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# Oriental Food Industries Holdings Berhad

(389769-M)

(Incorporated in Malaysia)

## Directors' Report and Audited Financial Statements
31 March 2015

389769-M

**Oriental Food Industries Holdings Berhad**
**(Incorporated in Malaysia)**

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## Directors' report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 March 2015.

### Principal activities

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are described in Note 18 to the financial statements. There have been no significant changes in the nature of the principal activities during the financial year.

### Results

| | Group RM | Company RM |
|---|---|---|
| Profit net of tax, attributable to: | | |
| Owners of the parent | 21,509,142 | 5,771,471 |
| Non-controlling interest | 80 | - |
| | 21,509,222 | 5,771,471 |

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

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

### Dividends

The amounts of dividends paid by the Company since 31 March 2014 were as follows:

| | RM |
|---|---|
| In respect of the financial year ended 31 March 2014 as reported in the directors' report of that year: | |
| Final single tier dividend of 3.5 sen per ordinary share, declared on 3 September 2014 and paid on 26 September 2014 | 2,100,000 |

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**Dividends (continued)**

| | RM |
|---|---|
| In respect of the financial year ended 31 March 2015: | |
| First interim single tier dividend of 2 sen per ordinary share, declared on 12 September 2014 and paid on 26 September 2014 | 1,200,000 |
| Second interim single tier dividend of 2 sen per ordinary share, declared on 12 December 2014 and paid on 6 January 2015 | 1,200,000 |
| Third interim single tier dividend of 2 sen per ordinary share, declared on 13 March 2015 and paid on 6 April 2015 | 1,200,000 |
| | 5,700,000 |

At the forthcoming Annual General Meeting, a final single tier dividend in respect of the financial year ended 31 March 2015 of 2% on 60,000,000 ordinary shares, amounting to a dividend payable of RM1,200,000 (2 sen per share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 March 2016.

**Directors**

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Y. Bhg. Tan Sri Dato' Azizan bin Husain
Datuk Son Chen Chuan
Hoo Beng Lee
Datuk Son Tong Leong
Son Tong Eng
Lim Keat Sear
Lim Hwa Yu
Datuk Jeffery Ong Cheng Lock

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## Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive any benefits (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 13 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 32 to the financial statements.

## Directors' interests

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

| | Number of ordinary shares of RM1 each | | | |
|---|---|---|---|---|
| | **1.4.2014** | **Acquired** | **Sold/ Ratification** | **31.3.2015** |
| *Direct interest:* | | | | |
| Datuk Son Chen Chuan | 18,107,383 | 200,000 | - | 18,307,383 |
| Hoo Beng Lee | 2,633,821 | - | (1,119,600) | 1,514,221 |
| Datuk Son Tong Leong | 1,306,175 | 50,000 | - | 1,356,175 |
| Son Tong Eng | 1,230,124 | 50,000 | - | 1,280,124 |
| Lim Keat Sear | 733,753 | - | - | 733,753 |
| *Deemed interest:* | | | | |
| Datuk Son Chen Chuan | 8,876,444 | 200,000 | (4,891,921) | 4,184,523 |
| Hoo Beng Lee | 24,350,006 | - | (24,350,006) | - |
| Datuk Son Tong Leong | 25,677,652 | - | (25,677,652) | - |
| Son Tong Eng | 23,459,603 | - | (23,459,603) | - |
| Lim Keat Sear | 11,798,624 | 200,000 | (200,400) | 11,798,224 |

Datuk Son Chen Chuan by virtue of his interests in shares in the Company is also deemed interested in shares of all the Company's subsidiaries to the extent the Company has interest.

None of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

## Other statutory information

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

   (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and

   (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

   (i) it necessary to write off any bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; and

   (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

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

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

(e) At the date of this report, there does not exist:

   (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

   (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

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### Other statutory information (continued)

(f) In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet its obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

### Subsequent events

Details of subsequent events are disclosed in Note 39 to the financial statements.

### Auditors

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 22 July 2015.

Datuk Son Chen Chuan

Datuk Son Tong Leong

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**Statement by directors**
**Pursuant to Section 169(15) of the Companies Act, 1965**

We, Datuk Son Chen Chuan and Datuk Son Tong Leong, being two of the directors of Oriental Food Industries Holdings Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 11 to 86 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2015 and of their financial performance and cash flows for the year then ended.

The information set out in Note 41 on page 87 of the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 22 July 2015.

Datuk Son Chen Chuan

Datuk Son Tong Leong

**Statutory declaration**
**Pursuant to Section 169(16) of the Companies Act, 1965**

I, Datuk Son Tong Leong, being the director primarily responsible for the financial management of Oriental Food Industries Holdings Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 11 to 86 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed, Datuk Son Tong Leong
at Melaka in the State of Melaka
on 22 July 2015

Datuk Son Tong Leong

Before me,

PESURUHJAYA SUMPAH
No: M 069
Name: WEE AI YEN
MALAYSIA

MESSRS WEE & ASSOCIATES
PEGUAMBELA & PEGUAMCARA
NO. 28-A, JALAN MELAKA RAYA 11,
TAMAN MELAKA RAYA,
75000 MELAKA.

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Ernst & Young AF: 0039
(GST Reg No: 001556430848)
Chartered Accountants
Level 16-1, Jaya99, Tower B
99, Jalan Tun Sri Lanang
75100 Melaka, Malaysia

Tel: +606 288 2399
Fax: +606 283 2899
ey.com

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**Independent auditors' report to the members of**
**Oriental Food Industries Holdings Berhad**
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## Report on the financial statements

We have audited the financial statements of Oriental Food Industries Holdings Berhad, which comprise statements of financial position as at 31 March 2015 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 11 to 86.

*Directors' responsibility for the financial statements*

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

**Independent auditors' report to the members of**
**Oriental Food Industries Holdings Berhad (continued)**

*Auditors' responsibility (continued)*

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

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 March 2015 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

**Report on other legal and regulatory requirements**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(c) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

**Independent auditors' report to the members of Oriental Food Industries Holdings Berhad (continued)**

**Other reporting responsibilities**

The supplementary information set out in Note 41 on page 87 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

**Other matters**

1. As stated in Note 4 to the financial statements, Oriental Food Industries Holdings Berhad adopted Malaysian Financial Reporting Standards on 1 April 2014 with a transition date of 1 April 2013. These standards were applied retrospectively by directors to the comparative information in these financial statements, including the statements of financial position as at 31 March 2014 and 1 April 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 March 2014 and related disclosures. We were not engaged to report on the comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Company for the year ended 31 March 2014 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 April 2014 do not contain misstatements that materially affect the financial position as of 31 March 2015 and financial performance and cash flows for the year then ended.

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**Independent auditors' report to the members of Oriental Food Industries Holdings Berhad (continued)**

**Other matters (continued)**

2. This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

| | |
|---|---|
| Ernst & Young | Lee Ah Too |
| AF: 0039 | 2187/09/15(J) |
| Chartered Accountants | Chartered Accountant |

Melaka, Malaysia
Date: 22 July 2015

**Oriental Food Industries Holdings Berhad**
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## Statements of comprehensive income
## For the financial year ended 31 March 2015

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| **Revenue** | 8 | 237,028,031 | 226,889,306 | 6,329,598 | 4,146,978 |
| Cost of sales | | (180,465,810) | (174,335,441) | - | - |
| **Gross profit** | | 56,562,221 | 52,553,865 | 6,329,598 | 4,146,978 |
| Other income | 9 | 2,911,569 | 426,697 | 24 | 27 |
| **Other items of expense** | | | | | |
| General and administrative | | (11,543,123) | (10,810,297) | (558,151) | (583,990) |
| Selling and distribution | | (22,329,858) | (21,285,164) | - | - |
| Finance costs | 10 | (176,985) | (243,687) | - | - |
| **Profit before tax** | 11 | 25,423,824 | 20,641,414 | 5,771,471 | 3,563,015 |
| Income tax expense | 14 | (3,914,602) | (4,434,568) | - | (366,395) |
| **Profit net of tax, representing total comprehensive income for the year** | | 21,509,222 | 16,206,846 | 5,771,471 | 3,196,620 |
| **Attributable to:** | | | | | |
| Owners of the parent | | 21,509,142 | 16,170,506 | 5,771,471 | 3,196,620 |
| Non-controlling interest | | 80 | 36,340 | - | - |
| | | 21,509,222 | 16,206,846 | 5,771,471 | 3,196,620 |
| **Earnings per share attributable to owners of the parent (sen per share)** | | | | | |
| Basic | 15 | 35.85 | 26.95 | | |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

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**Oriental Food Industries Holdings Berhad**
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## Statements of financial position
## As at 31 March 2015

| | Note | Group 31.3.2015 RM | Group 31.3.2014 RM | Group 1.4.2013 RM |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 16 | 101,165,546 | 92,370,963 | 93,262,459 |
| Land held for property development | 20 | 957,769 | 957,769 | 957,769 |
| Investment properties | 17 | 892,308 | 908,091 | 923,874 |
| Investment security | 19 | 372,438 | 372,438 | 372,438 |
| | | 103,388,061 | 94,609,261 | 95,516,540 |
| **Current assets** | | | | |
| Development property | 20 | - | - | 3,553,062 |
| Inventories | 21 | 26,127,109 | 26,507,073 | 17,350,966 |
| Trade and other receivables | 22 | 35,541,202 | 32,087,559 | 31,762,235 |
| Other current assets | 23 | 4,635,899 | 1,328,604 | 3,809,239 |
| Income tax recoverable | | 646,716 | 1,425,417 | 1,541,879 |
| Cash and bank balances | 26 | 33,468,640 | 27,585,523 | 18,189,192 |
| | | 100,419,566 | 88,934,176 | 76,206,573 |
| **Total assets** | | 203,807,627 | 183,543,437 | 171,723,113 |
| **Equity and liabilities** | | | | |
| **Current liabilities** | | | | |
| Income tax payable | | 454,435 | 561,588 | - |
| Loans and borrowings | 27 | 2,957,877 | 2,858,609 | 5,420,344 |
| Trade and other payables | 28 | 20,888,095 | 22,990,855 | 20,903,659 |
| Derivatives | 25 | - | 40,650 | 39,047 |
| | | 24,300,407 | 26,451,702 | 26,363,050 |
| ***Net current assets*** | | *76,119,159* | *62,482,474* | *49,843,523* |

