ORIENTAL

ANNUAL REPORT 2018

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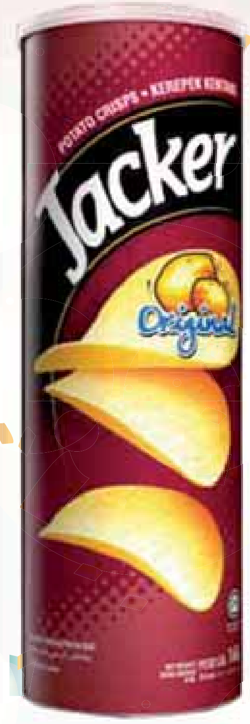

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-Second Annual General Meeting ("22nd AGM") of Oriental Food Industries Holdings Berhad will be convened and held at Tiara Banquet Hall, Tiara Melaka Golf and Country Club, Jalan Gapam, Bukit Katil, 75760 Melaka on Wednesday, 29 August 2018 at 2.30 p.m. to transact the following businesses:-

AGENDA

ORDINARY BUSINESS

1. To receive the Statutory Financial Statements for the financial year end 31 March 2018 together with the Directors' and Auditors' Reports thereon.

2. To approve the payment of Directors' fees amounting to RM315,000.00 for the financial year ended 31 March 2018. *(Resolution 1)*

3. To approve the proposed payment of Directors' remuneration and benefits (excluding Directors' fees) up to an amount of RM124,000.00 to the Directors with effect from 30 August 2018 until the next Annual General Meeting. *(Resolution 2)*

4. To re-elect the following Directors, each of whom retires by rotation in accordance with Article 75 of the Constitution of the Company:-

    4.1 Datuk Jeffery Ong Cheng Lock *(Resolution 3)*

    4.2 Mr Lim Keat Sear *(Resolution 4)*

5. To re-appoint Messrs. Ernst & Young as Auditors of the Company for the financial year ending 31 March 2019 and to authorise the Directors to determine their remuneration. *(Resolution 5)*

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Ordinary Resolutions:-

6. **Approval to Continue In Office as an Independent Non-Executive Director** *(Resolution 6)*

    "THAT Datuk Jeffery Ong Cheng Lock who has served the Board as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years since 14 May 2007 be and is hereby retained and continue to act as the Independent Non-Executive Director of the Company."

7. **Approval to Continue In Office as an Independent Non-Executive Director** *(Resolution 7)*

    "THAT Mr. Lim Hwa Yu who has served the Board as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years since 23 February 1999 be and is hereby retained and continue to act as the Independent Non-Executive Director of the Company."

8. **Approval to Continue In Office as an Independent Non-Executive Director** *(Resolution 8)*

    "THAT Tan Sri Dato' Azizan Bin Husain who has served the Board as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years since 8 June 2000 be and is hereby retained and continue to act as the Independent Non-Executive Director of the Company."

NOTICE OF ANNUAL GENERAL MEETING

9. **Authority to Allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016** *(Resolution 9)*

"THAT subject always to the Companies Act, 2016 ("the Act"), the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Company's Constitution and the approval of the relevant government/regulatory authorities, the Directors be and are hereby empowered pursuant to Sections 75 and 76 of the Act to issue and allot new shares in the Company at any time at such price, upon such terms and conditions, for such purposes and to such person(s) whomsoever as the Directors may in their absolute discretion, deem fit and expedient in the interest of the Company, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company for the time being AND THAT the Directors be and are also empowered to obtain the approval from Bursa Securities for the listing of and quotation for the additional shares so issued AND THAT such authority shall commence immediately upon the passing of this Resolution and continue to be in force until the conclusion of the next AGM of the Company."

10. **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")** *(Resolution 10)*

"THAT authority be and is hereby given in line with Paragraph 10.09 of the Main Market Listing Requirements of Bursa Securities for the Company and/or its subsidiaries to enter into any of the transactions falling within the types of the Recurrent Related Party Transactions, particulars of which are set out in Part A, Circular to Shareholders dated 30 July 2018, with the Related Parties as described in the said Circular, provided that such transactions are of revenue or trading nature, which are necessary for the day-to-day operations of the Company and/or its subsidiaries within the ordinary course of business of the Company and/or its subsidiaries, made on an arm's length basis and on normal commercial terms which are generally available to the public and are not detrimental to the minority shareholders of the Company;

AND THAT such authority shall commence immediately upon the passing of this Resolution until:

i. the conclusion of the next AGM of the Company at which time the authority shall lapse, unless by Ordinary Resolution passed at a general meeting, the authority is renewed; or

ii. the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 340(2) of the Act (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act; or

iii. revoked or varied by a Resolution passed by the shareholders of the Company at a general meeting,

whichever is earlier.

AND FURTHER, THAT the Board of Directors be and is hereby authorised to do all acts, deeds and things as may be deemed fit, necessary, expedient and/or appropriate in order to implement the Proposed Shareholders' Mandate with full power to assent to all or any conditions, variations, modifications and/or amendments in any manner as may be required by any relevant authorities or otherwise and to deal with all matters relating thereto and to take all such steps and to execute, sign and deliver for and on behalf of the Company all such documents, agreements, arrangements and/or undertakings, with any party or parties and to carry out any other matters as may be required to implement, finalise and complete, and give full effect to the Proposed Shareholders' Mandate in the best interest of the Company."

NOTICE OF ANNUAL GENERAL MEETING

11. **Proposed Renewal of Share Buy-Back Authority for the Purchase by the Company of its Own Shares ("Proposed Renewal of Share Buy-Back Authority")** *(Resolution 11)*

THAT, subject to the compliance with Section 127 of the Act, the provisions of the Constitution of the Company, the Main Market Listing Requirements of Bursa Securities and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such amount of ordinary shares in the Company as may be determined by the Board of Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Board of Directors may deem fit and expedient in the interest of the Company provided that:-

i. the aggregate number of shares purchased does not exceed ten per cent (10%) of the total number of issued shares of the Company as quoted on Bursa Malaysia as at the point of purchase;

ii. the maximum amount of funds to be allocated for the Proposed Share Buy-Back shall not exceed the aggregate of retained profits of the Company based on the latest audited financial statements and/or the latest management accounts of the Company (where applicable) available at the time of the purchase(s); and

iii. the Board of Directors of the Company may decide either to retain the shares purchased as treasury shares or cancel the shares or retain part of the shares so purchased as treasury shares and cancel the remainder or to resell the shares or distribute the shares as dividend.

THAT such authority shall commence upon the passing of this resolution and shall continue to be in force until:

a. the conclusion of the next AGM of the Company at which time the authority will lapse, unless by ordinary resolution passed at the next AGM, the authority is renewed, either unconditionally or subject to conditions; or

b. the expiration of the period within which the next AGM after that date is required by law to be held; or

c. revoked or varied by ordinary resolution passed by the shareholders of the Company in general meeting,

whichever occurs first.

AND THAT authority be and is hereby given unconditionally and generally to the Board of Directors of the Company to take all such steps as are necessary or expedient (including without limitation, the opening and maintaining of central depository account(s) under Securities Industry (Central Depositories) Act, 1991, and the entering into all other agreements, arrangements and guarantee with any party or parties) to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed by the relevant authorities and with the fullest power to do all such acts and things thereafter (including without limitation, the cancellation and/or retention and/or distribution and/or selling of all or any part of the purchased shares in accordance with the Companies Act, 2016, the provisions of the Constitution of the Company and the requirements and/or guidelines of Bursa Securities for the Main Market and all other relevant governmental and/or regulatory authorities."

12. To transact any other business of the Company which due notices shall be given in accordance with the Constitution of the Company and the Companies Act, 2016.

NOTICE OF ANNUAL GENERAL MEETING

BY ORDER OF THE BOARD

KARINA CHONG MEI YING (LS 0009542)
CHAN SAU LENG (MAICSA 7012211)
RUZETI EMAR BINTI MOHD ROSLI (LS 0009965)
Joint Secretaries
Selangor Darul Ehsan

30 July 2018

NOTES:

1. In regard of deposited securities, only members whose names appear in the Record of Depositors as at 20 August 2018 ("General Meeting Record of Depositors") shall be eligible to attend and vote at the Meeting.

2. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a member of the Company. There shall be no restriction as to the qualifications of the proxy.

3. A member may appoint more than two (2) proxies to attend at the same meeting. Where a member appoints two (2) or more proxies, the proxies shall not be valid unless the member specifies the proportion of his shareholdings to be represented by each proxy.

4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

5. The instrument appointing a proxy in the case of an individual shall be signed by the appointor or his attorney and in the case of a corporation, the instrument appointing a proxy or proxies must be under seal or under the hand of an officer or attorney duly authorised.

6. The instrument appointing proxy shall be deemed to confer authority to demand or join in demanding a poll.

7. The instrument appointing a proxy must be deposited at the Registered Office at Level 8, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than twenty-four (24) hours before the time appointed for holding the meeting or any adjournment thereof as Paragraph 8.29(A) of the Main Market Listing Requirements of Bursa Securities requires all resolutions set out in the Notice of General Meeting to be put to vote by poll.

8. Proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.

9. **Personal Data Privacy:**

   By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof), and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"); (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES ON SPECIAL BUSINESS:

1. *Statutory Financial Statements for the financial year end 31 March 2018*

This agenda item is meant for discussion only as the provision of Section 340(1)(a) of the Act requires the Statutory Financial Statements to be laid at the AGM. As such, this agenda item does not require shareholders' approval and hence, is not put forward for voting.

2. *Resolution 2- Directors' remuneration and benefits (excluding Directors' fees)*

Resolution 2 relates to the proposed payment of Directors' remuneration and benefits (excluding Directors' fees) to the Directors from 30 August 2018 until the next AGM of the Company, which comprise the followings:-

Description	Chairman	Independent Non-Executive Directors & Non-Independent Non-Executive Directors	Executive Directors
Monthly Fixed Allowance	RM6,000 per month	Not Applicable	Not Applicable
Meeting Allowance for attendance of Board and Board Committee Meetings, and general meetings	RM500 per meeting	RM500 per meeting	Not Applicable
Monthly Claims	RM24,000 per annum	Not Applicable	Not Applicable

3. *Resolution 6,7, 8– Approval to Continue in Office as Independent Non-Executive Director*

As recommended by the Malaysian Code of Corporate Governance 2017 ("MCCG 2017"), the Board has recommended Datuk Jeffery Ong Cheng Lock who has served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine (9) years since 14 May 2007 to continue to act as Independent Non-Executive Director of the Company subject to the shareholders' approval at the 22nd AGM of the Company.

At the same time, the Board of Directors also has recommended Mr. Lim Hwa Yu and Tan Sri Dato' Azizan Bin Husain, who have served as Independent Non-Executive Directors of the Company for a cumulative term of more than twelve (12) years since 23 February 1999 and 8 June 2000 respectively to continue to act as Independent Non-Executive Directors subject to the shareholders' approval through a two-tier voting process at the 22nd AGM of the Company.

The Board of Directors has via the Nomination Committee conducted an annual performance evaluation and assessment of the abovementioned Independent Non-Executive Directors based on the following justifications:-

i. They have fulfilled the criteria under the definition on Independent Directors as stated in the Bursa Securities' Main Market Listing Requirements, and therefore is able to bring independent and objective judgement to the Board;
ii. They have been with the Company for more than nine (9) years and twelve (12) years respectively and therefore understand the Company's business operations which enable them to participate actively and contribute during deliberations or discussions at the Meetings;
iii. They have contributed sufficient time and efforts and attended all the Meetings for informed and balanced decision making; and
iv. They have exercised due care and diligence during their tenure as Independent Non-Executive Directors of the Company and carried out their fiduciary duty in the interest of the Company and shareholders without being subject to influence of management.

NOTICE OF ANNUAL GENERAL MEETING

4. ***Resolution 9 – Authority to allot shares pursuant to Sections 75 and 76 of the Companies Act, 2016***

The Resolution 9, if approved, will empower the Directors of the Company, from the date of the above AGM, authority to issue and allot shares in the Company up to an aggregate amount not exceeding 10% of the total number of issued shares of the Company for such purposes as the Directors consider would be in the interest of the Company. This authority unless revoked or varied at a general meeting will expire at the next AGM of the Company.

The Mandate is as renewal of the Mandate granted by the members at the last AGM held on 24 August 2017. The Mandate granted at the last AGM was not utilised by the Company and thus, no proceeds were raised.

The Renewed Mandate will empower the directors to raise fund via issuance of new shares without delay, in the event of business opportunities arise.

5. ***Resolution 10 – Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature***

The Resolution 10, if approved, will enable the Company and its subsidiaries to continue entering into the recurrent related party transactions of a revenue or trading nature with Syarikat Perniagaan Chong Mah Sdn. Bhd., which are necessary for its day-to-day operations and are in the ordinary course of business and on terms not more favourable to the related party than those generally available to the public and are not to be detriment of the minority shareholders of the Company. This authority unless revoked or varied at a General Meeting will expire at the next AGM.

Further information on the proposed Ordinary Resolution No. 10 is set out in Part A, Circular to Shareholders dated 30 July 2018 which is dispatched together with the Annual Report 2018 of the Company.

6. ***Resolution 11 – Proposed Renewal of Share Buy-Back Authority***

The Resolution 11, if approved, will empower the Board of Directors to allocate not exceeding the retained profits of the Company for the purpose of and to purchase such amount of ordinary shares in the Company from time to time on the market of Bursa Securities upon such terms and conditions as the Board of Directors may deem fit in the interest of the Company provided that the aggregate number of shares purchased pursuant to this Resolution does not exceed 10% of the total number of issued shares of the Company.

Further information on the proposed Ordinary Resolution No. 11 is set out in Part B, Statement to Shareholders in relation to the Proposed Renewal of Share Buy-Back Authority dated 30 July 2018 which is dispatched together with the Annual Report 2018 of the Company.

STATEMENT ACCOMPANYING NOTICE OF TWENTY-SECOND ANNUAL GENERAL MEETING

NAMES OF DIRECTORS STANDING FOR RE-ELECTION

1. Resolution 3 and 4- Re-election of Directors

The Directors who are retiring pursuant to Article 75 of the Constitution of the Company and seeking for re-election at the forthcoming 22nd AGM are as follows:

(a) Datuk Jeffery Ong Cheng Lock
(b) Mr Lim Keat Sear

Details of the above Directors are set out in the Directors' Profiles section and their shareholdings in the Company, where applicable, are set out in the Analysis of Shareholdings section appearing on pages 14 to 16 and 110 to 112 of the Company's Annual Report respectively.

CHAIRMAN'S STATEMENT

To Our Valued Shareholders,

I am pleased to report that Oriental Food Industries Holdings Berhad ("the Company" or "the Group") delivered a good set of financial results for 2018. The Company is in a sound financial position with positive growth in revenue and profit as we made steady progress towards our objective of delivering sustainable value for our shareholders.

On behalf of the Board of Directors, I am pleased to present the 2018 Annual Report detailing a comprehensive report to our shareholders, on the activities, results and strategies of our Company.

Financial and Operations Review

Another financial milestone with the continuing growth in revenue for the Group was seen in the financial year ended 31 March 2018 ("FY 2018"). Revenue increased 12.6% on a year-on-year basis from RM256.1 million in financial year ended 31 March 2017 ("FY 2017") to RM288.3 million in FY 2018. The growth was largely attributable to the increase in volume of business.

The Group's revenue was derived primarily from the Snack Food and Confectioneries segment, which stood at RM286.9 million, representing 99.5% of the Group's total revenue.

In terms of geographical segment, the Group's mixed revenue comprised of 37.0% local sales against 63.0% export sales. Due to the emphasis that the Group put on marketing and promotion, an increase of 12.6% and 11.7% was seen in the local and export segment respectively.

Pre-tax profit of the Group decreased as compared to FY 2017. The Group recorded a decrease of 64.2% from RM23.1 million in FY 2017 to RM8.2 million in FY 2018.

Looking at the product performance, the financial year under review achieved encouraging growth of 20.1% in wafer category, outperforming the growth in sales of snacks and potato crisps. This growth was particularly spurred by the rising trend of sales for our wafer.

Despite all challenges, the Group achieved satisfactory total comprehensive income attributable to the shareholders of RM11.2 million in FY 2018. This translates to basic earnings per share of 4.67 sen.

In terms of our balance sheet, total loans and borrowings stood at nominal amount of RM23.4 million against the backdrop of shareholders' fund of RM184.9 million and cash and bank balances of RM6.1 million. The Group's good financial leverage has put the Group in a position that allows us to undertake further expansion activities.

We are indeed very pleased with our financial performance in the financial year under review, and are optimistic on maintaining this uptrend.

Dividends

In line with the commendable financial performance of the Group, the total dividend payout for the year amounted to RM6.0 million of FY 2018's net profits.

The dividend policy of paying a minimum of 35% of net profit to the shareholders remains unchanged. With this, shareholders will be able to consistently enjoy the returns in correspondence with the future growth of the Group.

CHAIRMAN'S STATEMENT

Business Outlook & Strategies

The Company has many exciting plans which are underway in 2018, namely the launching of several new products, the construction of a new manufacturing plant as well as adding high technology and fully automated production line to accommodate both local and overseas demands.

Our snack food and confectionery business have benefited from the increase in demand in the last financial year. Although competition in the food retail market has increased in recent years, the Company has managed to remain its position as one of the leading snack food and confectionery manufacturer. Consumers' brand loyalty has maintained the sales of our "Jacker" brand, namely for potato crisps products.

In order to have a firm footing in the industry, the Research and Development ("R&D") division of the Group led by the Top Management has continuously focused on market research and obtained overseas expert opinions in improvising the current products as well as develop new products to introduce healthier snacks for the benefit of health-conscious consumers.

The Group also emphasised on the importance of packaging design as packaging is equally important as the product itself. Attractive and premium quality packaging equals increased sales as it is often a consumer's first point of contact with the product.

On the regional front, the Group aims to continue growing its sales volume by appointing more distributors in major oversea markets. Presently, Oriental's products are sold to more than 40 countries in the region, including highly-discerning consumer markets such as Japan and Australia.

With the ISO 9001:2008 and HACCP (Hazard Analysis and Critical Control Point) certification, the Group endeavors to continuously improve its product quality to keep up with the ever-demanding international health standards and proceed with the on-going upgrading of the current facilities in line with our project to obtain the HACCP certification for the production of wafer and confectionery products. The Company manufactures only Halal products which have been certified by the Department of Islamic Development Malaysia ("JAKIM") and the relevant recognised Islamic authorities. The Company is also in the midst of obtaining the ISO 22000 certification.

Corporate Social Responsibility ("CSR")

The Group recognises the importance of corporate social responsibility and has continuously supported charitable endeavours both in the local community and nationally.

The Group practices a few broad categories of CSR namely philanthropy by donating to national and local charities as it has resources that can benefit charities and local community programs. In our local communities, we have continuously participated in various CSR initiatives to give back to the public which include monetary and products donations to various non-profitable and charitable organization.

We also accommodate industrial trainees from local institutions to assist these students to be exposed in real work environment and gain valuable experience at the same time.

In addition, we practice ethical labour by treating employees fairly and ethically.

We have at all times try our very best to commit ourselves in social, economic and environmental responsibilities. Apart from focusing on profitability to optimize shareholders' value, we acknowledge that our role in society has never been more important without expecting anything in return.

CHAIRMAN'S STATEMENT

Corporate Governance

The Board is committed towards upholding the values of corporate governance by embracing the principles and best practices set out in the Malaysian Code of Corporate Governance.

The Board has recently incorporated the following policies which can be viewed at the Company's corporate website *www.ofih.com.my* :-

(a) Board Charter
(b) Code of Conduct
(c) Whistle-Blowing Policy
(d) Nomination and Election Process of Board Members
(e) Board Remuneration Policy
(f) Corporate Disclosure Policy
(g) Corporate Social Responsibility, Environmental and Sustainability Policy

Across the Group, we ensure that business is conducted with integrity, discipline, transparency and in a socially responsible manner. Our corporate governance efforts practiced during the year is outlined in the Corporate Governance Statement in this Annual Report.

Acknowledgement

On behalf of the Board, I would like to thank the Top Management for their excellent management of the business and nurturing of its employee culture that drive such excellent results both commercially and in corporate responsibility.

I wish to thank my fellow Directors for their continued support and guidance and extend my utmost gratitude to our dedicated employees for their outstanding contribution over the last twelve (12) months resulting in our growth and success throughout the year.

The Board is grateful for the support and loyalty of our Shareholders and we thank you for your continuous confidence in the Group.

Last but not least, we extend our sincere appreciation to our customers, business partners, suppliers and governmental agencies for their trust and unwavering support.

TAN SRI DATO' AZIZAN BIN HUSAIN
Independent Non-Executive Chairman

CORPORATE STRUCTURE

Oriental Food Industries Holdings Berhad ("OFIH") was incorporated on 8 June 1996 in Malaysia under the Companies Act, 1965 as a public limited company. OFIH was listed on the Second Board of Bursa Malaysia Securities Bhd in August 2000 and subsequently transferred to the Main Board on 13 October 2003. Currently OFIH is listed on the Main Market of Bursa Malaysia Securities Berhad.

OFIH is principally an investment holding company with a group of subsidiaries that are engaged in the following activities:

NAME OF MAJOR SUBSIDIARIES	EQUITY INTEREST (%)	PRINCIPAL ACTIVITIES
Subsidiaries of OFIH		
• Oriental Food Industries Sdn. Bhd. ("OFI")	100	Manufacturing and marketing of snack food and confectioneries.
• OFI Properties Sdn. Bhd. ("OFIP")	99.99	Property Development.
Subsidiary of OFI		
• Oriental Food Marketing (M) Sdn. Bhd. ("OFM")	100	Sales and marketing of snack food and confectioneries.

OFIH Group Corporate Structure

CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Sri Dato' Azizan bin Husain *(Chairman)*	Independent Non-Executive Director
Datuk Seri Son Chen Chuan	Managing Director
Datuk Son Tong Leong	Executive Director
Datuk Son Tong Eng	Executive Director
Lim Keat Sear	Non- Independent Non-Executive Director
Datuk Jeffery Ong Cheng Lock	Independent Non-Executive Director
Lim Hwa Yu	Independent Non-Executive Director

JOINT COMPANY SECRETARIES

Karina Chong Mei Ying (LS 0009562)
Chan Sau Leng (MAICSA 7012211)
Ruzeti Emar Binti Mohd Rosli (LS 0009965)

REGISTERED OFFICE

Level 8 Symphony House
Block D13 Pusat Dagangan Dana 1
Jalan PJU1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel : +603 7841 8000
Fax : +603 7841 8199

SHARE REGISTRAR

Sectrars Management Sdn Bhd
Lot 9-7, Menara Sentral Vista
No. 150, Jalan Sultan Abdul Samad Brickfields
50470 Kuala Lumpur
Malaysia
Tel : +603 2276 6138
Fax : +603 2276 6131

AUDITORS

Ernst & Young (AF 0039)

CORPORATE HEAD OFFICE

No. 65, Jalan Usaha 7
Air Keroh Industrial Estate
75450 Melaka
Tel : +606 231 0333
Fax : +606 232 2066
Email : info@ofi.com.my
Websites : www.ofih.com.my
: www.jacker.com.my

PRINCIPAL BANKERS

HSBC Bank Malaysia Berhad
OCBC Bank (Malaysia) Berhad
Public Bank Berhad
CIMB Bank Berhad

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

STOCK NAME

OFI

STOCK CODE

7107

GROUP FINANCIAL HIGHLIGHTS

Statement of Comprehensive Income RM'mil	2014	2015	2016	2017	2018
Revenue	226.89	237.03	244.92	256.08	288.31
Cost of sales	(174.34)	(180.47)	(181.09)	(200.91)	(230.28)
Gross Profit	52.55	56.56	63.83	55.17	58.03
Other operating income	0.43	2.91	6.28	4.83	1.10
Selling and distribution cost	(21.29)	(22.33)	(22.64)	(20.72)	(27.79)
Administrative expenses	(9.97)	(11.27)	(13.45)	(15.60)	(22.19)
Other operating expenses	(0.84)	(0.27)	(1.52)	(0.08)	(0.01)
Profit from operations	20.89	25.60	32.50	23.60	9.14
Finance cost	(0.24)	(0.18)	(0.44)	(0.54)	(0.88)
Profit before tax	20.64	25.42	32.06	23.06	8.26
Tax	(4.43)	(3.91)	(6.58)	(4.83)	2.94
Profit after tax	16.21	21.51	25.48	18.23	11.20
Non-controlling Interest	0.04	-	0.02	(0.01)	-
Net Profit	16.17	21.51	25.46	18.24	11.20
Net dividend per share (sen)*	8.00	9.50	12.50	4.00	3.50
Earnings per share **	6.74	8.96	10.61	7.60	4.67
Depreciation & Amortisation	6.84	7.63	9.01	9.32	9.94
Number of Shares	60.00	60.00	240.00	240.00	240.00
EBITDA	27.72	33.23	41.51	32.92	19.08

* Dividend recognised/paid during the financial year and is excluding the dividend paid after the respective financial year end and final dividend proposed for the shareholders' approval

REVENUE (RM'mil)

PROFIT BEFORE TAXATION (RM'mil)

NET PROFIT (RM'mil)

EARNING PER SHARE (Sen)

DIVIDEND PER SHARE (Sen)

PROFILE OF THE BOARD OF DIRECTORS

Tan Sri Dato'Azizan Bin Husain
74 years of age/Male/Malaysian
Independent Non-Executive Chairman

Tan Sri Dato' Azizan bin Husain ("Tan Sri Azizan") was appointed as Independent Non-Executive Chairman on 8 June 2000. He also serves as the Chairman of Remuneration Committee, a member of the Risk Management and Audit Committee, and Nomination Committee.

