in accordance to the stipulations in the tenancy agreements. The estimated costs of such restoration are included in the 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 at least 12 months after the reporting date.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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 except as discussed below:

(i) *Impairment of investments in subsidiaries*

The Group and the Company follow the guidance of FRS 36 in determining whether investments in subsidiaries are impaired. This determination requires the assumption made regarding the duration and extent to which the recoverable amount of an investment in a subsidiary is less than its costs and the financial health of and near-term business outlook for the investment in subsidiary, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

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 for a period of up to five years, using a suitable discount rate in order to calculate the present value of those cash flows.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

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

3.1 Critical judgements made in applying the accounting policies (Continued)

(ii) *Impairment of available-for-sale equity instruments*

At the end of each financial year, an assessment is made on whether there is objective evidence that an available-for-sale equity instrument is impaired. A significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the asset is impaired. Judgement is used in determining what a significant or prolonged decline is.

(iii) *Patents and trademarks*

Patents and trademarks are capitalised in accordance with the accounting policy in Note 2.5. Initial capitalisation of costs is based on management's judgement that the assets are separated from the entity, the entity controls the assets and it is probable that expected future economic benefits of the assets will flow to the entity. The management has applied judgement in determining the useful lives of patents and trademarks after having considered various factors such as competitive environment, product life cycles, operating plans and the macroeconomic environment of the patents and trademarks. In addition, management believes there is no foreseeable limit to the period over which the patents and trademarks are expected to generate net cash inflows for the Group.

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, patents and trademarks and franchise fees*

The management determines whether goodwill, patents and trademarks and franchise fees are impaired at least on an annual basis and as and when there is an indication that goodwill and patents and trademarks may be impaired. Franchise fees are impaired when there is an indication that franchise fees may be impaired. This requires an estimation of the value in use of patents and trademarks, franchise fees and the cash-generating units to which the goodwill is 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 discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill, patents and trademarks and franchise fees as at 30 September 2016 were approximately RM15,842,000, RM11,411,000 and RM2,621,000 (2015: RM4,042,000, RM8,111,000 and RM2,297,000), respectively.

More details on the impairment testing of goodwill, patents and trademarks and franchise fees are disclosed in Note 9 to the financial statements.

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

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these assets to be within 3 to 50 years. The carrying amounts of the Group's and the Company's property, plant and equipment as at 30 September 2016 were approximately RM195,930,000 and RM1,000 (2015: RM99,252,000 and RM15,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and residual values of these assets. Therefore, future depreciation charges could be revised.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

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

3.2 Key sources of estimation uncertainty (Continued)

(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 current income tax payable, deferred tax assets, tax recoverable and deferred tax liabilities of the Group and of the Company as at 30 September 2016 were approximately RM425,000, RM1,067,000, RM2,291,000 and RM2,553,000 (2015: RM892,000, RM964,000, RM776,000 and RM3,402,000), respectively.

(iv) *Allowance for doubtful receivables*

The management establishes allowance for doubtful receivables on a case-by-case basis when they believe that payment of amounts owed is unlikely to occur. In establishing these allowances, the management considers its historical experience and changes to its customers' financial position. If the financial conditions of receivables were to deteriorate, resulting in impairment of their abilities to make the required payments, additional allowances may be required.

The carrying amounts of the Group and the Company's trade and other receivables excluding prepayments, deposits for purchase of property, plant and equipment and advances to suppliers as at 30 September 2016 were approximately RM50,573,000 and RM290,657,000 (2015: RM56,415,000 and RM230,122,000), respectively.

(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" method. 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, technological advances 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 2016 was approximately RM43,723,000 (2015: RM37,637,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

4. PROPERTY, PLANT AND EQUIPMENT

Group 2016	Freehold land RM'000	Leasehold land RM'000	Factory/ office buildings RM'000	Plant and machinery RM'000	Cold room and freezer RM'000	Lab equipment RM'000	Furniture			Motor vehicles RM'000	Office equipment RM'000	Computer system RM'000	Assets under construction RM'000	Total RM'000
							and fixtures RM'000	Store equipment RM'000	Renovation RM'000					
Cost														
At 1 October 2015	10,053	-	15,906	81,175	5,955	435	5,673	12,935	13,724	11,386	2,825	2,057	-	162,124
Additions	-	72,576	5,771	2,719	862	100	2,615	6,888	6,901	1,330	1,586	152	5,680	107,180
Acquisition of subsidiaries	-	-	-	-	-	-	2,564	5,516	6,946	627	664	-	-	16,317
Reclassification	-	-	-	-	-	-	-	(131)	(36)	-	582	(415)	-	-
Disposals	-	-	-	(342)	-	-	-	(472)	(9)	(593)	(13)	-	-	(1,429)
Written off	-	-	-	(52)	(26)	-	(278)	(209)	(1,702)	(640)	(43)	-	-	(2,950)
Currency realignment	-	-	-	1,623	-	5	28	-	-	4	-	71	-	1,731
At 30 September 2016	10,053	72,576	21,677	85,123	6,791	540	10,602	24,527	25,824	12,114	5,601	1,865	5,680	282,973
Accumulated depreciation														
At 1 October 2015	-	-	1,805	24,782	1,602	204	1,617	3,043	2,340	6,830	1,243	1,172	-	44,638
Depreciation for the financial year	-	840	422	5,451	775	63	760	1,464	3,819	1,681	634	81	-	15,990
Acquisition of subsidiaries	-	-	-	-	-	-	1,748	3,313	3,646	583	635	-	-	9,925
Reclassification	-	-	-	-	-	5	-	(42)	(15)	-	338	(286)	-	-
Disposals	-	-	-	(244)	-	-	-	(195)	(2)	(574)	(7)	-	-	(1,022)
Written off	-	-	-	(49)	(14)	-	(100)	(90)	(554)	(640)	(37)	-	-	(1,484)
Currency realignment	-	-	-	705	-	4	26	-	-	3	-	37	-	775
At 30 September 2016	-	840	2,227	30,645	2,363	276	4,051	7,493	9,234	7,883	2,806	1,004	-	68,822
Impairment														
At 1 October 2015	-	-	-	18,234	-	-	-	-	-	-	-	-	-	18,234
Write back of impairment	-	-	-	(13)	-	-	-	-	-	-	-	-	-	(13)
At 30 September 2016	-	-	-	18,221	-	-	-	-	-	-	-	-	-	18,221
Carrying amount														
At 30 September 2016	10,053	71,736	19,450	36,257	4,428	264	6,551	17,034	16,590	4,231	2,795	861	5,680	195,930

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group 2015 Cost	Freehold land RM'000	Factory buildings RM'000	Plant and machinery RM'000	Cold room and freezer equipment RM'000	Lab equipment RM'000	Furniture			Motor vehicles RM'000	Office equipment RM'000	Computer system RM'000	Assets under construction RM'000	Total RM'000
						Furniture and fixtures RM'000	Store equipment RM'000	Renovation RM'000					
At 1 October 2014	10,053	17,813	81,856	5,150	334	4,323	6,550	9,503	10,556	2,969	1,659	7	150,773
Additions	-	-	1,242	805	79	1,406	6,385	4,236	1,617	881	257	-	16,908
Reclassification	-	-	-	-	-	13	-	-	-	-	-	(13)	-
Classified as non-current assets held for sale (Note 14)	-	(1,940)	-	-	-	-	-	-	-	-	-	-	(1,940)
Disposals	-	-	(5,871)	-	-	(145)	-	(220)	(718)	(1,181)	-	-	(8,135)
Written off	-	-	(27)	-	-	-	-	-	(77)	(3)	-	-	(107)
Currency realignment	-	33	3,975	-	22	76	-	205	8	159	141	6	4,625
At 30 September 2015	10,053	15,906	81,175	5,955	435	5,673	12,935	13,724	11,386	2,825	2,057	-	162,124
Accumulated depreciation													
At 1 October 2014	-	2,836	20,736	956	138	1,102	1,204	1,293	5,759	968	1,038	-	36,030
Depreciation for the financial year	-	694	5,212	646	54	554	1,839	1,114	1,655	430	46	-	12,244
Classified as non-current assets held for sale (Note 14)	-	(1,758)	-	-	-	-	-	-	-	-	-	-	(1,758)
Disposals	-	-	(2,539)	-	-	(94)	-	(82)	(512)	(168)	-	-	(3,395)
Written off	-	-	(2)	-	-	-	-	-	(77)	(1)	-	-	(80)
Currency realignment	-	33	1,375	-	12	55	-	15	5	14	88	-	1,597
At 30 September 2015	-	1,805	24,782	1,602	204	1,617	3,043	2,340	6,830	1,243	1,172	-	44,638
Impairment													
At 1 October 2014	-	-	20,785	-	-	39	-	115	19	874	-	-	21,832
Write back of impairment	-	-	(2,551)	-	-	(39)	-	(115)	(19)	(874)	-	-	(3,598)
At 30 September 2015	-	-	18,234	-	-	-	-	-	-	-	-	-	18,234
Carrying amount													
At 30 September 2015	10,053	14,101	38,159	4,353	231	4,056	9,892	11,384	4,556	1,582	885	-	99,252

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Computer system RM'000
Company	
2016	
Cost	
At 1 October 2015	131
Currency realignment	(4)
At 30 September 2016	127
Accumulated depreciation	
At 1 October 2015	116
Depreciation for the financial year	13
Currency realignment	(3)
At 30 September 2016	126
Carrying amount	
At 30 September 2016	1
2015	
Cost	
At 1 October 2014	108
Currency realignment	23
At 30 September 2015	131
Accumulated depreciation	
At 1 October 2014	93
Depreciation for the financial year	3
Currency realignment	20
At 30 September 2015	116
Carrying amount	
At 30 September 2015	15

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

	2016 RM'000	2015 RM'000
Additions of property, plant and equipment	107,180	16,908
Acquired under finance lease	(11,598)	(8,756)
	95,582	8,152
Less: Deposits paid in prior year	(36,359)	-
Less: Provision for restoration costs	(864)	-
Cash payments made to acquire property, plant and equipment	58,359	8,152

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	Group	
	2016 RM'000	2015 RM'000
Carrying amount		
Plant and machinery	307	282
Cold room and freezer	994	-
Furniture and fittings	3,011	-
Motor vehicles	962	3,476
Office equipment & computer system	579	519
Store equipment	10,391	10,403
Renovation	3,425	-
	19,669	14,680

Assets under construction represent expenditure for factory building in the course of construction and renovation costs of corporate office building.