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**Statements of financial position**
**As at 31 March 2015 (continued)**

| | | Group | | |
|---|---|---|---|---|
| | **Note** | **31.3.2015** | **31.3.2014** | **1.4.2013** |
| | | **RM** | **RM** | **RM** |
| **Non-current liabilities** | | | | |
| Deferred tax liabilities | 29 | 10,045,783 | 8,481,783 | 6,575,356 |
| Loans and borrowings | 27 | 8,833,159 | 3,790,896 | 5,372,497 |
| | | 18,878,942 | 12,272,679 | 11,947,853 |
| **Total liabilities** | | 43,179,349 | 38,724,381 | 38,310,903 |
| **Net assets** | | 160,628,278 | 144,819,056 | 133,412,210 |
| **Equity attributable to owners of the parent** | | | | |
| Share capital | 30 | 60,000,000 | 60,000,000 | 60,000,000 |
| Retained earnings | 31 | 99,984,490 | 84,175,348 | 72,804,842 |
| | | 159,984,490 | 144,175,348 | 132,804,842 |
| Non-controlling interest | | 643,788 | 643,708 | 607,368 |
| **Total equity** | | 160,628,278 | 144,819,056 | 133,412,210 |
| **Total equity and liabilities** | | 203,807,627 | 183,543,437 | 171,723,113 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

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## Statements of financial position
## As at 31 March 2015

| | Note | 31.3.2015<br>RM | Company<br>31.3.2014<br>RM | 1.4.2013<br>RM |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-current asset** | | | | |
| Investment in subsidiaries | 18 | 38,968,751 | 38,968,751 | 38,968,751 |
| **Current assets** | | | | |
| Trade and other receivables | 22 | 26,770,325 | 27,828,076 | 28,311,077 |
| Other current assets | 23 | 1,221,151 | 11,152 | 1,206,241 |
| Income tax recoverable | | 130,461 | 171,085 | 241,163 |
| Cash and bank balances | 26 | 170,218 | 190,391 | 21,762 |
| | | 28,292,155 | 28,200,704 | 29,780,243 |
| **Total assets** | | 67,260,906 | 67,169,455 | 68,748,994 |
| **Equity and liabilities** | | | | |
| **Current liability** | | | | |
| Trade and other payables | 28 | 1,560,413 | 1,540,433 | 1,516,592 |
| Net current assets | | *26,731,742* | *26,660,271* | *28,263,651* |

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**Statements of financial position**
**As at 31 March 2015 (continued)**

| | | Company | | |
|---|---|---|---|---|
| | **Note** | **31.3.2015** | **31.3.2014** | **1.4.2013** |
| | | **RM** | **RM** | **RM** |
| **Total liabilities** | | 1,560,413 | 1,540,433 | 1,516,592 |
| **Net assets** | | 65,700,493 | 65,629,022 | 67,232,402 |
| **Equity attributable to owners of the parent** | | | | |
| Share capital | 30 | 60,000,000 | 60,000,000 | 60,000,000 |
| Share premium | | 5,530,994 | 5,530,994 | 5,530,994 |
| Retained earnings | 31 | 169,499 | 98,028 | 1,701,408 |
| **Total equity** | | 65,700,493 | 65,629,022 | 67,232,402 |
| **Total equity and liabilities** | | 67,260,906 | 67,169,455 | 68,748,994 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

**Oriental Food Industries Holdings Berhad**
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**Statements of changes in equity**
**For the financial year ended 31 March 2015**

| Group | Note | Equity, total | Equity attributable to owners of the parent, total | Non-distributable Share capital | Distributable Retained earnings | Non-controlling interest |
|---|---|---|---|---|---|---|
| **2015** | | RM | RM | RM | RM | RM |
| **Opening balance at 1 April 2014** | | 144,819,056 | 144,175,348 | 60,000,000 | 84,175,348 | 643,708 |
| **Total comprehensive income** | | 21,509,222 | 21,509,142 | - | 21,509,142 | 80 |
| **Transaction with owners** | | | | | | |
| Dividends on ordinary shares | 38 | (5,700,000) | (5,700,000) | - | (5,700,000) | - |
| **Closing balance at 31 March 2015** | | 160,628,278 | 159,984,490 | 60,000,000 | 99,984,490 | 643,788 |
| **2014** | | | | | | |
| **Opening balance at 1 April 2013** | | 133,412,210 | 132,804,842 | 60,000,000 | 72,804,842 | 607,368 |
| **Total comprehensive income** | | 16,206,846 | 16,170,506 | - | 16,170,506 | 36,340 |
| **Transaction with owners** | | | | | | |
| Dividends on ordinary shares | 38 | (4,800,000) | (4,800,000) | - | (4,800,000) | - |
| **Closing balance at 31 March 2014** | | 144,819,056 | 144,175,348 | 60,000,000 | 84,175,348 | 643,708 |

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**Statements of changes in equity**
**For the financial year ended 31 March 2015 (continued)**

| Company | Note | Equity, total | Non-distributable Share capital | Non-distributable Share premium | Distributable Retained earnings |
|---|---|---|---|---|---|
| **2015** | | RM | RM | RM | RM |
| **Opening balance at 1 April 2014** | | 65,629,022 | 60,000,000 | 5,530,994 | 98,028 |
| **Total comprehensive income** | | 5,771,471 | - | - | 5,771,471 |
| **Transaction with owners** | | | | | |
| Dividends on ordinary shares | 38 | (5,700,000) | - | - | (5,700,000) |
| **Closing balance at 31 March 2015** | | 65,700,493 | 60,000,000 | 5,530,994 | 169,499 |
| **2014** | | | | | |
| **Opening balance at 1 April 2013** | | 67,232,402 | 60,000,000 | 5,530,994 | 1,701,408 |
| **Total comprehensive income** | | 3,196,620 | - | - | 3,196,620 |
| **Transaction with owners** | | | | | |
| Dividends on ordinary shares | 38 | (4,800,000) | - | - | (4,800,000) |
| **Closing balance at 31 March 2014** | | 65,629,022 | 60,000,000 | 5,530,994 | 98,028 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

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**Oriental Food Industries Holdings Berhad**
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**Statements of cash flows**
**For the financial year ended 31 March 2015**

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **RM** | **RM** | **RM** | **RM** |
| **Operating activities** | | | | |
| Profit before tax: | 25,423,824 | 20,641,414 | 5,771,471 | 3,563,015 |
| Adjustments for: | | | | |
| Depreciation of: | | | | |
| - Property, plant and equipment | 7,617,350 | 6,823,877 | - | - |
| - Investment properties | 15,783 | 15,783 | - | - |
| Dividend income | - | - | (6,329,598) | (4,146,978) |
| Finance costs | 176,985 | 243,687 | - | - |
| Interest income | (286,158) | (248,106) | (24) | (27) |
| Inventories written off | 868,103 | 862,046 | - | - |
| Loss on disposal of property, plant and equipment | 52,304 | 39,380 | - | - |
| Fair value gain on money market fund | (32,831) | - | - | - |
| Net fair value loss/(gain) on derivatives | - | 1,603 | - | - |
| Property, plant and equipment written off | 1 | 2,105 | - | - |
| Allowance for slow moving inventories | 218,941 | 85,002 | - | - |
| Allowance/(reversal of allowance) for impairment of trade receivable | 241,702 | (14,042) | - | - |
| Unrealised (gain)/loss on foreign exchange | (1,353,736) | 649,048 | - | - |
| Total adjustments | 7,518,444 | 8,460,383 | (6,329,622) | (4,147,005) |
| **Operating cash flows before changes in working capital** | **32,942,268** | **29,101,797** | **(558,151)** | **(583,990)** |
| Changes in working capital | | | | |
| Decrease in development property | - | 3,553,062 | - | - |
| Increase in inventories | (707,080) | (10,117,197) | - | - |
| (Increase)/decrease in receivables | (4,035,496) | 755,589 | (1,209,999) | (14,411) |
| (Decrease)/increase in payables | (2,229,662) | 2,116,217 | 27,480 | 16,341 |
| Total changes in working capital | (6,972,238) | (3,692,329) | (1,182,519) | 1,930 |
| **Cash flows from/(used in) operations** | **25,970,030** | **25,409,468** | **(1,740,670)** | **(582,060)** |
| Interest received | 286,158 | 248,106 | 24 | 27 |
| Interest paid | (176,985) | (243,687) | - | - |
| Income taxes paid | (3,031,646) | (2,573,418) | (7,000) | (7,000) |
| Income taxes refunded | 1,352,592 | 723,327 | 47,624 | 119,926 |
| **Net cash flows from/(used in) operating activities** | **24,400,149** | **23,563,796** | **(1,700,022)** | **(469,107)** |

**Oriental Food Industries Holdings Berhad**
**(Incorporated in Malaysia)**

**Statements of cash flows**
**For the financial year ended 31 March 2015 (continued)**

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **RM** | **RM** | **RM** | **RM** |
| **Investing activities** | | | | |
| Placement of money market fund | - | (1,009,222) | - | - |
| Purchase of property, plant and equipment | (17,581,238) | (6,032,816) | - | - |
| Advances to suppliers of property, plant and equipment | (2,172,532) | - | - | - |
| Proceeds from disposal of property, plant and equipment | 1,117,000 | 43,950 | - | - |
| Dividend income | - | - | 6,329,598 | 3,737,736 |
| **Net cash flows (used in)/from investing activities** | **(18,636,770)** | **(6,998,088)** | **6,329,598** | **3,737,736** |
| **Financing activities** | | | | |
| Dividends paid on ordinary shares | (5,700,000) | (3,600,000) | (5,700,000) | (3,600,000) |
| Proceeds from loans and borrowings | 8,000,000 | - | - | - |
| Repayment of loans and borrowings | (1,581,541) | (2,396,666) | - | - |
| Repayment from subsidiaries | - | - | 1,050,251 | 500,000 |
| **Net cash flows from/(used in) financing activities** | **718,459** | **(5,996,666)** | **(4,649,749)** | **(3,100,000)** |
| **Net increase/(decrease) in cash and cash equivalents** | **6,481,838** | **10,569,042** | **(20,173)** | **168,629** |
| Effect of exchange rate changes on cash and cash equivalents | 645,376 | (435,263) | - | - |
| **Cash and cash equivalents at 1 April** | **25,289,250** | **15,155,471** | **190,391** | **21,762** |
| **Cash and cash equivalents at 31 March (Note 26)** | **32,416,464** | **25,289,250** | **170,218** | **190,391** |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

## 1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The principal place of business of the Company is located at No. 65, Jalan Usaha 7, Ayer Keroh Industrial Estate, 75450 Melaka.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are described in Note 18 to the financial statements. There have been no significant changes in the nature of the principal activities during the financial year.

