



BERJAYA

BERJAYA FOOD BERHAD

(Company No. 876057-U)



ANNUAL REPORT
2018



VISION

To be the leading Food and Beverage organisation with a portfolio of reputable brands that will enhance profitable and sustainable growth and stakeholder returns.

MISSION

- 1 To ensure we provide a people culture that is performance driven and built on the foundations of personal development, diversity and mutual respect for each other.
- 2 To ensure total customer satisfaction.
- 3 To generate a profitable rate of return for all our shareholders.
- 4 To carry out our business in ways that are socially and environmentally responsible.



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CORPORATE PROFILE

BERJAYA FOOD BERHAD

BERJAYA FOOD BERHAD (“BFood”) was incorporated in Malaysia on 21 October 2009. It was converted into a public limited company on 3 December 2009 and listed on The Main Market of Bursa Malaysia Securities Berhad on 8 March 2011. As part of The Listing Scheme, Berjaya Roasters (M) Sdn Bhd (“BRoasters”) was acquired and became a wholly-owned subsidiary of BFood in January 2011.

BRoasters is engaged in the development and operation of the Kenny Rogers Roasters (“KRR”) chain of restaurants in Malaysia. On 26 July 2011, BFood entered into a conditional joint venture agreement with PT Mitra Samaya, Indonesia, PT Harapan Swasti Sentosa, Indonesia and PT Boga Lestari Sentosa, Indonesia (“PT Boga”) to develop and operate the KRR franchise in Java Island and Bali, Indonesia under PT Boga. On 24 November 2017, Berjaya Food (International) Sdn Bhd (“BFI”), disposed of its entire stake in PT Boga.

On 19 July 2012, BFood completed the acquisition of 11,500,000 ordinary shares of RM1.00 each, representing 50% equity interest in Berjaya Starbucks Coffee Company Sdn Bhd (“BStarbucks”) for a cash consideration of RM71.7 million. The remaining 50% equity interest was held by Starbucks Coffee International, Inc (“SCI”). On 9 August 2012, BFood completed its Rights Issue and the 115,081,760 new shares and 115,081,760 warrants arising from the Rights Issue was listed on the Main Market of Bursa Malaysia Securities Berhad on 13 August 2012. On 18 September 2014, BFood completed the acquisition of 11,500,000 ordinary shares of RM1.00 each, representing the remaining 50% equity interest in BStarbucks not owned by BFood for a total cash consideration of USD88,000,000 (equivalent to about RM279.52 million). BStarbucks is now a 100% owned subsidiary of BFood.

On 7 December 2012, BFood acquired 100% equity interest in Jollibean Foods Pte Ltd, Singapore (“Jollibean Foods”) for a cash consideration of RM19.02 million. On 30 January 2018, the Company’s wholly-owned subsidiary, BFI completed the disposal of 5% equity interest in Jollibean Foods to Mr Sydney Lawrance Quays for a cash consideration of Singapore Dollar (“SGD”) 150,000 (equivalent to about RM445,020).

On 7 October 2013, BFI entered into a Joint Venture Cum Shareholders’ Agreement with Deluxe Daily Food Sdn Bhd (“Deluxe”) for the subscription of 80% equity interest in Berjaya Food Supreme Sdn Bhd, a Brunei Darussalam-incorporated company to undertake the operations of “Starbucks Coffee” chain of cafes in Brunei Darussalam for a total cash consideration of about BND2.40 million (or about RM6.20 million). The remaining 20% was subscribed by Deluxe.

KENNY ROGERS ROASTERS (“KRR”)

BFood’s holding company, Berjaya Group Berhad (“BGroup”) effectively holds the worldwide KRR franchise following BGroup’s acquisition of KRR International Corp, USA in April 2008. As at 30 April 2018, there are a total of 81 KRR restaurants across Malaysia. KRR restaurants feature rotisserie-roasted chicken as their main core product

complemented by a variety of hot and cold side dishes and KRR’s famous muffins, vegetable salads, pasta, soups, desserts, sandwiches and beverages served in a friendly and comfortable environment. All KRR restaurants serve their customers in a full service, mid-casual dining setting with free “Wi-Fi” services, providing customers with a wholesome dining experience.

STARBUCKS

Starbucks in Malaysia is operated by BStarbucks. From its first store opening in Kuala Lumpur on 17 December 1998, BStarbucks has expanded to Sabah and Sarawak and celebrated its 19th year of operations in December 2017. As at 30 April 2018, there are a total of 260 stores nationwide and is recognised as the leading specialty coffee company and industry benchmark in Malaysia.

BStarbucks also introduced its first drive-thru concept store in December 2009 in Johor Bahru. As at 30 April 2018, there are a total of 39 drive-thru concept stores across Malaysia. In 2012, it opened its first suburban store in Seri Manjung, Perak. In 2015, BStarbucks opened its first Reserve concept store to introduce premium and exceptional coffees to the Malaysia market.

On 16 February 2014, BStarbucks opened its first store in Brunei Darussalam at the Mabohai Shopping Complex. The store features a traditional coffee bar also known as “slow bar”, which allows customers to savour their coffee using the “pour over” brewing method. On 7 September 2014, BStarbucks opened its first drive-thru concept store in Beribi. As at 30 April 2018, there are 4 Starbucks stores in Brunei.

JOLLIBEAN

Jollibean Foods was incorporated in November 1993. Presently, there are a total of 21 “Jollibean” outlets, 9 “Sushi Deli” outlets, all of which are based on the Quick Service Concept, and 1 “Kopi Alley” outlet in Singapore.

Jollibean’s signature products are its fresh daily made “Jollibean” soy milk drinks using Grade A, non-genetically modified organism (non-GMO), identity-preserved Canadian soy beans to ensure its quality. It also introduced traditional snacks such as the street pancake - Mee Chiang Kueh - which complement its soy milk drinks.

“Sushi Deli” serves an array of “pick-and-choose” sushi, assorted sashimi sets, sushi & maki sets, Japanese salads, bento sets, party platters and Japanese sweets like Tofu Cheese Cake. “Kopi Alley” is a traditional coffee cafe concept which offers traditional food & beverage items such as coffee, tea, toasted bread and nasi lemak.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Tunku Shazuddin Bin Tunku Sallehuddin
Chairman/Independent Non-Executive Director

Sydney Lawrance Quays
Chief Executive Officer

Tan Thiam Chai
Non-Independent Non-Executive Director

Chryseis Tan Sheik Ling
Non-Independent Non-Executive Director

Datuk Zainun Aishah Binti Ahmad
Independent Non-Executive Director

Dato' Mustapha Bin Abd Hamid
Independent Non-Executive Director

AUDIT AND RISK MANAGEMENT COMMITTEE

Datuk Zainun Aishah Binti Ahmad
Chairman/Independent Non-Executive Director

Dato' Mustapha Bin Abd Hamid
Independent Non-Executive Director

Tan Thiam Chai
Non-Independent Non-Executive Director

SECRETARIES

Tham Lai Heng Michelle
(MAICSA No. 7013702)

Wong Siew Guek
(MAICSA No. 7042922)

Wong Poo Tyng
(MAICSA No. 7056052)

SHARE REGISTRAR

Berjaya Registration Services Sdn Bhd
Lot 10-04A & 10-04B, Level 10, West
Berjaya Times Square
No.1, Jalan Imbi
55100 Kuala Lumpur
Tel: 03-2145 0533
Fax: 03-2145 9702

AUDITORS

Ernst & Young (AF:0039)
Chartered Accountants
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur
Tel : 03-7495 8000
Fax : 03-2095 5332

REGISTERED OFFICE

Lot 13-01A, Level 13 (East Wing)
Berjaya Times Square
No. 1, Jalan Imbi
55100 Kuala Lumpur
Tel : 03-2149 1999
Fax : 03-2143 1685

PRINCIPAL BANKERS

AmBank (M) Berhad
Malayan Banking Berhad

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

STOCK SHORT NAME

BJFOOD (5196)

PLACE OF INCORPORATION AND DOMICILE

Malaysia

PROFILE OF DIRECTORS



DATO' TUNKU SHAZUDDIN BIN TUNKU SALLEHUDDIN

48 years of age, Malaysian, Male
Chairman/Independent Non-Executive Director

He was appointed to the Board on 4 December 2017 as the Chairman of the Company. He is a member of the Employees' Share Scheme Committee.

He graduated from Kansas Wesleyan University, United States of America, majoring in design and marketing. He began his career with Johan Design Associates and managed numerous design projects from graphic, interior design to branding for various corporate and private clients. He continued his career in the same industry with other companies including Hewlett Packard, Data One and Keppel Group of Singapore until year 2001. In 2002, he ventured into the design business and formed an agency in 2005 and subsequently became a major shareholder for both Rethink Sdn Bhd and Reka 3 Sdn Bhd.

Currently, he is the Chairman and a Director of Naza Italia Sdn Bhd. He is also a shareholder and Managing Director of Seri Libana Sdn Bhd, a company involved in interior fit-outs and project management specifically handling government contracts. He also provides consultancy services to various state and government departments, including acquisition of new technologies and funding for various agricultural and tourism initiatives.



SYDNEY LAWRANCE QUAYS

50 years of age, Malaysian, Male
Chief Executive Officer

He was appointed to the Board on 12 January 2017 as an Executive Director and subsequently appointed as the Chief Executive Officer of the Company on 1 June 2017. He is the Chairman of the Employees' Share Scheme Committee. He is also a member of the Sustainability Committee.

He graduated with Honors from the American Hotel and Lodging Association, United States of America majoring in Hospitality Management and Marketing in 1988. He started his career in the hotel industry, moving through different divisions and subsequently joined the Quick Service Restaurant industry, working for McDonald's Malaysia as a trainee manager in 1989.

He was a pioneer with Berjaya Starbucks Coffee Company Sdn Bhd ("BStarbucks") holding the position as Marketing and Merchandise Manager when he joined in 1998. Subsequently, he was appointed as Managing Director of BStarbucks on 31 October 2012 and Berjaya Food Supreme Sdn Bhd ("BFood Supreme") on 24 September 2013. He has been awarded "The Asia Pacific Entrepreneurship Award" in years 2014 and 2016 respectively and "The Asia Responsible Entrepreneur" in 2016.

Currently, he is overseeing the day-to-day operational decisions for BStarbucks, Berjaya Roasters (M) Sdn Bhd ("BRoasters"), Jollibean Foods Pte Ltd and BFood Supreme. He is also responsible for developing the business strategies and directions for business growth and new market expansion as well as preparing and implementing comprehensive business and marketing plans, bringing new and innovative ideas to build sales and elevate brand status. In addition, he is also responsible for the financial performance, profitability and future prospects of the business.

He is also a Director of Berjaya Food Trading Sdn Bhd ("BFood Trading") and is responsible for the growth of BFood Trading, which operates the fast-moving consumer goods ("FMCG") business, overseeing the expansion of the FMCG business into different channels and other retail sections as well as new products implementation.

He is also a Director of BRoasters, Berjaya Jollibean (M) Sdn Bhd, Berjaya Food (International) Sdn Bhd and holds directorships in several other private limited companies in the Berjaya Corporation group of companies.

PROFILE OF DIRECTORS



TAN THIAM CHAI

59 years of age, Malaysian, Male
Non-Independent Non-Executive Director

He was appointed to the Board on 20 May 2010 as a Non-Independent Non-Executive Director. He is also a member of the Nomination Committee, Audit and Risk Management Committee, Remuneration Committee and Sustainability Committee.

He graduated with a Diploma in Commerce (Financial Accounting) from Kolej Tunku Abdul Rahman (now known as Tunku Abdul Rahman University College) and also completed The Association of Chartered Certified Accountants (UK) professional course in 1981. He is a Fellow member of the Association of Chartered Certified Accountants (UK) since 1990 and also a member of the Malaysian Institute of Accountants.

He started work with an accounting firm in Kuala Lumpur for about 2 years and thereafter served in various Finance and Accounting positions with the Hong Leong group of companies in Malaysia as well as in Hong Kong for about 8 years. He joined Berjaya group of companies in early 1991 as a Finance Manager of an operating subsidiary and was promoted to Operation Manager later that year. In 1992, he was transferred to the Corporate Head Office of Berjaya Group Berhad to head the Group Internal Audit function and subsequently in 1993, he was promoted to oversee the Group Accounting function of Berjaya Group Berhad.

Currently, he is the Chief Financial Officer of Berjaya Corporation Berhad. He is also an Executive Director of Berjaya Land Berhad, a Director of Atlan Holdings Bhd, Indah Corporation Berhad, Cosway Corporation Berhad, Berjaya Vacation Club Berhad, Tioman Island Resort Berhad, Berjaya Starbucks Coffee Company Sdn Bhd and Cosway Corporation Limited (Hong Kong).

He also holds directorships in several other private limited companies in the Berjaya Corporation group of companies.



CHRYSEIS TAN SHEIK LING

29 years of age, Malaysian, Female
Non-Independent Non-Executive Director

She was appointed to the Board on 15 March 2018 as a Non-Independent Non-Executive Director.

She graduated with a Bachelor of Arts in Liberal International Studies from Waseda University, Tokyo in 2012. She also did an exchange programme in Accounting and Finance in London School of Economics, United Kingdom for a year in 2010.

Currently, Ms Chryseis Tan is the Chief Executive Officer of Berjaya Times Square Sdn Bhd, a wholly owned principal subsidiary of Berjaya Assets Berhad, mainly involved in the marketing and overall management of Berjaya Times Square Mall located in Kuala Lumpur.