As at 30 September 2016, 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)
Trading and Frozen Food Division				
Lot 55, Hicom Glenmarie Industrial Park, Selangor, Malaysia	Warehouse	Office, warehouse, cold room and processing factory	68,674	43,200
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, Kuantan, Pahang, Malaysia	Shop office	Cold room and office	1,560	2,976
Lot 1237 & 1238, Jalan Makloom, Pulau Pinang, Malaysia	Industrial land	Office, warehouse and cold room	12,202	16,860
3, Jalan Bertam 6, Taman Daya, 81100 Johor Bahru, Johor, Malaysia	Industrial warehouse	Cold room and office	2,400	3,300

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As at 30 September 2016, information relating to the Group's freehold/leasehold properties are as follows: (Continued)

Location	Description	Existing use	Gross land area (sq ft)	Gross floor area (sq ft)
Trading and Frozen Food Division (Continued)				
1, Jalan Bertam 6, Taman Daya, 81100 Johor Bahru, Johor, Malaysia	Industrial warehouse	Cold room	4,690	3,200
7, Jalan Bertam 6, Taman Daya, 81100 Johor Bahru, Johor, Malaysia	Industrial warehouse	Cold room	2,400	2,400
Food Processing Division				
Lot 17225, Jalan Haruan 6, Oakland Industrial Park, 70200 Seremban, Negeri Sembilan, Malaysia	Industrial land	Factory building	64,810	29,550
PT 4974, Jalan Haruan 8, Oakland Industrial Park, 70200 Seremban, Negeri Sembilan, Malaysia	Industrial land	Factory building	53,346	36,258
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, 78, 79, 80 and 85: Vacant Lots nos. 83 and 84: Construction of factory buildings	1,550,736	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

5. INVESTMENT PROPERTY

	Group	
	2016 RM'000	2015 RM'000
Cost		
At 1 October	-	-
Additions	24,133	-
At 30 September	24,133	-
Accumulated depreciation		
At 1 October	-	-
Depreciation for the financial year	(431)	-
At 30 September	(431)	-
Carrying amount		
At 30 September	23,702	-
Represented by:		
Leasehold land	16,452	-
Leasehold building	7,250	-
	23,702	-

The following amounts are recognised in profit or loss:

	Group	
	2016 RM'000	2015 RM'000
Rental income from investment property (Note 26)	1,282	-
Direct operating expenses arising from:		
- Rental-generating investment property	285	-
- Non-rental-generating investment property	957	-
	1,242	-

The fair value of the Group's investment property of RM45,600,000 was estimated based on recent leasehold improvements made and with reference to the recent valuation by an independent professional valuer having experience in the location and category of this property. The valuation is based on the asset's highest and best use, which is in line with its actual use and according to the comparison valuation method within level 3 of the fair value hierarchy. The most significant input using this valuation method would be price per square feet.

The leasehold land and building with fair value as above is partially owner-occupied where the net book value of RM18,521,000 is included in property, plant and equipment (Note 4).

The leasehold land and building have been pledged to a licensed bank as security for a banking facility granted to the Group (Note 16).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

5. INVESTMENT PROPERTY (CONTINUED)

Details of the Group's investment property as at 30 September 2016 are set out below:

Location	Description	Tenure/ Expired term
No. 11 Jalan 225, Petaling Jaya, 46100 Selangor Darul Ehsan, Malaysia	Office building	99-year lease expiring on 26 May 2067

6. INVESTMENTS IN SUBSIDIARIES

6.1 Investments in subsidiaries comprise:

	Company	
	2016 RM'000	2015 RM'000
Unquoted equity shares in corporations, at cost	11,167	600
Issuance of financial guarantee contracts	1,837	1,877
Issuance of share options to Group's employees	623	511
	13,627	2,988

6.2 Particulars of subsidiaries

Name of company (Country of incorporation/ principal place of business)	Principal activities	Effective equity held by the Group	
		2016 %	2015 %
Held by the Company			
Polygold Holdings Sdn Bhd ⁽²⁾ (Malaysia)	Investment holding	100	100
Envictus Brands Pte Ltd ⁽¹⁾ (Singapore)	Collecting royalties for the brands that it owns	100	100
Envictus Capital (Labuan) Inc. ⁽²⁾ (Malaysia)	Intra-group lending and investment holding	100	100
Envictus Foods International Inc. ⁽²⁾ (Malaysia)	Investment holding	100	100
Envictus Foods (M) Sdn Bhd ⁽²⁾ (Malaysia)	Investment holding	100	100
Envictus IT Services Sdn Bhd ⁽²⁾ (Malaysia)	IT services	100	100
Envictus NZ Limited ⁽³⁾ (New Zealand)	Investment holding	100	100
Eureka Capital Sdn Bhd ⁽²⁾ (Malaysia)	Providing management services and property investment	100	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

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	
		2016 %	2015 %
Held by the Company (Continued)			
Glenland Sdn Bhd ⁽²⁾ (Malaysia)	Investment holding	100	100
Envictus Food Services Sdn Bhd ⁽²⁾ (formerly known as Platinum Appreciation Sdn Bhd) (Malaysia)	Investment holding	100	100
Envictus QSR Pte Ltd ⁽⁷⁾ (Singapore)	Dormant	100	-
Held by the subsidiaries			
- Envictus Capital (Labuan) Inc.			
PT Sentrafood Indonusa ⁽⁴⁾⁽⁵⁾ (Indonesia)	Dormant	100	100
- Envictus Foods (M) Sdn Bhd			
Pok Brothers Sdn Bhd ⁽²⁾ (Malaysia)	Wholesalers of foodstuff, provisions and frozen meat	100	100
De-luxe Food Services Sdn Bhd ⁽²⁾ (Malaysia)	Manufacturer and distributor of bakery products	100	100
Gourmessa Sdn Bhd ⁽²⁾ (Malaysia)	Manufacturing of convenient value added frozen food	100	100
Dominade Marketing Sdn Bhd ⁽²⁾ (Malaysia)	Dormant	100	-
- Polygold Holdings Sdn Bhd			
Polygold Beverages Sdn Bhd ⁽²⁾ (Malaysia)	Manufacturing and distribution of beverage products	100	100
Polygold Marketing Sdn Bhd ⁽²⁾ (Malaysia)	Marketing and distribution of food and beverage products	100	100
Polygold Foods Sdn Bhd ⁽²⁾ (Malaysia)	Dormant	100	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

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	
		2016 %	2015 %
Held by the subsidiaries (Continued)			
- Envictus NZ Limited			
Envictus Dairies NZ Limited ⁽³⁾ (New Zealand)	Manufacturing of dairies and water based products	72.3	72.3
Naturalac Nutrition Limited ⁽³⁾ (New Zealand)	Marketing of branded sport nutrition and weight management foods	100	100
Naturalac Nutrition (UK) Limited ⁽⁶⁾ (United Kingdom)	Dormant	-	100
- Pok Brothers Sdn Bhd			
Pok Brothers (Johor) Sdn Bhd ⁽²⁾ (Malaysia)	Wholesalers of foodstuff, provisions and frozen meat	100	100
Pok Brothers (Selangor) Sdn Bhd ⁽²⁾ (Malaysia)	Dormant	100	100
- De-luxe Food Services Sdn Bhd			
Daily Fresh Bakery Sdn Bhd ⁽²⁾ (Malaysia)	Trading of cakes, breads, biscuits and confectioneries	100	100
Family Bakery Sdn Bhd ⁽²⁾ (Malaysia)	Manufacturing and trading of cakes, breads, biscuits and confectioneries	100	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

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	
		2016 %	2015 %
Held by the subsidiaries (Continued)			
- Envictus Food Services Sdn Bhd (formerly known as Platinum Appreciation Sdn Bhd)			
Texas Chicken (Malaysia) Sdn Bhd ⁽²⁾ (Malaysia)	Quick service restaurant	100	100
Hot Bun Food Industries Sdn Bhd ⁽²⁾ (Malaysia)	Dormant	100	100
Lyndarahim Ventures Sdn Bhd ⁽²⁾ (Malaysia)	Investment holding	100	-
- Lyndarahim Ventures Sdn Bhd			
San Francisco Coffee Sdn Bhd ⁽²⁾ (Malaysia)	Operating a chain of specialty coffee outlets	100	-

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

(2) Audited by BDO, Malaysia, a member firm of BDO International Limited.

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

(4) Audited by Kosasih, Nurdiyaman, Mulyadi, Tjahjo & Rekan, a member of Crowe Horwath International.

(5) Envictus Capital (Labuan) Inc. and Envictus Foods International Inc. holds 68% and 32%, respectively.

(6) This subsidiary has been struck-off by the Register of Companies House and voluntarily dissolved pursuant to Section 1003 of the Companies Act 2006 in United Kingdom effective 14 June 2016.

