



OVERSEA ENTERPRISE BERHAD
(Company No. 317155-U)

OVERSEA ENTERPRISE BERHAD (317155-U)

D-3-1 & D-3A-1, Seri Gembira Avenue, Jalan Senang Ria, Taman Gembira, 58200 Kuala Lumpur.

Tel: 03-7972 9683 Fax: 03-7972 9662 Email: info@oversea.com.my

 www.oversea.com.my  www.facebook.com/oversea.com.my  www.tenshou.com.my

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CORPORATE PROFILE

OVERSEA ENTERPRISE BERHAD

is incorporated and domiciled in Malaysia, and it has been listed on the ACE Market of Bursa Malaysia Securities Berhad since 1 April 2010.

The Group started out in 1970's as a partnership business between Mr. Yu Soo Chye @ Yee Soo Chye and an independent third party. Together they founded the first "Restoran Oversea" in Jalan Imbi, Kuala Lumpur. To date the Group's operation of food service outlets entails a chain of five (5) Chinese restaurants, three (3) outlets in Klang Valley and two (2) outlets in Ipoh offering home cooked Cantonese themed cuisines. In addition to the chain of Chinese restaurants, the Group has ventured into the operation of Dim Sum and Cafe. The Dim Sum outlet located at Sri Petaling was opened in 2005, with the intention to target Dim Sum connoisseur. The first Cafe offering Hong Kong styled food was opened in 2004 in Pandan Indah, Kuala Lumpur under the brand name of "Tsim Tung". In February 2012, a new cafe concept offering Ipoh homeland authentic cuisines was opened in Wan Chai, Hong Kong. Subsequent in January 2015, a new bakery and cafe outlet under the brand name of "Alter Ego 1892" was opened in Taipei City, Taiwan. In December 2017, a new concept outlet offering steamboat and hotpot combining dim sum menus was opened in Jalan Imbi, Kuala Lumpur.

In addition to the enhancing the core business, the Company had entered into a joint venture with strategic partners to develop new eateries outlet utilising the Company's vast and extensive experience in the food and beverage ("F&B") industry. The Company has successfully launched two (2) casual dining outlets in Genting Highlands under the brand name of WanHoi YAMCH'A and Taibae as well as a quick service outlet in KLIA2 under the brand name of Santai YAMCH'A.

Subsequently between August 2017 to March 2018, few new eateries outlets of different brand names were opened, namely Soul Chicken, Tampopo Express and Wincaa Bubble Tea opened in KLIA2, and WanHoi Char Chan Tian and Wincaa GPO opened in Awana Skyway Station and Genting Premium Outlet, Genting Highlands, respectively.

Our business model, besides the operation of food service outlets, also includes the expansion into the manufacturing of confectioneries particularly moon cake since 1986. In 1995, a moon cake manufacturing facility in Sungai Buloh with built-up area of approximately 20,000 square feet was built. Subsequently in 2002, we moved to a new manufacturing facility in Shah Alam, Selangor with a total built-up area of 63,246 square feet. As part of the Group's strategy to expand its portfolio of in-house manufactured products, the Company also ventured into the production of egg rolls in 1999. Our manufacturing concern exports to various countries including the United States, Australia, New Zealand, Indonesia, Hong Kong, Canada, Macau, Papua New Guinea and the Netherlands.

AWARD AND RECOGNITIONS

Throughout the years, the Group have received many awards and recognitions, which include, amongst others, "Asia's Finest Restaurants", "Greatest Table in Kuala Lumpur" and "Winner of World Gold Kitchen Cooking Grand Competition". Other international recognition includes accolades such as "International Restaurant of Chinese Cuisine" awarded by "The World Chinese Cuisine Association".

In April 2017, the Company was accorded the Honesty Enterprise Category winner of The Asia Pacific International Honesty Enterprise - The 15th Asia Pacific International Honesty Keris Award 2017 for its outstanding achievement in the F&B industry which demonstrates honesty and integrity in their daily business dealings.

CORPORATE DIARY

2017

- 5 & 6
Apr** Announcements in relation to the Notice of Resale of Treasury Shares.
- 18
Apr** Announcement in relation to the Notice of Shares Buy Back by a Company pursuant to Form 28B.
- 31
May** Announcement of the unaudited consolidated results for the financial period ended 31 March 2017.
- 17
Jul** Announcement in relation to the proposed renewal of and new shareholders' mandate for recurrent related party transactions of a revenue or trading nature.
- 28
Jul** Notice of the Twenty-Second Annual General Meeting to Shareholders.
- 24
Aug** Outcome of the Twenty-Second Annual General Meeting.
- 28
Aug** Announcement of the unaudited consolidated results for the financial period ended 30 June 2017.
- 29
Nov** Announcement of the unaudited consolidated results for the financial period ended 30 September 2017.

2018

- 28
Feb** Announcement of the unaudited consolidated results for the financial period ended 31 December 2017.
- 31
May** Announcement of the unaudited consolidated results for the financial period ended 31 March 2018.

CORPORATE STRUCTURE



OVERSEA ENTERPRISE BERHAD

and its subsidiaries and associated companies
(As at 30 June 2018)

OPERATION OF A CHAIN OF CHINESE RESTAURANTS

- 100%** Restoran Oversea (Imbi) Sdn. Bhd.
- 100%** Restoran Oversea (Subang Parade) Sdn. Bhd.
- 100%** Restoran Oversea (Bandar Baru Sri Petaling) Sdn. Bhd.
- 100%** Haewaytian Restaurant Sdn. Bhd.
- 100%** Restoran Oversea (Skyplaza GH) Sdn. Bhd.
*[formerly known as Rich Tastes (Centrepoin) Sdn. Bhd.] **

OPERATION OF CAFE

- 100%** Restoran Tsim Tung Sdn. Bhd.
- 100%** Ipoh Group Limited (Registered in Hong Kong) *
- 100%** Tunas Citarasa Sdn. Bhd. *
- 30.1%** Burger Foundry Australia Pty Ltd (Registered in Australia) **

OPERATION OF DIM SUM OUTLET

- 100%** Restoran Oversea Dian Xin (Sri Petaling) Sdn. Bhd.
- 100%** Restoran Oversea Hong Kong Dim Sum Sdn. Bhd.
*(formerly known as Restoran Oversea Hong Kong Cafe Sdn. Bhd.) **
- 20%** WanHoi GH Sdn. Bhd. **

MANUFACTURING OF MOON CAKES AND OTHER BAKED PRODUCTS

- 100%** Haewaytian Cake House Sdn. Bhd.
- 100%** Restoran Oversea Confectioneries Sdn. Bhd.

TRADING

- 100%** Haewaytian Food Industries Sdn. Bhd.
- 100%** Haewaytian Trading Sdn. Bhd.
- 100%** Tenshou International Sdn. Bhd.

OWNER OF TRADEMARKS

- 100%** Restoran Oversea Holdings Sdn. Bhd.

INVESTMENT HOLDING

- 100%** Restoran Oversea JV (International) Sdn. Bhd.
- 35%** Blissful Intuition Sdn. Bhd. **

OTHERS

- 100%** Oversea Training Academy Sdn. Bhd.
- 100%** Restoran Oversea (P.J.) Sdn. Bhd. (Dormant)

* Subsidiary of Restoran Oversea JV (International) Sdn. Bhd.

** Associate of Restoran Oversea JV (International) Sdn. Bhd.

CORPORATE INFORMATION

BOARD OF DIRECTORS

YU SOO CHYE @ YEE SOO CHYE
Chairman/Group Managing Director

LEE PEK YOKE
Executive Director

KHONG YIK KAM
Executive Director

LEE SENG FAN
Executive Director

KOONG LIN LOONG
Independent Non-Executive Director

CHIAM SOON HOCK
Independent Non-Executive Director

CHUI MEE CHUEN
Independent Non-Executive Director

YU TACK TEIN
Executive Director

YU SUAT YIN
(Alternate Director to Lee Pek Yoke)

COMPANY SECRETARIES

Chua Siew Chuan
(MAICSA 0777689 PRACTITIONER)
Cheng Chia Ping
(MAICSA 1032514 PRACTITIONER)

AUDIT COMMITTEE

Koong Lin Loong - Chairman
Chiam Soon Hock
Chui Mee Chuen

REMUNERATION COMMITTEE

Chiam Soon Hock - Chairman
Yu Soo Chye @ Yee Soo Chye
Chui Mee Chuen

NOMINATING COMMITTEE

Chui Mee Chuen - Chairperson
Koong Lin Loong
Chiam Soon Hock

INVESTMENT COMMITTEE

Yu Soo Chye @ Yee Soo Chye - Chairman
Yu Tack Tein
Yu Suat Yin
Yap Teck Beng (Group General Manager)

RISK MANAGEMENT COMMITTEE

Chiam Soon Hock - Chairman
Yu Suat Yin
Yap Teck Beng (Group General Manager)
Soh Jin Yiat (Deputy Group General Manager)

REGISTERED OFFICE & HEAD OFFICE

D-3-1 & D-3A-1, Seri Gembira Avenue,
Jalan Senang Ria, Taman Gembira,
58200 Kuala Lumpur,
Wilayah Persekutuan
Tel. No. : 03-7972 9683
Fax No. : 03-7972 9662
Website : www.oversea.com.my
Email : info@oversea.com.my

PRINCIPAL BANKERS

Public Bank Berhad
Hong Leong Bank Berhad
United Overseas Bank (Malaysia) Berhad

AUDITORS

Crowe Malaysia
[formerly known as Crowe Horwath (AF 1018)]
Kuala Lumpur Office
Level 16, Tower C, Megan Tower II,
12, Jalan Yap Kwan Seng,
50450 Kuala Lumpur,
Wilayah Persekutuan
Tel. No. : 03-2788 9999
Fax No. : 03-2788 9998

SHARE REGISTRAR

Symphony Share Registrars Sdn. Bhd.
Level 6, Symphony House,
Pusat Dagangan Dana 1,
Jalan PJU 1A/46,
47301 Petaling Jaya,
Selangor Darul Ehsan
Tel. No. : 03-7849 0777 (Helpdesk)
Fax No. : 03-7841 8151/ 7841 8152
Email : ssr.helpdesk@symphony.com.my

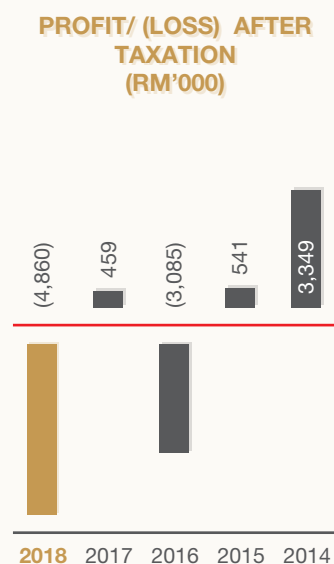
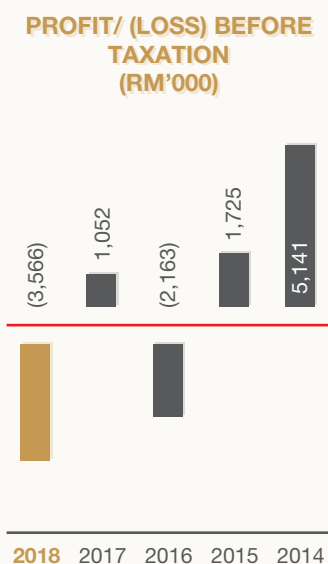
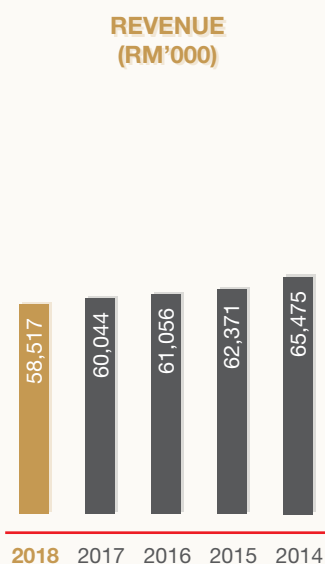
STOCK EXCHANGE LISTING

ACE Market of Bursa Malaysia
Securities Berhad
Stock Name : OVERSEA
Stock Code : 0153

FINANCIAL HIGHLIGHTS

The following table sets out a summary of the Statement of Comprehensive Income of Oversea Enterprise Berhad and its subsidiaries for the financial years ended 31 March 2014 till 31 March 2018.

| Year Ended | Revenue RM'000 | Profit/(Loss) Before Taxation RM'000 | Profit/(Loss) After Taxation RM'000 |
|---------------|-------------------|---|--|
| 31 March 2014 | 65,475 | 5,141 | 3,349 |
| 31 March 2015 | 62,371 | 1,725 | 541 |
| 31 March 2016 | 61,056 | (2,163) | (3,085) |
| 31 March 2017 | 60,044 | 1,052 | 459 |
| 31 March 2018 | 58,517 | (3,566) | (4,860) |



CHAIRMAN'S LETTER TO SHAREHOLDERS

DEAR SHAREHOLDERS,

**I AM PLEASED TO ENCLOSE HEREWITH THE ANNUAL
REPORT 2018 AND THE AUDITED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018**

Our Journey

The Restoran Oversea Group commenced in year 1977 when the founding members converted the partnership business into a private limited company known as Restoran Oversea (Imbi) Sdn. Bhd. The success of our first “Restoran Oversea” (海外天) restaurant encouraged us to open our second restaurant in Ipoh in 1982. To date, we have developed our restaurant operations into a chain of ten (10) wholly-owned restaurants, being three (3) Chinese restaurants in Klang Valley and two (2) outlets in Ipoh, as well as five (5) casual dinings in Klang Valley, Genting Highlands and Hong Kong.

In 1986, we expanded our business into making moon cakes. At that time all our moon cakes were hand made and were marketed as part of our Chinese restaurant business. In 1995, we moved our moon cake operation to our manufacturing facility in Sungai Buloh with a built-up area of approximately 20,000 square feet. Subsequently in 2002, we moved our manufacturing facilities to Shah Alam, Selangor with a total built-up area of 63,246 square feet. In 1986, our output of moon cakes averaged 20,000 pieces per year and has since grown to 1.1 million pieces per year by 2017.

OUR SPECIALTY

Restoran Oversea is widely known for offering exquisite contemporary Chinese cuisine with special emphasis on unique Cantonese themed restaurant. We feature traditional menus as the “piece de resistance” of the restaurant. Notwithstanding that, being innovative with our food menus, we have been offering new additions to our existing food menus on a regular basis.

To address new market segments while retaining our core competencies in operating Chinese restaurants and casual dining, we have expanded our business into the speciality segment offering “steamboat and hotpot” concept in 2017. To further differentiate from our existing provision of dining experience, the new concept is combined with the offering of dim sum menus.

CHAIRMAN'S LETTER TO SHAREHOLDERS

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OUR COMPETITIVE ADVANTAGE

With forty (40) years of experience in the restaurant industry together with a dynamic marketing team, our Group has managed to carve a name to compete with other successful renowned competitors in the restaurant industry.

To remain competitive in the challenging market environment and catching up with fast-changing global business trend, our Group has always believed in technology advancement by earmarking certain amount of working capital for capital expenditures purposes annually. Simultaneously, as detailed in our Sustainability and Corporate Social Responsibility Statement, we have also ensure sufficient attention and allocation be made for the training and development, as well as the well-being of the employees of the Group. With the fully trained and equipped workforce, we are optimistic that our Group will be able withstand the rapid changes in food service environment and thereby ensure the sustainability of the Group.

Our Group continues to maintain its commitment in producing high quality, safe and innovative products and services while safeguarding the environment as well as continuing to build effective engagements with the consumers whilst strengthening existing key relationships through collaborations in supply chain management to keep abreast with current lifestyle changes.

OUR FORTHCOMING TWENTY-THIRD ANNUAL GENERAL MEETING ("23RD AGM")

I wish to inform that the 23rd AGM of the Company will be held at Restoran Oversea Bandar Baru Sri Petaling, No. 62-66, Jalan 1/149D, Bandar Baru Sri Petaling, 57000 Kuala Lumpur, Wilayah Persekutuan on Wednesday, 29 August 2018 at 11:00 a.m.

At the forthcoming 23rd AGM, the following resolutions shall be put forward for your consideration:-

- Our Directors, namely Mr. Khong Yik Kam, Mr. Koong Lin Loong and Mr. Chiam Soon Hock are offering ourselves for re-election at the 23rd AGM.
- Upon the review and recommendation of the Audit Committee, the Board will also recommended the re-appointment of Messrs. Crowe Malaysia (formerly known as Crowe Horwath) as External Auditors of the Company for the financial year ending 31 March 2019.
- As per the previous financial year, the proposed total Directors' fees for the financial year ended 31 March 2018 remained at RM108,000/-.
- The benefits payable to the Directors pursuant to Section 230(1)(b) of the Companies Act 2016 has been reviewed by the Remuneration Committee and the Board of Directors ("**the Board**") of the Company, which recognises that the benefits payable is in the best interest of the Company for the applicable period from the 23rd AGM to the next AGM of the Company in year 2019. The benefits comprised solely of a single benefit-in-kind, i.e. provision of motor vehicles to the Directors for their official usage.
- The Company would like to seek approval for a general mandate from you to allot shares pursuant to Sections 75 and 76 of the Companies Act 2016 ("**General Mandate**"). The purpose to seek approval for the General Mandate is to enable the Directors of the Company to issue and allot shares at any time to such persons in their absolute discretion without convening a general meeting as it would be both time and cost-consuming to organise a general meeting solely for such issuance and allotment of shares. This authority unless revoked or varied by the Company in a general meeting, will expire at the next AGM. The proceeds raised from the General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.
- The Company would like to seek for the renewal of the shareholders' mandate from you in order to enable the Company and its subsidiaries to enter into any of the recurrent related party transactions of a revenue or trading nature which are necessary for the Group's day-to-day operations, subject to the transactions being in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

CHAIRMAN'S LETTER TO SHAREHOLDERS

cont'd

The Board believes that the above resolutions are in the best interest of the Company and all shareholders. Therefore, the Directors unanimously recommend that you vote in favour of the above resolutions.

The 23rd AGM of the Company represents an important opportunity for all shareholders to express their views by asking questions on the above resolutions and/or any other topic relevant to our business and resolutions. As provided under the Companies Act 2016, at the forthcoming 23rd AGM, you shall have the right to attend, speak, participate and vote at the said Meeting, either in person or vide proxy(ies).

As in previous AGM, we will call for a poll on each resolution at the forthcoming 23rd AGM, which will administratively be conducted by the Poll Administrator upon the completion of deliberations on all resolutions. An independent scrutineer shall be appointed to verify and confirm the votes tabulated by the Poll Administrator.

If you are not able to attend the 23rd AGM, you may complete the Proxy Form in accordance with the instructions printed on the form and return it to the Registered Office of the Company located at D-3-1 & D-3A-1, Seri Gembira Avenue, Jalan Senang Ria, Taman Gembira, 58200 Kuala Lumpur, Wilayah Persekutuan not less than forty-eight (48) hours before the time for holding the meeting or at any adjournment thereof, i.e. on or before Monday, 27 August 2018 at 11:00 a.m.

In the event you have executed the Proxy Form but does not name any proxy, you shall be deemed to have appointed the Chairman of the Meeting as your proxy.

APPRECIATION

On behalf of the Board, I would like to thank and express my sincere appreciation to our valued business associates and customers for their continuous support.

The Board would like to express its appreciation to the management staffs and employees of the Group for their relentless hard work, commitment and dedication throughout the year, and to our shareholders for the trust and confidence towards our Group.

I would like to express my deepest gratitude to fellow Board members who have contributed to the Group with their invaluable advice and guidance.

Thank you.

Yours sincerely,

YU SOO CHYE @ YEE SOO CHYE

Chairman and Group Managing Director

31 July 2018

MANAGEMENT DISCUSSION AND ANALYSIS

DEAR SHAREHOLDERS,

On behalf of the executive management of Oversea Enterprise Berhad (“Oversea” or “the Group”), I am pleased to present the Management’s Discussion and Analysis (“MD&A”) for your information. The MD&A aims to provide you and the stakeholders with an overview of our business, operations and financial performance of the Group for the financial year ended 31 March 2018.

OVERVIEW OF THE GROUP’S BUSINESS AND OPERATIONS

Oversea a publicly traded company that, through its subsidiaries are principally engaged in the operation of “Restoran Oversea” chain of Chinese restaurants offering fine dining Cantonese cuisines offering ala-carte dining as well as banquet functions. In addition, Oversea is also engaged in the operation of cafe and speciality outlets such as dim sum and bakery amongst other things. Oversea also manufactures seasonal confectioneries particularly moon cakes for the annual Mid-Autumn Festival which is sold locally as well as exported to Asian countries and other parts of the world such as United States of America and Australia.

Oversea is guided by the belief in an idea called “Jin Liang Shi Zu” in all of its business ventures. Our objective is to provide our customers with highest quality and safest ingredients of product. Our manufacturing facility is accredited with HALAL by Jabatan Kemajuan Islam Malaysia as well as GMP (Good Manufacturing Practice) and MeSTI (Makanan Selamat Tanggungjawab Industri) by Kementerian Kesihatan Malaysia.

The Group’s vision is to transform the brand name “Restoran Oversea” into a leading quality household brand name in South East Asia by playing a leading role in the Asian foods in producing quality, tasty and convenient food that brings a healthy balance and wellness to our customers. Our stores operate in both shoplots as well as shopping mall as part of our strategy to have a market presence in the urban as well as suburban areas within Malaysia. Currently, the Company

operating ten (10) wholly-owned restaurants, being three (3) Chinese restaurants in Klang Valley and two (2) outlets in Ipoh, as well as five (5) casual dinings in Klang Valley, Genting Highlands and Hong Kong.

The restaurant and cafe are highly competitive with respect to quality, variety and price of food products offered. Oversea competes with a significant number of national and regional restaurants. Additionally there are many segments with the restaurant and cafe industry such as family dining, casual dining, full-service, fast casual and quick service restaurants, which often overlaps and provide competition for widely diverse restaurant concepts. We operate predominantly in the full-service segment of the industry.

Competition also exists in securing prime real estate location for new outlets, in hiring qualified employees, in advertising, in the attractiveness of facilities and with competitors having similar menu offerings or convenience. The Group faces the same competition for its retail of seasonal confectionery products with its extensive distribution networks in major shopping malls all over Malaysia and overseas.

Thus, the restaurant and retail industries are often affected by changes in customer taste and preference, economic condition be it locally or regionally, locations of competing restaurants and retailers as well as customers’ discretionary purchasing power.

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

KEY PERFORMANCE INDICATORS

The management of Oversea utilises a number of key performance measures to evaluate the operational and financial performance including amongst other indicators:-

- Average spending per guest is used to analyse the \$ spent per guest in our outlets for ala-carte dine in and banquet sales. This measure aids the management in identifying trends in guest preferences as well as effectiveness of sales campaign and new introduction of menus.
- For the retail segment, the management utilises the store performance operating margins defined as the total revenue per store or counter less cost of goods sold, direct labour and other direct expenses as counter fees and promotional discount attributable to the particular store or counter. It is a primary measure of operating profitability.

STRATEGIES IN VALUE CREATION

Management believes that “Restoran Oversea” and “OVERSEA” brand remains one of the strongest and most differentiated brands in the restaurant industry. Our strategy over the long term revolves around 4 pillars of thrust namely:-

- 1st Pillar Thrust – Restaurant
- 2nd Pillar Thrust – Manufacturing
- 3rd Pillar Thrust – Retail
- 4th Pillar Thrust – Academy

Each individual pillar of thrust adopts a short term, mid-term and long term outlook, in which the Company constantly monitor on a periodic basis.

Our 1st pillar focuses on the core business with the intention of enhancing as well as extension of the particular segment of business. This pillar encompasses the key sales of our business including menu innovation, marketing programmes and cost-saving initiatives.

Our 2nd pillar focuses on the manufacturing ability to fully utilise the plant for whole year product instead of seasonal production cycles. The manufacturing segment main thrust would be developing and bringing to market a new concept or product and at the same time leveraging on the Groups branding while providing customers with product differentiation.

Our 3rd strategic pillar is an extension of the manufacturing segment to promote premium lifestyle foodstuff. This segment was created to extend our reach into more metropolitan locations and attract new guests. Whilst do not expect it to have a material financial impact in the mid-term outlook but we are excited about this new concept and vision.

Our 4th pillar is the creation of academy for training excellence which is essentially a new business for the Group. In order for the Group to expand, the academy would provide qualified employees to address the manpower requirements. We strongly believe that our continued focus on the long term strategy will contribute to revenue growth and higher operating margin.

ANTICIPATED OR KNOWN RISKS

Competition Risk

Generally all operators of the food services including Chinese restaurants in Malaysia face normal competitive conditions namely brand name and market reputation, quality of products and services and economies of scale. Barriers to entry into the operation of Chinese restaurants are relatively low for operators with single outlet. This is substantiated by the large number of operators in the industry. However, operators with a network of chained outlets will have an advantage over smaller players due to economies of scales, thereby reducing operating costs and improving profit margins. Oversea Group has built significantly on its “Restoran Oversea” brand equity, which includes a high level of brand awareness and customer loyalty and is associated with fine Chinese dining and high quality food, providing the Group with a key competitive advantage to compete effectively within the food services industry.

Seasonality

Generally, there is no seasonality for our chain Chinese restaurants with the exception of banquet operations where the business encounters a slowdown during the month of May to July due to inauspicious Lunar Calendar and peaks between October and February. The peaks are due to festive seasons as well as year end banquets including wedding functions, which are usually held during the months of October and February. As for the manufacturing concern, we currently only operate three (3) to five (5) months within a year commonly between May and September, prior to the Mid-Autumn Festival.

Foreign Currency Exchange Risk

A portion of our investments consist of activities outside Malaysia, thus we have currency risk on the transactions in other currencies and translation adjustments resulting from the conversion of our results in RM. However, a substantial majority of our operations and investment activities are transacted in RM, and therefore the foreign currency risk is limited at this date of report. We attempt to minimize the exposure related to our operations by purchasing goods or services from third parties in local currencies where practical.

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

Single Customer Risk

Our customers for food services outlets including restaurants, café and dim sum are mainly end consumers. As for the manufacturing of moon cakes and other baked products, it is generally segregated to retailers such as hypermarkets, supermarkets, mini markets and Chinese medical halls, distributors and wholesalers as well as corporate clients and end consumers. The trade customers for the financial year ended 31 March 2018 represented approximately 15.2% of our Group's total revenue amounting to RM8.9 million. We enjoy a stable business relationship with our customers. This is reflected by the fact that our top 20 customers have been dealing with us for 10 or more years.

Commodity Price Risk

Many of the food products and packaging materials that we purchased are affected by commodity pricing or ingredients pricing and are, therefore, subject to price volatility, exchange rates, foreign demand, weather, seasonality and availability and other factors outside our control and which are generally unpredictable.

Generally our purchases of food products are based on generally available products, and should any existing supplier fail, or are unable to deliver in quantities required by us, we believe that there are sufficient other quality suppliers in the marketplace that our source of supply can be replaced as necessary thus avoiding any adverse effects that could be caused by such unavailability. In many cases, or over a longer term, we believe we will be able to pass through some or much of the increased commodity costs by adjusting our menu and retail pricing. However, under competitive circumstances, price volatility may limit menu price and retail pricing flexibility and in those instances, increases in commodity prices can result in lower margins.

FINANCIAL HIGHLIGHTS

| Year | Year Ended 31 March | | | | |
|--|---------------------|--------|---------|--------|--------|
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| Revenue (RM'000) | 58,517 | 60,044 | 61,056 | 62,371 | 65,475 |
| Profit/(Loss) Before Taxation (RM'000) | (3,566) | 1,052 | (2,163) | 1,725 | 5,141 |
| Profit/(Loss) After Taxation (RM'000) | (4,860) | 459 | (3,085) | 541 | 3,349 |
| Earnings/(Loss) Per Share (Sen) | (1.97) | 0.19 | (1.28) | 0.24 | 1.41 |

REVIEW OF OPERATING ACTIVITIES

The Group had ceased its operation in Restoran Oversea (P.J.) Sdn. Bhd. (OVC PJ) in Petaling Jaya in Q1 2018 due to unfavourable renewal of tenancy terms and in addition the sales performance of OVC PJ had been declining due to major traffic flow change resulting in inconvenience for the restaurant patrons to gain access to the outlet. During the same quarter, our subsidiary in Taiwan known as Taiwan Haewaytian Limited (THL) had opened a new kiosk in central Taipei district train station. The rationale for the new opening is to achieve economies of scale through higher utilisation of the central bakery capacity. Despite the efforts taken to boost the financial performance of the business unit, revenues of THL were affected by the soft market in Taiwan, it has become commercially not viable to maintain the said business unit and the Group had to dispose of THL in Q4 2018.

In Q2 2018, the Group had decided to relocate the existing café unit in Wanchai, Hong Kong to another area in Lockhart Road, Hong Kong. Against the back drop of weak economic environment, it had become commercially not viable to maintain the café in Wanchai District. As a result, the Group had incurred expenses for renovation and refurbishment in the new location in Lockhart Road, Hong Kong.

In Q3 2018, the Group had launched a new concept offering dim sum menus as well as steamboat under Restoran Oversea Hong Kong Dim Sum Sdn Bhd (OVC HKDS). This is in line with the Group's plan to focus on high growth segments. The new dining concept offers our existing clients alternatives to the ala carte dining and is situated in the Kuala Lumpur city centre within walking distance of our flagship restaurant, Restoran Oversea (Imbi) Sdn Bhd. With the addition of OVC HKDS, the Group speciality outlets offering dim sum can be found in Jalan Imbi and Bandar Baru Sri Petaling.

In Q4 2018, the Group had entered into an agreement for a space to operate a grand themed Chinese restaurant in the Genting Highlands Resort. The outlet, when completed, will further enhance the Group's operating efficiencies. In the operation of café, the Group had successfully launched an additional outlet in Chin Swee Cave Temple, Genting Highlands under the trade name of "Oversea Malaysia Food Delights".

Our associates operating as casual dining outlets in Genting Highlands which operated in Genting Highlands Resort and quick service outlet in KLIA2 had recorded an overall positive result. In light of this encouraging backdrop, the Group had decided to invest additional five (5) outlets in Genting Highlands and KLIA2 in Q4 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

REVIEW OF FINANCIAL RESULTS

| Year | Year Ended 31 March | | |
|-------------------------------------|---------------------|-------------|-------------|
| | 2018 | 2017 | 2016 |
| REVENUE | RM | RM | RM |
| Restaurant | 47,715,585 | 49,203,266 | 51,980,325 |
| Manufacturing | 17,852,592 | 18,530,535 | 15,421,911 |
| Others | 30,108 | 53,073 | 762,990 |
| Eliminations | (7,080,827) | (7,742,876) | (7,109,126) |
| Consolidated | 58,517,458 | 60,043,998 | 61,056,100 |
| PROFIT/(LOSS) BEFORE TAX | | | |
| Restaurant | (2,399,880) | (217,027) | (11,312) |
| Manufacturing | 1,154,615 | 1,573,799 | 843,377 |
| Others | (1,716,895) | (692,774) | (1,552,745) |
| Eliminations | (604,294) | 387,603 | (1,442,716) |
| Consolidated | (3,566,454) | 1,051,601 | (2,163,396) |
| INCOME TAX | (1,293,214) | (592,708) | (921,640) |
| PROFIT/(LOSS) AFTER TAX | (4,859,668) | 458,893 | (3,085,036) |

At the consolidated level, the Group sales revenue was 2.5% lower at RM58.5 million (2017: RM60.0 million) due to cessation of OVC PJ.

The Group restaurant segment sales revenue was 3.0% lower at RM47.7 million (2017: RM49.2 million) due to closure of a business unit. Overall the Group restaurant segment received higher profit contributions from Restoran Oversea (Imbi) Sdn Bhd but was mitigated by the losses incurred as a direct result of impairment of assets amounting to RM1.7 million.

Our manufacturing segment sales revenue was 3.7% lower marginally at RM17.9 million (2017: RM18.5 million) due to decrease in sales volume to related companies. The manufacturing segment's PBT was 26.6% lower at RM1.2 million (2017: RM1.6 million). This is mainly due to higher direct manpower cost and higher selling & marketing expenses incurred during the financial year.

At our various associates, in Genting Highlands and KLIA2, the operations had contributed positively to the Group's earnings by RM622,104 (2017: Share of loss RM274,447).

FUTURE PROSPECTS

Financial liquidity, uncertainties in global economy and domestic demand are the main challenges for the Group in the financial year ending 2019. Moving forward the Group shall continue to prudently manage costs.

The Group had consolidated its investment in various food & beverages model and is now focussing on selected business format and are targeting on specific areas that have proven to be key assets within the Group as well as emerging assets with potential for business growth. At the same time, the Group will focus on product and marketing innovations as well as production efficiency, quality, service and management of resources.

Restoran Oversea (Skyplaza GH) Sdn Bhd in Genting Highlands Resort is progressing as scheduled. The new Grand Themed Chinese restaurant will be completed and fully operational by Q2 2019.

DIVIDEND

The Group does not have a policy with regards to dividend and dividend payment shall depend upon earnings, capital commitments and general financial conditions. Henceforth, in view of the future requirement the Directors do not recommend the payment of any final dividend for the current financial year.

CONCLUSION

The performance of the Group will continue to be affected by factors such as the vitality of the domestic consumer sentiments and their spending power arising from the prevalent economy conditions. Shareholders can be rest assured that the Executive Management will continue to implement prudent strategies in all its business activities.

For and on behalf of the Executive Management

YU SOO CHYE @ YEE SOO CHYE
Group Managing Director

SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

Oversea Enterprise Berhad (“**Oversea**” or “the **Company**”) (“**the Group**”) recognises the needs to be a corporate citizen and take an inclusive view of business and its role in society and engaging with stakeholders. Hence, Corporate Social Responsibility (“**CSR**”) be treated as an integral and vital part of the Group’s operations.

The Group has adopted Bursa Malaysia Berhad’s CSR framework which was launched in 2006 as a set of guidelines for Malaysian public listed companies who wish to practice CSR. Although the Group yet to have a formal CSR policy but the Group endeavours to contribute to a sustainable and better future. During the financial year under review, the Group continued to undertake various corporate responsibility initiatives that created value in the areas of the environment, marketplace, workplace and the community at large. The Group’s CSR framework covers the following four (4) areas:-

| | |
|--|--|
| <p>Environment</p> <ul style="list-style-type: none"> • Good Manufacturing Practices (“GMP”) • Environmental-friendly practices | <p>Marketplace</p> <ul style="list-style-type: none"> • Corporate disclosure practices • Dedicated sections at corporate website • Food control aspect |
| <p>Workplace</p> <ul style="list-style-type: none"> • Healthy and safe working environment • Employees’ well-being • Training and development • Workplace diversity | <p>Community</p> <ul style="list-style-type: none"> • Charity event • Blood donation campaigns |

THE ENVIRONMENT

We remain mindful of our duty to safeguard the environment and are committed to minimise impacts arising from our daily operations. Being in the food service and manufacturing businesses, the Group has constantly been seeking ways to minimise our environment footprint to ensure long term sustainability, by focusing on:-

a) **GMP**

Haewaytian Cake House Sdn. Bhd., our flagship manufacturing company, maintains a GMP Certificate and MeSTI (Makanan Selamat Tanggungjawab Industri) accorded by the Ministry of Health, Malaysia. In addition, the Manufacturing Division is also committed to the provision of products in accordance with the HALAL standard accredited by the Department of Islamic Development Malaysia (JAKIM).

b) **Environmental-friendly practices**

(i) **Waste treatment**

In ensuring the manufacturing operation remain environmental friendly, the management complies strictly with the applicable industry standard and regulations on environmental, to avoid any contamination from its production effluents. Proper examination and inspections are carried out to ensure the wastewater treatment facilities at the production plant are functioning well, where wastewater is treated before it can be released to the local environment.

(ii) **Greener packaging**

In promoting a greener earth, the Group reduced the usage of plastic and paper bags by switching to non-woven polypropylene bags for its huge volume of seasonal moon cake products. Such environmental friendly initiative helps to decrease pollutants and minimise environmental impact.

(iii) **Reduce power consumption**

Aside from the manufacturing segment, the Group also considered the environmental impact in the restaurant outlets and the office. LED lights with energy efficient are now replacing fluorescent lights as less energy use will resulting in reducing electricity consumption and decreases greenhouse gas emissions. Enable sleep mode and power saver features on computers and other equipment helped to reduce power consumption when these items are not in use.

(iv) **Reduce paper consumption**

Staff were encouraged to use scrap paper for internal notes and printing using recycle papers whenever possible. Staff were also advised to save the earth through paperless in office and think before printing.

MARKETPLACE

As a listed entity as well as an employer, the Group has an obligation to its shareholders, customers, suppliers, other stakeholders and statutory obligations to the relevant authorities. The Group has instituted several responsible marketplace practices to maintain the highest standards of integrity, fairness and transparency in our conduct of business.

SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

cont'd

a) Corporate disclosure practices

The Group recognises the importance of timely and thorough dissemination of accurate and useful information relating to our operations to stakeholders. In this regard, we strictly adhere to the disclosure requirements of Bursa Malaysia Securities Berhad and the Malaysian Accounting Standards Board. In fact, this Annual Report contains comprehensive information pertaining to the Group, while various disclosures on financial results provide stakeholders with the latest financial information on the Group.

b) Dedicated section at corporate website

The Group has been using its corporate website, www.oversea.com.my to communicate its overview of the Group, announcements, Directors' profile, etc., provides the public with convenient and timely access to business updates, and financial and non-financial information. The Company has created a dedicated section "Investor Relations" to ensure more effective dissemination of information.

c) Food control aspect

As restaurant operators and manufacturers of food products, the Group also takes a broad view of the food control aspect which includes factors such as quality, safety, nutrition of the raw materials and the end products, and value of the products involving attributes such as convenience, packaging and shelf-life.