Ms Chryseis Tan is also a Director of Berjaya Assets Food (BAF) Sdn Bhd ("BAF"), a wholly owned subsidiary of Berjaya Assets Berhad, and she oversees BAF's interest in the Food & Beverage industry. BAF has secured the right to manage the franchise of Greyhound Café from Bangkok, Thailand in Malaysia, with the successful opening of its first outlet at Jalan Bukit Bintang, Kuala Lumpur.

Ms Chryseis Tan is also a Director and Chairman of Natural Avenue Sdn Bhd ("NASB"), a subsidiary of Berjaya Assets Berhad since 1 August 2014. NASB is the exclusive agent for Sarawak Turf Club's Special Cash Sweep Number Forecast Lotteries in Sarawak.

Presently, Ms Chryseis Tan is an Executive Director of Berjaya Assets Berhad and Berjaya Land Berhad as well as the Head of Marketing for Four Seasons Hotel and Residences, Kyoto, Japan, a hotel and residences development project undertaken by Berjaya Kyoto Development (S) Pte Ltd, a subsidiary company of Berjaya Corporation Berhad. She also holds directorships in several other private limited companies.

Her father, Tan Sri Dato' Seri Vincent Tan Chee Yioun, is a major shareholder of the Company.

PROFILE OF DIRECTORS



DATUK ZAINUN AISHAH BINTI AHMAD

72 years of age, Malaysian, Female
Independent Non-Executive Director

She was appointed to the Board on 20 May 2010 as an Independent Non-Executive Director. She is the Chairman of the Audit and Risk Management Committee, Nomination Committee and Sustainability Committee. She is also a member of the Remuneration Committee and Employees' Share Scheme Committee.

She graduated with a Bachelor of Economics degree from University Malaya. She began her career and worked with Malaysian Industrial Development Authority ("MIDA"), the Malaysian government's principal agency for the promotion and coordination of industrial development in the country for 35 years. In her 35 years of service, she has held various key positions in MIDA as well as in some of the country's strategic councils, notably her pivotal role as the National Project Director in the formulation of the first Malaysian Industrial Master Plan. She was the Director-General of MIDA for 9 years and Deputy Director-General for 11 years. Whilst in MIDA, she also sat on various committees/authorities at national level, including being a member of the Industrial Coordination Act Advisory Council, Defence Industry Council and National Committee on Business Competitiveness Council, Malaysia Incorporated and the National Project for Majlis Penyalarsan Perindustrian before retiring in September 2004.

Currently, she is a Director of Degem Berhad, Boustead Holdings Berhad, British American Tobacco (Malaysia) Berhad and Pernec Corporation Berhad.



DATO' MUSTAPHA BIN ABD HAMID

65 years of age, Malaysian, Male
Independent Non-Executive Director

He was appointed to the Board on 20 May 2010 as an Independent Non-Executive Director. He is the Chairman of the Remuneration Committee. He is also a member of the Nomination Committee, Audit and Risk Management Committee and Sustainability Committee.

He graduated from the Royal Military College in 1972 and went on to obtain a Bachelor Degree (Honours) in Social Science from Universiti Sains Malaysia, Penang in 1977, and a Diploma in Public Management from the National Institute of Public Administration Malaysia (more commonly known as INTAN) in 1978. He started his career as an Administrative and Diplomatic Officer of the Research Division in the Prime Minister's Department and was posted as the First Secretary of the Malaysian Embassy in Paris, France (1982-1985). During his 16 years in the public service sector, he was also the Consul of Consulate General Malaysia in Medan, Indonesia (1990-1993) and the Principal Assistant Director in the Prime Minister's Department (1993-1994). He was appointed as Chancellor of Saito University College in April 2018 and at the same time was awarded an Honorary Doctorate in Education.

Currently, he is a Director of Teo Guan Lee Corporation Berhad, Acmar FHP Group Berhad and Lii Hen Industries Bhd. He also holds directorship positions in several other private limited companies.

Save as disclosed, none of the Directors have:-

1. any family relationship with any Directors and/or major shareholders of the Company;
2. any conflict of interest with the Company;
3. any conviction for offences within the past 5 years other than traffic offences; and
4. any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

KEY SENIOR MANAGEMENT

CHIN WAN CHING (LOUISE)

48 years of age, Malaysian, Female

Vice President Finance

Berjaya Starbucks Coffee Company Sdn Bhd, Berjaya Food Supreme Sdn Bhd and Berjaya Food Trading Sdn Bhd

Louise graduated with a professional accounting qualification, Association of Chartered Certified Accountants (ACCA) in 1995 and currently is a member of Malaysian Institute of Accountants (MIA).

She joined Starbucks Malaysia in 1 December 2008 as a Financial Analyst and was appointed as the Vice President of Finance on 1 October 2017. With her vast experience in field of accounting and finance in various service industries, she has grown her career to her current position and spearheads the Finance and Accounts Department, Supply Chain Operations (SCO) Department and Sustainability Department. She also oversees the Finance and Accounts Department in Berjaya Food Supreme Sdn Bhd (Starbucks Brunei) and Berjaya Food Trading Sdn Bhd since its inception.

CHUAH PAK NEE (SUANNE)

45 years of age, Malaysian, Female

General Manager

Jollibean Foods Pte Ltd

Suanne has 23 years of hospitality and F&B retail operations at the core management level. She graduated from Domino Carlton Tivoli Hospitality Management School, Switzerland.

She joined Jollibean Foods Pte Ltd as General Manager on 1 January 2018 and prior to that, she joined Berjaya Krispy Kreme Doughnuts Sdn Bhd on 1 July 2014 and spent 3 years working as Assistant General Manager. Before joining the Berjaya Group, she was the Country Manager at San Francisco Coffee which she joined since its inception in 1997 and spent 13 years developing the network, not only in Malaysia but also Singapore, Manila, Hong Kong and Japan.

LEE SIEW FEI

53 years of age, Malaysian, Female

General Manager

Berjaya Roasters (M) Sdn Bhd

Siew Fei started her career in 1984 when she joined Golden Arches Restaurant Sdn Bhd as a Purchasing Assistant, after graduating from Informatics College Malaysia. She subsequently joined Berjaya Roasters (M) Sdn Bhd as an Assistant Purchasing Manager in 1 October 1994.

She was appointed as General Manager of Berjaya Roasters (M) Sdn Bhd on 1 January 2011 and she currently oversees the Marketing, Product Development, Quality Assurance, Human Resources and Supply Chain departments.

Save as disclosed, none of the Key Senior Management have :-

1. any directorship in public companies and listed issuers;
2. any family relationship with any Directors and/or major shareholders of the Company;
3. any conflict of interest with the Company;
4. any conviction for offences within the past 5 years other than traffic offences; and
5. any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Berjaya Food Berhad (“BFood”), I am pleased to present the Annual Report and Financial Statements for the financial year ended 30 April 2018.

FINANCIAL RESULTS

For the financial year ended 30 April 2018, BFood registered a higher revenue of RM639.7 million as compared to a revenue of RM605.4 million recorded in the previous financial year, mainly due to additional Starbucks cafés operating since the beginning of current financial year as well as same-store-sales growth recorded in Malaysia. Pre-tax profit was lower at RM19.2 million in the financial year under review as compared to RM24.3 million in the previous financial year mainly due to the exceptional loss arising from the disposal of PT Boga Lestari Sentosa (“PT Boga”).

DIVIDEND

For the financial year ended 30 April 2018, the Group had declared and paid a total dividend of 4.0 sen single-tier dividend per share (3.50 sen single-tier dividend per share for the previous financial year ended 30 April 2017).

The total dividend paid was approximately RM15.06 million which represented 1,282% of the attributable profit of the Group for the financial year ended 30 April 2018.

SIGNIFICANT CORPORATE DEVELOPMENT

On 24 November 2017, the Company announced that its wholly-owned subsidiary, Berjaya Food (International) Sdn Bhd (“BFI”), had disposed of its entire 99.9% stake in PT Boga for a nominal sum of Indonesian Rupiah (“IDR”) 1,000 (equivalent to about RM0.32) and PT Boga agreed to settle a portion of the inter-company debt owing by PT Boga to BFI amounting to IDR9.6 billion (equivalent to about RM3.1 million).

SUSTAINABILITY

In line with the sustainability reporting requirements from Bursa Malaysia Securities Berhad, a Sustainability Statement will now be included as part of the BFood Annual Report. BFood's inaugural Sustainability Statement (page 16 to page 24) highlights the Company's commitment to undertaking business in a responsible and sustainable manner. Its scope covers material issues arising from the daily business operations of Berjaya Starbucks Coffee Company Sdn Bhd (“BStarbucks”) and Berjaya Roasters (M) Sdn Bhd (“BRoasters”) in Malaysia, and focuses on the economic, environmental, and social considerations of sustainability.



Starbucks delivers great coffee and customer service to its customers.

CHAIRMAN'S STATEMENT

FUTURE PROSPECTS

The Malaysian economy recorded a growth of 5.4% in the first quarter of 2018, mainly driven by continued expansion in private sector activities and net exports and is expected to remain favourable throughout the year. Along with the positive development in the economy, domestic consumption is expected to improve, and with their increased purchasing power, more consumers will be encouraged to spend on dining out.

The Group will leverage on the strength of BStarbucks and proactively continue with its expansion plans to further strengthen Starbucks' brand position as the leading premium coffee chain in Malaysia. BRoasters has introduced a new walkthrough dining concept for Kenny Rogers Roasters ("KRR") whereby guests are able to view and select the meal of their choice from a wide variety of main course dishes, appetizers, side dishes, desserts, and beverages just like a complete menu found at KRR's table service restaurants. This new concept is currently adopted by 4 KRR restaurants, providing guests with a more interesting dining experience while reducing wastage and helping the company to manage its resources more efficiently.

The respective brands under the Group will continue to leverage on the wide reach and strong engagement power of digital platforms to interact with their customers and build a stronger customer base especially with the younger generation. This will help to enrich the respective brands' marketing initiatives and strengthen brand affiliation among customers.

The respective brands are committed to offering more innovative and enticing items on their menu coupled with attractive seasonal promotions to cater to the discerning tastes of customers in a very competitive and always evolving food and beverage industry. The respective brands will also enhance their loyalty programmes and offer more attractive rewards and value-for-money promotions as an appreciation to supportive customers and to attract the interest of potential customers.

The Group expects its operating performance to be encouraging going forward, with Starbucks as the main revenue contributor.

APPRECIATION

On behalf of the Board, I would like to express our sincere thanks and heartfelt appreciation to Dato' Sri Robin Tan Yeong Ching, who resigned as Executive Chairman on 4 December 2017, for his valued leadership, dedication, and service to the Company. Dato' Sri Robin has helmed the board of the Company since its inception and grew it to what it is today. His contributions during his tenure on the Board will no doubt help to ensure the continued success of the Company moving forward.

I would also like to welcome Ms Chryseis Tan Sheik Ling, who was appointed as Non-Independent and Non-Executive Director on 15 March 2018.

I would like to extend my sincere appreciation to my fellow colleagues on the Board, the management team, and employees for your commitment and contributions. I am very honoured to be appointed as the Chairman of the Company and look forward to working with all of you to ensure the continuous growth and success of the Group.

On behalf of the Board, I would like to express our sincere gratitude to all our loyal customers and business partners for your consistent support and trust throughout the year. We hope that you will continue to support us in the years to come.

Dato' Tunku Shazuddin Bin Tunku Sallehuddin
Chairman

31 July 2018



BRoasters provided Wholesome KRR Meals worth more than RM100,000 to Malaysia Dodgeball Federation (MDF) in support of their participation in the 2018 Dodgeball World Cup in Madison Square Garden, New York.



Assorted J-Freeze offers by Jollibean.

MANAGEMENT DISCUSSION & ANALYSIS



The Company's CEO and Starbucks Malaysia Managing Director, Sydney Quays (second from right) with the team during the Starbucks Reserve store opening in Paradigm Mall, Johor.

BERJAYA STARBUCKS COFFEE COMPANY SDN BHD

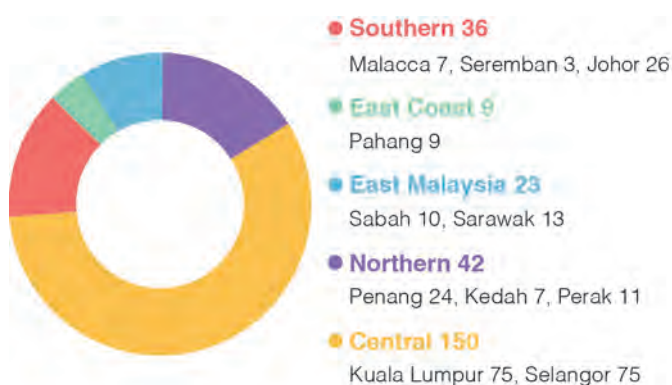
Overview

Berjaya Starbucks Coffee Company Sdn Bhd ("BStarbucks") was incorporated in Malaysia on 7 May 1998 under the name of Berjaya Coffee Company (M) Sdn. Bhd. and assumed its present name on 16 September 2004. BStarbucks is now a 100% subsidiary of Berjaya Food Berhad.

BStarbucks' nature of business is to sell high-quality whole bean coffees, along with fresh, rich-brewed coffees, Italian-style espresso beverages, cold blended beverages, a variety of pastries and confections, coffee-related equipment and accessories, and a selection of premium teas, among others.

The first Starbucks retail store in Malaysia was opened in KL Plaza on 17 December 1998. As at 30 April 2018, BStarbucks has 260 stores located throughout Malaysia except in Perlis, Kelantan and Terengganu.

Store Location by Region



Revenue

BStarbucks registered an increase in revenue of RM54.1 million to RM504.9 million in the financial year under review from RM450.8 million in the previous financial year, mainly contributed by the revenue from rapid expansion, and store growth from 239 stores in the previous financial year to 260 stores in the financial year under review.