(7) As at 30 September 2016, this subsidiary is not subjected to audit as the first audited financial statement will be prepared within eighteen months from date of incorporation. Audit will be performed in financial year ending 30 September 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

6.3 Non-controlling interest

Summarised financial information in relation to Envictus Dairies NZ Limited that has non-controlling interests (“NCI”) of 27.7% (2015: 27.7%) that is material to the Group, before intra-group eliminations and together with amounts attributed to NCI, is presented below:

	2016 RM'000	2015 RM'000
Summarised Statement of Comprehensive Income for the financial year:		
Revenue	17,931	10,827
Loss before tax	(4,643)	(8,337)
Income tax expense	(7)	(3,212)
Loss after tax	(4,650)	(11,549)
Loss allocated to NCI, representing total comprehensive income allocated to NCI	(1,288)	(3,199)

The total loss allocated to NCI, representing total comprehensive income allocated to NCI as disclosed in the statement of comprehensive income for the current financial year includes share of losses of Lyndarahim Ventures Sdn Bhd of RM119,000 prior to the acquisition of the remaining 15% equity interest during the financial year (Note 6.6).

	2016 RM'000	2015 RM'000
Summarised Statement of Cash Flows for the financial year:		
Cash flows from operating activities	(1,947)	(3,652)
Cash flows from investing activities	(418)	(239)
Cash flows from financing activities	2,425	3,749
Net cash inflows/(outflows)	60	(142)

	2016 RM'000	2015 RM'000
Summarised Statement of Financial Position as at 30 September:		
Assets:		
Current assets	3,374	1,348
Non-current assets	16,741	17,696
Total assets	20,115	19,044
Liabilities:		
Current liabilities	50,134	39,508
Non-current liabilities	-	1,699
Total liabilities	50,134	41,207
Net liabilities	(30,019)	(22,163)
Attributable to:		
Owners of the Company	(21,704)	(16,024)
Accumulated non-controlling interests	(8,315)	(6,139)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

6.4 Additional investment in subsidiaries in financial year 2016

- (i) On 8 April 2016, the Company subscribed for 9,999,998 new ordinary shares of RM1 each in the share capital of Envictus Food Services Sdn Bhd (“EFS”) at an issue price of RM1 per share, the consideration was settled by way of capitalisation of the loan amount of RM9,999,998 owing by EFS to the Company into 9,999,998 ordinary shares, credited as fully paid-up in the capital of EFS.
- (ii) On 6 September 2016, the Company incorporated a subsidiary company in Singapore known as Envictus QSR Pte Ltd (“EQSR”) at an issue price and paid-up capital of SGD1. EQSR’s intended principal activity is that of investment holding.

6.5 Acquisition of investment in subsidiaries in financial year 2016

- (i) On 17 November 2015, the Group acquired a shelf company incorporated on 5 October 2015, namely Dominade Marketing Sdn Bhd (“DM”) by acquiring 2 new ordinary shares in the capital of DM at an issue price of RM1 per share. DM’s intended principal activity is wholesaling and trading of food products.
- (ii) On 28 March 2016, the Group completed its acquisition of 85% equity interest in Lyndarahim Ventures Sdn Bhd and its wholly owned subsidiary San Francisco Coffee Sdn Bhd (“Lyndarahim Group”) for a purchase consideration of approximately RM19,133,000.

The acquisition represents a strategic investment by the Group to expand its existing business to coffee chain business operated by Lyndarahim Group. This will allow the enlarged group to achieve operational and business synergy and economies of scale. The other business segments of the Group have also derived synergistic benefits from being able to supply their premium products to complement the coffee chain business.

The fair value of the identifiable assets and liabilities of Lyndarahim Group as at the acquisition date were as follows:

	Fair value recognised on date of acquisition RM'000
Property, plant and equipment	6,392
Intangible assets	4,538
Inventories	576
Trade and other receivables	2,462
Cash and cash equivalents	1,244
	15,212
Trade and other payables	(5,159)
Bank borrowings	(72)
	(5,231)
Total identifiable net assets at fair value	9,981
Non-controlling interest measured at the non-controlling interest’s proportionate share of Lyndarahim’s net identifiable assets	(1,497)
Goodwill arising from acquisition*	10,649
	19,133

* Goodwill arising from the acquisition has been determined on a provisional basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

6.5 Acquisition of investment in subsidiaries in financial year 2016 (Continued)

(ii) (Continued)

The fair value of trade and other receivables is RM2,462,000 and which includes trade receivables of RM596,000. The gross contractual amounts of trade and other receivables are RM910,000 and RM1,866,000 respectively, of which RM314,000 is expected to be uncollectable.

From the date of acquisition, Lyndarahim Group has contributed RM10,437,000 revenue and RM1,037,000 loss net of tax to the Group. If the combination had taken place at the beginning of the financial year, the Group's revenue and profits, net of tax would have been RM372,868,000 and RM704,000.

Goodwill of RM10,649,000 arising from the acquisition is attributable to the growth potential of coffee business operated by Lyndarahim Group, its future earnings and net assets.

None of the goodwill is expected to be deductible for tax purpose.

Transaction costs related to the acquisition of RM685,000 have been recognised in the "Administrative expenses" line item in the Group's profit or loss for the financial year ended 30 September 2016.

The effects of the acquisition of the subsidiaries on cash flows are as follows:

	RM'000
Total consideration for 85% equity interest acquired	19,133
Less: Cash and cash equivalents	(1,244)
Less: Retention sum	(433)
Net cash outflow from acquisition	<u>17,456</u>

6.6 Acquisition of ownership interest in a subsidiary, without loss of control

On 19 August 2016, the Group acquired the remaining 15% equity interest in Lyndarahim Group from its non-controlling interests for a purchase consideration of approximately RM3,772,000. As a result of this acquisition, Lyndarahim Group became a wholly-owned subsidiary of the Group. The carrying value of the net assets of Lyndarahim Group as at 19 August 2016 was RM9,188,000 and the net carrying value of the additional interest acquired was RM1,378,000. The difference of RM2,394,000 between the consideration and carrying value of the additional interest acquired has been recognised as "Premium paid on acquisition of non-controlling interests" within equity.

The following summarises the effect of the change in the Group's ownership interest in Lyndarahim Group on the equity attributable to owners of the Company:

	RM'000
Consideration paid for acquisition of non-controlling interests	3,772
Decrease in equity attributable to non-controlling interests	(1,378)
Increase in equity attributable to owners of the Company	<u>2,394</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Quoted equity securities, at fair value				
At 1 October	165	285	-	-
Additions	32,123	-	32,123	-
Fair value loss recognised directly in other comprehensive income	(15,060)	(120)	(15,107)	-
Currency realignment	(187)	-	(187)	-
Total	17,041	165	16,829	-

The currency profiles of the available-for-sale financial assets as at 30 September are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Ringgit Malaysia	212	165	-	-
Singapore dollar	16,829	-	16,829	-
	17,041	165	16,829	-

The quoted equity securities of RM16,829,000 have been pledged to a licensed bank as security for the banking facility granted to the Group (Note 16).

8. DEFERRED TAX ASSETS

	Group	
	2016 RM'000	2015 RM'000
At 1 October	964	3,622
Currency realignment	44	173
Recognised in consolidated statement of comprehensive income	59	(2,831)
At 30 September	1,067	964

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

8. DEFERRED TAX ASSETS (CONTINUED)

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

	Property, plant and equipment RM'000	Unutilised tax losses RM'000	Other deductible temporary differences RM'000	Total RM'000
Group				
At 1 October 2014	362	2,865	395	3,622
Currency realignment	1	167	5	173
Recognised in consolidated statement of comprehensive income	-	(2,585)	(246)	(2,831)
At 1 October 2015	363	447	154	964
Currency realignment	1	28	15	44
Recognised in consolidated statement of comprehensive income	5	15	39	59
At 30 September 2016	369	490	208	1,067

	Group	
	2016 RM'000	2015 RM'000
Deferred tax assets not recognised		
At 1 October	33,241	22,291
Deferred tax assets not recognised during the financial year	2,660	10,950
Acquisition of a subsidiary	3,411	-
At 30 September	39,312	33,241

At the end of the financial year, the above deferred tax assets not recognised comprises unutilised tax losses and other temporary differences of approximately RM108,749,000 (2015: RM103,051,000) and RM46,654,000 (2015: RM42,001,000) respectively and 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

9. INTANGIBLE ASSETS

	Goodwill RM'000	Patents and trademarks RM'000	Computer software RM'000	Franchise fees* RM'000	Total RM'000
Group					
2016					
Cost					
At 1 October 2015	15,271	20,062	1,575	2,893	39,801
Additions	-	-	364	574	938
Acquisition of subsidiaries	11,800	3,300	305	-	15,405
Currency realignment	548	-	(8)	-	540
At 30 September 2016	27,619	23,362	2,236	3,467	56,684
Accumulated amortisation					
At 1 October 2015	-	-	935	596	1,531
Acquisition of subsidiaries	-	-	218	-	218
Amortisation for the financial year	-	-	296	250	546
Currency realignment	-	-	(6)	-	(6)
At 30 September 2016	-	-	1,443	846	2,289
Impairment					
At 1 October 2015	11,229	11,951	-	-	23,180
Currency realignment	548	-	-	-	548
At 30 September 2016	11,777	11,951	-	-	23,728
Carrying amount					
At 30 September 2016	15,842	11,411	793	2,621	30,667

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

9. INTANGIBLE ASSETS (CONTINUED)

	Goodwill RM'000	Patents and trademarks RM'000	Computer software RM'000	Franchise fees* RM'000	Total RM'000
Group					
2015					
Cost					
At 1 October 2014	14,932	20,062	1,174	2,395	38,563
Additions	-	-	410	498	908
Disposals	-	-	(57)	-	(57)
Currency realignment	339	-	48	-	387
At 30 September 2015	15,271	20,062	1,575	2,893	39,801
Accumulated amortisation					
At 1 October 2014	-	-	817	372	1,189
Amortisation for the financial year	-	-	138	224	362
Disposals	-	-	(57)	-	(57)
Currency realignment	-	-	37	-	37
At 30 September 2015	-	-	935	596	1,531
Impairment					
At 1 October 2014	10,890	11,951	-	-	22,841
Currency realignment	339	-	-	-	339
At 30 September 2015	11,229	11,951	-	-	23,180
Carrying amount					
At 30 September 2015	4,042	8,111	640	2,297	15,090

* The remaining useful life of the franchise fees is between 6 to 20 years (2015: 7 to 20 years).