WORKPLACE

a) Healthy and safe working environment

The Group is committed to provide a safe and healthy working environment to ensure high level of safety and well-being of employees at work.

b) Employees' well-being

The Group aims to create a positive work culture in the workplace where our employees were able to constantly learn new knowledge and skills to improve their efficiency in carrying out their duties.

c) Training and development

The Group through the in-house training division, Oversea Training Academy, planned and conducted various training programmes to restaurant and factory employees.

In strengthening the workforce of the administrative employees, the Group also sourced for external training programmes for employees to enhance their job-related skills and competency in line with the changes in the regulations, to gain new knowledge from the new development of technology and provide career advancement opportunities.

During the financial year under review and up to the date of this Annual Report, a total of 159 participants attended the following in-house training programmes:-

| No. | Training Programme | No. of Participants |
|-----|-------------------------------------|---------------------|
| 1. | Food Hygiene and Safety | 56 |
| 2. | Operating of POS System | 13 |
| 3. | Personal Hygiene and Product Safety | 90 |



SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

cont'd

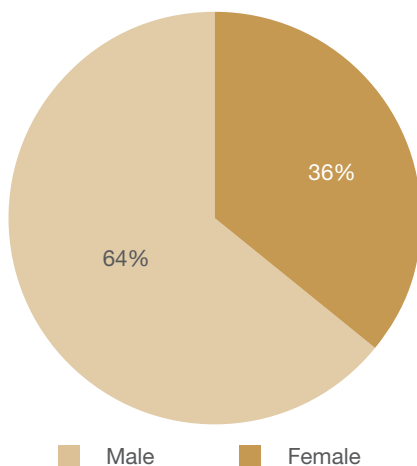
d) Workplace Diversity

To achieve the needs of diverse customer base, diversity provides the Group with a competitive advantage and the promise of a more sustainable future. The Group embraces diversity at workplace and strictly disallow any form of discrimination practice against people of different gender, age, ethnicity, nationality or marital status. By employing a diverse workforce, the Group is able to have a better understanding of today's dynamic market demographics. It has also enable the Group to tap into a pool of people from diverse background who can provide unique market insights or generate creative solutions, thereby increasing the Group's competitiveness in today's globalised and challenging economy.

(i) Gender diversity

As at 30 June 2018, the Group's female to male employee ratio shows a distribution of 36:64 in the workforce, well exceeded the government's initiative to achieve 30% women participation in the workplace. The Group is committed to recruit and retain women who are keen to re-enter the workforce.

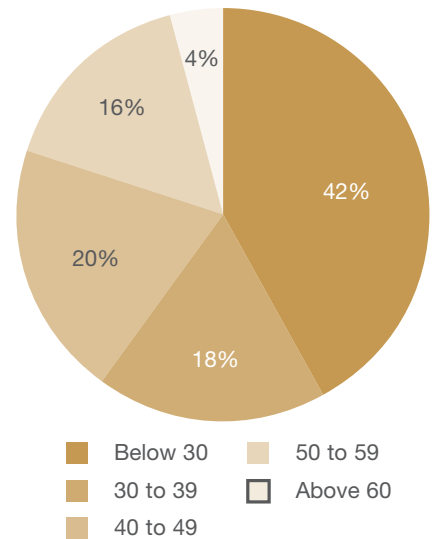
Workforce in terms of Gender



(ii) Age diversity

As at 30 June 2018, 42% of the Group's employees belong to the age group of below thirty (30) with the second largest age group being those aged between forty (40) to forty-nine (49) (20%). The Group's age demographics broadly reflected those of Malaysia where the younger age employees form the majority of the workforce.

Workforce in terms of Age



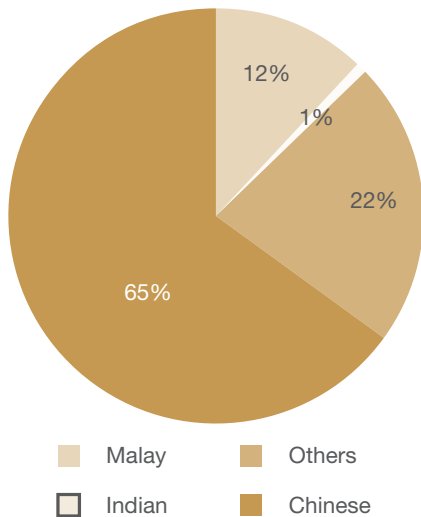
SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

cont'd

(iii) Ethnicity diversity

As at 30 June 2018, employees of Chinese ethnicity constituted the largest workforce of the Group at 65% due to the inherent nature of the business activities of the Group where certain proficiency in Chinese language and/or Mandarin dialect were expected of the front line employees. In addition, an interest in or knowledge on the Cantonese cuisine would also be a contributing factor. Notwithstanding with the current composition, the Human Resource Department has endeavoured to achieve well balance hiring of staff during the recruitment process.

Workforce in terms of Ethnicity



COMMUNITY

The Group recognises the co-relationship between business and social well-being. As a socially responsible entrepreneur, the Company has consider their obligation to benefit the community by enhancing community sustainability through various activities and actions that aim to promote community engagement and address the needs of the less fortunate. Initiatives undertaken by the Group since the last Annual Report included:-

a) Charity event

On 3 November 2017, the Company has participated in Top Ten Charity Campaign as co-organiser by sponsoring one hundred and ten (110) tables of food to a primary school located in Jinjang, Kuala Lumpur for the purpose of fund-raising for the school. The fundraising campaign has successfully collected a total of approximately RM470,000.



SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

cont'd

b) Blood donation campaigns

In collaboration with Malaysia Blood Donation Association and Pusat Darah Negara, the Company has organised two (2) blood donation drive campaigns on 10 June 2017, 7 and 8 October 2017, to assist in the replenishment of blood supply in the blood bank.



CONCLUSION

The Group has always recognised CSR as key factor to sustainability and the importance and impact of sustainability to its businesses. The Group is committed to understand and implement sustainable practices and to explore the benefits to the business whilst attempting to achieve the right balance between the needs of the wider community, the requirements of shareholders and stakeholders and economic success.

BOARD OF DIRECTORS' PROFILE

YU SOO CHYE @ YEE SOO CHYE

Chairman/Group Managing Director

Age 73, Malaysian, Male

| | |
|--|--|
| Date of appointment as Director | : 6 November 2009 |
| Length of service as director since appointment (as at 31 July 2018) | : 8 years 8 months |
| Board Committee(s) served on | : <ul style="list-style-type: none"> • Member of the Remuneration Committee • Chairman of the Investment Committee |
| Academic/Professional Qualification(s) | : Elementary education |
| Present Directorship(s) in other Public/Listed Companies | : He has no directorship in any other public companies or listed corporations in Malaysia. |
| Family relationship with any Director and/or major shareholder of the Company | : Mr. Yu is a substantial shareholder of the Company. He is the husband of Madam Lee Pek Yoke (substantial shareholder and Director), father of Mr. Yu Tack Tein (Director) and Ms. Yu Suat Yin (Alternate Director), and the brother-in-law of Mr. Khong Yik Kam (Director), Mr. Lee Seng Fan (substantial shareholder and Director) and Mr. Lee Seng Pun (substantial shareholder). |

Working experience:

Mr. Yu has more than fifty (50) years of experience in the Chinese restaurant industry. As the Group's Managing Director and founder, he has been instrumental in the development, growth and success of our Group. He started his career in the early 1950s when he started working in the kitchen as a kitchen helper. In 1970s, he started his first Chinese restaurant operations under a partnership arrangement, namely Restoran Oversea in Jalan Imbi, Kuala Lumpur. Subsequently in 1983, he converted the partnership into a private limited company. To date, he has established a chain of ten (10) wholly-owned restaurants, being three (3) Chinese restaurants in Klang Valley and two (2) outlets in Ipoh, as well as five (5) casual dinings in Klang Valley, Genting Highlands and Hong Kong.

In 1986, he initiated the manufacturing of moon cakes by setting up a small manufacturing facility located in Jalan Imbi, Kuala Lumpur. Subsequently in 2002, the manufacturing facilities moved to a new manufacturing facility in Shah Alam, Selangor with a total built-up area of 63,246 square feet. As part of the Group's strategy to expand its portfolio of in-house manufactured products, the Company also ventured into the production of egg rolls in 1999. The manufacturing concern exports to various countries including the United States, Australia, New Zealand, Indonesia, Hong Kong, Canada, Macau, Papua New Guinea and the Netherlands.

Mr. Yu obtained his Diploma of Membership from Les Amis d'Escoffer Society, Inc. in 2007 for the meritorious service recognition for outstanding contributions to promote fine dining. He is currently the Consultant of World Association of Chinese Cuisine, Honoured Chairman of Wilayah Cooks' Friendly Association and Honoured Chairman of The International Exchange Association of Renowned Chinese Cuisine Chefs. He was the Chief Judge of Malaysia Cuisine Championship and Deputy Judge of the 4th World Championship of Chinese Cuisine. He has extensive experience in the operation and management of food services outlets and he is currently responsible for the overall operations of the Group with emphasis on strategic business planning.

Time committed:

Mr. Yu attended all four (4) Board of Directors' Meetings of the Company held in the financial year ended 31 March 2018.

BOARD OF DIRECTORS' PROFILE

cont'd

LEE PEK YOKE

Executive Director

Age 64, Malaysian, Female

| | |
|--|---|
| Date of appointment as Director | : 6 November 2009 |
| Length of service as director since appointment (as at 31 July 2018) | : 8 years 8 months |
| Board Committee(s) served on | : Nil |
| Academic/Professional Qualification(s) | : Elementary education |
| Present Directorship(s) in other Public/Listed Companies | : She has no directorship in any other public companies or listed corporations in Malaysia. |
| Family relationship with any Director and/or major shareholder of the Company | : Madam Lee is a substantial shareholder of the Company. She is the wife of Mr. Yu Soo Chye @ Yee Soo Chye (substantial shareholder and Director), mother of Mr. Yu Tack Tein (Director) and Ms. Yu Suat Yin (Alternate Director), sister of Mr. Lee Seng Fan (substantial shareholder and Director), and Mr. Lee Seng Pun (substantial shareholder), and sister-in-law of Mr. Khong Yik Kam (Director). |

Working experience:

Madam Lee was the co-founder of the partnership that started with the first "Restoran Oversea" (海外天) in Jalan Imbi, Kuala Lumpur in 1970s. Since then, she has assisted in the establishment of the chain of Chinese restaurants and has accumulated forty-one (41) years of experience in the Chinese restaurant industry. In 1986, together with our Group Managing Director, she was involved in the setting up of the manufacturing of moon cakes. She is currently responsible in overseeing the overall planning and management of our Group, including implementation of promotional programmes, menu management and customer services.

Time committed:

Madam Lee attended all four (4) Board of Directors' Meetings of the Company held in the financial year ended 31 March 2018.

BOARD OF DIRECTORS' PROFILE

cont'd

KHONG YIK KAM

Executive Director

Age 69, Malaysian, Male

| | |
|--|---|
| Date of appointment as Director | : 6 November 2009 |
| Length of service as director since appointment (as at 31 July 2018) | : 8 years 8 months |
| Board Committee(s) served on | : Nil |
| Academic/Professional Qualification(s) | : Senior Middle Three in Chinese Independent High School |
| Present Directorship(s) in other Public/Listed Companies | : He has no directorship in any other public companies or listed corporations in Malaysia. |
| Family relationship with any Director and/or major shareholder of the Company | : He is the brother-in-law of Mr. Yu Soo Chye @ Yee Soo Chye (substantial shareholder and Director), Madam Lee Pek Yoke (substantial shareholder and Director), Mr. Lee Seng Fan (substantial shareholder and Director) and Mr. Lee Seng Pun (substantial shareholder) and uncle of Mr. Yu Tack Tein (Director) and Ms. Yu Suat Yin (Alternate Director). |

Working experience:

Mr. Khong started his career in 1968 when he joined United Engineering Group as a supervisor. He joined Oversea Group in 1985 and has approximately thirty-three (33) years of experience in the Chinese restaurant industry in Malaysia. Currently, he is mainly responsible for the operational functions of our Group including overseeing the maintenance of the equipment and tools, management of licenses and banking facilities.

Time committed:

Mr. Khong attended all four (4) Board of Directors' Meetings of the Company held in the financial year ended 31 March 2018.

BOARD OF DIRECTORS' PROFILE

cont'd

LEE SENG FAN
Executive Director
Age 52, Malaysian, Male

| | |
|--|---|
| Date of appointment as Director | : 6 November 2009 |
| Length of service as director since appointment (as at 31 July 2018) | : 8 years 8 months |
| Board Committee(s) served on | : Nil |
| Academic/Professional Qualification(s) | : Senior Middle Four in Chinese Independent High School |
| Present Directorship(s) in other Public/Listed Companies | : He has no directorship in any other public companies or listed corporations in Malaysia. |
| Family relationship with any Director and/or major shareholder of the Company | : He is the brother-in-law of Mr. Yu Soo Chye @ Yee Soo Chye (substantial shareholder and Director) and Mr. Khong Yik Kam (Director), brother to Madam Lee Pek Yoke (substantial shareholder and Director) and Mr. Lee Seng Pun (substantial shareholder), and uncle of Mr. Yu Tack Tein (Director) and Ms. Yu Suat Yin (Alternate Director). |

Working experience:

Mr. Lee started his career in 1986 when he joined Oversea Group as a chef and is currently the Chief Chef of the Group. He has more than thirty (30) years of experience as a chef in the Chinese restaurant industry and is mainly responsible for the overall planning and management of the kitchen operations that oversees the cooking, quality control, cost control and personnel management.

Time committed:

Mr. Lee attended two (2) out of four (4) Board of Directors' Meetings of the Company held in the financial year ended 31 March 2018.

BOARD OF DIRECTORS' PROFILE

cont'd

YU TACK TEIN

Executive Director

Age 44, Malaysian, Male

| | | |
|--|---|--|
| Date of appointment as Director | : | 21 February 2014 |
| Length of service as director since appointment (as at 31 July 2018) | : | 4 years 5 months |
| | | Mr. Yu was appointed as Alternate Director to Madam Lee Pek Yoke on 4 May 2012 and subsequently be appointed as an Executive Director to the Board on 21 February 2014. |
| Board Committee(s) served on | : | Member of the Investment Committee |
| Academic/Professional Qualification(s) | : | Bachelor of Engineering Degree from Loughborough University, United Kingdom in 1997 |
| Present Directorship(s) in other Public/Listed Companies | : | He has no directorship in any other public companies or listed corporations in Malaysia. |
| Family relationship with any Director and/or major shareholder of the Company | : | He is the son of Mr. Yu Soo Chye @ Yee Soo Chye Director and/ (substantial shareholder and Director) and Madam Lee Pek Yoke (substantial shareholder and Director), brother of Ms. Yu Suat Yin (Alternate Director), and nephew of Mr. Khong Yik Kam (Director), Mr. Lee Seng Fan (substantial shareholder and Director) and Mr. Lee Seng Pun (substantial shareholder). |

Working experience:

His career started in 1998 when he joined Seacera Tiles Berhad as Production Executive. Subsequently in 2001, he joined Oversea Group as the Business Development Manager. He has approximately seventeen (17) years of experience in the Chinese restaurant industry in Malaysia. Currently, he is mainly responsible for developing the Group's business and investment plans and execution of business strategies.

Time committed:

Mr. Yu attended all four (4) Board of Directors' Meetings of the Company held in the financial year ended 31 March 2018.

BOARD OF DIRECTORS' PROFILE

cont'd

CHIAM SOON HOCK

Independent Non-Executive Director

Age 70, Malaysian, Male

| | | |
|--|---|---|
| Date of appointment as Independent Director | : | 1 April 2010 |
| Length of service as Independent Director since Listing (as at 31 July 2018) | : | 8 years 4 months |
| Board Committee(s) served on | : | <ul style="list-style-type: none">• Chairman of the Remuneration Committee• Chairman of the Risk Management Committee• Member of the Audit Committee• Member of the Nominating Committee |
| Academic/Professional Qualification(s) | : | <ul style="list-style-type: none">• Bachelor of Engineering (Civil) honours degree from the University of Malaya in 1973• Master of Science (Planning) degree from the University of Science Malaysia in 1975• Post-Graduate Diploma (Public Administration) from the Pennsylvania State University, US in 1988 |
| Present Directorship(s) in other Public/Listed Companies | : | He has no directorship in any other public companies or listed corporations in Malaysia. |
| Family relationship with any Director and/or major shareholder of the Company | : | Nil |

Working experience:

He has served City Hall Kuala Lumpur for twenty-nine (29) years and retired in 2004 as a Director of Planning and Building Control Department. He was also a professional town planner registered with the Board of Town Planners of Malaysia and a Fellow of the Malaysian Institute of Planners.

Time committed:

Mr. Chiam attended all four (4) Board of Directors' Meetings of the Company held in the financial year ended 31 March 2018.

BOARD OF DIRECTORS' PROFILE

cont'd

KOONG LIN LOONG

Independent Non-Executive Director

Age 54, Malaysian, Male

| | | |
|--|---|--|
| Date of appointment as Independent Director | : | 1 April 2010 |
| Length of service as Independent Director since Listing (as at 31 July 2018) | : | 8 years 4 months |
| Board Committee(s) served on | : | <ul style="list-style-type: none"> • Chairman of the Audit Committee • Member of the Nominating Committee |
| Academic/Professional Qualification(s) | : | <ul style="list-style-type: none"> • Chartered Management Accountant in the United Kingdom • Member of the Malaysian Institute of Accountants (MIA) • Member of the Certified Practising Accountants Australia (CPA Australia) • Fellow member of Chartered Tax Institute of Malaysia (CTIM) |
| Present Directorship(s) in other Public/Listed Companies | : | Listed Public Company: Ideal Jacobs (Malaysia) Corporation Berhad |
| Family relationship with any Director and/or major shareholder of the Company | : | Nil |

Working experience:

Mr. Koong is qualified as a Chartered Management Accountant in the United Kingdom; a member of the Malaysian Institute of Accountants (MIA), Certified Practising Accountants Australia (CPA Australia) and fellow member of Chartered Tax Institute of Malaysia (CTIM).

He is also the Associate Member of Malaysian Association of Company Secretaries, the Institute of Internal Auditors Malaysia and Kampuchea Institute of Certified Public Accountants and Auditors.

He is the National Council Member of the Associated Chinese Chambers of Commerce and Industry of Malaysia (ACCCIM); Chairman of ACCCIM Small & Medium Enterprises (SMEs) and ACCCIM Taxation Committee. He is the Council Member of CTIM and Chairman of its Membership Committee; Board Member & Audit Committee Chairman of SME Corp, Ministry of International Trade and Industry of Malaysia.

Currently, he is the Managing Partner of REANDA LLKG INTERNATIONAL, Chartered Accountants and Executive Director of K-Konsult Taxation Sdn. Bhd. and its group of companies.

Time committed:

Mr. Koong attended three (3) out of four (4) Board of Directors' Meetings of the Company held in the financial year ended 31 March 2018.

BOARD OF DIRECTORS' PROFILE

cont'd

CHUI MEE CHUEN

Independent Non-Executive Director
Age 40, Malaysian, Female

| | |
|---|--|
| Date of appointment as Independent Director | : 29 March 2017 |
| Length of service as Independent Director since appointment (as at 31 July 2018) | : 1 year 4 months |
| Board Committee(s) served on | : <ul style="list-style-type: none"> • Chairperson of the Nominating Committee • Member of the Audit Committee • Member of the Remuneration Committee |
| Academic/Professional Qualification(s) | : <ul style="list-style-type: none"> • Advanced Diploma in Accountancy from Tunku Abdul Rahman University College • Fellow member of the Association of Chartered Certified Accountants (ACCA) • Member of the Malaysian Institute of Accountants (MIA) |
| Present Directorship(s) in other Public/Listed Companies | : She has no directorship in any other public companies or listed corporations in Malaysia. |
| Family relationship with any Director and/or major shareholder of the Company | : Nil |

Working experience:

Ms. Chui started her career as Audit Assistant with RSM Robert Teo, Kuan & Co. She joined Crowe Malaysia (formerly known as Crowe Horwath) as Audit Assistant in 2005 and left as Audit Senior (Platoon Leader) in 2008. She then joined In-Fusion Solutions Sdn Bhd, a company principally involved in the provision of education and education technology solutions, as Assistant Manager, Corporate Planning.

In 2009, she left In-Fusion Solutions Sdn Bhd to join Pearl River Tyre (Holdings) Limited (presently known as Han Tang International Holdings Limited), a company listed on the Hong Kong Stock Exchange, as the Financial Controller. During her tenure with Pearl River Tyre (Holdings) Ltd, a company principally involved in manufacturing of tyre for commercial vehicles, she was involved in the preparation of group accounts and interim financial reports, handling both the internal and external auditors of companies within the group as well as tax planning and annual budget planning. Subsequently, she joined Foshan Niro Ceramic Building Materials Trading Co Ltd in China, a company principally involved in trading of tiles and sanitary ware, as its Finance Manager in 2014, where she led the finance department in preparing financial reports, performing budget variance analysis, as well as reviewing and implementing improved internal control procedures.

In 2015, Ms. Chui returned to Malaysia and joined HLT Global Berhad as Chief Financial Officer, bringing with her over ten (10) years of local and international experience in the areas of finance, accounting, cross border tax, internal control and corporate affairs.

Time committed:

Ms. Chui attended all four (4) Board of Directors' Meetings of the Company held in the financial year ended 31 March 2018.

BOARD OF DIRECTORS' PROFILE

cont'd

YU SUAT YIN

*Alternate Director to Madam Lee Pek Yoke,
Executive Director
Age 43, Malaysian, Female*

| | |
|--|--|
| Date of appointment as Director | : 21 February 2014 |
| Length of service as director since appointment (as at 31 July 2018) | : 4 years 5 months |
| Board Committee(s) served on | : <ul style="list-style-type: none"> • Member of the Investment Committee • Member of the Risk Management Committee |
| Academic/Professional Qualification(s) | : Bachelor of Accounting and Financial Management Degree from University of Buckingham, United Kingdom |
| Present Directorship(s) in other Public/Listed Companies | : She has no directorship in any other public companies or listed corporations in Malaysia. |
| Family relationship with any Director and/or major shareholder of the Company | : She is the daughter of Mr. Yu Soo Chye @ Yee Soo Chye (substantial shareholder and Director) and Madam Lee Pek Yoke (substantial shareholder and Director), sister of Mr. Yu Tack Tein (Director) and niece of Mr. Khong Yik Kam (Director), Mr. Lee Seng Fan (substantial shareholder and Director) and Mr. Lee Seng Pun (substantial shareholder). |

Working experience:

Her career started in 1994 when she joined Malaysia Management Consultant as a management trainee. Between 1996 and 1999, she was with Peter Chong & Co as Auditor. In 1999, she left and joined Oversea Group as General Manager Assistant and she was responsible for the overall operation of food services outlets and she is also involved in the planning and implementation of promotional programmes and activities.

Ms. Yu is currently the Vice President, Group Operation of the Group. She has accumulated nineteen (19) years of experience in managing the Chinese restaurant operation and assisting in the management of the kitchen since 2012. She is also involved in the new business development of the Group.

Time committed:

Ms. Yu attended all four (4) Board of Directors' Meetings of the Company held in the financial year ended 31 March 2018.

Other Information on Directors

- 1) Other than traffic offences, if any, none of the Directors have any convictions for offences within the past five (5) years and any public sanction or penalty imposed by any relevant regulatory bodies for the financial year ended 31 March 2018.
- 2) None of the Directors have any conflict of interest with the Company.

KEY SENIOR MANAGEMENT'S PROFILE

YAP TECK BENG

*Group General Manager
Age 46, Malaysian, Male*

| | |
|--|--|
| Date of appointment as Group General Manager | : 5 February 1998 |
| Academic/Professional Qualification(s) | : Member of the Association of Chartered Certified Accountants (ACCA) |
| Present Directorship(s) in other Public/Listed Companies | : He has no directorship in any other public companies or listed corporations in Malaysia. |
| Family relationship with any Director and/or major shareholder of the Company | : Nil |

Working experience:

His career started in 1992 when he joined Paul Chuah & Co as Audit Assistant. In 1996, he left and joined Peter Chong & Co as a Senior Auditor. In 1997, he left and took up the position as Corporate Development Manager with Oversea Group. Subsequently in 1998, he was promoted to the position of Group General Manager. With over twenty-one (21) years with the Group, he has gained a broad range of extensive experience in operating and managing the Group's local and overseas business operations as well as the Group's investment. He is also involving in the planning, executing and monitoring the Group's business strategies as well as overseeing the sales operations.

Mr. Yap is a member of the Investment Committee and Risk Management Committee.

List of convictions for offences:

Other than traffic offences, if any, Mr. Yap does not have any convictions for offences within the past five (5) years and any public sanction or penalty imposed by any relevant regulatory bodies for the financial year ended 31 March 2018.

Conflict of Interest:

Nil

KEY SENIOR MANAGEMENT'S PROFILE

cont'd

SOH JIN YIAT

Deputy Group General Manager

Age 49, Malaysian, Male

| | |
|--|--|
| Date of appointment as Deputy Group General Manager | : 1 November 2006 |
| Academic/Professional Qualification(s) | : Member of the Chartered Institute of Management Accountant (CIMA) |
| Present Directorship(s) in other Public/Listed Companies | : He has no directorship in any other public companies or listed corporations in Malaysia. |
| Family relationship with any Director and/or major shareholder of the Company | : Nil |

Working experience:

His career started in 1994, when he joined Paul Chuah & Co as Audit Senior. Subsequently in 1996, he left and joined Bains Harding (M) Sdn. Bhd. as Assistant Cost Consultant. In 1997, he left and took up the position as Finance Manager with Mobility Avenue Sdn Bhd. Between 1998 and 2003, he was with Oversea Group as the Finance Manager. In 2003, he left Oversea Group and re-joined Oversea Group in 2005 as Factory Manager and was subsequently promoted to Deputy Group General Manager in 2006. Currently, he is mainly responsible for the overall management and execution of business plans and strategies and also overseeing the manufacturing operations.

Mr. Soh is a member of the Risk Management Committee.

List of convictions for offences:

Other than traffic offences, if any, Mr. Soh does not have any convictions for offences within the past five (5) years and any public sanction or penalty imposed by any relevant regulatory bodies for the financial year ended 31 March 2018.

Conflict of Interest:

Nil

KEY SENIOR MANAGEMENT'S PROFILE

cont'd

LEE FUI MENG

Group Finance Manager
Age 41, Malaysian, Female

| | |
|--|---|
| Date of appointment as Group Finance Manager | : 1 July 2014 |
| Academic/Professional Qualification(s) | : <ul style="list-style-type: none">• Bachelor of Business with honours in International Business from Universiti Malaysia Sabah• Member of the Association of Chartered Certified Accountants (ACCA)• Member of the Malaysian Institute of Accountants (MIA) |
| Present Directorship(s) in other Public/Listed Companies | : She has no directorship in any other public companies or listed corporations in Malaysia. |
| Family relationship with any Director and/or major shareholder of the Company | : Nil |

Working experience:

She was formerly a Senior Manager, Finance of RHB Investment Bank Berhad from 2011 to 2014. Prior to joining RHB Investment Bank Berhad, she was attached with RCE Capital Berhad, Ernst & Young and Hwa Tai Food Industries (Sabah) Sdn. Bhd. Her working experience covered the areas of hotel, automotive, retailing, property development, construction, manufacturing and trading.

List of convictions for offences:

Other than traffic offences, if any, Ms. Lee does not have any convictions for offences within the past five (5) years and any public sanction or penalty imposed by any relevant regulatory bodies for the financial year ended 31 March 2018.

Conflict of Interest:

Nil

CORPORATE GOVERNANCE OVERVIEW STATEMENT

“THE MAIN THING IS TO KEEP THE MAIN THING MAIN THING.”

Trust is the glue of life. It is the most essential ingredient in effective communication. It is the foundational principle that holds all relationships. When the trust account is high, communication is easy, instant, and effective.”

Inspirational quote by Stephen R. Covey, motivational writer

Drawing the inspiration from Mr. Stephen R. Covey, the Board of Directors (“**the Board**”) of Oversea Enterprise Berhad (“**Oversea**” or “**the Company**”) believes that in order to instill trust amongst its stakeholders, the “**Main Thing**” to do is to adopt a set of good corporate governance practices. The Board is committed to maintain and promote high standards of corporate governance at all times in enhancing business prosperity and corporate accountability with the objective of realising long-term shareholders value, whilst taking into account the interests of other stakeholders.

Setting out below is a statement aims to provide an insight on how the Group applied the principles and the extent of its compliance with the best practice as stipulated in the Malaysian Code on Corporate Governance (“**MCCG**”) under the leadership of the Board. Other than the Directors, all management staff are also reminded that good governance is also part of their responsibilities.

This statement also serves as a compliance with pursuant to Rule 15.25 of the ACE Market Listing Requirements (“**ACE LR**”) of Bursa Malaysia Securities Berhad (“**Bursa Securities**”).

Details application for each practice of the MCCG during the financial year end 31 March 2018 (“**FYE 2018**”) is disclosed in the Company’s Corporate Governance Report which is available on the Company’s website: www.oversea.com.my.

Development in Corporate Governance

The Securities Commission of Malaysia had on 26 April 2017 released the new MCCG, superseding the Malaysian Code on Corporate Governance 2012 (“**MCCG 2012**”), a set of best practices to strengthen corporate culture anchored on accountability and transparency.

Application Period

With the new MCCG came into operation with effect from 26 April 2017, the Group is endeavour to apply the best practices throughout the organisation as suggested in the new MCCG. Prior to that, the Group has been applying the principles in the MCCG 2012.

| Application Period | Corporate Governance Practices |
|---|---------------------------------------|
| • 1 January 2017 to 25 April 2017 | MCCG 2012 |
| • 26 April 2017 to 31 December 2017; and • 1 January 2018 to 25 July 2018 (being the date of this Statement, where applicable) | New MCCG |

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

1.1 *Establishing clear roles and responsibilities of the Board*

Duties and Responsibilities of the Board

The Board is responsible for the business affairs and overall performance of the Company and its subsidiary companies. The Board plays an important role in determining the long term and strategic direction of the Group for the purpose of enhancing shareholders' value and to ensure long term sustainability of the Group.

Certain responsibilities of the Board are delegated to other Board Committees, which operate within clearly defined Terms of Reference. Standing committees of the Board include the Audit Committee ("**AC**"), Nominating Committee ("**NC**"), Remuneration Committee ("**RC**"), Risk Management Committee ("**RMC**") and Steering Committee.

Although specific powers are delegated to the Board Committees, the Board keeps itself abreast of the key issues and/or decisions made by the each Board Committee through the reports made by Chairman/ Chairperson or representative of each Committee and the tabling of Board Committee Minutes of the applicable period for notation by the Board.

It is the general policy of the Company that all major decisions be considered by the Board as a whole.

To ensure the effective discharge of its function and duties, the primary duties and responsibilities of the Board include (but are not limited to) the following:-

(i) Review and adopt the Group's strategic plans

The Directors play an active role in formulating, reviewing and adopting the strategic plans for the Group. The Executive Directors and the Key Senior Management team work together to formulate the yearly strategies and plans for the Group for approval by the Directors.

The formulation of the business plans and budget setting for the FYE 2018 commenced three (3) months before the beginning of the financial year. During the process of strategic planning, the Executive Directors met the Key Senior Management team several times to discuss important issues and concerns in order to deliver the best outcomes. Previous year's business performance, economic factors, change in market conditions and government regulations that may affect the performance of the businesses were taken into consideration in formulating the business plans and setting the Group budget.

For the FYE 2018, the Board has discharged the following principal duties and responsibilities on the affairs of the Company and its subsidiary companies of the Group:-

(a) Strategic Planning – New Investments

- Opened a dim sum and steamboat outlet at Jalan Imbi, Kuala Lumpur, managed by Restoran Oversea Hong Kong Dim Sum Sdn. Bhd. (formerly known as Restoran Oversea Hong Kong Cafe Sdn. Bhd.)
- Prepare for opening of a new Chinese restaurant outlet in Genting Highlands, managed by Restoran Oversea (Skyplaza GH) Sdn. Bhd. [formerly known as Rich Tastes (Centrepoint) Sdn. Bhd.]

(ii) Overseen the Group's business operations and financial performance against the approved business plans.

The Board has a collective responsibility and accountability in overseeing the businesses of the Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

I. BOARD RESPONSIBILITIES *cont'd*

1.1 *Establishing clear roles and responsibilities of the Board cont'd*

Duties and Responsibilities of the Board *cont'd*

The Independent Non-Executive Directors bring independent judgment and objective views to decisions taken by the Board. The Group Managing Director, on the other hand, is supported by the Executive Directors and the Key Senior Management team for the day-to-day management of the business and operations of the Group by ensuring that effective systems, controls and resources are in place to execute business strategies and plans entrusted to them. The Key Senior Management team highlights to the Executive Directors significant operational issues and concerns arisen from the normal business operation and the progress of the key initiatives undertaken by them.

During the FYE 2018, the Executive Directors carried out quarterly Group performance and budget reviews together with the Key Senior Management team before AC and Board meetings. The Board monitors the performance of Key Senior Management team on a regular basis vide the insertion of the following agenda items in the Board Meetings:-

- “To review the financial performance for the quarterly financial period”; and
- “To receive the Progress Report on the Group for the quarterly financial period”.

The Key Senior Management team analysed the financial results and discussed on various operational issues and factors that affecting the businesses. Instructions were given by the Board to the Key Senior Management team to take necessary actions to rectify problems faced and preventive actions were taken to avoid recurrence of similar problems in future. Any enquiries/concerns raised by the Board members in relation to the abovementioned agenda items would be clarified by a member of the Key Senior Management Team.

- (iii) Identify principal risks and ensuring the implementation of appropriate internal control system to manage these risks

The Board recognises the importance of risk management and maintaining a sound and adequate system of internal control which covers financial, operational and statutory compliance to mitigate risks.

The RMC, which is led by an Independent Director to assist the Board to oversee the risk management aspects of the Group. The Chairman of the RMC reports to the Board on a periodical basis regarding the Group's risk exposures and the adequacy of compliance and control throughout the Group.

A Steering Committee which was set up on 4 November 2016, comprising of the management team from various departments. The Steering Committee is responsible to submit it's risk management review to the RMC on a half-yearly basis and the Steering Committee has conducted the following during the FYE 2018:

- reviewed the identified risks and the effectiveness of current controls in placed in mitigating the identified risks;
- presented and discussed high risks identified to RMC during meeting; and
- followed up on queries and suggestions raised by RMC.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

I. BOARD RESPONSIBILITIES *cont'd*

1.1 *Establishing clear roles and responsibilities of the Board cont'd*

Duties and Responsibilities of the Board *cont'd*

- (iii) Identify principal risks and ensuring the implementation of appropriate internal control system to manage these risks *cont'd*

During the FYE 2018, the Board, through the RMC has adopted the following measurements:-

Finance

Due to the nature of the business, cash collections is a potentially high risk factor where cash misappropriation could occur. The Group monitors closely on the daily cash and deposits bank in of all restaurants with proper segregation of duties and implemented controls over all cash handling procedures including limits of authorities and periodic internal inspection to ensure strict adherence to the Group's cash handling policy.

Information Technology

As a preventive measure to protect the list of financial and non-financial data, the Group practices external data back up in two (2) different locations and maintain a periodic data back up recovery schedule to ensure completeness of the back up.

Notwithstanding with the delegation to the RMC, the Board as a whole remains responsible for all the actions of the RMC with regards to the execution of the delegated role and this includes the outcome of the review and disclosure on key risks and internal control in the Company's Annual Report.

- (iv) Establish and oversee a succession planning programme for Board and senior management of the Group including the remuneration and compensation policy thereof

The Board is mindful that succession planning is an integral part of the business continuity plan of the Company in ensuring the Company continues to achieve its long-term objectives. The Board, through the NC, is responsible for the succession planning of the Directors of the Company and Group. The NC has been entrusted by the Board to identify and assess potential candidates for the position in the Board and Key Senior Management team. The NC seeks to ensure that an appropriate succession planning framework, including the formulation of the nomination, selection and succession policies and procedures for the succession planning are in place.

The NC will continue to perform its duty to identify potential candidates to ensure orderly succession of the position of the Board and Key Senior Management team.

- (v) Review the adequacy and integrity of the internal control system and management information system of the Group

The Board is committed to establish and maintain an adequate internal control system in all its business functions to provide reasonable assurance of effective and efficient operations, comply with the applicable laws and regulations as well as the internal policies and procedures of the Group.

The AC has been delegated by the Board to review the adequacy and integrity of the Group's internal control systems and management information system. The AC has in turn entrusted the outsourced Internal Auditors, to carry out such tasks and the same be incorporated as part of the Internal Audit Plan of the year to be adopted. The Internal Auditors are required to report to the AC with their findings and recommendations on the status of the internal control system of the Group on a quarterly basis.

Details pertaining to the Group's internal control system and its effectiveness are set out in the Statement on Risk Management and Internal Control in this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

I. BOARD RESPONSIBILITIES *cont'd*

1.1 *Establishing clear roles and responsibilities of the Board cont'd*

Duties and Responsibilities of the Board *cont'd*

- (vi) Oversee the development and implementation of various Board policies

The Board had established the following Board policies, serves as a guide to strengthen the governance of the Company:-

- Board Charter;
- Whistle Blowing Policy;
- Internal Audit Charter;
- Shareholders Communication Policy; and
- Policies and Procedures to Assess The Suitability and Independence of External Auditors.

The abovementioned policies are to be regularly reviewed by the Board as and when required.

- (vii) Avoiding conflicts of interest and ensuring disclosure of possible conflicts of interest

The Board has in placed Code of Ethics and Code as a guide for all individual Directors, their personal interests or the interest of any associated person is not allow to conflict with the interests of the Company and report to the Board on any potential conflict.

In addition, all individual Directors shall abstain from making decisions in respect of his own remuneration and re-election.