During the financial year under review, BStarbucks adopted various tactical programmes to drive sales in a competitive environment such as the production of the Starbucks Malaysia Signature Planner 2018, Chinese New Year fortune packets which featured a modern design inspired by the Starbucks Siren tail, Starbucks' 19th Anniversary merchandise, launch of the Malaysia exclusive designed reusable cup and the "You Are Here" mug series, launch of the Vanilla Sweet Cream Cold Brew and Nitro Cold Brew, as well as the introduction of the Black Eagle Espresso Coffee Machine in conjunction with the latest opening of 2 more Starbucks Reserve Stores during the financial year under review.

The Starbucks Card Programme - My Starbucks Rewards (MSR) - registered its highest ever tender rate at 53% since its launch in 2011, contributing a total of RM312.6 million for the financial year under review as compared to RM271.2 million last year. During the year, three limited edition cards were introduced i.e. the Starbucks Gawai Kaamatan Card, the Malaysia National Day Card and the Malaysia Diwali Card. BStarbucks also introduced a Special Edition Starbucks Card, limited to 6,000 pieces, with an activation amount of RM250 each.

As at 30 April 2018, there are more than 2 million (FY17: 1 million) registered MSR members and a total of 7.8 million (FY17: 5.9 million) Starbucks Cards in active circulation nationwide.

Profit Before Tax

BStarbucks recorded a higher profit before tax of RM58.7 million as compared to RM53.3 million in the previous financial year, mainly attributed to additional revenue generated from stores opened during the financial year, coupled with effective cost management strategies.

BStarbucks recorded a higher gross margin of RM25.9 million to RM240.3 million in the financial year under review from RM214.4 million in the previous financial year. The improvement in GP margin was due to more store openings, constant cost management strategies, and the strengthening of the Malaysian Ringgit against the US Dollar (1 USD to 4.35 MYR as at 30 April 2017 to 1 USD to 3.92 MYR as at 30 April 2018) during the financial year under review.

MANAGEMENT DISCUSSION & ANALYSIS

Future Prospects

In the financial year 2019, BStarbucks plans to open 25 new stores with an additional 2 Reserve concept stores. In order to create affinity and strengthen its brand presence, BStarbucks will use unique and elevated store designs with relevant local motifs as its main focus for its new stores.

In addition, it will also continue to introduce innovative food and beverage items which resonate with its customers' tastes and expectations of Starbucks as a premium coffee company.

To drive loyalty and frequency, BStarbucks will continue to promote the Starbucks Card, which already has a good performance record, offering more card designs and attractive benefits, with plans to introduce MSR Tier rewards in the near future.

BStarbucks will also continue to leverage on digital innovations as well as strengthen its IT capabilities and improve on its Point Of Sales system and Inventory Management system, in order to provide a more efficient and better customer experience at its stores.

As part of its commitment towards empowering Malaysian communities, BStarbucks will continue to obtain raw materials from the local communities to develop food products and merchandise for sale in Starbucks' stores, such as its banana food products and range of Mengkuang merchandise. Through its Signing Store, BStarbucks will continue to support the deaf community by creating job opportunities and encouraging career development.



The Tandoori Chicken Roll introduced by Starbucks Malaysia during Diwali.



Starbucks store at Mabohai Shopping Complex, Brunei.

BERJAYA FOOD SUPREME SDN BHD

Overview

Berjaya Food Supreme Sdn Bhd ("BFS") was incorporated in Brunei on 24 September 2013. It is 80% owned by Berjaya Food (International) Sdn Bhd and is principally engaged in the operation of Starbucks retail stores in Brunei.

The first Starbucks retail store in Brunei was opened in Mabohai Shopping Complex on 16 February 2014. As at 30 April 2018, BFS has 4 Starbucks stores including one drive-thru concept store.

Revenue

For the financial year ended 30 April 2018, BFS's revenue decreased to RM6.7 million from RM7.5 million in the financial year 2017. The decrease in revenue was mainly due to overall slower retail market conditions in Brunei and the weakening of local consumer purchasing power.

Profit Before Tax

For the financial year ended 30 April 2018, BFS recorded a profit before tax of RM134,000 compared to the loss before tax of RM321,000 in the previous financial year, mainly due to effective controlling of administrative expenses and efficient ongoing cost management strategies.

Future Prospects

BFS will continue to review its operational and administrative procedures to reduce operating and administrative costs. In addition, the company will continue to strengthen its brand name as one of the leading coffee retail chains in Brunei by offering innovative food, beverage and merchandise products which resonate with its customers' demand.

MANAGEMENT DISCUSSION & ANALYSIS



Starbucks Bottled Frappuccino coffee & tea series.



Kenny's Nasi Lemak OMG.

BERJAYA FOOD TRADING SDN BHD

Overview

Berjaya Food Trading Sdn Bhd ("BFT"), a wholly-owned subsidiary of Berjaya Food Berhad ("BFood"), was incorporated in Malaysia on 24 July 2013.

The company is in the business of distributing premium Consumer Packaged Goods ("CPG") such as the Starbucks Bottled Frappuccino which was launched in July 2016 to all the major retailers in Malaysia such as 7-Eleven, AEON, Cold Storage, Village Grocer, Jaya Grocer, and Petrol Marts, among others. As at 30 April 2018, BFT has a distribution network of more than 1,000 retailer outlets across Malaysia.

Revenue

For the financial year ended 30 April 2018, BFT's revenue increased by RM200,000 to RM4 million from RM3.8 million in the previous financial year, mainly due to the expansion of its product range in the financial year under review.

Profit Before Tax

For the financial year ended 30 April 2018, BFT recorded a higher profit before tax of RM144,000 compared to the profit before tax of RM106,000 in the previous financial year, mainly due to the increase in its product range. The staggered change of the company's business model from reliance on distributors to a direct selling concept also contributed to the higher profit.

Future Prospects

BFT will continue to grow its CPG business by launching new products periodically to further elevate the customer experience beyond the stores and potentially reach out to 2,000 retailer outlets nationwide. The company is also planning to develop CPG for the F&B brands owned by BFood, and leverage on existing capabilities, resources and distribution channels to penetrate the market. This initiative will help to contribute to the Company's profit and at the same time maximise cost efficiency, and create more brand presence and affinity among the BFood brands.

BERJAYA ROASTERS (M) SDN BHD

Overview

Berjaya Roasters (M) Sdn Bhd ("BRoasters") is a wholly-owned subsidiary of Berjaya Food Berhad ("BFood"), and the master franchisee of restaurant chain, Kenny Rogers ROASTERS ("KRR") in Malaysia. It offers a mid-casual dining setting equipped with complimentary Wi-Fi service in its table service restaurants or its newly-introduced walkthrough concept restaurant.

KRR's core products include its signature rotisserie-roasted chicken, Outrageous, Mouth-watering, Guiltless ("OMG") Unfried Fried Chicken, the first Unfried Fried Chicken in Malaysia, and the famous Kenny's Home-made Muffins, a staple favourite. Other wholesome selections include a wide array of hot and cold dishes, salads, pastas, and soups as well as a healthy list of beverages.

During the financial year under review, KRR also introduced several side dishes such as Sunny Corn Rice, Triple Bean Salad, Smokey Corn Bites, and Kimchi Macaroni to complement the signature rotisserie chicken and OMG Unfried Fried Chicken ensuring that guests get a balanced and wholesome meal when they dine at KRR.

KRR also introduced the Take Me Home Package, giving its customers value-for-money options for takeaway wholesome meals for four which is easy on the wallet. KRR's ROASTERS On The Move ("ROTM") mobile restaurant truck made a comeback in January 2018 to make wholesome meals more accessible to customers. The ROTM's catering service is an ideal choice for any occasion due to a meticulously crafted menu that features KRR's crowd favorites.

KRR's new walkthrough concept allows guests to view and select their meal from a wide variety of appetizers, side dishes, main course dishes (a la carte), desserts, and beverages just like a complete menu found at KRR's table service restaurants.

MANAGEMENT DISCUSSION & ANALYSIS

Revenue

For the financial year ended 30 April 2018, BRoasters recorded a revenue of RM92.7 million, a decrease of 4.8% compared to RM97.4 million in the previous financial year. This was mainly due to the closure of 8 non-performing stores during the year and a reduction in menu pricing in October 2017.

Loss Before Tax

For the financial year ended 30 April 2018, BRoasters recorded a higher loss before tax of RM6.7 million compared to the loss before tax of RM4.2 million in the previous financial year, mainly due to an increase in operating expenses and depreciation, as well as a reduction in interest income.

Future Prospects

BRoasters will continue to introduce enticing seasonal dishes and valued promotions, while further expanding its new walkthrough dining concept to encourage consumer spending and engagement. BRoasters has also refreshed its KRR Reload Card to offer limited edition designs and attractive promotions regularly, which rewards valued guests and encourages brand loyalty.

As at 30 April 2018, 4 KRR restaurants (Awana SkyCentral, Genting SkyAvenue, JB Paradigm & Aeon Kuching) have adopted the walkthrough concept, providing guests with a more engaging dining experience. Adopting the walkthrough concept has helped KRR improve guest servicing, reduce wastage and manage resources more efficiently.

To engage with the younger generation, KRR actively leveraged on online marketing and social platforms to advocate healthy living and promote its latest offerings.



KRR's ROASTERS On The Move mobile restaurant.



Jollibean's new outlet at Singapore Changi Airport Terminal 3.

JOLLIBEAN FOODS PTE LTD

Overview

Jollibean Foods Pte Ltd ("Jollibean Foods") is a subsidiary of BFood. The company holds the sole and exclusive worldwide rights to develop, franchise, operate and manage all outlets, stalls, and kiosks, as well as the distribution rights for the products under the brand names of "Jollibean", "Sushi Deli" and "Kopi Alley".

The "Jollibean" brand has become a household name in Singapore since its inception in 1995. It started with the philosophy of bringing back nostalgic childhood memories of Singapore through providing nutritious and healthy traditional snacks, suitable for all ages. As at 30 April 2018, Jollibean Foods operates 31 outlets under the 3 brands in Singapore.

Revenue

For the financial year ended 30 April 2018, Jollibean Foods recorded a decrease in revenue to RM28.2 million from RM33.4 million in the previous financial year, mainly due to the closure of 14 non-performing stores in the financial year 2017.

Loss Before Tax

For the financial year ended 30 April 2018, Jollibean Foods recorded a lower loss before tax of RM751,000 compared to a loss before tax of RM2.9 million in the financial year 2017. Besides the closure of non-profitable stores, the management undertook a staff-restructuring exercise and increased labour productivity and efficiency which contributed to lower losses.

Future Prospects

For the financial year 2019, Jollibean Foods will concentrate on expanding its revenue stream and driving sales growth for its existing operations in Singapore. One of its key focus areas would be to continue with its store expansion plan, with the target of opening 6 -10 new stores during the financial year.

Jollibean Foods will also strengthen its brand presence among the younger generation through digital and social media channels. Jollibean Foods will also continue to develop innovative food and beverage products to attract and retain public interest.

GROUP FINANCIAL SUMMARY

	2018 USD'000	2018 RM'000	2017 RM'000	2016 RM'000	2015 RM'000	2014 RM'000
Revenue	163,345	639,741	605,441	554,363	376,780	150,369
Profit Before Tax	4,902	19,197	24,319	35,615	182,769	24,573
Profit For The Year	56	218	6,332	17,542	171,099	20,113
Profit Attributable To Shareholders	300	1,175	11,435	21,290	177,574	22,669
Share Capital #	62,104	243,232	240,617	189,144	187,137	134,556
Reserves #	38,369	150,274	159,634	210,359	207,282	28,231
Equity Funds	100,474	393,506	400,251	399,503	394,419	162,787
Treasury Shares	(1,963)	(7,687)	(8,334)	-	-	-
Net Equity Funds	98,511	385,819	391,917	399,503	394,419	162,787
Non-controlling Interests	350	1,370	(17,587)	(11,000)	(6,626)	(641)
Total Equity	98,861	387,189	374,330	388,503	387,793	162,146
Long Term Liabilities	38,355	150,218	136,711	177,606	198,363	5,151
Current Liabilities	70,536	276,256	279,198	180,545	128,076	25,543
Total Equity and Liabilities	207,752	813,663	790,239	746,654	714,232	192,840
Property, Plant & Equipment	59,768	234,083	216,955	173,625	155,504	38,899
Intangible Assets	116,713	457,106	454,734	451,652	447,321	16,088
Investment and Other Non-Current Assets	7,183	28,133	28,744	25,556	4,232	94,543
Current Assets	24,088	94,341	89,806	95,821	107,175	43,310
Total Assets	207,752	813,663	790,239	746,654	714,232	192,840
Net Assets Per Share (US\$/RM)	0.26	1.02	1.05	1.06	1.05	0.60
Net Earnings Per Share (Cents/Sen)	0.08	0.31	3.05	5.66	54.41	8.58
Dividend Per Share (Cents/Sen)	1.02	4.00	3.50	4.25	5.75	4.25
Net Dividend Amount (USD'000/RM'000)	3,846	15,061	13,095	16,011	21,451	11,651

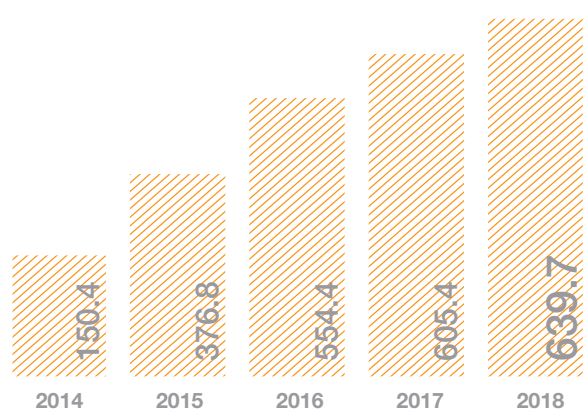
Notes:

Figures for 2014-2018 are for 12 months ended 30 April. Where additional shares are issued, the earnings per share are calculated based on a weighted average number of shares.