	Computer software	
	2016 RM'000	2015 RM'000
Company		
Cost		
At 1 October	276	227
Currency realignment	(9)	49
At 30 September	267	276
Accumulated amortisation		
At 1 October	213	169
Amortisation for the financial year	53	7
Currency realignment	(6)	37
At 30 September	260	213
Carrying amount		
At 30 September	7	63

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

9. INTANGIBLE ASSETS (CONTINUED)

During the financial year, the Group had paid franchise fees in relation to new stores of RM574,000 (2015: RM498,000) in accordance with the International Multiple Unit Franchise Agreement to develop and operate “Texas Chicken” restaurants over 10 to 20 years in Malaysia.

Patents and trademarks relate to various trademarks under the brand names of Horleys, Family and Daily Fresh acquired through business combinations in previous financial years.

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

Impairment testing of goodwill, patents and 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 test the CGUs for impairment annually, or more frequently when there is an indication that the unit may be impaired.

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

- (a) Trading and Frozen Food Division;
- (b) Food Services Division;
- (c) Nutrition Division;
- (d) Food Processing Division; and
- (e) Others Division.

	Trading and Frozen Food RM'000	Food Services RM'000	Nutrition RM'000
2016			
Carrying amount			
Goodwill	4,042	11,800	-
Patents and trademarks	-	3,300	8,111
Franchise fees	-	2,621	-
2015			
Carrying amount			
Goodwill	4,042	-	-
Patents and trademarks	-	-	8,111
Franchise fees	-	2,297	-

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 for the 5-years. The key assumptions for these value-in-use calculations are those regarding the discount rates, growth rates and gross margins.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

9. INTANGIBLE ASSETS (CONTINUED)

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

	Trading and Frozen Food %	Food Services %	Nutrition %
2016			
Gross margin ⁽¹⁾	17.40	44.50	44.74
Growth rate ⁽²⁾	12.00	31.09	2.67
Discount rate ⁽³⁾	6.65	6.65	5.50
2015			
Gross margin ⁽¹⁾	16.84	54.67	43.50
Growth rate ⁽²⁾	12.00	42.16	2.44
Discount rate ⁽³⁾	7.85	7.60	5.50

⁽¹⁾ Average budgeted gross margin.

⁽²⁾ Average growth rate used to extrapolate cash flows for the 5-year period.

⁽³⁾ 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 both 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.

Growth rates – The forecasted growth rates are based on management estimates with reference to publish industry research.

Pre-tax discount rates – Discount rates represent the current market assessment of the risks specific to each CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and derived from its weighted average cost of capital (“WACC”). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group’s investors. The cost of debt is based on the interest bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

Sensitivity to changes in assumptions

Management believes that changes in any of the above key assumptions by 10% would not cause the carrying amounts of the respective CGUs to be materially different from their recoverable amount.

The Horleys trademark with a carrying amount of approximately RM8,111,000 (2015: RM8,111,000) has been pledged to a financial institution for banking facility granted to a subsidiary (Note 16).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

10. INVENTORIES

	Group	
	2016 RM'000	2015 RM'000
Finished goods	34,731	32,162
Raw materials	3,353	1,956
Packaging materials	3,419	2,188
Work in progress	23	18
Consumables	2,482	1,663
	44,008	37,987
Allowance for write down of inventories	(285)	(350)
	43,723	37,637

The cost of inventories recognised as an expense and included in “cost of goods sold” in the consolidated statement of comprehensive income amounted to RM242,411,000 (2015: RM234,052,000).

The allowance provided during the financial year of RM285,000 (2015: RM350,000) pertains to the slow moving inventories.

As at the end of the financial year, the Group’s inventories with a carrying amount of approximately RM7,606,000 (2015: RM5,723,000) is subject to a floating charge for a banking facility granted to a subsidiary (Note 16).

11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Current receivables				
Trade receivables	46,584	55,919	-	-
Allowance for doubtful trade receivables	(4,746)	(4,406)	-	-
	41,838	51,513	-	-
Other receivables	2,415	1,605	870	154
Allowance for doubtful other receivables	(38)	(41)	-	-
	2,377	1,564	870	154
Prepayments	5,801	3,178	30	-
Deposits	6,358	3,338	434	54
Advances to suppliers	295	1	-	-
	12,454	6,517	464	54
Due from subsidiaries				
- non-trade	-	-	354,925	295,028
Allowance for doubtful debts	-	-	(65,572)	(65,114)
	-	-	289,353	229,914
	56,669	59,594	290,687	230,122
Non-current receivables				
Deposits for purchase of property, plant and equipment	-	36,359	-	-
Total trade and other receivables	56,669	95,953	290,687	230,122

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

The trade amounts owing by third parties are repayable within the normal trade credit terms of 30 to 60 days (2015: 30 to 60 days). In the opinion of the management, based on the review of the trade receivables, including balances that are outstanding for more than 90 days, allowance for doubtful receivables as at 30 September 2016 is adequate.

The non-trade amounts due from subsidiaries are unsecured, interest-free and repayable on demand (2015: same terms) except for the amount due from a subsidiary of RM21,593,000 (2015: RM16,245,000) which bears interest at 5.55% (2015: 5.55%) per annum.

Allowance for doubtful trade receivables which are individually determined to be impaired arose mainly from customers who have difficulty in settling the amount due. Write back of allowance no longer required is due to amount recovered during the financial year.

Movements in the allowance for doubtful trade receivables are as follows:

	Group	
	2016 RM'000	2015 RM'000
At 1 October	4,406	4,602
Currency realignment	70	380
Acquisition of subsidiaries	314	-
Allowance made during the financial year	449	300
Write back of allowance no longer required	(435)	(293)
Doubtful trade receivables written off against allowance	(58)	(583)
At 30 September	4,746	4,406

Movements in the allowance for doubtful other receivables are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At 1 October	41	42	65,114	41,984
Write back of allowance no longer required	-	(1)	-	-
Allowance made during the financial year	-	-	-	23,130
Currency realignment	(3)	-	458	-
At 30 September	38	41	65,572	65,114

The currency profiles of the Group's and Company's trade and other receivables (excluding prepayments, advances to suppliers and deposits for purchase of property, plant and equipment) as at 30 September are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Ringgit Malaysia	42,650	50,181	187,824	113,171
Singapore dollar	1,232	215	39,513	40,986
United States dollar	60	23	29,195	43,241
New Zealand dollar	4,937	4,011	31,249	26,662
Australian dollar	1,694	1,985	46	-
British Pound Sterling	-	-	825	1,044
Euro	-	-	2,005	5,018
	50,573	56,415	290,657	230,122

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

12. HELD-FOR-TRADING INVESTMENTS

	Group and Company	
	2016 RM'000	2015 RM'000
Quoted equity securities ⁽¹⁾	36,716	79,810
Quoted fixed income ⁽²⁾	-	2,245
Unit trust ⁽³⁾	20,562	24,684
Bond ⁽³⁾	-	8,890
	57,278	115,629

⁽¹⁾ Traded in United States, Singapore and Hong Kong Stock Exchanges

⁽²⁾ Traded in Australia and Singapore Stock Exchanges

⁽³⁾ 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	
	2016 RM'000	2015 RM'000
Singapore Dollar	17,293	35,876
United States Dollar	33,094	64,958
Hong Kong Dollar	3,641	6,820
Australian Dollar	3,250	6,610
Chinese Renminbi	-	1,365
	57,278	115,629

13. CASH AND CASH EQUIVALENTS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Fixed deposits	13,821	255	-	-
Cash and bank balances	45,561	96,471	4,633	48,209
Total	59,382	96,726	4,633	48,209
Pledged fixed deposit	(270)	(255)	-	-
Bank overdraft (Note 16)	(789)	-	-	-
Cash and cash equivalents, per consolidated statement of cash flows	58,323	96,471	4,633	48,209

Fixed deposits are placed for a period approximately 90 to 180 days (2015: 180 days) and the effective interest rates on the fixed deposits ranged from 3.15% to 8.25% (2015: 3.90% to 4.30%) per annum. The total fixed deposit of RM270,000 (2015: RM255,000) was pledged as security for the banking facility granted to a subsidiary (Note 16).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

13. CASH AND CASH EQUIVALENTS (CONTINUED)

The currency profiles of the Group's and Company's fixed deposits and cash and bank balances as at 30 September are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Ringgit Malaysia	39,449	51,717	660	6,310
Singapore Dollar	2,747	32,132	2,639	30,734
United States Dollar	1,060	33	1,055	31
New Zealand Dollar	1,147	1,277	31	223
Australian Dollar	412	10,536	110	10,249
Indonesian Rupiah	14,429	369	-	-
Hong Kong Dollar	138	629	138	629
Chinese Renminbi	-	33	-	33
	59,382	96,726	4,633	48,209

14. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

The non-current assets classified as held for sale in the previous financial year relates to prepaid lease payment for land and building that management had committed to sell and for which, an active programme to locate a buyer was undertaken in the previous financial year.

The details of non-current assets classified as held for sale are as follows:

	Group	
	2016 RM'000	2015 RM'000
Prepaid lease payment for land	-	4,184
Building (Note 4)	-	182
	-	4,366

On 26 January 2016, the Group completed the disposal of land and the factory building for a cash consideration of IDR50 billion (approximately RM16 million) inclusive of the value added tax. Gain on disposal of assets held for sale of RM9,559,000 was recognised in other income as disclosed in Note 26.