## 2. Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (MFRS), as issued by the Malaysian Accounting Standards Board (MASB), International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and the requirements of the Companies Act, 1965 in Malaysia. Details of first-time adoption of MFRS are disclosed in Note 4.

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia (RM).

## 3. Summary of significant accounting policies

### 3.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

(i) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) exposure, or rights, to variable returns from its investment with the investee; and

(iii) the ability to use its power over the investee to affect its returns.

## 3. Summary of significant accounting policies (continued)

### 3.1 Basis of consolidation (continued)

When the Group has less than a majority of the voting rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(i) the contractual arrangement with the other vote holders of the investee;

(ii) rights arising from other contractual arrangements; and

(iii) the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the owners of the parent and to the non-controlling interest, even if this results in the non-controlling interest having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interests;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

## 3. Summary of significant accounting policies (continued)

### 3.2 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 139 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to OCI. If the contingent consideration is not within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

## 3. Summary of significant accounting policies (continued)

### 3.2 Business combinations and goodwill (continued)

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Subsidiaries that were consolidated prior to 1 January 2002 are in accordance with Malaysian Accounting Standard No. 2, Accounting for Acquisition and Mergers. The Group has applied the exemption provided by MFRS 3 to apply this standard prospectively. Accordingly, business combinations entered into prior to the effective date have not been restated to comply with this standard.

Under the merger method of accounting, the results of subsidiaries are presented as if the merger had been effected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the difference between the cost of merger and the nominal value of the shares acquired is adjusted against retained earnings.

### 3.3 Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset as current when it is:

- expected to be realised or intended to be sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realised within twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when:

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

## 3. Summary of significant accounting policies (continued)

### 3.3 Current versus non-current classification (continued)

The Group classifies all other liabilities as non-current.

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

### 3.4 Fair value measurement

The Group measures financial instruments, such as derivatives, at fair value at each statement of financial position date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or

- in the absence of a principal market, in the most advantageous market for the asset or liability.

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

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

## 3. Summary of significant accounting policies (continued)

### 3.4 Fair value measurement (continued)

- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

### 3.5 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks.

The specific recognition criteria described below must also be met before revenue is recognised.

**(i) Sale of goods**

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

**(ii) Dividends**

Revenue is recognised when the Company's right to receive the payment is established.

**3. Summary of significant accounting policies (continued)**

**3.5 Revenue recognition (continued)**

**(iii) Sale of development properties**

Revenue from sale of development properties under development is accounted for by the stage of completion method.

Revenue from sale of completed development properties is recognised net of discount and upon significant risks and rewards of ownership have passed to the buyer. Revenue is not recognised to the extent were there are significant uncertainties regarding recovery of the consideration due, associated costs or possible return of completed development properties.

**3.6 Taxes**

**(i) Current income tax**

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in Malaysia, where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**(ii) Deferred tax**

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

**3. Summary of significant accounting policies (continued)**

**3.6 Taxes (continued)**

**(ii) Deferred tax (continued)**

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

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

## 3. Summary of significant accounting policies (continued)

### 3.6 Taxes (continued)

#### (iii) Sales tax

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

- when the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; or

- When receivables and payables are stated with the amount of sales tax included.

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

### 3.7 Foreign currencies

The Group's consolidated financial statements are presented in RM, which is also the parent company's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and has elected to recycle the gain or loss that arises using this method.

<u>Transactions and balances</u>

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

## 3. Summary of significant accounting policies (continued)

### 3.8 Cash dividend and non-cash distribution to owners of the parent

The Company recognises a liability to make cash or non-cash distributions to owners of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Company.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognised directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the profit or loss.

### 3.9 Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Freehold land has an unlimited useful life and therefore is not depreciated. Capital work-in-progress is not depreciated as these assets are not ready for use. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

- Long term leasehold land: 58 to 99 years
- Buildings: 20 years
- Plant and machinery: 10 to 20 years
- Other assets: 5 to 10 years

## 3. Summary of significant accounting policies (continued)

### 3.9 Property, plant and equipment (continued)

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

### 3.10 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

#### (i) Group as a lessee

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss.

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

Operating lease payments are recognised as an operating expense in the profit or loss on a straight-line basis over the lease term.

#### (ii) Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

## 3. Summary of significant accounting policies (continued)

### 3.11 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### 3.12 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the profit or loss in the period of derecognition.

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, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

### 3.13 Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### (i) Financial assets

##### (a) Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

## 3. Summary of significant accounting policies (continued)

### 3.13 Financial instruments – initial recognition and subsequent measurement (continued)

#### (i) Financial assets (continued)

##### (a) Initial recognition and measurement

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

##### (b) Subsequent measurement

For purposes of subsequent measurement financial assets are classified in four categories:

- Financial assets at fair value through profit or loss;
- Loans and receivables;
- Held-to-maturity investments; and
- Available-for-sale financial assets.

<u>Financial assets at fair value through profit or loss</u>

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by MFRS 139. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Re-assessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

## 3. Summary of significant accounting policies (continued)

### 3.13 Financial instruments – initial recognition and subsequent measurement (continued)

#### (i) Financial assets (continued)

##### (b) Subsequent measurement (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit or loss. The losses arising from impairment are recognised in the profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance income in the profit or loss. The losses arising from impairment are recognised in the profit or loss as finance costs.

Available-for-sale (AFS) financial assets

AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

## 3. Summary of significant accounting policies (continued)

### 3.13 Financial instruments – initial recognition and subsequent measurement (continued)

#### (i) Financial assets (continued)

##### (b) Subsequent measurement (continued)

Available-for-sale (AFS) financial assets (continued)

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised in OCI and credited in the AFS reserve until the asset is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the asset is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the profit or loss in finance costs. Interest earned whilst holding AFS financial assets is reported as interest income using the EIR method.

Equity investments whose fair values cannot be reliably measured are measured at cost net of impairment loss, if any.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the profit or loss.

**3. Summary of significant accounting policies (continued)**

**3.13 Financial instruments – initial recognition and subsequent measurement (continued)**

**(i) Financial assets (continued)**

**(c) Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired, or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

**(ii) Impairment of financial assets**

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

## 3. Summary of significant accounting policies (continued)

### 3.13 Financial instruments – initial recognition and subsequent measurement (continued)

#### (ii) Impairment of financial assets (continued)

##### (a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income (recorded as finance income in the profit or loss) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the profit or loss.

##### (b) Available-for-sale (AFS) financial assets

For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

**3. Summary of significant accounting policies (continued)**

**3.13 Financial instruments – initial recognition and subsequent measurement (continued)**

**(ii) Impairment of financial assets (continued)**

**(b) Available-for-sale (AFS) financial assets (continued)**

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the profit or loss – is removed from OCI and recognised in the profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in OCI.

Impairment losses on equity investments measured at cost are directly recognised in the profit or loss.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit or loss, the impairment loss is reversed through the profit or loss.

**(iii) Financial liabilities**

**(a) Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

## 3. Summary of significant accounting policies (continued)

### 3.13 Financial instruments – initial recognition and subsequent measurement (continued)

#### (iii) Financial liabilities (continued)

##### (a) Initial recognition and measurement (continued)

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments.

##### (b) Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

<u>Financial liabilities at fair value through profit or loss</u>

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments that are not designated as hedging instruments in hedge relationships as defined by MFRS 139. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 139 are satisfied.

**3. Summary of significant accounting policies (continued)**

**3.13 Financial instruments – initial recognition and subsequent measurement (continued)**

**(iii) Financial liabilities (continued)**

**(b) Subsequent measurement (continued)**

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the profit or loss.

Financial guarantee contracts

Financial guarantee contracts are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

**(c) Derecognition**

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

**(iv) Offsetting of financial instruments**

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

## 3. Summary of significant accounting policies (continued)

### 3.14 Inventories

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

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials: purchase cost on a weighted average basis;

- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs; and

- Completed commercial properties: cost of land, construction and appropriate development overheads.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

### 3.15 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses, including impairment on inventories, are recognised in the profit or loss in expense categories consistent with the function of the impaired asset.

## 3. Summary of significant accounting policies (continued)

### 3.15 Impairment of non-financial assets (continued)

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit or loss.

### 3.16 Cash and short-term deposits

Cash and short-term deposits in the statements of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the statements of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above excluding the investment in money market fund, net of outstanding bank overdrafts.

### 3.17 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, 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. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the profit or loss net of any reimbursement.

### 3.18 Pensions benefits

The Group makes contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

## 3. Summary of significant accounting policies (continued)

### 3.19 Subsidiaries

A subsidiary is an entity over which the Group has all the following:

(i) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

### 3.20 Land held for property development and property development costs

#### (i) Land held for property development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less any accumulated impairment losses.

Land held for property development is reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

#### (ii) Property development costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

## 3. Summary of significant accounting policies (continued)

### 3.20 Land held for property development and property development costs (continued)

#### (ii) Property development costs (continued)

Where the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on properties sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

Property development costs not recognised as an expense are recognised as an asset, which is measured at the lower of cost and net realisable value.

The excess of revenue recognised in the profit or loss over billings to purchasers is classified as accrued billings and the excess of billings to purchasers over revenue recognised in profit or loss is classified as progress billings.

### 3.21 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

### 3.22 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Group who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 37, including the factors used to identify the reportable segments and the measurement basis of segment information.

## 4. First-time adoption of Malaysian Financial Reporting Standards ("MFRS")

For periods up to and including the year ended 31 March 2014, the Group had previously prepared the financial statements in accordance with Financial Reporting Standards ("FRS").