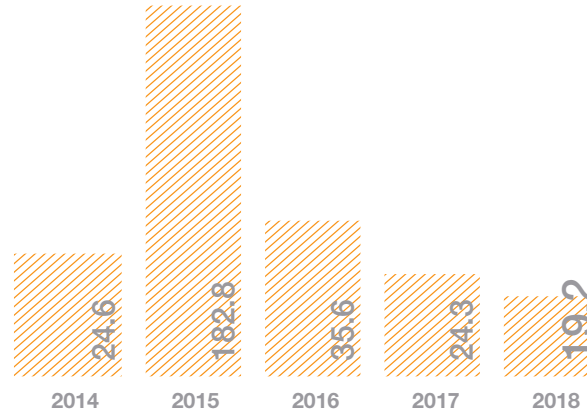
Exchange rate: US\$1.00=RM3.9165

GROUP FINANCIAL HIGHLIGHTS

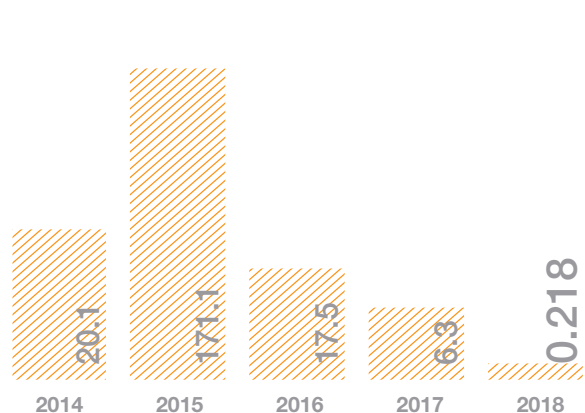
Revenue (RM'million)



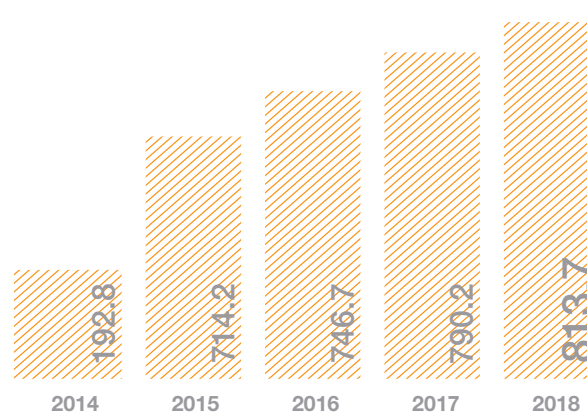
Profit Before Tax (RM'million)



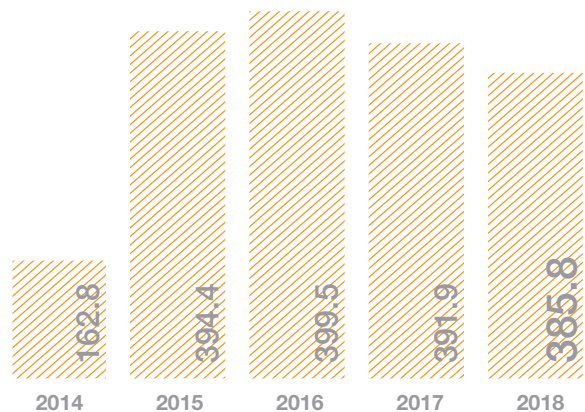
Profit for the Year (RM'million)



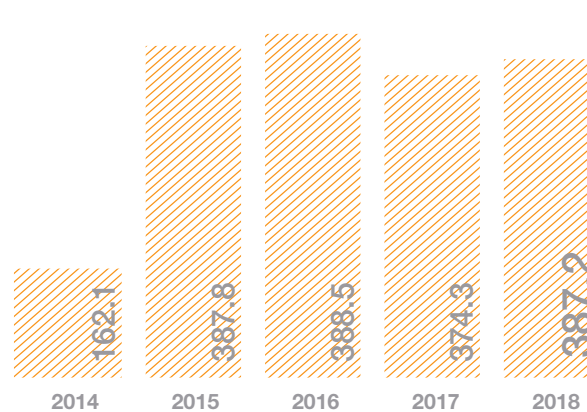
Total Assets (RM'million)



Net Equity Funds (RM'million)



Total Equity (RM'million)



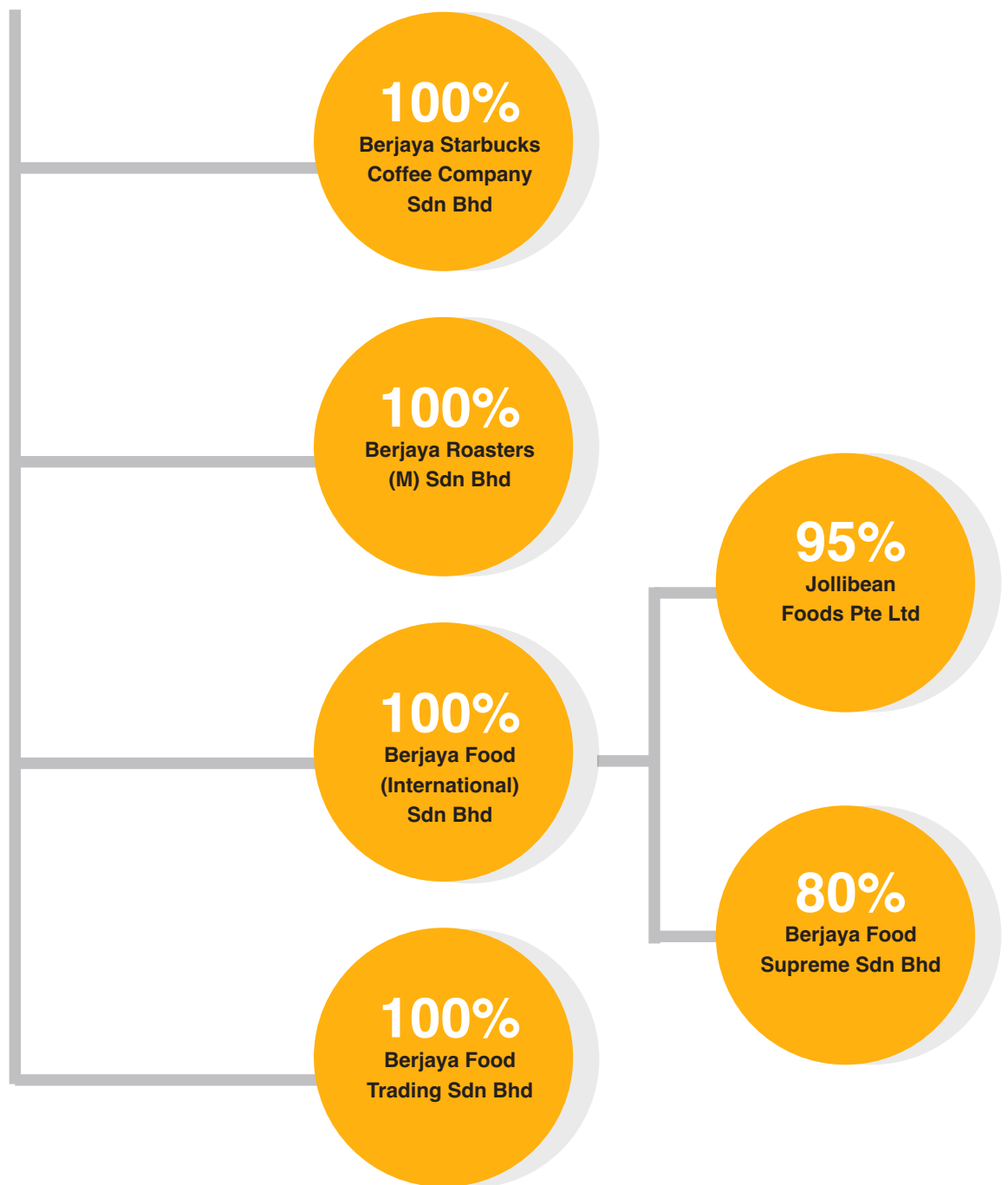
CORPORATE STRUCTURE

of operating companies as at 1 August 2018



BERJAYA

BERJAYA FOOD BERHAD



SUSTAINABILITY STATEMENT

1. REPORTING PROFILE AND SCOPE

This is the first sustainability statement released by Berjaya Food Berhad (“BFood”) in accordance with Bursa Malaysia Securities Berhad’s (“Bursa Malaysia”) Sustainability Reporting Guide for the financial year ended 30 April 2018 which highlights the Company’s commitment to undertaking business in a responsible and sustainable manner. The information available in this section focuses primarily on the operations and management of economic, environmental and social sustainability of the Company for the financial year ended 30 April 2018.

The scope of the inaugural sustainability statement covers material issues arising from the daily business operations of Berjaya Starbucks Coffee Company Sdn Bhd (“BStarbucks”) and Berjaya Roasters (M) Sdn Bhd (“BRoasters”) in Malaysia. It does not include the environmental and social sustainability aspects of the other business operations in Brunei, Indonesia and Singapore.

The statement offers an overview of the sustainability approach and initiatives made by BFood on how it creates economic value, protects the environment and pursues social development in the food and beverage sector. From the key sustainability initiatives to the community support and development programmes reaching out to various communities, the statement outlines the various practices that have been embedded into the Company’s processes with the ultimate aim of bringing more value to its businesses, society and stakeholders.

Given that this is the Company’s first sustainability statement, the data collection remains limited to selected economic, environment and social indicators that contribute to the sustainable development of BFood and are of interest to its internal and external stakeholders. The information and data disclosed in this statement were derived from internal reporting processes, systems and records. The structure and write-up of this statement draws upon guidance from Bursa Malaysia’s Sustainability Reporting Guide and Toolkits.

2. APPROACH TO SUSTAINABILITY

The Company strives to support economic growth that benefits every level of society, while minimising any adverse environmental and social impacts arising from its daily business operations guided by a long-term strategy comprising 3 main aspects:-



Economic Sustainability

Creation of long-term value for shareholders and added value for all the Company’s stakeholders.



Environmental Sustainability

Striving towards reducing the Company’s environmental footprint by improving on efficiency of resources and supporting conservation efforts.



Social Sustainability

Dealing with customers and the public according to good market practices and regulatory requirements, conducive workplace practices and community engagement through a variety of initiatives involving the Company’s monetary and non-monetary resources.

For the year under review, the Company formalised its sustainability journey with the setting up of a Sustainability Working Group comprising representatives from its various business units and teams. Governed by the Board of Directors of BFood, the Sustainability Working Committee oversees the overall planning and implementation of sustainability practices in a continuous and systematic manner.








To better understand the impacts and issues that are most relevant and of greatest concern to the Company, a series of meetings were conducted with the key executives and management from the two business segments contributing their expertise to the materiality identification process. The process enabled the team to effectively identify and define the scope of material issues within the economic, environmental and social aspects across the Company. The findings were then submitted to the Sustainability Working Group for evaluation and subsequently, the Sustainability Statement was presented to the Sustainability Committee for review, followed by the Board’s approval. In developing the list of materiality issues and the reporting framework, a broad range of references were studied by the Committee members including Bursa Malaysia’s Sustainability Reporting Guide and Toolkits.

SUSTAINABILITY STATEMENT

3. STAKEHOLDER ENGAGEMENT

The Company believes that the approach of stakeholder engagement is integral to the development of its sustainability strategy and is also a pre-requisite for long-term sustainable growth. As each of the stakeholders impact

and influence the Company's businesses differently, the engagement activities are on an on-going basis, depending on the purpose and needs. The Company's key stakeholders and engagement platforms are as listed below:-

Stakeholder Groups	Engagement Platforms
 Government and Regulators	<ul style="list-style-type: none"> On-going meetings and interactions with the regulators on policy matters, issues and concerns arising from the changing operating environment as well as matters concerning the customers and the general public.
 Customers	<ul style="list-style-type: none"> Continuous efforts to serve customers better using various channels for feedback and through initiatives that reflect the Company's values.
 Employees	<ul style="list-style-type: none"> Internal engagement channels. Training and development programmes. Open communication regularly through bi-monthly Town Hall sessions.
 Contractors / Consultants / Suppliers	<ul style="list-style-type: none"> Tendering and procurement process. Regular meetings with suppliers to give and receive feedback on improving ways of working together.
 Media	<ul style="list-style-type: none"> Regular engagement and updates with the mainstream media. Media releases relating to key business development as well as corporate social responsibility ("CSR") activities.
 Communities, non-governmental organisations, peer companies, industry groups	<ul style="list-style-type: none"> Consultation with NGOs for their expert opinions on corporate responsibility areas relevant to the business. Volunteering opportunities and charitable events.
 Shareholders / Investors	<ul style="list-style-type: none"> Communications via announcements to Bursa Securities, General Meetings, the Company's Annual Report and website as well as conducting briefings and updates for analysts, fund managers and potential investors as and when required.