There are no items in statement of comprehensive income relating to non-current assets classified as held for sale.

In the previous financial year, the non-current assets classified as held for sale as disclosed above are denominated in Indonesian rupiah.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

15. TRADE AND OTHER PAYABLES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade payables – third parties	21,403	15,064	-	-
GST payables	63	449	-	-
Provision for employee benefits	311	395	-	-
Other payables	7,662	5,354	284	767
Deposits received	358	-	-	-
Accruals	16,257	13,391	4,037	4,268
Due to subsidiaries – non-trade	-	-	143,893	157,865
Total trade and other payables	46,054	34,653	148,214	162,900

The average credit period on purchases of goods is 7 to 60 days (2015: 7 to 60 days).

The non-trade amounts due to subsidiaries are unsecured, interest-free and repayable on demand (2015: same terms).

The currency profiles of the Group's and Company's trade and other payables (excluding GST payables and provision for employee benefits) as at 30 September are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Ringgit Malaysia	30,840	19,810	-	412
Singapore Dollar	4,202	4,864	-	-
United States Dollar	1,217	944	146,688	161,046
New Zealand Dollar	7,755	6,078	1,369	1,292
Australian Dollar	1,396	984	-	-
Indonesian Rupiah	13	182	157	150
Others	257	947	-	-
	45,680	33,809	148,214	162,900

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

16. BANK BORROWINGS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Current liabilities				
<i>Secured:</i>				
Banker's acceptance	36,933	36,561	-	-
Revolving credit	3,919	-	3,919	-
Bank overdraft	789	-	-	-
Offshore foreign currency loan	1,800	3,398	-	-
Term loans	5,084	2,384	-	-
	48,525	42,343	3,919	-
Non-current liabilities				
<i>Secured:</i>				
Offshore foreign currency loan	-	1,699	-	-
Term loans	26,409	2,576	-	-
	26,409	4,275	-	-
	74,934	46,618	3,919	-

The carrying amounts of bank borrowings approximate their fair values as they are floating rate instruments that are re-priced to market interest rates on 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 30 September are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Ringgit Malaysia	69,215	41,521	-	-
Singapore Dollar	3,919	-	3,919	-
New Zealand Dollar	1,800	5,097	-	-
	74,934	46,618	3,919	-

	Group		Company	
	2016 %	2015 %	2016 %	2015 %
Effective interest rates				
Banker's acceptance	3.20 - 4.70	3.20 - 4.55	-	-
Revolving credit	3.20 - 3.25	-	3.20 - 3.25	-
Bank overdraft	7.65	-	-	-
Offshore foreign currency loan	5.06 - 5.87	5.06 - 5.87	-	-
Term loans	4.35 - 7.35	4.35 - 7.35	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

16. BANK BORROWINGS (CONTINUED)

Non-current bank borrowings are repayable as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
After one year	6,936	4,174	-	-
Two to five years	12,223	98	-	-
After five years	7,250	3	-	-
	26,409	4,275	-	-

The Group's bank borrowings as at 30 September 2016 are secured against the following:

- (a) Registered general security agreement over all present and future assets of certain subsidiaries;
- (b) Pledge of Horleys trademark (Note 9);
- (c) Company's Corporate Guarantee, except for a secured term loan of RM131,000 (2015: RM158,000);
- (d) Pledge of inventories of a subsidiary (Note 10);
- (e) Pledge of land and building (Note 5);
- (f) Pledge of shares of a subsidiary;
- (g) Debenture comprising fixed and floating charge over all future and present assets of a subsidiary;
- (h) Pledge of available-for-sale financial assets (Note 7); and
- (i) Pledge of fixed deposit of a subsidiary (Note 13).

17. FINANCE LEASE PAYABLES

	Minimum lease payments RM'000	Future finance charges RM'000	Present value of lease payments RM'000
Group			
2016			
Within one year	6,741	(1,069)	5,672
After one year but within five years	16,394	(1,345)	15,049
	23,135	(2,414)	20,721
2015			
Within one year	4,293	(739)	3,554
After one year but within five years	11,000	(955)	10,045
	15,293	(1,694)	13,599

The finance lease terms range from 1 to 5 years (2015 : 1 to 5 years). The effective interest rates charged during the financial year ranges from 2.32% to 5.81% (2015: 2.32% to 6.37%) 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.

The currency profiles of the Group's finance lease payables as at 30 September are denominated in Ringgit Malaysia.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

18. FINANCIAL GUARANTEE CONTRACTS

	Company	
	2016 RM'000	2015 RM'000
At 1 October	1,897	92
Additional financial guarantee contracts during the financial year	-	1,805
Amortisation during the financial year	(227)	-
Currency realignment	(64)	-
At 30 September	1,606	1,897

The balance as at 30 September 2016 of RM1,606,000 (2015: RM1,897,000) represents the fair value of financial guarantee contracts which was discounted at interest rates ranging from 3.30% to 5.06% (2015: 3.30% to 5.06%) per annum for over 1 to 12 years (2015: 1 to 12 years).

19. DEFERRED TAX LIABILITIES

	Group	
	2016 RM'000	2015 RM'000
At 1 October	3,402	3,182
Currency realignment	1	1
Recognised in consolidated statement of comprehensive income	(850)	219
At 30 September	2,553	3,402

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

	Fair value adjustments on property, plant and equipment RM'000	Property, plant and equipment RM'000	Other taxable temporary differences RM'000	Total RM'000
Group				
At 1 October 2014	1,259	1,890	33	3,182
Currency realignment	-	-	1	1
Recognised in consolidated statement of comprehensive income	-	310	(91)	219
At 1 October 2015	1,259	2,200	(57)	3,402
Currency realignment	-	-	1	1
Recognised in consolidated statement of comprehensive income	(1,259)	718	(309)	(850)
At 30 September 2016	-	2,918	(365)	2,553

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

20. SHARE CAPITAL

	Group and Company			
	2016		2015	
	S\$'000	RM'000	S\$'000	RM'000
Issued and fully paid:				
At 1 October/30 September	46,526	111,406	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.

On 12 February 2016, the Company completed its share consolidation exercise with every five (5) existing shares consolidated to constitute one (1) consolidated share, so as to comply with the minimum trading price requirement as required by the Monetary Authority of Singapore and the SGX-ST.

Movements in number of shares issued:

	Group and Company	
	Number of ordinary shares	
	2016 '000	2015 '000
At 1 October	631,927	631,927
Share consolidation	(505,542)	-
At 30 September	126,385	631,927

Treasury shares

Movement in treasury shares:

	Group and Company			
	Number of treasury shares		Amount	
	2016 '000	2015 '000	2016 RM'000	2015 RM'000
At 1 October	1,210	1,210	183	183
Share consolidation	(968)	-	-	-
At 30 September	242	1,210	183	183

The total amount paid to repurchase the shares has been deducted from shareholders' equity. The repurchased shares are held as treasury shares.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

20. SHARE CAPITAL (CONTINUED)

Envictus Employee Share Options Scheme (“ESOS”)

Statutory and other information regarding the ESOS is set out below:

- (i) The Remuneration Committee (“the Committee”) may at its discretion, fix the subscription price at a discount up to 20% off market price, or a price equal to the average of the last dealt market prices for the 5 consecutive market days immediately preceding the grant of the options.
- (ii) Consideration for the grant of an option is S\$1.00.
- (iii) Options can be exercised 1 year after grant for market price options and 2 years for discounted options.
- (iv) Options granted expire after 10 years for employees of the Group or such earlier date as may be determined by the Committee.
- (v) Options granted will lapse when participant ceases to be a full-time employee with the Group, subject to certain exceptions at the discretion of the Company.
- (vi) The aggregate number of shares over which options may be granted on any date, when added to the number of shares issued and issuable in respect of all options granted under the ESOS, shall not exceed 15% of the issued share capital of the Company on the day preceding that date of grant.

Information in respect of the share options granted under the ESOS is as follows:

	2016		2015	
	Number of share options '000	Weighted average exercise price S\$	Number of share options '000	Weighted average exercise price S\$
Outstanding at 1 October	12,173	0.394	12,173	0.394
Cancelled	(130)	0.164	-	-
Share consolidation	(9,634)		-	
Outstanding at 30 September	2,409	1.985	12,173	0.394
Exercisable as at 30 September	2,409	1.985	12,173	0.394

The fair value of share options as at the date of grant is estimated by an external independent valuer using the Binomial option-pricing model, taking into account the terms and conditions upon which the options were granted. The significant inputs into the model were share prices at date of grant, exercise price, yield, expected volatility, risk-free interest rate and option life expected.

21. FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve of the Group represents foreign exchange differences arising from the translation of the financial statements of foreign operations and the Company where functional currencies are different from that of the Group's presentation currency. The foreign currency translation reserve of the Company represents foreign exchange differences arising from translation of the financial statements of the Company from its functional currency to its 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 2016

22. FAIR VALUE RESERVE

The fair value reserve represents the cumulative change in the fair value of available-for-sale financial assets until the assets are derecognised or impaired. Movements in this reserve are set out in the statements of changes in equity.

23. OTHER RESERVE

The other reserve represents the premium paid for the acquisition of non-controlling interests in subsidiaries. Movements in this reserve are set out in the statements 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 and nutrition products (Note 31).