Tan Sri Azizan is currently the Chairman of another listed company, namely Fiamma Holdings Berhad. He is also a Director of Tai Thong Group. At the same time, he serves on the Board of other private companies.

Tan Sri Azizan holds a B. A. Honours Degree and Diploma in Public Administration from the University of Malaya and a Post Graduate Diploma in Economics and Master in Urban and Regional Planning from the University of Colorado, Boulder, United States of America.

Tan Sri Azizan started his career with the Ministry of Agriculture in 1967 and retired in 1999 as the Secretary-General in the Ministry of Defence, Malaysia. Prior to his retirement, he had progressed on and gained vast experience from various departments in the civil service. During his years with the Government Service, he has served as Assistant Secretary with the Centre for Development Studies and Economic Planning Unit in Prime Minister's Department, Director of Economic Planning Unit, Sabah, Sabah State Director of Development, Deputy Secretary-General with Ministry of Land and Regional Development, Deputy Director-General (Sectoral) Economic Planning Unit with Prime Minister's Department, Director of Public Sector Companies Monitoring Division in the Ministry of Finance and Deputy Secretary-General (Operation) with the Ministry of Finance.

Tan Sri Azizan has attended all four (4) Board meetings held in the financial year.

Tan Sri Azizan does not hold shares in the Company and is not related to any Director and/or major shareholders of the Company. He does not have any conflict of interest with the Company and has not been convicted of any offence within the past five (5) years.

Datuk Seri Son Chen Chuan
71 years of age/ Male/Malaysian
Managing Director

Datuk Seri Son Chen Chuan ("Datuk Seri Son") was appointed Managing Director since 8 June 2000.

Datuk Seri Son is the founder of the Company and its subsidiaries ("the Group"). He is the driving force of the Group. With his decade long experience in the industry and extensive knowledge gained through the years, he formulates and implements the Group's corporate strategy. He also develops new products for both local and overseas market, ensuring that the quality of products and packaging are high, keeping close contact with the local and overseas distributors to obtain suggestions and feedback on the OFI products. Datuk Seri Son had through the years foster close relationships with the suppliers and customers.

Datuk Seri Son has attended all four (4) Board meetings held in the financial year.

Datuk Seri Son is related to Datuk Son Tong Leong (son) and Datuk Son Tong Eng (son). He is a substantial shareholder in the Company by virtue of his direct and indirect interests in the shareholdings held by himself and his children and via his shareholding in Apendo Capital Sdn. Bhd. and Summer Legend Sdn. Bhd. Other than the recurrent related party transactions as disclosed in page 115, he does not have any conflict of interest with the Company and has not been convicted of any offence within the past five (5) years.

PROFILE OF THE BOARD OF DIRECTORS

Datuk Son Tong Leong
48 years of age/ Male/Malaysian
Executive Director

Datuk Son Tong Leong was appointed to the Board on 8 June 2000. He holds a Bachelor's degree in Business from the Edith Cowan University, Australia.

He began his career in 1994 as the Factory Manager of OFI and was promoted to General Manager of the Company in 1998. He is now the Executive Director of OFI, OFM and OFIP. He is in charge of the overall corporate administration, human resources, marketing and operations of the Company. He has maintained excellent relationship with staffs of all levels, customers, suppliers and the Company's business partners. He also oversees the running of the factory machineries and ensures that production works are carried out smoothly in compliance with the MS ISO 9001:2008 and HACCP standards.

He has attended all four (4) Board meetings held in the financial year.

He is a shareholder of the Company and is related to Datuk Seri Son Chen Chuan (father) and Datuk Son Tong Eng (brother), all of whom are Directors of the Company. He does not have any conflict of interest with the Company and has not been convicted of any offence within the past five (5) years.

Datuk Son Tong Eng
47 years of age/ Male/Malaysian
Executive Director

Datuk Son Tong Eng was appointed to the Board on 8 June 2000. He holds a Diploma in Mechanical Engineering from the Federal Institute of Technology, Kuala Lumpur.

He has more than ten (10) years of experience in the food industry and is currently the Factory Manager of OFI. He oversees the running of the factory machineries and ensures that production works are carried out smoothly in compliance with the MS ISO 9001:2008 and HACCP standards.

He has attended all four (4) Board meetings held in the financial year.

He is a shareholder of the Company and is related to Datuk Seri Son Chen Chuan (father) and Datuk Son Tong Leong (brother), all of whom are the Directors of the Company. He does not have any conflict of interest with the Company and has not been convicted of any offence within the past five (5) years.

Mr. Lim Hwa Yu
62 years of age/ Male/Malaysian
Independent Non-Executive Director

Mr. Lim Hwa Yu ("Mr. Lim") was appointed to the Board on 23 February 1999. He also serves as the Chairman of the Risk Management and Audit Committee, a member of Remuneration Committee and Nomination Committee. Mr. Lim qualified as an Accountant from the United Kingdom in 1979. He is a Fellow of the Chartered Association of Certified Accountants, United Kingdom; Fellow of the Institute of Taxation, United Kingdom, and a Member of the Malaysian Institute of Accountants.

He is a partner of a public accounting firm, H.Y. Lim & Co. He has extensive experience in the field of corporate planning and management.

He has attended all four (4) Board meetings held in the financial year.

Mr. Lim does not hold shares in the Company and is not related to any Director and/or major shareholder of the Company. He does not have any conflict of interest with the Company and has not been convicted of any offence within the past five (5) years.

PROFILE OF THE BOARD OF DIRECTORS

Datuk Jeffery Ong Cheng Lock
67 years of age/ Male/Malaysian
Independent Non-Executive Director

Datuk Jeffery Ong Cheng Lock ("Datuk Jeffery") was appointed to the Board on 14 May 2007. He also serves as the Chairman of Nomination Committee, a member of the Risk Management and Audit Committee, and Remuneration Committee.

Datuk Jeffery is an Associate of the Institute of Business Administration, Australia and was formerly the Senior Director of Human Resources of Infineon Technologies, responsible for Recruitment, Compensation & Benefits, Welfare, Training, Employee Relations and Government Relations. He currently serves as the Council Member of the Federation of Malaysian Manufacturers ("FMM"), Chairman of FMM Malacca Branch, Member of the Malaysian Institute of Management, Member of the Malaysian Institute of Personnel Management and Member of the Malacca Industrial Skills Development Centre. Datuk Jeffery is also a Former Board Member of OSH National Council, Panel Member of the Industrial Court and the SOCSO Appellate Court.

Datuk Jeffery has attended all four (4) Board meetings held in the financial year.

Datuk Jeffery does not hold shares in the Company and is not related to any Director and/or major shareholder of the Company. He does not have any conflict of interest with the Company and has not been convicted of any offence within the past five (5) years.

Mr. Lim Keat Sear
67 years of age/ Male/Malaysian
Non Independent Non-Executive Director

Mr. Lim Keat Sear was appointed to the Board on 8 June 2000. He also serves as a member of the Nomination Committee and Remuneration Committee.

He has been in the snack and confectionery business for more than twenty (20) years. He joined Syarikat Perniagaan Chong Mah Sdn. Bhd., a distributor of snack food and confectionery in 1973 and became a director of the Company in 1978.

He has attended all four (4) Board meetings held in the financial year.

He is a substantial shareholder of the Company by virtue of his direct and indirect interest via Syarikat Perniagaan Chong Mah Sdn. Bhd., Thung Shung (M) Sdn. Bhd. and Summer Legend Sdn. Bhd and is not related to any of the Directors of the Company. Other than the recurrent related party transactions as disclosed in page 115, he does not have any conflict of interest with the Company and has not been convicted of any offence within the past five (5) years.

PROFILE OF KEY SENIOR MANAGEMENT

Karina Chong Mei Ying
47 years of age/Female/Malaysian
Group Company Secretary

Ms Karina Chong first joined the Group in 1996 to 2005 and thereafter re-joined the Group in 1 February 2007. She holds a Bachelor of Laws degree from the University of London and is a Registered License Secretary with the Companies Commission of Malaysia. She has twenty-two (22) years of experience in her scope of duties.

She is in charge of the secretarial, legal, corporate, human resources and administration matters and reports to the Directors of the Group. She is also the Joint Company Secretary of the Group.

She does not hold shares in the Company and is not related to any Director and/or major shareholders of the Company. She does not have any conflict of interest with the Company and has not been convicted of any offence within the past five (5) years.

Yap Siew Kuan
49 years of age/Female/Malaysian
Group Accountant

Ms Yap Siew Kuan joined the Company on 15 January 2015. She was a graduate from Chartered Institute of Management Accountants and is a member of Malaysian Institute of Accountants. She has twenty-six (26) years of experience in the accounting and audit line.

She is in charge of the corporate accounts and finances of the Group and reports to the Directors of the Company.
She does not hold shares in the Company and is not related to any Director and/or major shareholders of the Company. She does not have any conflict of interest with the Company and has not been convicted of any offence within the past five (5) years.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF THE GROUPS' BUSINESS AND OPERATIONS

Oriental Food Industries Holdings Berhad ("the Company" or "the Group") has made its mark in the snack food and confectionery manufacturing industry today as one of the companies holding the leading position in the said industry in Malaysia.

The Group remains focused on placing the needs and interests of its customers' first by manufacturing an assortment of snack food and confectionery products that focuses on quality. Generally these products can be divided into four (4) broad categories, which are snack food, wafer, potato snacks and bakery products.

The Group has various product brand names, most of which are commercially strong and generating the required sales and profit both locally and oversea. Super Ring, Jacker, Rota and Oriental are currently well-known household brand names in Malaysia.

FINANCIAL RESULTS AND FINANCIAL CONDITION

Despite undergoing a challenging year in 2017, the Group has managed to secure a continued growth in revenue as seen in the financial year ended 31 March 2018 ("FY 2018") results as reflected in the table below:

	2018 RM'000	2017 RM'000	Y-O-Y RM'000	%
Revenue	288,310	256,083	32,227	12.6%
Gross Profit	58,031	55,177	2,854	5.2%
Profit Before Tax ("PBT")	8,254	23,062	(14,808)	(64.2%)
Financial Costs	882	543	(339)	(62.4%)
Profit Net of Tax	11,198	18,233	(7,035)	(38.6%)
Shareholders' Fund	184,890	182,089	2,801	1.5%
Total Assets	251,610	241,432	10,178	4.2%
Borrowings	23,360	14,371	(8,989)	(62.5%)
Debt/ Equity (%)	22.9%	13.6%		
Earnings Per Share	4.67	7.60		
Net Assets Per Share	0.77	0.76		

REVENUE

The Group recorded a higher revenue of RM288.3 million in financial year 2018, an increase of 12.6% as compared to previous financial year of RM256.1 million. The increase was contributed by higher local and export sales.

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

	Revenues			
	01.04.2017 - 31.03.2018		01.04.2016 - 31.03.2017	
	RM'000	%	RM'000	%
Malaysia	106,698	37%	93,554	37%
Asia	125,268	43%	110,739	43%
Others	56,344	20%	51,790	20%
Total reported segments	288,310	100%	256,083	100%

MANAGEMENT DISCUSSION AND ANALYSIS

PROFIT NET OF TAX

The Group's profit net of tax, however, is lower at RM11.2 million as compared to RM18.2 million in the previous financial year. This is due to rising costs, fluctuations in foreign currencies and the inability to pass on the increased cost to customer. Earnings per share of the Group stood at 4.67 sen.

FINANCIAL POSITION

The Group's financial position remains strong with total assets of RM251.6 million against total liabilities of RM66.7 million. The Group has cash reserve of RM6.1 million at the financial year end as compared to RM19.0 million in the previous year as one of its major subsidiary is embarking on capital expansion projects which are expected to carry on for the next few years.

Net tangible assets per share, attributable to owner improved to RM0.77 (2017: RM0.76). Gearing ratio of the Group stood at 22.9% (2017: 13.6%) and the shareholders' funds is RM184.9 million. The Group's liquidity, measured by current ratio is 2:1.

DIVIDEND

The Group constantly declare a dividend payout for every quarter for the past years. Total dividend declared for the financial year 2018 was 2.5 sen (2017: 3.0 sen) per share.

GROUP's PROSPECTS

The Group is currently making machinery acquisitions for some expansion projects for new product lines. The management expects that these new lines will contribute positively towards the growth and profitability of the Group. These programs are expected to be completed in stages in the next few years.

The Board expects that the performance of the Group will be satisfactory for the next financial year ending 31 March 2019, despite facing various challenges of competitive markets.

SUSTAINABILITY STATEMENT

Oriental Food Industries Holdings Berhad ("OFIH" or "the Company") takes responsibility for any impact that our activities may have on the environment, the economy and society. OFIH has always believed that in order to sustain economic and social growth, social considerations has to be adhered to while ensuring minimal impact on the environment.

Furtherance to the above, OFIH is committed in maintaining the high standard of corporate governance in its effort to build a strong and vibrant business community for long term.

In line with Bursa Malaysia Securities Berhad's Sustainability Reporting Guide, OFIH's sustainability framework is focused on the evaluation of the economic, environmental and social ("EES") risk and opportunities coexistent with the Company's corporate governance framework and corporate social responsibilities.

GOVERNANCE STRUCTURE

The operations of OFIH Group as a whole is under the supervision of the Managing Director and Executive Director.

OFIH Group comprises of three (3) subsidiary companies exercising different scope of duties as follows:

Subsidiaries of OFIH

• Oriental Food Industries Sdn. Bhd. ("OFI")	Manufacturing and marketing of snack food and confectioneries.
• OFI Properties Sdn. Bhd.	Property Development.

Subsidiary of OFI

• Oriental Food Marketing (M) Sdn. Bhd.	Sales and marketing of snack food and confectioneries.

All three (3) companies which are under the leadership of Datuk Seri Son Chen Chuan, the Managing Director and Datuk Son Tong Leong, the Executive Director. The Executive Directors are assisted by the Departmental Managers and Head of Departments to run the day-to-day operations of those companies.

MATERIAL SUSTAINABILITY MATTERS

ECONOMIC

The core business of the Company is manufacturing and marketing of snack food, confectionery and biscuit products. The products are being sold locally and overseas.

In an effort to preserve shareholders' interest, OFIH strives to maintain high standards of corporate ethics and strict compliance with the laws and regulations of Malaysia and those countries which OFI products are being exported. This is because OFIH believes that high standard of integrity, honesty and accountability are the fundamental keys for a sustainable business.

In view that the core business of the group is manufacturing of snack food, confectionery and biscuit products, the Group expressed its commitment to abide manufacturing products in compliance with the Islamic principles – the Halal certified food.

Besides, having obtained Halal certificate for all its products, the Group has attained the ISO and HACCP certifications. The Company is currently in the midst of obtaining ISO 22000 and Food Safety certification in order to receive worldwide recognition for food safety and quality assurance. The objective of the Company is to be the consumer preferred snack food and confectioneries manufactured through providing safe and quality products, commitment to comply with the requirements and continually improve the effectiveness of the Quality Management System. In order to achieve this objective, departmental objectives are established in order to meet customers as well as company requirements. The objectives are measurable and consistent with the Company's quality policy. Head of Departments are compelled to ensure that each relevant personnel are aware of the objectives and their role in the contribution to the achievement of these objectives.

SUSTAINABILITY STATEMENT

With the Halal certification and Quality Management System in place, it enhances the profitability of business and consequently brings the manufacturing arm towards sustainable business growth.

The Research and Development ("R&D") Team lead by the Managing Director strives to stay relevant in product development arena in order to contribute towards the global market by visiting and participating in major fairs and expositions such as the ProPak Asia in Bangkok. ProPak Asia showcases the state of art machinery and equipment from international suppliers which is an unusual opportunity to experience the latest in processing, filling and packaging technology. ProPak Asia incorporates PharmaTech Asia, DrinkTech Asia, PlasTech Asia, CanTech Asia, SeafoodTech Asia and Lab & Test Asia. The exhibition is completed by a comprehensive conference and seminar programme on packaging developments with focus on environmental trends. Apart from the above, the Company has appointed food technology expert from overseas namely Japan to work together with the R&D Team in its product development activities to create new flavours or modification of the existing products and formulation of an entirely new product which offer variety and additional benefits to the customer.

The Export Sales Team had participated in several exhibitions to promote the Company's wide range of products. In 2017, the Company participated in the 14th Food Hotel Indonesia whereby more than 1,600 companies from over 50 countries attended the event including 15 pavilions from Australia, Belgium, China, Germany, Hungary, Korea, Libya, Malaysia, Singapore, South Africa, Taiwan, Tunisia, Turkey, and the USA. In 2018, the team participated in the ISM trade fair in Cologne Germany which is the world's leading trade fair for snack food. The Group aims to establish more presence by introducing its products at trade shows which is a powerful platform for meeting new customers, reaching out to existing clientèle, and building a more established and reliable brand.

The Group also values its shareholders who have supported and invested in the Company. The Board looks forward to meet its shareholders during Annual General Meetings where the shareholders are invited to raise questions to the Board to provide clearer insights of the Group's performance, position and future plans. Apart from that, the shareholders and investors are also able to check on the announcements and performance of the Company through its corporate website via an up-to-date link on Investor Relations. Under the Investor Relations chapter, information beneficial to shareholders such as circulars and notices to shareholders, financial results, listing announcements, change of corporate information, general meetings and other relevant information are uploaded regularly. Furtherance to that, there is also a contact email in OFIH's website for the shareholders to air their views and comments. Other than investor relation matters, the product information and other activities are also uploaded on the said website.

CORPORATE GOVERNANCE PRACTICES

In order to instil confidence amongst its stakeholders, OFIH Group strive to maintain good Corporate Governance practices.

The Group has undertaken the responsibility to ensure that the Management are aware and comply with various Policies and Procedures relating to the following areas:

– Whistle Blowing Procedures
– Employees Career Development
– Grievance Handling
– Risk Management

A Whistleblowing channel has also been set up to allow ease of reporting for employees to lodge reports on any misconduct by employees. This whistle-blowing procedures allows the Board and Management to take appropriate preventive and corrective actions inside the Company without the negative effects that come with public disclosure, such as loss of Company image or reputation, financial distress and loss of investor confidence. Through this program, employees are encouraged to discreetly disclose concerns about illegal, unethical or improper business conduct within the Company. In this manner, the employees can help the Company to monitor and keep track of such illegal, unethical or improper business conduct within the Company.

OFIH also believes that by establishing and maintaining its Occupational Safety, Health and Environmental Policy a positive safety and health culture will be adopted which is the key to good corporate governance while complying with the requirement under the Occupational Safety and Health Act 1994. In the pursuit of its effort to establish a positive, safe and healthy working environment, OFIH established the Occupational Safety, Health and Environmental Policy ("OSHE") Mission Statement whereby the Company has the core responsibility to ensure the Safety, Health and Environment of all company's employees, contractors and company visitors.

SUSTAINABILITY STATEMENT

The core objectives shall be achieved by the following exercises and goals:

- SAFE ENVIRONMENT AT WORKPLACE – There shall be a periodic safety audit of the factory premises to ensure that the premises are maintained as a safe environment of work.
- SAFE WORK PRACTICES – That standard operating procedures of work shall reflect safe working practices to reduce the possibility of harm on the employees, visitors and contractors.
- SAFETY AWARENESS – To instil the importance of safety in employees through orientation programs in the initial stage of their employment.
- PROVISION OF PPE – Personal Protection Equipment shall be provided to all employees when necessary to ensure of their safety and health at workplace.
- MANAGEMENT SUPPORT – The management shall direct and support all actions exercises towards securing the safety, health and environment of Company's employees, Company visitors and contractors an exhaust reasonable and practical means towards attaining that said goal.

OFIH views the Safety, Health and Environment of its employees, contractors and Company visitors as an important agenda alike to maintain a business machinery to drive the Company towards achieving its organizational and corporate objectives.

ENVIRONMENTAL PRESERVATION

The OFIH Group recognizes that efforts to ensure environmental preservation are an important business challenge and believes that it is our responsibility as a manufacturer to observe all applicable environmental laws and regulations. OFIH is committed to play its role as a responsible corporate citizen to ensure compliance with the legal and regulatory requirements of the Malaysian Department of Environment ("DOE") and other regulators and authorities. Environmental protection measures and considerations are embedded into our manufacturing processes and day-to-day operations.

(a) Use of Natural Gas in Manufacturing Processes

The Company has converted the use of petroleum and diesel to natural gas several years ago in all its manufacturing plants. Natural gas is an extremely important source of energy for reducing pollution and maintaining a clean and healthy environment. Natural gas has no colour or odour. It is definitely a better alternative to petroleum and diesel. For example, when natural gas is burned, it produces 45 percent less carbon dioxide than coal, 30 percent less than oil and 15 percent less than wood.

(b) Water Treatment Plant

OFIH has spent significant investment in water treatment at its manufacturing plant to ensure that wastewater shall undergo physical treatment followed by chemical treatment and subsequently biological treatment to remove contaminants and produce treated wastewater (or treated effluent) that is safer for the environment. This is also in compliance with the legal and regulatory requirements of the DOE.

(c) Management of Manufacturing Waste

Waste production is inevitable as part of our business's manufacturing process. As a business, we see waste as an additional cost to production. Our production team led by the Factory Managers are assigned to monitor and ensure the minimization of waste and this has formed an important part of their key performance indicators.

The Company has also appointed approved and licensed contractors to handle matters relating to the proper disposal of its manufacturing waste.

SUSTAINABILITY STATEMENT

CONTRIBUTION TOWARDS SOCIAL WELL-BEING

a) Giving Back to the Society

Our Corporate Social Responsibility (CSR) initiatives are closely aligned with our core business whereby we have given many sponsorships to various organization namely non-profit organizations, government departments, schools, higher institutions, religious institutions and others. This support takes the shape of monetary sponsorships as well as the donation of our Company products.

In view that the corporate head office of the Group is located in Melaka, CSR activities are mainly conducted in Melaka supporting these organization.


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- **National Cancer Society Malaysia**
  In April 2018, we supported the National Cancer Society Malaysia's Relay for Life event by sponsoring goodies bags to support the initiative to raise public awareness about cancer in the community and to raise funds to find the cure.

- **Chinese New Year ("CNY") event hosted by the Melaka Chief Minister's Office**
  In January 2018, we sponsored goody bags for a programme held by the Melaka Chief Minister for the people of Melaka in conjunction with the CNY celebrations.

- **FMM Melaka Branch Blood Donation Campaign**
  The Group has also participated in the Blood Donation Campaign organized by the FMM Melaka Branch.

- **Schools and Higher Institution**
  Throughout the year, the Group has participated in many activities organized by various schools and institution of higher education.

SUSTAINABILITY STATEMENT

b) MACC Corruption Free Pledge

On 2 July 2018, the Group had participated in the signing of an En-bloc Signing Ceremony of the Malaysian Anti-Corruption Commission Corruption Free Pledge (IBR, Ikrar Bebas Rasuah) organized by Federation of Malaysian Manufacturers (FMM).