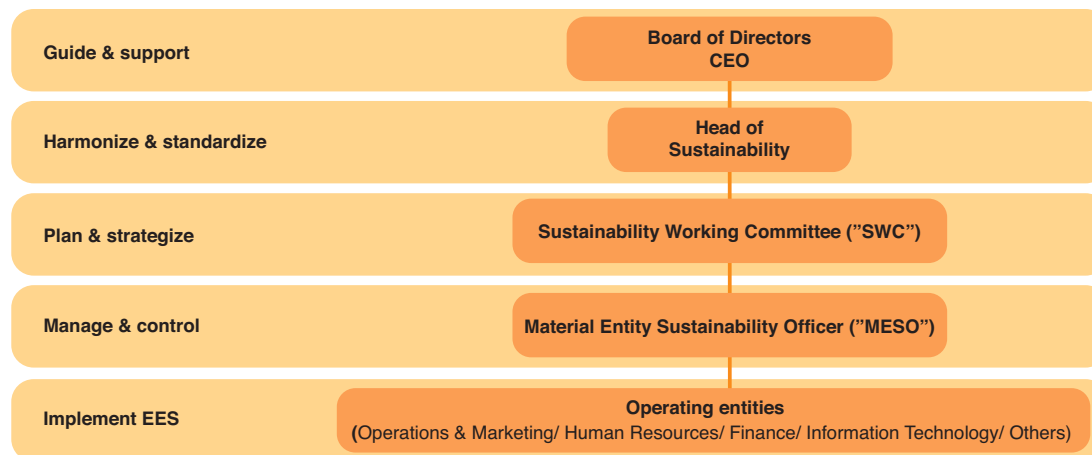
4. SUSTAINABILITY GOVERNANCE

Sustainability governance is one of the core elements that governs the sustainable development of the Company's businesses. The Company strives to maintain a high standard of governance and firmly believes in accountability and transparency to maximise economic, environmental and social returns to all its stakeholders. The core responsibilities of the governance structure rest on the Board comprising professionals from a wide range of business experience and expertise. Through focused committees and commitment to adopting best practices, the Board is committed to maintaining sound internal controls and effective risks management to enhance transparency, accountability, integrity and honesty to earn the trust of its stakeholders. The Board views the commitment to promote sustainability strategies in the economic, environmental and social aspects as part of its broader responsibility to all its various stakeholders and the communities in which it operates.

Within the sustainability governance structure, each operating company is represented by a Material Entity Sustainability Officer who collates the various sustainability initiatives implemented and prepares the sustainability report. The sustainability report of each operating company is provided to the Sustainability Working Committee for review and facilitates the preparation of the sustainability statement for the Company. Moving forward, the Company strives to improve its monitoring process on the implementation of its internal control measures and sustainability initiatives. The Board and management are committed to continually refining and improving these processes over time. The financial figures in this Sustainability Statement have been externally verified. For more detailed information on the Company's Statement on Corporate Governance Overview Statement and Statement on Risk Management and Internal Control, please refer to pages 25 to 40 of the BFood Annual Report 2018.

SUSTAINABILITY STATEMENT

Sustainability Governance Structure



Note: EES denotes economic, environment and social.

5. ECONOMIC SUSTAINABILITY

i. Financial Performance

BFood's financial performance highlights for FYE 2018



REVENUE

RM639.7 million (FYE 2017 - RM605.4 million)



PROFIT BEFORE TAX

RM19.2 million (FYE 2017 - RM24.3 million)



RETURN ON EQUITY

0.30% (FYE 2017 - 2.89%)



DIVIDEND DISTRIBUTION

RM15.1 million (FYE 2017 - RM13.1 million)



DIVIDEND PAYOUT RATE

1,281.8% (FYE 2017 - 114.5%)

For more information about the Company's financial performance, please refer to the Group Financial Summary and Highlights on pages 13 and 14 of BFood Annual Report 2018.

ii. Procurement

BStarbucks endeavours to create a positive impact by supporting procurement of products and services from locally established business entities to spur the country's economy.

Procurement is conducted through the evaluation of tenders in terms of pricing, credibility and other related matters such as compliance to the labour law, Good Manufacturing Practice ("GMP") and Hazard Analysis and Critical Control Points ("HACCP") requirements prior to confirmation. BStarbucks has successfully engaged with vendors who comply with ethical sourcing requirements through its procurement and sourcing policy.

BRoasters applies the same procedures of procurement, giving priority to competitively priced locally produced items and ensuring efficient, effective and uniform procurement of all goods and services that are required for the operations of the company. The procurement team continuously source for alternative products that will bring about cost reduction through value without compromising the quality of the products.

BRoasters also ensures that the logistics for delivery of goods to its restaurants are in order and it maintains an efficient inventory control in the central warehouse by using the SAP inventory system.

Both companies also ensure that 100% of their food products adhere to the "Halal" requirements from JAKIM. Suppliers are required to self-declare and provide an updated certification. Audits and compliance are conducted regularly to ensure that local regulatory hygiene practices are in place.

iii. Indirect Economic Impact

BFood is committed to empowering local Malaysian communities to build a better tomorrow through its Connecting Communities in Malaysia programme; a scalable community project that contributes to small villages in support of local sourcing.

SUSTAINABILITY STATEMENT

Since 2013, BStarbucks has been supporting the banana farming communities from Kampung Lubuk Jaya and in 2016, BStarbucks engaged with 2 additional villages; Kampung Parit Serong and Kampung Sungai Gulang-Gulang in Kuala Selangor for the supply of more raw bananas to meet the demands of BStarbucks' store growth.

To date, BStarbucks has purchased a total of approximately RM43,850 worth of raw bananas for the production of its banana-based food products such as the Signature Banana Chocolate Chip Muffin, Mini Banana Swiss Roll, Banana Slice and Sticky Doughnut with Banana and Raisins that are available at all Starbucks stores in Malaysia.

In 2015, BStarbucks initiated a collaboration with Craft CT 01 Enterprise to promote *mengkuang*-based products by the local community in FELDA Chini Timur 01, Pahang. Now in the third year of this partnership, BStarbucks has purchased a total of approximately RM113,000 worth of *mengkuang*-based products which are available for sale at selected Starbucks stores located mainly at the airports and tourist attraction stores.

The community of FELDA Chini Timur 01 won the 1st place in Jabatan Inovasi Pembangunan Generasi Baharu FELDA for producing an innovative product - the Starbucks *Mengkuang* Hot Cup Sleeve - and awarded the Best Entrepreneur, East Coast Territory by Pusat Internet Peringkat Kebangsaan FELDA.

As part of its on-going efforts to support the communities in FELDA CHINI Timur 01, Pahang, BStarbucks will strive to increase the number of Starbucks stores retailing *mengkuang*-based products.



Starbucks banana-based food products are available at all Starbucks stores in Malaysia.



Coasters made from woven *mengkuang* leaves are on sale at selected Starbucks outlets.

6. ENVIRONMENTAL DIMENSION

BFood is working to shrink its environmental footprint and meet the expectations of their customers by increasing recycling, promoting reusable cups and containers, and reducing the waste associated with their cups and other packaging.

i. Environment

BStarbucks has a "Bring Your Own Tumbler" programme which rewards its customers with a RM2 discount when they bring their personal Starbucks tumbler to purchase coffee in Starbucks stores. BStarbucks has also introduced reusable cups as an important component of its overall waste reduction strategy.

BStarbucks has introduced a few environmental initiatives such as :

- the Starbucks napkin which is made with 100% recycled content with a minimum of 40% post-consumer fiber.
- the Starbucks hot cup sleeve which is made with 60% post-consumer fiber.
- the Starbucks To Go Hot and Cold Cups and Lids which are all recyclable.

BRoasters has introduced the i.Care Box as its on-going environmental initiative to manage waste better. BRoasters also incentivises KRR customers who return using the i.Care Box with a special discount.

In the financial year ended 30 April 2018:

- 862,517 customers used Starbucks tumblers when purchasing their beverages.
- 12,415 customers used the KRR i.Care Box when purchasing their meals.



KRR's i-Care Box.

SUSTAINABILITY STATEMENT

ii. Energy

BFood strives towards a more efficient sustainable management strategy in the use of its resources which includes energy to reduce its carbon footprint.

Electricity

BStarbucks implements energy tracking on the consumption of electricity (kWH) in Starbucks stores. BStarbucks has implemented initiatives to save energy in its head office such as the 'lights off' campaign and adjusting the air conditioners in the office to a set temperature of 25°C degrees. BStarbucks has also replaced the conventional lighting in all Starbucks stores with LED type halogen and metal halide bulbs with 5W LED and 50Q LED floodlights which have reduced energy consumption by 20%.

BStarbucks have also implemented solar panels at Starbucks Drive-Thru Tanjung Tokong, Penang. Solar energy has the least negative impact on the environment compared to any other energy source. It does not produce greenhouse gases and does not pollute water.

In its continuing efforts to raise awareness on reducing the consumption of electricity, Starbucks stores nationwide have been celebrating Earth Hour over the past 11 years and encouraging customers to switch off non-essential lights.

BRoasters is in the process of switching to LED lights during the refurbishment process of all of its KRR restaurants. As at 30 April 2018, 15 KRR restaurants have converted to LED lights since the exercise started early 2015. This will contribute to more electricity savings and subsequently, better environmental quality.

Managing Resources

During the financial year under review, BStarbucks took the initiative to consolidate its distribution network (comprising suppliers, distributors, other intermediaries including logistic providers) in an effort to increase efficiency in the deployment of its resources.

Starting with a pilot programme involving 40 stores, BStarbucks consolidated its distribution network for its ambient and frozen products, reducing from 12 trucks (6 trucks each for separate delivery routes for its ambient and frozen products) to 6 trucks for combined deliveries. As a result, the usage of its transportation vehicles was reduced by 50%, and in the process, fuel consumption and emission of carbon monoxide was also reduced.

iii. Paper Bag Usage

BStarbucks introduced non-woven gift bags in November 2017 to reduce the consumption of the Starbucks Shopper Paper Bags when customers purchase Starbucks merchandise.

From November 2017 until April 2018, BStarbucks has managed to reduce the consumption of paper bags by 13.6% compared to the previous year.

iv. Waste Management

BStarbucks is committed to significantly reducing and diverting the waste generated by its stores through various ways, including recycling.

The Grounds For Your Garden programme provides interested customers with complimentary 1kg bags of soil-enriching used coffee grounds to take home for their gardens. The coffee grounds make an excellent garden fertilizer and provide much-needed nutrients to the soil. In the financial year ended 30 April 2018, 92% of Starbucks stores diverted 237,919 kg of used coffee grounds from the landfill.



Starbucks partners (employees) engaged with the community at the Starbucks Drive-Thru Kota Kemuning Edible Garden by educating them on how to mix the used coffee grounds with their own soil.

7. SOCIAL DIMENSION

BFood acknowledges the importance of social sustainability by putting in place various practices which encompass matters relating to product and service compliance, information security and privacy, responsible marketing and communication practices, public policy, and social integration and community development, among others.

i. Product and Service Compliance

BFood Customer Service Commitment is to make each of their customers feel special by empowering their service staff to 'own' the customer's experience and take it right through service recovery if the customer is less than highly satisfied with their experience.

To ensure the products and services offered by BStarbucks and BRoasters meet consistent standards, random surveys are conducted with customers for their feedback on their experience visiting the stores and their rating on the quality of food and beverage.

ii. Consumer Health and Safety Ethics

BFood believes it has a responsibility to advocate consumer health and safety that support the health of its businesses, employees and the communities in which it serves.

SUSTAINABILITY STATEMENT

“Halal” Training

Being a responsible organisation, BFood develops its employees’ capabilities and skills to ensure that they understand “Halal” compliance at work and how it helps them to answer questions on the “Halal” certification. Product safety is also an integral part of the Company’s commitment in terms of ensuring that its food and beverage offerings are safe for consumption and adhere to Halal requirements by JAKIM.

Quality Assurance Standards Audit (“QASA”)

Employees of all BFood outlets are required to attend the Food Handler’s class in which they are educated on safe food handling.

BStarbucks and BRoasters are certified ‘Sekolah Latihan Pengendali Makanan’ by the Ministry of Health Malaysia thus every employee will be awarded a certificate of attendance with a lifetime validity after undergoing the Food Handler training.

All Starbucks stores are audited twice a year unannounced by external auditors and internal Quality Assurance.

Good Catering Practice (“GCP”) audits are also conducted every quarter on all KRR outlets to ensure that local regulatory hygiene practices are in place. These audits are not only a check and balance system but also serve as a reminder that food safety is to be maintained at all times. Recognition for consistent high performers are highlighted every quarter and on an annual basis, the best overall performer is rewarded.

Supplier Audit

To ensure all products and services adhere to the laws and regulations through assessments, Starbucks’ Supplier Audits are based on Global Food Safety Initiative (“GFSI”) standards and the frequency is based on the Supplier Base Management (“SBM”) risk assessment. The risk assessment is based on the four risk categories: Product Risk, Supplier Risk, Business Risk and Brand Risk.

iii. Information Security and Privacy

BFood ensures its customers’ privacy and data are protected through the relevant guidelines and practices under its Data Protection Policy.

In compliance with the Personal Data Protection Act 2010, a terms of use agreement has been published on the Starbucks and KRR websites which states clearly the methods and purpose of collecting customers’ personal information.

iv. Integrated Marketing Communication

BFood communicates its promotional information through social media and in-store materials to create awareness and provide information on the latest promotional offers. BStarbucks reaches out to its approximately 1.3 million registered customers via Electronic Direct Mail (“EDM”) and also provides product information through the Starbucks

Mobile Application which has garnered 400,000 downloads to-date.

BStarbucks and BRoasters also engage with the media, namely print advertisements and radio, to promote their new campaign launches or food and beverage promotions to the mass audience as well as strengthen their brand names in the market.

BRoasters encourages its customers to provide positive or constructive feedback through various channels such as its Facebook page, email or direct feedback to their restaurant staff.