- (viii) Undertake various functions and responsibilities as specified in the guidelines and directives issued by the regulatory authorities from time to time

The Board take note on the functions and responsibilities as specified in the regulatory requirements i.e. ACE LR of Bursa Securities and Companies Act 2016 on a regular basis.

During the FYE 2018, the Board has attended a training in relation to the Companies Act 2016, to help the Board keep abreast of such developments in order to discharge their functions and responsibilities as Directors.

The Board has adopted a formal schedule of matters specifically reserved to the Board for decision-making, which include but not limited to the followings:-

- i. Approval of business strategies and plans;
- ii. Approval of Group annual budget;
- iii. Acquisitions and disposals that are material to the business;
- iv. Declaration of interim dividend and make recommendation of final dividend for approval by shareholders, if any;
- v. Material corporate exercise, if any;
- vi. Approval of financial statements;
- vii. Investment in projects above a pre-determined limit;
- viii. Appointment of new Directors, Chief Executive Officer and other senior management positions based on recommendation of the NC; and
- ix. Related party transactions.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

I. BOARD RESPONSIBILITIES *cont'd*

1.1 *Establishing clear roles and responsibilities of the Board cont'd*

Chairman of the Board

The Board recognises the importance of having a clearly accepted division of power and responsibilities at the head of the Company to ensure a balance of power and authority.

Role of Founder/Chairman of the Board

Being the founder of the “Oversea Restaurant (海外天)”, Mr. Yu Soo Chye @ Yee Soo Chye has become as synonymous as the brand name itself which protrude confidence and good quality of Cantonese cuisine. Therefore, the Board has resolved to maintain Mr. Yu Soo Chye @ Yee Soo Chye as Chairman of the Board to continue in his role as the unofficial “Oversea’s brand ambassador” for the essential survival and business continuation of the Group.

The responsibilities of the Chairman, among others, include but not limited to the following:-

- (i) Lead the Board and ensure its effectiveness of all aspects;
- (ii) Preside at Board and shareholders meetings and ensuring the proceedings thereof comply with good conduct and practices;
- (iii) Facilitate the deliberation and discussion to enable the Board to arrive at clear and quality decisions on issues discussed;
- (iv) Ensure constructive relations between Directors, and between the Board and the management team; and
- (v) Ensure effective communication with shareholders and relevant stakeholders.

Role of Group Managing Director

With approximately fifty-six (56) years of industry experience under his belt, Mr. Yu Soo Chye @ Yee Soo Chye has extensive experience in the operation and management of food services outlets, the Board has resolved to maintain Mr. Yu Soo Chye @ Yee Soo Chye, the Group Managing Director and Chairman to report to the Board, notwithstanding the non-adherence to the Practice 1.3 of the new MCCG but to the essential survival and business continuation of the Group.

As the alternate practice, the Board undertakes the following effort to ensure there is a balance of power and authority on the Board:-

- (a) The decision of the Board shall always be agreed upon by at least majority of the Directors present at the Meeting, therefore, no individual Director can dominate the decision-making of the Board; and
- (b) A clear division of responsibilities for the role of Chairperson of the Board has been outlined in the Board Charter, which are distinct and separate from his roles and responsibilities as Group Managing Director through a separate employment contract.

Qualified Company Secretaries

The Board is supported by two (2) suitably qualified and competent Company Secretaries as follows:-

- Ms. Chua Siew Chuan, FCIS
- Mr. Cheng Chia Ping, ACIS

Both the Company Secretaries are members of the Malaysian Institute of Chartered Secretaries and Administrators (“MAICSA”) and are qualified to act as Company Secretary under Section 235(2) of the Companies Act 2016.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

I. BOARD RESPONSIBILITIES *cont'd*

1.1 *Establishing clear roles and responsibilities of the Board cont'd*

Qualified Company Secretaries *cont'd*

The brief profile of the Company Secretaries are as follows:-

Ms. Chua Siew Chuan, FCIS

Ms. Chua has been elected as a Fellow Member of the MAICSA since 1997. She has more than thirty-five (35) years of experience in handling corporate secretarial matters, with working knowledge of many industries and government services. She is the Immediate Past President of MAICSA and currently is the Chairman of the Technical & Professional Practice Committee and Deputy Chairman of the Membership Committee of MAICSA.

Ms. Chua is a Chartered Secretary by profession. She is the Managing Director of Securities Services (Holdings) Sdn. Bhd., a prominent corporate secretarial service provider in Malaysia. Ms. Chua is also the named Company Secretary for a number of public listed companies, public companies, private limited companies and societies.

Ms. Chua has been appointed as Company Secretary of the Company with effect from 1 November 2016.

Mr. Cheng Chia Ping, ACIS

Mr. Cheng has been elected as an Associate Member of the MAICSA since 2012. He has more than ten (10) years of experience in handling corporate secretarial matters, with working knowledge of many industries and non-profit organisations.

Mr. Cheng is a Chartered Secretary by profession. He is a Manager (Corporate Secretarial) of Securities Services (Holdings) Sdn. Bhd., a prominent corporate secretarial service provider in Malaysia. Mr. Cheng is also the named Company Secretary for a number of public listed companies, public companies, private limited companies and societies.

Mr. Cheng has been appointed as Company Secretary of the Company with effect from 1 November 2016.

For FYE 2018, the Company Secretaries had attended the relevant continuous professional development programmes as required by MAICSA for practising company secretaries. Both the Company Secretaries possessed a valid Practising Certificate issued by MAICSA for FYE 2018.

All Directors have unrestricted access to the advice and support of the Company Secretaries in relation to Board policies and procedures, compliance of applicable rules and regulations by the Group and corporate governance related practices.

The main roles and responsibilities of the Company Secretaries, include but not limited to the following:-

- (a) Co-ordinate with management on the logistics of all Board and Committee Meetings, attend Board and Committee Meetings and record the Minutes of the Meetings accordingly;
- (b) Ensure timely communication of the decision of the Board or Committee to be conveyed to the relevant parties and whether any follow-up actions are required;
- (c) Advise the Board on its roles and responsibilities, particularly the additional or changes in obligations arising from the implementation of the new laws and regulations or any amendments thereof;
- (d) Provide advisory assistance to the new Director(s) appointed to the Board; and
- (e) Identify relevant training and development programmes for the Directors, based on the training needs determined by the NC for the particular financial year.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

I. BOARD RESPONSIBILITIES *cont'd*

1.1 *Establishing clear roles and responsibilities of the Board cont'd*

Qualified Company Secretaries *cont'd*

The main roles and responsibilities of the Company Secretaries, include but not limited to the following:-
cont'd

- (f) Advise the Board on the requirements of corporate disclosures in accordance with the ACE LR for various corporate proposal, as well as compliance with the ACE LR, Capital Market and Services Act 2007 and the Companies Act 2016;
- (g) Ensure that all the proceedings of the general meetings are in order and the general meetings are properly called and convened, record the Minutes of the general meetings, as well as the discussion during the Questions and Answers session;
- (h) Identify the corporate governance initiatives which are applicable to the Group and highlighted the same to the Board for consideration. Monitor the corporate governance practices, by proposing relevant agenda items to be included as recurring meeting agenda;
- (i) Advise the Board on corporate governance related matters; and
- (j) Facilitate the conduct of the assessments to be undertaken by the Board and/or Board Committees as well as to compile the results of the assessments for the Board and/or Board Committee's review.

The Board is satisfied with the performance and support rendered by the Company Secretaries to the Board in discharging its functions for the FYE 2018.

Access to information and advice

In ensuring the effective functioning of the Board, all Directors have individual and independent access to the advice and support services of the Company Secretaries, Internal Auditors and External Auditors and may seek advice from the management on issues under their respective purview.

During the FYE 2018, the Notice of the scheduled Board Meetings were served to the Directors at least seven (7) days prior to the Board Meeting. Unless there is exceptional case for convening of Special Meeting of the Board to address emergency issue, shorter notice is allowed with the consent of all Directors.

During the FYE 2018, for each meeting, the meeting papers detailing the matters to be transacted at the meeting, had been circulated to all Directors at least seven (7) days in advance of the meetings, so that the Directors have ample time to review and consider the relevant information.

All proceedings of the Board meetings are duly minuted and circulated to all Directors for their perusal prior to the confirmation of the minutes by the Chairman as a correct record. The Company Secretaries record the proceedings of all meetings include pertinent issues, the substance of inquiries, if any, and responses thereto, members' suggestion and the decision made, as well as the rationale for those decisions. By doing so, the Company Secretaries keep the Board updated on the follow-up actions arising from the Board's decisions and/or requests at subsequent meetings. The Board is therefore able to perform its fiduciary duties and fulfil its oversight role towards instituting a culture of transparency and accountability in the Company.

Protocol for seeking of professional advisory services

Where applicable, the Directors whether as a full board or in their individual capacity, are encouraged to seek independent professional advice from the following parties:-

- For corporate and/or governance matters, the external Company Secretaries;
- For audit and/or audit-related matters, any representatives of the audit engagement team of the external auditors or the outsourced Internal Auditors;
- For any other specific issues where professional advice is required to enable the Board to discharge its duties in connection with specific matters, the Board may proceed to do so, upon the approval of the Executive Chairman, in relation to the quantum of fees to be incurred.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

I. BOARD RESPONSIBILITIES *cont'd*

1.1 *Establishing clear roles and responsibilities of the Board cont'd*

Protocol for seeking of professional advisory services *cont'd*

For the FYE 2018, the Board sought professional advices from the external Company Secretaries. Other than the above, the Board has not sought any other independent professional advices.

1.2 *Demarcation of responsibility*

Board Charter

The Board Charter serves as a guide to the Board members of their roles and responsibilities in discharging their duties as Directors. The principles of good corporate governance are set out in the MCCG and ACE LR were taken into consideration during the process of formalising the Board Charter.

The Board Charter is subject to review by the Board as and when necessary to ensure it complies with all applicable laws, rules and regulations of the regulators and remain consistent with the policies and procedures of the Board. The Board Charter was reviewed and approved by the Board on 30 June 2016.

The Board Charter entails the following:

- i. The Board;
- ii. Duties and responsibilities of the Board;
- iii. Schedule of matters specifically reserved to the Board;
- iv. Roles of the Chairman of the Board;
- v. Roles of the Chief Executive Officer/Group Managing Director;
- vi. Board Committees;
- vii. Code of ethics and conduct;
- viii. Board meeting;
- ix. Access to information and advice;
- x. Appointment, re-appointment and re-election of Directors;
- xi. Directors' training;
- xii. Directors' remuneration;
- xiii. Board and Board members assessment; and
- xiv. Endorsement and review of the Board Charter.

The Board Charter is to be regularly reviewed by the Board as and when required. As at the date of this Annual Report, the Board Charter has not been reviewed by the Board since its last review on 30 June 2016 as the Board viewed that the Board Charter is suffice for the Board, Board Committees and the management to carry out their roles and responsibilities.

A full copy of the Board Charter is available for viewing at the Group's corporate website at www.oversea.com.my.

1.3 *Good business conduct and corporate culture*

Code of Ethics and Conduct

The Directors and the employees of the Group are expected to behave ethically and professionally for or on behalf of the Company comply with the Code of Ethics and Conduct of the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

I. BOARD RESPONSIBILITIES *cont'd*

1.3 *Good business conduct and corporate culture cont'd*

Code of Ethics and Conduct *cont'd*

The Code of Ethics and Conduct for Directors covers, among others, the aspects of the business operations, including compliance with the applicable laws, duties and responsibilities, conflict of interest, confidential information, workplace environment, working behaviour, discipline and conduct, use of resources, protecting Company's assets, dealing with external parties and dealings in securities. The Code of Ethics and Conduct also prohibits expressly improper activities such as insider trading, bribery and corruption, and any competing or conflicting actions against the Company's well-being.

The Code of Ethics and Conduct will be communicated to new Director upon his/her appointment. All Directors are required to understand and accept the terms of the Code of Ethics and Conduct and it forms part of the Company's induction programme for newly appointed Directors. The contents of the Code of Ethic and Conduct as set out in the Board Charter are as follow:-

(a) Corporate Governance

- i. Compliance with legal and regulatory requirements and Board policies at all times;
- ii. Recognise the primary responsibilities to the shareholders as a whole, having regard for the interest for all the stakeholders of the Group and to ensure that the business of the Group is properly managed and effectively controlled;
- iii. Act in the best interest of the Company and its Shareholders with integrity and in good faith, with due diligence and care;
- iv. To be independent in judgement and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions of the Board;
- v. Devote time and effort to attend meetings and to discharge those functions;
- vi. Must not allow personal interests or the interest of any associated person, to conflict with the interests of the Company and report to the Board on any potential conflict;
- vii. Must not take improper advantage and not to make improper use of information of the position as Director;
- viii. Must not use price sensitive non-public information, which can affect the prices of the securities of the Company or make any gain from such information until and unless it becomes publicly known;
- ix. Keep confidential of the board's discussions and deliberations; and
- x. Notify the Chairman before accepting any new directorship outside the Group and limit the directorship in listed issuers.

(b) Relationship with Shareholders, Employees, Customers, Supplies and Visitors

- i. Promote professionalism and improve the competency of management and employees at all times; and
- ii. Ensure adequate safety measures and provide proper protection to employees, customers, supplies and visitors at workplace.

(c) Social Responsibilities

- i. Ensure the effective use of natural resources and consider the environment impact before disposal of waste;
- ii. Ensure the activities and the operations of the Company do not harm the interest and well-being of the society; and
- iii. Care and proactive to the needs of the community and to assist in society-related programmes.

The Code of Ethic and Conduct as set out in the Board Charter is available for viewing at the Group's corporate website at www.oversea.com.my.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

I. BOARD RESPONSIBILITIES *cont'd*

1.3 *Good business conduct and corporate culture cont'd*

Whistle Blowing Policy

The Whistle Blowing Policy is established to provide employees or stakeholders (shareholders, customers and suppliers) with proper internal reporting channels and guidance to raise genuine concerns on any wrongdoing or improper/unlawful conduct, inappropriate behaviour or malpractices within the Group or any action that could be harmful to the reputation of the Group or compromise the interests of the shareholders, stakeholders and the public.

(a) Reporting procedure

Employees of the Group who wish to report concerns for malpractice, illegal act or omission of work by any employee of the Group should be communicated to the immediate superior. If for any reason, it is believed that this is not possible or appropriate to do so, the concern should be reported to the Group General Manager as follow:-

Name : Mr. Yap Teck Beng
 Email : tbyap@oversea.com.my
 Mail : Oversea Enterprise Berhad
 D-3-1 & D-3A-1, Seri Gembira Avenue,
 Jalan Senang Ria, Taman Gembira,
 58200 Kuala Lumpur, Wilayah Persekutuan
 (Please mark "Strictly Confidential")

In case where reporting to the management is a concern, the report should be made directly to the Chairman of the AC. The channel of reporting is as follow:-

Name : Mr. Koong Lin Loong
 Email : lkoong@lkg.com.my
 Mail : Oversea Enterprise Berhad
 D-3-1 & D-3A-1, Seri Gembira Avenue,
 Jalan Senang Ria, Taman Gembira,
 58200 Kuala Lumpur, Wilayah Persekutuan
 (Please mark "Strictly Confidential")

(b) Action(s) to be taken upon received the report

- i. All reports will be investigated promptly by the authorised person receiving the report. If required, he/she may seek assistance from the legal adviser or the Human Resource Department. He/She may also co-opt with any other employees from time to time to assist on investigation;
- ii. All reports received anonymously will be treated with confidentiality;
- iii. The person making anonymous report will be advised that maintaining anonymity may hinder an investigation. Irrespective of this, anonymity will be maintained as long as it's permitted by law or the person making the report indicates that he no longer wishes to remain anonymous.
- iv. All matters reported will be reviewed and if required, investigated by the authorised person within reasonable timeframe.
- v. Upon completion of investigation, the authorised person will prepare and endorse the investigation report and give recommendation to the AC and Board of Directors for their deliberation. Decision taken by the Board will be implemented immediately; and
- vi. Where possible, proper steps will also be implemented to prevent similar situation arising.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

I. BOARD RESPONSIBILITIES *cont'd*

1.3 *Good business conduct and corporate culture cont'd*

Whistle Blowing Policy *cont'd*

(c) Investigation

Upon receipt of concerns raised under the Whistle Blowing Policy, investigation shall be carried out as soon as it is practicable. The objectives of conducting investigation are as follows:

- i. To collate information relating to the allegation. This may involve taking steps to protect or preserve documents or materials;
- ii. To consider the information collected and draw conclusions objectively and impartially;
- iii. To maintain procedural fairness in the treatment of witnesses and the person who is the subject of the disclosure; and
- vi. To make recommendations to the relevant approving authority arising from the conclusions drawn concerning remedial or other appropriate actions.

At the conclusion of the investigation, the authorised investigator will submit his findings to the Group General Manager or the Chairman of the AC, as appropriate.

For the FYE 2018, neither the Group General Manager nor the Chairman of the AC has received any report(s) of concern.

A copy of the Whistle Blowing Policy is available for viewing at the Group's corporate website at www.oversea.com.my.

Sustainability

The Group recognises the importance of promoting sustainability in regards to economic, environmental and social. It aims to follow and to promote good sustainability practices and continually integrates them into the Group's decision-making and activities, to avoid, minimise or mitigate adverse environmental, social or economic impacts of all our activities and to encourage our clients and business partners to do the same.

In upholding the commitment to sustainability, the Company is desirous to establish a Sustainability Policy with the guiding principles as follows:-

- i. To consider sustainability issues and integrate these considerations into all our business decisions, taking into consideration the economic, environmental and social aspects;
- ii. To ensure that potential adverse impacts and risks are assessed and avoided, or where avoidance is not possible, minimized, mitigated and managed;
- iii. Caring for the environment and promoting a culture of sustainability. Endeavour to remain environmentally friendly, avoid environmental contamination from its production effluents, efficient use and conservation of energy and resources and minimisation of waste;
- iv. Create awareness of sustainability among the employees, business associates and the community;
- v. Create a motivated, skilled and effective workforce through which organizational goals can be achieved by providing various training programmes to staffs to boost their career growth;
- vi. To contribute to the society by participating in community or charity activities;
- vii. To observe and comply with all applicable legislation, regulations and practices; and
- viii. To maintain and promote high standards of corporate governance at all times.

The Board is in the midst of finalising the Sustainability Policy. The corporate social responsibility activities carried out during the FYE 2018 are set out in the Sustainability and Corporate Social Responsibility Report on pages 14 to 18 in this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

II. BOARD COMPOSITION

Size and Composition of the Board

For the FYE 2018, the Board comprises eight (8) members and one (1) Alternate Director. Amongst the eight (8) members, there are five (5) Executive Directors and three (3) Independent Non-Executive Directors. The Board is in compliance with the Rule 15.02(1) of the ACE LR with the requirement for one-third (1/3) being Independent Directors in the Board.

The role of the Independent Directors are particularly important in ensuring that the strategies proposed by the Executive Directors and Management are deliberated on and have taken into account the interest, not only of the Company, but also that of the shareholders, employees, customers, suppliers and the community.

The Board noted the requirement of Practice 4.1 of the MCCG which requires at least half (½) of the Board comprises Independent Directors, nonetheless, the Board is of the view that the current composition of the Board facilitates effective decision making and independent judgement where no individual shall dominate the Board's decision making.

The composition of the Board provides an effective blend of entrepreneurship, business and professional expertise in general management, finance, corporate affairs, legal and technical areas of the industry in which the Group operates. The individuality and vast experience of the Directors in arriving at collective decisions at board level will ensure impartiality.

As the alternate practice, the Board undertakes the decision of the Board shall always be agreed upon by at least majority of the Independent Directors present at the Meeting, therefore, no individual Director can dominate the decision-making of the Board.

Tenure of the Independent Directors

The Board subscribes to an open policy on the tenure of the Independent Non-Executive Directors ("INEDs") whereby there should not be an arbitrary tenure be imposed on the INEDs. The Board believes that the length of tenure of the Independent Directors on the Board does not interfere with their objective and independent judgement or their ability to act in the best interest of the Company. In addition, the Board will take into consideration of the existing board composition viz-a-viz the commercial interest/ benefits of the Company.

The Board takes cognisance that Practice 4.2 of the MCCG recommends that the tenure of an independent director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an independent director may continue to serve on the Board subject to his re-designation as a non-independent director. In the event such director is to be retained as an independent director, the Board must first justify and seek annual shareholders' approval. If the Board continues to retain the independent director after the twelfth year, annual shareholders' approval would be sought through a two-tier voting process to retain the said director as an independent director.

Retention of INEDs

The Company will be seeking shareholders' approval at the forthcoming Annual General Meeting ("AGM") for the retention of Mr. Koong Lin Loong and Mr. Chiam Soon Hock, the INEDs of the Company, both of whom will reach the nine (9) year term limit on 1 April 2019.

The Board through the NC has undertaken relevant assessments and recommended for Mr. Koong Lin Loong and Mr. Chiam Soon Hock to continue to serve as INEDs based on the following justifications:-

- They have fulfilled the definition of an Independent Director as set out under Rule 1.01 of the ACE LR of Bursa Securities;
- They are not involved in any business or other relationship which could hinder the exercise of independent judgement, objectivity or the ability to act in the best interests of the Company;

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

II. BOARD COMPOSITION *cont'd*

Tenure of the Independent Directors *cont'd*

Retention of INEDs *cont'd*

The Board through the NC has undertaken relevant assessments and recommended for Mr. Koong Lin Loong and Mr. Chiam Soon Hock to continue to serve as INEDs based on the following justifications:- *cont'd*

- They have no potential conflict of interest, whether business or non-business related, that the Directors could have with the Company;
- They have not established or maintained any significant personal or social relationship, whether direct or indirect, with the Managing Director/Chief Executive Officer and Executive Directors, major shareholders or management of the Company (including their family members) other than normal engagements and interactions on a professional level consistent with their duties and expected of them to carry out their duties as Independent Directors; and
- They did not derive any remuneration and other benefits apart from Directors' fees that are approved by shareholders.

Procedures for Appointment of Directors and Senior Management

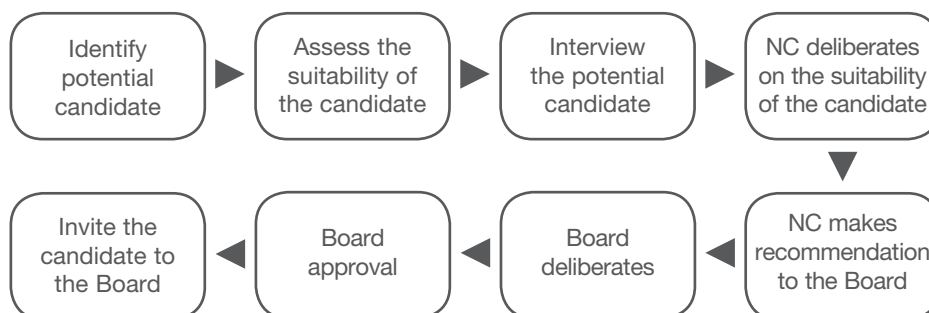
The NC is entrusted to develop the policies and procedures in formalising the approach in the recruitment process and annual assessment of Directors, which serve as guides for the NC in discharging its duties in the aspects of nomination, evaluation, selection and appointment process of new Directors.

Appointment of Directors

In recommending to the Board of any appointment of Director, the NC considers the criteria, namely the composition requirements for the Board, skills, knowledge, expertise, experience, professionalism, integrity, capability, time commitment, character, competence and such other relevant criteria of the proposed candidate.

The NC will assess the independence of the candidate in the case of appointment of an Independent Non-Executive Director.

The process for the recruitment of new Director is summarised as follows:-



The NC is responsible to identify and select potential new Directors and to make recommendations to the Board for the appointment of Directors.

During the FYE 2018, the Board, has taken into account of the assessment by the NC, is satisfied with the mix of skills and board composition level, therefore, no new Director is sourced and appointed to the Board.

In the event that candidate is required for the appointment of Director, the NC would use variety of approaches and sources to ensure that it identifies the most suitable candidates and will not limit themselves by solely rely on the recommendations from existing Board members, management or major shareholders.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

II. BOARD COMPOSITION *cont'd*

Procedures for Appointment of Directors and Senior Management *cont'd*

Re-election of Directors

In accordance with the Article 85 of the Company's Articles of Association, one-third (1/3) of the Directors for the time being, or the number nearest to one-third (1/3) shall retire from office at each AGM provided always that all Directors shall retire from office at least once every three (3) years in compliance with Rule 7.26(2) of ACE LR of Bursa Securities.

At the forthcoming Twenty-Third AGM, Mr. Khong Yik Kam, Mr. Koong Lin Loong and Mr. Chiam Soon Hock were due for retirement and being eligible have offered themselves for re-election.

In determining the Director's eligibility for re-election, the NC conducted the following assessments:-

- (i) Formal review of the performance of the retiring Directors, taking into account the results of the latest Board Effectiveness Evaluation, the time commitment to discharge their roles, the level of contribution to the Board through their skills, experience and strength in qualities; and
- (ii) Ability to act in the best interest of the Company in decision-making.

Upon review, the NC were satisfied with the performance of the abovementioned Directors and recommended their re-election to the Board for approval. The Board has in turn, recommended the same to be considered by the shareholders at the forthcoming Twenty-Third AGM of the Company.

Appointments to Board Committees

The review is conducted on an annual basis, and as and when the need arises, such as when a new Director is appointed. In determining the candidates for appointment to the Board Committees, various factors are considered by the NC, including but not limited to the following factors:-

- the needs of the particular Board Committees;
- the results of the Board Effectiveness Evaluation for the Board Committees;
- time commitment and availability;
- regulatory requirements; and
- best practices or governance practices.

Appointments to Senior Management

The Human Resource Department is responsible for selection and appointment of candidates for senior management position based on selection criteria which best matches the requirements of the open position. The selection criteria includes (but not limited to) diversity in skills, experience, age, cultural background and gender.

Boardroom Diversity

The NC recognises and embraces the importance of having a diverse Board that will benefit from a diverse mix of knowledge and experience, background, expertise, age, gender, ethnicity and other qualities in its composition. It is an essential element in maintaining competitive advantage by having diverse Board members to leverage different perspectives to various issues raised and help in decision making, which will contribute to the sustainable development of the Company. The NC will take into consideration the benefits of diversity in sourcing and selecting new Board members as well as in conducting annual assessment of Board and Board Committee members.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

II. BOARD COMPOSITION *cont'd*

Boardroom Diversity *cont'd*

Despite the Board not having a formal Board Diversity Policy, the Board has indicated its commitment to boardroom diversity as follows:-

Gender Diversity

For the FYE 2018, the Board comprises two (2) female Directors, equivalent to 25% women representation on Board.

At the juncture, the Board affirmed that in the event any Board seat becomes available, gender diversity shall be one of the criteria to be considered by the NC during their evaluation process on potential candidate(s) for Board's membership.

Ethnicity Diversity

The NC does not set any target on ethnicity diversity but endeavour to include any member who will improve the Board's overall composition balance.

Age Diversity

The Board believes that the Directors with diverse age profile will be able to provide a different perspective and bring vibrancy to the Group's strategy making process.

The age profile of the Directors were ranging from forty (40) to seventies years of age, which underlies the Board's commitment to age diversity at the Board level appointment.

Board Committee

AC

The AC was set up on 6 November 2009 with current Terms of Reference ("TOR") revised on 23 February 2018.

The membership of the AC are stated in the AC Report of this Annual Report. A summary of works of the AC to discharge their duties during the FYE 2018 is set out in the AC Report of this Annual Report.

A copy of the TOR of the AC is available for viewing at the Group's corporate website at www.oversea.com.my.

NC

The NC was set up on 17 May 2010 with current TOR revised on 30 June 2016. The NC comprises exclusively of Independent Non-Executive Directors as follows:-

| NC | Designation | Directorate |
|-----------------|--------------------|------------------------------------|
| Chui Mee Chuen | Chairperson | Independent Non-Executive Director |
| Koong Lin Loong | Member | Independent Non-Executive Director |
| Chiam Soon Hock | Member | Independent Non-Executive Director |

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

II. BOARD COMPOSITION *cont'd*

Board Committee *cont'd*

NC *cont'd*

The Chairperson of the NC, Ms. Chui Mee Chuen is an Independent Non-Executive Director of the Company. The NC is governed by its TOR of NC which outlines its remit, duties and responsibilities. The principal duties and responsibilities of the NC as defined in the TOR, including but not limited to the following:-

- i. To propose nominees for appointment to the Board and Board Committees as additional member or filling up vacancy. The NC should consider the candidates' skills, knowledge, expertise, experience, professionalism, integrity, time commitment, character, competence and number of directorships in companies outside the Group, and in the case of candidates for the position of Independent Non-Executive Director, the NC should ensure the candidate meets the requirements as an Independent Non-Executive Director;
- ii. To oversee the overall composition of the Board and Board Committees in terms of the structure, size and composition;
- iii. To assist the Board in carrying out annual assessment on the effectiveness of the Board and Board Committees and the performance of each Director;
- iv. To carry out annual assessment on the independence of the Independent Directors;
- v. To assess on an annual basis the tenure of an Independent Director, to ensure it does not exceed a cumulative term of nine (9) years;
- vi. To make recommendation to the Board concerning the re-election of any Director under the retirement by rotation; and
- vii. To identify and assess potential candidates for the position of the Board and key management, to ensure that an appropriate succession planning framework is in place.

A copy of the TOR of the NC is available for viewing at the Group's corporate website at www.oversea.com.my.

(a) Summary of Works

Pursuant to Rule 15.08A(3) of ACE LR of Bursa Securities, the summary of activities of the NC during the FYE 2018 were disclosed as follows:-

- i. Review and confirmed the minutes of the NC Meeting held in financial year ended 31 March 2017;
- ii. Carried out annual assessment on the effectiveness of the Board, the contribution of each Director and the Board committees;
- iii. Recommended the re-election of Mr. Yu Tack Tein and Madam Lee Pek Yoke who retired pursuant to Article 85 of the Company's Articles of Association at the Twenty-Second AGM held on 24 August 2017;
- iv. Recommended the re-election of Ms. Chui Mee Chuen who retired pursuant to Article 85 of the Company's Articles of Association at the Twenty-Second AGM held on 24 August 2017;
- v. Recommended the re-appointment of Mr. Yu Soo Chye @ Yee Soo Chye as Director of the Company at the Twenty-Second AGM held on 24 August 2017;
- vi. Recommended the re-election of Mr. Khong Yik Kam, Mr. Koong Lin Loong and Mr. Chiam Soon Hock who will retire pursuant to Article 85 of the Company's Articles of Association at the forthcoming Twenty-Third AGM held on 29 August 2018; and
- vii. Recommended the retention of Mr. Koong Lin Loong and Mr. Chiam Soon Hock as the Independent Director at the forthcoming Twenty-Third AGM to be held on 29 August 2018.

(b) Time Commitment by Directors

The NC has been tasked to review the attendance of the Directors at Board and/or Board Committee Meetings. Upon review, the NC noted the Board members have devoted sufficient time and effort to attend Board and/or Board Committee meetings for the FYE 2018.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

II. BOARD COMPOSITION *cont'd*

Board Committee *cont'd*

NC *cont'd*

(b) Time Commitment by Directors *cont'd*

Details of attendance of each Director in respect of the Board and Board Committees meetings held during the FYE 2018 are as follows:

Board Meeting

| No. | Name of Directors | No. of Board Meetings attended | % of Attendance |
|-----|----------------------------|--------------------------------|-----------------|
| 1. | Yu Soo Chye @ Yee Soo Chye | 4/4 | 100% |
| 2. | Lee Pek Yoke | 4/4 | 100% |
| 3. | Khong Yik Kam | 4/4 | 100% |
| 4. | Lee Seng Fan | 2/4 | 50% |
| 5. | Yu Tack Tein | 4/4 | 100% |
| 6. | Koong Lin Loong | 3/4 | 75% |
| 7. | Chiam Soon Hock | 4/4 | 100% |
| 8. | Chui Mee Chuen | 4/4 | 100% |

NC

| No. | Name of Directors | No. of NC Meetings attended | % of Attendance |
|-----|-------------------|-----------------------------|-----------------|
| 1. | Chui Mee Chuen | 2/2 | 100% |
| 2. | Koong Lin Loong | 2/2 | 100% |
| 3. | Chiam Soon Hock | 2/2 | 100% |

RC

| No. | Name of Directors | No. of RC Meetings attended | % of Attendance |
|-----|----------------------------|-----------------------------|-----------------|
| 1. | Chiam Soon Hock | 1/1 | 100% |
| 2. | Yu Soo Chye @ Yee Soo Chye | 1/1 | 100% |
| 3. | Chui Mee Chuen | 1/1 | 100% |

AC

The attendance of AC Meetings held during the FYE 2018 is stated in the AC Report in this Annual Report.

Upon review, the NC noted the Directors, to the best of their ability, have devoted sufficient time and effort to attend Board and/or Board Committee Meetings during the FYE 2018.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

II. BOARD COMPOSITION *cont'd*

Board Committee *cont'd*

NC *cont'd*

(c) Continuing Education and Training of Directors

The Board acknowledges the importance of continuous education and training to equip themselves for the effective discharge of its duties.

The Board has cultivated the following best practices:-

- (a) All newly appointed Directors are required to attend the Mandatory Accreditation Training Programme (MAP) as prescribed by Bursa Securities within the stipulated timeframe;
- (b) All Directors are encouraged to attend talks, training programmes and seminars to update their knowledge on the latest regulatory and business environment;
- (c) The Directors may be requested to attend additional training courses according to their individual needs as a Director/Board Committee's member on which they serve; and
- (d) The Directors are briefed by the Company Secretaries on the letters issued by Bursa Securities at the Board Meeting.

All Directors have attended the MAP as prescribed by Bursa Securities.

Upon assessing the training needs of the Directors, the Board recognised that continuing education would be the way forward in ensuring its members are continually equipped with the necessary skills and knowledge to meet the challenges ahead. During the FYE 2018, the Board has participated in the following continuing education programmes:-

| No. | Name of Directors | Training/ Courses Attended |
|-----|----------------------------|--|
| 1. | Yu Soo Chye @ Yee Soo Chye | <ul style="list-style-type: none"> • Companies Act 2016 • Business Sustainability |
| 2. | Lee Pek Yoke | <ul style="list-style-type: none"> • Companies Act 2016 • Business Sustainability |
| 3. | Lee Seng Fan | <ul style="list-style-type: none"> • Business Sustainability |
| 4. | Khong Yik Kam | <ul style="list-style-type: none"> • Business Sustainability |
| 5. | Yu Tack Tein | <ul style="list-style-type: none"> • Companies Act 2016 • Business Sustainability |
| 6. | Koong Lin Loong | <ul style="list-style-type: none"> • Companies Act 2016 • National GST Conference 2017 • A Comprehensive Review of Latest Developments in MFRS • The Companies Act 2016 – Transforming Companies & Businesses • National Tax Conference 2017 • Seminar on Budget 2018 + GST • 2018 Budget Seminar |
| 7. | Chiam Soon Hock | <ul style="list-style-type: none"> • Companies Act 2016 • Business Sustainability |

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

II. BOARD COMPOSITION *cont'd*

Board Committee *cont'd*

NC *cont'd*

(c) Continuing Education and Training of Directors *cont'd*

| No. | Name of Directors | Training/ Courses Attended |
|-----|---|--|
| 8. | Chui Mee Chuen | <ul style="list-style-type: none"> • Companies Act 2016 • Business Sustainability • An Overview on the Malaysian Code of Corporate Governance 2017 • MFRS 9 Briefing - How will the MFRS 9 affect your business? |
| 9. | Yu Suat Yin (Alternate Director to Lee Pek Yoke) | <ul style="list-style-type: none"> • Performance Management System • Performance Management and Performance Appraisal • Business Sustainability • Developing Strategic Initiatives 2018 |

In addition, the Company Secretaries and External Auditors update the Board on a regular basis the respective changes and amendments to regulatory requirements and laws and accounting standards to help Directors keep abreast of such developments.

Upon review, the Board concluded that the Directors' trainings for the FYE 2018 were adequate.

2019 Directors' Training

In recognising the need to keep abreast with the fast changing business and regulatory environment, the Board has encouraged its members to attend at least one (1) continuing education programme, whereby it should be in relation to the ACE LR of Bursa Securities, Companies Act 2016 or corporate governance of a listed corporation.

RC

The RC was set up on 19 August 2011 with its current TOR revised on 30 June 2016. The RC comprises two (2) Non-Executive Directors and one (1) Group Managing Director and the composition of the RC is as follows:-

| RC | Designation | Directorate |
|----------------------------|-------------|------------------------------------|
| Chiam Soon Hock | Chairman | Independent Non-Executive Director |
| Yu Soo Chye @ Yee Soo Chye | Member | Executive Director |
| Chui Mee Chuen | Member | Independent Non-Executive Director |

The RC is governed by its TOR which outlines its remit, duties and responsibilities. The principal duties and responsibilities of the RC as defined in the TOR, including but not limited to the following:-

- i. To ensure that remuneration for Directors is set at a competitive level to recruit, attract, retain and motivate high calibre individuals;
- ii. To recommend to the Board the remuneration packages for the Executive Directors and to review and assess the remuneration packages of the Executive Directors in all forms, with or without other independent professional advice or other outside advice to reflect the Board's responsibilities, expertise and complexity of the Company's activities;

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

II. BOARD COMPOSITION *cont'd*

Board Committee *cont'd*

RC *cont'd*

- iii. To determine and agree with the Board an appropriate performance framework, assessing Directors' performance against targets and determine resultant annual remuneration levels;
- iv. To determine the policy for and scope of service agreements for Directors, termination payment and compensation commitments;
- v. To determine and recommend to the Board any performance related pay schemes for the Executive Directors and/or any other persons as the RC is designated to consider by the Board; and
- vi. Review and recommend to the Board a formal and transparent remuneration policy and framework for Non-Executive Directors.

A copy of the TOR of the RC is available for viewing at the Group's corporate website at www.oversea.com.my.