These financial statements, are the first the Group and the Company have prepared in accordance with MFRS. Accordingly, the Group and the Company have prepared financial statements which comply with MFRS, together with the comparative period data as at and for the year ended 31 March 2014, as described in the summary of significant accounting policies. In preparing these financial statements, the Group's and the Company's opening statement of financial position were prepared as at 1 April 2013, the Group's and the Company's date of transition to MFRS. The notes to the financial statements as at 1 April 2013 is not presented as no restatement and adjustments were required to be made to its FRS statement of financial position as at 1 April 2013 and its previously published FRS financial statements as at, and for the year ended 31 March 2014 except as disclosed in notes below. Hence, the reconciliations of equity reported under FRS to equity reported under MFRS as at 1 April 2013 and 31 March 2014 are disclosed in the notes below.

MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards allows first-time adopters certain exemptions from the restropective applications of certain MFRS and the Group has applied the following exemptions:

### (a) Property, plant and equipment

The Group had previously adopted the revaluation model under FRS 116 Property, Plant Equipment for the land and buildings. These land and buildings were initially recorded at cost and subsequently were measured at fair value less accumulated depreciation.

Upon transition to MFRS, the Group has elected to measure all its property, plant and equipment using cost model under MFRS 116 Property, Plant and Equipment. At the date of transition to MFRS, the Group elected to regard the carrying amounts at valuation of land and buildings as at 31 March 2013 as deemed cost at the date of transition. The revaluation surplus as at 1 April 2013 amounting to RM9,959,616 was transferred to retained earnings on the date of transition of MFRS.

### (b) Estimates

The estimates at 1 April 2013 and 31 March 2014 were consistent with those made for the same dates in accordance with FRS. The estimates used by the Group to present these amounts in accordance with MFRS reflect conditions at 1 April 2013, the date of transition to MFRS and as of 31 March 2014.

**4. First-time adoption of Malaysian Financial Reporting Standards ("MFRS") (continued)**

The reconciliations of equity of the Group reported in accordance with FRS to equity of the Group in accordance with MFRS for the date of transition to MFRS and as at 31 March 2014 are as below:

**(a) Reconciliation of equity of the Group as at 1 April 2013 (date of transition to MFRS)**

| | FRS<br>RM | Effect of transition to MFRS<br>RM | Opening MFRS consolidated statement of financial position<br>RM |
|---|---|---|---|
| **Equity attributable to owners of the parent** | | | |
| Share capital | 60,000,000 | - | 60,000,000 |
| Revaluation reserves | 9,959,616 | (9,959,616) | - |
| Retained earnings | 62,845,226 | 9,959,616 | 72,804,842 |
| **Total equity** | 132,804,842 | - | 132,804,842 |

**(b) Reconciliation of equity of the Group as at 31 March 2014 (end of last period presented under FRS)**

| | FRS<br>RM | Effect of transition to MFRS<br>RM | Opening MFRS consolidated statement of financial position<br>RM |
|---|---|---|---|
| **Equity attributable to owners of the parent** | | | |
| Share capital | 60,000,000 | - | 60,000,000 |
| Revaluation reserves | 9,959,616 | (9,959,616) | - |
| Retained earnings | 74,215,732 | 9,959,616 | 84,175,348 |
| **Total equity** | 144,175,348 | - | 144,175,348 |

**5. Changes in accounting policies**

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 April 2014, the Group and the Company adopted the following new and amended MFRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 April 2014.

**5. Changes in accounting policies (continued)**

| **Description** | **Effective for annual periods beginning on or after** |
|---|---|
| Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities | 1 January 2014 |
| Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities | 1 January 2014 |
| Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets | 1 January 2014 |
| Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting | 1 January 2014 |
| IC Interpretation 21 Levies | 1 January 2014 |

The nature and impact of the new and amended MFRSs and IC Interpretation are described below:

**Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities**

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and "simultaneous realisation and settlement". These amendments are to be applied retrospectively.

These amendments have no impact on the Group, since none of the entities in the Group has any offsetting arrangements.

**Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities**

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under MFRS 10 Consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Group, since none of the entities in the Group qualifies to be an investment entity under MFRS 10.

**Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets**

The amendments to MFRS 136 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives has been allocated when there has been no impairment or reversal of impairment of the related CGU. In addition, the amendments introduce additional disclosure requirements when the recoverable amount is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by MFRS 13 Fair Value Measurements.

The application of these amendments has had no material impact on the disclosures in the Group's and the Company's financial statements.

## 5. Changes in accounting policies (continued)

### Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting

These amendments provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measure of hedge effectiveness. Retrospective application is required.

These amendments have no impact on the Group as the Group does not have any derivatives that are subject to novation.

### IC Interpretation 21 Levies

IC 21 defines a levy and clarifies that the obligating event which gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. For a levy which is triggered upon reaching a minimum threshold, IC 21 clarifies that no liability should be recognised before the specified minimum threshold is reached. Retrospective application is required. The application of IC 21 has had no material impact on the disclosures or on the amounts recognised in the Group's and the Company's financial statements.

## 6. Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

| Description | Effective for annual periods beginning on or after |
|---|---|
| Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions | 1 July 2014 |
| Annual Improvements to MFRSs 2010 - 2012 Cycle | 1 July 2014 |
| Annual Improvements to MFRSs 2011 - 2013 Cycle | 1 July 2014 |
| Annual Improvements to MFRSs 2012 - 2014 Cycle | 1 January 2016 |
| Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation | 1 January 2016 |
| Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | 1 January 2016 |
| Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations | 1 January 2016 |

**6. Standards issued but not yet effective (continued)**

| **Description** | **Effective for annual periods beginning on or after** |
|---|---|
| Amendments to MFRS 127: Equity Method in Separate Financial Statements | 1 January 2016 |
| Amendments to MFRS 101: Disclosure Initiatives | 1 January 2016 |
| Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception | 1 January 2016 |
| MFRS 14 Regulatory Deferral Accounts | 1 January 2016 |
| MFRS 15 Revenue from Contracts with Customers | 1 January 2017 |
| MFRS 9 Financial Instruments | 1 January 2018 |

**Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation**

The amendments clarify that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of an asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group has not used a revenue-based method to depreciate its non-current assets.

**Amendments to MFRS 101: Disclosure Initiatives**

The amendments to MFRS 101 include narrow-focus improvements in the following five areas:
- Materiality
- Disaggregation and subtotals
- Notes structure
- Disclosure of accounting policies
- Presentation of items of other comprehensive income arising from equity accounted investments

The directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's and the Company's financial statements.

**6. Standards issued but not yet effective (continued)**

**Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception**

The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. The amendments further clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. In addition, the amendments also provides that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries.

The amendments are to be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Group's and the Company's financial statements.

**MFRS 15 Revenue from Contracts with Customers**

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

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

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

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The directors of the Company anticipate that the application of MFRS 15 will not have a material impact on the amounts reported and disclosures made in the Group's and the Company's financial statements. The Group is currently assessing the impact of MFRS 15 and plans to adopt the new standard on the required effective date.

## 6. Standards issued but not yet effective (continued)

### MFRS 9 Financial Instruments

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

## 7. Significant accounting judgments, estimates and assumptions

The preparation of the Group's and the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

### (i) Judgments

In the process of applying the Group's accounting policies, the management did not make any judgment which has significant effect on the amounts recognised in the financial statements.

### (ii) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

<u>Depreciation of plant and machinery</u>

The costs of plant and machinery for the manufacture of snack food and confectioneries are depreciated on a straight-line basis over the assets' estimated economic useful lives. Management estimates the useful lives of these plant and machinery to be 10 to 20 years. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's plant and machinery at the reporting date is disclosed in Note 16.

## 7. Significant accounting judgments, estimates and assumptions (continued)

### (ii) Estimates and assumptions (continued)

Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

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. The carrying amount of the Group's loans and receivable at the reporting date is disclosed in Note 22.

Inventories valuation

The Group reviews the adequacy of provision for slow moving inventories at each reporting date to ensure that inventories are stated at the lower of cost and net realisable value. In assessing the extent of provision for slow moving inventories, the directors, having considered all available information, are of the opinion that these goods can be realised in the ordinary course of business.

## 8. Revenue

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | RM | RM | RM | RM |
| Sale of goods | 237,028,031 | 225,189,212 | - | - |
| Sale of properties | - | 1,700,094 | - | - |
| Dividend income from a subsidiary | - | - | 6,329,598 | 4,146,978 |
| | 237,028,031 | 226,889,306 | 6,329,598 | 4,146,978 |

## 9. Other income

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | RM | RM | RM | RM |
| Gain on foreign exchange: | | | | |
| - realised | 899,578 | - | - | - |
| - unrealised | 1,353,736 | - | - | - |
| Interest income | 286,158 | 248,106 | 24 | 27 |

## 9. Other income (continued)

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| Rental income | 153,200 | 90,000 | - | - |
| Miscellaneous | 186,066 | 74,549 | - | - |
| Reversal of allowance for impairment of trade receivables (Note 22) | - | 14,042 | - | - |
| Fair value gain on money market fund | 32,831 | - | - | - |
| | 2,911,569 | 426,697 | 24 | 27 |

## 10. Finance costs

| | Group | |
|---|---|---|
| | 2015 RM | 2014 RM |
| Interest expense on: | | |
| - Bank loans | 176,939 | 240,408 |
| - Bank overdrafts | 46 | 3,279 |
| Total finance costs | 176,985 | 243,687 |

## 11. Profit before tax

The following items have been included in arriving at profit before tax:

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| Auditors' remuneration: | | | | |
| - Current year | 79,000 | 78,000 | 27,000 | 25,000 |
| - Other services | 5,000 | 5,000 | 5,000 | 5,000 |
| Depreciation of: | | | | |
| - Property, plant and equipment (Note 16) | 7,617,350 | 6,823,877 | - | - |
| - Investment properties (Note 17) | 15,783 | 15,783 | - | - |
| Direct operating expenses arising from investment properties | | | | |
| - Rental generating properties | 4,930 | 6,263 | - | - |
| Employee benefits expense (Note 12) | 21,948,192 | 21,395,979 | 156,800 | 156,800 |

## 11. Profit before tax (continued)

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | RM | RM | RM | RM |
| Loss on disposal of property, plant and equipment | 52,304 | 39,380 | - | - |
| Loss on foreign exchange: | | | | |
| - Realised | - | 128,154 | - | - |
| - Unrealised | - | 649,048 | - | - |
| Net fair value loss on derivatives | - | 1,603 | - | - |
| Inventories written off | 868,103 | 862,046 | - | - |
| Operating leases: | | | | |
| - Minimum lease payments for premises | 283,504 | 251,263 | - | - |
| Property, plant and equipment written off | 1 | 2,105 | - | - |
| Allowance for impairment of trade receivables | 241,702 | - | - | - |
| Allowance for slow moving inventories | 218,941 | 85,002 | - | - |

## 12. Employee benefits expense

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | RM | RM | RM | RM |
| Salaries, bonus and allowances | 19,611,304 | 18,988,093 | 140,000 | 140,000 |
| Defined contribution plan | 1,463,930 | 1,479,498 | 16,800 | 16,800 |
| Other employee benefits | 872,958 | 928,388 | - | - |
| | 21,948,192 | 21,395,979 | 156,800 | 156,800 |

Included in employee benefits expense of the Group and the Company are executive directors' remuneration amounting to RM2,868,215 (2014: RM2,735,102) and RM156,800 (2014: RM156,800) respectively.