(Third From Left) OFIH's Independent Non-Executive Director & Chairman of FMM Melaka, Datuk Jeffery Ong Cheng Lock, Assistant Commissioner PPj Abu Talib bin Othman, Director of MACC Melaka and OFIH's Executive Director Datuk Son Tong Leong

The Corruption Free Pledge, better known as IBR (Ikrar Bebas Rasuah) is an initiative introduced by the Malaysian Anti-Corruption Commission (MACC). The IBR is a voluntary pledge by an organization on an individual capacity to hold its leadership and each of its members accountable and responsible for carrying out their duties and to deter them from engaging in any corrupt misconduct throughout their tenure.

c) Supporting Malaysia and the State Government

The Group had stepped forward to contribute RM200,000 donation to Tabung Harapan Malaysia as a kind gesture towards helping the country in facing the challenges ahead.

As a homegrown Company, the Group felt that it has a responsibility to support the patriotic fundraising project.

The funds was received by YAB Haji Adly Zahari, Chief Minister of Melaka on 27 June 2018.

(Left to Right) Datuk Son Tong Eng, Executive Director, Datuk Seri Son Chen Chuan, Managing Director, Datuk Son Tong Leong, Executive Director, Datuk Jeffery Ong Cheng Lock, YAB Haji Adly Zahari, Chief Minister of Melaka and YB Khoo Poay Tiong, Member of Parliament Kota Melaka

d) **Contribution through Internship Programme**

The Top Management and the Human Resource Department of the Group are always enthusiastic to support local talents to grow with us at OFIH. Our objective is to provide opportunities to individuals pursuing their undergraduate studies to get hands-on experience working in the manufacturing industry. The Group believes that such programme helps private universities in order to strengthen the bond with the community.

e) **Job Opportunities to Undergraduates**

Not only that the Group hire the best in the industry to support its operations, it also encourages undergraduates to join the Company by giving job opportunities to young local talents. The Group manages a Management Trainee programme to prepare these individuals to later lead and contribute with fresh new ideas which could be beneficial to the Company.

f) **Employee Career Growth through Educational Sponsorship & Training**

The Company believes that to invest in employee development is investing in their own success. Therefore, the Company supports and encourages career growth through Education Assistance Programmes and Trainings. By investing in education-related programs for our employees, we are creating a workplace that is adaptive, knowledgeable, and ready for change. Deserving employee are awarded monetary funding to undergo various competency programmes for them to be certified in various areas for example as an Occupational Health and Safety Officer, Halal Executive, Radiation Protection Officer etc. As at to-date, most of the employees of the Company have undergone various training programmes essential to enhance their performance, understanding and success at work.

g) **Diversity and Ladies Leadership**

At OFIH we believe in equality regardless of race or gender. Employees stand to experience more personal growth in an environment where they are exposed to differences in culture, opinions and ideas. At OFIH, female employees are given equal opportunities to progress and hold important positions in the corporate ladder in various departments and divisions of the Company.

h) **Work-Life Balance towards Sustainable Productivity**

OFIH recognises the important of work–life balance that its employee needs between time allocated for work and other aspects of life. Areas of life other than work-life can be, but not limited to personal interests, family and social or leisure activities. Therefore, OFIH has from time to time participated in the sponsorship drive in various sport activities to promote healthy and active lifestyle among the employees.

i) **Team Work**

OFIH believes that teamwork amongst its employees is an essential part of a successful and nurturing workplace environment. We trust that when employee learns to work together -- and work together well -- they not only get more accomplished, but also come up with innovative ways of doing things as they spin ideas off one another.

Therefore, the employees of all levels are encouraged to participate in organising events of the Company. We believe that involving our employees as equal members of the organization makes them feel valued and connected to the organization. Besides that, the Company organizes Annual Dinner and Lucky Draw for its employees to boost their morale and add a dash of fun to their regular job.

In closing, we are committed to being an industry leader and in our journey towards integrating sustainability in our business we shall continue to adopt and apply effective economic approach, environmentally responsible practices, sound social policies and good corporate governance framework throughout our organization.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("the Board") observes the Malaysian Code on Corporate Governance 2017 ("MCCG 2017") and ensures the highest standards of corporate governance is practiced throughout Oriental Food Industries Holdings Bhd's group of companies ("the Group") as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and the financial performance of the Group.

The Group's corporate governance structure has been developed and enhanced based on the principles and recommendations of best practices prescribed in the MCCG 2017. The Company has disclosed its application of each practice set out in MCCG 2017 in a prescribed format of Corporate Governance Report ("CG Report") and the said CG Report can be viewed and downloaded in the Company's corporate website www.ofih.com.my.

The Board is pleased to inform that the Company has established the following policies which can be viewed in the Company's corporate website www.ofih.com.my :-

(a) Board Charter
(b) Code of Conduct
(c) Whistle-Blowing Policy
(d) Nomination and Election Process of Board Members
(e) Board Remuneration Policy
(f) Corporate Disclosure Policy
(g) Corporate Social Responsibility, Environmental and Sustainability Policy

A. BOARD OF DIRECTORS

Board Charter and Code of Conduct

The Board Charter and Code of Conduct ("The Charter") adopted by the Board provides guidance to the Board in the fulfilment of its roles, duties and responsibilities which are in line with the principles of good corporate governance. The Charter is subject to periodical review to ensure consistency with the Board's strategic intent as well as relevant standards of corporate governance.

The Board is also committed to conducting business in accordance with the highest standards of business ethics and complying with applicable laws, rules and regulations. The Code of Conduct provides guidance for Directors regarding ethical and behavioural considerations and/or actions as they address their duties and obligations during the appointment.

The Board is responsible to determine its optimised size in order to carry out its responsibility and authority effectively and efficiently.

The Charter will periodically be reviewed and updated in accordance with the needs of the Company and any new regulations that may have an impact in discharging the Board's responsibilities. The Charter was last reviewed and approved on 28 May 2013.

Composition of the Board

The Board currently has seven (7) members, four (4) Executive Directors and three (3) Non-Executive Directors, three (3) of whom are Independent Non-Executive Directors. This composition is in compliance with the minimum one-third (1/3) requirement for Independent Directors to be on the Board. The Board is led by Tan Sri Dato' Azizan Bin Husain, an Independent Non-Executive Chairman, while the executives are led by Datuk Seri Son Chen Chuan, the Managing Director.

The present size and composition of the Board is appropriate for the complexity and scale of operations of the Group. The role of Chairman and Managing Director of the Company are separated to ensure a balance of power and authority. The Independent Non-Executive Chairman is responsible for the orderly conduct and effectiveness of the Board, whilst the Managing Director together with Management ensures proper implementation of policies and strategies as adopted by the Board for the business operations of the Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

A. BOARD OF DIRECTORS (CONTINUED)

Composition of the Board (continued)

The evaluation of the potential candidate for new directorship and director nominated for re-election are delegated to Nomination Committee ("NC") with recommendation being made to the Board for decision. On the appointment of the new director, such new director is required to commit sufficient time in order to discharge his/her duty and responsibility with reasonable due care, skills and diligence. Members of the Board is expected to devote sufficient time and effort to discharge their individual responsibilities with reasonable due care, skills and diligence. Individual members of the Board are required to inform the Chairman before accepting the new appointment and to communicate the time he/she expects to spend for the new appointment.

The Board composition is governed by the Constitution of the Company. The Board shall comprise at least two (2) directors and not more than fifteen (15) directors, in accordance with the Constitution of the Company. Furthermore, in order to assert independence element and check and balance role to the Board, at least two (2) Directors or one third (1/3) of the Board (whichever is higher), shall be independent, in accordance with the Main Market Listing Requirements ("Main LR") of Bursa Malaysia Securities Berhad ("Bursa Securities"). In addition, the Company shall fill the vacancy of directors within three (3) months in the event of any vacancy in the Board of Directors, resulting in non-compliance with the Main LR of Bursa Securities.

The tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, such Independent Director may continue to serve on the Board subject to the Directors' re-designation as a Non-Independent Director. Otherwise, the Board must justify and seek Shareholders' approval in the event it retains as an Independent Director. As for the retention of an Independent Director above twelve (12) years, the Board shall seek shareholders' approval through the two-tier voting process.

The retirement and re-election of Directors are in accordance to the Constitution of the Company, which provides that all Directors of the Company, including the Managing Director are subject to retirement. At least one third (1/3) in number of the Board and who have been longest in office are subject to retirement by rotation during the annual general meeting. A newly appointed Director shall retire at next annual general meeting. A retiring Director is eligible for re-election.

The Non-Executive Directors are independent from the Management and major shareholders. Together, they play an important role by contributing their knowledge, advice and experience towards making independent judgement on issues of strategies, performance, resources and standard of conducts.

The Directors' profiles are set out in pages 14 to 16 of this Annual Report.

Board Meetings

The Board meets at least once in a quarter. The Meeting agendas and a set of Board Paper which are circulated at least seven (7) days prior to the Board Meetings in a timely manner to ensure that the Directors can peruse the matters for discussion and able to obtain further explanations, where necessary, to make informed decisions. Senior Management is invited to attend these meetings to explain and clarify matters, where necessary.

The Company Secretaries organise and attend all Board Meetings to ensure proper records of the proceedings.

Directors are given access to any information within the Company and are free to seek independent professional advice at the Company's expense, if necessary, in furtherance of their duties. All Directors also have access to the advice and services of the Company Secretaries who are responsible for ensuring that Board procedures are met and in accordance with regulatory requirements.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

A. BOARD OF DIRECTORS (CONTINUED)

Board Meetings (continued)

During the financial year ended 31 March 2018, four (4) meetings were held and the Directors' attendance at the Board Meetings are as follows:

Name	Designation	No. of Board Meetings Attended	Percentage of Attendance (%)
Tan Sri Dato' Azizan Bin Husain	Chairman/ Independent Non-Executive Director	4/4	100
Datuk Seri Son Chen Chuan	Managing Director	4/4	100
Datuk Son Tong Leong	Executive Director	4/4	100
Datuk Son Tong Eng	Executive Director	4/4	100
Lim Keat Sear	Non Independent Non-Executive Director	4/4	100
Lim Hwa Yu	Independent Non-Executive Director	4/4	100
Datuk Jeffery Ong Cheng Lock	Independent Non-Executive Director	4/4	100

Appointment, Retirement and Re-election

The retirement and re-election of Directors are in accordance to the Constitution of the Company, which provides that all Directors of the Company, including the Managing Director are subject to retirement. At every Annual General Meeting ("AGM"), at least one third (1/3) in number of the Board and who have been longest in office are subject to retirement by rotation. Any newly appointed Directors during the year must offer themselves to the Shareholders for re-election at the first AGM following their appointment.

The tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Pursuant to MCCG 2017, an Independent Director who has served for a cumulative term of more than nine (9) years would need to seek re-appointment at the AGM. Whereas, if the Board intends to retain the Independent Director after year-12, the Board should provide justification and seek annual shareholders' approval through a two-tier voting process.

Independent Director shall only remain as Independent Director if:

i) The independence assessment conducted by the Nomination Committee (with such independent director being abstained from the deliberation if he is a member) based on the above procedure and criteria on such Independent Director determines that the independence of such Independent Director is preserved and is not deteriorated in any manner due to passage of time and reported as such to the Board; and

ii) The continuing of such Director as Independent Director is recommended by the Board, based on the independence assessment conducted by the Nomination Committee with the results of the independent assessment being disclosed in the notice to such general meeting, to the Shareholders for ratification to continue to act as Independent Director in a general meeting and the ordinary resolution for such agenda is ratified by the shareholders during such general meeting.

All Directors seeking for re-election/re-appointment need to be assessed by the Nomination Committee on their capability and suitability.

A. BOARD OF DIRECTORS (CONTINUED)

Directors' Training

The Group acknowledges the importance of continuous education and training to the Board members.

Directors are encouraged to attend seminars and/or conferences organised by relevant regulatory authorities and professional bodies to keep abreast with the latest developments in the market place and new statutory and regulatory requirements.

Details of trainings attended by the Directors are as follows:

Name of Directors	Training Programmes	Date
Tan Sri Dato' Azizan Bin Husain	The Company Director's Expanded Duties and Responsibilities under Companies Act 2016	23.01.2018
Datuk Seri Son Chen Chuan	Seminar on Industry 4.0	27.06.2018
Mr. Lim Hwa Yu	• Driving Financial Integrity & Performance – Enhancing Financial Literacy • The Companies Act 1967: An Overview and its Significant Impact on Auditors, Company Secretaries, Legal Practitioners & Directors • Seminar Percukaian Kebangsaan 2017 Practical Auditing Methodology for SMPs	26.10.2017 30.10.2017 08.11.2017 11.12.2017 & 12.12.2017
Datuk Son Tong Leong	• Economic Outlook Seminar • Driving Financial Integrity & Performance – Enhancing Financial Literacy	25.04.2018 26.10.2017
Mr. Lim Keat Sear	Seminar on Industry 4.0	27.06.2018
Datuk Son Tong Eng	Seminar on Industry 4.0	27.06.2018
Datuk Jeffery Ong Cheng Lock	Seminar on Industry 4.0	27.06.2018

All the Directors have attended at least one (1) training session.

The Board is also regularly updated by the Company Secretaries on the latest amendments to the Main LR.

The Board will on a continuing basis evaluate and determine the training needs of each Director, particularly on relevant new laws and regulations and essential practices for effective corporate governance and risk management to enable the Directors to effectively discharge their duties.

B. BOARD COMMITTEES

The following Committees have been established to assist the Board to discharge its duties and responsibilities. These committees operate under defined terms of reference:-

- Risk Management and Audit Committee
- Nomination Committee
- Remuneration Committee

CORPORATE GOVERNANCE OVERVIEW STATEMENT

B. BOARD COMMITTEES (CONTINUED)

(i) Risk Management and Audit Committee

The role of the Risk Management and Audit Committee is to support the Board in overseeing the processes for production of the financial data, review of the financial reports and internal control of the Group. The Risk Management and Audit Committee holds a meeting every quarter to review the financial reports of the Company.

The Risk Management and Audit Committee comprises of not less than three (3) members which fulfill the following requirements:

(a) a majority must be Independent Directors.

(b) at least one (1) member –

i. must be a member of the Malaysian Institute of Accountants; or
ii. if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and :-

- he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967; or

- he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.

- fulfills such other requirements as prescribed or approved by Bursa Securities.

(c) Alternate Director shall not be appointed as a member of the Risk Management and Audit Committee.

(d) The members of the Risk Management and Audit Committee shall elect a chairman from amongst themselves who shall be an Independent Director.

Objective

a) The principal objectives of the Risk Management and Audit Committee is to assist the Board in fulfilling the following key responsibilities:-

i) Assessing the risk management policies and procedures and internal control;
ii) Overseeing financial reporting;
iii) Evaluating the internal and external audit process; and
iv) Reviewing conflict of interest situations and related party transactions.

b) Provide assistance to the Board in fulfilling its statutory and fiduciary responsibilities relating to corporate accounting, financial reporting practices, systems of risk management and internal control, the audit processes the Group and in monitoring the Group's Management of business/financial risk processes and accounting and financial reporting practices.

c) Determine that the Company has adequate administrative, operational, and internal accounting controls and that the Group is operating in accordance with its prescribed procedures, codes of conduct and applicable legal and regulatory requirements.

d) Serve as an independent and objective party in the review of the financial information presented by Management for distribution to shareholders and the general public.

e) Provide direction, counsel and oversight over the internal audit function and the external auditors, to enhance their independence from Management.

f) Provide assistance to the Board in setting and overseeing the Risk Management Framework of the Group and regularly assessing such Risk Management Framework to ascertain its adequacy and effectiveness.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

B. BOARD COMMITTEES (CONTINUED)

(ii) Nomination Committee

The Nomination Committee was set up by the Board to ensure it has an appropriate balance, size and the required mix of skills, experience and core competencies to govern the organization towards achieving its intended goals and objectives. The nomination and election process of Board Members are set out in the Nomination and Election Process of Board Members published in the Company's website.

The members of the Committee are as follows:-

Chairman : Datuk Jeffery Ong Cheng Lock
(Independent Non-Executive Director)
Members : Tan Sri Dato' Azizan Bin Husain
(Independent Non-Executive Director)
Lim Hwa Yu
(Independent Non-Executive Director)
Lim Keat Sear
(Non-Independent Non-Executive Director)

The Board delegated the annual assessment of effectiveness of the Board as a whole, individual members and its Board Committees to Nomination Committee. Nomination Committee is required to carry out the assessments, at least once per financial year, in accordance with the structured assessment process established by the Board and to report annually assessment of the full Board.

The function of the Nomination Committee are summarised as follows:

a) Consider and make recommendations on candidates for directorships proposed by the Managing Director or by any other Executive Directors or Directors or Shareholders;

b) Recommend to the Board, Directors to fill the seat on Board Committees;

c) Assess annually the following for recommendation the Board for approval:-

- performance and effectiveness of the Board as a whole, the committees of the Board and the contribution of each existing individual Director;
- required mix of skills and experience and other qualities, including core competencies which non-Executive Directors should bring to the Board;
- re-election of Directors pursuant to the Constitution of the Company and the Companies Act, 2016;
- independence of the Independent Directors as recommended by the Code.

There were three (3) meetings held during the financial year.

(iii) Remuneration Committee

The Remuneration Committee comprises the following members:-

Chairman : Tan Sri Dato' Azizan Bin Husain
(Independent Non-Executive Director)
Members : Lim Hwa Yu
(Independent Non-Executive Director)
Datuk Jeffery Ong Cheng Lock
(Independent Non-Executive Director)
Lim Keat Sear
(Non-Independent Non-Executive Director)

The function of the Remuneration Committee is to recommend to the Board, the remuneration packages of Managing Director, Executive Directors and any other persons of the Group as the Committee is designated to consider.

The remuneration procedures are set out in the Board Remuneration Policy adopted by Board. The Directors' fees are recommended by the Board and are subject to the approval of the shareholders of the Company at general meeting.

In discharging this responsibility, the Committee has obtained the advice of independent professional consultant on compensation for Top Management and Senior Directors at the expense of the Company.

There were four (4) meetings held during the financial year.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

C. DIRECTORS' REMUNERATION

The aggregate remuneration of Directors for the financial year ended 31 March 2018 are as follows:-

	Directors' fees (RM) Company (RM)	Directors' fees (RM) Subsidiaries (RM)	Salaries/ Allowances (RM)	Bonuses (RM)	Benefits-in-kind (RM)	Other emoluments (RM)	Total (RM)
Executive	135,000	180,000	1,950,000	670,400	84,000	532,076	3,551,476
Non-Executive	180,000	-	72,000	-	-	-	252,000

The number of Directors of the Company whose total remuneration fall within the following band:-

Range of Remuneration	Number of Directors Executive	Number of Directors Non-Executive
• Less than RM50,000	Nil	3
• RM50,000 – RM100,000	Nil	Nil
• RM100,001 – RM150,000	Nil	1
• RM150,001 – RM200,000	Nil	Nil
• RM200,001 – RM250,000	Nil	Nil
• RM250,001 – RM300,000	Nil	Nil
• RM300,001 – RM350,000	Nil	Nil
• More than RM350,000	3	Nil

In compliance with the Listing Requirements and MCCG practice, the details of the remuneration paid to Directors for the year 2018, are as follows:-

	Fees (RM)	Salaries and other emoluments (RM)	Bonuses (RM)	Benefit-in-kind (RM)	EPF and SOCSO (RM)	Total (RM)
EDs (on Group level)						
Datuk Seri Son Chen Chuan	105,000.00	921,600.00	316,800.00	28,000.00	247,288.80	1,618,688.80
Datuk Son Tong Leong	105,000.00	521,200.00	179,200.00	28,000.00	145,304.60	978,704.60
Datuk Son Tong Eng	105,000.00	507,200.10	174,400.00	28,000.00	141,732.60	956,332.70
NEDs (on company level)						
Tan Sri Dato' Azizan Husain	45,000.00	72,000.00	-	-	-	117,000.00
Datuk Jeffery Ong Cheng Lock	45,000.00	-	-	-	-	45,000.00
Lim Hwa Yu	45,000.00	-	-	-	-	45,000.00
Lim Keat Sear	45,000.00	-	-	-	-	45,000.00

D. SUPPLY OF INFORMATION

All Directors are provided with information on a timely basis. The agenda and Board Papers are circulated to the members prior to the meeting and if required, they may request additional information or clarification from the Management. The Board has unrestricted access to any information pertaining to the Group as well as to the advice and services of the Company Secretaries and independent professional advisers whenever appropriate at the Company's expense. Members of the Board are regularly updated on any new statutory and regulatory requirements.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

E. RELATIONSHIP WITH SHAREHOLDERS & INVESTORS

Shareholders and investors' relationship is a matter of importance today. Effective communication will help to enhance the confidence of the shareholders and investors towards the Company. The Board communicates information on operations, activities and performance of the Group to the shareholders, investors and public via the following:-

a) The Annual Report, which contains the financial and operational review of the Group's business, corporate and financial information and the information on the Board and Committees.

b) Various announcements made to Bursa Securities.

c) The website of the Company which provides the updated information of the Company such as products and activities.

The AGM represents the principal forum for dialogue and interaction with all shareholders. At each AGM, the Board presents the progress and performance of the Group's business and invites shareholders to participate in the question and answer session.

F. ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board, assisted by the Risk Management and Audit Committee aims to present a balance and understandable assessment of the Company's financial position and prospects through its annual audited financial statements and quarterly reports.

A statement by the Directors of their responsibilities in relation to the financial statements is set out on page 45 of this Annual Report.

Internal Control and Internal Audit Function

The Board acknowledges the importance of internal control including risk management both in the strategy and operational level. The Board recognises its responsibility for a sound internal control system covering not only financial controls but also operational and compliance control as well as risk management.

The Group's Statement on Risk Management and Internal Control are set out on pages 35 to 39 of this Annual Report. The said Statement has been duly reviewed by the external auditors.

Relationship with Auditors

The Risk Management and Audit Committee maintains a transparent relationship with both internal and external auditors in seeking their professional advice and ensuring compliance with the applicable laws and regulations. The Audit Committee seeks regular assurance on the effectiveness of the internal control system through independent appraisal by the auditors in ensuring compliance with the applicable accounting standard in Malaysia. Liaison and unrestricted communication exists between the Risk Management and Audit Committee and the External Auditors.

In relation to our audit of the financial statements of the Company for the financial year ended 31 March 2018, the External Auditors have maintained their independency in accordance with the By-laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants.

The scope of audit and emphasis are as follows:
- Property, Plant and Equipment
- Inventories
- Trade and other receivables
- Related party transactions
- Other matters

The External Auditors were responsible for planning and performing the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by fraud or error.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

F. ACCOUNTABILITY AND AUDIT (CONTINUED)

Corporate Disclosure

The Company has adopted a Corporate Disclosure Policy to ensure accurate, clear, timely and complete disclosure of material information necessary for informed investing and take reasonable steps to ensure that all who invest in the Company's securities enjoy equal access to such information to avoid an individual or selective disclosure.

Apart from the above, the Company also has implemented a whistle-blowing policy programme. Through this programme, employees are encouraged to discreetly disclose concerns about illegal, unethical or improper business conduct within the Company. In this manner, the employees can help the Company to monitor and keep track of such illegal, unethical or improper business conduct within the Company which otherwise may not be easily detected through normal process or transaction.

This policy is designed to facilitate employees to disclose any improper conduct (misconduct or criminal offence) through internal channel. Such misconduct or criminal offences include (but not limited to) the following:

i. Fraud;
ii. Bribery;
iii. Abuse of Power;
iv. Conflict of Interest;
v. Theft or embezzlement;
vi. Misuse of Company's Property; and
vii. Non-Compliance with Procedure

This policy is for the employees to raise the matters in an independent and unbiased manner. Employees are not required to prove the cases but rather to provide sufficient information for the management to take appropriate steps.

This Policy is administered by the Group's Top Management and overseen by the Risk Management and Audit Committee.

Sustainability Policy

The Board is committed to operate its business in accordance with environmental, social and economic responsibility. These include working within the laws in order to be innovative and demonstrate initiative to meet the requirements of various stakeholders.