(a) Summary of Works

The following works were undertaken by the RC during the FYE 2018:-

- i. Reviewed and confirmed the minutes of the RC Meeting held in FYE 31 March 2017;
- ii. Deliberated on the remuneration packages of the Executive Directors of the Company for the FYE 31 March 2017 and recommended the same to the Board for approval;
- iii. Reviewed the Directors' fees payable to the Directors of the Company for the FYE 2018 and recommended the same to the Board of Directors for approval; and
- iv. Reviewed the benefits payable to the Directors of the Company for the period from 1 February 2017 to Twenty-Third AGM of the Company and recommended the estimated quantum to the Board for approval.

Risk Management Committee

The RMC was set up on 19 August 2011 with current TOR revised on 20 February 2017.

The membership of the RMC are stated in the corporate information of this Annual Report. The RMC is governed by its TOR of RMC which outlines its remit, duties and responsibilities. The principal duties and responsibilities of the RMC as defined in the TOR.

A copy of the TOR of the RMC is available for viewing at the Group's corporate website at www.oversea.com.my.

During the FYE 2018, two (2) RMC meetings were held. The activities carried out by the RMC were as follows:-

- i. Changed the quarterly RMC meeting to semi-annually;
- ii. Discussed on the second quarter review of the departmental updated risk rating;
- iii. Discussed on the identified new risks and recommended appropriate methods to measure the effectiveness of the preventive actions; and
- iv. Discussed on the recommendations and action plans to effectively mitigate or reduce risk level.

Investment Committee

The Investment Committee was set up on 17 May 2010 with current TOR revised on 23 February 2018.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

II. BOARD COMPOSITION *cont'd*

Board Committee *cont'd*

Investment Committee *cont'd*

The composition of the Investment Committee is as follows:-

| Name | Position | Office Designation |
|----------------------------|----------|---------------------------------|
| Yu Soo Chye @ Yee Soo Chye | Chairman | Group Managing Director |
| Yu Tack Tein | Member | Executive Director |
| Yu Suat Yin | Member | Vice President, Group Operation |
| Yap Teck Beng | Member | Group General Manager |

The Investment Committee is governed by its TOR of the Investment Committee which outlines its remit, duties and responsibilities. The principal duties and responsibilities of the Investment Committee as defined in the TOR.

A copy of the TOR of the Investment Committee is available for viewing at the Group's corporate website at www.oversea.com.my.

During the FYE 2018, two (2) Investment Committee meetings were held. The activities carried out by the Investment Committee were as follows:-

- i. Discussed on the opening of a dim sum and steamboat outlet at Jalan Imbi, Kuala Lumpur;
- ii. Discussed on the opening of a Chinese restaurant in Genting Highlands, Pahang Darul Makmur;
- iii. Discussed on the relocation of the restaurant in Hong Kong from Wan Chai to Causeway Bay;
- iv. Reviewed the performance the bakery outlet in Taiwan;
- v. Reviewed the performance of the investments in Genting Highlands;
- vi. Discussed on the closure of Restoran Oversea PJ; and
- vii. Discussed on the proposed new investment opportunities in KLIA2.

Annual Assessment on the effectiveness of Board and Individual Directors

Assessment of the effectiveness of the Directors, the Board as a whole and the Board Committees are being carried out annually. The objective is to improve the Board's effectiveness by identifying gaps, maximise strengths and address weaknesses. The Chairman of the Board oversees the overall evaluation process and responses are analysed by the NC, before being tabled and discussed at the Board.

During the FYE 2018, the Board through the NC conducted the following annual assessments:-

- (i) Directors' self-assessment

In conducting the assessment, the following main criteria were adopted by the NC:-

- Fit and proper;
- Contribution and performance; and
- Caliber and personality.

Based on the assessment conducted for the FYE 2018, the NC was satisfied with the performance of the individual Directors.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

II. BOARD COMPOSITION *cont'd*

Annual Assessment on the effectiveness of Board and Individual Directors *cont'd*

(ii) Evaluation on the effectiveness of the Board and Board Committees

In conducting the evaluation, the following main criteria were adopted by the NC:-

- Board mix and composition;
- Quality of information and decision making;
- Boardroom activities; and
- Board Committees' Performance.

Based on the evaluation conducted for the FYE 2018, the NC was satisfied with the performance of the Board and Board Committees.

Annual Assessment on Independence of the Independent Directors

The Board recognises that it is important to assess the independence of its Independent Directors. An "Independent Director" must satisfy the definition of "independent director" set out in Rule 1.01 and Guidance Note 9 of the ACE LR of Bursa Securities.

The Board has conducted annual assessment on its Independent Directors through the assistance of the NC. The Board has put in place proper policies and procedures to ensure effectiveness of the INEDs on the Board.

The NC has received assurance from the following INEDs vide their Letters of Declaration, confirming their independence and have undertaken to inform the Company immediately should there be any change which could interfere with the exercise of their independent judgement or ability to act in the best interest of the Company:-

- Mr. Koong Lin Loong
- Mr. Chiam Soon Hock
- Ms. Chui Mee Chuen

Based on the outcome of the abovementioned assessment conducted by the NC, the Board is satisfied with the level of independence demonstrated by the INEDs and their ability to act in the best interest of the Company.

The Board considers that its Independent Directors provide an objective and independent views on various issues dealt with at the Board and Board Committees level. All INEDs are independent of management and free from any relationship. The Board is of the view that the current composition of Independent Directors fairly reflects the interest of minority shareholder in the Company through the Board representation.

III. REMUNERATION

Directors' Remuneration Policy and Procedures

The Board is mindful that fair remuneration for Directors is important in attracting, retaining and motivating knowledgeable and experienced individuals of the calibre needed to manage the business of the Company. The RC should benchmark the remuneration of the Directors against the remuneration levels for similar positions in other public listed companies in order to ensure that the Board's remuneration packages are competitive.

The RC is responsible for recommending to the Board for approval the remuneration packages of the Executive Directors, taking into consideration individual Director's performance, time commitment, experience, level of responsibilities, as well as the performance of the Group and market conditions.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

III. REMUNERATION *cont'd*

Directors' Remuneration Policy and Procedures *cont'd*

As for Non-Executive Directors, the level of fee should reflect the experience and level of responsibilities undertaken by the said Non-Executive Directors. With the recommendation from the NC, the Board as a whole determines the fee for the Non-Executive Directors and seek approval from the shareholders at the AGM.

All individual Directors shall abstain from making decisions in respect of his own remuneration. Currently there is no fee or allowance payable to the Board Committee members.

3.1 Remuneration of Directors

For the FYE 2018, the aggregate remuneration received/receivable by the Directors of the Company from the Company and the Group categorised into appropriate components are as follows:-

Received/receivable from the Company

| Directors' Remuneration | Fees* (RM) | Salaries and Other emoluments (RM) | Bonus (RM) | Benefits-in-kind (RM) | Others (RM) | Total (RM) |
|--|---------------|---------------------------------------|---------------|--------------------------|----------------|---------------|
| Executive Directors | | | | | | |
| Yu Soo Chye @ Yee Soo Chye | - | - | - | - | - | - |
| Lee Pek Yoke | - | - | - | - | - | - |
| Lee Seng Fan | - | - | - | - | - | - |
| Khong Yik Kam | - | - | - | - | - | - |
| Yu Tack Tein | - | - | - | - | - | - |
| Yu Suat Yin (Alternate Director to Lee Pek Yoke) | - | - | - | - | - | - |
| Non-Executive Directors | | | | | | |
| Koong Lin Loong | 36,000 | - | - | - | - | 36,000 |
| Chiam Soon Hock | 36,000 | - | - | - | - | 36,000 |
| Chui Mee Chuen | 36,000 | - | - | - | - | 36,000 |

* Subject to the approval by shareholders at the Twenty-Third AGM

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

III. REMUNERATION *cont'd*

Directors' Remuneration Policy and Procedures *cont'd*

3.1 Remuneration of Directors *cont'd*

Received on the Group Basis

| Directors' Remuneration | Fees (RM) | Salaries and Other emoluments (RM) | Bonus (RM) | Benefits-in-kind (RM) | Others (RM) | Total (RM) |
|---|-----------|------------------------------------|------------|-----------------------|-------------|------------|
| Executive Directors | | | | | | |
| Yu Soo Chye @ Yee Soo Chye | - | 588,000 | 162,500 | 28,000 | 166,290 | 944,790 |
| Lee Pek Yoke | - | 204,000 | 59,750 | - | 120,960 | 384,700 |
| Lee Seng Fan | - | 192,000 | 84,000 | - | 44,480 | 320,480 |
| Khong Yik Kam | - | 114,000 | 22,700 | 5,300 | 33,260 | 175,260 |
| Yu Tack Tein | - | 120,000 | 12,000 | - | 60,650 | 192,650 |
| Yu Suat Yin (Alternate Director to Lee Pek Yoke) | - | 114,000 | 9,500 | 9,630 | 60,770 | 193,900 |
| Non-Executive Directors | | | | | | |
| Koong Lin Loong | - | - | - | - | - | - |
| Chiam Soon Hock | - | - | - | - | - | - |
| Chui Mee Chuen | - | - | - | - | - | - |

3.2 Remuneration of top five (5) senior management

The Board is of the view that the disclosure of the Senior Management's remuneration would be unfavourable to the Group as talent poaching is prevalent in the industry and the Group would like to ensure its senior employee retention efforts be safeguarded to ensure the success of the Group.

The Board further believes that the interest of the shareholders will not be prejudiced as a result of such non-disclosure of the identity and remuneration of the Company's top five (5) Senior Management personnel who are not Directors of the Company.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AC

Separation of the positions of the chair of the AC and the Board

The AC is chaired by Mr. Koong Lin Loong, which is a separate person from the chair of the Board, Mr. Yu Soo Chye @ Yee Soo Chye.

The composition of the AC is set out in the **AC Report** of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT *cont'd*

I. AC *cont'd*

No appointment of former key audit partners as member of the AC

The AC has institute a policy by way of inclusion in the TOR of the AC that requires a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the AC. The TOR of the AC has been updated accordingly in order for the AC to formalise such policy.

As a matter of practice, the AC has recommended to the NC not to consider any key audit partner as a potential candidate for Board Directorship/Audit Committeeship to affirm the AC's stand on such policy.

Assessment on External Auditors

For the FYE 2018, the AC has formalised the policies and procedures to assess the suitability and independence of External Auditors vide an annual assessment of the suitability and independence of the External Auditors, namely Messrs. Crowe Malaysia (formerly known as Crowe Horwath).

The Policies and Procedures To Assess The Suitability And Independence of The External Auditors has been established on 31 July 2017. The salient terms in the Said Policies and Procedures are as follows:-

(a) Selection and appointment

The AC shall observe the following procedures for selection and appointment of new External Auditors, should the need to change the External Auditors is arises:

- i. To identify audit firms that meet the criteria for appointment and to request for their proposals of engagement for consideration;
- ii. To assess the proposals and fee and shortlist the suitable audit firms;
- iii. To interview the shortlisted audit firms;
- iv. To recommend to the Board the appointment of the appropriate audit firm as External Auditors; and
- v. Upon the Board endorsed the recommendation, to seek shareholders' approval for the appointment of the new External Auditors and resignation/removal of the existing External Auditors at the general meeting.

(b) Independence

- i. The External Auditors are precluded from providing any services that may impair their independence or conflict with their role as External Auditors; and
- ii. The External Auditors shall provide a written assurance to the AC confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

(c) Non-audit engagement

External Auditors can be engaged to perform non-audit services that are not, and are not perceived to be, in conflict with the role of the External Auditors. This excludes audit related work in compliance with statutory requirements.

The prohibition of non-audit services are guided by the below-mentioned principles:

- i. Not to function as management;
- ii. Not to audit their own work; and
- iii. Not to serve in an advocacy role of the Company and its subsidiaries.

External Auditors shall observe and comply with the By-Laws of the Malaysian Institute of Accountants in relation to the provision of non-audit engagement.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT *cont'd*

I. AC *cont'd*

Assessment on External Auditors *cont'd*

A copy of the Policies and Procedures To Access The Suitability And Independence of External Auditors is available for viewing at the Group's corporate website at www.oversea.com.my.

During the FYE 2018, the AC has carried out the annual assessment and in its assessment, the AC considered, inter alia, the following factors:-

For "**suitability**" assessment:-

- The External Auditors have the adequate resources, skills, knowledge and experience to perform their duties with professional competence and due care in accordance with the approved professional auditing standards and applicable regulatory and legal requirements;
- To the knowledge of the AC, the External Auditors do not have any record of disciplinary actions taken against them for unprofessional conduct by the Malaysian Institute of Accountants ("MIA") which has not been reserved by the Disciplinary Board of MIA;
- The External Auditors firm has the geographical coverage required to audit the Group;
- The External Auditors firm advises the AC on significant issues and new developments pertaining to risk management, corporate governance, financial reporting standards and internal controls on a timely basis;
- The External Auditors firm consistently meets the deadlines set by the Group;
- The level of quality control procedures in the external audit firm, including the audit review procedures; and
- The External Auditors' scope is adequate to cover the key financial and operational risks of the Group.

For "**objectivity**" assessment:-

- The nature and extent of the non-audit services rendered and the appropriateness of the level of fees.

For "**independence**" assessment:-

- The engagement partner has not served for a continuous period of more than five (5) years with the Company;
- The AC receives written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements; and
- Tenure of the current auditors.

The External Auditors provided a written statement that they will continuously complied with the relevant ethical requirements regarding independence throughout the audit of the Group, in accordance with the International Federation of Accountants' Code of Ethics for Professional Accountants and the Malaysian Institute of Accountants' By-Laws (On Professional Ethics, Conduct and Practice). They are not aware of any relationship between Messrs. Crowe Malaysia (formerly known as Crowe Horwath) ("CM") and the Group that, in their professional judgment, may reasonably be thought to impair their independence. They have reviewed the non-audit services provided to the Company during the FYE 2018 and are not aware of any non-audit services that have compromised our independence as External Auditors of the Company.

Upon completion of its assessment, the AC was satisfied with CM's technical competency and audit independence recommended to the Board the re-appointment of CM as External Auditors for the FYE 2019. The Board has in turn, has recommended the same for shareholders' approval at the forthcoming Twenty-Third AGM of the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT *cont'd*

I. AC *cont'd*

Skillsets of AC

The AC conducts self and peer evaluation annually to assess the performance and skillsets of the individual AC members and their peers.

During the FYE 2018, the AC members had completed the assessment on individual basis and the results were compiled by the Company Secretaries and tabled for the NC's review.

Based on the results of the assessment, the AC members are financially literate and understand the Group's business. The AC as a whole, has necessary skills and knowledge to discharge their duties. The AC members had also given feedback to their peers on areas of focus for enhancement.

The members of the AC have attended various continuous trainings and development programmes as detailed in **Principle A, Section II, Continuing Education and Training of Directors** in this Statement.

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

Risk Management and Internal Control Framework

The Board assumes its overall responsibility in establishing a risk management framework and maintaining a sound system of risk management and internal control throughout the Group which provides reasonable assurance in ensuring the effectiveness and efficiency of the Group's operations that not limiting to financial aspects of the business but also operational and regulatory compliance. The AC has been entrusted by the Board to ensure effectiveness of the Group's internal control systems. The ultimate objectives are to protect the Group's assets and safeguard shareholders' investments.

The RMC leads by an Independent Non-Executive Director to assist the Board to oversee the risk management aspect of the Group. The Chairman of the RMC reports to the Board on areas of high risk and the adequacy of compliance and control throughout the Group. A Steering Committee comprises of the management staff from various departments was formed on 4 November 2016 to assist on the risk management aspects of the respective departments. The Steering Committee is responsible to report to the RMC on key risks identified and action plans to mitigate such risks. As a result of the increased level of challenge, the RMC continues to devote additional effort, time and resources in managing risk.

The composition of the RMC and Steering Committee are as follows:-

RMC

| Office | Name and Designation |
|---------------|---|
| Chairman | Chiam Soon Hock (<i>Independent Non-Executive Director</i>) |
| Member | Yu Suat Yin (<i>Vice President, Group Operation</i>) |
| Member | Yap Teck Beng (<i>Group General Manager</i>) |
| Member | Soh Jin Yiat (<i>Deputy Group General Manager</i>) |

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT *cont'd*

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK *cont'd*

Risk Management and Internal Control Framework *cont'd*

Steering Committee

| Office | Name and Designation |
|----------|--|
| Chairman | Yap Teck Beng (<i>Group General Manager</i>) |
| Member | Yu Suat Yin (<i>Vice President, Group Operation</i>) |
| Member | Soh Jin Yiat (<i>Deputy Group General Manager</i>) |
| Member | Chow Way Keong (<i>Group Admin Manager</i>) |
| Member | Lee Pek Chan (<i>Group Purchasing Manager</i>) |
| Member | Lee Fui Meng (<i>Group Finance Manager</i>) |
| Member | Raymond Ng Mun Loong (<i>Group MIS Manager</i>) |
| Member | Lee Ying Hoe (<i>Group Marketing Manager</i>) |
| Member | Wong Mee Ling (<i>Group Human Resource Manager</i>) |

The **Statement on Risk Management and Internal Control** as set out in this Annual Report provides an overview of the state of risk management and internal controls within the Group.

Internal Audit Function

The Directors are responsible for the Group's system of internal controls and its effectiveness. The principal aim of the system of internal controls is the management of financial and business risks that are significant to the fulfilment of the Company's business objectives, which is to enhance the value of shareholders' investment and safeguarding the Group's assets.

The Company outsourced its internal audit function to an independent internal audit service provider, namely Pro Credential Services Sdn. Bhd., who reports directly to the AC. The functions of the Internal Auditors is to assist the AC in providing independent assessment and review on the adequacy, efficiency and effectiveness of the key controls and processes in the operating units, as well as the governance aspect of the Group and to ensure compliance with the established policies and procedures of the Group.

Upon the adoption of the Internal Audit Charter on 23 November 2017 which impose a maximum tenure of service for the Internal Audit service provider, the AC has obtained fresh quotation from several Internal Audit service providers. Upon review and careful selection by the AC, Sterling Business Alignment Consulting Sdn. Bhd. has been appointed as the new outsourced Internal Audit service provider of the Company on 29 January 2018.

Sterling Business Alignment Consulting Sdn. Bhd.'s engagement team personnel have affirmed to the AC that in relation to the Company/Group, they were free from any relationships or conflicts of interest, which could impair their objectivity and independency.

The internal controls are tested for effectiveness and efficiency by the Internal Auditors. The report of the internal audit is tabled for AC's review and comments, and the audit findings will then be communicated to the Board. The outsourced Internal Auditor's representatives met up four (4) times with the AC for the FYE 2018.

During the FYE 2018, the summary of activities carried by the Internal Auditors are as follows:-

- i. Mystery shopper, menu costing and final stock count for Mooncake 2016 for restaurant outlet and Mooncake division;
- ii. Restaurant process flow, kitchen control process, purchasing control and Inventory control for Restoran Oversea (Imbi) Sdn. Bhd.; and
- iii. Sales internal control, inventory control and cash management for Haewaytian Food Industries Sdn. Bhd.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT *cont'd*

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK *cont'd*

Internal Audit Function *cont'd*

During the FYE 2018, the AC had reviewed and assessed the adequacy of the scope, functions, competency, resources and independence of Pro Credential Services Sdn. Bhd., the outsourced Internal Auditors for the FYE 2018 and that they have the necessary authority to carry out their work. However, the term of service of Pro Credential Services Sdn. Bhd. as the Internal Auditors of the Company have ceased on 31 December 2017 to be in line with the newly adopted Internal Audit Charter.

The **AC Report** as set out in this Annual Report provides further details of the Internal Audit functions.

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

I. COMMUNICATION WITH STAKEHOLDERS

The Board recognises the importance of an effective communication channel between the Board, shareholders and the general public and shall inform in a timely manner to its shareholders of its latest business and corporate developments in enhancing value to its shareholders.

In consequence thereto, the Board had a Shareholders' Communication Policy in place to provide guidance as well as ensuring a consistent approach towards the Company's communication with the shareholders.

A copy of the Shareholders Communication Policy is available for viewing at the Group's corporate website at www.oversea.com.my.

During the FYE 2018, the Company communicated with its shareholders through the following channels:-

i. General meeting

The Twenty-Second AGM was held on 24 August 2017. The Chairman of the AGM allowed reasonable time for questions and answers session at the AGM to ensure that all subject matters tabled are thoroughly considered and debated. The summary of the key matters discussed at the AGM of the Company was uploaded onto the company's website after the AGM.

ii. Announcements made to Bursa Securities

Annual Report, quarterly financial results and various announcements made to Bursa Securities in accordance with the ACE LR of Bursa Securities.

iii. Annual Report and Circular to Shareholders

The Annual Report for year 2017 and Circular to Shareholders in relation to the proposed renewal of and new shareholders' mandate for recurrent related party transactions of a revenue or trading nature, together with the notice of AGM were distributed to shareholders on 31 July 2017.

iv. Company's website

All announcements released to Bursa Securities are also appear in the Company's website at www.oversea.com.my. Shareholders and the general public may access to the said website for information such as stock price, corporate information, financial information, Board Charter, TOR of the Board Committees, Annual Reports, outcome of the general meetings and other information.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

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

cont'd

I. COMMUNICATION WITH STAKEHOLDERS cont'd

v. Media release

Two (2) write-ups about the business of the Group were published on local newspapers in the months of December 2017 and March 2018, respectively and the clippings have been uploaded to the Company's website.

vi. Facebook presence

The Company has also created a social network channel via the Company's Facebook account, which allows stakeholders to put up any enquiries with regards to the Group.

II. CONDUCT OF GENERAL MEETINGS

Notice of AGM

The notice of the Twenty-Second AGM together with the Annual Report is dispatched to shareholders at least twenty-one (21) days prior to the meeting date. Full explanation of the effects of a proposed resolution of any special business will accompany the notice of the AGM. The Board noted of the requirement of Notice of the AGM to be sent out at least twenty-eight (28) days before the date of the meeting.

The Board endeavour to send out Notice of the AGM at least twenty-eight (28) days before the date of the meeting so as to enable the shareholders to have full information about the AGM and to facilitate informed decision-making moving forward.

Directors' Commitment

All the Directors were present at the Twenty-Second AGM of the Company held in year 2017 to engage with the shareholders personally and proactively.

The proceedings of the AGM included the presentation of financial statements to the shareholders, and a question and answer session in which the Chairman of the AGM would invite shareholders to raise questions on the Company's financial statements and other items for adoption at the AGM, before putting a resolution to vote.

The Board ensure that sufficient opportunities are given to shareholders to raise issues relating to the affairs of the Company and that adequate responses are given.

The Chairmen of the Board Committees are also readily available to address the questions posted by the shareholders at the general meetings.

Poll Voting

In line with the ACE LR of the Bursa Securities on the requirement for poll voting for all resolutions set out in the notice of general meetings, the resolutions tabled at the Twenty-Second AGM in the year of 2017 were all voted by poll.

Electronic Poll Voting

Taking into consideration of the shareholders' profile of the Company, the Board has adopted electronic voting at the Twenty-Second AGM of the Company held on 24 August 2017, to facilitate and ease shareholders' participation at the AGM. The Board believes that electronic voting will ensure accurate and efficient outcomes of the poll voting process. Therefore, the Board shall again be adopting electronic voting at the forthcoming Twenty-Third AGM scheduled to be held on 29 August 2018.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS *cont'd*

II. CONDUCT OF GENERAL MEETINGS *cont'd*

Voting in absentia and Remote Shareholders' Participation at General Meeting(s)

Prior to implementing the voting in absentia and remote shareholders' participation at general meeting(s), the Board noted several factors/ conditions need to be fulfilled prior to making such consideration:-

- Relevant amendments to the Articles of Association/ Constitution of the Company to outline the procedures for enabling such Voting/ Participation;
- Availability of technology and infrastructure;
- Affordability of the technology and infrastructure;
- Sufficient number of shareholders residing/locating at particular remote location(s); and
- Age profile of the shareholders.

In view thereof, the Board will not be recommending the adoption of such Voting/ Participation at the forthcoming AGM of the Company.

CONCLUSION

The Board is satisfied that for the FYE 2018, it complied substantially with the principles and guidance of the MCCG.

This Corporate Governance Overview Statement is made in accordance with a resolution of the Board of Directors passed on 25 July 2018.

AUDIT COMMITTEE REPORT

The Board of Directors (“Board”) is pleased to present the Audit Committee Report for the financial year ended 31 March 2018 (“**FYE 2018**”).

COMPOSITION OF THE AUDIT COMMITTEE (“AC”)

The AC comprises the following three (3) Independent Non-Executive Directors:-

1. Koong Lin Loong (*Chairman*)
2. Chiam Soon Hock
3. Chui Mee Chuen

The Independent Non-Executive Directors satisfied the test of independence under the ACE Market Listing Requirements (“**ACE LR**”) of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) and also meets the requirements of the new Malaysian Code on Corporate Governance.

The Chairman of the AC, Mr. Koong Lin Loong is an Independent Non-Executive Director. In this respect, the Company complies with Rule 15.10 of the ACE LR of Bursa Securities.

In addition, Mr. Koong Lin Loong and Ms. Chui Mee Chuen, being members of the Malaysian Institute of Accountants (MIA), fulfilled the requirement of Paragraph 15.09(1)(c) of the ACE LR of Bursa Securities.

The performance of the AC and each of its members were reviewed by the Board on 22 May 2018 and was satisfied that they are able to discharge their functions, duties and responsibilities in accordance with the Terms of Reference of the AC, thereby supporting the Board in ensuring appropriate corporate governance standards within the Group.

ATTENDANCE OF MEETINGS

A total of four (4) AC meetings were held during the FYE 2018. The details of attendance at AC meetings held during the FYE 2018 were as follows:-

| Name of AC Members | No. of AC Meetings attended |
|--------------------|-----------------------------|
| Koong Lin Loong | 4/4 |
| Chiam Soon Hock | 4/4 |
| Chui Mee Chuen | 4/4 |

MINUTES OF MEETINGS

The minutes of the AC meeting were recorded and tabled for confirmation at the next following AC meeting and presented to the Board for notation.

TERMS OF REFERENCE

The Terms of Reference of the AC are available for viewing at the Group’s corporate website at www.oversea.com.my. The last review of the Terms of Reference of the AC was on 23 February 2018.

AUDIT COMMITTEE REPORT

cont'd

SUMMARY OF WORKS OF THE AC

During the FYE 2018 and up to the date of this Report, the summary of works undertaken by the AC to meet its responsibilities in the discharge of its function and duties comprised the followings:-

(a) Overview of Financial Performance and Reporting

- i. Reviewed the unaudited quarterly financial results for the quarters ended 31 March 2017 (FYE 2017), 30 June 2017, 30 September 2017, 31 December 2017 and 31 March 2018 on 22 May 2017, 24 August 2017, 23 November 2017, 23 February 2018 and 22 May 2018, respectively, and recommend the same to the Board for approval;
- ii. Reviewed the draft audited financial statements of the Company for the FYE 2017 and recommended the same to the Board for approval on 24 July 2017;
- iii. Reviewed the financial performance of the Company and the Group;
- iv. Reviewed the identified significant matters pursuant to Rule 15.12(1)(g)(ii) of the ACE LR which took effect on 1 July 2016; and
- v. Reviewed the Group's compliance with the accounting standards and relevant regulatory requirements.

(b) Oversight of External Audit

- i. Reviewed the Audit Review Memorandum for the FYE 2017 and FYE 2018 presented by the External Auditors on 22 May 2017 and 22 May 2018, respectively, entailing the significant audit findings, significant deficiencies in internal control, status of audit, compliance with the ethical requirements on independence, communication with the AC, summary of audit adjustments, summary of unadjusted differences and total audit and non-audit fees;
- ii. Reviewed the Group's Audit Planning Memorandum for the FYE 2017 on 20 February 2018, entailing mainly the overview of audit approach and areas of audit emphasis of the Group.
- iii. Reviewed and evaluated the adequacy and effectiveness of the Group's accounting policies, procedures and system of internal controls;
- iv. Reviewed the Independent Valuation Report on the methodology and the basis of the valuation and the accounting entries taken up by the management for the revaluation of properties;
- v. Met twice with the External Auditors on 22 May 2017 and 23 February 2018 without the presence of the management and the Executive Directors; and
- vi. Reviewed the suitability and independence of the External Auditors vide a formalised "Assessment on External Auditors" and upon reviewed and being satisfied with the results of the said assessment, the same has been recommended to the Board for approval.

(c) Oversight of Internal Audit

- i. Reviewed the Internal Audit Plan for the FYE 2018 presented by the outsourced Internal Auditors;
- ii. Reviewed the reports from the Internal Auditors and assessed the Internal Auditors' findings and the management's responses and made the necessary recommendations to the Board for approval on 22 May 2017, 24 August 2017, 23 November 2017 and 22 May 2018;
- iii. Reviewed the adequacy of the scope and coverage of the Group's activities, functions, competency and resources of the Internal Audit functions;

AUDIT COMMITTEE REPORT

cont'd

SUMMARY OF WORK OF THE AC *cont'd*

(c) Oversight of Internal Audit *cont'd*

- iv. Reviewed the existing internal controls and work processes undertaken by the respective departments in the companies under review for relevant areas or business and the Group's systems and practices for identification and management of risks;
- v. Reviewed and recommended improvements to the existing System of Internal Controls and Risk Management System of the Group;
- vi. Reviewed and assessed the adequacy of the scope, functions, competency and resources of the outsourced Internal Auditors on 22 May 2018 and that they have the necessary authority to carry out their work; and
- vii. Recommended for adoption of the Internal Audit Charter to the Board on 23 November 2017.

(d) Review of related party transactions

- i. Monitored and reviewed the recurrent related party transactions and any conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises the question of management integrity on a quarterly basis in accordance with the mandate approved by shareholders on 24 August 2017.

(e) Oversight of Risk Management

- i. Reviewed the Risk Management Report presented by the Risk Management Committee on 23 November 2017.

(f) Oversight of Internal Control Matters

- i. Reviewed and confirmed the minutes of the AC Meetings;
- ii. Reviewed the AC Report and Statement on Risk Management and Internal Control for inclusion in the Annual Report 2018;
- iii. Reviewed the proposed investments undertaken by the Investment Committee.

The Board is satisfied that the AC has carried out their responsibilities and duties in accordance with the AC's Terms of Reference.

INTERNAL AUDIT FUNCTION

The Company recognised that an internal audit function is essential to ensuring the effectiveness of the Group's systems of internal control and is an integral part of the risk management process.

(1) Change of Outsourced Internal Auditors

The Internal Auditors conduct independent, regular and systematic reviews of the key controls and processes in the operating units and assess compliance with the established policies and procedures. The Internal Auditors report directly to the AC and assist the Board in monitoring the internal controls and mitigate the risks of the Group.

AUDIT COMMITTEE REPORT

cont'd

INTERNAL AUDIT FUNCTION *cont'd*

(1) Change of Outsourced Internal Auditors *cont'd*

Pro Credential Services Sdn. Bhd. had carried out the Internal Audit function of the Group since 17 May 2010. Upon the adoption of the Internal Audit Charter on 23 November 2017 which impose a maximum tenure of service for the Internal Audit service provider, the AC has obtained fresh quotation from several Internal Audit service providers. Upon review and careful selection by the AC, Sterling Business Alignment Consulting Sdn. Bhd. has been appointed as the new outsourced Internal Audit service provider of the Company on 29 January 2018.

Sterling Business Alignment Consulting Sdn. Bhd.'s engagement team personnel have affirmed to the AC that in relation to the Company/Group, they were free from any relationships or conflicts of interest, which could impair their objectivity and independency.

(2) Summary of Internal Audit works for the FYE 2018

During the FYE 2018 and up to the date of this Report, the summary of works undertaken by the Internal Auditors comprised the followings:-

- i. Reviewed compliance with policies, procedures and standards, relevant external rules and regulations;
- ii. Assessed the adequacy and effectiveness of the Group's system of internal control and recommended appropriate actions to be taken where necessary;
- iii. The internal audits performed met the objective of highlighting to the AC the audit findings which required follow-up actions by the management, any outstanding audit issues which required corrective actions to be taken to ensure an adequate and effective internal control system within the Group, as well as any weaknesses in the Group's internal control system;
- iv. Ensured that those weaknesses were appropriately addressed and that recommendations from the internal audit reports and corrective actions on reported weaknesses were taken appropriately within the required timeframe by the management; and
- v. Presentation of audit findings and corrective actions to be taken by the Management in the quarterly AC Meetings.

(3) Total costs incurred for the FYE 2018

The cost incurred for the internal audit function of the Group for the FYE 2018 amounted to RM52,000/- (FYE 2017: RM48,000/-).

(4) Review of internal audit function

The AC and the Board were satisfied with the performance of the Internal Auditors for the FYE 2018. However, to be in line with the newly adopted Internal Audit Charter and the new Malaysian Code on Corporate Governance, the AC has appointed a new outsourced internal audit service provider on 29 January 2018, namely Sterling Business Alignment Consulting Sdn. Bhd., in place of Pro Credential Services Sdn. Bhd. to carry out the internal audit function.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Pursuant to Rule 15.26(b) of the ACE Market Listing Requirements (“**ACE LR**”) of Bursa Malaysia Securities Berhad (“**Bursa Securities**”), the Board of Directors is pleased to provide the Statement on the Risk Management and Internal Control of the Group, which had been prepared in accordance with the “Statement of Risk Management & Internal Control: Guidance for Directors of Public Listed Companies” (“**the Risk Management & Internal Control Guidance**”) and Malaysian Code on Corporate Governance 2017 (“**MCCG 2017**”).

BOARD RESPONSIBILITY

The Board of Directors (“**Board**”) is responsible for the adequacy and effectiveness of the Group’s risk management and internal control system. The Board recognises the importance of good corporate governance and is committed to maintaining a sound system of internal control and risk management. This includes the establishment of an appropriate control environment and risk management framework, processes and structures and continually reviewing the adequacy and integrity of the said system to safeguard shareholders’ investment and the Group’s assets. The Board is pleased to provide the Statement on the Risk Management and Internal Control, which outlines the nature and scope of risk management and internal control of the Group except for associate companies during the financial year ended 31 March 2018 (“**FYE 2018**”).

The system of risk management and internal control covers finance, operations, management information system and compliance with relevant laws, regulations, policies and procedures. There is an ongoing process to identify, evaluate and manage significant risk faced or potentially to be encountered by the Group. The process is regularly reviewed by the Board, through the Audit Committee (“**AC**”).

Due to the limitations that are inherent in any system of internal controls, these systems are designed to manage, rather than eliminate the risk of failure to achieve business objectives and it can only provide reasonable and not absolute assurance against material misstatement or loss.

The implementation of the risk management and internal control system within the Group inclusive of design, operation, identification, assessment, mitigation and control risks, are operated with the assistance of management throughout the FYE 2018.

The key features of the risk management and internal control system are described under the following headings:-

Risk Management Process

The Board regards risk management as an integral part of business operations. The Board has established a Risk Management Committee (“**RMC**”) to fulfil its corporate governance duties in overseeing the establishment of a risk management framework and maintaining a sound system of risk management and internal control throughout the Group. A Steering Committee (“**SC**”) has in turn being formed by the RMC to assist with the execution of the risk action plan formalised by the RMC to instill risk management culture and awareness in the Group.

RMC

The RMC has identified and reviewed the major business risk factors affecting the Group and derive risk management strategies to manage and mitigate the risks identified. The following factors were considered in the risk assessment:

- (a) The nature and extent of risks facing by the Group;
- (b) The extent and categories of risk which it regards as acceptable for the Group to bear;
- (c) The likelihood of the risks concerned materialising; and
- (d) The Group’s ability to reduce the incidence of risks that may materialise and their impact on the business.

For the FYE 2018, two RMC meetings were held.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

BOARD RESPONSIBILITY *cont'd*

SC

The Head of Department (“**HOD**”) from the following departments have been automatically co-opted as member of the SC by default:-

| Department | Name of HOD | Office Designation |
|----------------------|----------------------|---------------------------------|
| Strategic Planning | Yap Teck Beng | Group General Manager |
| Production | Soh Jin Yiat | Deputy Group General Manager |
| Finance and Accounts | Lee Fui Meng | Group Finance Manager |
| Administration | Chow Way Keong | Group Admin Manager |
| Purchasing | Lee Pek Chan | Group Purchasing Manager |
| Human Resource | Wong Mee Ling | Group Human Resource Manager |
| Sales | Yap Teck Beng | Group General Manager |
| Marketing | Lee Ying Hoe | Group Marketing Manager |
| MIS | Raymond Ng Mun Loong | Group MIS Manager |
| Corporate Affairs | Wong Mee Ling | Group Human Resource Manager |
| Restaurant Operation | Yu Suat Yin | Vice President, Group Operation |

Further particulars on the RMC and SC in terms of their respective composition, Terms of Reference (“**TOR**”) and summary of activities undertaken can be found in the Corporate Governance Overview Statement.

Identification of Principal Risks

Assisted by the SC, the RMC has conducted assessments on all potentially serious risks inherent in strategies and business processes as part of the internal control and essential for evaluating the relevance and reliability of information and its context.

Strategic risks have been identified by the RMC through SC’s discussions with the Group’s management personnel in the context of their understanding of external forces, industry issues and the Group’s business.

Given that the Group operates in the food service industry, the RMC recognised that the business process of the Group would not be structured by process, but rather by departmental basis for ease of identification, monitoring and control by the senior management team.

Risk Evaluation Process

The SC assists the RMC in defining the Group’s risk appetite in terms of its tolerance through specific risk limits, during their process of assessing the identified principal risk.