## 13. Directors' remuneration

The details of directors' remuneration during the year are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **RM** | **RM** | **RM** | **RM** |
| Executive: | | | | |
| - Fees | 236,000 | 236,000 | 140,000 | 140,000 |
| - Salaries and other emoluments | 2,182,500 | 2,085,010 | - | - |
| - Defined contribution plan | 449,715 | 414,092 | 16,800 | 16,800 |
| Total executive directors' remuneration (excluding benefits-in-kind) | 2,868,215 | 2,735,102 | 156,800 | 156,800 |
| Estimated money value of benefits-in-kind | 28,000 | 28,000 | - | - |
| Total executive directors' remuneration (including benefits-in-kind) | 2,896,215 | 2,763,102 | 156,800 | 156,800 |
| Non-executive: | | | | |
| - Fees | 140,000 | 140,000 | 140,000 | 140,000 |
| - Other emolument | 60,000 | 60,000 | 60,000 | 60,000 |
| - Defined contribution plan | 8,400 | 8,400 | 8,400 | 8,400 |
| Total non-executive directors' remuneration | 208,400 | 208,400 | 208,400 | 208,400 |
| Total directors' remuneration | 3,104,615 | 2,971,502 | 365,200 | 365,200 |

## 14. Income tax expense

**Major components of income tax expense**

The major components of tax expense for the years ended 31 March 2015 and 2014 are:

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **RM** | **RM** | **RM** | **RM** |
| **Statements of comprehensive income:** | | | | |
| - Current income tax | 2,387,600 | 2,569,654 | - | 366,395 |
| - Overprovision in respect of previous years | (36,998) | (41,513) | - | - |
| | 2,350,602 | 2,528,141 | - | 366,395 |

## 14. Income tax expense (continued)

### Major components of income tax expense (continued)

| | Group 2015 RM | Group 2014 RM | Company 2015 RM | Company 2014 RM |
|---|---|---|---|---|
| Deferred income tax (Note 29): | | | | |
| Relating to origination and reversal of temporary differences | 2,080,406 | 1,765,000 | - | - |
| (Over)/underprovision in respect of previous years | (516,406) | 141,427 | - | - |
| | 1,564,000 | 1,906,427 | - | - |
| Income tax expense recognised in profit or loss | 3,914,602 | 4,434,568 | - | 366,395 |

### Reconciliation between income tax expense and accounting profit

The reconciliation between income tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 March 2015 and 2014 are as follows:

| | Group 2015 RM | Group 2014 RM | Company 2015 RM | Company 2014 RM |
|---|---|---|---|---|
| Profit before tax | 25,423,824 | 20,641,414 | 5,771,471 | 3,563,015 |
| Tax at Malaysian statutory tax rate of 25% (2014: 25%) | 6,355,956 | 5,160,353 | 1,442,868 | 890,754 |
| Adjustments: | | | | |
| Income not subject to taxation | (219,936) | - | (1,582,399) | (562,605) |
| Effect of 1% reduction in tax rate | (416,000) | - | - | - |
| Non-deductible expenses | 448,182 | 324,029 | 139,531 | 38,238 |
| Effect on certain expenses eligible for double deduction | (1,421,394) | (1,149,728) | - | - |
| Deferred tax assets recognised on unutilised increased export allowance | (278,802) | - | - | - |
| Others | - | - | - | 8 |
| (Over)/underprovision of deferred income tax in respect of previous years | (516,406) | 141,427 | - | - |

## 14. Income tax expense (continued)

**Reconciliation between income tax expense and accounting profit (continued)**

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **RM** | **RM** | **RM** | **RM** |
| Overprovision of income tax in respect of previous years | (36,998) | (41,513) | - | - |
| Income tax expense recognised in profit or loss | 3,914,602 | 4,434,568 | - | 366,395 |

Income tax is calculated at the Malaysian statutory tax rate of 25% (2014: 25%) of the estimated assessable profit for the year.

The Malaysian corporate statutory tax rate is expected to reduce from 25% to 24% with effect from year of assessment 2016 as announced in the 2014 Budget. The computation of deferred tax as at 31 March 2015 has reflected the change in tax rate.

Tax savings during the financial year arising from:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **RM** | **RM** |
| Unutilised of reinvestment allowances | 2,668,000 | 1,582,000 |

## 15. Earnings per share

### (a) Basic

Basic earnings per share amounts are calculated by dividing profit for the year, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year.

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| Profit net of tax attributable to owners of the parent (RM) | 21,509,142 | 16,170,506 |
| Weighted average number of ordinary shares | 60,000,000 | 60,000,000 |
| Basic earnings per share (sen) | 35.85 | 26.95 |

### (b) Diluted

There is no diluted earnings per share as the Company does not have any dilutive potential ordinary shares during the financial year.

## 16. Property, plant and equipment

| Group | * Land and buildings RM | Renovation RM | Plant and machinery RM | Motor vehicles RM | Furniture, fittings and office equipment RM | Capital work-in-progress RM | Total RM |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| **At 1 April 2013** | 34,832,175 | 352,209 | 93,664,508 | 5,839,215 | 12,905,038 | 8,208,843 | 155,801,988 |
| Additions | - | - | 4,421,907 | 272,012 | 698,161 | 640,736 | 6,032,816 |
| Disposals | - | - | (80,000) | (241,525) | (34,400) | - | (355,925) |
| Written off | - | - | (11,800) | - | (644) | - | (12,444) |
| Reclassifications | 2,158,050 | - | 5,895,528 | - | 88,242 | (8,141,820) | - |
| **At 31 March 2014 and 1 April 2014** | 36,990,225 | 352,209 | 103,890,143 | 5,869,702 | 13,656,397 | 707,759 | 161,466,435 |
| Additions | 12,104,200 | 170,614 | 1,133,837 | 1,932,601 | 692,325 | 1,547,661 | 17,581,238 |
| Disposals | - | - | - | (1,799,890) | (4,500) | - | (1,804,390) |
| Written off | - | - | - | - | (580) | - | (580) |
| Reclassifications | - | - | 699,198 | - | - | (699,198) | - |
| **At 31 March 2015** | 49,094,425 | 522,823 | 105,723,178 | 6,002,413 | 14,343,642 | 1,556,222 | 177,242,703 |

**Oriental Food Industries Holdings Berhad**
**(Incorporated in Malaysia)**

## 16. Property, plant and equipment (continued)

| Group | * Land and buildings RM | Renovation RM | Plant and machinery RM | Motor vehicles RM | Furniture, fittings and office equipment RM | Capital work-in-progress RM | Total RM |
|---|---|---|---|---|---|---|---|
| **Accumulated depreciation** | | | | | | | |
| **At 1 April 2013** | 6,013,387 | 2,935 | 44,516,034 | 3,123,196 | 8,883,977 | - | 62,539,529 |
| Depreciation charge for the year (Note11) | 1,305,130 | 35,221 | 4,165,352 | 421,796 | 896,378 | - | 6,823,877 |
| Disposals | - | - | (36,051) | (216,520) | (5,024) | - | (257,595) |
| Written off | - | - | (9,818) | - | (521) | - | (10,339) |
| **At 31 March 2014 and 1 April 2014** | 7,318,517 | 38,156 | 48,635,517 | 3,328,472 | 9,774,810 | - | 69,095,472 |
| Depreciation charge for the year (Note 11) | 1,351,752 | 38,408 | 4,823,257 | 584,365 | 819,568 | - | 7,617,350 |
| Disposals | - | - | - | (632,499) | (2,587) | - | (635,086) |
| Written off | - | - | - | - | (579) | - | (579) |
| **At 31 March 2015** | 8,670,269 | 76,564 | 53,458,774 | 3,280,338 | 10,591,212 | - | 76,077,157 |
| **Net carrying amount** | | | | | | | |
| **At 31 March 2014** | 29,671,708 | 314,053 | 55,254,626 | 2,541,230 | 3,881,587 | 707,759 | 92,370,963 |
| **At 31 March 2015** | 40,424,156 | 446,259 | 52,264,404 | 2,722,075 | 3,752,430 | 1,556,222 | 101,165,546 |

## 16. Property, plant and equipment (continued)

*** Land and buildings**

| Group | Freehold land RM | Leasehold land RM | Buildings RM | Total RM |
|---|---|---|---|---|
| **Cost** | | | | |
| **At 1 April 2013** | 1,150,000 | 13,701,132 | 19,981,043 | 34,832,175 |
| Additions | - | 8,699,600 | 3,404,600 | 12,104,200 |
| Reclassifications | - | - | 2,158,050 | 2,158,050 |
| **At 31 March 2014 and 1 April 2014 and 31 March 2015** | 1,150,000 | 22,400,732 | 25,543,693 | 49,094,425 |
| **Accumulated depreciation** | | | | |
| **At 1 April 2013** | - | 1,604,450 | 4,408,937 | 6,013,387 |
| Depreciation charge for the year | - | 175,800 | 1,129,330 | 1,305,130 |
| **At 31 March 2014 and 1 April 2014** | - | 1,780,250 | 5,538,267 | 7,318,517 |
| Depreciation charge for the year | - | 191,812 | 1,159,940 | 1,351,752 |
| **At 31 March 2015** | - | 1,972,062 | 6,698,207 | 8,670,269 |
| **Net carrying amount** | | | | |
| **At 31 March 2014** | 1,150,000 | 20,620,482 | 20,005,426 | 41,775,908 |
| **At 31 March 2015** | 1,150,000 | 20,428,670 | 18,845,486 | 40,424,156 |

## 17. Investment properties

| | Group 2015 RM | Group 2014 RM |
|---|---|---|
| **Cost:** | | |
| At 1 April 2013/31 March 2014 and 31 March 2015 | 1,077,209 | 1,077,209 |
| **Accumulated depreciation:** | | |
| At 1 April | 169,118 | 153,335 |
| Depreciation charge for the year (Note 11) | 15,783 | 15,783 |
| At 31 March | 184,901 | 169,118 |
| **Net carrying amount** | 892,308 | 908,091 |
| **Fair value** | 4,331,000 | 2,893,000 |

The fair value of the investment properties was determined based on Level 2 valuation techniques of the fair value hierarchy.