25. FINANCE COSTS

	Group	
	2016 RM'000	2015 RM'000
Interest expense		
- Bank overdraft	42	11
- Banker's acceptance	1,362	706
- Term loans	1,356	14
- Revolving credit	18	-
- Offshore foreign currency loan	304	472
- Finance lease	1,027	577
- Others	93	4
	4,202	1,784

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

26. PROFIT BEFORE INCOME TAX

In addition to the charges and credits disclosed elsewhere in the financial statements, profit before income tax is arrived at after charging/(crediting) the following:

	Group	
	2016 RM'000	2015 RM'000
Advertising and promotions	8,894	7,717
Allowance for doubtful receivables	449	300
Amortisation of intangible assets	546	362
Audit fees:		
- Auditor of the Company	215	218
- Other auditors	341	389
Non-audit fees:		
- Other auditors	95	62
Depreciation of:		
- property, plant and equipment	15,990	12,244
- investment property	431	-
Directors' remuneration:		
- Directors of the Company	1,253	1,112
- Directors of the subsidiaries	1,698	1,354
Directors' fee of the Company	924	881
Inventories written off	173	-
Operating lease expense	14,376	9,822
Property, plant and equipment written off	1,466	27
Allowance for write down of inventories	285	350
Staff costs:		
- Salaries, bonuses and allowances	48,698	37,552
- Employer contributions to defined contribution plans	3,764	3,106
Allowance for doubtful receivables no longer required, now written back	(435)	(294)
Dividend income*	(3,375)	(3,411)
Fair value (gain)/loss on held-for-trading investments, net*	(217)	4,634
Foreign currency exchange gain, net*	(5,697)	(9,416)
Write back of impairment on property, plant and equipment*	(13)	(3,598)
(Gain)*/Loss** on disposal of:		
- held-for-trading investments	(802)	(1,767)
- property, plant and equipment	(156)	1,828
- assets held for sale	(9,559)	-
Interest income*	(1,587)	(1,177)
Rental income*:		
- Investment property	(1,282)	-
- Others	(46)	(16)

* Included in other operating income.

** Included in other operating expenses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

27. INCOME TAX EXPENSE

	Group	
	2016 RM'000	2015 RM'000
Current tax:		
- Current year	4,736	4,368
- Over provision in prior years	(1,771)	(189)
	2,965	4,179
Deferred tax expense:		
- Current year	(44)	203
- Over provision in prior years	(865)	2,847
	(909)	3,050
	2,056	7,229

The Group has significant operations in Malaysia, for which the corporate income tax rate applicable is 24% (2015: 25%). Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The income tax expense varied from the amount of income tax expense determined by applying the Malaysia income tax rate of 24% (2015: 25%) to profit before income tax as a result of the following differences:

	Group	
	2016 RM'000	2015 RM'000
Profit before income tax	3,512	3,667
Income tax calculated at Malaysia statutory tax rate of 24% (2015: 25%)	843	917
Effect of different tax rates in other countries	(1,460)	(1,839)
Expenses not deductible for tax purposes	9,184	13,005
Income not subject to tax	(6,928)	(15,543)
Tax incentives	(233)	(420)
Current tax over provided in prior years	(1,771)	(189)
Deferred tax over provided in prior years	(865)	(351)
Reversal of deferred tax assets previously recognised	-	3,198
Deferred tax assets not recognised	3,809	7,752
Utilisation of deferred tax assets not recognised	(1,149)	-
Withholding tax	626	688
Others	-	11
	2,056	7,229

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

28. EARNINGS/(LOSS) PER SHARE

Basic earnings per share is calculated by dividing the Group's profit/(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	
	2016	2015
Profit/(Loss) after income tax attributable to owners of the Company (RM'000)	2,863	(363)
Weighted average number of ordinary shares in issue during the financial year ('000)	126,143	126,143*
Basic earnings/(loss) per share (RM sen)	2.27	(0.29)
Diluted earnings/(loss) per share (RM sen)	2.27	(0.29)

* Comparative weighted average number of ordinary shares have been adjusted to reflect the effect of Share Consolidation during the current financial year.

For financial year ended 30 September 2016, the basic earnings per share (2015: basic loss per share) is the same as the diluted earnings per share (2015: diluted loss per share) because the potential ordinary shares for both financial years are anti-dilutive.

29. SIGNIFICANT RELATED PARTY TRANSACTIONS

During the financial year, in addition to the information disclosed elsewhere in these 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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
With related parties:				
- Insurance premium paid to a related party*	1,503	1,515	20	37
- Rental of premises paid to a related party*	660	770	-	-
- Purchase of goods from a related party*	992	483	-	-
- Recharge of advertising and promotion fee to a related party*	387	66	-	-
With subsidiaries:				
- Management fees	-	-	(804)	(979)
- Dividend income	-	-	-	(54,010)
- Interest income	-	-	(985)	(837)
- Settlement of liabilities on behalf of subsidiaries	-	-	(66,377)	(43,902)
- Advances to subsidiaries	-	-	(31,453)	(65,575)
- Repayment from subsidiaries	-	-	31,106	49,136
- Advances from subsidiaries	-	-	4,677	6,480

* A related party is a company where the Directors have beneficial interest or significant influence over the entity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Short-term employee benefits	4,808	4,562	2,123	2,711
Post-employment benefits	255	253	24	95
	5,063	4,815	2,147	2,806
Analysed into:				
- Directors of the Company	2,147	2,119	2,147	2,119
- Directors of the subsidiaries	1,698	1,354	-	-
- Other key management personnel	1,218	1,342	-	-
	5,063	4,815	2,147	2,119

Certain directors and key management personnel were granted share options in 2010 in respect of their services to the Group and the Company under the share options scheme of the Company. Further details on the share options are set out in Note 20 to the financial statements.

30. COMMITMENTS

30.1 Capital commitments

As at the end of the financial year, the Group had the following capital commitments:

	Group	
	2016 RM'000	2015 RM'000
Purchase of property, plant and equipment	82,194	66,625

30.2 Operating lease commitments – as lessee

As at the end of the financial year, there were operating lease commitments for rental payable in subsequent accounting periods as follows:

	Group	
	2016 RM'000	2015 RM'000
Within one year	11,942	7,610
Two to five years	12,317	8,775
More than five years	6,281	6,249
	30,540	22,634

As at the end of the financial year, 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 10 years with an option to renew at the prevailing market rates. Certain leases require the Group to pay contingent rentals computed based on the sales achieved during the lease period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

30. COMMITMENTS (CONTINUED)

30.3 Operating lease commitments – as lessor

The Group has entered into commercial property leases on its investment property. These non-cancellable leases have remaining lease term of three years.

Future minimum rental receivable under non-cancellable operating leases at the end of the reporting period are as follows:

	Group	
	2016 RM'000	2015 RM'000
Within one year	1,407	-
Two to three years	1,759	-
	3,166	-

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.

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) Trading and Frozen Food Division – wholesalers of foodstuff, provisions and frozen meat;
- (b) Food Services Division – Texas Chicken and San Francisco Coffee;
- (c) Nutrition Division – marketing and distribution of branded sport nutrition and weight management food; and
- (d) Food Processing Division comprising of:
 - bakery;
 - butchery;
 - beverages; and
 - contract packing for dairy and Juice-based drinks.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

31. SEGMENT INFORMATION (CONTINUED)

Business segments (Continued)

	Trading and Frozen Food RM'000	Food Services RM'000	Nutrition RM'000	Food Processing RM'000	Unallocated RM'000	Total RM'000
2016						
Revenue						
External revenue	170,577	80,647	36,348	75,102	-	362,674
Results						
Segment results	6,595	(1,444)	1,133	(8,962)	8,805*	6,127
Interest income	363	51	-	62	1,111	1,587
Finance costs	(1,429)	(911)	-	(497)	(1,365)	(4,202)
Profit/(Loss) before income tax	5,529	(2,304)	1,133	(9,397)	8,551	3,512
Income tax	(2,599)	-	62	(795)	1,276	(2,056)
Profit/(Loss) after tax	2,930	(2,304)	1,195	(10,192)	9,827	1,456
Segment assets	117,565	57,527	22,161	132,202	158,295	487,750
Segment liabilities	42,478	28,106	4,970	28,478	41,519	145,551
Other information						
Capital expenditure	5,193	15,930	664	62,093	47,433	131,313
Depreciation and amortisation	2,368	6,409	2,313	4,548	1,329	16,967
Allowance for doubtful receivables	382	-	-	67	-	449
Property, plant and equipment written off	41	1,423	-	2	-	1,466
Write back of impairment on property, plant and equipment	-	-	-	(13)	-	(13)

* Segment results from unallocated segment comprise mainly gain on disposal of assets held for sale during the financial year ended 30 September 2016.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

31. SEGMENT INFORMATION (CONTINUED)

Business segments (Continued)

	Trading and Frozen Food RM'000	Food Services RM'000	Nutrition RM'000	Food Processing RM'000	Unallocated RM'000	Total RM'000
2015						
Revenue						
External revenue	169,272	44,413	38,661	74,660	351	327,357
Results						
Segment results	1,843	(2,872)	1,095	(8,984)	13,192*	4,274
Interest income	49	6	31	15	1,076	1,177
Finance costs	(747)	(396)	-	(637)	(4)	(1,784)
Profit/(Loss) before income tax	1,145	(3,262)	1,126	(9,606)	14,264	3,667
Income tax	(3,058)	-	568	(3,407)	(1,332)	(7,229)
(Loss)/Profit after tax	(1,913)	(3,262)	1,694	(13,013)	12,932	(3,562)
Segment assets	115,726	34,748	21,525	83,899	210,660	466,558
Segment liabilities	44,556	17,006	2,882	22,004	12,716	99,164
Other information						
Capital expenditure	1,899	12,824	114	2,068	3	16,908
Depreciation and amortisation	2,175	3,605	28	6,049	749	12,606
Allowance for doubtful receivables	280	-	-	20	-	300
Property, plant and equipment written off	24	-	-	-	3	27
Write back of impairment on property, plant and equipment	-	-	-	-	(3,598)	(3,598)

* Segment results from unallocated segment comprise mainly of foreign exchange gain during the financial year ended 30 September 2015.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

31. SEGMENT INFORMATION (CONTINUED)

Geographical segments

The Group's business segments operate in three 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
2016							
Revenue							
External revenue	304,495	6,465	937	31,176	18,589	1,012	362,674
Segment non-current assets	224,607	-	-	25,692	-	-	250,299
2015							
Revenue							
External revenue	271,380	9,080	1,038	27,472	17,678	709	327,357
Segment non-current assets	124,288	-	-	26,413	-	-	150,701

* Comprise countries with individually insignificant revenue and assets

32. FINANCIAL RISKS AND CAPITAL MANAGEMENT

The Group's activities expose the Group to financial risks (including credit risk, foreign currency risk, interest rate risk, liquidity risk and equity price 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.