The risk evaluation process undertaken by the SC involves the utilisation of the following assessment models:-

(a) Risk Likelihood Definitions

This model is to assist in ascertaining possibility of each identified risk might materialise as resulted from the Group’s activities.

| Risk Likelihood | Definitions |
|-----------------|---------------------------------------|
| High (H) | More Than 50% Chance |
| Medium (M) | More Than 5% and Less Than 50% Chance |
| Low (L) | Less Than 5% Chance |

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

BOARD RESPONSIBILITY *cont'd*

Risk Evaluation Process *cont'd*

(b) *Impact Rating Definitions*

This model is to assist in ascertaining the monetary and non-monetary impact of each identified risk to the Group's financial and non-financial position.

| Magnitude of Impact | Impact Definitions | |
|---------------------|---|------------------------------------|
| | Monetary | Non-Monetary |
| High (H) | More Than RM 200,000 | May Significantly Impact |
| Medium (M) | More Than RM 50,000 And Less Than RM 200,000 | Probably May Materially Impact |
| Low (L) | Less Than RM 50,000 | Probably May Not Materially Impact |

(c) *Overall Risk Rating Matrix*

This model used to determine overall risk rating after evaluating the likelihood of happen and the overall monetary and non-monetary impact to the Group.

| Risk Likelihood | Risk Impact (Monetary and Non-Monetary) | | |
|-----------------|---|------------|----------|
| | LOW (L) | MEDIUM (M) | HIGH (H) |
| High (H) | Low | Medium | High |
| Medium (M) | Low | Medium | Medium |
| Low (L) | Low | Low | Low |

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

BOARD RESPONSIBILITY *cont'd*

Risk Management Process and Reporting Structure

The risk management process and reporting structure have been illustrated in the diagram below:-



For the FYE 2018, the RMC has met the Board two (2) times to discuss about the Company's risk profile and risk management issues which include the following key items:-

- i. Risk Identification Methodology;
- ii. Risk Assessment Approach;
- iii. Risk Determination;
- iv. Summary of Risk Rating; and
- v. Recommendation.

There are no significant changes in terms of risk profile and overall risk rating from previous year.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

KEY ELEMENTS OF INTERNAL CONTROL

The Group has an established system of internal controls that enables the management to ensure that established policies, guidelines and procedures are followed and complied with. The control structure and environment are supported by the following activities:-

1. Authority and Responsibility

Certain responsibilities are delegated to the following Board Committees through clearly defined TOR which are reviewed periodically and/or when the need arises:-

- i. Audit Committee;
- ii. Nominating Committee;
- iii. Remuneration Committee; and
- iv. Risk Management Committee.

2. Internal Audit

Qualified and Independent Internal Auditors

The Group's internal audit has been outsourced to an independent service provider. The Board has appointed Sterling Business Alignment Consulting Sdn. Bhd. ("**SBACSB**"), an established internal audit advisory practice provider in Malaysia. Prior to their appointment, the AC has considered the following criteria:-

- i. Length of establishment;
- ii. Core specialty area;
- iii. Industry reputation;
- iv. International affiliation;
- v. Qualification and experience of engagement partner and team; and
- vi. Existing client base.

The costs incurred for the internal audit functions for the FYE 2018 were RM52,000.

Risk-Based Internal Audits

SBACSB has prepared a risk-based internal audit plan based on their review of the financial report of the Group and taking into consideration the impact of the different areas of the Group based on materiality of the numbers reported.

Through SBACSB, the effectiveness and efficiency of the Group's risk management and internal control system were examined and evaluated in an independent capacity. SBACSB has assessed the Group's compliance with policies and procedures as well as relevant laws and regulations. SBACSB then provided reports on issues relating to internal controls and the associated risks together with recommendations for appropriate actions to the AC.

Summary of Works Undertaken by the Internal Auditors

During the FYE 2018, SBACSB had:-

- Carried out their activities in accordance with the scope of work;
- Presented their findings with the AC on quarterly basis and recommended corrective actions for the management; and
- Conducted follow-up review on their previous internal audit reports.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

KEY ELEMENTS OF INTERNAL CONTROL *cont'd*

2. Internal Audit *cont'd*

Adequacy of Scope, Functions, Competency and Resources of the Outsourced Internal Audit Functions

In the first quarter of FYE 2018, the AC had vide its assessment, assessed the adequacy of scope, functions, competency and resources of the outsourced internal audit function and that it has the necessary authority to carry out its work and the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function for the FYE 2018.

Based on the collated results of the above said assessment, the AC was of the view that the internal audit has added value to the Group by providing further assurance relating to internal control and fraud control and assessed the Internal Auditors' performance as "Adequate".

3. Monitoring and Reporting

The Group Finance Manager in charge of the Group's financial affairs is required to give assurance to the AC that adequate processes and controls are in place in the preparation of each quarterly financial statements, including consolidated condensed financial statements, and that appropriate accounting policies are adopted and applied consistently to give a true and fair view of the state of affairs of the Group and to ensure compliance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

4. Staff Competency

It is part of the Company's policies to ensure provision of constant training and development programmes to ensure that the employees are kept up-to-date with the necessary competencies to carry out their responsibilities towards achieving the Group's objectives.

ASSURANCE FROM THE MANAGEMENT

The Board has received assurance from the Executive Director and the Group General Manager that the function of the Company's risk management and internal control system for the financial year under review, and up to the date of approval of this statement, has been sound and sufficient, in all material aspects, based on the risk management model and internal control system adopted by the Group, thereby safeguarding the shareholders' investments; the interests of customers; regulators; employees and other stakeholders, as well as the Group's assets.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

Pursuant to Paragraph 15.23 of the listing requirements, the External Auditors have reviewed this statement on Risk Management and Internal Control for inclusion in the 2018 Annual Report. Their reviews were performed in accordance with Audit and Assurance Practice Guide 3 ("AAPG3") Guidance for Auditors on Engagement to Report on the Statement on Risk Management and Internal Control included in Annual Report issued by the Malaysian Institute of Accountants.

Based on their review, the External Auditors reported to the Board that nothing has come to their attention that causes them to believe that this statement is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, nor is the statement factually inaccurate.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

CONCLUSION

For the financial year under review and up to 25 July 2018, being the date of this Statement, the Board noted that there is an ongoing process of identifying, evaluating, and managing significant risks faced by the Group. The Board considers the existing systems of internal controls currently in place for the Group to be adequate and sufficient taking into the account the material risks of the business environment within which the Group operates. The Board will ensure that the internal control framework be continuously reviewed, improved and enhanced to ensure its effectiveness, adequacy and relevance.

This statement was made in accordance with a Board resolution dated 25 July 2018.

ADDITIONAL COMPLIANCE INFORMATION

1. UTILISATION OF PROCEEDS

There were no proceeds raised from corporate proposals during the financial year.

2. AUDIT AND NON-AUDIT FEES

The breakdown of audit and non-audit fees incurred for services rendered to the Company and its subsidiaries for the financial year ended 2018 (“**FYE 2018**”) by Messrs. Crowe Malaysia (*formerly known as Crowe Horwath*), the External Auditors, or a firm or company affiliated to the External Auditors’ firm are as follow:-

| | Company (RM) | Group (RM) |
|---|-------------------------|-----------------------|
| <u>Audit services rendered</u> | 33,000 | 201,841 |
| <u>Non-audit services rendered</u> | | |
| - Review of the Statement on Risk Management and Internal Control | 4,000 | 4,000 |
| | 37,000 | 205,841 |

3. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

At the Twenty-second Annual General Meeting (“**AGM**”) of the Company held on 24 August 2017, the shareholders of the Company has given their approval for the renewal of its existing mandate and new shareholders mandate for the Group to enter into recurrent related party transactions of a revenue or trading nature (“**RRPTs**”) with the related party which are necessary for the day-to-day operation and are in the ordinary course of business of the Group.

The said mandate will lapse at the forthcoming Twenty-Third AGM of the Company scheduled to be held on 29 August 2018. The Company intends to seek its shareholders’ approval to renew the existing mandate as well as obtain new shareholders mandate for the RRPTs at the Twenty-Third AGM of the Company.

The Proposed Renewal of and new Shareholders’ Mandate, details as provided in the Circular to Shareholders dated 31 July 2018 will be sent together with this Annual Report, if approved by the shareholders, would be valid until the conclusion of the Company’s next AGM.

Details of the RRPTs occurred during the FYE 2018 are disclosed in Note 41 to the Financial Statements set out on page 144 and 145 of this Annual Report.

4. MATERIAL CONTRACTS

There were no material contracts entered into by the Company and/or its subsidiaries which involved Directors and major shareholders’ interest either still subsisting at the end of the FYE 2018 or entered into since the end of the previous financial year of the Company that have not been reflected in the financial statement for the FYE 2018.

ADDITIONAL COMPLIANCE INFORMATION

cont'd

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

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


- i. adopted appropriate accounting policies and applying them consistently;
- ii. made judgement and estimates that are prudent and reasonable;
- iii. ensured all applicable approved accounting standards have been followed; and
- iv. prepared the financial statements on the going concern basis.

The Directors have relied on the system of internal controls to ensure that the information generated for the preparation of the financial statements from the underlying accounting records are accurate and reliable.

The Directors are responsible for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Company and which enable them to ensure that the financial statements comply with the Companies Act 2016, the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, and the applicable approved Malaysian Accounting Standard Board approved accounting standard in Malaysia.

The Directors have overall responsibility for taking such steps that are reasonably open to them to safeguard the assets of the Group and the Company to prevent and detect fraud and other irregularities.

This statement on Directors' Responsibility in respect the Financial Statements is made in accordance with the resolution of the Board of Directors dated 25 July 2018.



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FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 March 2018.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are disclosed in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

| | The Group RM | The Company RM |
|--|-----------------|-------------------|
| Loss after taxation for the financial year | (4,859,668) | (275,663) |
| Attributable to:- | | |
| Owners of the Company | (4,789,564) | (275,663) |
| Non-controlling interests | (70,104) | - |
| | (4,859,668) | (275,663) |

DIVIDENDS

No dividend was recommended by the directors for the financial year.

RESERVES AND PROVISIONS

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

ISSUES OF SHARES AND DEBENTURES

During the financial year:-

- (a) there were no changes in the issued and paid-up share capital of the Company; and
- (b) there were no issues of debentures by the Company.

TREASURY SHARES

During the financial year, there were no treasury shares being purchased or cancelled by the Company. A total of 147,100 (2017 - Nil) issued ordinary shares that were held as treasury shares had been re-sold in the open market at RM0.28 per share (2017 - Nil).

As at 31 March 2018, the Company held as treasury shares a total of 3,900,000 (2017 - 4,047,100) of its 246,415,000 (2017 - 246,415,000) issued and fully paid-up ordinary shares. The treasury shares are held at a carrying amount of RM835,550 (2017 - RM867,063). The details on the treasury shares are disclosed in Note 21 to the financial statements.

DIRECTORS' REPORT

cont'd

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for impairment losses on receivables.

At the date of this report, the directors are not aware of any circumstances that would require the further writing off of bad debts, or the additional allowance for impairment losses on receivables in the financial statements of the Group and of the Company.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets, which were unlikely to be realised in the ordinary course of business, including their value as shown in the accounting records of the Group and of the Company, have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

- (a) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

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

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

DIRECTORS' REPORT

cont'd

ITEMS OF AN UNUSUAL NATURE

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

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

DIRECTORS

The names of directors of the Company who served during the financial year and up to the date of this report are as follows:-

Khong Yik Kam
 Lee Seng Fan
 Yu Soo Chye @ Yee Soo Chye
 Lee Pek Yoke
 Chiam Soon Hock
 Koong Lin Loong
 Yu Tack Tein
 Chui Mee Chuen
 Yu Suat Yin (Alternate Director to Lee Pek Yoke)

The names of directors of the Company's subsidiaries who served during the financial year and up to the date of this report, not including those directors mentioned above, are as follows:-

Lee Seng Pun
 Yu Tack Yuen
 Yu Suat Li

DIRECTORS' INTERESTS

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

| | Number Of Ordinary Shares | | | At 31.3.2018 |
|--|---------------------------|--------------------|----------------------|-----------------|
| | At 1.4.2017 | Bought/ Alloted | Sold/ Transferred | |
| <i>Direct Interests in the Company</i> | | | | |
| Yu Soo Chye @ Yee Soo Chye | 82,744,270 | - | - | 82,744,270 |
| Lee Pek Yoke | 20,460,593 | - | - | 20,460,593 |
| Khong Yik Kam | 6,256,338 | 100,000 | - | 6,356,338 |
| Lee Seng Fan | 5,868,496 | - | - | 5,868,496 |
| Chiam Soon Hock | 100,000 | - | - | 100,000 |
| Koong Lin Loong | 100,000 | - | - | 100,000 |
| Yu Suat Yin | 163,333 | - | - | 163,333 |
| <i>Indirect Interests in the Company</i> | | | | |
| Khong Yik Kam ^ | 1,550,000 | - | (100,000) | 1,450,000 |
| Lee Seng Fan # | 50,917,358 | - | - | 50,917,358 |
| Yu Tack Tein @ | 600,033 | - | - | 600,033 |
| Yu Suat Yin * | 10,000 | - | - | 10,000 |

DIRECTORS' REPORT

cont'd

DIRECTORS' INTERESTS *Cont'd*

Notes:-

- [^] - Deemed interested by virtue of his substantial shareholding and directorship in Rurng Juang Realty Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016 and his spouse's shareholdings in the Company pursuant to Section 59(11)(c) of the Companies Act 2016.
- # - Deemed interested by virtue of his substantial shareholdings in Lee Lim & Sons Sdn. Bhd. which in turn is a substantial shareholder of the Company pursuant to Section 8 of the Companies Act 2016 and his spouse's shareholding in the Company pursuant to Section 59(11)(c) of the Companies Act 2016.
- @ - Deemed interested by virtue of his substantial shareholding and directorship in Simple Angel Capital Sdn Bhd pursuant to Section 8 of the Companies Act 2016.
- * - Deemed interested by virtue of her spouse's shareholding in the Company pursuant to Section 59(11)(c) of the Companies Act 2016.

By virtue of their shareholdings in the Company, Yu Soo Chye @ Yee Soo Chye and Lee Seng Fan are deemed to have interests in shares in its related corporations during the financial year to the extent of the Company's interests, in accordance with Section 8 of the Companies Act 2016.

The other director holding office at the end of the financial year had no interest in shares of the Company or its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by directors shown in the financial statements, or the fixed salary of a full-time employee of the Company or related corporations) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 41 to the financial statements.

Neither during nor at the end of the financial year was the Group or the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' REMUNERATION

The details of the directors' remuneration paid or payable to the directors of the Company during the financial year are disclosed in Note 32 to the financial statements.

INDEMNITY AND INSURANCE COST

During the financial year, the total amount of indemnity coverage and insurance premium paid for the directors and certain officers of the Company were RM10,000,000 and RM17,129 respectively. No indemnity was given to or insurance effected for auditors of the Company.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 5 to the financial statements.

DIRECTORS' REPORT

cont'd

AUDITORS

The auditors, Messrs. Crowe Malaysia (formerly known as Crowe Horwath), have expressed their willingness to continue in office.

The auditors' remuneration are disclosed in Note 31 to the financial statements.

Signed in accordance with a resolution of the directors dated 25 July 2018

Khong Yik Kam

Lee Seng Fan

STATEMENT BY DIRECTORS

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

We, Khong Yik Kam and Lee Seng Fan, being two of the directors of Oversea Enterprise Berhad, state that, in the opinion of the directors, the financial statements set out on pages 86 to 154 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 March 2018 and of their financial performance and cash flows for the financial year ended on that date.

Signed in accordance with a resolution of the directors dated 25 July 2018

Khong Yik Kam

Lee Seng Fan

STATUTORY DECLARATION

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

I, Khong Yik Kam, being the director primarily responsible for the financial management of Oversea Enterprise Berhad, do solemnly and sincerely declare that the financial statements set out on pages 86 to 154 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovementioned
Khong Yik Kam, I/C No. 491021-10-5549
at Kuala Lumpur
in the Federal Territory
on this 25 July 2018

Khong Yik Kam

Before me

Datin Hajah Raihela Wanchik (W-275)
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

To the Members of Oversea Enterprise Berhad
(Incorporated in Malaysia) Company No: 317155 - U

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Oversea Enterprise Berhad, which comprise the statements of financial position as at 31 March 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 86 to 154.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 March 2018, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

| Revenue recognition | |
|--|---|
| Key Audit Matter | How our audit addressed the Key Audit Matter |
| <p>Risk that revenue may be overstated arising from pressure faced by the Group in achieving performance targets as revenue recognition has a direct impact on the results of the Group.</p> <p>We determined this to be a key audit matter as the vast majority of revenue is settled in cash or by credit card and focused on manual adjustments to revenue as they are susceptible to manipulation.</p> | <p>Our procedures included, amongst others:-</p> <ul style="list-style-type: none"> ■ tested the operating effectiveness of internal controls relevant to recognition of revenue. ■ tested sales transactions recorded to relevant supporting documents to ascertain validity of sales. ■ assessed sales transactions as well as credit notes issued, both before and after the year end date to assess whether the revenue was recognised in the correct period. ■ tested the journal entries on revenue recognition. ■ performed analytical review on the sales trend and gross profit margin. |

INDEPENDENT AUDITORS' REPORT

To the Members of Oversea Enterprise Berhad
(Incorporated in Malaysia) Company No: 317155 - U
cont'd

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *Cont'd*

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:-

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITORS' REPORT

To the Members of Oversea Enterprise Berhad
(Incorporated in Malaysia) Company No: 317155 - U
cont'd

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *Cont'd*

Auditors' Responsibilities for the Audit of the Financial Statements Cont'd

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 5 to the financial statements.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Malaysia
Firm No: AF 1018
Chartered Accountants

Chua Wai Hong
Approval No: 02974/09/2019 J
Chartered Accountant

25 July 2018
Kuala Lumpur

STATEMENTS OF FINANCIAL POSITION

At 31 March 2018

| | Note | The Group | | The Company | |
|--|------|-------------------|-------------------|-------------------|-------------------|
| | | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| ASSETS | | | | | |
| NON-CURRENT ASSETS | | | | | |
| Investments in subsidiaries | 5 | - | - | 43,629,805 | 43,629,805 |
| Investments in associates | 6 | 1,599,913 | 619,221 | - | - |
| Property, plant and equipment | 7 | 47,464,987 | 46,626,789 | 149,962 | 218,466 |
| Investment properties | 8 | 2,450,000 | 2,450,000 | - | - |
| Other investments | 9 | 141,007 | 257,756 | - | - |
| Intangible asset | 10 | 90,947 | 107,448 | - | - |
| Long-term receivables | 11 | 81,985 | 96,158 | - | - |
| Deferred tax assets | 12 | 49,000 | 424,836 | - | - |
| | | 51,877,839 | 50,582,208 | 43,779,767 | 43,848,271 |
| CURRENT ASSETS | | | | | |
| Inventories | 13 | 5,515,631 | 5,561,184 | - | - |
| Trade receivables | 14 | 583,805 | 569,494 | - | - |
| Other receivables, deposits and prepayments | 15 | 2,509,696 | 2,942,729 | 69,600 | 66,375 |
| Amount owing by subsidiaries | 16 | - | - | 8,402,812 | 8,352,062 |
| Amount owing by associates | 17 | 140,100 | 300,100 | - | - |
| Current tax assets | | 276,503 | 427,273 | 47,300 | 24,200 |
| Short-term investments with financial institutions | 18 | 43,238 | 239,768 | - | - |
| Deposits with licensed banks | 19 | 6,806,486 | 12,158,834 | 509,541 | 815,656 |
| Cash and bank balances | | 4,429,354 | 3,317,752 | 277,251 | 80,822 |
| | | 20,304,813 | 25,517,134 | 9,306,504 | 9,339,115 |
| TOTAL ASSETS | | 72,182,652 | 76,099,342 | 53,086,271 | 53,187,386 |

The annexed notes form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

At 31 March 2018
cont'd

| | Note | The Group | | The Company | |
|-------------------------------------|------|-------------------|-------------------|-------------------|-------------------|
| | | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| EQUITY AND LIABILITIES | | | | | |
| EQUITY | | | | | |
| Share capital | 20 | 49,283,000 | 49,283,000 | 49,283,000 | 49,283,000 |
| Treasury shares | 21 | (835,550) | (867,063) | (835,550) | (867,063) |
| Share premium | 22 | 1,038,157 | 1,038,157 | 1,038,157 | 1,038,157 |
| Reserves | 23 | 9,700,525 | 13,872,564 | (1,755,178) | (1,488,873) |
| TOTAL EQUITY | | 59,186,132 | 63,326,658 | 47,730,429 | 47,965,221 |
| NON-CURRENT LIABILITIES | | | | | |
| Long-term borrowings | 24 | 1,515,507 | 1,485,735 | - | - |
| Deferred tax liabilities | 12 | 5,791,584 | 5,875,563 | - | - |
| | | 7,307,091 | 7,361,298 | - | - |
| CURRENT LIABILITIES | | | | | |
| Trade payables | 27 | 3,040,386 | 2,523,763 | - | - |
| Other payables and accruals | 28 | 2,336,917 | 2,774,610 | 196,793 | 189,870 |
| Amount owing to subsidiaries | 16 | - | - | 5,159,049 | 5,032,295 |
| Short-term borrowings | 29 | 123,869 | 89,770 | - | - |
| Current tax liabilities | | 188,257 | 23,243 | - | - |
| | | 5,689,429 | 5,411,386 | 5,355,842 | 5,222,165 |
| TOTAL LIABILITIES | | 12,996,520 | 12,772,684 | 5,355,842 | 5,222,165 |
| TOTAL EQUITY AND LIABILITIES | | 72,182,652 | 76,099,342 | 53,086,271 | 53,187,386 |

The annexed notes form an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Financial Year Ended 31 March 2018

| | Note | The Group | | The Company | |
|--|------|--------------|--------------|-------------|------------|
| | | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| REVENUE | 30 | 58,517,458 | 60,043,998 | - | - |
| COST OF SALES | | (23,191,446) | (23,824,884) | - | - |
| GROSS PROFIT | | 35,326,012 | 36,219,114 | - | - |
| OTHER INCOME | | 4,157,289 | 4,821,465 | 117,807 | 136,220 |
| | | 39,483,301 | 41,040,579 | 117,807 | 136,220 |
| SELLING AND DISTRIBUTION EXPENSES | | (29,733,691) | (29,217,421) | (81,124) | (95,255) |
| ADMINISTRATIVE EXPENSES | | (13,868,118) | (10,418,934) | (312,346) | (386,352) |
| FINANCE COSTS | | (70,050) | (78,176) | - | - |
| SHARE OF RESULTS IN ASSOCIATES, NET OF TAX | | 622,104 | (274,447) | - | - |
| (LOSS)/PROFIT BEFORE TAXATION | 31 | (3,566,454) | 1,051,601 | (275,663) | (345,387) |
| INCOME TAX EXPENSE | 33 | (1,293,214) | (592,708) | - | (166) |
| (LOSS)/PROFIT AFTER TAXATION | | (4,859,668) | 458,893 | (275,663) | (345,553) |
| OTHER COMPREHENSIVE INCOME | 34 | | | | |
| <u>Items that May be Reclassified Subsequently to Profit or Loss:</u> | | | | | |
| - loss on fair value changes of available-for- sale financial assets | | (874) | (85,004) | - | - |
| - transfer to profit or loss upon disposal of available-for-sale financial assets | | (41,875) | 62,550 | - | - |
| - foreign currency translation differences | | 403,115 | (340,003) | - | - |
| | | 360,366 | (362,457) | - | - |
| TOTAL COMPREHENSIVE (EXPENSES)/ INCOME FOR THE FINANCIAL YEAR | | (4,499,302) | 96,436 | (275,663) | (345,553) |
| (LOSS)/PROFIT AFTER TAXATION ATTRIBUTABLE TO:- | | | | | |
| Owners of the Company | | (4,789,564) | 458,893 | (275,663) | (345,553) |
| Non-controlling interest | | (70,104) | - | - | - |
| | | (4,859,668) | 458,893 | (275,663) | (345,553) |
| TOTAL COMPREHENSIVE (EXPENSES)/ INCOME ATTRIBUTABLE TO:- | | | | | |
| Owners of the Company | | (4,440,481) | 96,436 | (275,663) | (345,553) |
| Non-controlling interest | | (58,821) | - | - | - |
| | | (4,499,302) | 96,436 | (275,663) | (345,553) |
| (LOSS)/EARNINGS PER SHARE (SEN): | 35 | | | | |
| - Basic | | (1.97) | 0.19 | - | - |
| - Diluted | | (1.97) | 0.19 | - | - |

The annexed notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 31 March 2018

| The Group | Note | Share Capital | Treasury Shares | Share Premium | Fair Value Reserve | Foreign Exchange Translation Reserve | | Revaluation Reserve | Accumulated Losses | Attributable to Owners of the Company | | Non-Controlling Interest | Total Equity |
|---|------|---------------|-----------------|---------------|--------------------|--------------------------------------|------------|---------------------|--------------------|---------------------------------------|------------|--------------------------|--------------|
| | | | | | | RM | RM | | | RM | RM | | |
| Balance at 1.4.2016 | | 49,000,000 | (867,063) | 1,038,157 | 2,022 | (180,497) | 18,347,641 | (4,393,038) | 62,947,222 | - | 62,947,222 | | |
| Profit after taxation for the financial year | | - | - | - | - | - | - | 458,893 | 458,893 | - | 458,893 | - | 458,893 |
| Other comprehensive income/ (expenses) for the financial year: | | | | | | | | | | | | | |
| - loss on fair value changes of available for-sale financial assets | 23.1 | - | - | - | (85,004) | - | - | - | (85,004) | - | (85,004) | - | (85,004) |
| - transfer to profit or loss upon disposal of available-for-sale financial assets | 23.1 | - | - | - | 62,550 | - | - | - | 62,550 | - | 62,550 | - | 62,550 |
| - foreign currency translation differences | | - | - | - | - | (340,003) | - | - | (340,003) | - | (340,003) | - | (340,003) |
| Total comprehensive income for the financial year | | - | - | - | (22,454) | (340,003) | - | 458,893 | 96,436 | - | 96,436 | - | 96,436 |
| Contributions by and distributions to owners of the Company: | | | | | | | | | | | | | |
| - issuance of shares | 20 | 283,000 | - | - | - | - | - | - | 283,000 | - | 283,000 | - | 283,000 |
| Amortisation of revaluation reserve | 23.3 | - | - | - | - | - | (237,906) | 237,906 | - | - | - | - | - |
| Balance at 31.3.2017 | | 49,283,000 | (867,063) | 1,038,157 | (20,432) | (520,500) | 18,109,735 | (3,696,239) | 63,326,658 | - | 63,326,658 | - | 63,326,658 |

The annexed notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 31 March 2018

cont'd

| The Group | Note | Share Capital | Treasury Shares | Share Premium | Fair Value Reserve | Foreign Exchange Translation Reserve | | Revaluation Reserve | Accumulated Losses | Attributable to Owners of the Company | | Non-Controlling Interest | Total Equity |
|--|------|---------------|-----------------|---------------|--------------------|--------------------------------------|------------|---------------------|--------------------|---------------------------------------|-------------|--------------------------|--------------|
| | | | | | | RM | RM | | | RM | RM | | |
| Balance at 1.4.2017 | | 49,283,000 | (867,063) | 1,038,157 | (20,432) | (520,500) | 18,109,735 | (3,696,239) | 63,326,658 | - | 63,326,658 | | |
| Loss after taxation for the financial year | | - | - | - | - | - | - | (4,789,564) | (4,789,564) | (4,789,564) | (70,104) | (4,859,668) | |
| Other comprehensive (expenses)/income for the financial year: | | | | | | | | | | | | | |
| - loss on fair value changes of available for-sale financial assets | 23.1 | - | - | - | (874) | - | - | - | - | (874) | - | (874) | |
| - transfer to profit or loss upon disposal of available-for-sale financial assets | 23.1 | - | - | - | (41,875) | - | - | - | - | (41,875) | - | (41,875) | |
| - foreign currency translation differences | | - | - | - | - | 391,832 | - | - | - | 391,832 | 11,283 | 403,115 | |
| Total comprehensive expenses for the financial year | | - | - | - | (42,749) | 391,832 | - | (4,789,564) | (4,440,481) | (58,821) | (4,499,302) | | |
| Contributions by and distributions to owners of the Company: | | | | | | | | | | | | | |
| - treasury shares sold | 21 | - | 31,513 | - | - | - | - | 9,358 | 40,871 | - | - | 40,871 | |
| - issuance of shares by a subsidiary to non-controlling interest | | - | - | - | - | - | - | - | - | - | 85,167 | 85,167 | |
| - changes in ownership interests in subsidiary that do not result in loss of control | | - | - | - | - | 23,706 | - | 186,483 | 210,189 | (210,189) | - | - | |
| - disposal of a subsidiary | | - | - | - | - | 48,895 | - | - | 48,895 | 183,843 | - | 232,738 | |
| Amortisation of revaluation reserve | 23.3 | - | - | - | - | - | (237,906) | 237,906 | - | - | - | - | |
| Balance at 31.3.2018 | | 49,283,000 | (835,550) | 1,038,157 | (63,181) | (56,067) | 17,871,829 | (8,052,056) | 59,186,132 | - | 59,186,132 | | |

The annexed notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 31 March 2018
cont'd

| The Company | Note | Share Capital RM | Treasury Shares RM | Share Premium RM | Accumulated Losses RM | Total Equity RM |
|---|------|------------------------|--------------------------|------------------------|-----------------------------|-----------------------|
| Balance at 1.4.2016 | | 49,000,000 | (867,063) | 1,038,157 | (1,143,320) | 48,027,774 |
| Loss after taxation/Total comprehensive expenses for the financial year | | - | - | - | (345,553) | (345,553) |
| Contributions by and distributions to owners of the Company: | | | | | | |
| - issuance of shares | 20 | 283,000 | - | - | - | 283,000 |
| Balance at 31.3.2017/1.4.2017 | | 49,283,000 | (867,063) | 1,038,157 | (1,488,873) | 47,965,221 |
| Loss after taxation/Total comprehensive expenses for the financial year | | - | - | - | (275,663) | (275,663) |
| Contributions by and distributions to owners of the Company: | | | | | | |
| - Treasury shares sold | 21 | - | 31,513 | - | 9,358 | 40,871 |
| Balance at 31.3.2018 | | 49,283,000 | (835,550) | 1,038,157 | (1,755,178) | 47,730,429 |

The annexed notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 March 2018

| | The Group | | The Company | |
|---|------------------|------------------|------------------|------------------|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES | | | | |
| (Loss)/Profit before taxation | (3,566,454) | 1,051,601 | (275,663) | (345,387) |
| Adjustments for:- | | | | |
| Amortisation of intangible asset | 36,795 | 35,330 | - | - |
| Bad debts written off: | | | | |
| - trade and other receivables | 16,174 | - | - | - |
| Depreciation of property, plant and equipment | 2,972,791 | 2,734,883 | 68,504 | 67,974 |
| Impairment loss: | | | | |
| - amount owing by an associate | 697,000 | - | - | - |
| - other investments | 58,355 | - | - | - |
| - other receivables | 344,009 | - | - | - |
| - property, plant and equipment | 619,716 | - | - | - |
| Interest expense | 74,385 | 64,987 | - | - |
| Property, plant and equipment written off | 271,364 | 232,783 | - | - |
| Share of net (profit)/loss of equity accounted associates | (431,092) | 274,447 | - | - |
| Dividend income from other investments | (4,896) | (5,601) | - | - |
| Accretion of long-term receivables | (12,862) | (17,685) | - | - |
| (Gain)/Loss on disposal of: | | | | |
| - property, plant and equipment | (24,689) | (1,239) | - | - |
| - other investments | (45,250) | 57,750 | - | - |
| Net gain on disposal of a subsidiary | (1,016,722) | - | - | - |
| Interest income | (315,611) | (392,389) | (21,159) | (30,620) |
| Operating (loss)/profit before working capital changes | (326,987) | 4,034,867 | (228,318) | (308,033) |
| Decrease/(Increase) in inventories | 7,576 | (1,389,201) | - | - |
| (Increase)/Decrease in trade and other receivables | (187,440) | (40,922) | (3,225) | 67,032 |
| Increase/(Decrease) in trade and other payables | 2,360,467 | (207,136) | 6,923 | 20,785 |
| CASH FROM/(FOR) OPERATIONS | 1,853,616 | 2,397,608 | (224,620) | (220,216) |
| Income tax paid | (684,425) | (1,081,050) | (23,100) | (20,536) |
| NET CASH FROM/(FOR) OPERATING ACTIVITIES CARRIED FORWARD | 1,169,191 | 1,316,558 | (247,720) | (240,752) |

The annexed notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 March 2018
cont'd

| | Note | The Group | | The Company | |
|---|-------|-------------|-------------|-------------|------------|
| | | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| NET CASH FROM/(FOR) OPERATING ACTIVITIES BROUGHT FORWARD | | 1,169,191 | 1,316,558 | (247,720) | (240,752) |
| CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES | | | | | |
| Repayment from subsidiaries | | - | - | - | 895,668 |
| Advances to subsidiaries | | - | - | (50,750) | - |
| Interest received | | 315,611 | 392,389 | 21,159 | 30,620 |
| Dividend income received | | 4,896 | 5,601 | - | - |
| Disposal of a subsidiary, net of cash and cash equivalents disposed of | 36 | (146,275) | - | - | - |
| Investments in associates | | (549,600) | (873,668) | - | - |
| Advances to associates | | (537,000) | (300,100) | - | - |
| Purchase of other investments | | (58,355) | - | - | - |
| Placement of deposits pledged with licensed banks | | (10,649) | (11,081) | - | - |
| Withdrawal of deposits with maturity periods more than three months | | 2,500,000 | 1,750,000 | - | - |
| Proceeds from disposal of: | | | | | |
| - property, plant and equipment | | 24,748 | 2,712 | - | - |
| - other investments | | 119,250 | 34,500 | - | - |
| Purchase of property, plant and equipment | 37(a) | (5,195,308) | (1,281,659) | - | (7,489) |
| Payment for intangible asset | | (20,294) | (55,290) | - | - |
| NET CASH (FOR)/FROM INVESTING ACTIVITIES | | (3,552,976) | (336,596) | (29,591) | 918,799 |
| BALANCE CARRIED FORWARD | | (2,383,785) | 979,962 | (277,311) | 678,047 |

The annexed notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 March 2018
cont'd

| | Note | The Group | | The Company | |
|--|-------|-------------|------------|-------------|------------|
| | | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| BALANCE BROUGHT FORWARD | | (2,383,785) | 979,962 | (277,311) | 678,047 |
| CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES | | | | | |
| Repayment to subsidiaries | | - | - | - | (850,000) |
| Advances from subsidiaries | 37(b) | - | - | 126,754 | - |
| Net cash inflow from issuance of shares by subsidiaries to non-controlling interests | | 85,167 | - | - | - |
| Interest paid | 37(b) | (74,385) | (64,987) | - | - |
| Repayment of hire purchase obligations | 37(b) | (40,527) | (19,728) | - | - |
| Drawdown of term loans | | - | 255,000 | - | - |
| Repayment of term loans | 37(b) | (53,602) | (39,742) | - | - |
| Proceeds from issuance of shares | | - | 283,000 | - | 283,000 |
| Resale of treasury shares | | 40,871 | - | 40,871 | - |
| NET CASH (FOR)/FROM FINANCING ACTIVITIES | | (42,476) | 413,543 | 167,625 | (567,000) |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | | (2,426,261) | 1,393,505 | (109,686) | 111,047 |
| EFFECT OF FOREIGN EXCHANGE TRANSLATION | | 478,336 | (441,463) | - | - |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR | | 12,778,824 | 11,826,782 | 896,478 | 785,431 |
| CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR | 37(c) | 10,830,899 | 12,778,824 | 786,792 | 896,478 |

The annexed notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2018

1. GENERAL INFORMATION

The Company is a public limited company, incorporated and domiciled in Malaysia. The registered office and principal place of business, are at D-3-1 & D-3A-1, Seri Gembira Avenue, Jalan Senang Ria, Taman Gembira, 58200 Kuala Lumpur.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 25 July 2018.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

3.1 During the current financial year, the Group has adopted the following new accounting standards and/or interpretations (including the consequential amendments, if any):-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)

Amendments to MFRS 107: Disclosure Initiative

Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses

Annual Improvements to MFRS Standards 2014 – 2016 Cycles: Amendments to MFRS 12: Clarification of the Scope of the Standard

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) did not have any material impact on the Group's financial statements except as follows:-

The amendments to MFRS 107 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. A reconciliation between opening and closing balances of these items is provided in Note 37 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2018
cont'd

3. BASIS OF PREPARATION *Cont'd*

3.2 The Group has not applied in advance the following accounting standards and/or interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:-

| MFRSs and/or IC Interpretations (Including The Consequential Amendments) | Effective Date |
|---|-----------------------|
| MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014) | 1 January 2018 |
| MFRS 15 Revenue from Contracts with Customers | 1 January 2018 |
| MFRS 16 Leases | 1 January 2019 |
| MFRS 17 Insurance Contracts | 1 January 2021 |
| IC Interpretation 22 Foreign Currency Transactions and Advance Consideration | 1 January 2018 |
| IC Interpretation 23 Uncertainty Over Income Tax Treatments | 1 January 2019 |
| Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions | 1 January 2018 |
| Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts | 1 January 2018 |
| Amendments to MFRS 9: Prepayment Features with Negative Compensation | 1 January 2019 |
| Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Deferred |
| Amendments to MFRS 15: Effective Date of MFRS 15 | 1 January 2018 |
| Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers' | 1 January 2018 |
| Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement | 1 January 2019 |
| Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures | 1 January 2019 |
| Amendments to MFRS 140 – Transfers of Investment Property | 1 January 2018 |
| Amendments to References to the Conceptual Framework in MFRS Standards | 1 January 2020 |
| Annual Improvements to MFRS Standards 2014 – 2017 Cycles: | |
| • Amendments to MFRS 1: Deletion of Short-term Exemptions for First-time Adopters | |
| • Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value | 1 January 2018 |
| Annual Improvements to MFRS Standards 2015 – 2017 Cycles | 1 January 2019 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2018
cont'd

3. BASIS OF PREPARATION *Cont'd*

3.2 The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application except as follows:-

(i) MFRS 9 Financial Instruments

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces the guidance in MFRS 139 on the classification and measurement of financial assets and financial liabilities, impairment of financial assets, and on hedge accounting.