Valuation is performed by accredited independent valuers with recent experience in the location and category of properties being valued.

## 18. Investment in subsidiaries

| | Company 2015 RM | Company 2014 RM |
|---|---|---|
| Unquoted shares in Malaysia, at cost | 38,968,751 | 38,968,751 |

Details of the subsidiaries, all of which are incorporated in Malaysia, are as follows:

| Name of subsidiaries | Principal activities | Proportion (%) of ownership interest 2015 | Proportion (%) of ownership interest 2014 |
|---|---|---|---|
| Oriental Food Industries Sdn. Bhd. | Manufacturing and marketing of snack food and confectioneries | 100 | 100 |
| OFI Properties Sdn. Bhd. | Property development | 90 | 90 |
| *Held through Oriental Food Industries Sdn. Bhd.:* | | | |
| Oriental Food Marketing (M) Sdn. Bhd. | Sales and marketing of snack food and confectioneries | 100 | 100 |

## 19. Investment security

| | Group 2015 RM | Group 2014 RM |
|---|---|---|
| Available-for-sale financial asset | | |
| - Equity instrument (unquoted), at cost | 372,438 | 372,438 |

The investment in unquoted equity instrument represent ordinary shares that are not quoted on any active market and carried at cost less any accumulated impairment losses as its fair value cannot be measured reliably.

The available-for-sale financial asset is classified as non-current assets as it is not expected to be realised within 12 months after the reporting date.

## 20. Property development costs

**Group**

### (a) Land held for property development

| | Leasehold land RM |
|---|---|
| **Cost/carrying amount:** | |
| At 1 April 2013/31 March 2014 and 31 March 2015 | 957,769 |

### (b) Property development costs

| | Leasehold land RM | Development costs RM | Total RM |
|---|---|---|---|
| **Cumulative property development costs:** | | | |
| At 1 April 2013 | 4,973,071 | 11,208,725 | 16,181,796 |
| Cost incurred during the year | - | 750,256 | 750,256 |
| Unsold units transferred to inventories | (1,126,397) | (2,708,699) | (3,835,096) |
| Reversal of completed project | (3,846,674) | (9,250,282) | (13,096,956) |
| At 31 March 2014 and 31 March 2015 | - | - | - |

## 20. Property development costs (continued)

### Group

### (b) Property development costs (continued)

| | Leasehold land RM | Development costs RM | Total RM |
|---|---|---|---|
| **Cumulative costs recognised in profit or loss:** | | | |
| At 1 April 2013 | 4,032,274 | 8,596,460 | 12,628,734 |
| Recognised during the year | 282,213 | 747,169 | 1,029,382 |
| Reversal of costs recognised for a cancelled sale | (467,813) | (93,347) | (561,160) |
| Reversal of completed project | (3,846,674) | (9,250,282) | (13,096,956) |
| At 31 March 2014 and 31 March 2015 | - | - | - |
| **Property development costs:** | | | |
| At 31 March 2014 and 31 March 2015 | - | - | - |

## 21. Inventories

| | Group 2015 RM | Group 2014 RM |
|---|---|---|
| **Cost** | | |
| Raw materials | 16,579,530 | 17,214,280 |
| Work-in-progress | 22,344 | 77,386 |
| Finished goods | 5,109,339 | 5,380,311 |
| Trading goods | 580,800 | - |
| Development properties | 3,835,096 | 3,835,096 |
| | 26,127,109 | 26,507,073 |

During the financial year, the amount of inventories recognised as an expense in cost of sales of the Group was RM177,294,584 (2014: RM170,240,788).

## 22. Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| **Trade receivables** | | | | |
| Third parties | 35,039,089 | 31,381,262 | - | - |
| Less: Allowance for impairment | (1,305,028) | (1,063,326) | - | - |
| Trade receivables, net | 33,734,061 | 30,317,936 | - | - |
| **Other receivables** | | | | |
| Third parties | 574,543 | 720,195 | - | - |
| Amounts due from subsidiaries | - | - | 26,755,325 | 27,813,076 |
| Refundable deposits | 1,149,777 | 966,428 | 15,000 | 15,000 |
| Staff loans | 82,821 | 83,000 | - | - |
| | 1,807,141 | 1,769,623 | 26,770,325 | 27,828,076 |
| Total trade and other receivables | 35,541,202 | 32,087,559 | 26,770,325 | 27,828,076 |
| Add: Cash and bank balances, excluding investment in money market fund | 32,416,464 | 26,566,178 | 170,218 | 190,391 |
| Total loans and receivables | 67,957,666 | 58,653,737 | 26,940,543 | 28,018,467 |

### (a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 120 days (2014: 30 to 120 days) term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

## 22. Trade and other receivables (continued)

### (a) Trade receivables (continued)

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

| | Group 2015 RM | Group 2014 RM |
|---|---|---|
| Neither past due nor impaired | 9,286,925 | 15,529,633 |
| 1 to 30 days past due not impaired | 12,097,910 | 8,507,986 |
| 31 to 60 days past due not impaired | 4,996,127 | 2,987,055 |
| More than 61 days past due not impaired | 7,353,099 | 3,293,262 |
| | 24,447,136 | 14,788,303 |
| Impaired | 1,305,028 | 1,063,326 |
| | 35,039,089 | 31,381,262 |

Receivables that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM24,447,136 (2014: RM14,788,303) that are past due at the reporting date but not impaired. These receivables are active accounts which the management considers to be recoverable.

## 22. Trade and other receivables (continued)

### (a) Trade receivables (continued)

Receivables that are impaired

The Group's trade receivables that are individually impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

| | Group | |
|---|---|---|
| | 2015 RM | 2014 RM |
| Trade receivables - nominal amounts | 1,305,028 | 1,063,326 |
| Less: Allowance for impairment | (1,305,028) | (1,063,326) |
| | - | - |

| Movement in allowance accounts: | Group | |
|---|---|---|
| | 2015 RM | 2014 RM |
| At 1 April | 1,063,326 | 1,088,124 |
| Impairment loss recovered during the year (Note 9) | - | (14,042) |
| Written off | - | (10,756) |
| Additions (Note 11) | 241,702 | - |
| At 31 March | 1,305,028 | 1,063,326 |

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and/or have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

### (b) Related party balances

The amounts due from subsidiaries are unsecured, non-interest bearing and are repayable upon demand.

### (c) Staff loans

Staff loans are unsecured and non-interest bearing. The 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.

## 23. Other current assets

| | Group 2015 RM | Group 2014 RM | Company 2015 RM | Company 2014 RM |
|---|---|---|---|---|
| Advances to suppliers of property, plant and equipment | 2,807,987 | 635,455 | - | - |
| Prepaid operating expenses | 627,912 | 693,149 | 21,151 | 11,152 |
| Deposit placed in Bursa Malaysia Securities Berhad's dividend account | 1,200,000 | - | 1,200,000 | - |
| | 4,635,899 | 1,328,604 | 1,221,151 | 11,152 |

## 24. Amount due from customers for contract work-in-progress

| | Group 2015 RM | Group 2014 RM |
|---|---|---|
| Construction contract costs incurred to date | - | 13,114,428 |
| Attributable profits | - | 6,317,544 |
| | - | 19,431,972 |
| Less: Progress billings | - | (19,431,972) |
| | - | - |

## 25. Derivatives

| | 2015 RM Contract/ Notional Amount | 2015 RM (Liabilities) | 2014 RM Contract/ Notional Amount | 2014 RM (Liabilities) |
|---|---|---|---|---|
| **Non-hedging derivatives:** | | | | |
| Forward currency contracts | - | - | 939,000 | (40,650) |

The Group used forward currency contracts to hedge the foreign currency risk exposure arising from the trade receivables denominated in USD. These contracts were not designated as cash flow or fair value hedges and entered into for periods consistent with currency transaction exposure. Such derivatives did not qualify for hedge accounting.

## 26. Cash and bank balances

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| Cash at banks and on hand | 26,067,195 | 20,418,624 | 170,218 | 190,391 |
| Short term deposits with licensed banks | 6,349,269 | 6,147,554 | - | - |
| Investment in money market fund | 1,052,176 | 1,019,345 | - | - |
| Cash and bank balances | 33,468,640 | 27,585,523 | 170,218 | 190,391 |

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following at the reporting date:

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| Cash and bank balances | 33,468,640 | 27,585,523 | 170,218 | 190,391 |
| Bank overdraft (Note 27) | - | (1,276,928) | - | - |
| | 33,468,640 | 26,308,595 | 170,218 | 190,391 |
| (Less): | | | | |
| Investment in money market fund | (1,052,176) | (1,019,345) | - | - |
| Cash and cash equivalents | 32,416,464 | 25,289,250 | 170,218 | 190,391 |

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between one month and three months depending on the immediate cash requirements of the Group and earn interests at respective short term deposit rates. The weighted average effective interest rate as at 31 March 2015 for the Group was 3.23% (2014: 3.17%) per annum.

The weighted average effective interest rate of investment in money market fund of the Group at the reporting date was 3.30% (2014: 3.03%) per annum.