Trade receivables that are neither past due nor impaired are substantially from companies with good collection track record with the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

32. FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

32.1 Credit risk (Continued)

The age analysis of trade receivables of the Group which are past due but not impaired is as follows:

	Group	
	2016 RM'000	2015 RM'000
Past due 1 day to 3 months	18,820	22,871
Past due over 3 to 6 months	1,769	4,286
Past due over 6 to 12 months	1,420	3,733
Past due over 12 months	12	-
	22,021	30,890

Based on historical default rates, the Group believes that no impairment is necessary in respect of trade receivables past due as the Group has a credit policy to maintain its exposure to credit risk on an on-going basis. The trade receivables are mainly arising from customers that have good collection track records within the Group.

Bank deposits are mainly deposits with financial institutions with high credit-ratings assigned by international credit rating agencies.

32.2 Foreign currency risk

Foreign currency risk arises from transactions denominated in currencies other than the functional currencies of the respective companies in the Group and the Company.

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"), Hong Kong dollar ("HKD") 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"), Hong Kong dollar ("HKD") and Euro.

The Group and the Company have not entered into any currency forward exchange contracts as at the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

32. FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

32.2 Foreign currency risk (Continued)

The Group's and the Company's exposure from foreign currency denominated financial assets and financial liabilities as at the end of the financial year is as follows:

	MYR RM'000	USD RM'000	SGD RM'000	NZD RM'000	AUD RM'000	HKD RM'000	RMB RM'000	IDR RM'000
Group								
2016								
Total financial assets	82,311	34,214	38,101	6,084	5,356	3,779	-	14,429
Total financial liabilities	(120,776)	(1,217)	(8,121)	(9,555)	(1,396)	-	-	(13)
Net financial assets/(liabilities)	(38,465)	32,997	29,980	(3,471)	3,960	3,779	-	14,416
Less:								
Net financial liabilities/ (assets) denominated in the respective entities' functional currencies	(218,885)	(35,234)	69,255	(47,827)	-	-	-	13,937
Currency exposure of financial assets/(liabilities) net of those denominated in the respective entities' functional currencies	180,420	68,231	(39,275)	44,356	3,960	3,779	-	479
2015								
Total financial assets	102,064	65,014	68,223	5,033	19,131	7,449	1,398	369
Total financial liabilities	(74,929)	(944)	(4,864)	(11,175)	(983)	-	-	(182)
Net financial assets/(liabilities)	27,135	64,070	63,359	(6,142)	18,148	7,449	1,398	187
Less:								
Net financial liabilities/ (assets) denominated in the respective entities' functional currencies	(95,503)	(44,285)	102,704	(42,462)	-	-	-	183
Currency exposure of financial assets/(liabilities) net of those denominated in the respective entities' functional currencies	122,638	108,355	(39,345)	36,320	18,148	7,449	1,398	4
		MYR RM'000	USD RM'000	NZD RM'000	AUD RM'000	HKD RM'000	Euro RM'000	RMB RM'000
Company								
2016								
Total financial assets	188,484	63,344	31,280	3,406	3,779	2,005	-	-
Total financial liabilities	(1,538)	(146,695)	(1,437)	-	-	-	-	-
Net currency exposure of financial assets/ (liabilities)	186,946	(83,351)	29,843	3,406	3,779	2,005	-	-
2015								
Total financial assets	155,357	108,230	26,885	16,859	7,449	5,019	1,398	-
Total financial liabilities	(2,228)	(161,046)	(1,373)	-	-	-	-	-
Net currency exposure of financial assets/ (liabilities)	153,129	(52,816)	25,512	16,859	7,449	5,019	1,398	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

32. FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

32.2 Foreign currency risk (Continued)

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 10% (2015: 15%) change in MYR, USD, SGD, NZD, AUD and HKD against the Group entities' respective functional currency. The Company's sensitivity to a 10% (2015: 15%) change in MYR, USD, NZD, AUD and HKD against the Company's functional currency (SGD). The sensitivity analysis assumes an instantaneous 10% (2015: 15%) 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, AUD, HKD and MYR are included in the analysis.

	Increase/(Decrease)	
	Group Profit or Loss	
	2016 RM'000	2015 RM'000
<i>SGD</i>		
Strengthened against MYR	(3,928)	(5,901)
Weakened against MYR	3,928	5,901
<i>USD</i>		
Strengthened against MYR	6,823	16,253
Weakened against MYR	(6,823)	(16,253)
<i>NZD</i>		
Strengthened against MYR	4,436	5,448
Weakened against MYR	(4,436)	(5,448)
<i>AUD</i>		
Strengthened against MYR	396	2,722
Weakened against MYR	(396)	(2,722)
<i>HKD</i>		
Strengthened against MYR	378	1,117
Weakened against MYR	(378)	(1,117)
<i>MYR</i>		
Strengthened against SGD	18,848	17,856
Weakened against SGD	(18,848)	(17,856)
Strengthened against USD	(200)	1,395
Weakened against USD	200	(1,395)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

32. FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

32.2 Foreign currency risk (Continued)

Foreign currency sensitivity analysis (Continued)

	Increase/(Decrease)	
	Company	
	Profit or Loss	
	2016	2015
	RM'000	RM'000
<i>MYR</i>		
Strengthened against SGD	18,695	22,969
Weakened against SGD	(18,695)	(22,969)
<i>USD</i>		
Strengthened against SGD	(8,335)	(7,923)
Weakened against SGD	8,335	7,923
<i>NZD</i>		
Strengthened against SGD	2,984	3,827
Weakened against SGD	(2,984)	(3,827)
<i>AUD</i>		
Strengthened against SGD	341	2,529
Weakened against SGD	(341)	(2,529)
<i>HKD</i>		
Strengthened against SGD	378	1,117
Weakened against SGD	(378)	(1,117)

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.

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 (2015: 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.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rate risk for bank borrowings and fixed deposits at the end of the financial year. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the end of the financial year was outstanding for the whole year. The sensitivity analysis assumes an instantaneous 100 basis point (2015: 300 basis point) change in the interest rates from the end of the financial year, with all variables held constant.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

32. FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

32.3 Interest rate risk (Continued)

Interest rate sensitivity analysis (Continued)

If the interest rates increased by 100 basis point (2015: 300 basis point), profit before tax of the Group will increase/ (decrease) by:

	Increase/(Decrease)	
	Group	
	Profit or Loss before tax	
	2016	2015
	RM'000	RM'000
Fixed deposits	138	8
Bank borrowings	(749)	(1,399)

A 100 basis point (2015: 300 basis point) decrease in the interest rates would have an equal but opposite effect to the Group.

The Company does not have any significant exposure to the financial risk arising from changes in interest rates. Hence, no sensitivity analysis was prepared by the management.

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 committed 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
Group						
2016						
Bank borrowings	3.20 - 7.65	51,934	8,978	15,027	7,758	83,697
Finance lease payables	2.32 - 5.81	6,741	6,209	10,185	-	23,135
Trade and other payables	-	45,680	-	-	-	45,680
		104,355	15,187	25,212	7,758	152,512
2015						
Bank borrowings	4.35 - 7.35	44,049	4,375	105	3	48,532
Finance lease payables	2.32 - 6.37	4,293	3,996	7,004	-	15,293
Trade and other payables	-	33,809	-	-	-	33,809
		82,151	8,371	7,109	3	97,634

The repayment terms of the bank borrowings and finance leases are disclosed in Notes 16 and 17 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

32. FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

32.4 Liquidity risk (Continued)

	Effective interest rate %	Less than 1 year RM'000
Company		
2016		
Bank borrowing	3.20 - 3.25	4,046
Trade and other payables	-	148,214
		<u>152,260</u>
2015		
Trade and other payables	-	<u>162,900</u>

As at 30 September 2016, the Company provided financial guarantees to the banks for borrowings of certain subsidiaries which amounted to RM26,614,000 (2015: RM19,757,000). These borrowings represent the maximum amount that the guarantees could be called within one financial year should the subsidiaries default on repayment.

32.5 Equity price risks

The Group is exposed to equity price risks arising from equity investments classified as either available-for-sale financial assets or held-for-trading financial assets. Available-for-sale equity investments are held for strategic rather than trading purposes. The Group does not actively trade available-for-sale equity investments.

Further details of these equity investments can be found in Notes 7 and 12 to the financial statements.

Equity price sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the date of the reporting period.

The sensitivity analysis assumes an instantaneous 3% (2015: 7%) change in the equity prices from the reporting date, with all variables held constant.

	Increase/(Decrease)							
	Group		Company		Group		Company	
	Profit or Loss				Equity			
	2016	2015	2016	2015	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Available-for-sale financial assets	-	-	-	-	511	12	505	-
Held-for-trading investments	1,718	8,394	1,718	8,394	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

32. FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

32.6 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 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 bank borrowings and financial guarantees in the consolidated financial statements approximate their fair values due to the insignificant impact of discounting, drawdown close to reporting and maturity date of these financial instruments.

- (ii) Available-for-sale financial assets

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 trust and bond (Level 2): The fair value is determined by reference to the net assets values which are based on observable market inputs.

- (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.