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which the financial assets are managed and their cash flow characteristics. The new standard contains 3 principal classification categories for financial assets (measured at amortised cost, fair value through profit or loss, fair value through other comprehensive income) and eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available-for-sale financial assets.

MFRS 9 replaces the 'incurred loss' model in MFRS 139 with an 'expected credit loss' ("ECL") model. The new impairment model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised. It involves a 3-stage approach under which financial assets move through the stages as their credit quality changes. This new impairment model applies to financial assets measured at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets, lease receivables, loan commitments and certain financial guarantee contracts.

The Group is currently assessing the impact of implementing MFRS 9. As a result, the potential impact on the adoption of this standard would only be observable when the assessment is completed later.

(ii) MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a single comprehensive model for revenue recognition and will supersede the current revenue recognition guidance and other related interpretations when it becomes effective. Under MFRS 15, an entity shall recognise revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the distinct promised goods or services underlying the particular performance obligation is transferred to the customers. The amendments to MFRS 15 further clarify the concept of 'distinct' for the purposes of this accounting standard. In addition, extensive disclosures are also required by MFRS 15 about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

As at the date of authorisation of issue of the financial statements, the assessment of implementing MFRS 15 has not been finalised. Thus, the potential impact of the adoption of this standard cannot be determined and estimated reliably until the assessment is completed later.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2018
cont'd

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Key Sources of Estimation Uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:-

(a) Impairment of Investments in Associates

The Group determines whether its investments in associates is impaired by evaluating the extent to which the recoverable amount of the asset is less than its carrying amount. This evaluation is subject to changes such as market performance, economic and political situation of the country. A variety of methods is used to determine the recoverable amount, such as valuation reports and discounted cash flows. For discounted cash flows, significant judgement is required in the estimation of the present value of future cash flows generated by the assets, which involve uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates. The carrying amount of investments in associates as at the reporting date is disclosed in Note 6 to the financial statements.

(b) Write-down of Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amount of inventories as at the reporting date is disclosed in Note 13 to the financial statements.

(c) Impairment of Trade Receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loan and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables. The carrying amount of trade receivables as at the reporting date is disclosed in Note 14 to the financial statements.

Critical Judgements Made in Applying Accounting Policies

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the financial statements other than as disclosed below:-

(a) Classification between Investment Properties and Owner-occupied Properties

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2018
cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *Cont'd*

Critical Judgements Made in Applying Accounting Policies Cont'd

(b) Classification of Leasehold Land

The classification of leasehold land as a finance lease or an operating lease requires the use of judgement in determining the extent to which risks and rewards incidental to its ownership lie. Despite the fact that there will be no transfer of ownership by the end of the lease term and that the lease term does not constitute the major part of the indefinite economic life of the land, management considered that the present value of the minimum lease payments approximated to the fair value of the land at the inception of the lease. Accordingly, management judged that the Group has acquired substantially all the risks and rewards incidental to the ownership of the land through a finance lease.

(c) Contingent Liabilities

The recognition and measurement for contingent liabilities is based on management's view of the expected outcome on contingencies after consulting legal counsel for litigation cases and experts, for matters in the ordinary course of business.

(d) Fair Value Estimates for Certain Financial Assets and Financial Liabilities

The Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and/or equity.

4.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

Subsidiaries are entities (including structured entities, if any) controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

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.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

(a) Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2018
cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.2 BASIS OF CONSOLIDATION *Cont'd*

(a) Business Combinations *Cont'd*

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree 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 at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

(b) Non-controlling Interests

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(c) Changes in Ownership Interests in Subsidiaries Without Change of Control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

(d) Loss of Control

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which 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 in the former subsidiary; and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). 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 MFRS 139 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

4.3 FUNCTIONAL AND FOREIGN CURRENCIES

(a) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2018
cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.3 FUNCTIONAL AND FOREIGN CURRENCIES *Cont'd*

(b) Foreign Currency Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the exchange rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss except for differences arising from the translation of available-for-sale equity instruments which are recognised in other comprehensive income.

(c) Foreign Operations

Assets and liabilities of foreign operations (including any goodwill and fair value adjustments arising on acquisition) are translated to the Group's presentation currency at the exchange rates at the end of the reporting period. Income, expenses and other comprehensive income of foreign operations are translated at exchange rates at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity; attributed to the owners of the Company and non-controlling interests, as appropriate.

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

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign subsidiary, or a partial disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that foreign operation attributable to the owners of the Company are reclassified to profit or loss as part of the gain or loss on disposal. The portion that related to non-controlling interests is derecognised but is not reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the proportionate share of the accumulative exchange differences is reclassified to profit or loss.

In the consolidated financial statements, when settlement of an intragroup loan is neither planned nor likely to occur in the foreseeable future, the exchange differences arising from translating such monetary item are considered to form part of a net investment in the foreign operation and are recognised in other comprehensive income.

4.4 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2018
cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.4 FINANCIAL INSTRUMENTS *Cont'd*

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

(a) Financial Assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loan and receivables financial assets, or available-for-sale financial assets, as appropriate.

(i) *Financial Assets at Fair Value through Profit or Loss*

Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges. Fair value through profit or loss category also comprises contingent consideration in a business combination.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established.

Financial asset at fair value through profit or loss could be presented as current assets or non-current assets. Financial assets that are held primarily for trading purposes are presented as current assets whereas financial assets that are not held primarily for trading purposes are presented as current assets or non-current assets based on the settlement date.

(ii) *Held-to-maturity Investments*

As at the end of the reporting period, there were no financial assets classified under this category.

(iii) *Loans and Receivables Financial Assets*

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and 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 asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2018
cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.4 FINANCIAL INSTRUMENTS *Cont'd*

(a) Financial Assets *Cont'd*

(iii) *Loans and Receivables Financial Assets Cont'd*

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

(iv) *Available-for-sale Financial Assets*

Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

(b) Financial Liabilities

(i) *Financial Liabilities at Fair Value through Profit or Loss*

As at the end of the reporting period, there were no financial liabilities classified under this category.

(ii) *Other Financial Liabilities*

Other financial liabilities are initially measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after reporting date.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2018
cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.4 FINANCIAL INSTRUMENTS *Cont'd*

(c) Equity Instruments

Equity instruments classified as equity are measured initially at cost and are not remeasured subsequently.

(i) Ordinary Shares

Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(ii) Treasury Shares

When the Company's own shares recognised as equity are bought back, the amount of the consideration paid, including all costs directly attributable, are recognised as a deduction from equity. Own shares purchased that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares.

Where treasury shares are reissued by resale, the difference between the sales consideration received and the carrying amount of the treasury shares is recognised in equity.

Where treasury shares are cancelled, their costs are transferred to retained profits.

(d) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(e) 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 specific debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

The Group designates corporate guarantees given to financial institutions for credit facilities granted to subsidiaries as insurance contracts as defined in MFRS 4 Insurance Contracts. The Group recognises these corporate guarantees as liabilities when there is a present obligation, legal or constructive, as a result of a past event, when 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2018
cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.5 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of investments includes transaction costs.

On the disposal of the investments in subsidiaries the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

4.6 INVESTMENTS IN ASSOCIATES

An associate is an entity in which the Group has a long-term equity interest and where it exercises significant influence over the financial and operating policies.

The investment in an associate is accounted for in the consolidated financial statements using the equity method based on the financial statements of the associate made up to the end of the reporting period. The Group's share of the post acquisition profits and other comprehensive income of the associate is included in the consolidated statement of profit or loss and other comprehensive income, after adjustment if any, to align the accounting policies with those of the Group, from the date that significant influence commences up to the effective date on which significant influence ceases or when the investment is classified as held for sale. The Group's interest in the associate is carried in the consolidated statement of financial position at cost plus the Group's share of the post acquisition retained profits and reserves. The cost of the investment includes transaction costs.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation.

Unrealised gains or losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are eliminated unless cost cannot be recovered.

When the Group ceases to have significant influence over an associate and the retained interest in the former associate is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as the initial carrying amount of the financial asset in accordance with MFRS 139. Furthermore, the Group also reclassifies its share of the gain or loss previously recognised in other comprehensive income of that associate to profit or loss when the equity method is discontinued.

4.7 PROPERTY, PLANT AND EQUIPMENT

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Subsequent to initial recognition, all property, plant and equipment, other than freehold land and buildings, are stated at cost less accumulated depreciation and any impairment losses.

Freehold land is stated at valuation less impairment losses recognised after the date of the revaluation. Leasehold land and buildings are stated at revalued amount less accumulated depreciation and impairment losses recognised after the date of the revaluation.

Land and buildings are revalued periodically, at least once in every five years. Surpluses arising from the revaluation are recognised in other comprehensive income and accumulated in equity under the revaluation reserve to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss. Deficits arising from the revaluation, to the extent that they are not supported by any previous revaluation surpluses, are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2018
cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.7 PROPERTY, PLANT AND EQUIPMENT *Cont'd*

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Freehold land is not depreciated. Depreciation on other property, plant and equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) on a straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

| | |
|---------------------------------------|------------------------|
| Leasehold land | Over the lease periods |
| Buildings | 2% |
| Plant and machinery | 20% |
| Motor vehicles | 20% |
| Renovation, furniture and fittings | 10 - 20% |
| Equipment and electrical installation | 10 - 20% |

Capital work-in-progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment. Any changes are accounted for as a change in estimate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss. The revaluation reserve included in equity is transferred directly to retained profits on retirement or disposal of the asset. In addition, the Group also makes an annual transfer of the revaluation reserve to retained profits as the asset is used by the Group. In such a case, the amount of the revaluation reserve transferred would be the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

4.8 INVESTMENT PROPERTIES

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

Investment properties are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Subsequent to initial recognition, investment properties are stated at fair value with fair value changes recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2018
cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.8 INVESTMENT PROPERTIES *Cont'd*

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

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

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property or inventories, the fair value at the date of change becomes the cost for subsequent accounting purposes. If owner-occupied property becomes an investment property, such property shall be accounted for in accordance with the accounting policy for property, plant and equipment up to date of change in use.

4.9 INTANGIBLE ASSETS

An intangible asset shall be recognised if, and only if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and that the cost of the asset can be measured reliably. An entity shall assess the probability of the expected future economic benefits using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset. An intangible asset shall be measured initially at cost.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful lives or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

(a) Trademarks

The purchased trademarks are stated at cost less accumulated amortisation and impairment losses, if any. The trademarks are amortised over their remaining useful lives. In the event that the expected future economic benefits are no longer probable of being recovered, the trademarks are written down to their recoverable amounts.

4.10 IMPAIRMENT

(a) Impairment of Financial Assets

All financial assets (other than those categorised at fair value through profit or loss, investments in subsidiaries and investments in associates), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be an objective evidence of impairment.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2018
cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.10 IMPAIRMENT *Cont'd*

(a) Impairment of Financial Assets *Cont'd*

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the fair value reserve. In addition, the cumulative loss recognised in other comprehensive income and accumulated in equity under fair value reserve, is reclassified from equity into profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss made is recognised in other comprehensive income.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(b) Impairment of Non-financial Assets

The carrying values of assets, other than those to which MFRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when an annual impairment assessment is compulsory or there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and its value-in-use, which is measured by reference to discounted future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset. Any impairment loss recognised in respect of a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rata basis.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately, unless the asset is carried at its revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2018
cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.11 LEASED ASSETS

(a) Finance Assets

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability is included in the statement of financial position as hire purchase payables.

Minimum lease payments made under finance leases are apportioned between the finance costs and the reduction of the outstanding liability. The finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss and allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each accounting period.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

(b) Operating Lease

All leases that do not transfer substantially to the Group all the risks and rewards incidental to ownership are classified as operating leases and, the leased assets are not recognised on the statement of financial position of the Group and of the Company.

Payments made under operating leases are recognised as an expense in the profit or loss on a straight-line method over the term of the lease. Lease incentives received are recognised as reduction of rental expense over the lease term on a straight-line method. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

4.12 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost method and comprises the purchase price, production costs and incidentals incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price less the estimated costs of production and the estimated costs necessary to make the sale.

4.13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

4.14 PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The unwinding of the discount is recognised as interest expense in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2018
cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.15 EMPLOYEE BENEFITS

(a) Short-term Benefits

Wages, salaries, paid annual leave and bonuses are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Group.

(b) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

4.16 INCOME TAXES

(a) Current tax

Current tax assets and liabilities are expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

(b) Deferred tax

Deferred tax are recognised using the liability method for all temporary differences other than those that arise from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Where investment properties are carried at their fair value, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodies in the property over time, rather than through sale.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2018
cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.16 INCOME TAXES *Cont'd*

(c) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of GST except for the GST in a purchase of assets or services which are not recoverable from the taxation authorities, the GST are included as part of the costs of the assets acquired or as part of the expense item whichever is applicable.

In addition, receivables and payables are also stated with the amount of GST included (where applicable).

The net amount of the GST recoverable from or payable to the taxation authorities at the end of the reporting period is included in other receivables or other payables.

4.17 CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements, unless the probability of outflow of economic benefits is remote. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

4.18 OPERATING SEGMENTS

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

4.19 EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.

Diluted earnings per ordinary share is determined by adjusting the consolidated profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible preference shares and share options granted to employees.

4.20 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. The capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is the weighted average of the borrowing costs applicable to borrowings that are outstanding during the financial year, other than borrowings made specifically for the purpose of financing a specific project-in-progress, in which case the actual borrowing costs incurred on that borrowings less any investment income on temporary investment of that borrowings will be capitalised.

All other borrowing costs are recognised in profit or loss as expenses in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2018
cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.21 FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

4.22 REVENUE AND OTHER INCOME

Revenue is measured at the fair value of the consideration received or receivable, net of returns, goods and services tax, cash and trade discounts.

(a) Sale of Food and Beverage

Revenue from sale of food and beverage is recognised upon delivery of food and beverage and customers' acceptance.

(b) Service Fee Income

Service fee income represents service charge to customers at the Group's restaurants and is recognised at the point of sales.

(c) Sale of Goods

Revenue from sale of goods is recognised when significant risks and rewards of ownership of the goods have been transferred to the buyer and where the Group does not have continuing managerial involvement and effective control over the goods sold.

(d) Interest Income

Interest income is recognised on an accrual basis using the effective interest method.

(e) Rental Income

Rental income is accounted for on a straight-line method over the lease term unless collectability is in doubt.

(f) Dividend Income

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2018
cont'd

5. INVESTMENTS IN SUBSIDIARIES

| | The Company | |
|-------------------------------|-------------|-------------|
| | 2018 RM | 2017 RM |
| Unquoted shares, at cost | 47,109,805 | 47,109,805 |
| Accumulated impairment losses | (3,480,000) | (3,480,000) |
| | 43,629,805 | 43,629,805 |

The details of the subsidiaries are as follows:-

| Name of Subsidiary | Country of Incorporation | Effective Equity Interest | | Principal Activities |
|---|--------------------------|---------------------------|-----------|---|
| | | 2018 % | 2017 % | |
| Restoran Oversea (Imbi) Sdn. Bhd. | Malaysia | 100 | 100 | Restaurant operator. |
| Restoran Oversea (Subang Parade) Sdn. Bhd. | Malaysia | 100 | 100 | Restaurant operator. |
| Restoran Oversea (Bandar Baru Sri Petaling) Sdn. Bhd. | Malaysia | 100 | 100 | Restaurant operator. |
| Oversea Training Academy Sdn. Bhd. | Malaysia | 100 | 100 | Training provider. |
| Haewaytian Restaurant Sdn. Bhd. | Malaysia | 100 | 100 | Restaurant operator. |
| Restoran Oversea Dian Xin (Sri Petaling) Sdn. Bhd. | Malaysia | 100 | 100 | Restaurant operator. |
| Restoran Tsim Tung Sdn. Bhd. | Malaysia | 100 | 100 | Restaurant operator. |
| Haewaytian Cake House Sdn. Bhd. | Malaysia | 100 | 100 | Manufacturer and wholesaler of confectioneries. |
| Haewaytian Food Industries Sdn. Bhd. | Malaysia | 100 | 100 | Distributor of food products. |
| Restoran Oversea Confectioneries Sdn. Bhd. | Malaysia | 100 | 100 | Manufacturer and wholesaler of confectioneries. |
| Tenshou International Sdn. Bhd. | Malaysia | 100 | 100 | Retailer of foodstuff. |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2018
cont'd

5. INVESTMENTS IN SUBSIDIARIES *Cont'd*

The details of the subsidiaries are as follows:- *Cont'd*

| Name of Subsidiary | Country of Incorporation | Effective Equity Interest | | Principal Activities |
|--|--------------------------|---------------------------|-----------|--------------------------------|
| | | 2018 % | 2017 % | |
| Haewaytian Trading Sdn. Bhd. | Malaysia | 100 | 100 | Distributing general products. |
| Restoran Oversea Holdings Sdn. Bhd. | Malaysia | 100 | 100 | Owner of trademark. |
| Restoran Oversea JV (International) Sdn. Bhd. | Malaysia | 100 | 100 | Investment holding. |
| Ipoh Group Limited # * | Hong Kong | 100 | 100 | Restaurant and cafe operator. |
| Taiwan Haewaytian Limited # * | Taiwan | - | 100 | Bakery and café operator. |
| Restoran Oversea Hong Kong Dim Sum Sdn. Bhd. (formerly known as Restoran Oversea Hong Kong Cafe Sdn. Bhd.) * | Malaysia | 100 | 100 | Restaurant operator. |
| Restoran Oversea (Skyplaza GH) Sdn. Bhd. (formerly known as Rich Tastes (Centrepoint) Sdn. Bhd.) ** | Malaysia | 100 | 100 | Dormant. |
| Restoran Oversea (P.J.) Sdn. Bhd. ^ | Malaysia | 100 | 100 | Dormant. |
| Tunas Citarasa Sdn. Bhd. * | Malaysia | 100 | 100 | Restaurant operator. |

Notes:-

- ^ - The subsidiary has ceased its business operations.
- # - Audited by a firm other than Messrs. Crowe Malaysia (formerly known as Crowe Horwath).
- * - Held through Restoran Oversea JV (International) Sdn. Bhd.

During the current financial year, Taiwan Haewaytian Limited (“THL”), an indirect wholly-owned subsidiary of the Company has allotted TWD600,000 ordinary shares to non-controlling interest. Consequently, the Group’s equity interest in THL was diluted from 100% to 85%. Thereafter, the Group’s equity interest in THL was diluted from 85% to 10% as the Group disposed of 75% of its equity interest for a cash consideration of TWD3,000 which is equivalent to RM398. The financial results of this subsidiary have been deconsolidated from the Group. The details and effects of this disposal are disclosed in Note 36 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2018
cont'd

6. INVESTMENTS IN ASSOCIATES

| | The Group | |
|---|------------|------------|
| | 2018 RM | 2017 RM |
| Unquoted shares, at cost | 2,342,088 | 1,792,488 |
| Share of post-acquisition losses (net of dividend received) | (80,294) | (511,386) |
| | 2,261,794 | 1,281,102 |
| Accumulated impairment losses | (661,881) | (661,881) |
| | 1,599,913 | 619,221 |

The details of associates are as follows:-

| Name of Associate | Country of Incorporation | Effective Equity Interest | | Principal Activities |
|------------------------------------|--------------------------|---------------------------|-----------|----------------------|
| | | 2018 % | 2017 % | |
| Burger Foundry Australia Pty. Ltd. | Australia | 30.1 | 30.1 | Restaurant operator. |
| Wanhoi GH Sdn. Bhd. | Malaysia | 20.0 | 20.0 | Restaurant operator. |
| Santaisan Sdn. Bhd. | Malaysia | 33.3 | 33.3 | Investment holding. |
| Blissful Intuition Sdn. Bhd. | Malaysia | 35.0 | - | Investment holding. |

The statutory financial year end of Burger Foundry Australia Pty. Ltd. ("BFA") is 30 June. The share of results in BFA is based on the unaudited financial statements for the 12 months ended 31 March 2018. The Group has not recognised losses relating to BFA during the current financial year, where its share of losses exceeded the Group's interest in BFA. The Group has no obligation in respect of these losses. Full impairment loss has been recognised in "Administrative Expenses" line item of the statement of profit or loss and other comprehensive income in the previous financial year as BFA was operating at a loss.

The statutory financial year end of Wanhoi GH Sdn. Bhd. and its subsidiary ("Wanhoi GH Group") is 31 December. The share of results in Wanhoi GH Group is based on the unaudited financial statements for the 12 months ended 31 March 2018.

The statutory financial year end of Santaisan Sdn. Bhd. and its wholly-owned subsidiaries ("Santaisan Group") is 31 December. The share of results in Santaisan Group is based on the unaudited financial statements for the 12 months ended 31 March 2018.

Blissful Intuition Sdn. Bhd. was incorporated during the financial year and did not commence business operations since incorporation. Hence, the results of this associate have not been equity accounted as the amount involved is insignificant to the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2018
cont'd

6. INVESTMENTS IN ASSOCIATES *Cont'd*

The summarised unaudited financial information for each associate that is material to the Group is as follows:-

| | Wanhoi GH Group | |
|--|------------------------|-------------|
| | 2018 | 2017 |
| | RM | RM |
| <u>At 31 March</u> | | |
| Non-current assets | 2,364,888 | 1,730,525 |
| Current assets | 2,515,533 | 595,493 |
| Current liabilities | (1,874,415) | (1,628,708) |
| Net assets | 3,006,006 | 697,310 |
| <u>12-month Period Ended 31 March</u> | | |
| Revenue | 17,324,872 | 2,087,878 |
| Profit/(Loss) after taxation/Total comprehensive income/(expenses) for the financial year | 3,530,178 | (1,165,190) |
| Group's share of profit/(loss) after taxation/Total comprehensive income/(expenses) for the financial year | 709,291 | (233,038) |
| Dividend received | 191,012 | - |
| <u>Reconciliation of Net Assets to Carrying Amount</u> | | |
| Group's share of net assets | 601,201 | 139,462 |
| Bargain purchase | - | - |
| Carrying amount of the Group's interests in this associate | 601,201 | 139,462 |
| | | |
| | Santaisan Group | |
| | 2018 | 2017 |
| | RM | RM |
| <u>At 31 March</u> | | |
| Non-current assets | 2,644,108 | 840,200 |
| Current assets | 2,176,475 | 2,318,191 |
| Current liabilities | (3,934,859) | (1,719,114) |
| Net assets | 885,724 | 1,439,277 |
| <u>12-month Period Ended 31 March</u> | | |
| Revenue | 10,860,623 | 596,840 |
| Loss after taxation/Total comprehensive expenses for the financial year | (261,586) | (124,228) |
| Group's share of loss after taxation/Total comprehensive expenses for the financial year | (87,187) | (41,409) |
| <u>Reconciliation of Net Assets to Carrying Amount</u> | | |
| Group's share of net assets | 295,212 | 479,759 |
| Bargain purchase | - | - |
| Carrying amount of the Group's interests in this associate | 295,212 | 479,759 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2018
cont'd

6. INVESTMENTS IN ASSOCIATES *Cont'd*

The summarised unaudited financial information for each associate that is material to the Group is as follows:-
Cont'd

| | Blissful Group | |
|--|----------------|------|
| | 2018 | 2017 |
| | RM | RM |
| <u>At 31 March</u> | | |
| Non-current assets | 6,420 | - |
| Current assets | 703,580 | - |
| Current liabilities | - | - |
| Net assets | 710,000 | - |
| <u>12-month Period Ended 31 March</u> | | |
| Revenue | - | - |
| Profit after taxation/Total comprehensive income for the financial year | - | - |
| Group's share of profit after taxation/Total comprehensive income for the financial year | - | - |
| <u>Reconciliation of Net Assets to Carrying Amount</u> | | |
| Group's preference shares in this associate | 700,000 | - |
| Group's share of net assets | 3,500 | - |
| Bargain purchase | - | - |
| Carrying amount of the Group's interests in this associate | 703,500 | - |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2018

cont'd

7. PROPERTY, PLANT AND EQUIPMENT

| | At 1.4.2017 | | Additions | | Disposal | | Write-offs | | Impairment | | Disposal of Subsidiary | | Foreign Exchange Differences | | Depreciation Charges | | At 31.3.2018 | | |
|--|----------------|-----------|-----------|-----------|-----------|-----------|------------|-------------|-------------|-------------|---------------------------|----------|------------------------------------|-------------|-------------------------|-------------|-----------------|------------|--|
| | RM | RM | RM | RM | RM | RM | RM | RM | RM | RM | RM | RM | RM | RM | RM | RM | RM | RM | |
| The Group | | | | | | | | | | | | | | | | | | | |
| 2018 | | | | | | | | | | | | | | | | | | | |
| <i>Carrying Amount</i> | | | | | | | | | | | | | | | | | | | |
| Freehold land | 5,860,000 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 5,860,000 | |
| Freehold buildings | 7,144,200 | - | - | - | - | - | - | - | - | - | - | - | - | - | (145,800) | - | - | 6,998,400 | |
| Leasehold land | 17,317,040 | - | - | - | - | - | - | - | - | - | - | - | - | - | (227,484) | - | - | 17,089,556 | |
| Leasehold buildings | 11,027,025 | - | - | - | - | - | - | - | - | - | - | - | - | - | (225,029) | - | - | 10,801,996 | |
| Plant and machinery | 565,535 | 156,519 | (1) | - | - | - | - | - | - | - | - | - | - | - | (258,494) | - | - | 463,559 | |
| Motor vehicles | 748,437 | 433,773 | (3) | (2,954) | (1) | - | - | - | - | - | - | - | - | - | (322,587) | - | - | 856,665 | |
| Renovation, furniture and fittings | 2,285,575 | 2,225,000 | (53) | (152,620) | (155,247) | - | - | - | - | - | - | - | - | - | (837,456) | - | - | 3,365,199 | |
| Equipment and electrical installation | 1,678,977 | 1,796,124 | (2) | (115,790) | (464,468) | (574,811) | (76,369) | - | - | - | - | - | - | - | (955,941) | - | - | 1,287,720 | |
| Capital work-in- progress | - | 741,892 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 741,892 | |
| | 46,626,789 | 5,353,308 | (59) | (271,364) | (619,716) | (574,811) | (76,369) | (2,972,791) | (2,972,791) | (2,972,791) | (574,811) | (76,369) | (2,972,791) | (2,972,791) | (2,972,791) | (2,972,791) | (2,972,791) | 47,464,987 | |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2018
cont'd

7. PROPERTY, PLANT AND EQUIPMENT *Cont'd*

| | At 1.4.2016 | Additions | Disposal | Write-offs | Foreign Exchange Differences | Depreciation Charges | At 31.3.2017 |
|---------------------------------------|----------------|-----------|----------|------------|------------------------------------|-------------------------|-----------------|
| | RM | RM | RM | RM | RM | RM | RM |
| The Group | | | | | | | |
| 2017 | | | | | | | |
| <i>Carrying Amount</i> | | | | | | | |
| Freehold land | 5,860,000 | - | - | - | - | - | 5,860,000 |
| Freehold buildings | 7,290,000 | - | - | - | - | (145,800) | 7,144,200 |
| Leasehold land | 17,160,000 | 382,555 | - | - | - | (225,515) | 17,317,040 |
| Leasehold buildings | 11,190,000 | 61,439 | - | - | - | (224,414) | 11,027,025 |
| Plant and machinery | 838,072 | 85,752 | - | - | - | (358,289) | 565,535 |
| Motor vehicles | 545,235 | 460,580 | - | (1) | - | (257,377) | 748,437 |
| Renovation, furniture and fittings | 2,993,816 | 387,495 | (1,473) | (185,067) | - | (909,196) | 2,285,575 |
| Equipment and electrical installation | 2,162,508 | 103,838 | - | (47,715) | 74,638 | (614,292) | 1,678,977 |
| | 48,039,631 | 1,481,659 | (1,473) | (232,783) | 74,638 | (2,734,883) | 46,626,789 |

| | At Cost | At Valuation | Accumulated Depreciation | Accumulated Impairment | Carrying Amount |
|---------------------------------------|------------|--------------|--------------------------|------------------------|-----------------|
| | RM | RM | RM | RM | RM |
| The Group | | | | | |
| 2018 | | | | | |
| Freehold land | - | 5,860,000 | - | - | 5,860,000 |
| Freehold buildings | - | 7,290,000 | (291,600) | - | 6,998,400 |
| Long leasehold land | 382,555 | 17,160,000 | (452,999) | - | 17,089,556 |
| Long leasehold buildings | 61,439 | 11,190,000 | (449,443) | - | 10,801,996 |
| Plant and machinery | 8,989,753 | - | (8,526,194) | - | 463,559 |
| Motor vehicles | 3,046,637 | - | (2,189,971) | (1) | 856,665 |
| Renovation, furniture and fittings | 17,993,372 | - | (14,472,926) | (155,247) | 3,365,199 |
| Equipment and electrical installation | 9,093,340 | - | (7,341,152) | (464,468) | 1,287,720 |
| Capital work-in-progress | 741,892 | - | - | - | 741,892 |
| | 40,308,988 | 41,500,000 | (33,724,285) | (619,716) | 47,464,987 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2018
cont'd

7. PROPERTY, PLANT AND EQUIPMENT *Cont'd*

| | At Cost RM | At Valuation RM | Accumulated Depreciation RM | Carrying Amount RM |
|---------------------------------------|---------------|-----------------------|-----------------------------------|--------------------------|
| The Group | | | | |
| 2017 | | | | |
| Freehold land | - | 5,860,000 | - | 5,860,000 |
| Freehold buildings | - | 7,290,000 | (145,800) | 7,144,200 |
| Long leasehold land | 382,555 | 17,160,000 | (225,515) | 17,317,040 |
| Long leasehold buildings | 61,439 | 11,190,000 | (224,414) | 11,027,025 |
| Plant and machinery | 8,869,231 | - | (8,303,696) | 565,535 |
| Motor vehicles | 3,542,046 | - | (2,793,609) | 748,437 |
| Renovation, furniture and fittings | 17,750,231 | - | (15,464,656) | 2,285,575 |
| Equipment and electrical installation | 11,858,319 | - | (10,179,342) | 1,678,977 |
| | 42,463,821 | 41,500,000 | (37,337,032) | 46,626,789 |

| | At 1.4.2017 RM | Depreciation Charges RM | At 31.3.2018 RM |
|---------------------------------------|----------------------|-------------------------------|-----------------------|
| The Company | | | |
| 2018 | | | |
| <i>Carrying Amount</i> | | | |
| Renovation, furniture and fittings | 113,176 | (14,624) | 98,552 |
| Equipment and electrical installation | 105,290 | (53,880) | 51,410 |
| | 218,466 | (68,504) | 149,962 |

| | At 1.4.2016 RM | Addition RM | Depreciation Charges RM | At 31.3.2017 RM |
|---------------------------------------|----------------------|----------------|-------------------------------|-----------------------|
| The Company | | | | |
| 2017 | | | | |
| <i>Carrying Amount</i> | | | | |
| Renovation, furniture and fittings | 127,800 | - | (14,624) | 113,176 |
| Equipment and electrical installation | 151,151 | 7,489 | (53,350) | 105,290 |
| | 278,951 | 7,489 | (67,974) | 218,466 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2018
cont'd

7. PROPERTY, PLANT AND EQUIPMENT *Cont'd*

| | At Cost RM | Accumulated Depreciation RM | Carrying Amount RM |
|---------------------------------------|---------------|-----------------------------------|--------------------------|
| The Company | | | |
| 2018 | | | |
| Renovation, furniture and fittings | 146,239 | (47,687) | 98,552 |
| Equipment and electrical installation | 279,473 | (228,063) | 51,410 |
| | 425,712 | (275,750) | 149,962 |
| 2017 | | | |
| Renovation, furniture and fittings | 146,239 | (33,063) | 113,176 |
| Equipment and electrical installation | 279,473 | (174,183) | 105,290 |
| | 425,712 | (207,246) | 218,466 |

- (a) The carrying amounts of the property, plant and equipment which have been pledged to licensed banks as security for banking facilities granted to the Group are as follows:-

| | The Group | |
|--------------------------|------------|------------|
| | 2018 RM | 2017 RM |
| Long leasehold land | 2,185,241 | 2,214,883 |
| Long leasehold buildings | 385,996 | 394,025 |
| | 2,571,237 | 2,608,908 |

- b) Included in the property, plant and equipment were motor vehicles with a total carrying amount of RM563,573 (2017 - RM442,198), which were acquired under hire purchase terms. These leased assets had been pledged as security for the related finance leased liabilities of the Group.
- (c) The leasehold land is amortised over 58 - 88 years.
- d) If the land and building were measured using the cost model, the carrying amounts would be as follows:-

| | The Group | |
|--------------------------|-------------|-------------|
| | 2018 RM | 2017 RM |
| Cost | 20,366,097 | 20,366,097 |
| Accumulated depreciation | (2,382,983) | (2,065,943) |
| | 17,983,114 | 18,300,154 |

- (e) During the financial year, Restoran Oversea (P.J.) Sdn. Bhd. has ceased business operations. An impairment loss of RM177,864, represents the write-off of the equipment was recognised in Administrative Expenses line item of the consolidated statement of profit or loss and other comprehensive income as disclosed in Note 31 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2018
cont'd

8. INVESTMENT PROPERTIES

| | The Group | |
|--|------------|------------|
| | 2018 RM | 2017 RM |
| Freehold land and buildings, at fair value | 2,450,000 | 2,450,000 |

Investment properties are stated at fair value, which have been determined based on valuations performed by independent valuers at the end of the reporting date using the sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties. There has been no change to the valuation technique during the financial year.

The fair values of the investment properties are within level 2 of the fair value hierarchy.

There were no transfers between level 1 and level 2 during the financial year.

Details of the Group's investment properties and information about the fair value hierarchy as at the end of the reporting period are as follows:-

| | Fair Value Hierarchy | | | Total Fair Value RM |
|------------------|----------------------|---------------|---------------|---------------------------|
| | Level 1 RM | Level 2 RM | Level 3 RM | |
| 2018/2017 | | | | |
| Shoplot | - | 1,473,500 | - | 1,473,500 |
| Terrace house | - | 950,000 | - | 950,000 |
| Carpark | - | 26,500 | - | 26,500 |
| | - | 2,450,000 | - | 2,450,000 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2018
cont'd

9. OTHER INVESTMENTS

| | The Group | |
|---|------------|------------|
| | 2018 RM | 2017 RM |
| At 1 April | 257,756 | 372,460 |
| Disposal during the financial year | (115,875) | (29,700) |
| Fair value adjustment (Note 23.1) | (874) | (85,004) |
| | 141,007 | 257,756 |
| Other investments comprise the following:- | | |
| At fair value:- | | |
| Quoted shares in Malaysia | 10,800 | 121,275 |
| Quoted shares outside Malaysia | 22,437 | 28,711 |
| Investments in quoted shares, at fair value | 33,237 | 149,986 |
| Golf club membership, at cost | 107,770 | 107,770 |
| | 141,007 | 257,756 |
| Market value of quoted shares | 33,237 | 149,986 |

Investments in quoted shares of the Group are designated as available-for-sale financial assets and are measured at fair value.

Golf club membership of the Group are designated as available-for-sale financial assets and are stated at cost as their fair values cannot be reliably measured using valuation techniques due to the lack of marketability of the membership.

10. INTANGIBLE ASSET

| | The Group | |
|--|------------|------------|
| | 2018 RM | 2017 RM |
| Trademark, at cost:- | | |
| At 1 April | 431,919 | 376,629 |
| Addition during the financial year | 20,294 | 55,290 |
| At 31 March | 452,213 | 431,919 |
| Amortisation of intangible asset | (361,266) | (324,471) |
| | 90,947 | 107,448 |
| Amortisation of intangible asset:- | | |
| At 1 April | (324,471) | (289,141) |
| Amortisation during the financial year | (36,795) | (35,330) |
| At 31 March | (361,266) | (324,471) |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2018
cont'd

11. LONG-TERM RECEIVABLES

| | The Group | |
|----------------------------------|------------|------------|
| | 2018 RM | 2017 RM |
| Minimum staff loan repayments: | | |
| - within one year | 81,844 | 121,804 |
| - within two to five years | 101,995 | 116,912 |
| - more than five years | 3,000 | 10,830 |
| | 186,839 | 249,546 |
| Less: Prepaid operating expenses | (23,010) | (31,584) |
| | 163,829 | 217,962 |

The fair value of staff loans are repayable as follows:-

| | The Group | |
|--|------------|------------|
| | 2018 RM | 2017 RM |
| Current (Note 15): | | |
| - within one year | 81,844 | 121,804 |
| Non-current: | | |
| - within two to five years | 80,206 | 89,885 |
| - more than five years | 1,779 | 6,273 |
| | 81,985 | 96,158 |
| | 163,829 | 217,962 |
| Prepaid operating expenses:- | | |
| At 1 April | (31,584) | (43,357) |
| Addition during the financial year | (4,288) | (5,912) |
| Accretion of long-term receivables | 12,862 | 17,685 |
| Recognised in profit or loss during the financial year | 8,574 | 11,773 |
| At 31 March | (23,010) | (31,584) |

The staff loans are unsecured, interest-free and to be settled in cash. The staff loans are recognised initially at fair value. The difference between the fair value and the nominal loan amount represents payment for services to be rendered during the period of the loan and is recorded as part of prepaid operating expenses.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2018
cont'd

12. DEFERRED TAX ASSETS/(LIABILITIES)

| | The Group | |
|--|-------------|-------------|
| | 2018 RM | 2017 RM |
| At 1 April | (5,450,727) | (5,760,326) |
| Recognised in profit or loss during the financial year (Note 33) | (293,005) | 282,777 |
| Foreign exchange differences | 1,148 | 26,822 |
| At 31 March | (5,742,584) | (5,450,727) |
| Presented as follows:- | | |
| Deferred tax assets | 49,000 | 424,836 |
| Deferred tax liabilities | (5,791,584) | (5,875,563) |
| | (5,742,584) | (5,450,727) |

The deferred tax assets/(liabilities) recognised at the end of the reporting period before appropriate off-setting are as follows:-

| | The Group | |
|--|-------------|-------------|
| | 2018 RM | 2017 RM |
| Deferred tax assets:- | | |
| Impairment losses | 69,000 | 20,000 |
| Unutilised tax losses | 6,000 | 416,842 |
| | 75,000 | 436,842 |
| Deferred tax liabilities:- | | |
| Property, plant and equipment: | | |
| - arising from revaluation surplus | (4,834,561) | (4,909,152) |
| - accelerated capital allowances over depreciation | (969,347) | (925,351) |
| Investment properties | (13,676) | (43,675) |
| Unrealised foreign exchange gains | - | (9,391) |
| | (5,817,584) | (5,887,569) |
| | (5,742,584) | (5,450,727) |

The deferred tax assets on unutilised tax losses have been recognised on the basis of the Group's previous history of recording profits and to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. The unutilised tax losses can be carried forward to subsequent financial years until fully utilised.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2018
cont'd

12. DEFERRED TAX ASSETS/(LIABILITIES) *Cont'd*

No deferred tax assets are recognised at the end of the reporting period on the following items:-

| | The Group | |
|-------------------------------|-----------|-----------|
| | 2018 | 2017 |
| | RM | RM |
| Unabsorbed capital allowances | 1,782,762 | 964,418 |
| Unutilised tax losses | 6,163,853 | 5,284,861 |
| | 7,946,615 | 6,249,279 |

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits of the subsidiaries will be available against which the deductible temporary differences can be utilised. The unused tax losses and unabsorbed capital allowances do not expire under current tax legislation. However, the availability of unused tax losses for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to no substantial changes in shareholdings of those subsidiaries under the Income Tax Act 1967 and guidelines issued by the tax authority.