## 27. Loans and borrowings

| | | Group | |
|---|---|---|---|
| | | 2015 | 2014 |
| **Current** | **Maturity** | **RM** | **RM** |
| *Unsecured:* | | | |
| Bank overdraft (Note 26) | | - | 1,276,928 |
| Bank loans: | | | |
| - RM loan at COF + 0.50% p.a. | 2016 | 1,642,837 | 1,581,681 |
| - RM loan at BFR - 2.35% p.a. | 2016 | 1,315,040 | - |
| | | 2,957,877 | 2,858,609 |
| **Non-current** | | | |
| *Unsecured:* | | | |
| Bank loans: | | | |
| - RM loan at COF + 0.50% p.a. | 2017 | 2,148,199 | 3,790,896 |
| - RM loan at BFR - 2.35% p.a. | 2020 | 6,684,960 | - |
| | | 8,833,159 | 3,790,896 |
| Total loans and borrowings (Note 28) | | 11,791,036 | 6,649,505 |

The remaining maturities of the loans and borrowings as at reporting date are as follows:

| | Group | |
|---|---|---|
| | 2015 | 2014 |
| | RM | RM |
| On demand or within one year | 2,957,877 | 2,858,609 |
| More than 1 year and less than 2 years | 3,072,936 | 1,642,843 |
| More than 2 years but less than 5 years | 4,871,355 | 2,148,053 |
| More than 5 years | 888,868 | - |
| | 11,791,036 | 6,649,505 |

Bank loans

These bank loans are secured by way of corporate guarantees by the Company.

## 28. Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| **Trade payables** | | | | |
| Third parties | 13,730,514 | 14,716,907 | - | - |
| **Other payables** | | | | |
| Third parties | 4,064,934 | 3,951,097 | - | - |
| Accrued operating expenses | 1,892,647 | 3,122,851 | 360,413 | 332,933 |
| Amount due to a subsidiary | - | - | - | 7,500 |
| Dividend payable | 1,200,000 | 1,200,000 | 1,200,000 | 1,200,000 |
| | 7,157,581 | 8,273,948 | 1,560,413 | 1,540,433 |
| Total trade and other payables | 20,888,095 | 22,990,855 | 1,560,413 | 1,540,433 |
| Add: Loans and borrowings (Note 27) | 11,791,036 | 6,649,505 | - | - |
| Total financial liabilities carried at amortised cost | 32,679,131 | 29,640,360 | 1,560,413 | 1,540,433 |

### (a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on average 60 days (2014: 60 days) term.

### (b) Other payables

These amounts are non-interest bearing. Other payables are normally settled on average 60 days (2014: 60 days) term.

## 29. Deferred tax liabilities

Deferred income tax as at reporting date relates to the following:

| Group | Deferred tax liabilities<br>Property, plant and equipment<br>RM | ← Deferred tax assets<br>Unabsorbed reinvestment allowances<br>RM | Unabsorbed allowances for increase in export<br>RM | →<br>Others<br>RM | Total<br>RM |
|---|---|---|---|---|---|
| **At 1 April 2013** | 11,742,856 | (5,046,500) | - | (121,000) | 6,575,356 |
| Recognised in profit or loss | 380,170 | 1,581,845 | - | (55,588) | 1,906,427 |
| **At 31 March 2014 and 1 April 2014** | 12,123,026 | (3,464,655) | - | (176,588) | 8,481,783 |
| Recognised in profit or loss | (753,319) | 2,496,428 | (278,802) | 99,693 | 1,564,000 |
| **At 31 March 2014** | 11,369,707 | (968,227) | (278,802) | (76,895) | 10,045,783 |

## 30. Share capital

| | Group and Company Number of ordinary shares of RM1 each | | Group and Company Amount | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 RM | 2014 RM |
| **Authorised** | | | | |
| At beginning and end of the year | 100,000,000 | 100,000,000 | 100,000,000 | 100,000,000 |
| **Issued and fully paid** | | | | |
| At beginning and end of the year | 60,000,000 | 60,000,000 | 60,000,000 | 60,000,000 |

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company residual assets.

## 31. Retained earnings

The Company may distributes dividends out of its entire retained earnings as at 31 March 2015 under the single tier system.

## 32. Related party transactions

### (a) Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

| Group | 2015 RM | 2014 RM |
|---|---|---|
| **Transactions with a company in which a director has interest:** | | |
| Sales of goods to Syarikat Perniagaan Chong Mah | 3,949,684 | 4,738,381 |
| **Transaction with a company in which a director has interest:** | | |
| Rental income received from Skyline Motion Sdn. Bhd. | 48,000 | - |

## 32. Related party transactions (continued)

### (a) Sale and purchase of goods and services (continued)

| | 2015 RM | 2014 RM |
|---|---|---|
| **Company** | | |
| **Transaction with a subsidiary:** | | |
| Dividend income received from Oriental Food Industries Sdn. Bhd. | 6,329,598 | 4,146,978 |

### (b) Compensation of key management personnel

There is no other key management personnel other than the executive directors. The remuneration of executive directors is disclosed in Note 13.

## 33. Commitments

Capital commitments

Capital expenditure as at the reporting date is as follows:

| | Group | |
|---|---|---|
| | 2015 RM | 2014 RM |
| Capital expenditure approved and contracted for: | | |
| Property, plant and equipment | 9,350,000 | 12,442,000 |
| Investment properties | 2,133,000 | - |
| | 11,483,000 | 12,442,000 |

## 34. Fair value measurement of financial instruments

### (a) Fair value hierarchy

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices in active market Level 1 | Significant observable inputs Level 2 | Significant unobservable inputs Level 3 | Total |
| | RM | RM | RM | RM |
| **At 31 March 2015** | | | | |
| *Financial asset:* | | | | |
| Investment in money market fund | - | 1,052,176 | - | 1,052,176 |
| **At 31 March 2014** | | | | |
| *Financial asset:* | | | | |
| Investment in money market fund | - | 1,019,345 | - | 1,019,345 |
| *Financial liability:* | | | | |
| Foreign currency forward contracts (derivatives) | - | 40,650 | - | 40,650 |

**34. Fair value measurement of financial instruments (continued)**

**(a) Fair value hierarchy (continued)**

The Group classifies fair value measurement using the fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

There have been no transfers between Level 1, Level 2 and Level 3 fair value measurements during the financial years ended 31 March 2015 and 31 March 2014.

**(b) Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value**

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

| | Note |
|---|---|
| Trade and other receivables | 22 |
| Trade and other payables | 28 |
| Loans and borrowings | 27 |

The carrying amounts of the trade and other receivables and payables are reasonable approximation of their fair values due to their relatively short maturity periods.

The carrying amounts of the current portion of loans and borrowings are reasonable approximation of fair values due to the insignificant impact of discounting.

The carrying amounts of non-current portion of floating rate loans and borrowings are reasonable approximation of fair values as the interest charge on these loans and borrowings are pegged to, or close to, market interest rates near or at reporting date.

## 34. Fair value measurement of financial instruments (continued)

### (c) Fair value of financial instrument that is not carried at fair value and whose carrying amount is not reasonable approximations of fair value

| | Note | 2015 Carrying amount RM | 2015 Fair value RM | 2014 Carrying amount RM | 2014 Fair value RM |
|---|---|---|---|---|---|
| **Financial asset:** | | | | | |
| Equity instrument (unquoted), at cost | 19 | 372,438 | * | 372,438 | * |

* Fair value information has not been disclosed for the Group's investment in equity instrument that is carried at cost because the fair value cannot be measured reliably. This equity instrument represents ordinary shares in a Malaysian property development company that is not quoted on any market and does not have any comparable industry peer that is listed. In addition, the variability in the range of reasonable fair value estimates derived from valuation techniques is significant. The Group does not intend to dispose of this investment in the foreseeable future.

## 35. Financial risk management objectives and policies

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include loans, trade and other receivables, and cash and short-term deposits that derive directly from its operations. The Group also holds available-for-sale financial asset and financial assets at fair value through profit or loss.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks to ensure that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

## 35. Financial risk management objectives and policies (continued)

### (a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings, deposits, available-for-sale financial assets and financial assets at fair value through profit or loss.

#### (i) 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 the risk of changes in market interest rates relates primarily to the Group's non-current loans and borrowings with floating interest rates.

Interest rate sensitivity

At the reporting date, if interest rates had been 10 basis points lower/higher, with all other variables held constant, the effect of the changes in the market interest rates to the Group's profit before tax would be immaterial, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings.

#### (ii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency).

The Group has transactional exposures arising from sales that are denominated in foreign currencies. The foreign currency in which these transactions are denominated is mainly United States Dollars ("USD").

## 35. Financial risk management objectives and policies (continued)

### (a) Market risk (continued)

#### (ii) Foreign currency risk (continued)

The Group holds cash and bank balances denominated in foreign currencies for working capital purposes. The other financial instruments denominated in foreign currencies includes trade receivables and trade payables.

At the reporting date, the Group's cash and bank balances denominated in USD amounted to RM12,180,730 (2014: RM5,246,113). Approximately 31% (2014: 26%) of the Group's gross trade receivables is denominated in USD.

Sensitivity analysis for foreign currency risk

The following table illustrates the hypothetical sensitivity of the Group's profit before tax to a reasonably possible change in the USD exchange rate at the reporting date against RM, assuming all other variables remain unchanged.

| | Increase/(decrease) in Group's profit before tax | |
|---|---|---|
| | 2015 RM | 2014 RM |
| USD strengthened by 3% (2014: 3%) | 622,000 | 322,000 |
| USD weakened by 3% (2014: 3%) | (622,000) | (322,000) |

### (b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

## 35. Financial risk management objectives and policies (continued)

### (b) Credit risk (continued)

#### (i) Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an individual credit limits and are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored.

An impairment analysis is performed at each reporting date on an individual basis for major receivables. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in statements of financial position. The Group does not hold collateral as security.

At the reporting date, approximately 21.6% (2014: 10.7%) of the Group's gross trade receivables were due from two (2014: one) customers totaling RM7.56 million (2014: RM3.20 million).

A nominal amount of RM41 million (2014: RM33 million) relating to a corporate guarantee provided by the Company to banks for a subsidiary's bank loans.

#### (ii) Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed in accordance with the Group's policy. Counterparty credit limits are reviewed by the Group's Board of Directors on an annual basis, and may be updated throughout the year. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure to make payments. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in statements of financial position except for trade receivables as disclosed above.