The Company strives to achieve sustainable long term balance between meeting its business goals and preserving the environment, and its commitments with respect to sustainability are in the areas of workplace, marketplace, community and environment.

The strategies to promote sustainability and its implementation can be found at the Company's website.

G. CORPORATE SOCIAL RESPONSIBILITIES ("CSR")

The Company recognises the importance of CSR and has taken a proactive approach wherever possible to provide monetary and products contributions to governmental departments, non-profitable and charitable organizations.

The Company also organises educational factory tours for various educational and governmental institutions.

Furtherance to the above, in support of the local institutes of higher learning, the Company accepts undergraduates to perform their industrial training in various departments at the factories owned by the Company.

At Company level, the Company hosts its annual dinner for all its local and foreign employees to foster good relationship and harmonious ties between all level of employees of all races and as a token of recognition from the Top Management for the commitment and dedication of the employees.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors ("the Board") of Oriental Food Industries Holdings Berhad ("OFIH") acknowledges the importance of maintaining good risk management and internal control system within OFIH and its subsidiaries (collectively, "the Group") and is pleased to provide the following statement on the state of the risk management and internal control systems which outlines the nature and scope of risk management and internal control systems of the Group for the financial year ended 31 March 2018 and up to the date of approval of this statement disclosed pursuant to Paragraph 15.26(b) of Main Market Listing Requirements and the Malaysian Code on Corporate Governance. This statement was prepared by taking into account of the Statement on Risk Management and Internal Control: Guidelines for Director and Listed Issuers ("The Guidelines") pursuant to Practice Note 9 of Main Market Listing Requirements.

A. BOARD RESPONSIBILITY

The Board affirms its overall responsibility for maintaining a sound risk management and internal control system and for reviewing their adequacy and effectiveness so as to safeguard all its stakeholders' interests and protecting the Group's assets. The Board is responsible to determine the acceptable risk appetite of the Group as well as to articulate and implement risk management and internal control system. The Board delegates the duty of identification, assessment and management of key business risks to the Managing Director and Executive Directors. The role to review the adequacy and effectiveness of the risk management and internal control system within the Group is delegated to the Risk Management and Audit Committee by the Board, through its terms of reference approved by the Board, in order to provide assurance to the Board on the adequacy and effectiveness of governance, risk, control structures and processes of the Group. Through the Risk Management and Audit Committee, the Board is kept informed of all significant control issues brought to the attention of the Risk Management and Audit Committee by the Management, the outsourced internal audit function and the External Auditors.

The system of internal controls covers inter-alia, risk assessment as well as financial, operational, environmental and compliance controls. However, in view of the limitations that are inherent in any system of risk management and internal controls, the system of risk management and internal control are designed to manage, rather than to eliminate, the risk of failure to achieve the Group's business objectives. Accordingly, the system of risk management and internal control can only provide reasonable and not absolute assurance against material misstatement of losses and fraud.

B. RISK MANAGEMENT

The Board recognises that an important element of a sound risk management and internal control system is to have a risk management practice put in place to identify, evaluate and manage significant risks faced by the Group systematically during the financial year under review. The duties for the identification, evaluation and management of the key business risk are delegated to the Risk Management Team established during the financial year under review.

The Board adopts systematic risk management structure and processes for the enterprise wide risk management activities that are embedded throughout the Group as a second line-of-defence.

Systematic risk management process is employed by the Risk Management Team and risk owners for risk identification, risk assessment, control identification, risk treatment and control activities. Risk and opportunity assessment at residual level is guided by the likelihood rating and severity rating established. Based on the risk management process, Risk and Opportunity Plans were compiled by the risk owners and reviewed by Risk Management Team with relevant key risks identified and rated based on the agreed risk rating. The Risk and Opportunity Plans are used for the identification of high residual risks which are above the risk appetite of the Group that requires the Risk Management Team and the Board's immediate attention and risk treatment (including implementing of appropriate control measures) as well as for future risk monitoring. As an important risk monitoring mechanism, the Risk and Opportunity Plans of the Group as well as assessment and treatment of emerging risks identified at strategic and operational level are reported to the Risk Management and Audit Committee for review and its reporting to the Board.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

B. RISK MANAGEMENT (CONTINUED)

During the financial year under review, the Risk Management Team conducted a review and assessment exercise whereby existing key business risks of active business operations were reviewed with emerging risks assessed and incorporated into the Risk and Opportunity Plans for on-going risk monitoring and assessment and was tabled to the Risk Management and Audit Committee for its review and deliberation on its adequacy and effectiveness.

At strategic level, business plans and business strategies with risks consideration are formulated by Managing Director and Executive Directors and presented to the Board for review to ensure proposed strategies are in line with the Group's risk appetite. Update of the implementation progress of the approved strategies are being discussed in subsequent Board meetings for follow-up and review.

At operational level (first line-of-defence), the respective Head of Departments (i.e. risk owners) are responsible for managing the risks within their department. Risk owners are responsible for adequate and effective operational monitoring and management by way of maintaining adequate and effective internal control and the execution of risks and control procedures on a daily basis. Changes in the key business risks faced by the Group or emergence of new business risks and the corresponding internal control are discussed during management meetings to determine the risk treatment and implementation of effective controls to manage the risk. Critical and material changes in the key business risks faced by the Group or emergence of new material business risks are highlighted to the Risk Management Team for the decision on the risk treatment and its implementation as well as its reporting to the Risk Management and Audit Committee and the Board.

The monitoring of the risk management by the Group is enhanced by the internal audits carried out by the internal audit function with specific audit objectives and business risks identified for each internal audit cycle based on the internal plan approved by the Risk Management and Audit Committee.

In line with the Group's migration of the quality management system from ISO 9001:2008 to ISO 9001:2015, the Management implemented risk-based quality management system to manage organizational quality risks and opportunities in a structured manner and was issued with the migration certification on 6 November 2017.

Except as disclosed otherwise, the above process has been practiced by the Group for the financial year under review and up to the date of approval of this statement.

C. INTERNAL CONTROL SYSTEM

The key features of the Group's internal control systems are described below:

i. Board of Directors/Board Committees

Board Committees (i.e. Risk Management and Audit Committee, Remuneration Committee and Nomination Committee) being established to carry out duties and responsibilities delegated by the Board, governed by their respective written terms of reference.

Meetings of Board of Directors and respective Board Committees are carried out on scheduled basis to review the performance of the Group, from financial to operational perspective. Business plans and business strategies are proposed by the Group Managing Director to the Board for review and approval after taking into account the risk consideration and responses.

ii. Integrity and Ethical Value

The tone from the top on integrity and ethical value are enshrined in formal Code of Conduct established and approved by the Board. The formal code forms the foundation of integrity and ethical value for the Group. Formal Whistle-Blowing Policy is put in place by the Board and overseen by the Risk Management and Audit Committee to provide a channel for employees and other stakeholders to confidentially bring to the attention of the Executive Director any concerns related to matters covered by the Group's Code of Conduct, legal issues and accounting or audit matters.

iii. Organizational Structure and Authorisation Procedures

The Group has a formal organizational structure in place for planning, organising and executing the business operations of the Group to ensure its objectives are met. The authorisation requirements for key processes are stated in the Group's policies and procedures.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

C. INTERNAL CONTROL SYSTEM (CONTINUED)

iv. Policies and Procedures

The Group has documented policies and procedures that are periodically reviewed and updated to ensure its relevance to regulate key operations in compliance with its Halal certification, International Organization for Standardisation ("ISO") 9001:2015 – Quality Management System certification and Hazard Analysis and Critical Control Points ("HACCP") and internal control requirements. The authorisation requirements for key processes are stated in the Group's policies and procedures.

v. Human Resource Policy

The Group has put in place formal Human Resource Policy and Employee Handbook throughout the Group to ensure the Group's ability to operate in an effective and efficient manner by employing and retaining adequate competent employees possessing necessary knowledge, skill and experience in order to carry out their duties and responsibilities assigned effectively and efficiently. Training needs of employees are identified annually so that relevant trainings are provided to such employees to upgrade their knowledge and skill sets.

vi. Information and Communication

At operational level, clear reporting lines established across the Group and operation and management reports are prepared for dissemination to relevant personnel for effective communication of critical Information throughout the Group for timely decision making and execution in pursuit of the business objectives. Matters that require the Board and Executive Directors' attention are highlighted for review, deliberation and decision on a timely basis.

The Group puts in place effective and efficient information and communication infrastructures and channels, i.e. computerised enterprise resources planning systems, secured intranet, electronic mail system and modern telecommunication, so that operation data and management information can be communicated timely and securely to dedicated personnel within the Group for decision making and for communication with relevant external stakeholders for execution and information collection. Apart from that, relevant financial and management reports are generated for different level of the organization structure for review and decision making. The management and board meetings are held for effective two-way communication of information at different level of management and the Board.

vii. External Bodies Certification

The operating subsidiary is certified and in compliance with the Halal certification, ISO 9001:2015 – Quality Management System certification and HACCP certification

viii. Monitoring and Review Activities

a. Daily management meetings of Head of Departments are held to review operational performance of key divisions/departments within the Group.
b. Monthly review of the management accounts of the Company and its subsidiaries by the Executive Directors.
c. Quarterly unaudited financial reports reviewed by Risk Management and Audit Committee together with management, and subsequently reported to the Board.
d. Internal audit conducted by Outsourced Internal Audit function (which is reporting directly to the Risk Management and Audit Committee) based on key risk areas identified. The Outsourced Internal Audit function assesses the adequacy and effectiveness of risk management and internal control in relation to specific governance, risk and control processes and highlights any potential risks may be posed to the Group to the Risk Management and Audit Committee based on the results of the audit work performed. Recommendations for improvement are proposed by the internal audit function to minimise the potential risks identified.
e. Independent review of compliance with relevant laws and regulations in relation to specific areas of safety, health and environment by independent consultants engaged by the Group and/or relevant regulatory bodies as well as significant control issues highlighted by the external auditors as part of their statutory audits and the monitoring of compliance with ISO certification carried out by internal ISO auditors serve as the fourth-line-of-defence.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

D. INTERNAL AUDIT FUNCTION

The Group relies on internal audit function as the third line-of-defence to provide the Board and the Management with the required level of assurance that the governance, risk management, internal control system is operating adequately and effectively in mitigating organizational risks to achieve the Group's corporate objectives. The Group's internal audit function is outsourced to an independent professional firm, NeedsBridge Advisory Sdn Bhd, which is reporting directly to the Risk Management and Audit Committee. The appointment and resignation of the Outsourced Internal Audit Function as well as the proposed audit fees are subject to review and approval by the Risk Management and Audit Committee for its reporting to the Board for ultimate approval.

The outsourced internal audit function is reporting to the Risk Management and Audit Committee directly and the engagement director, Mr. Pang Nam Ming, is a Certified Internal Auditor accredited by the Institute of Internal Auditors Global and a professional member of the Institute of Internal Auditors Malaysia. The internal audits are carried out, in material aspects, in accordance with the International Professional Practices Framework established by the Institute of Internal Auditors Global. The outsourced internal audit function is manned by one (1) engagement director, three (3) managers/assistant manager and five (5) senior consultants/consultants during the financial year under review.

The internal audit plan in respect to financial year ended 31 March 2018 was prepared using risk based approach that takes into consideration of the existing and emergent key business risks identified in the Group's key risk profile and management's input. Such internal audit plan was presented to the Risk Management and Audit Committee for review before recommending to the Board for approval. Scheduled internal audits were performed by the Outsourced Internal Audit function based on the approved internal audit plan with any subsequent change to the approved plan and scope was referred to the Risk Management and Audit Committee for review and its recommendation to the Board for approval prior to the commencement of the audit.

The internal control review procedures performed by the Outsourced Internal Audit function are designed to understand, document and evaluate risks and related controls to determine the adequacy and effectiveness of governance, risk and control structures and processes and to formulate recommendations for improvement thereon. The internal audit procedures applied principally consist of process evaluations through interviews with relevant personnel involved in the process under review, review of the Standard Operating Procedures and/or process flows provided and observations of the functioning of processes in compliance with results of interviews and/or documented Standard Operating Procedures and/or process flows. Thereafter, testing of controls for the respective audit areas through the review of the samples selected based on sample size calculated through the use of predetermined formulation, subject to the nature of testing and verification of the samples.

During the financial year under review, the internal audit functions have conducted review of production planning and scheduling, shop floor control, quality assurance and control, human resources policy, recruitment management, performance evaluation, career development and training management, succession planning and payroll processing for the Group's business operations located in Malaysia.

Upon the completion of the internal audit works, internal audit reports which states internal audit findings, recommendations, management responses and action plans were presented by the Outsourced Internal Audit function to the Risk Management and Audit Committee for review and deliberation during Risk Management and Audit Committee meeting. Updates on the status of implementation of management action plans as identified in the previous internal audit reports were also presented during the financial year under review for the Risk Management and Audi Committee to ensure action plans were satisfactorily implemented to address the individual risks associated with the findings. The Risk Management and Audit Committee reported the results of the review and deliberation to the Board in order for the Board to discharge its responsibility to ensure that the risk management and internal controls are in place and working adequately and effectively to manage the risks within the risk appetite of the Group and for regulatory compliance.

The total costs incurred for the Internal Audit function for the financial year under review amounted to RM26,000.00.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

D. INTERNAL AUDIT FUNCTION (CONTINUED)

During the financial year, aside from reporting on the audit findings and the status of agreed management action plans for previous internal audit report, the resources, experience, competency and continuous professional development of the Outsourced Internal Audit Function was also reported to the Risk Management and Audit Committee for their review and assessed on the adequacy and effectiveness of the Outsourced Internal Audit Function. Based on the above review and reporting mechanism as well as review of the works performed and deliverables by the outsourced internal audit function during the financial year, the Risk Management and Audit Committee is of the view that the scope, functions (including independence), competency, resources, authorities granted to the Outsourced Internal Audit Function as well as internal audit program and processes are adequate to provide the Risk Management and Audit Committee with reasonable assurance that governance, risk and control structures and processes of the Group is adequate and effective and that the results of the internal audit plan, processes or investigation undertaken is adequately communicated to the Risk Management and Audit Committee and appropriate actions are taken on the recommendations of the internal auditors.

In addition to the above, for the purpose of compliance with ISO 9001:2015 Quality Management Systems and HACCP, internal quality audits are carried out by in-house independent personnel and surveillance audit is conducted by an independent certification body to provide assurance of compliance with established ISO procedures.

E. ASSURANCE PROVIDED BY THE MANAGING DIRECTOR AND EXECUTIVE DIRECTOR RESPONSIBLE FOR FINANCIAL MANAGEMENT

In line with the Guidelines, the Managing Director, being the highest ranking executive in the Company and Executive Director responsible for financial management of the Group, being the person primarily responsible for the management of the financial affairs of the Company have provided assurance to the Board in writing stating that the Group's risk management and internal control systems have operated adequately and effectively, in all material aspects, to meet the Group's objectives during the financial year under review.

F. OPINION AND CONCLUSION

During the meetings of Board of Directors in the financial year under review, the performances of the Group were reviewed and deliberated by the Board, including, but not limited to, the adequacy and effectiveness of specific risk management and internal control system of the Group put in place to address potential business risks identified by the Board during such reviews and deliberation. Through such reviews by the Board as well as the monitoring and review mechanism stipulated above coupled with the assurance provided by the Managing Director and the Executive Director responsible for financial management of the Group and independent internal control reviews conducted by outsourced internal audit function and other professionals and regulatory bodies and reported to the Board, the Board is of the opinion that the risk management and internal control systems are satisfactory and have not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report.

The Board is committed towards maintaining an effective risk management and internal control systems throughout the Group and where necessary put in place appropriate plans to further enhance the Group's risk management and internal control systems. Notwithstanding this, the Board will continue to evaluate and manage the significant business risks faced by the Group in order to meet its business objectives in the current and challenging business environment.

G. ASSURANCE PROVIDED BY EXTERNAL AUDITORS

Pursuant to paragraph 15.23 of the Listing Requirements, the External Auditors, Ernst & Young have reviewed this Risk Management and Internal Control Statement. The review was performed in accordance with Audit and Assurance Practice Guides (AAPGs) 3: Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report, Recommended Practice Guide (RPG) 5 (revised): Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report, issued by the Malaysia Institute of Accountants. Based on their review, nothing has come to their attention to cause them to believe the Statement was not prepared, in all material aspects, in accordance with the disclosures required by paragraph 41 and 42 of the Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report to be set out, nor is factually incorrect.

RISK MANAGEMENT AND AUDIT COMMITTEE REPORT

COMPOSITION

Members

As at the date of this Annual Report, the composition of the Risk Management and Audit Committee ("the Committee") is as follows:

Mr. Lim Hwa Yu
(Chairman, Independent Non-Executive Director)

Tan Sri Dato' Azizan Bin Husain
(Member, Independent Non-Executive Director)

Datuk Jeffery Ong Cheng Lock
(Member, Independent Non-Executive Director)

The composition of the Audit and Risk Management Committee complies with Chapter 15 of the Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("Listing Requirements").

Secretaries

The Secretaries of Oriental Food Industries Holdings Berhad, Ms. Karina Chong Mei Ying, Ms. Chan Sau Leng and Cik Ruzeti Emar Binti Mohd Rosli are also Secretaries of the Committee.

Membership

The Committee shall be appointed by the Board of Directors amongst the Directors of the Company and the following requirements must be met:-

(a) The Committee must consist of not less than three (3) members;

(b) The Committee is made up of non-executive directors with the majority of members must be Independent Directors;

(c) The Chairman of the Committee must be an Independent Director;

(d) At least one (1) member of the audit committee –

   i. must be a member of the Malaysian Institute of Accountants; or

   ii. if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and:-

      - has passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967;
      - is a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
      - fulfills such other requirements as prescribed or approved by the Bursa Malaysia Securities Berhad ("Bursa Securities").

(e) Alternate director shall not be appointed as a member of the Committee.

(f) The members of the Committee shall elect a chairman from amongst themselves who shall be an independent director.

(g) In the event of any vacancy in the Committee resulting in the non-compliance of subparagraphs 15.09(1) and 15.10 of the Listing Requirements, the vacancy must be filled within three (3) months.

RISK MANAGEMENT AND AUDIT COMMITTEE REPORT

TERMS OF REFERENCE

The Board had on 22 November 2017 reviewed the Terms of Reference of the Committee in line with the provisions of the Listing Requirements, and the Malaysian Code on Corporate Governance 2017 and had included the following duties and responsibilities of the Committee, and where appropriate, the Committee shall report to the Board on the following:-

1. To review the maintenance of an effective accounting system and controls in the business process.

2. To review the Company's accounting policies and reporting requirements to ensure compliance with the relevant laws and standards.

3. To review Company's compliance with relevant law and Listing Requirements of Bursa Securities.

4. To review the scope of the external audit and internal audit to ensure no unjustified restrictions are imposed by the Management.

5. To review the assistance given by employees of the Company to the internal and external auditors.

6. To review the adequacy of the scope, functions, competency and resources of the internal audit functions and the necessary authority to carry out its work.

7. To recommend the appointment and remuneration of external auditors.

8. To liaise directly with the external auditors, the Management and the Board as a whole, particularly with regard to the Audit plan and Audit report.

9. To review the findings of internal and external auditors on internal controls and other audit comments.

10. To review the internal audit programme, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal auditors.

11. To review the quarterly results and year-end financial statements, before the approval by the board of directors, focusing particularly on:-

    (a) changes in or implementation of major accounting policy changes;

    (b) significant matters highlighted including financial reporting issues, significant judgments made by the Management, significant and unusual events or transactions, and how these matters are addressed; and

    (c) compliance with accounting standards and other legal requirement.

12. To review the contents of the Annual Report prior to submission to the Board.

13. To review any related party transaction and conflict of interest situation that may arise within the Company or group including any transaction, procedure or course of conduct that raises questions of management integrity.

14. To review any letter of resignation from the external auditors of the Company.

15. To review whether there is a reason (supposed by grounds) to believe that the Company's external auditors is not suitable for re-appointment.

16. To review the adequacy and effectiveness of risk management, internal control and management information systems, including compliance with applicable laws, rules, corporate governance requirements and guidelines.

17. To review the Group's risk management policy and implementation of the risk management framework.

18. To review and recommend to the Board, the Director's Statement on Risk Management and Internal Control and any changes thereto.

The revised Terms of Reference of the Committee are available for reference on the Company's website at www.ofih.com.my

RISK MANAGEMENT AND AUDIT COMMITTEE REPORT

ACTIVITIES FOR THE FINANCIAL YEAR

During the financial year under review, a total of four (4) meetings were held and full attendance were recorded for members.

Details of the meeting are as provided below:

Meetings

Frequency of Meetings

Meetings shall be conducted at least four (4) times a year, or more frequently as circumstances dictate.

Quorum

A majority of the members, who are Independent Directors, present being not less than two (2), shall form a quorum.

Attendance at Meetings

Two (2) Audit Committee Meetings and two (2) Risk Management and Audit Committee Meetings were held during the financial year ended 31 March 2018. The attendance records of each member are as follows:-

Name	Number of meetings attended
Mr. Lim Hwa Yu	4/4
Datuk Jeffery Ong Cheng Lock	4/4
Tan Sri Dato' Azizan Bin Husain	4/4

The Internal Auditors and representatives of the External Auditors would normally attend the meetings. However, when deemed necessary, the Committee may invite the Board members or any other person to be in attendance to assist in its deliberations. The Committee also met with the External Auditors without the presence of the Executive Directors.

The Committee carried out its duties for the year in accordance with its Terms of Reference.

The main duties undertaken by the Committee for the financial year are as follows:

Financial Results

Reviewed the quarterly interim unaudited financial statements and the annual audited financial statements of the Group prior to submission to the Board for its consideration and approval focusing particularly on changes in or implementation of significant accounting policies and compliance with applicable accounting standards approved by the Malaysian Accounting Standards Board ("MASB"), significant matters highlighted including financial reporting matters, unusual events, transactions, judgements made by Management and other legal requirements, and the main factors contributing to the financial performance of the Group in terms of revenue and earnings. Discussed with Management and external auditors, and had obtained reasonable assurances that all changes in significant accounting policies had been implemented; applicable accounting standards approved by MASB, provisions of the Companies Act 2016 and requirements under the Listing Requirements had been complied with; significant matters highlighted by the External Auditors including financial reporting matters, unusual events or transactions had been appropriately addressed; judgements made by Management had been assessed; and impact of any changes to the accounting policies and new accounting standards had been assessed and adopted, where relevant.

RISK MANAGEMENT AND AUDIT COMMITTEE REPORT

Internal Audit

The internal audit function of the Group was outsourced to a professional consulting firm, Needsbridge Advisory Sdn Bhd to undertake independent, objective and systematic reviews of the internal control systems to evaluate its adequacy and effectiveness. The outsourced Internal Auditors conduct the internal audit reviews according to the internal audit plan approved by the Committee.

The Committee carried out the following functions:

(a) Reviewed and approved the annual audit plan to ensure adequate scope and coverage on the activities of the Group, taking into consideration the assessment of key risk areas and ensured that key and high risk areas were audited annually.

(b) Reviewed the effectiveness of audit programmes, and the adequacy and suitability of the resource requirements and skill levels of the Internal Auditors for the year and assessed the performance of the Internal Audit Function.

(c) Reviewed the internal audit reports, audit recommendations made and Management's response to these recommendations and actions taken to improve the system of internal control and procedures recommendations. Where appropriate, the Audit and Risk Management Committee had directed Management to rectify and improve control procedures and workflow processes based on the Internal Auditors' recommendations and suggestions for improvement.

(d) Monitored the implementation of the audit recommendations to ensure that all key risks and controls had been addressed.

(e) Reviewed recurrent related party transactions of a revenue or trading nature reports on a quarterly basis for compliance with the review procedures outlined in the Shareholders' Mandate and ensured that the transactions were undertaken on an arm's length basis and on normal commercial terms which were consistent with the Group's usual business practices and policies, and on terms not more favourable to the related parties than those generally available to the public and were not to the detriment of the minority shareholders.