13. INVENTORIES

| | The Group | |
|-------------------|-----------|-----------|
| | 2018 | 2017 |
| | RM | RM |
| At cost:- | | |
| Food | 4,529,244 | 4,683,813 |
| Beverage | 214,646 | 281,380 |
| Raw materials | 102,452 | 333,054 |
| Packing materials | 562,899 | 157,355 |
| Finished goods | 106,390 | 105,582 |
| | 5,515,631 | 5,561,184 |

None of the inventories is carried at net realisable value.

| | The Group | |
|---|------------|------------|
| | 2018 | 2017 |
| | RM | RM |
| Recognised in profit or loss:- | | |
| Inventories recognised as cost of sales | 20,973,375 | 20,969,229 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2018
cont'd

14. TRADE RECEIVABLES

| | The Group | |
|---------------------------------------|------------|------------|
| | 2018 RM | 2017 RM |
| Trade receivables | 1,317,147 | 1,302,836 |
| Allowance for impairment losses | (733,342) | (733,342) |
| | 583,805 | 569,494 |
| Allowance for impairment losses:- | | |
| At 1 April | (733,342) | (746,842) |
| Written off during the financial year | - | 13,500 |
| At 31 March | (733,342) | (733,342) |

The Group's normal trade credit terms range from cash term to 60 (2017 - cash term to 60) days. Other credit terms are assessed and approved on a case-by-case basis.

Included in the trade receivables is an amount of RM105,946 (2017 - RM6,277) owing by the related parties. The amount owing is unsecured, interest-free and subject to the normal trade credit terms. The amount owing is to be settled in cash.

15. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | The Group | | The Company | |
|------------------------------------|------------|------------|-------------|------------|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Other receivables | 567,822 | 466,556 | 5,127 | 6,177 |
| Deposits | 1,972,015 | 2,017,130 | 44,340 | 37,989 |
| Prepayments | 313,868 | 459,043 | 20,133 | 22,209 |
| | 2,853,705 | 2,942,729 | 69,600 | 66,375 |
| Allowance for impairment losses | (344,009) | - | - | - |
| | 2,509,696 | 2,942,729 | 69,600 | 66,375 |
| Accumulated impairment loss:- | | | | |
| At 1 April | - | - | - | - |
| Addition during the financial year | (344,009) | - | - | - |
| At 31 March | (344,009) | - | - | - |

Included in the other receivables are staff loans of RM81,844 (2017 - RM121,804) as disclosed in Note 11 to the financial statements.

16. AMOUNTS OWING BY/TO SUBSIDIARIES

The amounts owing are non-trade in nature, unsecured, interest-free and repayable on demand. The amounts owing are to be settled in cash.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2018
cont'd

17. AMOUNT OWING BY ASSOCIATES

| | The Group | |
|------------------------------------|-------------|-------------|
| | 2018 RM | 2017 RM |
| Non-trade balances | 2,761,400 | 2,224,400 |
| Allowance for impairment losses | (2,621,300) | (1,924,300) |
| | 140,100 | 300,100 |
| Allowance for impairment losses:- | | |
| At 1 April | (1,924,300) | (1,924,300) |
| Addition during the financial year | (697,000) | - |
| At 31 March | (2,621,300) | (1,924,300) |

The non-trade balances are unsecured, interest-free and repayable on demand. The amount owing is to be settled in cash.

18. SHORT-TERM INVESTMENTS WITH FINANCIAL INSTITUTIONS

| | The Group | |
|-----------------------------------|------------|------------|
| | 2018 RM | 2017 RM |
| Money market fund, at fair value | 43,238 | 239,768 |
| Market value of money market fund | 43,238 | 239,768 |

The short-term investments with financial institutions of the Group are in respect of investment in unquoted trust funds and earns interest at effective interest rates ranging from 2.61% to 3.36% (2017 - 2.39% to 2.68%) per annum at the end of the reporting period.

The short-term investments are designated as financial asset at fair value through profit or loss and are measured at fair value.

19. DEPOSITS WITH LICENSED BANKS

The effective interest rates of deposits at the end of the reporting period were as follows:-

| | The Group | | The Company | |
|--------------------------|--------------|--------------|--------------|--------------|
| | 2018 % | 2017 % | 2018 % | 2017 % |
| Effective interest rates | 2.74 to 3.70 | 2.00 to 3.70 | 2.74 to 3.20 | 2.55 to 3.70 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2018
cont'd

19. DEPOSITS WITH LICENSED BANKS *Cont'd*

The maturity periods of deposits at the end of the reporting period were as follows:-

| | The Group | | The Company | |
|-------------------------|-----------|---------|-------------|------|
| | 2018 | 2017 | 2018 | 2017 |
| Maturity period (month) | 1 to 12 | 1 to 12 | 1 | 1 |

The deposits of RM448,179 (2017 - RM437,530) at the end of the reporting period were pledged to licensed banks as security for banking facilities granted to the Group.

The deposits of RM243,942 (2017 - RM236,855) at the end of the reporting period were held in trust for the Group by a director. The deposits will be transferred to the Group at a time to be directed by the Group.

20. SHARE CAPITAL

| | The Group/The Company | | | |
|-------------------------------------|-----------------------|-------------|------------|------------|
| | 2018 | 2017 | 2018 | 2017 |
| | Number of Shares | | RM | |
| Issued and Fully Paid-up | | | | |
| Ordinary shares with no Par Value:- | | | | |
| At 1 April | 246,415,000 | 245,000,000 | 49,283,000 | 49,000,000 |
| Issuance of new shares for cash | - | 1,415,000 | - | 283,000 |
| At 31 March | 246,415,000 | 246,415,000 | 49,283,000 | 49,283,000 |

- (i) The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company, and are entitled to one vote per ordinary share at meetings of the Company.
- (ii) In the previous financial year, the Company increased its issued and paid-up share capital from RM49,000,000 to RM49,283,000 by way of an issuance of 1,415,000 new ordinary shares for a cash consideration of RM283,000 for the purpose of working capital pursuant to the Special Bumiputera Issue. The new ordinary shares issued rank *pari passu* in all respects with the existing ordinary shares of the Company.

21. TREASURY SHARES

| | The Group/ The Company | |
|----------------------|---------------------------|---------|
| | 2018 | 2017 |
| | RM | |
| At 1 April | 867,063 | 867,063 |
| Treasury shares sold | (31,513) | - |
| At 31 March | 835,550 | 867,063 |

The amount relates to the acquisition cost of treasury shares.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2018
cont'd

21. TREASURY SHARES *Cont'd*

During the financial year, the Company reissued its treasury shares by resale in the open market. Details are as follows:-

| Date | Price Per Share RM | Number of Shares | Total Consideration RM | Total Cost RM |
|-----------------|-----------------------|------------------|---------------------------|------------------|
| At 1 April 2017 | | 4,047,100 | - | 867,063 |
| 5 April 2017 | 0.28 | (47,100) | 13,086 | (10,090) |
| 6 April 2017 | 0.28 | (100,000) | 27,785 | (21,423) |
| | | 3,900,000 | 40,871 | 835,550 |

The total shares purchased under the share buy-back program were financed by internally generated funds. The ordinary shares purchased were retained as treasury shares in accordance with Section 127(6) of the Companies Act 2016 and are presented as a deduction from equity.

The proceeds from the resale of treasury shares were utilised as working capital during the financial year.

22. SHARE PREMIUM

The Company has adopted the transitional provisions set out in Section 618(3) of the Companies Act 2016 ("Act") where the sum standing to the credit of the share premium may be utilised within twenty four (24) months from the commencement date of 31 January 2017 in the manner as allowed for under the Act. Therefore, the Group and the Company have not consolidated the share premium into share capital until the expiry of the transitional period.

23. RESERVES

| | Note | The Group | | The Company | |
|--------------------------------------|------|-------------|-------------|-------------|-------------|
| | | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Fair value reserve | 23.1 | (63,181) | (20,432) | - | - |
| Foreign exchange translation reserve | 23.2 | (56,067) | (520,500) | - | - |
| Revaluation reserve | 23.3 | 17,871,829 | 18,109,735 | - | - |
| Accumulated losses | | (8,052,056) | (3,696,239) | (1,755,178) | (1,488,873) |
| | | 9,700,525 | 13,872,564 | (1,755,178) | (1,488,873) |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2018
cont'd

23. RESERVES *Cont'd*

23.1 FAIR VALUE RESERVE

| | The Group | |
|---|-----------|----------|
| | 2018 | 2017 |
| | RM | RM |
| At 1 April | (20,432) | 2,022 |
| Fair value loss on investment in quoted shares (Note 9) | (874) | (85,004) |
| Reversal upon disposal of investment in quoted shares | (41,875) | 62,550 |
| At 31 March | (63,181) | (20,432) |

The fair value reserve represents the cumulative fair value changes (net of tax, where applicable) of available-for-sale financial assets until they are disposed of or impaired.

23.2 FOREIGN EXCHANGE TRANSLATION RESERVE

The foreign exchange translation reserve arose from the translation of the financial statements of the foreign subsidiaries and is not distributable by way of dividends.

23.3 REVALUATION RESERVE

| | The Group | |
|-------------------------------------|------------|------------|
| | 2018 | 2017 |
| | RM | RM |
| At 1 April | 18,109,735 | 18,347,641 |
| Amortisation of revaluation reserve | (237,906) | (237,906) |
| At 31 March | 17,871,829 | 18,109,735 |

The revaluation reserve represents the increase in the fair value of land and buildings of the Group (net of deferred tax, where applicable) presented under property, plant and equipment.

24. LONG-TERM BORROWINGS

| | The Group | |
|----------------------------------|-----------|-----------|
| | 2018 | 2017 |
| | RM | RM |
| Hire purchase payables (Note 25) | 236,006 | 149,944 |
| Term loans (Note 26) | 1,279,501 | 1,335,791 |
| | 1,515,507 | 1,485,735 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2018
cont'd

25. HIRE PURCHASE PAYABLES (SECURED)

| | The Group | |
|---|------------|------------|
| | 2018 RM | 2017 RM |
| Minimum hire purchase payments: | | |
| - not later than one year | 78,729 | 46,620 |
| - later than one year and not later than five years | 259,845 | 167,055 |
| | 338,574 | 213,675 |
| Less: Future finance charges | (35,281) | (27,855) |
| Present value of hire purchase payables | 303,293 | 185,820 |
| Analysed by:- | | |
| Current liabilities (Note 29) | 67,287 | 35,876 |
| Non-current liabilities (Note 24) | 236,006 | 149,944 |
| | 303,293 | 185,820 |

The hire purchase payables of the Group are secured by the Group's motor vehicles under hire purchase as disclosed in Note 7 to the financial statements. The hire purchase arrangements are expiring from 4 to 5 (2017 - 5) years.

The hire purchase payables of the Group at the end of the reporting period bore effective interest rates ranging from 4.66% - 6.20% (2017 - 6.20%) per annum. The interest rate is fixed at the inception of the hire purchase arrangements.

26. TERM LOANS (SECURED)

| | The Group | |
|-----------------------------------|------------|------------|
| | 2018 RM | 2017 RM |
| Current liabilities (Note 29) | 56,582 | 53,894 |
| Non-current liabilities (Note 24) | 1,279,501 | 1,335,791 |
| | 1,336,083 | 1,389,685 |

Details of the repayment terms are as follows:-

| Term Loan | Number of Monthly Instalment | Monthly Instalments RM | Date of Commencement of Repayment | The Group Amount Outstanding | |
|-----------|------------------------------|---------------------------|-----------------------------------|------------------------------|------------|
| | | | | 2018 RM | 2017 RM |
| 1 | 240 | 3,930 | 18.7.2014 | 550,700 | 569,424 |
| 2 | 240 | 3,930 | 18.7.2014 | 546,454 | 569,353 |
| 3 | 180 | 1,984 | 1.11.2016 | 238,929 | 250,908 |
| | | | | 1,336,083 | 1,389,685 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2018
cont'd

26. TERM LOANS (SECURED) *Cont'd*

The term loans bore effective interest rates ranging from 4.84% - 4.97% (2017 - 4.50% to 4.72%) per annum at the end of the reporting period and are secured by:-

- (a) a first legal charge over certain properties of the Group as disclosed in Note 7 to the financial statements; and
- (b) a joint and several guarantee of certain directors of the Group.

27. TRADE PAYABLES

The normal trade credit terms granted to the Group range from 30 to 90 (2017 - 30 to 90) days.

28. OTHER PAYABLES AND ACCRUALS

| | The Group | | The Company | |
|-------------------|------------|------------|-------------|------------|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Other payables | 1,263,320 | 1,055,744 | 30,221 | 39,812 |
| Accruals | 772,582 | 806,622 | 166,572 | 150,058 |
| Deposits received | 301,015 | 912,244 | - | - |
| | 2,336,917 | 2,774,610 | 196,793 | 189,870 |

29. SHORT-TERM BORROWINGS

| | The Group | |
|----------------------------------|------------|------------|
| | 2018 RM | 2017 RM |
| Hire purchase payables (Note 25) | 67,287 | 35,876 |
| Term loans (Note 26) | 56,582 | 53,894 |
| | 123,869 | 89,770 |

30. REVENUE

| | The Group | |
|---|------------|------------|
| | 2018 RM | 2017 RM |
| Sale of food and beverage | 47,378,695 | 49,092,698 |
| Sale of moon cakes and other baked products | 11,138,763 | 10,938,444 |
| Sale of general products | - | 12,856 |
| | 58,517,458 | 60,043,998 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2018
cont'd

31. (LOSS)/PROFIT BEFORE TAXATION

| | The Group | | The Company | |
|--|-------------|-------------|-------------|------------|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| (Loss)/Profit before taxation is arrived at after charging/(crediting):- | | | | |
| Amortisation of intangible asset | 36,795 | 35,330 | - | - |
| Audit fee: | | | | |
| - for the financial year | 205,841 | 232,745 | 37,000 | 35,000 |
| - under/(over)provision in the previous financial year | 5,000 | 9,500 | 2,000 | 1,000 |
| Bad debts written off: | | | | |
| - trade and other receivables | 16,174 | - | - | - |
| Depreciation of property, plant and equipment | 2,972,791 | 2,734,883 | 68,504 | 67,974 |
| Directors' remuneration | 2,611,566 | 2,614,475 | 108,000 | 108,000 |
| Impairment loss: | | | | |
| - other investment | 58,355 | - | - | - |
| - other receivables | 344,009 | - | - | - |
| - amount owing by associates | 697,000 | - | - | - |
| - property, plant and equipment | 619,716 | - | - | - |
| Interest expense: | | | | |
| - hire purchase | 12,008 | 5,287 | - | - |
| - term loans | 62,377 | 59,700 | - | - |
| Property, plant and equipment written off | 271,364 | 232,783 | - | - |
| Realised (gain)/loss on foreign exchange | 71,586 | (101,323) | - | - |
| Rental of premises | 4,427,491 | 4,587,602 | - | - |
| Rental of plant and machineries | 114,703 | 85,734 | - | - |
| Staff costs: | | | | |
| - salaries, wages, bonuses and allowances | 19,717,540 | 18,981,466 | - | - |
| - defined contribution plan | 1,745,579 | 1,662,827 | - | - |
| - other benefits | 944,109 | 871,352 | - | - |
| Accretion of long-term receivables | (12,862) | (17,685) | - | - |
| (Gain)/Loss on disposal of: | | | | |
| - property, plant and equipment | (24,689) | (1,239) | - | - |
| - other investments | (45,250) | 57,750 | - | - |
| Interest income | (315,611) | (392,389) | (21,159) | (30,620) |
| Investment properties: | | | | |
| - rental income | (53,650) | (58,100) | - | - |
| - direct expenses for revenue generating properties | 8,736 | 8,734 | - | - |
| Dividend income | (4,896) | (5,601) | - | - |
| Net gain on disposal of a subsidiary | (1,016,722) | - | - | - |
| Service fee income | (3,752,538) | (4,054,206) | - | - |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2018
cont'd

32. DIRECTORS' REMUNERATION

The aggregate amounts of emoluments received and receivable by the directors of the Group and the Company during the financial year are as follows:-

| | The Group | | The Company | |
|---------------------------------------|------------|------------|-------------|------------|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| <u>Directors of the Company:</u> | | | | |
| Executive directors: | | | | |
| - salaries and other emoluments | 1,965,001 | 1,981,188 | - | - |
| - define contribution plan | 203,864 | 190,266 | - | - |
| Non-executive directors: | | | | |
| - fee | 108,000 | 108,000 | 108,000 | 108,000 |
| | 2,276,865 | 2,279,454 | 108,000 | 108,000 |
| <u>Directors of the subsidiaries:</u> | | | | |
| Executive directors: | | | | |
| - salaries and other emoluments | 297,777 | 299,801 | - | - |
| - define contribution plan | 36,924 | 35,220 | - | - |
| | 334,701 | 335,021 | - | - |
| | 2,611,566 | 2,614,475 | 108,000 | 108,000 |

33. INCOME TAX EXPENSE

| | The Group | | The Company | |
|---|------------|------------|-------------|------------|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Current tax: | | | | |
| - for the financial year | 961,955 | 887,856 | - | - |
| - under/(over)provision in the previous financial year | 38,254 | (12,371) | - | 166 |
| | 1,000,209 | 875,485 | - | 166 |
| Deferred tax (Note 12): | | | | |
| - relating to origination and reversal of temporary differences | 344,005 | (188,540) | - | - |
| - overprovision in the previous financial year | (51,000) | (94,237) | - | - |
| | 293,005 | (282,777) | - | - |
| | 1,293,214 | 592,708 | - | 166 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2018
cont'd

33. INCOME TAX EXPENSE *Cont'd*

A reconciliation of income tax expense applicable to the (loss)/profit before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Group and of the Company is as follows:-

| | The Group | | The Company | |
|---|-------------|------------|-------------|------------|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| (Loss)/Profit before taxation | (3,566,454) | 1,051,601 | (275,663) | (345,387) |
| Tax at the statutory tax rate of 24% (2017 - 24%) | (855,949) | 252,384 | (66,159) | (82,893) |
| Tax effects of:- | | | | |
| Non-deductible expenses | 1,763,974 | 381,318 | 51,784 | 66,243 |
| Non-taxable gains | (13,822) | - | - | - |
| Differential in tax rates | (4,903) | (5,557) | - | - |
| Utilisation of reinvestment allowances | (57,911) | (308,826) | - | - |
| Utilisation of deferred tax assets not recognised in prior years | (180,450) | (50,547) | - | - |
| Deferred tax assets not recognised during the financial year | 655,021 | 430,544 | 14,375 | 16,650 |
| Under/(Over)provision in the previous financial year: | | | | |
| - current tax | 38,254 | (12,371) | - | 166 |
| - deferred tax | (51,000) | (94,237) | - | - |
| Income tax expense for the financial year | 1,293,214 | 592,708 | - | 166 |

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2017 - 24%) of the estimated assessable profit for the financial year. The taxation of other jurisdictions is calculated at the rates prevailing in the respective jurisdiction.

For years of assessment 2017 and 2018, the Malaysian statutory tax rate will be reduced by 1% to 4%, based on the prescribed incremental percentage of chargeable income from business, compared to that of the immediate preceding year of assessment. The Group has accounted for the reduction in the tax rate in the current financial year, based on the percentage of increase in chargeable income of the Company and its subsidiaries.

| | The Group | |
|--|------------|------------|
| | 2018 RM | 2017 RM |
| Income tax savings during the financial year arising from:- | | |
| Utilisation of current financial year's tax losses | 739,009 | 42,874 |
| Utilisation of tax losses previously recognised as deferred tax assets | 960,154 | - |
| Utilisation of unabsorbed capital allowances previously not recognised as deferred tax assets | 71,765 | - |
| | 1,770,928 | 42,874 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2018
cont'd

34. OTHER COMPREHENSIVE INCOME

| | The Group | |
|--|------------|------------|
| | 2018 RM | 2017 RM |
| Items that May be Reclassified Subsequently to Profit or Loss | | |
| Fair value of available-for-sale financial assets: | | |
| - changes during the financial year | (874) | (85,004) |
| - transfer to profit or loss upon disposal of other investments | (41,875) | 62,550 |
| | (42,749) | (22,454) |
| Foreign currency translation: | | |
| - changes during the financial year | 403,115 | (340,003) |
| | 360,366 | (362,457) |

35. (LOSS)/EARNINGS PER SHARE

The (loss)/earnings per share is calculated by dividing the Group's (loss)/profit after taxation attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue excluding treasury shares during the financial year:-

| | The Group | |
|---|-------------|-------------|
| | 2018 | 2017 |
| (Loss)/Profit after taxation attributable to owners of the Company (RM) | (4,789,564) | 458,893 |
| Weighted average number of ordinary shares in issue | 242,513,114 | 241,685,599 |
| Basic (loss)/earnings per share (sen) | (1.97) | 0.19 |

The Company has not issued any dilutive potential ordinary shares and hence, the diluted earnings per share is equal to the basic earnings per share.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2018
cont'd

36. DISPOSAL OF A SUBSIDIARY

On 31 March 2018, the Group disposed of its equity interests in Taiwan Haewaytian Limited for a total consideration of TWD3,000.

The financial effects of the disposal at the date of disposal are summarised below:-

| | The Group 2018 RM |
|--|----------------------------------|
| Plant and equipment | 574,811 |
| Inventories | 37,977 |
| Trade and other receivables | 273,014 |
| Cash and bank balances | 146,673 |
| Trade and other payables | (2,281,537) |
| Non-controlling interests | 183,843 |
| Carrying amount of net liabilities disposed of | (1,065,219) |
| Foreign exchange translation reserve (Note 34) | 48,895 |
| Gain on disposal of a subsidiary (Note 31) | 1,016,722 |
| Net disposal proceeds | 398 |
| Less: Cash and bank balances of a subsidiary disposed of | (146,673) |
| Net cash outflow from the disposal of a subsidiary | (146,275) |

There were no disposal of subsidiaries in the last financial year.

37. CASH FLOW INFORMATION

(a) The cash disbursed for the purchase of property, plant and equipment is as follows:-

| | The Group | | The Company | |
|--|--------------------|--------------------|--------------------|--------------------|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Cost of property, plant and equipment purchased (Note 7) | 5,353,308 | 1,481,659 | - | 7,489 |
| Amount financed through hire purchase (Note (b) below) | (158,000) | (200,000) | - | - |
| Cash disbursed for purchase of property, plant and equipment | 5,195,308 | 1,281,659 | - | 7,489 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2018
cont'd

37. CASH FLOW INFORMATION *Cont'd*

(b) The reconciliations of liabilities arising from financing activities are as follows:-

| The Group | Term Loans RM | Hire Purchase RM | Total RM |
|--|------------------------------|---------------------------------|---------------------|
| 2018 | | | |
| At 1 April | 1,389,685 | 185,820 | 1,575,505 |
| <u>Changes in Financing Cash Flows</u> | | | |
| Repayment of borrowing principal | (53,602) | (40,527) | (94,129) |
| Repayment of borrowing interests | (62,377) | (12,008) | (74,385) |
| | (115,979) | (52,535) | (168,514) |
| <u>Non-cash Changes</u> | | | |
| New hire purchase (Note (a) above) | - | 158,000 | 158,000 |
| Finance charges recognised in profit or loss | 62,377 | 12,008 | 74,385 |
| | 62,377 | 170,008 | 232,385 |
| At 31 March | 1,336,083 | 303,293 | 1,639,376 |

| The Company | Amount Owing To Subsidiaries RM |
|--|--|
| 2018 | |
| At 1 April | 5,032,295 |
| <u>Changes in Financing Cash Flows</u> | |
| Advances from subsidiaries | 126,754 |
| At 31 March | 5,159,049 |

Comparative information is not presented by virtue of the exemption given in MFRS 107.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2018
cont'd

37. CASH FLOW INFORMATION *Cont'd*

(c) The cash and cash equivalents comprise the following:-

| | The Group | | The Company | |
|--|------------|-------------|-------------|------------|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Short-term investments with financial institutions (Note 18) | 43,238 | 239,768 | - | - |
| Deposits with licensed banks (Note 19) | 6,806,486 | 12,158,834 | 509,541 | 815,656 |
| Cash and bank balances | 4,429,354 | 3,317,752 | 277,251 | 80,822 |
| | 11,279,078 | 15,716,354 | 786,792 | 896,478 |
| Less: Deposits pledged to licensed banks (Note 19) | (448,179) | (437,530) | - | - |
| Less: Deposits with tenure of more than 3 months | - | (2,500,000) | - | - |
| | 10,830,899 | 12,778,824 | 786,792 | 896,478 |

38. OPERATING LEASE COMMITMENTS

The Group leases a number of restaurant premises under non-cancellable operating leases. The lease period range from 2 to 6 years (2017 - 2 to 6 years) with an option to renew after that date. None of the leases includes contingent rentals.

The future minimum lease payments under the non-cancellable operating leases are as follows:-

| | The Group | |
|--|------------|------------|
| | 2018 RM | 2017 RM |
| Not more than 1 year | 3,272,277 | 1,117,144 |
| Later than 1 year and not later than 5 years | 5,040,394 | 399,622 |
| Later than 5 years | - | - |
| | 8,312,671 | 1,516,766 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2018
cont'd

39. OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the key management personnel as its chief operating decision maker in order to allocate resources to segments and to assess their performance. For management purposes, the Group is organised into business units based on their products and services provided.

The Group is organised into 3 main business segments as follows:-

- (i) Restaurant segment - involved in the business as restaurant operators.
- (ii) Manufacturing segment - involved in the manufacturing and wholesale of moon cake and other baked products.
- (iii) Trading and investment holding segment - involved in the trading of general and food products and providing corporate services and treasury functions.

The key management personnel assesses the performance of the operating segments based on operating profit or loss which is measured differently from those disclosed in the consolidated financial statements.

Operating segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Assets, liabilities and expenses which are common and cannot be meaningfully allocated to the operating segments are presented under unallocated items. Unallocated items comprise mainly corporate assets, liabilities and expenses. Income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are at arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfer between business segments. These segments are eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2018
cont'd

39. OPERATING SEGMENTS *Cont'd*

39.1 BUSINESS SEGMENTS

| | Restaurants RM | Manufacturing RM | Trading and Investment Holding RM | Elimination RM | The Group RM |
|--|-------------------|---------------------|--|-------------------|--------------------|
| 2018 | | | | | |
| Revenue | | | | | |
| External revenue | 47,378,202 | 11,138,764 | 492 | - | 58,517,458 |
| Inter-segment revenue | 337,383 | 6,713,828 | 29,616 | (7,080,827) | - |
| Total revenue | 47,715,585 | 17,852,592 | 30,108 | (7,080,827) | 58,517,458 |
| Results | | | | | |
| Segment results | (2,330,470) | 1,155,255 | (2,338,999) | (604,294) | (4,118,508) |
| Finance costs | (69,410) | (640) | - | - | (70,050) |
| Share of profit in associate | - | - | 622,104 | - | 622,104 |
| (Loss)/Profit before taxation | (2,399,880) | 1,154,615 | (1,716,895) | (604,294) | (3,566,454) |
| Income tax expense | | | | | (1,293,214) |
| Loss after taxation | | | | | (4,859,668) |
| Assets | | | | | |
| Segment assets | 63,342,663 | 28,379,862 | 58,056,048 | (77,921,424) | 71,857,149 |
| Unallocated assets | 200,293 | 73,160 | 52,050 | - | 325,503 |
| Consolidated total assets | | | | | 72,182,652 |
| Liabilities | | | | | |
| Segment liabilities | 30,680,377 | 7,234,322 | 24,521,364 | (55,419,384) | 7,016,679 |
| Unallocated liabilities | 1,682,300 | 4,297,541 | - | - | 5,979,841 |
| Consolidated total liabilities | | | | | 12,996,520 |
| Other Segment Items | | | | | |
| Amortisation of intangible asset | 564 | 24,664 | 11,567 | - | 36,795 |
| Capital expenditure: - Property, plant and equipment | 4,841,549 | 509,345 | 30,800 | (28,386) | 5,353,308 |
| Depreciation of property, plant and equipment | 2,099,770 | 802,130 | 70,891 | - | 2,972,791 |
| Property, plant and equipment written off | 271,364 | - | - | - | 271,364 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2018
cont'd

39. OPERATING SEGMENTS *Cont'd*

39.1 BUSINESS SEGMENTS *Cont'd*

| | Restaurants RM | Manufacturing RM | Trading and Investment Holding RM | Elimination RM | The Group RM |
|---|-------------------|---------------------|--|-------------------|--------------------|
| 2017 | | | | | |
| Revenue | | | | | |
| External revenue | 49,092,698 | 10,938,444 | 12,856 | - | 60,043,998 |
| Inter-segment revenue | 110,568 | 7,592,091 | 40,217 | (7,742,876) | - |
| Total revenue | 49,203,266 | 18,530,535 | 53,073 | (7,742,876) | 60,043,998 |
| Results | | | | | |
| Segment results | (138,851) | 1,573,799 | (692,774) | 387,603 | 1,129,777 |
| Finance costs | (78,176) | - | - | - | (78,176) |
| Profit/(Loss) before taxation | (217,027) | 1,573,799 | (692,774) | 387,603 | 1,051,601 |
| Income tax expense | | | | | (592,708) |
| Profit after taxation | | | | | 458,893 |
| Assets | | | | | |
| Segment assets | 59,482,064 | 31,107,630 | 58,981,453 | (74,323,914) | 75,247,233 |
| Unallocated assets | 667,477 | 153,129 | 31,503 | - | 852,109 |
| Consolidated total assets | | | | | 76,099,342 |
| Liabilities | | | | | |
| Segment liabilities | 26,398,534 | 10,909,336 | 19,594,825 | (50,028,817) | 6,873,878 |
| Unallocated liabilities | 1,521,478 | 4,377,328 | - | - | 5,898,806 |
| Consolidated total liabilities | | | | | 12,772,684 |
| Other Segment Items | | | | | |
| Amortisation of intangible asset | 564 | 26,207 | 8,559 | - | 35,330 |
| Capital expenditure: | | | | | |
| - Property, plant and equipment | 1,224,575 | 249,595 | 7,489 | - | 1,481,659 |
| Depreciation of property, plant and equipment | 1,777,846 | 887,703 | 69,334 | - | 2,734,883 |
| Property, plant and equipment written off | 232,782 | 1 | - | - | 232,783 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2018
cont'd

39. OPERATING SEGMENTS *Cont'd*

39.2 GEOGRAPHICAL SEGMENTS

Revenue and non-current assets information based on the geographical location of the Company and its subsidiaries are as follows:-

| | Revenue | | Non-Current Assets | |
|-----------|------------|------------|--------------------|------------|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Malaysia | 53,265,280 | 55,571,538 | 51,877,839 | 49,878,446 |
| Hong Kong | 1,879,058 | 2,073,055 | - | 272,946 |
| Taiwan | 3,373,120 | 2,399,405 | - | 430,816 |
| | 58,517,458 | 60,043,998 | 51,877,839 | 50,582,208 |

39.3 INFORMATION ABOUT MAJOR CUSTOMERS

There are no single external customers for which the revenue generated exceeded 10% of the Group's revenue.

40. CAPITAL COMMITMENTS

| | The Group | |
|---|------------|------------|
| | 2018 RM | 2017 RM |
| Purchase of property, plant and equipment | 4,398,396 | - |

41. RELATED PARTY DISCLOSURES

(a) Identities of Related Parties

Parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control.

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, associates, key management personnel and entities within the same group of companies.

NOTES TO THE FINANCIAL STATEMENTS

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cont'd

41. RELATED PARTY DISCLOSURES *Cont'd*

(b) Significant Related Party Transactions and Balances

Other than those disclosed elsewhere in the financial statements, the Group and the Company carried out the following significant transactions with the related parties during the financial year:-

| | The Group | | The Company | |
|----------------------------|------------|------------|-------------|------------|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| (i) Subsidiaries: | | | | |
| Expenses paid on behalf of | - | - | - | 7,000 |
| Expenses paid by | - | - | 124,350 | 219 |
| Advances from | - | - | 2,351 | - |
| Advances to | - | - | - | 550,000 |
| Management fee received | - | - | 96,600 | 105,600 |
| (ii) Related parties: | | | | |
| Rental expenses | 1,307,200 | 1,285,200 | - | - |

The significant outstanding balances of the related parties (including the allowance for impairment loss made) together with their terms and conditions are disclosed in the respective notes to the financial statements.

The related party transactions described above were entered into in the normal course of business carried out based on negotiated terms and conditions and are mutually agreed with respective parties.

42. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

42.1 FINANCIAL RISK MANAGEMENT POLICIES

The Group's policies in respect of the major areas of treasury activity are as follows:-

(a) Market Risk

(i) Foreign Currency Risk

The Group does not have material transactions or balances denominated in foreign currencies and hence, is not exposed to foreign currency risk.

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from its interest-bearing financial assets and liabilities. The Group's policy is to obtain the most favourable interest rates available. Any surplus funds of the Group will be placed with licensed financial institutions to generate interest income.

NOTES TO THE FINANCIAL STATEMENTS

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42. FINANCIAL INSTRUMENTS *Cont'd*

42.1 FINANCIAL RISK MANAGEMENT POLICIES *Cont'd*

(a) Market Risk *Cont'd*

(ii) Interest Rate Risk *Cont'd*

Exposure to Interest Rate Risk

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

| | The Group | | The Company | |
|-------------------------------|------------|------------|-------------|------------|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Fixed rate instruments | | | | |
| Deposits with licensed banks | 6,806,486 | 12,158,834 | 509,541 | 815,656 |
| Hire purchase payables | (303,293) | (185,820) | - | - |
| | 6,503,193 | 11,973,014 | 509,541 | 815,656 |

| | The Group | |
|----------------------------------|-------------|-------------|
| | 2018 RM | 2017 RM |
| Floating rate instruments | | |
| Term loans | (1,336,083) | (1,389,685) |

Interest Rate Risk Sensitivity Analysis

The interest rate risk sensitivity analysis on the fixed rate instruments is not disclosed as these financial instruments are measured at amortised cost. Therefore, they are not subject to interest rate risk as defined in MFRS 7 since neither their carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

The following table details the sensitivity analysis to a reasonably possible change in the interest rate at the end of the reporting period, with all other variables held constant:-

| | The Group | |
|---|---------------------------------------|---------------------------------------|
| | 2018 Increase/ (Decrease) RM | 2017 Increase/ (Decrease) RM |
| Effects on (Loss)/Profit After Taxation/Equity | | |
| Increase of 100 basis points | (10,154) | (10,562) |
| Decrease of 100 basis points | 10,154 | 10,562 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2018
cont'd

42. FINANCIAL INSTRUMENTS *Cont'd*

42.1 FINANCIAL RISK MANAGEMENT POLICIES *Cont'd*

(a) Market Risk *Cont'd*

(iii) Equity Price Risk

The Group's principal exposure to equity price risk arises mainly from changes in quoted investment prices. The equity price risk is monitored closely and managed to an acceptable level.

Exposure to Equity Price Risk

The equity price risk profile of the Group based on carrying amount at the end of the reporting period was:-

| | The Group | |
|--------------------------------|-----------|---------|
| | 2018 | 2017 |
| | RM | RM |
| Quoted shares in Malaysia | 10,800 | 121,275 |
| Quoted shares outside Malaysia | 22,437 | 28,711 |
| | 33,237 | 149,986 |

Equity Price Risk Sensitivity Analysis

The following table details the sensitivity analysis to a reasonably possible change in the prices of the quoted investments at the end of the reporting period, with all other variables held constant:-

| | The Group | |
|--|-------------------------|-------------------------|
| | 2018 | 2017 |
| | Increase/ (Decrease) | Increase/ (Decrease) |
| | RM | RM |
| Effects on Other Comprehensive Income | | |
| Increase of 10% | 3,324 | 14,999 |
| Decrease of 10% | (3,324) | (14,999) |

(b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including quoted investments, cash and bank balances and derivatives), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Groups uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 90 days, which are deemed to have higher credit risk, are monitored individually.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2018
cont'd

42. FINANCIAL INSTRUMENTS *Cont'd*

42.1 FINANCIAL RISK MANAGEMENT POLICIES *Cont'd*

(b) Credit Risk *Cont'd*

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified (where applicable). Impairment is estimated by management based on prior experience and the current economic environment.