BStarbucks also engages with customers through its baristas and the Starbucks Call Centre staff who are trained to assist with customer enquiries and provide assistance when required.

v. Employee Health and Safety

BFood employees are also encouraged to exercise regularly by taking advantage of the subsidised rates at the Sports Toto Fitness Centre.

During the financial year under review, BStarbucks organised the ‘Starbucks Biggest Loser’ programme to encourage its partners (employees) to do more exercise, eat healthier and have fun!

BStarbucks also collaborated with Life Care Diagnostic Centre to organise a mini health fair to increase health awareness and better management of health behaviour.



BStarbucks organised the ‘Starbucks Biggest Loser’ programme to encourage their partners to lead a healthier lifestyle.



BStarbucks’ mini health fair.

SUSTAINABILITY STATEMENT

vi. Labour Practices

BFood seeks to inspire and nurture the human spirit, understanding that each person brings a distinct life experience to the table. BFood employees are diverse not only in gender, race, ethnicity, disability, religion and age, but also in cultural backgrounds, life experiences, thoughts and ideas. Embracing diversity not only enhances their work culture, it also drives their business success. It is the inclusion of these diverse experiences and perspectives that create a culture of empowerment, one that fosters innovation and economic growth.

BFood places importance on effective recruitment practices by hiring the right candidates. By doing this, the Company would be able to encourage its employees to become more engaged in their work and feel a strong sense of pride which lead to higher productivity and greater staff retention.

BFood has an Employee Referral Programme with an incentive payout. Its Internship Programme is also an ongoing programme and more culinary schools have been submitting internship placements for their students.

BStarbucks has put in place various channels for Employee Engagement, Feedback and Grievance Management, which include the following :-

i) **Townhall**

An internal event where BStarbucks management will present and update the partners (employees) on the company's business results once every 6 months. At the same time, it creates a platform for the partners (employees) to ask questions and engage with the Starbucks Leadership team.

ii) **SCOOP**

A quarterly internal newsletter to share the latest updates and information within BStarbucks.

iii) **Asia Pacific and China Coffee Connection**

An internal e-Newsletter that shares monthly updates and activities within Starbucks in the Asia Pacific Region.

iv) **Exchange Meeting**

To keep the competitive edge and adopt best practices from other industrial player BStarbucks connect with local and international companies to share and learn from each other. During the financial year under review, BStarbucks had Exchange Meetings with Peacebird (retail fashion, China) and Feruni Ceramiche (retail tiles, local)

v) **Starbucks Barista Championship**

Being in the coffee business, BStarbucks has created the Starbucks Barista Championship, a yearly event which provides an exciting platform where Starbucks Coffee Masters from all over Malaysia come together and showcase their coffee knowledge, skill and passion over coffee. During the financial year under review, 300 Coffee Masters took part in this event.

vii. Awards

As testament to its commitment towards ensuring best practices and creating a conducive work environment where its employees can thrive in, BStarbucks was awarded a number of awards during the financial year under review.

- **Asia Corporate Excellence and Sustainability (ACES)**
2017 Top Companies to Work for in Asia 2017
2017 Sydney Quays, Eminent Leaders in Asia
- **Asia Halal Brand Awards (AHBA)**
2018 Best Premium Roasted Coffee
2018 Best Specialty Coffee Chain
- **Malaysian Branding Institute**
2016-2017 Malaysia Best Employer Brand Awards
- **TalentCorp Malaysia-Life@Work**
2017/18 Honouree
- **Putra Brands Awards**
2017 Most Preferred Brand, Restaurant & Fast Food Category



BStarbucks received two awards at the Asia Corporate Excellence and Sustainability Awards ("ACES Awards") 2017.

SUSTAINABILITY STATEMENT

viii. Education and Training

BFood employee development programmes provide learning opportunities which maximise the potential of its employees to meet its business needs and contribute to the success of the Company. In total BFood invested 192,000 hours in training and development.

BStarbucks provides its partners (employees) a learning and development platform conducted by internal and external parties to develop partners' (employees) capabilities and skills and ensure that they are able to perform their day-to-day tasks. The Coffee Master Programme is aimed at deepening each partner's (employee's) knowledge and elevating the coffee experience for BStarbucks customers. Coffee Masters inspire fellow team members to seek more knowledge, make perfect handcrafted beverages and help customers find the right coffee. There are currently 1,066 BStarbucks partners (employees) that have been successfully certified as Coffee Master.

As part of its commitment in developing its employees' capabilities and skills, BRoasters leverages on three aspects of the business, i.e. on service, training effectiveness, and consistent delivery of workshops. These initiatives are to enhance both technical and soft skills, increase job competencies and create sustainable transferability of skills and knowledge among KRR team members, the future leaders of the company.

ix. Employee Benefits and Welfare

BFood attracts, develops and retains the best people in the Company, in line with its expectations of creating a high performance and motivated culture.

The Company's employee benefits and welfare are constantly enhanced through periodic surveys on best market practices. During the year, BRoasters further enhanced the employees annual leave entitlement for those who have served the company exceeding ten years.

The Annual Performance Review was also improved to cater equally for both key responsibilities and competencies in order to carry out a fair assessment on each employee's performance.

x. Community Investment

Every BFood store is a part of a community, and BFood is committed to strengthening the neighbourhoods in wherever it operates.

BFood has always believed that it can - and should - have a positive impact on the communities in which it serves, and one of the most impactful ways to achieve this is through community service which reflects its mission and values.

Global Month of Service

In 2018, BStarbucks celebrated its eighth annual Global Month of Service (GMoS) in the month of April, where its partners (employees), customers, non-profit organisations, civic leaders and business partners dedicated their time and energy to create positive and meaningful change in the communities they serve by holding local service events.

Starbucks Malaysia's Green Outreach Programme welcomed NGO, EcoKnights, to establish a sustainable Community Edible Garden for the Perumahan Awam Rumah Panjang Ikan Emas community in Cheras, Kuala Lumpur in the hopes of improving the livelihood of its residents by growing their own vegetables which helps the community to cope with the rising cost of living in the city. The Community Edible Garden also serves as an excellent educational activity with the youth and children in the community.

150 people participated, bringing together BStarbucks partners (employees), customers, non-profit organisations, civic leaders, business partners, friends and family to create an edible garden spanning 30 meters in length and running along the Kerayong River. Plans in the pipeline involve an area that opens up further once the community is better equipped to maintain a larger garden.

Together with EcoKnights, BStarbucks raised a total of RM15,000 through the sale of limited edition Starbucks Reusable Cups where RM1 from each purchased cup was contributed to EcoKnights' efforts in helping communities build their own Edible Garden and operating workshops for the public aimed at increasing awareness and knowledge on farming and gardening through composting and up-cycling, among other initiatives.

As at 30 April 2018, BStarbucks contributed a total of 2,078 community service hours for the financial year under review.



BStarbucks collaborated with EcoKnights for the Community Edible Garden in Cheras.

SUSTAINABILITY STATEMENT

Starbucks Signing Store

The Starbucks Signing Store celebrated its first anniversary on 20 July 2017. The Starbucks Signing Store provides a platform and the opportunity for deaf partners to have a meaningful career and aim for self-sustainability. Deaf partners (employees) serve customers a uniquely uplifting Starbucks Experience and the store celebrates the contributions of deaf partners (employees) and raises awareness of people with disabilities in the workplace.

To date, BStarbucks has successfully certified 4 deaf partners (employees) as Coffee Masters and promoted 1 deaf partner to a Shift Manager. As at 30 April 2018, there are a total of 9 deaf partners (employees) at its Signing Store in Bangsar. BStarbucks is considering the opening of a second Signing Store.

Starbucks Opportunity for Youth Grant

BStarbucks applied its Opportunity for Youth Grant of RM33,480 (USD8,205.88) to run the Starbucks Outreach Community Programme at the Starbucks Signing Store, Bangsar Village 2 from September 2016 until October 2017. The project provided learning in an environment that is open and informal, accessible and inclusive, i.e. it involved Starbucks employees, persons who are deaf and hard of hearing, the neighbourhood community and individuals. The project has benefitted 1,060 people.

There are 3 workshops under the Starbucks Outreach Community Programme:

1. Starbucks Signing Workshop
2. Starbucks Deaf Youth Empowerment & Awareness Workshop
3. Starbucks Personal & Professional Workshop



Starbucks Signing Workshop.

KRR Community Chest Programme

Under the KRR Community Chest programme, BRoasters continues to contribute to the communities in which it operates with its annual campaigns such as the ROASTERS Chicken Run and Wishing Tree.

Since its inception in 2005, the Roasters Chicken Run has garnered a total contribution of RM716,000 and provided 5,340 wholesome KRR meals to 58 homes and organisations.

Also in its 13th year, BRoasters' annual Wishing Tree campaign has fulfilled a total of 20,000 simple yet meaningful children's Christmas wishes.

BRoasters also continued to contribute to the community by donating its i.Care Boxes to several events such as the Bursa Run 2017 and BRoasters corporate social responsibility programmes such as Muffins @ School, Christmas Wishing Tree and Chinese New Year Old Folks Home Visit. A total of 984 meal boxes were contributed during the financial year under review.

In addition, BRoasters encourages the public to adopt a wholesome diet and an active lifestyle through its annual Roasters Eating Day, collaborating with well-known personalities who help advocate a healthy lifestyle.

In 2017, BRoasters won the Social Media Excellence Award under the CSR Category from MY Social Media Week.



ROASTERS Chicken Run



BRoasters' annual Wishing Tree campaign has fulfilled a total of 20,000 children's Christmas wishes.

xi. Security Practices

To ensure that adequate security measures are in place to protect business interests and company assets, all BFood outlets are equipped with standard security systems e.g. safes, CCTV and alarms.

For added security and protection of its employees and customers, selected Starbucks stores are equipped with security guards for night shifts, and a secondary safe for enhanced cash management practices.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (“Board”) of Berjaya Food Berhad (“the Company”) recognises the importance of corporate governance towards promoting business growth, increasing financial strength and well-being and corporate accountability to protect and enhance shareholders’ value as well as the interest of the Company.

The Board is committed in ensuring that the Company and its subsidiaries (collectively “the Group”) carries out its business operations within the required standards of corporate governance as set out in the new Malaysian Code on Corporate Governance (“MCCG”).

The Board is pleased to provide an overview of the corporate governance (“CG”) practices, which made reference to the three (3) key CG principles as set out in the MCCG throughout the financial year ended 30 April 2018 (“FYE 2018”), which are as follows:-

- (a) Principle A : Board Leadership and Effectiveness
- (b) Principle B : Effective Audit and Risk Management; and
- (c) Principle C : Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

This CG Overview Statement, approved by the Board, shall be read together with the CG Report 2018 (“CG Report”) of the Company which is available on website of Bursa Malaysia Securities Berhad (“Bursa Securities”) at www.bursamalaysia.com.

The CG Report provides the details on how the Company has applied each Practice as set out in the MCCG and any departures thereof during the FYE 2018. The Board is satisfied that the Company has substantially complied with the MCCG throughout the FYE 2018 save for the exceptions which are fully described in the CG Report.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

Board Responsibilities

The Board is responsible for the performance and affairs of the Group and to provide leadership, guidance for setting strategic direction for the Group. The roles and responsibilities of the Board in discharging its fiduciary and leadership function has been formalised in the Board Charter.

Chairman and Chief Executive Officer (“CEO”)

The Board is led by the Chairman, Dato’ Tunku Shazuddin Bin Tunku Sallehuddin, an Independent Non-Executive Director of the Company. The Chairman is responsible to ensure that he will preside at all Board Meetings and general meetings of the Company. The Chairman always ensured that procedural rules are followed in the conduct of meetings and that decisions made are formally recorded and adopted.

The Board has delegated the day-to-day affairs of the Group’s business to the CEO of the Company, Mr Sydney Lawrance Quays. The CEO holds the primary executive responsibility for the Group’s business performance and to manage the Group in accordance with the strategies and policies approved by the Board. The CEO will focus on the business and leads the Senior Management of the Company in making and implementing the day-to-day decisions on the business operations, managing resources and risks in pursuing the corporate objectives of the Group. The CEO may delegate appropriate functions to any member of the Senior Management reporting to the CEO.

The CEO and Management meet regularly to review and monitor the performance of the Group’s operating divisions. The CEO briefs the Board on the Group’s business operations and Management’s initiatives during the quarterly Board Meetings.

Separation of Positions of the Chairman and CEO

The Chairman and the CEO are held by two different individuals. The distinct and separate roles of the Chairman and CEO with clear division of responsibilities have ensured the balance of the power and authority and that no one has unfettered control of the Board. The roles and responsibilities of the Chairman and CEO have been formalised in the Board Charter of the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Non-Executive Directors

The Non-Executive Directors are not involved in the day-to-day management of the Group but contribute their own particular expertise and experience in the development of the business strategy of the Group and to make insightful contribution during the Board's deliberation. They also assist and ensure the Board adopts a good CG practice within the Group.

The presence of three (3) Independent Non-Executive Directors is sufficient to provide the required checks and balances on the decision making process of the Board. The Independent Non-Executive Directors are essential in providing unbiased and impartial opinion, advice and judgment to ensure the interests of the Group, shareholders, employees, customers and other stakeholders in which the Group conducts its businesses are well represented and taken into account. The significant contributions of the Independent Directors in the decision making process is evidenced in their participation as members of the various committees of the Board.

In addition, the two (2) Non-Independent Non-Executive Directors on the Board also help to provide views and contributions from a different perspective as they are not involved in the day to day operations of the Group.