(f) Reviewed the Statement on Risk Management and Internal Control which provided an overview of the state of internal controls within the Group prior to the Board's approval for inclusion in the Annual Report. The Statement on Risk Management and Internal Control which had been reviewed by the External Auditors is set out on pages 35 to 39 of this Annual Report. The Committee was satisfied that the system of risk management and internal control in place throughout the Group as described in the Statement on Risk Management and Internal Control, was sound and effective, providing reasonable assurance that the structure and operation of controls were appropriate for the Group's operations. The Committee also acknowledged that implementation measures were continuously taken to strengthen the system of risk management and internal control so as to safeguard the interests of stakeholders including shareholders' investments, and the Group's assets.

(g) Approved a budget of RM26,000 for the Internal Audit Function to effectively carry out its audit plan for the financial year ended 31 March 2018.

(h) Approved the Risk Management and Audit Committee Report and recommended the same for Board's approval for inclusion in the Annual Report.

External Audit

(a) Reviewed and discussed with External Auditors the audit planning memorandum covering the audit objectives and approach, audit plan, key audit areas and relevant technical pronouncements and accounting standards issued by MASB, and regulating requirements applicable to the Group; and the processes and controls in place to ensure effective and efficient financial reporting and disclosures under the financial reporting standards.

(b) Reviewed and discussed with External Auditors the results of the audit and the audit report in particular, significant accounting issues arising from the external audit and their opinion on the financial statements of the Group and of the Company.

RISK MANAGEMENT AND AUDIT COMMITTEE REPORT

External Audit (continued)

(c) Reviewed with External Auditors the memorandum of comments and recommendations arising from their study and evaluation of the system of internal and accounting controls together with Management's response to the findings of the External Auditors and ensured where appropriate, that necessary corrective actions had been taken by Management.

(d) Evaluated the performance and assessed the suitability and independence of the External Auditors during the year in accordance with the policies and procedures in place, vide a set of questionnaires covering the calibre of the external audit firm; quality of processes and performance; skills and expertise including industrial knowledge; independence and objectivity; audit scope and planning; audit fees; and their communications with the Risk Management and Audit Committee. The Risk Management and Audit Committee had received from the External Auditors written confirmation on their independence and disclosed their policies on independence, safeguards and procedures to address threats or perceived threats to their independence and objectivity, and that they were in compliance with the independence requirements set out in the By-Laws (On Professional Ethics, Conduct and Practice) for Professional Accountants (By-Laws) as adopted by the Malaysian Institute of Accountants.

(e) Recommended to the Board the re-appointment of the External Auditors and their remuneration.

(f) Reviewed and discussed the non-audit fees in respect of services rendered by the External Auditors. The non-audit fees for the financial year ended 31 March 2018 amounted to RM5,000.

(g) Convened two (2) meetings with the External Auditors without executive Board members and Management being present to discuss matters in relation to their review.

Compliance Management

Compliance with laws, regulations, codes and standards.

Risk Management

a) The Committee monitored the year-to-date progress on the achievement of the Company my reviewing the performance of the Company on a quarterly basis. The Committee sought understanding from the Risk Management Team ("RMT") on the identified risk of each department and to prepare the necessary management action plan to tackle the risks identified.

b) The Committee provided assurance to the Board on the risk reporting and review activities that took place during the financial year.

Related Party Transactions

(a) Reviewed related party transactions entered into by the Group and ensured that the transactions undertaken were in the best interest of the Group, fair, reasonable and on normal commercial terms, and not detrimental to the interest of the minority shareholders, and recommended the same for approval of the Board.

(b) Reviewed the annual Shareholders' Mandate in relation to recurrent related party transactions of a revenue or trading nature for shareholders' approval to undertake transactions which are recurrent, of a revenue or trading nature and which are necessary for the day-to-day operations of the Group with related parties ("RRPTs"). The Committee ensured that the review procedures were sufficient to ensure that the RRPTs were not more favourable to the related parties than those generally available to the public and were not to the detriment of the minority shareholders and that the Group had in place adequate procedures and processes to monitor, track and identify RRPTs in a timely and orderly manner, and such procedures and processes were reviewed on a yearly basis or whenever the need arose. The Management had given assurance to the Committee that related party transactions and mandate for recurrent related party transactions were in compliance with the Listing Requirements and the Group's policies and procedures.

STATEMENT OF DIRECTORS' RESPONSIBILITY

As required under the Companies Act, 2016, the Directors of Oriental Food Industries Holdings Berhad have made a statement expressing an opinion on the financial statements. The Board is of the opinion that the financial statements have been drawn up in accordance with applicable approved accounting standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company for the financial year end 31 March 2018.

In preparing the financial statements for the financial year end 31 March 2018, the Directors have:

- Adopted suitable accounting policies and practices to ensure that they were consistently applied throughout the year;
- Made judgements and estimates that are prudent and reasonable;
- Ensured all applicable accounting standards have been followed, subject to any material departure and explained in the financial statements; and
- Prepared the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

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

This statement is made in accordance with a resolution of the Board of Directors dated 20 July 2018.

FINANCIAL STATEMENTS

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 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other information of the subsidiaries are described in Note 17 to the financial statements.

RESULTS

	Group RM	Company RM
Profit net of tax, attributable to:		
Owners of the parent	11,201,905	8,024,580
Non-controlling interest	(4,217)	-
	11,197,688	8,024,580

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 2017 were as follows:

	RM
In respect of the financial year ended 31 March 2017:	
Interim single tier dividend of 1 sen per ordinary share, on 240,000,000 ordinary shares, declared on 29 May 2017 and paid on 6 July 2017	2,400,000
In respect of the financial year ended 31 March 2018:	
Interim single tier dividend of 1 sen per ordinary share, on 240,000,000 ordinary shares declared on 24 August 2017 and paid on 10 October 2017	2,400,000
Interim single tier dividend of 1 sen per ordinary share, on 240,000,000 ordinary shares declared on 22 November 2017 and paid on 5 January 2018	2,400,000
Interim single tier dividend of 0.5 sen per ordinary share, on 240,000,000 ordinary shares on 27 February 2018 and paid on 6 April 2018	1,200,000
	8,400,000

The directors do not recommend the payment of any final dividend for the financial year ended 31 March 2018.

DIRECTORS' REPORT

DIRECTORS

The names of the directors of the Company in office since the beginning of the financial year to the date of this report are:

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

**These directors are also directors of the Company's subsidiaries.

The names of the directors of the Company's subsidiaries in office since the beginning of the financial year to the date of this report (not including those directors listed above) are:

Hoo Beng Lee
Yeo Kian Chuan (Resigned on 16 May 2017)

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 a benefit (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 below and those shown in the directors' report of a related corporation) 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 30 to the financial statements.

The directors' benefits are as follows:

	2018 RM
Salaries and other emoluments	2,106,000
Fees	495,000
Bonus	670,400
Defined contribution plan	532,076
	3,803,476

During the financial year, the total amount of insurance coverage effected and insurance premium paid for the directors and officers of the Company was RM9,650,000 and RM14,000 respectively under the Group Directors' and Officers' Liability Insurance Policy.

DIRECTORS' REPORT

DIRECTORS' INTERESTS

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

	Number of ordinary shares			
	1.4.2017	**Acquired**	**Sold**	**31.3.2018**
Direct interest:				
Datuk Seri Son Chen Chuan	73,229,532	-	-	73,229,532
Datuk Son Tong Leong	5,774,700	-	-	5,774,700
Datuk Son Tong Eng	5,470,496	-	-	5,470,496
Lim Keat Sear	2,935,012	-	-	2,935,012
Deemed interest:				
Datuk Seri Son Chen Chuan	17,813,092	9,872,500	-	27,685,592
Lim Keat Sear	47,192,896	7,648,500	1,112,000	55,953,396

Datuk Seri 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 in the financial statements of the Company inadequate to any substantial extent; and

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

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

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

DIRECTORS' REPORT

Other statutory information (continued)

(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.

(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.

AUDITORS

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

Auditors' remuneration are disclosed in Note 10 to the financial statements.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement against claims by third parties arising from the audit. No payment has been made to indemnify Ernst & Young or since the financial year ended 31 March 2018.

Signed on behalf of the Board in accordance with a resolution of the directors dated 20 July 2018.

Datuk Seri Son Chen Chuan **Datuk Son Tong Leong**

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Datuk Seri 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 55 to 109 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2018 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 20 July 2018.

Datuk Seri Son Chen Chuan **Datuk Son Tong Leong**

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

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 55 to 109 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 20 July 2018 **Datuk Son Tong Leong**

Before me,

SHAHRIZAH BINTI YAHYA
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ORIENTAL FOOD INDUSTRIES HOLDINGS BERHAD
(INCORPORATED IN MALAYSIA)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Oriental Food Industries Holdings Berhad, which comprise the statements of financial position as at 31 March 2018 of the Group and of the Company, and the 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 notes to the financial statements, including a summary of significant accounting policies, as set out on pages 55 to 109.

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

Basis for opinion

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

Independence and other ethical responsibilities

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. We have determined that there are no key audit matters to communicate in our report on the financial statements of the Company. The key audit matters for the audit of the financial statements of the Group are described below. These matters were addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

<u>Revenue recognition</u>

(Refer to Note 3.5 and Note 7 to the financial statements).

The Group recognised revenue from sale of goods amounting to approximately RM288.3 million during the year.

Given the nature of the manufacturing operations of the Group, we identified revenue recognition in respect of sale of goods to be an area of audit focus as we consider the high volume of transactions for numerous types of finished goods produced by the Group to be a possible cause of higher risk of material misstatements in respect of the timing and amount of revenue recognised.

Furthermore, the key performance indicators for the key management personnel are measured based on the financial performance of the Group (revenue is the key determinant of the overall financial performance). Specifically, we focused our audit efforts to determine the possibility of overstatement of revenue.

How our audit addressed the risk factors

In addressing this risk, we tested the Group's internal controls over the timing and amount of revenue recognised.

We also inspected the terms of significant sales transactions to determine the point of transfer of significant risk and rewards and assessed whether revenue was recognised in accordance with the terms stated in the respective sales arrangements.

In addition, we inspected relevant documents which evidenced the delivery of goods to customers. We also focused on testing the recording of sales transactions close to the year end, including credit notes issued after year end, to establish whether the transactions were recorded in the correct accounting period.

Information other than the financial statements and auditors' report thereon

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

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

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

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

Responsibilities of the directors for the financial statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ORIENTAL FOOD INDUSTRIES HOLDINGS BERHAD
(INCORPORATED IN MALAYSIA)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

OTHER MATTERS

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

Ernst & Young
AF: 0039
Chartered Accountants

Tan Jin Xiang
03348/01/2020 J
Chartered Accountant

Johor Bahru, Malaysia
Date: 20 July 2018

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Revenue	7	288,309,825	256,083,138	8,704,244	10,652,913
Cost of sales		(230,279,349)	(200,905,763)	-	-
Gross profit		58,030,476	55,177,375	8,704,244	10,652,913
Other income	8	1,096,165	4,827,116	53,929	311
Other items of expense					
General and administrative		(22,196,789)	(15,683,741)	(721,256)	(715,802)
Selling and distribution		(27,792,930)	(20,715,944)	-	-
Finance costs	9	(882,326)	(542,682)	-	-
Profit before tax	10	8,254,596	23,062,124	8,036,917	9,937,422
Income tax	13	2,943,092	(4,828,756)	(12,337)	(2)
Profit net of tax, representing total comprehensive income for the year		11,197,688	18,233,368	8,024,580	9,937,420
Attributable to:					
Owners of the parent		11,201,905	18,245,344	8,024,580	9,937,420
Non-controlling interest		(4,217)	(11,976)	-	-
		11,197,688	18,233,368	8,024,580	9,937,420
Earnings per share attributable to owners of the parent (sen per share)					
Basic	14	4.67	7.60		

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 MARCH 2018

		Group		Company	
	Note	2018 RM	2017 RM	2018 RM	2017 RM
Assets					
Non-current assets					
Property, plant and equipment	15	142,919,271	132,538,641	-	-
Land held for property development	19	961,569	961,569	-	-
Investment properties	16	5,078,590	2,984,220	-	-
Investment in subsidiaries	17	-	-	125,468,751	124,968,751
Investment securities	18	372,438	372,438	-	-
Investment properties under construction	20	-	2,094,840	-	-
		149,331,868	138,951,708	125,468,751	124,968,751
Current assets					
Inventories	21	29,144,894	25,957,155	-	-
Trade and other receivables	22	60,304,550	49,135,187	15,000	907,500
Other current assets	23	3,221,290	6,512,440	1,232,808	2,410,910
Income tax recoverable		3,506,647	1,878,435	23,543	125,141
Cash and bank balances	24	6,100,921	18,997,444	75,771	13,551
		102,278,302	102,480,661	1,347,122	3,457,102
Total assets		251,610,170	241,432,369	126,815,873	128,425,853

STATEMENTS OF FINANCIAL POSITION

AS AT 31 MARCH 2018

		Group		Company	
	Note	2018 RM	2017 RM	2018 RM	2017 RM
Equity and liabilities					
Current liabilities					
Income tax payable		-	290,600	-	-
Loans and borrowings	25	10,753,638	3,877,830	-	-
Trade and other payables	26	37,593,804	33,396,565	1,583,149	2,817,709
		48,347,442	37,564,995	1,583,149	2,817,709
Net current assets/(liabilities)		53,930,860	64,915,666	(236,027)	639,393
Non-current liabilities					
Deferred tax liabilities	27	5,765,783	10,636,783	-	-
Loans and borrowings	25	12,606,425	10,493,585	-	-
		18,372,208	21,130,368	-	-
Total liabilities		66,719,650	58,695,363	1,583,149	2,817,709
Net assets		184,890,520	182,737,006	125,232,724	125,608,144
Equity attributable to owners of the parent					
Share capital	28	120,000,000	120,000,000	120,000,000	120,000,000
Retained earnings	29	64,890,520	62,088,615	5,232,724	5,608,144
		184,890,520	182,088,615	125,232,724	125,608,144
Non-controlling interest		-	648,391	-	-
Total equity		184,890,520	182,737,006	125,232,724	125,608,144
Total equity and liabilities		251,610,170	241,432,369	126,815,873	128,425,853

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

Group 2018	Note	Equity, total RM	Equity attributable to owners of the parent, total RM	Non-distributable Share capital RM	Distributable Retained earnings RM	Non-controlling interest RM
Opening balance at 1 April 2017		182,737,006	182,088,615	120,000,000	62,088,615	648,391
Total comprehensive income		11,197,688	11,201,905	-	11,201,905	(4,217)
Transaction with owners						
Acquisition of non-controlling interests	17	(644,174)	-	-	-	(644,174)
Dividends on ordinary shares	36	(8,400,000)	(8,400,000)	-	(8,400,000)	-
Closing balance at 31 March 2018		184,890,520	184,890,520	120,000,000	64,890,520	-
2017						
Opening balance at 1 April 2016		174,103,638	173,443,271	120,000,000	53,443,271	660,367
Total comprehensive income		18,233,368	18,245,344	-	18,245,344	(11,976)
Transactions with owners						
Dividends on ordinary shares	36	(9,600,000)	(9,600,000)	-	(9,600,000)	-
Closing balance at 31 March 2017		182,737,006	182,088,615	120,000,000	62,088,615	648,391

Company 2018	Note	Equity, total RM	Share capital RM	Distributable Retained earnings RM
Opening balance at 1 April 2017		125,608,144	120,000,000	5,608,144
Total comprehensive income		8,024,580	-	8,024,580
Transaction with owners				
Dividends on ordinary shares	36	(8,400,000)	-	(8,400,000)
Closing balance at 31 March 2018		125,232,724	120,000,000	5,232,724
2017				
Opening balance at 1 April 2016		125,270,724	120,000,000	5,270,724
Total comprehensive income		9,937,420	-	9,937,420
Transaction with owners				
Dividends on ordinary shares	36	(9,600,000)	-	(9,600,000)
Closing balance at 31 March 2017		125,608,144	120,000,000	5,608,144

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Operating activities				
Profit before tax:	8,254,596	23,062,124	8,036,917	9,937,422
Adjustments for:				
Depreciation of:				
- Property, plant and equipment	9,840,651	9,212,768	-	-
- Investment properties	118,970	104,044	-	-
Dividend income	-	-	(8,704,244)	(10,652,913)
Finance costs	882,326	542,682	-	-
Interest income	(77,088)	(308,679)	(53,929)	(311)
Inventories written off	895,187	1,160,101	-	-
Loss on disposal of property, plant and equipment	10,211	27,464	-	-
Fair value gain on money market fund	(47)	(14,724)	-	-
Property, plant and equipment written off	553	70,303	-	-
Allowance for impairment of trade receivable	213,174	43,003	-	-
Reversal of allowance for impairment of trade receivable	(241)	(304)	-	-
Unrealised loss/(gain) on foreign exchange	845,751	(3,014,237)	-	-
Total adjustments	12,729,447	7,822,421	(8,758,173)	(10,653,224)
Operating cash flows before changes in working capital	20,984,043	30,884,545	(721,256)	(715,802)
Changes in working capital				
Increase in inventories	(4,082,927)	(6,235,516)	-	-
(Increase)/decrease in receivables	(11,440,618)	(5,308,851)	1,178,102	22,917
Increase/(decrease) in payables	5,870,314	879,974	(34,560)	(2,365,366)
Total changes in working capital	(9,653,231)	(10,664,393)	(1,143,542)	(2,342,449)
Cash flows generated from/(used in) operations	11,330,812	20,220,152	422,286	(3,058,251)
Interest received	77,088	308,679	53,929	311
Interest paid	(882,326)	(542,682)	-	-
Income taxes paid	(4,290,398)	(6,361,118)	(16,064)	(23,943)
Income taxes refunded	443,680	205,255	105,325	5,255
Net cash flows generated from/ (used in) operating activities	6,678,856	13,830,286	565,476	(3,076,628)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Investing activities				
Acquisition of non-controlling interests	(500,000)	-	(500,000)	-
Purchase of property, plant and equipment	(17,915,012)	(27,313,370)	-	-
Advances to suppliers of property, plant and equipment	-	(6,868,879)	-	-
Investment properties under construction	(118,500)	(524,340)	-	-
Land held for property development	-	(3,800)	-	-
Proceeds from disposal of property, plant and equipment	122,642	120,830	-	-
Withdrawal of investment in money market fund	-	1,103,423	-	-
Dividend income	-	-	8,704,244	10,652,913
Net cash flows (used in)/generated from investing activities	(18,410,870)	(33,486,136)	8,204,244	10,652,913
Financing activities				
Dividends paid on ordinary shares	(9,600,000)	(7,200,000)	(9,600,000)	(7,200,000)
Proceeds from loans and borrowings	8,000,000	10,000,000	-	-
Repayment of loans and borrowings	(2,602,089)	(4,177,118)	-	-
Repayment to subsidiaries	-	-	-	(600,000)
Advances from subsidiaries	-	-	892,500	-
Net cash flows used in financing activities (Note A)	(4,202,089)	(1,377,118)	(8,707,500)	(7,800,000)
Net (decrease)/increase in cash and cash equivalents	(15,934,103)	(21,032,968)	62,220	(223,715)
Effect of exchange rate changes on cash and cash equivalents	(553,204)	(612,237)	-	-
Cash and cash equivalents at 1 April	18,996,126	40,641,331	13,551	237,266
Cash and cash equivalents at 31 March (Note 24)	2,508,819	18,996,126	75,771	13,551

Note A - Changes in liabilities arising from financing activities:

Group	**Note**	**1 April 2017 RM**	**Financing cash flows RM**	**Other RM**	**31 March 2018 RM'000**
Dividends payable	26	2,400,000	(9,600,000)	8,400,000	1,200,000
Loans and borrowings	25	14,371,415	5,397,911	3,590,737	23,360,063
		16,771,415	(4,202,089)	11,990,737	24,560,063
Company					
Dividends payable	26	2,400,000	(9,600,000)	8,400,000	1,200,000
Amount due from subsidiaries	22	892,500	(892,500)	-	-
		3,292,500	(10,492,500)	8,400,000	1,200,000

The 'Other' column includes the dividends declared during the current financial year and the increase in Group's loans and borrowings due to the utilisation of bank overdrafts classified as a reduction to cash and cash equvalents.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

1. Corporate information

Oriental Food Industries Holdings Berhad ("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 17 to the financial statements.

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 2016 in Malaysia.

The financial statements of the Group and of the Company have been prepared on the historical 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 (collectively the "Group") as at 31 March 2018. 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.

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

(i) the 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 profit or loss from the date the Group gains control until the date the Group ceases to control the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

3. Summary of significant accounting policies (continued)

3.1 Basis of consolidation (continued)

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests 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.

3.2 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.

3. Summary of significant accounting policies (continued)

3.2 Business combinations and goodwill (continued)

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.

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 accounted for 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

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

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

- 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. Summary of significant accounting policies (continued)

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.

(ii) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

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.

(iii) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the amount of GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of GST included.

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

3. Summary of significant accounting policies (continued)

3.7 Foreign currencies

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

Transactions and balances

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).

3.8 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

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, 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.

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:
- Long term leasehold land: 57 to 99 years
- Buildings: 20 years
- Plant and machinery: 10 to 20 years
- Other assets: 5 to 10 years

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

3. Summary of significant accounting policies (continued)

3.9 Property, plant and equipment (continued)

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

The 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.

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

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.

3.11 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. Summary of significant accounting policies (continued)

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.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

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)

Financial assets at fair value through profit or loss

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.

As at 31 March 2018, the Group has financial asset measured at fair value through profit or loss amounting to RM1,365 (2017: RM1,318) as disclosed in Note 32.

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.

Loans and receivables of the Group comprise of trade and other receivables and cash and bank balances.

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.

There were no held-to-maturity investments during the financial years ended 31 March 2018 and 2017.

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

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.

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.

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.

As at 31 March 2018, the Group has AFS financial assets amounting to RM372,438 (2017: RM372,438) as disclosed in Note 18.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

3. Summary of significant accounting policies (continued)

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

(i) Financial assets (continued)

(c) Derecognition

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 reorganization 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.

(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.

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

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

3. Summary of significant accounting policies (continued)

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

(iii) Financial liabilities

(b) Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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.

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.

3. Summary of significant accounting policies (continued)

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

(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.

3.14 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

3. Summary of significant accounting policies (continued)

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.

3.19 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.

3. Summary of significant accounting policies (continued)

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

(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.

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 35, including the factors used to identify the reportable segments and the measurement basis of segment information.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

4. Changes in accounting policies

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

On 1 April 2017, the Group and the Company adopted the following amendments mandatory for annual financial periods beginning on or after 1 January 2017.

Description	Effective for annual periods beginning on or after
MFRS 107: Disclosures Initiatives (Amendments to MFRS 107)	1 January 2017
MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to MFRS 112)	1 January 2017
Annual Improvements to MFRS Standards 2014–2016 Cycle - Amendments to MFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in MFRS 12	1 January 2017

The adoption of the above amendments did not have any significant impact on the financial performance or position of the Group and the Company except as discussed below:

MFRS 107 Disclosures Initiatives (Amendments to MFRS 107)

The amendments to MFRS 107 Statement of Cash Flows requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of this amendment, entities are not required to provide comparative information for preceding periods. Apart from the additional disclosures in Note 25, the application of these amendments has had no impact on the Group and the Company.

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

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

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

5. Standards issued but not yet effective

The standards, amendments, Annual Improvements and IC 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, amendments, Annual Improvements and IC interpretations, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
MFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
MFRS 9 Financial Instruments	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 140 Transfers of Investment Property (Amendments to MFRS 140)	1 January 2018
Annual Improvements to MFRS Standards 2014 – 2016 Cycle	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 9 Prepayment Features with Negative Compensation (Amendments to MFRS 9)	1 January 2019
MFRS 16 Leases	1 January 2019
MFRS 128 Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)	1 January 2019
Annual Improvements to MFRS Standards 2015–2017 Cycle	1 January 2019
MFRS 119 Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 2 Share-based Payment	1 January 2020
Amendments to MFRS 3 Business Combinations	1 January 2020
Amendments to MFRS 6 Exploration for and Evaluation of Mineral Resources	1 January 2020
Amendments to MFRS 14 Regulatory Deferral Accounts	1 January 2020
Amendments to MFRS 101 Presentation of Financial Statements	1 January 2020
Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
Amendments to MFRS 134 Interim Financial Reporting	1 January 2020
Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets	1 January 2020
Amendments to MFRS 138 Intangible Assets	1 January 2020
Amendments to IC Interpretation 12 Service Concession Arrangements	1 January 2020
Amendments to IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 January 2020
Amendments to IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2020
Amendments to IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2020
Amendments to IC Interpretation 132 Intangible Assets - Web Site Costs	1 January 2020
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

5. Standards issued but not yet effective (continued)

The directors are of the opinion that the standards, amendments, Annual Improvements and IC interpretations above would not have any material impact on the financial statements in the year of initial adoption other than as discussed below:

MFRS 9 Financial Instruments

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

Based on the analysis of the Group's and the Company's financial assets and liabilities as at 31 March 2018 on the basis of facts and circumstances that exist at that date, the directors of the Group and of the Company have assessed the impact of MFRS 9 to the Group's and the Company's financial statements as follows:

(i) Classification and measurement

The Group and the Company do not expect a significant impact on their statements of financial position or changes in equity on applying the classification and measurement requirements of MFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value.