### (c) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans.

## 35. Financial risk management objectives and policies (continued)

### (c) Liquidity risk (continued)

The table below summarises the maturity profile of the Group's and the Company's financial liabilities based on contractual undiscounted repayment obligations.

| As at 31 March 2015 | Within one year RM | One to five years RM | Total RM |
|---|---|---|---|
| **Group** | | | |
| **Financial liabilities:** | | | |
| Trade and other payables | 20,888,095 | - | 20,888,095 |
| Loans and borrowings | 3,358,476 | 9,536,606 | 12,895,082 |
| Total undiscounted financial liabilities | 24,246,571 | 9,536,606 | 33,783,177 |
| **Company** | | | |
| **Financial liability:** | | | |
| Trade and other payables | 1,560,413 | - | 1,560,413 |
| **As at 31 March 2014** | | | |
| **Group** | | | |
| **Financial liabilities:** | | | |
| Trade and other payables | 22,990,855 | - | 22,990,855 |
| Loans and borrowings | 3,035,408 | 3,961,371 | 6,996,779 |
| Total undiscounted financial liabilities | 26,026,263 | 3,961,371 | 29,987,634 |
| **Company** | | | |
| **Financial liability:** | | | |
| Trade and other payables | 1,540,433 | - | 1,540,433 |

## 36. Capital management

For the purpose of the Group's capital management, capital includes issued capital, share premium and all other equity reserves attributable to owners of the parent. The primary objective of the Group's capital management is to maximise the shareholder value.

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current period.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and bank balances.

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **RM** | **RM** | **RM** | **RM** |
| Loans and borrowings | 11,791,036 | 6,649,505 | - | - |
| Trade and other payables | 20,888,095 | 22,990,855 | 1,560,413 | 1,540,433 |
| Less: - Cash and bank balances | (33,468,640) | (27,585,523) | (170,218) | (190,391) |
| *Net debt* | - | 2,054,837 | 1,390,195 | 1,350,042 |
| Equity attributable to owners of the parent | 159,984,490 | 144,175,348 | 65,700,493 | 65,629,022 |
| **Capital and net debt** | 159,984,490 | 146,230,185 | 67,090,688 | 66,979,064 |
| **Gearing ratio** | N/A | 1.4% | 2.1% | 2.0% |

## 37. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments as follows:

I. Manufacturing and marketing of snack food and confectioneries

II. Property development

III. Investment holding

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

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## 37. Segment information (continued)

| 31 March 2015 | Manufacturing and marketing of snack food and confectioneries RM | Property development RM | Investment holding RM | Adjustments and eliminations RM | Notes | Per consolidated financial statements RM |
|---|---|---|---|---|---|---|
| **Revenue:** | | | | | | |
| External customers | 237,028,031 | - | - | - | | 237,028,031 |
| Inter-segment | - | - | 6,329,598 | (6,329,598) | A | - |
| Total revenue | 237,028,031 | - | 6,329,598 | (6,329,598) | | 237,028,031 |
| **Results:** | | | | | | |
| Interest income | 285,416 | 718 | 24 | - | | 286,158 |
| Depreciation of: | | | | | | |
| - Property, plant and equipment | 7,617,350 | - | - | - | | 7,617,350 |
| - Investment properties | 15,783 | - | - | - | | 15,783 |
| Other non-cash incomes | (243,930) | - | - | - | B | (243,930) |
| Segment profit | 25,409,341 | 14,459 | 5,771,471 | (5,771,447) | C | 25,423,824 |
| **Assets:** | | | | | | |
| Additions to non-current assets | 17,581,238 | - | - | - | D | 17,581,238 |
| Segment assets | 195,508,420 | 6,762,377 | 1,536,830 | - | E | 203,807,627 |
| **Segment liabilities** | 41,586,941 | 31,995 | 1,560,413 | - | F | 43,179,349 |

## 37. Segment information (continued)

| 31 March 2014 | Manufacturing and marketing of snack food and confectioneries RM | Property development RM | Investment holding RM | Adjustments and eliminations RM | Notes | Per consolidated financial statements RM |
|---|---|---|---|---|---|---|
| **Revenue:** | | | | | | |
| External customers | 225,189,212 | 1,700,094 | - | - | | 226,889,306 |
| Inter-segment | - | - | 4,146,978 | (4,146,978) | A | - |
| Total revenue | 225,189,212 | 1,700,094 | 4,146,978 | (4,146,978) | | 226,889,306 |
| **Results:** | | | | | | |
| Interest income | 247,509 | 570 | 27 | - | | 248,106 |
| Depreciation of: | | | | | | |
| - Property, plant and equipment | 6,823,877 | - | - | - | | 6,823,877 |
| - Investment properties | 15,783 | - | - | - | | 15,783 |
| Other non-cash expenses | 1,511,094 | - | - | - | B | 1,511,094 |
| Segment profit | 20,142,010 | 499,404 | 3,563,015 | (3,563,015) | C | 20,641,414 |
| **Assets:** | | | | | | |
| Additions to non-current assets | 6,032,816 | - | - | - | D | 6,032,816 |
| Segment assets | 176,455,052 | 7,088,385 | - | - | E | 183,543,437 |
| **Segment liabilities** | 38,073,080 | 651,301 | - | - | F | 38,724,381 |

## 37. Segment information (continued)

A Inter-segment revenues are eliminated on consolidation.

B Other material non-cash incomes/(expenses) consist of the following items as presented in the respective notes to the financial statements:

| | 2015 RM | 2014 RM |
|---|---|---|
| Impairment loss on trade receivables | (241,702) | - |
| Property, plant and equipment written off | (1) | - |
| Inventories written off | (868,103) | (862,046) |
| Unrealised gain/(loss) on foreign exchange | 1,353,736 | (649,048) |
| | 243,930 | (1,511,094) |

C The following items are added to/(deducted from) segment profit to arrive at "Profit before tax" presented in the consolidated statement of comprehensive income:

| | 2015 RM | 2014 RM |
|---|---|---|
| Dividend income from inter-segment | 6,329,598 | 4,146,978 |
| Unallocated corporate expenses | (558,151) | (583,963) |
| | 5,771,447 | 3,563,015 |

D Additions to non-current assets consist of property, plant and equipment.

E Inter-segment assets are deducted from segment assets to arrive at total assets reported in the consolidated statement of financial position.

F Inter-segment liabilities are deducted from segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position.

Geographical information

Revenue information based on the geographical location of customers are as follows:

| | Revenues | |
|---|---|---|
| | 2015 RM | 2014 RM |
| Malaysia | 107,142,272 | 108,219,958 |
| Asia | 80,413,061 | 74,431,092 |
| Others | 49,472,698 | 44,238,256 |
| | 237,028,031 | 226,889,306 |

## 38. Dividends

| | Group and Company 2015 RM | 2014 RM |
|---|---|---|
| **Recognised during the financial year:** | | |
| Dividends on ordinary shares: | | |
| - Final single tier dividend for 2014: 3.5 sen (2013: 2 sen) per share | 2,100,000 | 1,200,000 |
| - First interim single tier dividend for 2015: 2 sen (2014: 2 sen) per share | 1,200,000 | 1,200,000 |
| - Second interim single tier dividend for 2015: 2 sen (2014: 2 sen) per share | 1,200,000 | 1,200,000 |
| - Third interim single tier dividend for 2015: 2 sen (2014: 2 sen) per share | 1,200,000 | 1,200,000 |
| | 5,700,000 | 4,800,000 |
| **Proposed but not recognised as a liability as at 31 March:** | | |
| Dividends on ordinary shares, subject to shareholders' approval at the AGM: | | |
| - Final single tier dividend for 2015: 2 sen (2014: 3.5 sen) per share | 1,200,000 | 2,100,000 |

At the forthcoming Annual General Meeting, a final single tier dividend in respect of the financial year ended 31 March 2015, of 2% on 60,000,000 ordinary shares, amounting to a dividend payable of RM1,200,000 (2 sen per share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 March 2016.

## 39. Subsequent events

On 21 May 2015, the Company announced that it proposes to undertake the following proposals:

i) Proposed bonus issue of 60,000,000 new ordinary shares of RM1.00 each ("Bonus share(s)") on the basis of one (1) Bonus Share for every one (1) existing ordinary share of RM1.00 each in the Company ("OFI Share(s)") held by the entitled shareholders of the Company on an entitlement date to be determined and announced later ("Entitlement Date") ("Proposed Bonus Issue");

## 39. Subsequent events (continued)

ii) Proposed share split involving the subdivision of every one (1) OFI share into two (2) new ordinary shares of RM0.50 each in the Company ("subdividend share(s)") after completion of the Proposed Bonus Issue ("Proposed Share Split");

iii) Proposed increase in the authorised share capital of the Company from RM100,000,000 comprising 100,000,000 OFI shares to RM200,000,000 comprising 400,000,000 subdivided share ("Proposed Increase in Authorised Share Capital"); and

iv) Proposed amendments to the Memorandum and Articles of Association of the Company to facilitate the implementation of the Proposed Bonus Issue and Proposed Share Split ("Proposed Amendments").

The above proposals are still on-going as at the date of financial statements were authorised for issue.

On 21 May 2015, the Company declared an interim single tier dividend in respect of the financial year ended 31 March 2015 of 5% on 60,000,000 ordinary shares, amounting to RM3,000,000 which will be recognised in the financial year ending 31 March 2016.

## 40. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 March 2015 were authorised for issue in accordance with a resolution of the directors on 22 July 2015.

## 41. Supplementary information – Breakdown of realised and unrealised retained earnings

The breakdown of the retained earnings of the Group and of the Company as at 31 March 2015 into realised and unrealised earnings is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **RM** | **RM** | **RM** | **RM** |
| Total retained earnings of the Company and its subsidiaries: | | | | |
| - Realised | 138,939,807 | 123,506,816 | 169,499 | 98,028 |
| - Unrealised | (8,692,047) | (9,171,481) | - | - |
| | 130,247,760 | 114,335,335 | 169,499 | 98,028 |
| Less: Consolidated adjustments | (30,263,270) | (30,159,987) | - | - |
| Retained earnings as per financial statements | 99,984,490 | 84,175,348 | 169,499 | 98,028 |