The Company provides financial guarantee to financial institutions for credit facilities granted to certain subsidiaries. The Company monitors the results of these subsidiaries regularly and repayments made by the subsidiaries.

(i) Credit Risk Concentration Profile

The Group does not have major concentration of credit risk related to any individual customer or counterparty.

(ii) Exposure to Credit Risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of the financial assets recognised in the statement of financial position of the Group and of the Company after deducting any allowance for impairment losses (where applicable).

The exposure of credit risk for trade receivables by geographical region is as follows:-

| | The Group | |
|-----------|------------------|-------------|
| | 2018 | 2017 |
| | RM | RM |
| Malaysia | 583,805 | 546,610 |
| Hong Kong | - | 4,959 |
| Taiwan | - | 17,925 |
| | 583,805 | 569,494 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2018
cont'd

42. FINANCIAL INSTRUMENTS *Cont'd*

42.1 FINANCIAL RISK MANAGEMENT POLICIES *Cont'd*

(b) Credit Risk *Cont'd*

(iii) Ageing Analysis

The ageing analysis of trade receivables is as follows:-

| | Gross Amount RM | Individual Impairment RM | Collective Impairment RM | Carrying Value RM |
|----------------------|-----------------------|--------------------------------|--------------------------------|-------------------------|
| The Group | | | | |
| 2018 | | | | |
| Not past due | 391,740 | - | - | 391,740 |
| Past due: | | | | |
| - less than 3 months | 88,195 | - | - | 88,195 |
| - 3 to 6 months | 43,535 | - | - | 43,535 |
| - over 6 months | 793,677 | (733,342) | - | 60,335 |
| | 1,317,147 | (733,342) | - | 583,805 |
| 2017 | | | | |
| Not past due | 320,711 | - | - | 320,711 |
| Past due: | | | | |
| - less than 3 months | 140,191 | - | - | 140,191 |
| - 3 to 6 months | 39,971 | - | - | 39,971 |
| - over 6 months | 801,963 | (733,342) | - | 68,621 |
| | 1,302,836 | (733,342) | - | 569,494 |

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

The Group believes that no additional impairment allowance is necessary in respect of trade receivables that are past due but not impaired because they are companies with good collection track record and no recent history of default.

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2018
cont'd

42. FINANCIAL INSTRUMENTS *Cont'd*

42.1 FINANCIAL RISK MANAGEMENT POLICIES *Cont'd*

(c) Liquidity Risk *Cont'd*

Maturity Analysis

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

| The Group | Weighted Average Interest Rate % | Carrying Amount RM | Contractual Undiscounted Cash Flows RM | On Demand Or Within 1 Year RM | 1 - 5 Years RM | Over 5 Years RM |
|---|----------------------------------|--------------------|--|-------------------------------|----------------|------------------|
| 2018 | | | | | | |
| <u>Non-derivative Financial Liabilities</u> | | | | | | |
| Trade payables | - | 3,040,386 | 3,040,386 | 3,040,386 | - | - |
| Other payables and accruals | - | 2,336,917 | 2,336,917 | 2,336,917 | - | - |
| Hire purchase payables | 4.66 - 6.20 | 303,293 | 338,574 | 78,729 | 259,845 | - |
| Term loans | 4.84 - 4.97 | 1,336,083 | 1,921,267 | 121,147 | 533,748 | 1,266,372 |
| | | 7,016,679 | 7,637,144 | 5,577,179 | 793,593 | 1,266,372 |
| 2017 | | | | | | |
| <u>Non-derivative Financial Liabilities</u> | | | | | | |
| Trade payables | - | 2,523,763 | 2,523,763 | 2,523,763 | - | - |
| Other payables and accruals | - | 2,774,610 | 2,774,610 | 2,774,610 | - | - |
| Hire purchase payables | 6.20 | 185,820 | 213,675 | 46,620 | 167,055 | - |
| Term loans | 4.50 - 4.72 | 1,389,685 | 2,036,193 | 118,128 | 472,512 | 1,445,553 |
| | | 6,873,878 | 7,548,241 | 5,463,121 | 639,567 | 1,445,553 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2018
cont'd

42. FINANCIAL INSTRUMENTS *Cont'd*

42.1 FINANCIAL RISK MANAGEMENT POLICIES *Cont'd*

(c) Liquidity Risk *Cont'd*

Maturity Analysis *Cont'd*

| The Company | Weighted Average Interest Rate | Carrying Amount | Contractual Undiscounted Cash Flows | On Demand or Within 1 Year |
|--|---|--------------------|---|----------------------------------|
| | % | RM | RM | RM |
| 2018 | | | | |
| <u>Non-derivative Financial Liabilities</u> | | | | |
| Other payables and accruals | - | 196,793 | 196,793 | 196,793 |
| Amount owing to subsidiaries | - | 5,159,049 | 5,159,049 | 5,159,049 |
| Financial guarantee contracts in relation to corporate guarantees extended to subsidiaries | - | - | 1,784,262 | 1,784,262 |
| | | 5,355,842 | 7,140,104 | 7,140,104 |
| 2017 | | | | |
| <u>Non-derivative Financial Liabilities</u> | | | | |
| Other payables and accruals | - | 189,870 | 189,870 | 189,870 |
| Amount owing to subsidiaries | - | 5,032,295 | 5,032,295 | 5,032,295 |
| Financial guarantee contracts in relation to corporate guarantees extended to subsidiaries | - | - | 1,599,685 | 1,599,685 |
| | | 5,222,165 | 6,821,850 | 6,821,850 |

42.2 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support its businesses and maximise shareholders' value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as net debt divided by total equity. The Group includes within net debt, loans and borrowings from financial institutions less cash and cash equivalents. Capital includes equity attributable to the owners of the Company and non-controlling interest.

The debt-to-equity ratio of the Group at the end of the reporting period is not presented as its cash and cash equivalents exceeded the total borrowings from financial institutions.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2018
cont'd

42. FINANCIAL INSTRUMENTS *Cont'd*

42.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

| | The Group | | The Company | |
|--|------------|------------|-------------|------------|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Financial Assets | | | | |
| <u>Available-for-sale Financial Assets</u> | | | | |
| Other investments | 141,007 | 257,756 | - | - |
| <u>Loans and Receivables Financial Assets</u> | | | | |
| Trade receivables | 583,805 | 569,494 | - | - |
| Other receivables, deposits and staff loans | 2,277,813 | 2,579,844 | 49,467 | 44,166 |
| Amount owing by subsidiaries | - | - | 8,402,812 | 8,352,062 |
| Amount owing by associates | 140,100 | 300,100 | - | - |
| Deposits with licensed banks | 6,806,486 | 12,158,834 | 509,541 | 815,656 |
| Cash and bank balances | 4,429,354 | 3,317,752 | 277,251 | 80,822 |
| | 14,237,558 | 18,926,024 | 9,239,071 | 9,292,706 |
| <u>Fair Value through Profit or Loss</u> | | | | |
| Short-term investments with financial institutions | 43,238 | 239,768 | - | - |
| Financial Liabilities | | | | |
| <u>Other Financial Liabilities</u> | | | | |
| Trade payables | 3,040,386 | 2,523,763 | - | - |
| Other payables and accruals | 2,336,917 | 2,774,610 | 196,793 | 189,870 |
| Amount owing to subsidiaries | - | - | 5,159,049 | 5,032,295 |
| Hire purchase payables | 303,293 | 185,820 | - | - |
| Term loans | 1,336,083 | 1,389,685 | - | - |
| | 7,016,679 | 6,873,878 | 5,355,842 | 5,222,165 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2018
cont'd

42. FINANCIAL INSTRUMENTS *Cont'd*

42.4 FAIR VALUE INFORMATION

The fair values of the financial assets and financial liabilities of the Group and of the Company which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments.

The following table sets out the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period:-

| The Group | Fair Value of Financial Instruments Carried at Fair Value | | | Fair Value of Financial Instruments Not Carried at Fair Value | | | Total Fair Value | Carrying Amount |
|--|---|---------|---------|---|-----------|---------|------------------|-----------------|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 | | |
| | RM | RM | RM | RM | RM | RM | RM | RM |
| 2018 | | | | | | | | |
| <u>Financial Assets</u> | | | | | | | | |
| Other investments: | | | | | | | | |
| - quoted investments | 33,237 | - | - | - | - | - | 33,237 | 33,237 |
| - golf club membership | - | - | - | - | - | - | # | 107,770 |
| Short-term investments with financial institutions | - | 43,238 | - | - | - | - | 43,238 | 43,238 |
| <u>Financial Liabilities</u> | | | | | | | | |
| Hire purchase payables | - | - | - | - | 299,377 | - | 299,377 | 303,293 |
| Term loans | - | - | - | - | 1,336,083 | - | 1,336,083 | 1,336,083 |
| 2017 | | | | | | | | |
| <u>Financial Assets</u> | | | | | | | | |
| Other investments: | | | | | | | | |
| - quoted investments | 149,986 | - | - | - | - | - | 149,986 | 149,986 |
| - golf club membership | - | - | - | - | - | - | # | 107,770 |
| Short-term investments with financial institutions | - | 239,768 | - | - | - | - | 239,768 | 239,768 |
| <u>Financial Liabilities</u> | | | | | | | | |
| Hire purchase payables | - | - | - | - | 185,820 | - | 185,820 | 185,820 |
| Term loans | - | - | - | - | 1,389,685 | - | 1,389,685 | 1,389,685 |

Note:

- The fair value cannot be reliably measured using valuation techniques.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2018
cont'd

42. FINANCIAL INSTRUMENTS *Cont'd*

42.4 FAIR VALUE INFORMATION *Cont'd*

(a) Fair Value of Financial Instruments Carried at Fair Value

The fair values of above have been determined using the following basis:-

- (i) The fair value of quoted investment is estimated based on their quoted closing bid prices at the end of the reporting period.
- (ii) The fair value of short-term investments with financial institutions is estimated based on their observable input, either directly or indirectly.

There were no transfer between level 1 and level 2 during the financial year.

(b) Fair Value of Financial Instruments not Carried at Fair Value

The fair value of hire purchase payables and term loans are determined by discounting the relevant cash flows using current market interest rates for similar instruments at the end of the reporting period. The interest rates used to discount the estimated cash flows are as follows:-

| | The Group | |
|------------------------|--------------|--------------|
| | 2018 | 2017 |
| Hire purchase payables | 4.66 - 6.20% | 6.20% |
| Term loans | 4.84 - 4.97% | 4.50 - 4.72% |

43. COMPARATIVE FIGURES

The following figures have been reclassified to conform with the presentation of the current financial year:-

| | As Restated RM | As Previously Reported RM |
|--|----------------------|------------------------------------|
| Consolidated Statements of Cash Flow (Extract):- | | |
| Net cash from operating activities | 1,316,558 | 1,322,159 |
| Net cash for investing activities | (336,596) | (342,197) |

TEN LARGEST PROPERTIES HELD BY THE GROUP

As At 31 March 2018

| Registered No. owner | Location | Description/ Existing Use | Type of Land | Tenure | Remaining Lease Period (Expiry Date) | Age of Property | Land Area (sq ft) | Built-up Area (sq ft) | Net Book Value As at | |
|--|---|--|---------------------------------|-----------------------|--|--------------------|-------------------------|-----------------------------|-------------------------|-----------------------------|
| | | | | | | | | | 31/03/2018 | Year of Last Revaluation |
| 1. Haewaytian Restaurant Sdn. Bhd. | No. 28, Jalan Datoh, 30000 Ipoh, Perak Darul Ridzuan | Restaurant | Commercial/ Building | Freehold | - | 10 | 43,287 | 28,555 | 10,720 | 31/03/2016 |
| 2. Haewaytian Cake House Sdn. Bhd. | Lot 13, Jalan Utarid U5/16, Seksyen U5, Kawasan Perindustrian "Mah Sing Integrated", 40150 Shah Alam, Selangor Darul Ehsan | 2-storey detached warehouse cum factory with 1-storey office attached/ warehouse, factory cum office | Industrial Land/ Building | Leasehold 99 years | 78 years (11.12.2096) | 15 | 84,067 | 63,246 | 21,319 | 31/03/2016 |
| 3. Restoran Oversea (P/J) Sdn. Bhd. | H-0-02 & H-1-02 (Lot H-02), Pusat Perdagangan Kuchai, No. 2, Jalan 1/127, Off Jalan Kuchai Lama, 58200 Kuala Lumpur, Wilayah Persekutuan | 2-storey shop office/property investment | Commercial/ Building | Freehold | - | 10 | 1,430 | 2,487 | 1,500 | 31/03/2016 |
| 4. Restoran Tsim Tung Sdn. Bhd. | No. 18, Pandan Indah 4/6, Pandan Indah, 55100 Kuala Lumpur, Wilayah Persekutuan | Restaurant | Commercial/ Building | Leasehold 99 years | 75 Years (06.06.2093) | 22 | 1,302 | 1,107 | 1,069 | 31/03/2016 |
| 5. Restoran Tsim Tung Sdn. Bhd. | No. 20, Pandan Indah 4/6, Pandan Indah, 55100 Kuala Lumpur, Wilayah Persekutuan | Restaurant | Commercial/ Building | Leasehold 99 years | 75 Years (06.06.2093) | 22 | 1,302 | 1,107 | 1,069 | 31/03/2016 |
| 6. Restoran Oversea (Subang Parade) Sdn. Bhd. | No. 29, Jalan SS 15/2B, 47500 Subang Jaya, Selangor Wilayah Persekutuan | Staff's hostel | Residential/ Building | Freehold | - | 39 | 2,560 | 1,524 | 1,195 | 31/03/2016 |
| 7. Haewaytian Restaurant Sdn. Bhd. | No. 57, Jalan Seenivasagam, 30450 Ipoh, Perak Darul Ridzuan | Restaurant, storage facilities and staff hostel | Commercial/ Building | Leasehold 99 years | 60 years (20.12.2078) | 39 | 1,894 | 5,187 | 915 | 31/03/2016 |
| 8. Oversea Training Academy Sdn. Bhd. | No. 477, Jalan 5/46, Section 5, 46000 Petaling Jaya, Selangor Darul Ehsan | 2-storey townhouse/for rental purposes | Residential/ Building | Freehold | - | 48 | 1,700 | 2,060 | 950 | 31/03/2016 |
| 9. Restoran Oversea (P/J) Sdn. Bhd. | No. 31, Jalan U5/28, Bandar Pinggiran Subang, Seksyen U5, 40150 Shah Alam, Selangor Darul Ehsan | 1 1/2 storey terrace /factory, store room | Industrial Land/ Building | Leasehold 99 years | 78 years (11.12.2096) | 18 | 3,003 | 3,181 | 1,067 | 31/03/2016 |
| 10. Restoran Oversea (Subang Parade) Sdn. Bhd. | No. 4, Jalan SS15/3A, Subang Jaya, 47500 Petaling Jaya, Selangor Darul Ehsan | Staff's hostel | Residential/ Building | Freehold | - | 39 | 1,760 | 1,818 | 944 | 31/03/2016 |

Note: Other disclosure on land building owned by the Group are immaterial to disclose individually.

ANALYSIS OF SHAREHOLDINGS

As At 29 June 2018

Class of Securities : Ordinary shares
 Total Issued Share Capital : RM49,283,000.00 comprising 246,415,000 ordinary shares
 Voting Rights : One vote per share

ANALYSIS BY SIZE OF SHAREHOLDINGS

| Size of Shareholdings | No. of Shareholders | %* | No. of Shares | %* |
|---|---------------------|---------------|--------------------|---------------|
| Less than 100 | 86 | 8.41 | 2,675 | 0.00 |
| 100 - 1,000 | 204 | 19.96 | 86,134 | 0.04 |
| 1,001 - 10,000 | 279 | 27.30 | 1,720,110 | 0.71 |
| 10,001 - 100,000 | 369 | 36.11 | 14,563,601 | 6.00 |
| 100,001 - less than 5% of issued shares | 81 | 7.93 | 72,039,259 | 29.71 |
| 5% and above of issued shares | 3 | 0.29 | 154,103,221 | 63.54 |
| | 1,022 | 100.00 | 242,515,000 | 100.00 |

Note:

* Exclude the 3,900,000 shares that have been purchased and retained as treasury shares as at 29 June 2018.

LIST OF SUBSTANTIAL SHAREHOLDERS

The substantial shareholders of the Company (holding 5% or more of the capital) based on the Register of Substantial Shareholders of the Company are as follows:-

| Name of Substantial Shareholders | Direct Interest | | Indirect Interest | |
|----------------------------------|-----------------|-------|---------------------------|-------|
| | No. of Shares | %* | No. of Shares | %* |
| Yu Soo Chye @ Yee Soo Chye | 82,744,270 | 34.12 | - | - |
| Lee Lim & Sons Sdn. Bhd. | 50,898,358 | 20.99 | - | - |
| Lee Pek Yoke | 20,460,593 | 8.44 | - | - |
| Lee Seng Fan | 5,868,496 | 2.42 | 50,917,358 ⁽¹⁾ | 21.00 |
| Lee Seng Pun | 497,000 | 0.20 | 50,898,358 ⁽²⁾ | 20.99 |

* Exclude the 3,900,000 shares that have been purchased and retained as treasury shares as at 29 June 2018.

⁽¹⁾ Deemed interested by virtue of his shareholdings in Lee Lim & Sons Sdn. Bhd. pursuant to Section 8(4) of the Companies Act 2016 and his spouse's shareholdings in the Company pursuant to Section 59(1)(c) of the Companies Act 2016.

⁽²⁾ Deemed interested by virtue of his shareholdings in Lee Lim & Sons Sdn. Bhd. pursuant to Section 8(4) of the Companies Act 2016.

ANALYSIS OF SHAREHOLDINGS

As At 29 June 2018
cont'd

DIRECTORS' SHAREHOLDINGS

The Directors' Shareholdings of the Company based on the Register of Directors' Shareholdings of the Company are as follows:

| Name of Directors | Direct Interest | | Indirect Interest | |
|---|-----------------|-------|---------------------------|------------|
| | No. of Shares | %* | No. of Shares | %* |
| Yu Soo Chye @ Yee Soo Chye | 82,744,270 | 34.12 | - | - |
| Lee Pek Yoke | 20,460,593 | 8.44 | - | - |
| Khong Yik Kam | 6,456,338 | 2.66 | 1,350,000 ⁽³⁾ | 0.56 |
| Lee Seng Fan | 5,868,496 | 2.42 | 50,917,358 ⁽⁴⁾ | 21.00 |
| Yu Tack Tein | - | - | 600,033 ⁽⁵⁾ | 0.25 |
| Koong Lin Loong | 100,000 | 0.04 | - | - |
| Chiam Soon Hock | 100,000 | 0.04 | - | - |
| Chui Mee Chuen | - | - | - | - |
| Yu Suat Yin (<i>Alternate Director</i>) | 163,333 | 0.07 | 10,000 ⁽⁶⁾ | negligible |

* Exclude the 3,900,000 shares that have been purchased and retained as treasury shares as at 29 June 2018.

⁽³⁾ Deemed interested by virtue of his shareholdings and directorship in Rung Juang Realty Sdn. Bhd. pursuant to Section 8(4) of the Companies Act 2016 as well as his spouse's shareholdings in the Company pursuant to Section 59(1)(c) of the Companies Act 2016.

⁽⁴⁾ Deemed interested by virtue of his shareholdings in Lee Lim & Sons Sdn. Bhd. pursuant to Section 8(4) of the Companies Act 2016 and his spouse's shareholdings in the Company pursuant to Section 59(1)(c) of the Companies Act 2016.

⁽⁵⁾ Deemed interested by virtue of his directorship and shareholdings in Simple Angel Capital Sdn. Bhd. pursuant to Section 8(4) of the Companies Act 2016.

⁽⁶⁾ Deemed interested by virtue of the shareholdings of her spouse in the Company pursuant to Section 59(1)(c) of the Companies Act 2016.

ANALYSIS OF SHAREHOLDINGS

As At 29 June 2018
cont'd

LIST OF 30 LARGEST SHAREHOLDERS REGISTERED

| No. | Name | No. of Shares | %* |
|-----|--|--------------------|--------------|
| 1 | Yu Soo Chye @ Yee Soo Chye | 82,744,270 | 34.12 |
| 2 | Lee Lim & Sons Sdn. Bhd. | 50,898,358 | 20.99 |
| 3 | Lee Pek Yoke | 20,460,593 | 8.44 |
| 4 | Maybank Securities Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Tan Ching Ching) | 10,978,200 | 4.53 |
| 5 | Ting Sii Liong | 9,291,700 | 3.83 |
| 6 | Tan Han Chuan | 8,757,100 | 3.61 |
| 7 | Kwan Sia Hock | 7,696,493 | 3.17 |
| 8 | Khong Yik Kam | 6,456,338 | 2.66 |
| 9 | Lee Seng Fan | 5,868,496 | 2.42 |
| 10 | Chen Khai Voon | 2,250,000 | 0.93 |
| 11 | Rurng Juang Realty Sdn. Bhd. | 950,000 | 0.39 |
| 12 | Maybank Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Hoo Yeek Foo) | 902,800 | 0.37 |
| 13 | M & A Nominee (Asing) Sdn. Bhd. (Pledged Securities Account for Meng Bin) | 714,100 | 0.29 |
| 14 | Boey Chee Kun | 689,500 | 0.28 |
| 15 | Lim Theam Chuan | 687,100 | 0.28 |
| 16 | Simple Angel Capital Sdn. Bhd. | 600,033 | 0.25 |
| 17 | Yeoh Soon Cheng | 526,500 | 0.22 |
| 18 | SJ Sec Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Kwan Sia Hock) | 524,800 | 0.22 |
| 19 | Jimmy Lim Thaw Chay | 500,000 | 0.21 |
| 20 | Public Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Wong Siew Oon) | 500,000 | 0.21 |
| 21 | RHB Capital Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Low Choon Chong) | 500,000 | 0.21 |
| 22 | Lee Seng Pun | 497,000 | 0.20 |
| 23 | Maybank Securities Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Chong Kok An) | 493,700 | 0.20 |
| 24 | RHB Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Teh Teaw Kee) | 457,300 | 0.19 |
| 25 | Maybank Securities Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Foong Poh Mei) | 435,000 | 0.18 |
| 26 | Ho Thean Hock | 410,100 | 0.17 |
| 27 | Lee Sow Kam | 400,000 | 0.16 |
| 28 | Goh Siang Giang | 390,000 | 0.16 |
| 29 | Lim Ka Chong | 355,000 | 0.15 |
| 30 | Chia Liang Chuan | 324,100 | 0.13 |
| | Total | 216,258,581 | 89.17 |

* Exclude the 3,900,000 shares that have been purchased and retained as treasury shares as at 29 June 2018.

NOTICE OF THE TWENTY-THIRD ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-Third (“23rd”) Annual General Meeting of the Company will be held at Restoran Oversea Bandar Baru Sri Petaling, No. 62-66, Jalan 1/149D, Bandar Baru Sri Petaling, 57000 Kuala Lumpur, Wilayah Persekutuan on Wednesday, 29 August 2018 at 11:00 a.m. or at any adjournment thereof for the following purposes:-

AGENDA

As Ordinary Business

- | | |
|---|--|
| <p>1. To receive the Audited Financial Statements for the financial year ended 31 March 2018 together with the Reports of the Directors and the Auditors thereon.</p> | <p>Please refer to Explanatory Note B1</p> |
| <p>2. To approve the Directors’ fees of RM108,000/- for the financial year ended 31 March 2018.</p> | <p>Resolution 1</p> |
| <p>3. To re-elect the following Directors who retire pursuant to Article 85 of the Company’s Articles of Association, and being eligible, have offered themselves for re-election:-</p> <p style="margin-left: 20px;">(a) Mr. Khong Yik Kam (b) Mr. Koong Lin Loong (c) Mr. Chiam Soon Hock</p> | <p>Resolution 2 Resolution 3 Resolution 4</p> |
| <p>4. To re-appoint Messrs. Crowe Malaysia (formerly known as Crowe Horwath) as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.</p> | <p>Resolution 5</p> |

As Special Business

To consider and, if thought fit, with or without any modification, to pass the following Ordinary Resolutions:-

- | | |
|---|----------------------------|
| <p>5. ORDINARY RESOLUTION - PAYMENT OF BENEFITS PAYABLE TO THE DIRECTORS UNDER SECTION 230(1)(B) OF THE COMPANIES ACT 2016</p> <p>“THAT the benefits payable to the Directors of the Company up to an amount of RM86,000/- for the period from 23rd Annual General Meeting to the next Annual General Meeting in year 2019 pursuant to Section 230(1)(b) of the Companies Act 2016, be and is hereby approved.</p> | <p>Resolution 6</p> |
| <p>6. ORDINARY RESOLUTION - RETENTION OF MR. KOONG LIN LOONG AS INDEPENDENT NON-EXECUTIVE DIRECTOR</p> <p>“THAT Mr. Koong Lin Loong, who would on 1 April 2019 has served the Board as an Independent Non-Executive Director of the Company for a cumulative term of nine (9) years, be and is hereby retained as an Independent Non-Executive Director of the Company.”</p> | <p>Resolution 7</p> |

NOTICE OF THE TWENTY-THIRD ANNUAL GENERAL MEETING

cont'd

7. ORDINARY RESOLUTION

- RETENTION OF MR. CHIAM SOON HOCK AS INDEPENDENT NON-EXECUTIVE DIRECTOR

“THAT Mr. Chiam Soon Hock, who would on 1 April 2019 has served the Board as an Independent Non-Executive Director of the company for a cumulative term of nine (9) years, be and is hereby retained as an Independent Non-Executive Director of the Company.”

Resolution 8

8. ORDINARY RESOLUTION

- AUTHORITY TO ISSUE SHARES PURSUANT TO THE COMPANIES ACT 2016

“THAT pursuant to the Companies Act 2016, and subject to the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this Resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company for the time being and the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad;

AND THAT such authority shall commence immediately upon the passing of this Resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company.”

Resolution 9

9. ORDINARY RESOLUTION

- Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

“THAT subject to the Companies Act 2016, the Memorandum and Articles of Association of the Company and Bursa Malaysia Securities Berhad ACE Market Listing Requirements, approval be and is hereby given to the Company and its subsidiaries to enter into any of the category of recurrent transactions of a revenue or trading nature as set out in the Company's Circular to Shareholders dated 31 July 2018 with the related parties mentioned therein which are necessary for the Company's day-to-day operations subject further to the following:-

- (a) the transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those available to the public and on terms not to the detriment of the minority shareholders; and
- (b) disclosure is made in the annual report of the breakdown of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year based on the following information:
 - (i) the types of recurrent related party transactions made; and
 - (ii) the names of the related parties involved in each type of the recurrent related party transactions made and their relationship with the Company.

AND THAT such approval shall continue to be in force until:-

- (a) the conclusion of the next Annual General Meeting of the Company following the forthcoming Annual General Meeting at which such Proposed Renewal of Shareholders' Mandate was passed, at which time it will lapse, unless by a resolution passed at an Annual General Meeting, the authority is renewed;

NOTICE OF THE TWENTY-THIRD ANNUAL GENERAL MEETING

cont'd

- (b) the expiration of the period within which the next Annual General Meeting of the Company after the date it is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or
- (c) revoked or varied by resolution passed by the shareholders in a general meeting,

whichever is earlier;

And the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this resolution.”

Resolution 10

10. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016 or the Articles of Association of the Company.

By Order of the Board

CHUA SIEW CHUAN (MAICSA 0777689)
CHENG CHIA PING (MAICSA 1032514)
 Company Secretaries

Kuala Lumpur
 31 July 2018

Notes:

(A) Information for Shareholders/Proxies

1. For the purpose of determining a member who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Article 61 of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 23 August 2018. Only a depositor whose name appears on the Record of Depositors as at 23 August 2018 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.
2. A proxy need not be a member of the Company or a qualified legal practitioner, or an approved company auditor or a person approved by the Registrar. There is no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak in the meeting.
3. To be valid, the Proxy Form, duly completed, must be deposited at the Registered Office of the Company at D-3-1 & D-3A-1, Seri Gembira Avenue, Jalan Senang Ria, Taman Gembira, 58200 Kuala Lumpur, Wilayah Persekutuan not less than forty-eight (48) hours before the time for holding the meeting or at any adjournment thereof, provided that in the event the member(s) duly executes the Proxy Form but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the meeting as his/their proxy, provided always that the rest of the Proxy Form, other than the particulars of the proxy have been duly completed by the member(s).
4. A member shall not appoint more than two (2) proxies to attend at the same meeting and the appointment shall be invalid unless the member specified the proportions of his/their holdings to be represented by each proxy.
5. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
6. If the appointor is a corporation, the Proxy Form must be executed under the corporation's common seal or under the hand of an officer or attorney duly authorised.

NOTICE OF THE TWENTY-THIRD ANNUAL GENERAL MEETING

cont'd

7. Any Notice of Termination of Authority to act as Proxy must be received by the Company before the commencement of the General Meeting or at any adjournment thereof, failing which, the termination of the authority of a person to act as proxy will not affect the following in accordance with Section 338 of the Companies Act 2016:-

- (a) the constitution of the quorum at such meeting;
- (b) the validity of anything he did as chairperman of such meeting;
- (c) the validity of a poll demanded by him at such meeting; or
- (d) the validity of the vote exercised by him at such meeting.

Explanatory Notes to Ordinary Business:-

(B) Audited Financial Statements for the financial year ended 31 March 2018

1. This Agenda item is meant for discussion only, as the provision of Section 340(1)(a) of the Companies Act 2016 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

(C) Resolution 1 - Directors' Fees

1. This Agenda item is to approve the Proposed Directors' fees for the financial year ended 31 March 2018 of RM108,000/- (2017: RM108,000/-).

The **Resolution 1**, if approved, will authorise the payment of Directors' fees pursuant to Article 94 of the Articles of Association of the Company.

(D) Resolutions 2 to 4 - Re-election of Directors

1. In determining the eligibility of the Directors to stand for re-election at the forthcoming 23rd Annual General Meeting, the Nominating Committee ("**NC**") has considered the requirements under Paragraph 2.20A of the ACE Market Listing Requirements ("**ACE LR**") of Bursa Malaysia Securities Berhad ("**Bursa Securities**") and recommended Mr. Khong Yik Kam, Mr. Koong Lin Loong and Mr. Chiam Soon Hock for re-election as Directors pursuant to Article 85 of the Articles of Association of the Company ("**Retiring Directors**").

All the Retiring Directors have consented to their re-election, and abstained from deliberation and voting in relation to their individual re-election at the NC Meeting, where applicable and Board of Directors' Meeting, respectively.

(E) Resolution 5 - Re-appointment of Auditors

1. The Audit Committee ("**AC**") have assessed the suitability, objectivity and independence of the External Auditors and recommended the re-appointment of Messrs. Crowe Malaysia (formerly known as Crowe Horwath) as External Auditors of the Company for the financial year ending 31 March 2019. The Board has in turn reviewed the recommendation of the AC and recommended the same be tabled to the shareholders for approval at the forthcoming 23rd Annual General Meeting of the Company under **Resolution 5**.

Explanatory Notes to Special Business:-

(F) Resolution 6 - Benefits Payable to the Directors

1. The benefits payable to the Directors pursuant to Section 230(1)(b) of the Companies Act 2016 has been reviewed by the Remuneration Committee ("**RC**") and the Board of Directors of the Company, which recognises that the benefits payable is in the best interest of the Company for the applicable period from 23rd Annual General Meeting to the next Annual General Meeting in year 2019. The benefits comprised solely of benefit-in-kind i.e. provision of motor vehicles.

(G) Resolution 7 - Retention of Mr. Koong Lin Loong as Independent Non-Executive Director

1. The Board has assessed the independence of Mr. Koong Lin Loong and is satisfied that he can continue bringing independent views to the Board and safeguarding the minority interest of the Company. The Board believes his leadership quality, knowledge and experiences in the industry will continue to contribute positively to the proceedings of the Board and the Board Committees.

NOTICE OF THE TWENTY-THIRD ANNUAL GENERAL MEETING

cont'd

(H) Resolution 8 - Retention of Mr. Chiam Soon Hock as Independent Non-Executive Director

1. The Board has assessed the independence of Mr. Chiam Soon Hock and is satisfied that he can continue bringing independent views to the Board and safeguarding the minority interest of the Company. The Board believes his leadership quality, knowledge and experiences in the industry will continue to contribute positively to the proceedings of the Board and the Board Committees.

(I) Resolution 9 - Authority to Issue Shares pursuant to the Companies Act 2016

1. The Company wishes to renew the mandate on the authority to issue shares pursuant to the Companies Act 2016 at the 23rd Annual General Meeting of the Company (hereinafter referred to as the "**General Mandate**").

The Company had been granted a general mandate by its shareholders at the Twenty-Second Annual General Meeting of the Company held on 24 August 2017 (hereinafter referred to as the "**Previous Mandate**").

As at the date of this notice, the Previous Mandate granted by the shareholders had not been utilised and hence no proceeds were raised therefrom.

The purpose to seek the General Mandate is to enable the Directors of the Company to issue and allot shares at any time to such persons in their absolute discretion without convening a general meeting as it would be both time and cost-consuming to organise a general meeting solely for such issuance and allotment of shares. This authority unless revoked or varied by the Company in a general meeting, will expire at the next Annual General Meeting. The proceeds raised from the General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.

(J) Resolution 10 - Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

1. The proposed adoption of the Resolution 10 is to renew shareholders' mandate granted by the shareholders of the Company at the forthcoming 23rd Annual General Meeting held on 29 August 2018. The proposed renewal shareholders' mandate will enable the Company and its subsidiaries to enter into any of the recurrent related party transactions of a revenue or trading nature which are necessary for the Group's day-to-day operations, subject to the transactions being in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

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海外天集团有限公司

OVERSEA ENTERPRISE BERHAD (317155-U)

(Incorporated in Malaysia)

PROXY FORM

| Number of shares held | CDS Account No. |
|-----------------------|-----------------|
| | |

*I/We, _____ Company No./NRIC No. _____
(FULL NAME AS PER NRIC/CERTIFICATE OF INCORPORATION IN CAPITAL LETTERS)

of _____
(FULL ADDRESS)

being a Member/Members of **Oversea Enterprise Berhad**, do hereby appoint _____
_____ NRIC No. _____
(FULL NAME AS PER NRIC IN CAPITAL LETTERS)

of _____
(FULL ADDRESS)

or failing *him/her, _____ NRIC No. _____
(FULL NAME AS PER NRIC IN CAPITAL LETTERS)

of _____
(FULL ADDRESS)

or failing *him/her, the CHAIRMAN OF THE MEETING, as *my/our proxy to attend and vote for *me/us and on *my/our behalf at the Twenty-Third (“**23rd**”) Annual General Meeting of the Company to be held at Restoran Oversea Bandar Baru Sri Petaling, No. 62-66, Jalan 1/149D, Bandar Baru Sri Petaling, 57000 Kuala Lumpur, Wilayah Persekutuan on Wednesday, 29 August 2018 at 11:00 a.m. or at any adjournment thereof.

Please indicate with an “X” in the spaces provided below how you wish your votes to be casted. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.

| RESOLUTIONS | | FOR | AGAINST |
|----------------------------|---|-----|---------|
| 1. | Payment of Directors' fees (Resolution 1) | | |
| 2. | To re-elect Mr. Khong Yik Kam as Director (<i>Article 85</i>) (Resolution 2) | | |
| 3. | To re-elect Mr. Koong Lin Loong as Director (<i>Article 85</i>) (Resolution 3) | | |
| 4. | To re-elect Mr. Chiam Soon Hock as Director (<i>Article 85</i>) (Resolution 4) | | |
| 5. | To re-appoint Messrs. Crowe Malaysia (formerly known as Crowe Horwath) as Auditors of the Company (Resolution 5) | | |
| As Special Business | | | |
| 6. | <u>Ordinary Resolution</u> - To approve the benefits payable to the Directors under Section 230(1)(b) of the Companies Act 2016 (Resolution 6) | | |
| 7. | <u>Ordinary Resolution</u> - Retention of Mr. Koong Lin Loong as Independent Non-Executive Director (Resolution 7) | | |
| 8. | <u>Ordinary Resolution</u> - Retention of Mr. Chiam Soon Hock as Independent Non-Executive Director (Resolution 8) | | |
| 9. | <u>Ordinary Resolution</u> - Authority to Issue Shares pursuant to the Companies Act 2016 (Resolution 9) | | |
| 10. | <u>Ordinary Resolution</u> - Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature (Resolution 10) | | |

* Strike out whichever not applicable

Signed this _____ day of _____ 2018

Signature of Member/Common Seal

Fold This Flap For Sealing

Notes:

1. For the purpose of determining a member who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Article 61 of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 23 August 2018. Only a depositor whose name appears on the Record of Depositors as at 23 August 2018 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.
2. A proxy need not be a member of the Company or a qualified legal practitioner, or an approved company auditor or a person approved by the Registrar. There is no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak in the meeting.
3. To be valid, the Proxy Form, duly completed, must be deposited at the Registered Office of the Company at D-3-1 & D-3A-1, Seri Gembira Avenue, Jalan Senang Ria, Taman Gembira, 58200 Kuala Lumpur, Wilayah Persekutuan not less than forty-eight (48) hours before the time for holding the meeting or at any adjournment thereof, provided that in the event the member(s) duly executes the Proxy Form but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the meeting as his/their proxy, provided always that the rest of the Proxy Form, other than the particulars of the proxy have been duly completed by the member(s).
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 - (a) the constitution of the quorum at such meeting;
 - (b) the validity of anything he did as chairman of such meeting;
 - (c) the validity of a poll demanded by him at such meeting; or
 - (d) the validity of the vote exercised by him at such meeting.

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STAMP

OVERSEA ENTERPRISE BERHAD (317155-U)

D-3-1 & D-3A-1,
Seri Gembira Avenue,
Jalan Senang Ria,
Taman Gembira,
58200 Kuala Lumpur,
Wilayah Persekutuan

1st Fold Here