The equity shares in non-listed companies are intended to be held for the foreseeable future. No impairment losses were recognised in profit or loss during prior periods for these investments. The Group will apply the option to present fair value changes in OCI upon the application of MFRS 9.

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

(ii) Impairment

The Group and the Company will apply the simplified approach and record lifetime expected losses on all trade receivables. The Group and the Company are still assessing the effect of applying the impairment requirements of MFRS 9. The impairment requirements will generally result in earlier recognition of credit losses.

(iii) Hedge accounting

As the Group and the Company does not apply hedge accounting, applying the hedging requirements of MFRS 9 will not have a significant 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 model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depicts 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.

5. Standards issued but not yet effective (continued)

MFRS 15 Revenue from Contracts with Customers

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 2018 with early adoption permitted. The directors are in the process of assessing the impact of MFRS 15 application on the amounts reported and disclosures made in the Company's financial statements.

The Group plans to adopt MFRS 15 on the required effective date using the modified retrospective method.

The management is in the midst of assessing the impact of adopting MFRS 15 to the Group's financial statements.

As at the date of this report, the directors of the Group and of the Company is in the midst of assessing the impact of MFRS 15. Based on their preliminary analysis, the directors of the Group and of the Company have assessed the impact of MFRS 15 to the Group's and the Company's financial statements as follows:

(i) Variable consideration

Some contracts provided the customers with rights to returns and year-end discounts. Under MFRS 15, such arrangements cause the consideration received from the customer to be variable and it should be accounted for as a reduction to revenue using either the expected value method approach or the most likely amount approach. The Group is still assessing the effect of applying the requirements of MFRS 15 to the Group's financial statements.

(ii) Presentation and disclosure requirements

The presentation and disclosure requirements in MFRS 15 are more detailed than the current standard. Many of the disclosure requirements in MFRS 15 are new and the Group has assessed that the impact of some of these disclosures will be significant. In particular, the Group expects that the notes to the financial statements will be expanded because of the disclosure of significant judgments made: when determining the transaction price of those contracts that include variable consideration. MFRS 15 also requires revenue recognised to be disaggregated into categories that depict the nature, amount, timing and uncertainty of revenue and cash flows.

In 2018, the Group continued testing the appropriate systems, internal controls, policies and procedures necessary to collect and disclose the required information.

MFRS 140 Transfers of Investment Property (Amendments to MFRS 140)

The amendments clarify that when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of change in use.

Entities can apply these amendments either retrospectively (if this is possible without the use of hindsight) or prospectively. Earlier application of the amendments is permitted and must be disclosed. The Group will apply these amendments when they become effective. However, since the Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

5. Standards issued but not yet effective (continued)

MFRS 16 Leases

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

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

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

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

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

The Group and the Company are in the midst of assessing the potential impact of MFRS 16 on the financial statements.

IC Interpretation 23 Uncertainty over Income Tax Treatments

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of MFRS 112 and does not apply to taxes or levies outside the scope of MFRS 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- whether an entity considers uncertain tax treatments separately;
- the assumptions an entity makes about the estimation of tax treatments by taxation authorities;
- how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- how an entity considers changes in facts and circumstances.

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The Group will apply the interpretation from its effective date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

6. Significant accounting judgements, estimates and assumptions

The preparation of the Group's and the Company's financial statements requires management to make judgements, 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) Judgements

In the process of applying the Group's accounting policies, the management did not make any judgement which had 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.

Depreciation of plant and machinery

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 15.

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 receivables 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 no writedown or provision is required in respect of the Group's inventories.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

7. Revenue

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Sale of goods	286,909,825	256,083,138	-	-
Sales of development properties	1,400,000	-	-	-
Dividend income from a subsidiary	-	-	8,704,244	10,652,913
	288,309,825	256,083,138	8,704,244	10,652,913

8. Other income

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Gain on foreign exchange:				
- realised	-	1,219,446	-	-
- unrealised	-	3,014,237	-	-
Interest income	77,088	308,679	53,929	311
Rental income	148,800	148,800	-	-
Miscellaneous income	869,989	120,926	-	-
Reversal of allowance for impairment of trade receivables (Note 22)	241	304	-	-
Fair value gain on money market fund	47	14,724	-	-
	1,096,165	4,827,116	53,929	311

9. Finance costs

	Group	
	2018 RM	2017 RM
Interest expense on:		
- Bank loans	780,726	531,879
- Bank overdrafts	87,688	10,803
- Banker's acceptance	13,912	-
Total finance costs	882,326	542,682

10. Profit before tax

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Auditors' remuneration:				
- Current year	103,000	91,000	37,000	29,000
- Underprovision in prior year	6,000	-	6,000	-
- Other services	5,000	5,000	5,000	5,000
Depreciation of:				
- Property, plant and equipment (Note 15)	9,840,651	9,212,768	-	-
- Investment properties (Note 16)	118,970	104,044	-	-
Direct operating expenses arising from rental generating, investment properties	14,191	13,821	-	-
Employee benefits expense (Note 11)	33,642,336	28,731,268	108,000	176,400
Loss on disposal of property, plant and equipment	10,211	27,464	-	-
Loss on foreign exchange:				
- Realised	3,572,896	-	-	-
- Unrealised	845,751	-	-	-
Inventories written off	895,187	1,160,101	-	-
Operating leases:				
- Minimum lease payments for premises	357,247	358,252	-	-
Property, plant and equipment written off	553	70,303	-	-
Allowance for impairment of trade receivables (Note 22)	213,174	43,003	-	-

11. Employee benefits expense

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Salaries, bonus and allowances	30,294,181	25,549,177	135,000	135,000
(Over)/Under provision in prior year	(27,000)	25,200	(27,000)	25,200
Defined contribution plan	2,221,549	2,020,797	-	16,200
Other employee benefits	1,153,606	1,136,094	-	-
	33,642,336	28,731,268	108,000	176,400

Included in employee benefits expense of the Group and the Company are executive directors' remuneration amounting to RM3,440,476 (2017: RM3,100,111) and RM108,000 (2017: RM176,400) respectively.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

12. Directors' remuneration

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Executive:				
- Fees	315,000	195,000	135,000	135,000
- Over provision in prior year	(27,000)	25,200	(27,000)	25,200
- Salaries and other emoluments	2,620,400	2,396,900	-	-
- Defined contribution plan	532,076	483,011	-	16,200
Total executive directors' remuneration (excluding benefits-in-kind)	3,440,476	3,100,111	108,000	176,400
Estimated money value of benefits-in-kind	84,000	56,000	-	-
Total executive directors' remuneration (including benefits-in-kind)	3,524,476	3,156,111	108,000	176,400
Non-executive:				
- Fees	180,000	180,000	180,000	180,000
- Other emoluments	72,000	72,000	72,000	72,000
- Defined contribution plan	-	10,800	-	10,800
Total non-executive directors' remuneration	252,000	262,800	252,000	262,800
Total directors' remuneration	3,776,476	3,418,911	360,000	439,200

13. Income tax

Major components of income tax

The major components of tax expense for the years ended 31 March 2018 and 2017 are:

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Statements of comprehensive income:				
- Current income tax	1,871,866	4,300,000	12,266	-
- Underprovision in respect of previous years	56,042	262,756	71	2
	1,927,908	4,562,756	12,337	2
Deferred income tax (Note 27):				
Relating to origination and reversal of temporary differences	(5,193,828)	(197,608)	-	-
Underprovision in respect of previous years	322,828	463,608	-	-
	(4,871,000)	266,000	-	-
Income tax recognised in profit or loss	(2,943,092)	4,828,756	12,337	2

Reconciliation between income tax and accounting profit

The reconciliation between income tax and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 March 2018 and 2017 are as follows:

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Profit before tax	8,254,596	23,062,124	8,036,917	9,937,422
Tax at Malaysian statutory tax rate of 24% (2017: 24%)	1,981,103	5,534,910	1,928,860	2,384,981
Adjustments:				
Income not subject to taxation	(13,661)	(615,348)	(2,089,019)	(2,556,699)
Non-deductible expenses	650,596	700,584	172,425	171,718
Effect of certain expenses eligible for double deduction	(339,000)	(649,125)	-	-
Deferred tax assets recognised on unutilised reinvestment allowances	(5,601,000)	(868,629)	-	-
Underprovision of income tax in respect of previous years	56,042	262,756	71	2
Underprovision of deferred income tax in respect of previous years	322,828	463,608	-	-
Income tax recognised in profit or loss	(2,943,092)	4,828,756	12,337	2

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

14. Earnings per share

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. As the Company did not issue any dilutive potential ordinary shares, the Company's diluted EPS is equivalent to its basic EPS.

The following tables reflect the profit and share data used in the computation of basic earnings per share for the years ended 31 March:

	Group	
	2018	2017
Profit net of tax attributable to owners of the parent (RM)	11,201,905	18,245,344
Weighted average number of ordinary shares	240,000,000	240,000,000
Basic earnings per share (sen)	4.67	7.60

15. 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 2016	46,874,490	1,026,691	106,686,400	6,722,769	14,518,515	8,581,156	184,410,021
Additions	1,607	1,328,659	2,122,749	1,147,873	271,246	22,441,236	27,313,370
Disposals	-	-	(327,796)	(539,397)	-	-	(867,193)
Written off	-	-	(157,100)	-	(13,088)	-	(170,188)
Reclassifications	148,334	-	4,097,225	-	61,779	(4,307,338)	-
Transfer from other current assets	-	-	-	-	-	14,028,832	14,028,832
At 31 March 2017 and 1 April 2017	47,024,431	2,355,350	112,421,478	7,331,245	14,838,452	40,743,886	224,714,842
Additions	581,500	405,927	4,302,943	627,092	769,947	11,227,603	17,915,012
Disposals	-	-	-	(546,048)	-	-	(546,048)
Written off	-	-	-	-	(2,379)	-	(2,379)
Reclassifications	4,192,877	-	32,077,791	-	746,932	(37,017,600)	-
Transfer from other current assets	-	-	-	-	-	2,439,675	2,439,675
At 31 March 2018	51,798,808	2,761,277	148,802,212	7,412,289	16,352,952	17,393,564	244,521,102

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

15. 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
Accumulated depreciation							
At 1 April 2016	10,013,444	135,066	59,044,358	3,186,595	11,402,754	-	83,782,217
Depreciation charge for the year (Note 10)	1,549,928	193,338	5,670,219	1,109,395	689,888	-	9,212,768
Disposals	-	-	(197,272)	(521,627)	-	-	(718,899)
Written off	-	-	(88,182)	-	(11,703)	-	(99,885)
At 31 March 2017 and 1 April 2017	11,563,372	328,404	64,429,123	3,774,363	12,080,939	-	92,176,201
Depreciation charge for the year (Note 10)	1,420,165	238,982	6,314,309	1,193,934	673,261	-	9,840,651
Disposals	-	-	-	(413,195)	-	-	(413,195)
Written off	-	-	-	-	(1,826)	-	(1,826)
At 31 March 2018	12,983,537	567,386	70,743,432	4,555,102	12,752,374	-	101,601,831
Net carrying amount							
At 31 March 2017	35,461,059	2,026,946	47,992,355	3,556,882	2,757,513	40,743,886	132,538,641
At 31 March 2018	38,815,271	2,193,891	78,058,780	2,857,187	3,600,578	17,393,564	142,919,271

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

15. Property, plant and equipment (continued)

*** Land and buildings**

Group	Freehold land RM	Leasehold land RM	Buildings RM	Total RM
Cost				
At 1 April 2016	1,150,000	20,054,779	25,669,711	46,874,490
Additions	-	-	1,607	1,607
Reclassifications	-	-	148,334	148,334
At 31 March 2017 and 1 April 2017	1,150,000	20,054,779	25,819,652	47,024,431
Additions	-	-	581,500	581,500
Reclassifications	-	-	4,192,877	4,192,877
At 31 March 2018	1,150,000	20,054,779	30,594,029	51,798,808
Accumulated depreciation				
At 1 April 2016	-	2,103,861	7,909,583	10,013,444
Depreciation charge for the year	-	318,701	1,231,227	1,549,928
At 31 March 2017 and 1 April 2017	-	2,422,562	9,140,810	11,563,372
Depreciation charge for the year	-	138,105	1,282,060	1,420,165
At 31 March 2018	-	2,560,667	10,422,870	12,983,537
Net carrying amount				
At 31 March 2017	1,150,000	17,632,217	16,678,842	35,461,059
At 31 March 2018	1,150,000	17,494,112	20,171,159	38,815,271

The leasehold land and buildings and certain plant and machinery with aggregate carrying amount of RM34,298,000 (2017: RM35,089,000) are pledged as security for bank borrowings as disclosed in Note 25.

16. Investment properties

	Group 2018 RM	Group 2017 RM
Cost:		
At 1 April	3,377,209	3,377,209
Transfer from investment properties under construction (Note 20)	2,213,340	-
At 31 March	5,590,549	3,377,209
Accumulated depreciation:		
At 1 April	392,989	288,945
Depreciation charge for the year (Note 10)	118,970	104,044
At 31 March	511,959	392,989
Net carrying amount	5,078,590	2,984,220
Fair value	6,890,261	4,870,261

The fair value of the investment properties was determined based on Level 3 valuation techniques of the fair value hierarchy.

The fair value is estimated by the directors of the Company based on a valuation conducted by independent professional valuers in prior years using the comparison method. The comparison method involves comparing and adopting recent transactions as a yardstick as well as using sales evidence involving other similar properties in the vicinity. The Group has assessed that the highest and best use of its properties does not differ from their current use.

Significant unobservable valuation input:

	Range 2018 RM	Range 2017 RM
Price per square foot	25 - 552	25 - 520

17. Investment in subsidiaries

	Company 2018 RM	Company 2017 RM
Unquoted shares in Malaysia, at cost	125,468,751	124,968,751

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

17. Investment in subsidiaries (continued)

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

Name of subsidiaries	Principal activities	Proportion (%) of ownership interest 2018	2017
Oriental Food Industries Sdn. Bhd.	Manufacturing and marketing of snack food and confectioneries	100.00	100.00
OFI Properties Sdn. Bhd.	Property development	99.99	90.00
Held through Oriental Food Industries Sdn. Bhd.:			
Oriental Food Marketing (M) Sdn. Bhd.	Sales and marketing of snack food and confectioneries	100.00	100.00

Acquisition of non-controlling interests

On 15 May 2017, the Company acquired additional 9.99% equity interest in OFI Properties Sdn. Bhd. for a cash consideration of RM500,000. On the date of acquisition, the carrying value of the additional interest acquired was RM644,174.

18. Investment securities

	Group 2018 RM	2017 RM
Available-for-sale financial asset		
- Equity instruments (unquoted), at cost	372,438	372,438

The investment in unquoted equity instruments represents 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.

19. Land held for property development

Cost/carrying amount:	Group 2018 RM	2017 RM
At 1 April/31 March	961,569	961,569

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

20. Investment properties under construction

	Group 2018 RM	Group 2017 RM
At 1 April	2,094,840	1,570,500
Additions during the year	118,500	524,340
Transfer to investment property (Note 16)	(2,213,340)	-
At 31 March	-	2,094,840
Fair value	-	2,370,000

The fair value of the investment properties under construction was determined based on Level 3 valuation techniques of the fair value hierarchy.

21. Inventories

	Group 2018 RM	Group 2017 RM
Cost		
Raw materials	21,473,244	18,532,206
Work-in-progress	33,161	45,164
Finished goods	6,643,697	5,390,201
Development properties	994,792	1,989,584
	29,144,894	25,957,155

During the financial year, the amount of inventories recognised as an expense in cost of sales of the Group was RM230,279,349 (2017: RM200,905,763).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

22. Trade and other receivables

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Trade receivables				
Third parties	53,067,109	44,817,993	-	-
Less: Allowance for impairment	(265,494)	(52,561)	-	-
Trade receivables, net	52,801,615	44,765,432	-	-
Other receivables				
Third parties	6,544,707	3,484,826	-	-
Amounts due from subsidiaries	-	-	-	892,500
Refundable deposits	915,902	873,779	15,000	15,000
Staff loans	42,326	11,150	-	-
	7,502,935	4,369,755	15,000	907,500
Total trade and other receivables	60,304,550	49,135,187	15,000	907,500
Add: Cash and bank balances (Note 24)	6,100,921	18,997,444	75,771	13,551
Total loans and receivables	66,405,471	68,132,631	90,771	921,051

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 120 days (2017: 30 to 120 days) term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

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

	Group	
	2018 RM	2017 RM
Neither past due nor impaired	24,560,480	11,980,596
1 to 30 days past due not impaired	14,728,447	18,204,820
31 to 60 days past due not impaired	6,300,774	5,993,362
More than 61 days past due not impaired	7,211,914	8,586,654
	28,241,135	32,784,836
Impaired	265,494	52,561
	53,067,109	44,817,993

22. Trade and other receivables (continued)

(a) Trade receivables (continued)

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 these balances have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM28,241,135 (2017: RM32,784,836) that are past due at the reporting date but not impaired. These receivables are active accounts which the management considers to be recoverable.

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	
	2018 RM	**2017 RM**
Trade receivables - nominal amounts	265,494	52,561
Less: Allowance for impairment	(265,494)	(52,561)
	-	-
Movement in allowance accounts:		
At 1 April	52,561	1,355,727
Impairment loss recovered during the year (Note 8)	(241)	(304)
Additions (Note 10)	213,174	43,003
Written off	-	(1,345,865)
At 31 March	265,494	52,561

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) Amounts due from subsidiaries

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.

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FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

23. Other current assets

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Advances to suppliers of property, plant and equipment	972,384	3,412,059	-	-
Prepaid operating expenses	1,048,906	700,381	32,808	10,910
Deposit placed in Bursa Malaysia Securities Berhad's dividend account	1,200,000	2,400,000	1,200,000	2,400,000
	3,221,290	6,512,440	1,232,808	2,410,910

24. Cash and bank balances

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash at banks and on hand	6,073,502	15,680,810	75,771	13,551
Short term deposits with licensed banks	26,054	3,315,316	-	-
Investments in money market funds	1,365	1,318	-	-
Cash and bank balances (Note 22)	6,100,921	18,997,444	75,771	13,551

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash and bank balances	6,100,921	18,997,444	75,771	13,551
Less:				
- Bank overdrafts (Note 25)	(3,590,737)	-	-	-
- Investments in money market funds	(1,365)	(1,318)	-	-
Cash and cash equivalents	2,508,819	18,996,126	75,771	13,551

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 interest at respective short term deposit rates. The weighted average effective interest rate as at 31 March 2018 for the Group is 3.24% (2017: 3.18%) per annum.

The weighted average effective interest rate of investment in money market fund of the Group at the reporting date was 3.52% (2017: 3.49%) per annum.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

25. Loans and borrowings

		Group	
		2018	2017
	Maturity	RM	RM
Current			
Bank overdrafts (Note 24)	On demand	3,590,737	-
Banker's acceptance	On demand	2,000,000	-
Bank loans:			
- RM loan at COF + 0.50% p.a. - unsecured *	2019	-	441,995
- RM loan at BFR - 2.35% p.a. - secured ^	2019	1,600,000	1,600,000
- RM loan at BFR - 2.30% p.a. - secured ^	2019	2,081,240	1,835,835
- RM loan at KLIBOR + 1.10% - secured #	2019	1,481,661	-
		10,753,638	3,877,830

		Group	
		2018	2017
	Maturity	RM	RM
Non-current			
Bank loans:			
- RM loan at BFR - 2.35% p.a. - secured ^	2020	1,600,000	3,200,000
- RM loan at BFR - 2.30% p.a. - secured ^	2022	5,211,790	7,293,585
- RM loan at KLIBOR + 1.10% - secured #	2022	5,794,635	-
		12,606,425	10,493,585
Total loans and borrowings (Note 26)		23,360,063	14,371,415

* Cost of funds per annum
^ Base financing rate per annum
# Kuala Lumpur Interbank Offered Rate per annum

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

	Group	
	2018	2017
	RM	RM
On demand or within one year	10,753,638	3,877,830
More than 1 year and less than 2 years	5,163,965	3,519,216
More than 2 years but less than 5 years	7,442,460	6,974,369
	23,360,063	14,371,415

Bank loans

These bank loans are secured by way of a corporate guarantees from the Company and a charge over leasehold land and factory buildings and certain plant and machinery as disclosed in Note 15.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

26. Trade and other payables

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Trade payables				
Third parties	26,731,739	21,157,876	-	-
Other payables				
Third parties	5,980,482	6,391,762	-	11,137
Accrued operating expenses	3,451,038	3,073,382	383,149	406,572
Deposit received	230,545	373,545	-	-
Dividend payable	1,200,000	2,400,000	1,200,000	2,400,000
	10,862,065	12,238,689	1,583,149	2,817,709
Total trade and other payables	37,593,804	33,396,565	1,583,149	2,817,709
Add: Loans and borrowings (Note 25)	23,360,063	14,371,415	-	-
Total financial liabilities carried at amortised cost	60,953,867	47,767,980	1,583,149	2,817,709

(a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on average 60 days (2017: 60 days) term.

(b) Other payables

These amounts are non-interest bearing. Other payables are normally settled on average 60 days (2017: 60 days) term.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

27. Deferred tax liabilities

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

	Deferred tax liabilities	← Deferred tax assets →			
Group	**Property, plant and equipment RM**	**Unabsorbed reinvestment allowances RM**	**Unabsorbed capital allowances RM**	**Others RM**	**Total RM**
At 1 April 2016	10,886,567	(500)	-	(515,284)	10,370,783
Recognised in profit or loss (Note 13)	(168,375)	-	-	434,375	266,000
At 31 March 2017 and 1 April 2017	10,718,192	(500)	-	(80,909)	10,636,783
Recognised in profit or loss (Note 13)	2,693,197	(5,601,279)	(1,669,073)	(293,845)	(4,871,000)
At 31 March 2018	13,411,389	(5,601,779)	(1,669,073)	(374,754)	5,765,783

28. Share capital

	Group and Company Number of ordinary shares 2018	2017	Amount 2018 RM	2017 RM
Issued and fully paid	240,000,000	240,000,000	120,000,000	120,000,000

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.

Implementation of Companies Act 2016

With effect from 31 January 2017, all entities shall comply with the Companies Act 2016 ("”CA 2016”") in the preparation of financial statements for the financial year ending on or after 31 January 2017.

Section 74 of CA 2016 states that all shares issued before or after 31 January 2017 shall have no par or nominal value. CA 2016 provides certain transitional provisions relating to the abolition of nominal value.

29. Retained earnings

The entire retained earnings of the Company as at 31 March 2018 may be distributed as dividends under the single tier system.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

30. 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	2018 RM	2017 RM
Transactions with a company in which a director has interest:		
Sales of goods to Syarikat Perniagaan Chong Mah	2,110,989	2,284,722
Transaction with a company in which a director has interest:		
Rental income received from Skyline Motion Sdn. Bhd.	48,000	48,000
Company		
Transaction with a subsidiary:		
Dividend income received from Oriental Food Industries Sdn. Bhd.	8,704,244	10,652,913

(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 12.