Board Committee

The Board has established the following Board Committees which consist of a majority of Non-Executive Directors to support the Board in discharging its oversight function and to ensure that there are appropriate checks and balances in place:-

- (i) Audit and Risk Management Committee;
- (ii) Nomination Committee,
- (iii) Remuneration Committee,
- (iv) Employees' Share Scheme Committee; and
- (v) Sustainability Committee.

Each of the Board Committee operates within its respective terms of reference ("TOR") that also clearly define its respective functions and authorities. The TOR of the respective Board Committees are periodically reviewed by the Board Committee and approved by the Board to ensure that the TOR remains relevant and adequate in governing the responsibilities of the Committees and to reflect the latest developments in the Main Market Listing Requirements of Bursa Securities and the MCCG. These Board Committees have the authority to report to the Board with their recommendations. However, the ultimate responsibility for the final decision on all matters still lies with the Board.

Company Secretary

The Board is supported by the Company Secretaries, who are members of the professional body namely, Malaysian Institute of Chartered Secretaries and Administrators and they are also qualified under the Companies Act 2016. The Company Secretaries play an important role in facilitating the overall compliance with the Companies Act 2016, the Main Market Listing Requirements of Bursa Securities and other relevant laws and regulations. The Company Secretaries also assist the Board and Board Committees to function effectively and in accordance with their respective TOR and best practices and ensuring adherence to the existing Board policies and procedures. The roles and responsibilities of the Company Secretaries have been formalised in the Board Charter which provides reference for Company Secretaries in the discharge of their duties.

The Company Secretaries have also been continuously attending the necessary training programmes, conferences, seminars and/or forums so as to keep themselves abreast with the current regulatory changes in laws and regulatory requirements that are relevant to their profession and enabling them to provide the necessary advisory role to the Board.

Board Meeting and Meeting Materials

In order to discharge their responsibilities effectively, the Board meets regularly on a quarterly basis. Additional or special Board Meetings may be convened as and when necessary to consider and deliberate on any urgent proposals or matters under their purview and which requires the Board's expeditious review or consideration. Such meetings will enable the Board members to effectively assess the viability of the business and corporate proposals and the principal risks that may have significant impact on the Group's business or on its financial position and the mitigating factors. All Board approvals sought are supported with all the relevant information and explanations required for an informed decision to be made.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Prior to the Board Meeting, the Directors will be provided with the relevant agenda and Board papers five (5) business days' notice to enable them to have an overview of matters to be discussed or reviewed at the meetings and to seek further clarifications, if any. The Board papers provide, among others, the minutes of preceding meetings of the Board and Committees, summary of dealings in shares by the directors or affected persons and directors' circular resolutions, reports on the Group's financial statements, operations, any relevant corporate developments and proposals.

In addition, there is a schedule of matters reserved for Board's deliberations and decision, including among others, to review, evaluate, adopt and approve the policies and strategic plans for the Company and the Group. The Board will ensure that the strategic plans of the Company and the Group supports long term value creation, including strategies on economic, environmental and social considerations underpinning sustainability as well as to review, evaluate and approve any material acquisitions and disposals of undertakings and assets in the Group and any new major ventures.

Access to information and advice

The Directors shall have unrestricted access to the advice and services of the Company Secretaries and Senior Management staff in the Group to assist them in carrying out their duties. They may also obtain independent professional advice at the Company's expense in furtherance of their duties whenever the need arises.

Board Charter, Ethical Standards through Code of Ethics, Code of Conduct and Whistleblowing Policy and Procedures

The Board has the following in place:-

(a) Board Charter

The Board has adopted a Board Charter to promote the standards of corporate governance and clarifies, among others, the roles and responsibilities of the Board.

The Board Charter is subject to review by the Board annually to ensure that it remains consistent with the Board's roles and responsibilities as well as the prevailing legislation and practices. The Board Charter is also available on the Company's website at www.berjaya.com.

(b) Code of Ethics for Director

The Board has also adopted a Code of Ethics for Directors ("Code") which is incorporated in the Board Charter. The Code was formulated to enhance the standard of corporate governance and to promote ethical conduct of the Directors.

(c) Code of Conduct and Business Ethics

The Group has established and adopted a Code of Conduct covering business ethics, workplace safety and employees' personal conduct for all employees of the Company and all of its subsidiaries and associates. This is to ensure that all employees and Directors maintain and enforce the highest standards of ethics and professional conduct in the performance of their duties and responsibilities throughout the organisation.

All employees and Directors of the Company are required to declare that they have received, read and understood the provisions of the Code of Conduct and agreed to comply with its terms throughout their employment or tenure with the Company.

The Board will periodically review the Code of Conduct. The Code of Conduct is available on the Company's website at www.berjaya.com.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(d) Whistleblowing Policy and Procedures

The Group acknowledges the importance of lawful and ethical behaviours in all its business activities and is committed to adhere to the values of transparency, integrity, impartiality and accountability in the conduct of its business and affairs in its workplace.

The Group has in place a Whistleblowing Policy which provides an avenue for employees, the Group's third party service providers, independent contractors, vendors and suppliers and members of the public to raise genuine concerns and to disclose alleged, suspected or actual wrongdoings or known improper conduct on a confidential basis, without fear of any form of victimisation, harassment, retribution or retaliation.

The Whistleblowing Policy, underlining its protection and reporting channels, is available on the Company's website at www.berjaya.com.

Sustainability Strategies

The Board views the commitment to promote sustainability strategies in the environment, social and governance aspects as part of its broader responsibility to all its various stakeholders and the communities in which it operates.

The Group strives to achieve a long term sustainability balance between meeting its business goals, preserving the environment to sustain the ecosystem and improving the welfare of its employees and the communities in which it operates. The Group's efforts to promote sustainability initiatives for the environment, the communities in which it operates and its employees have been set out in the Sustainability Statement in this Annual Report.

Board Composition

The Board currently has six (6) members comprising three (3) Independent Non-Executive Directors (including the Chairman), the CEO and two (2) Non-Independent Non-Executive Directors. The profiles of the Directors are set out on Pages 3 to 5 of this Annual Report.

The present composition of the Board is in compliance with Paragraph 15.02 of the Main Market Listing Requirements of Bursa Securities which requires at least one third (1/3) of its members to be Independent Directors. The Board composition is also in compliance with the Practice 4.1 of the MCCG which requires at least half of the Board members to be Independent Directors.

The Board composition of the Company represents a mix of knowledge, skills, and expertise which assist the Board in effectively discharging its stewardship and responsibilities.

The Board is satisfied that the current size and composition of the Board is considered adequate to provide an optimum mix of skills and experience.

Boardroom Diversity

The Board acknowledges the importance of boardroom diversity in terms of age, gender, nationality, ethnicity and recognises the benefits of this diversity.

The Board also recognises that having a range of different skills, backgrounds, experience and diversity is essential to ensure a broad range of viewpoints to facilitate optimal decision making and effective governance.

The Board is of the view that while promoting boardroom diversity is essential, the normal selection criteria of a Director, based on an effective blend of competencies, skills, extensive experience and knowledge to strengthen the Board, should remain a priority. The Board will continuously strive to meet the targets for gender diversity requirement and will actively take the necessary measures towards promoting a corporate culture that embraces gender diversity in the boardroom.

The Company takes diversity not only in the Boardroom but also in the workplace as it is an essential measure of good governance, critically attributing to a well-functioning organisation and sustainable development of the Company.

The Company is committed to maintaining an environment of respect for people regardless of their gender in all business dealings and achieving a workplace environment free of harassment and discrimination on the basis of gender, physical or mental state, ethnicity, nationality, religion, age or family status. The same principle is applied to the selection of potential candidates for appointment to the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Currently, the Board has two (2) female Directors namely, Datuk Zainun Aishah Binti Ahmad and Ms Chryseis Tan Sheik Ling and they represent about 33% of the full Board of six (6) members. They are part of the Board's gender diversity and have brought value to Board discussions from different perspectives and approaches.

The Board has in place a Diversity Policy for the Company and a copy is available on the Company's website at www.berjaya.com.

Time Commitment

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company. During the FYE 2018, the Board met five (5) times and the attendances of the Directors at the Board Meetings were as follows:-

Directors	Attendance
Dato' Tunku Shazuddin Bin Tunku Sallehuddin # (appointed on 4 December 2017)	2/2*
Sydney Lawrance Quays	5/5
Tan Thiam Chai	5/5
Datuk Zainun Aishah Binti Ahmad #	5/5
Dato' Mustapha Bin Abd Hamid #	5/5
Chryseis Tan Sheik Ling (appointed on 15 March 2018)	@
Dato' Sri Robin Tan Yeong Ching (resigned on 4 December 2017)	3/3*

Notes:

Independent Non-Executive Director

@ Ms Chryseis Tan Sheik Ling has been appointed as a Non-Independent Non-Executive Director of the Company on 15 March 2018. There was no Board Meeting held subsequent to the date of her appointment up to 30 April 2018.

* Reflects the attendance and the number of Meetings held during the financial year since the Director held office.

All the Directors of the Company do not hold more than five (5) directorships in listed issuers as required under Paragraph 15.06 of the Main Market Listing Requirements of Bursa Securities. They are required to notify the Chairman of the Board before accepting any new directorships outside the Group and indicating the time that will be spent on the new directorship. Similarly, the Chairman of the Board shall also do likewise before taking up any additional appointment of directorships.

Directors' Training

All the Directors have completed the Mandatory Accreditation Programme as required by Bursa Securities.

The Board believes that continuous training for Directors is vital for the Board members to enhance their skills and knowledge and to enable them to discharge their duties effectively. As such, the Directors will continuously attend the necessary training programmes, conferences, seminars and/or forums so as to keep abreast with the current developments in the various industries as well as the current changes in laws and regulatory requirements.

The Board is also updated by the Company Secretaries on the relevant training programmes relating to the regulatory, governance, industry related and current issue on an on-going basis.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

During the year, the training programmes, seminars and conferences attended by the Directors were as follows:-

Directors	Training Programmes/Seminars/Conferences/Forum
Dato' Tunku Shazuddin Bin Tunku Sallehuddin	- Mandatory Accreditation Programme for Directors of Public Listed Companies
Sydney Lawrance Quays	- Advocacy Session to enhance Quality of Management Discussion & Analysis for Chief Executive Officer and Chief Financial Officers of Listed Issuers - Corporate Governance Briefing Session: Malaysian Corporate Code of Governance Reporting and Corporate Governance Guide
Tan Thiam Chai	- The New Malaysian Code on Corporate Governance 2016 - LHAG Tax, GST & Customs Seminar 2017 - Advocacy Session to enhance Quality of Management Discussion & Analysis for MD& A - Corporate Governance Breakfast Series with Directors- Integrating an Innovation Mindset with Effective Governance - Corporate Governance Briefing Session: Malaysian Corporate Code of Governance Reporting and Corporate Governance Guide
Datuk Zainun Aishah Binti Ahmad	- The new Companies Act 2016 - The Key Issues and Pitfalls and Disclosures of Interest by the Nominee Director - Fraud and Risk Management Workshop - Companies Act 2016 and Malaysian Code on Corporate Governance - Corporate Governance Briefing Session: Malaysian Corporate Code on Governance Reporting and Corporate Governance Guide
Dato' Mustapha Bin Abd Hamid	- Fraud and Risk Management Workshop - OIC-Asia-Africa Trade & Economic Forum - Corporate Governance Breakfast Series for Directors: Leading in a Volatile, Uncertain, Complex Ambiguous (VUCA) World - Corporate Governance Briefing Session: Malaysian Corporate Code on Governance Reporting and Corporate Governance Guide

The Board will, on a continuous basis, evaluate and determine the training needs of its members to assist them in the discharge of their duties as Directors.

Appointment to the Board

The Company has a Nomination Committee, which comprises exclusively Non-Executive Directors with a majority of them being Independent Directors. The members are as follows:-

Datuk Zainun Aishah Binti Ahmad	-	Chairman/ Independent Non-Executive Director
Dato' Mustapha Bin Abd Hamid	-	Independent Non-Executive Director
Tan Thiam Chai	-	Non-Independent Non-Executive Director

The Chairman of the Nomination Committee, Datuk Zainun Aishah Binti Ahmad is an Independent Director and has been identified as the Senior Independent Non-Executive Director of the Board to whom concerns may be conveyed.

The composition, authority as well as the duties and responsibilities of the Nomination Committee are set out under its TOR, which is available on the Company's website at www.berjaya.com.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board delegates to the Nomination Committee the responsibility of making recommendations on any potential candidate for the appointment as a new Director. The Nomination Committee is responsible to ensure that the procedures for appointing new Directors are transparent and rigorous and that appointments are made on merits.

The process for the appointment of a new Director is summarised in the sequence as follows:-

1. The candidate identified upon the recommendation by the existing Directors, Senior Management staff, major shareholders and/or other consultants;
2. In evaluating the suitability of candidates for appointment to the Board, the Nomination Committee considers, inter-alia, the competency, experience, commitment, contribution and integrity of the candidates, and in the case of candidates proposed for appointment as Independent Non-Executive Directors, the candidate's independence;
3. Recommendation shall then be made by Nomination Committee to the Board. This also includes recommendation for appointment as a member of the various Board Committees, where necessary; and
4. Decision to be made by the Board on the proposed new appointment, including appointment to the various Board Committees.

The Nomination Committee has recommended to the Board the appointments of Dato' Tunku Shazuddin Bin Tunku Sallehuddin as the Chairman (Independent Non-Executive Director) of the Company and Ms Chryseis Tan Sheik Ling as a Non-Independent Non-Executive Director of the Company on 4 December 2017 and 15 March 2018 respectively.