Fair value hierarchy

The Group categories 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 Company 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 2016

32. FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

32.6 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	
2016										
Group										
Financial assets										
Financial assets at fair value through profit or loss										
- Available-for-sale financial assets	7	17,041	-	-	17,041	-	-	-	-	17,041
- Held-for-trading investments	12	36,716	20,562	-	57,278	-	-	-	-	57,278
Financial liabilities										
- Finance lease payables	17	-	-	-	-	-	19,367	-	19,367	20,721
Company										
Financial assets										
- Available-for-sale financial assets	7	16,829	-	-	16,829	-	-	-	-	16,829
- Held-for-trading investments	12	36,716	20,562	-	57,278	-	-	-	-	57,278

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

32. FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

32.6 Fair values of financial assets and financial liabilities (Continued)

Determination of fair value (Continued)

2015 Group	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	
Financial assets										
Financial assets at fair value through profit or loss										
- Available-for-sale financial assets	7	165	-	-	165	-	-	-	-	165
- Held-for-trading investments	12	82,055	33,574	-	115,629	-	-	-	-	115,629
Financial liabilities										
- Finance lease payables	17	-	-	-	-	-	13,602	-	13,602	13,599
Company										
Financial assets										
- Held-for-trading investments	12	82,055	33,574	-	115,629	-	-	-	-	115,629

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

32. 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 amounts of recognised financial assets/ (liabilities) RM'000	Gross amounts of recognised financial (assets)/ liabilities set off in the statement of financial position RM'000	Net amounts of financial assets/ (liabilities) presented in the statement of financial position RM'000
Company			
As at 30 September 2016			
Trade and other receivables	346,430	(55,743)	290,687
Trade and other payables	(203,957)	55,743	(148,214)
	142,473	-	142,473
As at 30 September 2015			
Trade and other receivables	277,176	(47,054)	230,122
Trade and other payables	(209,954)	47,054	(162,900)
	67,222	-	67,222

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 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. Primarily, such actions are intended to enhance the return to the Company's shareholders and to be used for issuing shares under the Group's share options scheme in the future. 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 not subject to externally imposed capital requirements for the financial years ended 30 September 2016 and 2015.

33. AUTHORISATION OF FINANCIAL STATEMENTS

The consolidated financial statements of the Group, the statement of financial position and statement of changes in equity of the Company for the financial year ended 30 September 2016 were authorised for issue by the Board of Directors of the Company on 8 December 2016.

STATISTICS OF SHAREHOLDINGS

AS AT 5 DECEMBER 2016

Issued and fully paid-up capital	:	S\$46,710,654.955
Number of ordinary shares in issue	:	126,385,289
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	:	126,143,289
Percentage of Treasury Shares	:	0.192% ⁽¹⁾

Note :

⁽¹⁾ Calculated based on 126,143,289 voting shares as at 5 December 2016.

VOTING RIGHTS

Shareholder's voting rights are set out in Article 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 40% of the issued ordinary shares of the Company are held in the hands of the public as at 5 December 2016 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	15	1.23	706	0.00
100 – 1,000	198	16.24	125,570	0.10
1,001 – 10,000	675	55.38	3,075,420	2.44
10,001 – 1,000,000	315	25.84	22,637,687	17.94
1,000,001 and above	16	1.31	100,303,906	79.52
TOTAL	1,219	100.00	126,143,289	100.00

STATISTICS OF SHAREHOLDINGS AS AT 5 DECEMBER 2016

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1.	TEE YIH JIA FOOD MANUFACTURING PTE. LTD.	15,400,000	12.21
2.	KAMAL Y P TAN	15,120,214	11.99
3.	CHENG CHIH KWONG @ THIE TJI KOANG	11,606,664	9.20
4.	BNP PARIBAS NOMINEES SINGAPORE PTE. LTD.	10,711,488	8.49
5.	MAYBANK NOMINEES (SINGAPORE) PRIVATE LIMITED	10,680,000	8.47
6.	JAYA J B TAN	9,257,472	7.34
7.	PHILLIP SECURITIES PTE. LTD.	5,671,478	4.50
8.	KWONG YUEN SENG	5,071,444	4.02
9.	OCBC SECURITIES PRIVATE LIMITED	4,296,860	3.41
10.	CITIBANK NOMINEES SINGAPORE PTE. LTD.	4,043,000	3.21
11.	CIMB SECURITIES (SINGAPORE) PTE. LTD.	2,322,786	1.84
12.	UOB KAY HIAN PRIVATE LIMITED	1,671,300	1.32
13.	PHANG MAH THIANG	1,208,200	0.96
14.	DBS NOMINEES (PRIVATE) LIMITED	1,129,800	0.90
15.	YAP BENG WEI	1,058,000	0.84
16.	RHB SECURITIES SINGAPORE PTE. LTD.	1,055,200	0.84
17.	CHUNG CHEE FOOK	987,292	0.78
18.	SOME YEW PEW	958,400	0.76
19.	HEW MARGARET WYE YOONG OR HEW LEONARD YOKE LEONG	900,000	0.71
20.	MAYBANK KIM ENG SECURITIES PTE. LTD.	762,392	0.60
TOTAL		103,911,990	82.39

SUBSTANTIAL SHAREHOLDERS

(as recorded in the Register of Substantial Shareholders)

Name	Direct Interest	%	Deemed interest	%	Total Interest	%
⁽¹⁾⁽²⁾ Dato' Jaya J B Tan	19,757,472	15.66	20,190,214	16.00	39,947,686	31.66
⁽¹⁾⁽²⁾ Dato' Kamal Y P Tan	19,700,214	15.61	20,247,472	16.05	39,947,686	31.66
Tee Yih Jia Food Manufacturing Pte. Ltd.	15,400,000	12.21	-	-	15,400,000	12.21
⁽³⁾ Datuk Goi Seng Hui	-	-	15,400,000	12.21	15,400,000	12.21
Cheng Chih Kwong @ Thie Tji Koang	11,606,664	9.20	-	-	11,606,664	9.20

⁽¹⁾ Deemed interested in each others shares through the shares held by Dato' Jaya, Dato' Kamal and spouse.

⁽²⁾ Direct interest includes shares held through nominees.

⁽³⁾ Deemed interested in shares held by Tee Yih Jia Food Manufacturing Pte Ltd by virtue of section 7 of the Companies Act, Cap. 50.

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 Wednesday, 18 January 2017 at 10.00 a.m. to transact the following business:-

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements for the year ended 30 September 2016 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) Mr Lyn Hian Woon (Article 91) **(Resolution 2)**

(ii) Dato' Kamal Y P Tan (Articles 87 and 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 members 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\$308,000 for the financial year ended 30 September 2016 (FY2015: S\$298,000). **(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 Resolutions, with or without modifications:-

6. **ORDINARY RESOLUTION - AUTHORITY TO ISSUE SHARES** **(Resolution 6)**

"THAT pursuant to Section 161 of the Companies Act, Chapter 50 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) 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) 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) 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)]

7. ORDINARY RESOLUTION - AUTHORITY TO GRANT OPTIONS AND ISSUE SHARES

(Resolution 7)

"THAT pursuant to Section 161 of the Companies Act, Chapter 50, the Directors of the Company be and are hereby authorized and empowered to offer and grant options under the Envictus Employee Share Option Scheme ("the Scheme") and to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the Scheme, whether during the subsistence of this authority or otherwise, the aggregate number of additional ordinary shares to be issued pursuant to the Scheme shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, 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 earlier." [See Explanatory Note (b)]

BY ORDER OF THE BOARD

S Surenthiraraj @ S Suresh
 Kok Mor Keat
 Company Secretaries

Singapore
 30 December 2016

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 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 in the capital of the Company) for such purposes as they consider to be in the interests of the Company.
- (b) Ordinary Resolution 7, if passed, will empower the Directors of the Company, from the date of the above Meeting until the next Annual General Meeting, to offer and grant options under the Employee Share Option Scheme ("the Scheme") and to allot and issue shares in the Company of up to a number not exceeding in total fifteen per cent. (15%) of the total number of issued shares excluding treasury shares of the Company from time to time pursuant to the exercise of the options under the Scheme.

NOTES:-

- 1. A member (other than a "Relevant Intermediary") 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 forty-eight (48) hours before the time for holding the Annual General Meeting.
- 3. Pursuant to Section 181 of the Companies Act, Chapter 50 of Singapore, any member who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the Annual General Meeting. Relevant intermediary is either:-
 - (a) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;
 - (b) a capital markets services licence holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds shares in that capacity; or
 - (c) the Central Provident Fund ("CPF") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.

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, Chapter 50 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 Wednesday, 18 January 2017 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.	Resolution:	No. of Votes For	No. of Votes Against
1	Adoption of Directors' Statement and Audited Financial Statements for the year ended 30 September 2016 and the Auditors' Report thereon.		
2	Re-election of Mr Lyn Hian Woon as Director.		
3	Re-election of Dato' Kamal Y P Tan 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.		
7	Authority to grant options and to allot and issue shares under Envictus Employee Share Option Scheme		

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 30 December 2016 for the full purpose and intent of the resolutions to be passed.

Dated this _____ day of _____ 2017.

Total Number of Shares held	
CDP Register	
Register of Members	

 Signature(s) of Member(s) or,
 Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF

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 130A of the Singapore Companies Act, Chapter 50), 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 who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote in his stead at the Annual General Meeting. Such proxy need not be a member of the Company.
3. Pursuant to Section 181 of the Companies Act, Chapter 50 of Singapore, any member who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the Annual General Meeting. Relevant intermediary is either:
 - (a) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;
 - (b) a capital markets services licence holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds shares in that capacity; or
 - (c) the Central Provident Fund ("CPF") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.
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 forty-eight (48) 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 Singapore Companies Act, Chapter 50.

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 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

ENVICTUS INTERNATIONAL HOLDINGS LIMITED

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