31. Commitments

Capital commitments

Capital expenditure as at the reporting date is as follows:

	Group	
	2018 RM	2017 RM
Capital expenditure approved and contracted for:		
Property, plant and equipment	4,098,582	11,452,996
Investment properties	-	118,500
	4,098,582	11,571,496

32. Fair values

(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 2018				
Assets measured at fair value:				
Investment in money market fund	-	1,365	-	1,365
Assets for which fair value information is disclosed:				
Investment properties	-	-	6,890,261	6,890,261
At 31 March 2017				
Assets measured at fair value:				
Investment in money market fund	-	1,318	-	1,318
Assets for which fair value information is disclosed:				
Investment properties	-	-	4,870,261	4,870,261

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 fair value measurements during the financial years ended 31 March 2018 and 31 March 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

32. Fair values (continued)

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

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

	Note
Trade and other receivables	22
Trade and other payables	26
Loans and borrowings	25

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

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

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

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

		2018		2017	
	Note	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Financial asset:					
Equity instrument (unquoted), at cost	18	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. 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.

33. Financial risk management objectives and policies

The Group is exposed to foreign exchange 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.

(a) 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").

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 RM3,032,981 (2017: RM6,287,414). Approximately 36% (2017: 31%) 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	
	2018 RM	**2017 RM**
USD strengthened by 3% (2017: 3%)	670,000	522,000
USD weakened by 3% (2017: 3%)	(670,000)	(522,000)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

33. Financial risk management objectives and policies (continued)

(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.

(i) Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policies, procedures and controls relating to customer credit risk management. Credit quality of customers are individually assessed. Outstanding customer receivables are regularly monitored.

An impairment analysis is performed at each reporting date on an individual basis for major receivables. 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% (2017: 28%) of the Group's gross trade receivables were due from three (2017: two) customers.

A nominal amount of RM59 million (2017: RM51 million) relating to a corporate guarantee was 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 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.

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

33. Financial risk management objectives and policies (continued)

(c) Liquidity risk (continued)

As at 31 March 2018	Within one year RM	One to five years RM	Total RM
Group			
Financial liabilities:			
Trade and other payables	37,593,804	-	37,593,804
Loans and borrowings	11,428,774	13,423,628	24,852,403
Total undiscounted financial liabilities	49,022,578	13,423,628	62,446,207
Company			
Financial liability:			
Trade and other payables	1,583,149	-	1,583,149
As at 31 March 2017			
Group			
Financial liabilities:			
Trade and other payables	33,396,565	-	33,396,565
Loans and borrowings	4,443,109	11,289,056	15,732,165
Total undiscounted financial liabilities	37,839,674	11,289,056	49,128,730
Company			
Financial liability:			
Trade and other payables	2,817,709	-	2,817,709

34. Capital management

For the purpose of the Group's capital management, capital includes issued capital 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 activities, 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 borrowings 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

34. Capital management (continued)

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Loans and borrowings	23,360,063	14,371,415	-	-
Trade and other payables	37,593,804	33,396,565	1,583,149	2,817,709
Less: - Cash and bank balances	(6,100,921)	(18,997,444)	(75,771)	(13,551)
Net debt	54,852,946	28,770,536	1,507,378	2,804,158
Equity attributable to owners of the parent	184,890,520	182,088,615	125,232,724	125,608,144
Capital and net debt	239,743,466	210,859,151	126,740,102	128,412,302
Gearing ratio	22.9%	13.6%	1.2%	2.2%

35. 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

35. Segment information (continued)

31 March 2018	**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	286,909,825	1,400,000	-	-		288,309,825
Inter-segment	-	-	8,704,244	(8,704,244)	A	-
Total revenue	286,909,825	1,400,000	8,704,244	(8,704,244)		288,309,825
Results:						
Interest income	237,802	754	27	-		238,583
Depreciation of:						
- Property, plant and equipment	9,840,651	-	-	-		9,840,651
- Investment properties	17,676	101,294	-	-		118,970
Other non-cash expenses	(1,954,183)	-	-	-	B	(1,954,183)
Segment profit/(loss)	7,856,190	214,280	8,167,114	(7,982,988)	C	8,254,596
Assets:						
Additions to non-current assets	20,354,687	-	-	-	D	20,354,687
Segment assets	119,332,313	5,461,984	126,815,873	-		251,610,170
Segment liabilities	64,892,241	244,260	1,583,149	-		66,719,650
31 March 2017						
Revenue:						
External customers	256,083,138	-	-	-		256,083,138
Inter-segment	-	-	10,652,913	(10,652,913)	A	-
Total revenue	256,083,138	-	10,652,913	(10,652,913)		256,083,138
Results:						
Interest income	237,769	70,599	311	-		308,679
Depreciation of:						
- Property, plant and equipment	9,212,768	-	-	-		9,212,768
- Investment properties	15,783	88,261	-	-		104,044
Other non-cash income	1,741,134	-	-	-	B	1,741,134
Segment profit	23,152,685	(90,872)	9,937,422	(9,937,111)	C	23,062,124
Assets:						
Additions to non-current assets	41,342,202	-	-	-	D	41,342,202
Segment assets	231,157,374	7,710,393	2,564,602	-		241,432,369
Segment liabilities	55,561,241	316,413	2,817,709	-		58,695,363

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

35. Segment information (continued)

A Inter-segment revenues are eliminated on consolidation.

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

	2018 RM	2017 RM
Reversal of allowance for impairment on trade receivables	241	304
Impairment loss on trade receivables	(213,174)	(43,003)
Property, plant and equipment written off	(553)	(70,303)
Inventories written off	(895,187)	(1,160,101)
Unrealised (loss)/gain on foreign exchange	(845,751)	3,014,237
	(1,954,183)	1,741,134

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:

	2018 RM	2017 RM
Dividend income from inter-segment	8,704,244	10,652,913
Unallocated corporate expenses	(721,256)	(715,802)
	7,982,988	9,937,111

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

Geographical information

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

	Revenues	
	2018 RM	2017 RM
Malaysia	106,698,077	93,553,852
Asia	125,267,908	110,739,122
Others	56,343,840	51,790,164
	288,309,825	256,083,138

36. Dividends

	Group and Company 2018 RM	2017 RM
Recognised during the financial year:		
Dividends on ordinary shares:		
- Interim single tier dividend for 2017: 1 sen (2016: 1 sen) per share	2,400,000	2,400,000
- Interim single tier dividend for 2018: 1 sen (2017: 1 sen) per share	2,400,000	2,400,000
- Interim single tier dividend for 2018: 1 sen (2017: 1 sen) per share	2,400,000	2,400,000
- Interim single tier dividend for 2018: 0.5 sen (2017: 1 sen) per share	1,200,000	2,400,000
	8,400,000	9,600,000

The directors do not recommend the payment of any final dividend for the financial year ended 31 March 2018.

37. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 March 2018 were authorised for issue in accordance with a resolution of the directors on 20 July 2018.

ANALYSIS OF SHAREHOLDINGS

AS AT 30 JUNE 2018

Issued and Fully Paid-up	:	RM120,000,000
Class of Shares	:	Ordinary Shares
Voting Rights	:	One (1) Vote Per Ordinary Share

Distribution of Shareholders

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
Less than 100	17	1.1486	544	0.0002
100 - 1,000	163	11.0135	107,916	0.0450
1,001 - 10,000	755	51.0135	3,998,324	1.6660
10,001 - 100,000	441	29.7973	12,951,900	5.3966
100,001 - less than 5% of issued shares	102	6.8919	115,387,596	48.0782
5% and above of issued shares	2	0.1351	107,553,720	44.8141
	1,480	**100.0000**	**240,000,000**	**100.0000**

List of Thirty Largest Shareholders

No.	Name of Shareholders	Total No. of Shares Held	%
1	Datuk Seri Son Chen Chuan	73,229,532	30.51
2	Syarikat Perniagaan Chong Mah Sdn. Bhd.	34,324,188	14.30
3	Thung Shung (M) Sdn Bhd	11,756,708	4.90
4	Summer Legend Sdn. Bhd.	7,820,300	3.26
5	Citigroup Nominees (Tempatan) Sdn.Bhd. Employees Provident Fund Board (RHB INV)	6,269,500	2.61
6	Datuk Son Tong Eng	5,470,496	2.28
7	Citigroup Nominees (Tempatan) Sdn.Bhd. Employees Provident Fund Board	5,423,000	2.26
8	Cimsec Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Son Tong Leong (MY1225)	4,400,000	1.83
9	HSBC Nominees (Tempatan) Sdn. Bhd. HSBC (M) Trustee Bhd for RHB Smart Treasure Fund	4,323,000	1.80
10	Citigroup Nominees (Tempatan) Sdn. Bhd. Kumpulan Wang Persaraan (Diperbadankan) (Affin AM B EQ)	3,820,400	1.59
11	Citigroup Nominees (Asing) Sdn. Bhd. Exempt an for Citibank New York (Norges Bank 14)	3,652,000	1.52
12	Lim Keat Sear	2,935,012	1.22
13	HSBC Nominees (Tempatan) Sdn. Bhd. HSBC (M) Trustee Bhd for RHB Equity Trust	2,293,700	0.96
14	Lee Kong Hooi	2,258,200	0.94

ANALYSIS OF SHAREHOLDINGS
AS AT 30 JUNE 2018

List of Thirty Largest Shareholders (continued)

No.	Name of Shareholders	Total No. of Shares Held	%
15	Lim Siew Guat	2,254,800	0.94
16	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Kong Goon Khing (E-BTR)	2,152,100	0.90
17	Summer Legend Sdn. Bhd.	2,123,200	0.88
18	Lee Siew Geok	2,034,084	0.85
19	Lim Wei Hong	2,033,400	0.85
20	Chen Woei Herng	2,000,000	0.83
21	Son Mei Chin	1,884,200	0.79
22	Son Kee Geok	1,853,896	0.77
23	HSBC Nominees (Tempatan) Sdn. Bhd. HSBC (M) Trustee Bhd for RHB Private Fund- Series 3	1,794,800	0.75
24	Chew Tee Yong	1,790,600	0.75
25	HSBC Nominees (Tempatan) Sdn. Bhd. HSBC (M) Trustee Bhd for RHB Growth and Income Focus Trust	1,770,000	0.74
26	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ting Siew Pin (8118995)	1,753,600	0.73
27	Son Chew Pheng	1,717,800	0.72
28	HSBC Nominees (Tempatan) Sdn. Bhd. HSBC (M) Trustee Bhd for RHB Small Cap Opportunity Unit Trust	1,601,500	0.67
29	Chai Koon Khow	1,582,900	0.66
30	HSBC Nominees (Tempatan) Sdn. Bhd. HSBC (M) Trustee Bhd for RHB Kidsave Trust	1,501,900	0.63

ANALYSIS OF SHAREHOLDINGS

AS AT 30 JUNE 2018

Substantial Shareholders

Name	Direct No. of Shares	%	Indirect No. of Shares	%
Datuk Seri Son Chen Chuan	73,229,532	30.51	27,756,592 (i)	11.57
Lim Keat Sear	2,935,012	1.22	56,024,396 (ii)	23.34
Syarikat Perniagaan Chong Mah Sdn. Bhd.	34,324,188	14.30	9,943,500 (iii)	4.14

Notes:

(i) Deemed interested pursuant to Section 8(4) of the Act by virtue of his substantial shareholdings in Apendo and Summer Legend and disclosure made pursuant to Section 59(11)(C) of the Act by virtue of shares held by his children in the Company;

(ii) Deemed interested pursuant to Section 8(4) of the Act by virtue of his shareholdings in Chong Mah, Thung Shung and Summer Legend via Chong Mah through Apendo Holding.

(iii) Deemed interested pursuant to Section 8(4) of the Act by virtue of its shareholdings in Summer Legend via its interest in Apendo Holding.

Directors Shareholdings

Name	Direct No. of Shares	%	Indirect No. of Shares	%
Datuk Seri Son Chen Chuan	73,229,532	30.51	27,756,592 (i)	11.57
Lim Keat Sear	2,935,012	1.22	56,024,396 (ii)	23.34
Datuk Son Tong Leong	5,724,700	2.39	-	-
Datuk Son Tong Eng	5,420,496	2.26	-	-

Notes:

(i) Deemed interested pursuant to Section 8(4) of the Act by virtue of his substantial shareholdings in Apendo and Summer Legend and disclosure made pursuant to Section 59(11)(C) of the Act by virtue of shares held by his children in the Company;

(ii) Deemed interested pursuant to Section 8(4) of the Act by virtue of his shareholdings in Chong Mah, Thung Shung and Summer Legend via Chong Mah through Apendo Holding.

LIST OF PROPERTIES

No.	Description, Existing Use, Age of Building and Built Up Area	Location	Land Area Square Metres)	Tenure	Date of Acquisition	Net Book Value as at 31.03.2018 (RM)
1	Factory complexes, warehouses and an office block with a total built up area of approximately 26,972 square metres. The age of the buildings range from 6 to 19 years	No. 65, Jalan Usaha 7, Ayer Keroh Industrial Estate, 75450 Melaka	40,660	Leasehold (99 years) expiring on 30 May 2072	24 Aug 2000	19,210,704
2	Factory complexes with a total built up area of approximately 6,235 square metres. The age of the building range from 19 to 20 years	Plot No. 96A & 96B, Jalan Usaha 7, Ayer Keroh Industrial Estate, 75450 Melaka	9,519	Leasehold (99 years) expiring on 2 September 2078 & 13 January 2080 respectively	25 Nov 1993 *(Plot No. 96A)* 12 Nov 1990 *(Plot No. 96B)*	2,681,330
3	Factory complex with a built up area of approximately 4,896 square metres. The age of the buildings are approximately 29 years	No. 127-C, Jalan Usaha 9, Ayer Keroh Industrial Estate, 75450 Melaka	7,564	Leasehold (99 years) expiring 4May 2082	9 Sept 1998	1,812,803
4	2 units of semi detached factory buildings with a total built up area of approximately 2,303 square metres. The age of the buildings are approximately 41 years	No. 85 & 86, Ayer Keroh Industrial Estate, 75450 Melaka.	4,140	Leasehold (99 years) expiring 30 May 2072	8 Sept 1986 *(No. 85)* 1980 *(No. 86)*	999,211
5	2 units of 3-Storey Shop Office with a total built up area of approximately 662.21 square metres. The age of the buildings are approximately 21 years	No. 7, 7A & 7B and No. 9. 9A & 9B, Jalan Melaka Raya 11, Taman Melaka Raya, 75000 Melaka.	143 per unit	Leasehold (99 years) expiring 7 July 2093	19 Oct 1992 *(No. 7, 7A & 7B)* 21 Oct 1992 *(No. 9, 9A & 9B))*	430,594
6	Vacant Land	Lot No. 6148, Mukim Bukit Katil, Daerah Melaka Tengah, Negeri Melaka.	1,077	Freehold	4 Dec 1999	173,895
7	Vacant Land	Lot No. 6096, Mukim Bukit Katil, Daerah Melaka Tengah, Negeri Melaka.	2,157	Freehold	4 Dec 1999	238,576
8	Semidetached factories with a built up area of approximately 478 square metres. The age of the building is approximately 13 years	No. 20, Jalan TPP 1/1A, Taman Industri Puchong, Batu 12, Jalan Puchong, 47100 Puchong, Selangor	1,407	Freehold	10 Jul 2002	1,293,696

LIST OF PROPERTIES

No.	Description, Existing Use, Age of Building and Built Up Area	Location	Land Area Square Metres)	Tenure	Date of Acquisition	Net Book Value as at 31.03.2018 (RM)
9	Industrial Land together with a factory building	Lot 97, Jalan Usaha 7, Ayer Keroh Industrial Estate, 75450 Melaka	42,640	FLeasehold (99 years) expiring 30 May 2072	23 Jun 2014	12,242,425
10	3-Storey Shop Office with a built up area of approximately 431.81 square metres. The age of the buildings are approximately 5 years	No. 8, 8-1, 8-2, Jalan Komersial TAKH 3, Taman Ayer Keroh Height, 75450 Melaka.	145	Leasehold (99 years) expiring 15 February 2111	n/a	619,414
11	3-Storey Shop Office with a built up area of approximately 431.81 square metres. The age of the buildings are approximately 5 years	No. 3, 3-1, 3-2; Jalan Komersial TAKH 2, Taman Ayer Keroh Height, 75450 Melaka.	145	Leasehold (99 years) expiring 15 February 2111	n/a	619,414
12	3-Storey Shop Office 3 Storey Shop Office with a built up area of approximately 774 square metres. The age of the buildings are approximately 5 years	No. 1, 1-1, 1-2 Jalan Komersial TAKH 2, Taman Ayer Keroh Height, 75450 Melaka.	248	Leasehold (99 years) expiring 15 February 2111	n/a	796,390
13	2 units of Double Storey Shop Office with a built up area of approximately 384 square metres.	Unit No. S-1-4 & S-2-4 and S-1-5 & S-2-5	384 per unit	Leasehold (99 years) expiring 17 September 2112	30 June 2015	2,200,307
14	Single Storey Terrace House	No. 198, Lorong Setia 5, Air Keroh Heights, 75450 Melaka	164	Leasehold (99 years) expiring 15 June 2075	15 March 2017	186,737
15	Single Storey Terrace House	No. 234, Lorong Setia 5, Air Keroh Heights, 75450 Melaka	163	Leasehold (99 years) expiring 15 June 2075	11 Sept 2017	199,466
16	Single Storey Terrace House	No. 133, Lorong Setia 3, Air Keroh Heights, 75450 Melaka	164	Leasehold (99 years) expiring 15 June 2075	23 May 2017	188,899

Notes:

- Properties No. 1 to 5 were revalued by Messrs C. H. Williams Talhar & Wong on 15 March 2013, Property No. 8 on 4 April 2013, Property No. 9 on 6 January 2015, Property No. 11 on 20 May 2016 and Property No. 12 on 25 January 2016.
- Property No. 13: The properties shall be completed and vacant possession be delivered within 36 months from 30 June 2015.

OTHER INFORMATION

1. Utilisation of Proceeds raised from Corporate Proposal

The Company did not undertake any corporate proposal to raise proceeds during the financial year end 31 March 2018.

2. Audit and Non-Audit Fees

The audit and non-audit fees paid/payable to the external auditors by for services rendered to the Company and/or its subsidiaries for the financial year end 31 March 2018 are as follows:-

	Group (RM)	Company (RM)
Audit Fees		
- Statutory auditors	103,000	37,000
Non-audit fees		
- Statutory auditors	5,000	5,000
Total	108,000	42,000

3. Material Contracts

Neither OFIH nor its subsidiary companies has entered into any other contract which are or may be material during the two (2) years preceding the date of this Annual Report, other than contract entered into in the ordinary course of business.

4. Valuation of Property, Plant and Equipment

There were no revaluations of property, plant and equipment. All property, plant and equipment were stated at cost less accumulated depreciation.

5. Recurrent Related Parties Transactions

Pursuant to a Shareholders' Mandate obtained on 24 August 2017, the Company and its' subsidiaries have carried out recurrent related party transactions with Syarikat Perniagaan Chong Mah Sdn. Bhd. for distribution and wholesales of snack food and confectioneries products for a total value of RM2,021,105 from the effective date of Shareholders' Mandate until the date of this Annual Report.

The Company is seeking a renewal of the Shareholders' Mandate for the Company and/or its subsidiaries to enter into a Recurrent Related Party Transactions with Related Parties under the Special Business in the forthcoming AGM.

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FORM OF PROXY

ORIENTAL FOOD INDUSTRIES HOLDINGS BERHAD
(Company No : 389769-M)
(Incorporated in Malaysia)

No. of ordinary shares held	
CDS Account No.	

I/We ____
(Full Name in Capital Letters)

of ____
(Full address)

being a Member/Members of ORIENTAL FOOD INDUSTRIES HOLDINGS BERHAD hereby appoint * the Chairman of the meeting or

____
(Full Name in Capital Letters)

of ____
(Full address)

or failing him/her of ____
(Full Name in Capital Letters)

of ____
(Full address)

as * my/our proxy/proxies to attend and vote for *me/us and on *my/our behalf at the 22nd Annual General Meeting of the Company, to be held at Tiara Banquet Hall, Tiara Melaka Golf and Country Club, Jalan Gapam, Bukit Katil, 75760 Melaka on Wednesday, 29 August 2018 at 2.30 p.m. and at every adjournment thereof to vote as indicated below:

No.	Ordinary Business		For	Against
1.	To approve the payment of Directors' fees amounting to RM315,000.00 for the financial year ended 31 March 2018	Resolution 1		
2.	To approve the proposed payment of Directors' remuneration and benefits (excluding Directors' fees) up to an amount of RM124,000.00 to the Directors with effect from 30 August 2018 until the next Annual General Meeting	Resolution 2		
3.	To re-elect the following Directors, each of whom retires by rotation in accordance with Article 75 of the Constitution of the Company:-			
	3.1 Datuk Jeffery Ong Cheng Lock	Resolution 3		
	3.2 Mr Lim Keat Sear	Resolution 4		
4.	To re-appoint Messrs. Ernst & Young as Auditors of the Company for the financial year ending 31 March 2019 and to authorise the Directors to determine their remuneration.	Resolution 5		
As Special Business				
5.	To approve continuation in office of Datuk Jeffery Ong Cheng Lock as an Independent Non-Executive Director of the Company.	Resolution 6		
6.	To approve continuation in office of Mr. Lim Hwa Yu as an Independent Non-Executive Director of the Company.	Resolution 7		
7.	To approve continuation in office of Tan Sri Dato' Azizan Bin Husain as an Independent Non-Executive Director of the Company.	Resolution 8		
8.	To authorise the Directors to issue shares pursuant to Sections 75 and 76 of the Companies Act, 2016.	Resolution 9		
9.	To approve the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.	Resolution 10		
10.	To approve the Proposed Renewal of Share Buy-Back Authority	Resolution 11		

(Please indicate with an "X" in the space provided above on how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at this discretion.)

The proportion of my holdings to be represented by my *proxy/proxies are as follows:-

First name Proxy	%
Second name Proxy	%
	100%

In case of a vote taken by a show of hands, the First Proxy shall vote on *my/our behalf. *Strike out whichever is not desired.

As witness my hand ____________day of____________ 2018.

____
Signature

Note:
1. In regard of deposited securities, only members whose names appear in the Record of Depositors as at 20 August 2018 ("General Meeting Record of Depositors") shall be eligible to attend and vote at the Meeting.
2. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a member of the Company. There shall be no restriction as to the qualifications of the proxy.
3. A member may appoint more than two (2) proxies to attend at the same meeting. Where a member appoints two (2) or more proxies, the proxies shall not be valid unless the member specifies the proportion of his shareholdings to be represented by each proxy.
4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. The instrument appointing a proxy in the case of an individual shall be signed by the appointor or his attorney and in the case of a corporation, the instrument appointing a proxy or proxies must be under seal or under the hand of an officer or attorney duly authorised.
6. The instrument appointing proxy shall be deemed to confer authority to demand or join in demanding a poll.
7. The instrument appointing a proxy must be deposited at the Registered Office at Level 8, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than twenty-four (24) hours before the time appointed for holding the meeting or any adjournment thereof as Paragraph 8.29(A) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad requires all resolutions set out in the Notice of General Meeting to be put to vote by poll.
8. Proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.
9. **Personal Data Privacy:**
By submitting an instrument appointing a proxy(ies) and/or representative(s), the members accepts and agrees to the Personal Data Privacy terms set out in the Notice of AGM dated 30 July 2018.

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Affix
stamp

THE COMPANY SECRETARY

ORIENTAL FOOD INDUSTRIES HOLDINGS BERHAD
(Company No : 389769-M)
Level 8 Symphony House
Block D13 Pusat Dagangan Dana 1
Jalan PJU1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

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ORIENTAL

ORIENTAL FOOD INDUSTRIES HOLDINGS BERHAD (389769-M)

Level 8 Symphony House, Block D13 Pusat Dagangan Dana 1,
Jalan PJU1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan.
Tel : +603 7841 8000 Fax : +603 7841 8199

Website : www.ofih.com.my Website : www.jacker.com.my

CORPORATE GOVERNANCE REPORT

STOCK CODE **:** OFI 7107
COMPANY NAME **:** Oriental Food Industries Holdings Berhad
FINANCIAL YEAR **:** March 31, 2018

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE
Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA
Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

Intended Outcome
Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.1
The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

Application	:	Applied	
Explanation on application of the practice	:	The Board undertakes responsible for the proper stewardship of the Group to provide reasonable assurance for the success of the Group on sustainable manner. The Board is tasked with realisation of long term and sustainable shareholders' value and safeguarding the interests of stakeholders. This Board Charter is established to promote high standards of Corporate Governance and sets out the composition, roles, responsibilities and processes of the Board and its committees. It also ensures that all Board members acting on behalf of the Group are aware of their duties and responsibilities as Board members. The Board strives to collectively lead and is responsible for the success of the Group by providing entrepreneur leadership and direction. The Board acknowledges that it is the ultimate decision making body of the Group.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.2
A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

Application :	Applied	
Explanation on application of the practice :	The Chairman of the Board is Tan Sri Dato' Azizan Bin Husain. As Chairman of the Board, Tan Sri Dato' Azizan Bin Husain who is the Independent and Non-Executive Director is responsible for the governance, orderly conduct and effectiveness of the Board. The Chairman represents the Board to the shareholders, to act as facilitator at the meetings of the Board, to ensure that no Board member dominates the discussion, and that appropriate discussion takes place and that relevant opinion among Board members are forthcoming. The Chairman also ensures that decisions are taken on a sound and well-informed basis, and that Directors receive the relevant information on a timely basis.	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.3

The positions of Chairman and CEO are held by different individuals.

Application :	Applied	
Explanation on application of the practice :	The position of Chairman is held by Tan Sri Dato' Azizan Bin Husain, an Independent Non-Executive Director, while the position of the Managing Director/CEO is held by Datuk Seri Son Chen Chuan who is the Managing Director of the Company. The role and responsibilities of the Independent and Non-Executive Chairman are distinct and separate from the duties and responsibilities of the Managing Director/CEO. The principal role of the Chairman of the Board is to manage and to provide leadership to the Board. The Chairman is accountable to the Board and acts as a direct liaison between the Board and the Management of the Company, through the Managing Director/CEO. The Managing Director/ CEO is responsible for the performance of the Company, as dictated by the board's overall strategy. The role of the Chairman and Managing Director/CEO are described in the Board Charter, which is available on the Company's website at www.ofih.com.my.	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome
Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.4
The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

Application	:	Applied	
Explanation on application of the practice	:	The Board is supported by Company Secretaries who are Licensed Secretaries (LS) licensed by the Registrar of Companies and Malaysian Institute of Chartered Secretaries & Administrators (MAICSA), satisfy the qualification as prescribed under Section 235(2) of the Companies Act 2016 and have the requisite experience and competency in company secretarial matters. The Company Secretaries of the Group are responsible for the compliance of listing and related statutory obligations, recording of minutes as well as one of the sources of information to provide advice to the Board and relevant committees on issues relating to compliance with laws, rules, procedures and regulations that may affect the Group. The Board as a whole is responsible for appointment and removal of Company Secretaries. The Company Secretary attends all Board and Board Committee meetings and ensures accurate and proper records of the proceedings and resolutions passed are maintained in the statutory records at the registered office of the Company.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.5

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

<table>
<tr><td>Application :</td><td>Applied</td></tr>
<tr><td>Explanation on application of the practice :</td><td>
All Board and Board Committee meetings dates are prepared and agreed on in advance by the Board through an annual tentative calendar to ensure that all members are able to attend the scheduled meetings.
All Board members receive notice of upcoming Board and Board Committee meetings and the agenda of the meeting at least two (2) weeks prior to the meeting.
All Board members are furnished with board papers consisting of comprehensive information to be discussed at the meeting in accordance with agenda.
All materials related to the business of the Board and Board Committee at a scheduled meeting are distributed in hard copy at least seven (7) days prior to the meeting date.
Board meetings are conducted in person.
Senior staff members shall normally attend all Board and Board Committee meetings to present and brief the Board or Board Committee on matters tabled at the respective meetings.
The Non-Executive Directors have unrestricted access to hold discussions with the Internal and External Auditors.
If and when necessary, the Board may seek independent professional advice at the Company's expense relating to their duties and responsibilities as directors.

The Company Secretaries of the Company shall record minutes of the meetings for circulation to the members which will be confirmed and signed by the Chairman of the meeting as correct proceedings thereat in the next scheduled meeting unless otherwise determined.</td></tr>
<tr><td rowspan="2">Explanation for departure :</td><td></td></tr>
<tr><td></td></tr>
<tr><td colspan="2">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
</table>

Measure :		
Timeframe :		

Intended Outcome
There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

Practice 2.1
The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

Application	:	Applied
Explanation on application of the practice	:	This Board Charter ("Charter") has been adopted by the Board of Directors ("Board") of Oriental Food Industries Holdings Berhad ("the Company") and its subsidiaries ("the Group") on 28 May 2013, in accordance to the Malaysian Code of Corporate Governance 2012 ("MCCG 2012"). The Board strives to collectively lead and is responsible for the success of the Group by providing entrepreneur leadership and direction as well as management oversight. The Board acknowledges that it is the ultimate decision making body of the Group. This Charter sets out the composition, roles, responsibilities and processes of the Board and is to ensure that all Board members acting on behalf of the Group are aware of their duties and responsibilities as Board members. The Board Charter covers the following key areas: 1. Board Composition 2. Directors Remunerations 3. Board Responsibilities 4. Role of Chairman and Managing Director 5. Board Committee 6. Risk Management and Audit Committee 7. Nomination Committee 8. Remuneration Committee 9. Company Secretaries 10. Board Activities and Processes 11. Board Meetings 12. Directors' Training 13. Directors' Remuneration 14. Board and Member Assessment 15. Access to Independent Professional Advises

	16. Relationship of the Board with the Management 17. Relationship with Shareholders & Investors The Charter will be updated to incorporate the changes in requirements of MCCG 2017, Companies Act 2016, and Bursa Malaysia MMLR. The existing Board Charter is available on the Company's website at www.ofih.com.my.	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

Application	:	Applied
Explanation on application of the practice	:	The Company's Code Conduct and Ethics is intended to apply to every director, employee, customer and vendor of Oriental Food Industries Holdings Berhad ("the Company") and its subsidiaries ("the Group"). The Code of Conduct and Ethics is an established standard to ensure that working environment and condition are safe and healthy, workers are treated with respect and dignity, and business operations are conducted ethically. The fundamental in adopting the code is to ensure that all business activities are in full compliance with the laws, rules and regulations of the country in which it operates. If a law of the country conflicts with a rule or policy set out in this code, affected personnel should comply with the law. Besides, the code encourages affected personnel to go beyond legal compliance and adopt international recognised standard in order to advance business ethics and control. The Group is open to receive input from stakeholders in the continue development and implementation of the Code of Conduct adopt the best practice where possible. The Company upholds the highest standards of integrity, transparency and accountability in the conduct of the group's businesses and operations to ensure business sustainability. The objective of the Code is to achieve the following objectives: • To conduct in an ethical, responsible and transparent manner. • To enhance long-term shareholder value. • To strive the recruit and retention of the most competence people, offer them competitive terms and conditions of service, and maximise their personal progression through training and development.

	• To provide all employees a safe, secure, healthy and conducive workplace culture and environment, where the values and mutual and reciprocal respect, trust and confidence and upheld and activities promoted. • To provide quality products and services that meet customers and consumers expectation. • To uphold highest professional and ethical relationship for mutual benefit with our suppliers, contractors, service providers, financial institutions and other entity which has business relations with the Company. • To comply with all applicable laws and regulations laid down and to participate in project promulgated by government for industry and social development. The Board members were provided with the Code of Conduct and Ethics for Company Directors as established by the Companies Commission of Malaysia upon their appointment to the Board.
Explanation for departure :	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.	
Measure :	
Timeframe :	

Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

Application	:	Applied	
Explanation on application of the practice	:	The Company has established a Whistleblowing Policy approved by the Boards on 28 May 2013. The Whistleblowing Policy allows employees to discreetly disclose concerns about genuine illegal, unethical or improper business conduct within the Company. In this manner, the employees can help the Company to monitor and keep track of such illegal, unethical or improper business conduct within the Company which otherwise may not be easily detected through normal process or transaction. This Policy is administered by the Group's Top Management and overseen by the Risk Management and Audit Committee. Employees and other interested parties are able to report their concerns related to matters covered by the Company's Code of Conduct.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.1
At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Board has seven (7) Directors comprising an Independent Non-Executive Chairman; two (2) Independent Non-Executive Directors; one (1) Non- Independent Non-Executive Director and three (3) Executive Directors. The Board is aware on the requirement that at least half of the Board comprises independent directors. The Board will continue to look for a suitable candidate to fill up the position is on-going but has yet to identify any suitable candidate.	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.2
The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

Application	:	Applied
Explanation on application of the practice	:	The Board of Directors has via the Nomination Committee conducted an annual performance evaluation and assessment on the independence status of the Independent Non-Executive Directors who have served the Company for more than nine (9) years and twelve (12) years respectively. In accordance to the Malaysian Code on Corporate Governance 2017 ("MCCG 2017") and based on the evaluation, the Board of Directors has recommended Datuk Jeffery Ong Cheng Lock who has served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine (9) years since 14 May 2007 to continue to act as Independent Non-Executive Director of the Company subject to the shareholders' approval at the 22nd AGM of the Company. At the same time, the Board of Directors also has recommended Mr. Lim Hwa Yu and Tan Sri Dato' Azizan Bin Husain, who have served as Independent Non-Executive Directors of the Company for a cumulative term of more than twelve (12) years since 23 February 1999 and 8 June 2000 respectively to continue to act as Independent Non-Executive Directors subject to the shareholders' approval through a two-tier voting process at the 22nd AGM of the Company. The last approval to continue in office as an Independent Non-Executive Director for the above three (3) Directors were sought and approved at the 21st AGM held on 24 August 2017.
Explanation for departure	:	

Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.3 - Step Up

The board has a policy which limits the tenure of its independent directors to nine years.

Application	:	Not adopted
Explanation on adoption of the practice	:	Not applicable.

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.4

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

<table>
<tr><td>Application</td><td>:</td><td colspan="2">Applied.</td></tr>
<tr><td>Explanation on application of the practice</td><td>:</td><td colspan="2">The Company's practice on recruitment, retention, training and development does not discriminate on the basis of race, ethnicity, national origin, religion, sex, gender expression, age, height, weight, and marital status.

The Company employs, appoints, promotes, develops and rewards its employees on the basis of an individual's merit or his abilities and achievements.

The Nomination Committee is entrusted with the task of proposing and recommending new nominee(s)/candidate(s) for the Board. It also undertake an annual review of the required mix of skills and experience and other qualities of Directors, including core competencies and effectiveness of the Board as a whole and the contribution of each Individual Director.</td></tr>
<tr><td rowspan="2">Explanation for departure</td><td rowspan="2">:</td><td colspan="2"></td></tr>
<tr><td colspan="2"></td></tr>
<tr><td colspan="4">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
<tr><td>Measure</td><td>:</td><td colspan="2"></td></tr>
<tr><td>Timeframe</td><td>:</td><td></td><td></td></tr>
</table>

Intended Outcome
Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.5
The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

<table>
<tr><td>Application :</td><td colspan="2">Departure</td></tr>
<tr><td>Explanation on application of the practice :</td><td colspan="2"></td></tr>
<tr><td rowspan="2">Explanation for departure :</td><td colspan="2">The Board currently has no female member.

The NC is aware of the requirement of gender diversification highlighted in Malaysian Code on Corporate Governance 2017 ("MCCG 2017).

The Board has yet to set a formal policy formalising its approach to boardroom diversity. However, the Board confirmed that the evaluation of the suitability of candidates is solely based on the candidates' competency, experience, integrity, commitment, and qualification.</td></tr>
<tr><td colspan="2"></td></tr>
<tr><td colspan="3">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
<tr><td>Measure :</td><td colspan="2"></td></tr>
<tr><td>Timeframe :</td><td></td><td></td></tr>
</table>

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

Application :	Departure
Explanation on application of the practice :	
Explanation for departure :	There was no new appointment of Directors.
	The Board delegated specific responsibilities to the Nomination Committee ("NC") which has established its Terms of Reference. The function of the NC includes: • To determine the core competencies and skills required of board members to best serve the business and operations of the Group as a whole and the optimum size of the Board to reflect the desired skills and competencies; • To review the size of Non-Executive participation, Board balance and determine if additional Board members are required and also to ensure that at least 1/3 of the Board is independent; • To recommend to the Board on the appropriate number of Directors to compose the Board which should fairly reflect the investments of the minority shareholders in the Company, and whether the current Board representation satisfies this requirement; • To recommend to the Board, candidates for all directorships to be filled by the shareholders or the Board; • To consider in making its recommendations, candidates for directorships proposed by the Chief Executive Officer and, within, the bounds of practicality, by and other senior executive or any Director or shareholder; • To recommend to the Board, Directors to fill the seats on Board Committees; • To undertake an annual review of the required mix of skills and experience and other qualities of Directors, including core competencies which Non-Executive Directors should bring to the Board and to disclose this in the Annual Report;

<table>
<tr><td></td><td colspan="2">

- To assist the Board to implement a procedure to be carried out by the Nomination Committee annually for assessing the effectiveness of the Board as a whole, the Committees of the Board and for assessing the contributions and performance of Directors and Board Committee members;
- To review the term of office and performance of Audit Committee annually;
- To introduce such regulations or guidelines, procedures to function effectively and fulfil the objective of the Committee.

The Board will consider utilising independent sources to identify suitably qualified candidates should the need arises.
</td></tr>
<tr><td colspan="3">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
<tr><td>Measure :</td><td colspan="2"></td></tr>
<tr><td>Timeframe :</td><td></td><td></td></tr>
</table>

Intended Outcome
Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.7
The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

Application :	Applied.		
Explanation on application of the practice :	The Chairman of the Nomination Committee is Datuk Jeffery Ong Cheng Lock, an Independent Non-Executive Director.		
Explanation for departure :			
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure :			
Timeframe :			

Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

Practice 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

Application	:	Applied.	
Explanation on application of the practice	:	The Board has established an annual performance evaluation process to assess the performance and effectiveness of the Board and Board Committees, as well as the performance of each Director and each Audit Committee member through questionnaire and performance evaluation forms.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.1
The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

Application :	Departure	
Explanation on application of the practice :		
Explanation for departure :	The Remuneration Committee has been entrusted to ensure that the Company's directors are fairly rewarded for their individual contributions to the Company's overall performance and the levels of remuneration should be sufficient to attract and retain Directors to run the Company successfully. The Company has yet to put in place a written policies and procedures on the determination of the remuneration of directors and senior management. The remuneration package of the Senior Management (Senior Managers, Manager and Head of Department) are determined by the Managing Director and Executive Director. The reason being that the Senior Management are evaluated at Company level on their performance through performance ratings through an Annual Performance Appraisal Form.	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome
The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.2
The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

Application	:	Applied	
Explanation on application of the practice	:	The Company has established a Remuneration Committee ("RC") comprising of three (3) Independent Directors. The remuneration of the Board was discussed by the RC. Written Terms of Reference of the RC is available on the Company's website at www.ofih.com.my.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

Application	:	Applied	
Explanation on application of the practice	:	There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments were disclosed in the Corporate Governance Overview Statement in the Annual Report 2018.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

Application :	Departure	
Explanation on application of the practice :		
Explanation for departure :	The Board will disclose on named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000 in the forthcoming Annual Report in view that the Annual Report has been printed for year 2018.	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.3 - Step Up

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

Application	:	Not adopted
Explanation on adoption of the practice	:	The remuneration of the senior management will only be disclosed in bands as mentioned in Practice 7.2.

Intended Outcome
There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.1
The Chairman of the Audit Committee is not the Chairman of the board.

Application	:	Applied	
Explanation on application of the practice	:	There is a separation between the Chairman of the Board and the Risk Management and Audit Committee ("RMAC"). Both are chaired by different individuals. • Chairman of the Board: Tan Sri Dato' Azizan Bin Husain • Chairman of RMAC: Mr. Lim Hwa Yu	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.2

The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

Application	:	Departure	
Explanation on application of the practice	:	Board.	
Explanation for departure	:	The Risk Management and Audit Committee ("RMAC") has never till to-date appointed a former key audit partner as member of the Committee. However, the RMAC will establish this policy at the forthcoming RMAC meeting to be held on 29 August 2018.	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.3
The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

<table>
<tr><td>Application :</td><td colspan="2">Applied.</td></tr>
<tr><td>Explanation on application of the practice :</td><td colspan="2">The Risk Management and Audit Committee scope of activities in regards to external auditor as specified in its Terms of Reference amongst others, include:

• Review the scope of the external audit and internal audit to ensure no unjustified restrictions are imposed by the Management.

• Liaise directly with the external auditors, the Management and the Board as a whole, particularly with regard to the Audit plan and Audit report.

The External Auditor, Messrs. Ernst & Young, represented that they are, and have been independent throughout the conduct of the audit engagement.</td></tr>
<tr><td rowspan="2">Explanation for departure :</td><td colspan="2"></td></tr>
<tr><td colspan="2"></td></tr>
<tr><td colspan="3">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
<tr><td>Measure :</td><td colspan="2"></td></tr>
<tr><td>Timeframe :</td><td></td><td></td></tr>
</table>

Intended Outcome
There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.4 - Step Up
The Audit Committee should comprise solely of Independent Directors.

Application	:	Adopted
Explanation on adoption of the practice	:	The Risk Management and Audit Committee comprises solely of Independent Directors as follows: • Mr. Lim Hwa Yu – Independent Non-Executive, RMAC Chairman • Tan Sri Dato' Azizan Bin Husain – Independent Non-Executive, RMAC Member • Datuk Jeffery Ong Cheng Lock – Independent Non-Executive, RMAC Member

Intended Outcome
There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.5
Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

Application	:	Applied.
Explanation on application of the practice	:	Risk Management and Audit Committee members possess a wide range of necessary skills to discharge their duties effectively. They are financially literate taking into consideration their experience, educational background and exposure as Director in other public listed companies. • **Mr. Lim Hwa Yu**: Mr. Lim is a qualified as an Accountant from the United Kingdom. He is a Fellow of the Chartered Association of Certified Accountants, United Kingdom; Fellow of the Institute of Taxation, United Kingdom, and a Member of the Malaysian Institute of Accountants. He is a partner of a public accounting firm, H.Y. Lim & Co. He has extensive experience in the field of corporate planning and management. • **Tan Sri Dato' Azizan Bin Husain**: Tan Sri Azizan holds a B.A. Honours Degree and Diploma in Public Administration from the University of Malaya and a Post Graduate Diploma in Economics and Master in Urban and Regional Planning from the University of Colorado, Boulder, United States of America. Tan Sri Azizan started his career with the Ministry of Agriculture in 1967 and retired in 1999 as the Secretary-General in the Ministry of Defence, Malaysia. Prior to his retirement, he had progressed on and gained vast experience from various departments in the civil service. During his years with the Government Service, he has served as Assistant Secretary with the Centre for Development Studies and Economic Planning Unit in Prime Minister's Department, Director of Economic Planning Unit, Sabah, Sabah State Director of Development, Deputy Secretary-General with Ministry of Land and

	Regional Development, Deputy Director-General (Sectoral) Economic Planning Unit with Prime Minister's Department, Director of Public Sector Companies Monitoring Division in the Ministry of Finance and Deputy Secretary-General (Operation) with the Ministry of Finance. • **Datuk Jeffery Ong Cheng Lock**: Datuk Jeffery Ong is an Associate of the Institute of Business Administration, Australia and was formerly the Senior Director of Human Resources of Infineon Technologies, responsible for Recruitment, Compensation & Benefits, Welfare, Training, Employee Relations and Government Relations. He currently serves as the Council Member of the Federation of Malaysian Manufacturers ("FMM"), Chairman of FMM Malacca Branch, Member of the Malaysian Institute of Management, Member of the Malaysian Institute of Personnel Management and Member of the Malacca Industrial Skills Development Centre. Datuk Jeffery is also a Former Board Member of OSH National Council, Panel Member of the Industrial Court and the SOCSO Appellate Court. Continuous professional developments for directors were included and disclosed in the Corporate Governance Overview Statement of the Annual Report 2018.
Explanation for departure :	

Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.

Measure :		
Timeframe :		

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.1

The board should establish an effective risk management and internal control framework.

Application :	Applied.	
Explanation on application of the practice :	The Board monitors risk through its Risk Management and Audit Committee. The overview of the risk management and internal control monitoring and framework were disclosed in the Statement of Risk Management and Internal Control in the Annual Report 2018.	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.2

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

Application	:	Applied.	
Explanation on application of the practice	:	The risk management and internal control systems are outlined in the Statement on Risk Management and Internal Control in the Annual Report 2018.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.3 - Step Up

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

Application	:	Adopted
Explanation on adoption of the practice	:	The Board has established a Risk Management and Audit Committee ("RMAC"). The RMAC comprises of three (3) Independent Non-Executive Directors.

Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

Application :	Applied.	
Explanation on application of the practice :	The internal audit function is outsourced and carried out by an independent professional firm, Needsbridge Advisory Sdn Bhd which is reporting directly to the Audit Committee. The engagement director of the Outsourced Internal Audit Function is a Certified Internal Auditor accredited by the Institute of Internal Auditors Global and a professional member of the Institute of Internal Auditors Malaysia. The internal audits are carried out, in material aspects, in accordance with the International Professional Practices Framework established by the Institute of Internal Auditors Global. The internal auditor function reports directly to the Risk Management and Audit Committee and presents the Internal Audit Reports to the Risk Management and Audit Committee. The details of the Risk Management and Audit Committee and its activities are reported in the RMAC Report in the Annual Report 2018.	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.2

The board should disclose–

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

Application	:	Applied.	
Explanation on application of the practice	:	The Company has disclosed in its Risk Management and Audit Committee report and the Statement of Risk Management and Corporate Governance that the internal audit function of the Group was outsourced to a professional consulting firm, Needsbridge Advisory Sdn Bhd to undertake independent, objective and systematic reviews of the internal control systems to evaluate its adequacy and effectiveness.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

<table>
<tr><td>Application :</td><td colspan="2">Applied</td></tr>
<tr><td>Explanation on application of the practice :</td><td colspan="2">The Board recognised the importance of effective, transparent and regular communication with its stakeholders to ensure that investors have a clear understanding of the business, its strategy, opportunities and risks so they can make informed investment decisions regarding the value of the company and its future prospects.

These are several communication channels used to promote effective communication between the Company and its stakeholders:

• Annual General Meeting
• Announcement of Quarterly Group Financial Results and Analyst Briefing
• Annual Report</td></tr>
<tr><td rowspan="2">Explanation for departure :</td><td colspan="2"></td></tr>
<tr><td colspan="2"></td></tr>
<tr><td colspan="3">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
<tr><td>Measure :</td><td colspan="2"></td></tr>
<tr><td>Timeframe :</td><td></td><td></td></tr>
</table>

Intended Outcome
There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.2
Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

Application :	Applied	
Explanation on application of the practice :	OFIH's evaluation of the economic, environmental and social ("EES") risk and opportunities coexistent with the Company's corporate governance framework and corporate social responsibilities are detailed in page 20 to 25 of the Sustainability Statement of the Annual Report 2018.	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.1

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

Application :	Applied	
Explanation on application of the practice :	The Notice of the Oriental Food Industries Holdings Berhad's 22nd Annual General Meeting was given to shareholders more than 28 days prior to the date of the Annual General Meeting. The Notice and Annual Report are targeted to be circulated to the Shareholders on 30 July 2018, i.e. more than 28 days before the date of AGM to be held on 29 August 2018.	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome
Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.2
All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

Application	:	Applied	
Explanation on application of the practice	:	All Directors attended Oriental Food Industries Holdings Berhad's 21st Annual General Meeting held on 24 August 2017 as well as the past Annual General Meetings.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

<table>
<tr><td>Application :</td><td colspan="2">Applied</td></tr>
<tr><td>Explanation on application of the practice :</td><td colspan="2">The Board and Senior Management are always present at General Meetings and make themselves available to the Shareholders.</td></tr>
<tr><td rowspan="2">Explanation for departure :</td><td colspan="2"></td></tr>
<tr><td colspan="2"></td></tr>
<tr><td colspan="3">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
<tr><td>Measure :</td><td colspan="2"></td></tr>
<tr><td>Timeframe :</td><td></td><td></td></tr>
</table>

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

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