Annual Assessment

The Nomination Committee reviews annually, the effectiveness of the Board and Board Committees as well as the performance of individual directors. The evaluation involves individual Directors and Committee members completing separate evaluation questionnaires regarding the processes of the Board and its Committees, their effectiveness and where improvements could be considered. The criteria for the evaluation are guided by the Corporate Governance Guide issued by Bursa Securities. The evaluation process also involved a peer and self-review assessment, where each Director will assess their own performance and that of their fellow Directors. These assessments and comments by all Directors were summarised and discussed at the Nomination Committee meeting and were then reported to the Board at the Board Meeting held thereafter. All assessments and evaluations carried out by the Nomination Committee in the discharge of its duties are properly documented.

During the FYE 2018, the Nomination Committee has carried out the following activities:-

- (i) Recommended to the Board the appointments of new Directors;
- (ii) Recommended to the Board the reconstitution of the Board Committees;
- (iii) Reviewed and assessed the mix of skills, expertise, composition, size and experience of the Board;
- (iv) Reviewed and assessed the performance of each individual Director, independence of the Independent Directors, effectiveness of the Board and Board Committees;
- (v) Reviewed the performance of the Audit and Risk Management Committee and its members;
- (vi) Recommended to the Board the re-election of Directors who are due for retirement by rotation for shareholder approval at the forthcoming annual general meeting;
- (vii) Reviewed the Board Diversity Policy; and
- (viii) Reviewed the TOR of the Nomination Committee.

Re-election of Directors

The Nomination Committee also conducted an assessment of the Directors who are subject to retirement at the forthcoming annual general meeting ("AGM") in accordance with the provisions of the Articles of Association of the Company and the relevant provisions of the Companies Act 2016.

The Company's Articles of Association provides that at least one-third (1/3) of the Directors are subject to retirement by rotation at each AGM and that all Directors shall retire once in every three years, and are eligible to offer themselves for re-election. The Articles of Association also provides that a Director who is appointed during the year shall be subject to re-election at the next AGM to be held following his/her appointment.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Nomination Committee is also responsible for recommending to the Board those Directors who are eligible to stand for re-election.

At the forthcoming Ninth AGM, the Director who will retire by rotation and eligible for re-election pursuant to Article 94 of the Company's Articles of Association is Dato' Mustapha Bin Abdul Hamid. The new Directors who were appointed on 4 December 2017 and 15 March 2018 namely, Dato' Tunku Shazuddin Bin Tunku Sallehuddin and Ms Chryseis Tan Sheik Ling will also retire and be eligible for re-election at the forthcoming AGM pursuant to Article 100 of the Company's Articles of Association.

Tenure of Independent Directors

The tenure of an Independent Director shall not exceed a cumulative term of twelve (12) years. However, the retention of Independent Directors after serving a cumulative term of nine (9) years shall be subject to shareholders' approval in line with the recommendation of the MCGG.

The Board is of the view that the independence of the Independent Directors should not be determined solely or arbitrarily by their tenure of service. The Board believes that continued contribution will provide stability and benefits to the Board and the Company as a whole, especially their invaluable knowledge of the Group and its operations gained through the years. The calibre, qualification, experience and personal qualities, particularly of the Director's integrity and objectivity in discharging his/her responsibilities in the best interest of the Company should be the predominant factors to determine the ability of a Director to serve effectively as an Independent Director.

The Board is also confident that the Independent Directors themselves, after having provided all the relevant confirmations on their independence, will be able to determine if they can continue to bring independent and objective judgment during Board deliberations and decision making.

As at the date of this CG Overview Statement, none of the Independent Directors has served the board for more than nine (9) years.

Annual Assessment of Independence

The Board recognises the importance of independence and objectivity in its decision making process. The presence of the Independent Non-Executive Directors is essential in providing unbiased and impartial opinion, advice and judgment to ensure the interests of the Group, shareholders, employees, customers and other stakeholders in which the Group conducts its businesses are well represented and taken into account.

The Board, through the Nomination Committee, has assessed the independence of its Independent Non-Executive Directors namely, Dato' Tunku Shazuddin Bin Tunku Sallehuddin, Datuk Zainun Aishah Binti Ahmad and Dato' Mustapha Bin Abd Hamid based on criteria set out in the Main Market Listing Requirements of Bursa Securities.

The Independent Directors of the Company have fulfilled the criteria of "independence" as prescribed under Chapter 1 of the Main Market Listing Requirements of Bursa Securities.

Remuneration Policies and Procedures

The Company has a Remuneration Committee, which comprises exclusively Non-Executive Directors with a majority of them being Independent Directors. The members are as follows:-

Dato' Mustapha Bin Abd Hamid	-	Chairman/ Independent Non-Executive Director
Datuk Zainun Aishah Binti Ahmad	-	Independent Non-Executive Director
Tan Thiam Chai	-	Non-Independent Non-Executive Director

The composition, authority as well as the duties and responsibilities of the Remuneration Committee are set out in its TOR which is available at the Company's website at www.berjaya.com.

The Board has adopted a Remuneration Policy to support the Directors and Key Senior Management in carrying out their responsibilities and fiduciary duties in steering the Group to achieve its long-term goals and enhance shareholders' value. The Board's objective in this respect is to offer a competitive remuneration package in order to attract, motivate, retain and reward Directors and Key Senior Management who will manage and drive the Company's success.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

← RM →						
Group	Fees	Salaries	Bonus	Benefits in-kind	Other Emoluments	Total
Executive Directors						
Sydney Lawrance Quays	-	1,110,000	190,000	14,433	157,770	1,472,203
Dato' Sri Robin Tan Yeong Ching	-	-	-	-	331,716	331,716
Dato' Lee Kok Chuan	-	51,750	-	1,425	9,988	63,163
Non-Executive Directors						
Dato' Tunku Shazuddin Bin Tunku Sallehuddin*	12,165	-	-	-	99,865	112,030
Datuk Zainun Aishah Binti Ahmad	30,000	-	-	-	8,100	38,100
Dato' Mustapha Bin Abdul Hamid	30,000	-	-	-	6,600	36,600
	72,165	1,161,750	190,000	15,858	614,039	2,053,812

* Denotes appointed on 4 December 2017

(b) The Remuneration of top three (3) Key Senior Management in bands of RM50,000 on an aggregate basis

The number of top three (3) Key Senior Management and their total remuneration from the Group categorised into the various bands are as follows:-

		Number of Key Senior Management
RM200,001	- RM250,000	1
RM250,001	- RM300,000	1
RM400,001	- RM450,000	1
		3

Although the MCCG has stipulated that the Company should disclose the detailed remuneration of the top five (5) Key Senior Management on a named basis, the Board has opined that it is not in the best interest of the Company to make such disclosures on the remuneration of the Key Senior Management due to the sensitivity of their remuneration package, privacy and issue of staff poaching.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit and Risk Management Committee

The Audit Committee was renamed as the Audit and Risk Management Committee (“ARMC”) with effect from 3 March 2011. The ARMC of the Company comprises three (3) members, all of whom are Non-Executive Directors with a majority of them being Independent Directors. The members are as follows:-

Datuk Zainun Aishah Binti Ahmad	-	Chairman/ Independent Non-Executive Director
Dato’ Mustapha Bin Abd Hamid	-	Independent Non-Executive Director
Tan Thiam Chai	-	Non-Independent Non-Executive Director

The Chairman of the ARMC is appointed by the Board and is not the Chairman of the Board. The composition, authority as well as the duties and responsibilities of the ARMC are set out in its TOR and a copy is available on the Company’s website at www.berjaya.com.

The members of the ARMC possess a mix of skill, knowledge and appropriate level of expertise and experience to enable them to discharge their duties and responsibilities pursuant to the TOR of the ARMC. In addition, the ARMC members are financially literate and are able to understand, analyse and challenge matters under purview of the ARMC including the financial reporting process.

The Board is responsible to ensure the annual financial statements are prepared in accordance with the provisions of the Companies Act 2016 and the applicable financial reporting standards in Malaysia. In presenting the annual financial statements and quarterly announcement of results, the Board seeks to provide shareholders with a clear, balanced and understandable assessment of the Group’s financial position and prospects. The ARMC assists the Board to discharge its duties in financial reporting by ensuring the reliability and integrity of the Group’s accounting and financial reporting process and to ensure the financial statements give a true and fair view in accordance with the provisions of the Companies Act 2016 and the applicable financial reporting standards in Malaysia. In addition, the ARMC reviews the annual financial statements and quarterly financial results before they are submitted to the Board for approval.

Besides overseeing the Group’s accounting and financial reporting process, ARMC is also responsible to assist the Board to review the nature, scope and results of the external audit, its cost effectiveness and the independence and objectivity of the External Auditors, to oversee and monitor the Group internal audit functions, oversees recurrent related party transactions, risk management activities and other activities such as governance matters. The details on the activities of the ARMC are set out in the ARMC Report on pages 41 to 45 of this Annual Report.

The performance of the ARMC is reviewed annually by the Nomination Committee. Based on the evaluation, the Nomination Committee concluded that the ARMC has been effective in its performance and has carried out its duties in accordance with its TOR during the FYE 2018.

Assessment of External Auditors

The Board maintains a transparent and professional relationship with the External Auditors through the ARMC. Under the existing practice, the ARMC invites External Auditors to attend its meetings at least twice a year to discuss their audit plan and their audit findings on the Company’s annual financial statements. In addition, the ARMC will also have private meetings with the External Auditors without the presence of the Chief Executive Officer and Senior Management to enable exchange of views on issues requiring attention.

The Board has delegated to the ARMC to perform an annual assessment on the quality of the audit which encompassed the performance and calibre of the External Auditors and their independence, objectivity and professionalism. The assessment process involves identifying the areas of assessment, setting the minimum standards and devising tools to obtain the relevant data. The areas of assessment include among others, the External Auditors’ calibre, quality processes, audit team, audit scope, audit communication, audit governance and independence as well as the audit fees. Assessment questionnaires were used as a tool to obtain input from the Company’s personnel who had constant contact with the external audit team throughout the year.

The ARMC has put in place an External Auditors Policy (“EA Policy”) which outlines the policies and procedures for the ARMC to govern the assessment and to monitor the External Auditors. The EA Policy covers, among others, the appointment of External Auditors, assessment of External Auditors, independence of External Auditors, non-audit services including the need to obtain approvals from the Chief Financial Officer (if any)/ Executive Director/ Head of Group Accounts or the ARMC for non-audit work up to a certain threshold and the annual reporting and rotation of the External Audit Engagement Partner. In addition, the EA policy also included a requirement for a former audit partner to observe a cooling-off period for at least two (2) years before they can be considered for appointment as a member of the ARMC and/or the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

To support the ARMC's assessment of their independence, the External Auditors will provide the ARMC with a written assurance confirming their independence throughout the conduct of the audit engagement in accordance with the relevant professional and regulatory requirements. The External Auditors are required to declare their independence annually to the ARMC as specified in the By-Laws issued by the Malaysian Institute of Accountants. The External Auditors have provided the declaration in their annual audit plan presented to the ARMC of the Company.

The ARMC also ensures that the External Auditors are independent of the activities they audit and will review the contracts for provision of non-audit services by the External Auditors. The recurring non-audit services were in respect of tax compliance and the annual review of the Statement on Risk Management and Internal Control. The non-recurring non-audit services are acting as reporting accountants for any corporate exercises as well as technical advisory fees in preparation for adoption of new accounting standards.

During the financial year, the amount of non-audit fees paid/payable to the External Auditors and its affiliates by the Company and the Group respectively for the FYE 2018 were as follows: -

	Company		Group	
	FYE 2018 RM	FYE 2017 RM	FYE 2018 RM	FYE 2017 RM
Statutory audit fees paid/payable to:-				
- Ernst & Young ("EY") Malaysia	65,000	35,000	194,000	176,400
- Affiliates of EY Malaysia	-	-	15,984	16,829
Total (a)	65,000	35,000	209,984	193,229
Non-audit fees paid/payable to:-				
- EY Malaysia	41,864	11,514	66,464	31,214
- Affiliates of EY Malaysia	-	-	9,952	9,349
Total (b)	41,864	11,514	76,416	40,563
% of non-audit fees (b/a)	64%	33%	36%	21%

In considering the nature and scope of non-audit fees, the ARMC was satisfied that they were not likely to create any conflict or impair the independence and objectivity of the External Auditors.

Upon completion of the assessment, the ARMC will make recommendation for re-appointment of the External Auditors to the Board. The proposed appointment will be subject to shareholders' approval at the AGM.

Risk Management and Internal Control

The Board has delegated and entrusted the ARMC which comprises a majority of Independent Directors, with the overall responsibility to regularly review and monitor risk management activities of the Group and all internal controls and to approve appropriate risk management procedures and measurement methodologies.

The key aspects of the Risk Management process are as follows:-

- (i) The business units are required to identify the risks relevant to their business.
- (ii) The risks are then assessed based on the probability of their occurrence and are evaluated as low, medium or high. The level of residual risk is determined after evaluating the effectiveness of controls and mitigating measures.
- (iii) The business units develop control procedures or actions plans to either prevent the occurrence or reduce the impact upon its occurrence.
- (iv) The business units are required to update their risk profiles and review their processes in monitoring the risks periodically.
- (v) On a quarterly basis, the business units are required to prepare a report summarising the significant risks and status of action plan. Selected reports will be submitted to the ARMC for review and deliberation.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Company continues to maintain and review its risk management and internal control procedures to ensure, as far as possible, the protection of its assets and its shareholders' investments.

Internal Audit Function

The Board acknowledges its overall responsibility for the Group's system of internal control and its effectiveness as well as reviewing its adequacy and integrity to safeguard the Group's assets and the shareholders' investments.

The internal audit function of the Company is outsourced to the Group Internal Audit Division of the ultimate holding company, Berjaya Corporation Berhad and they are free from any relationships or conflict of interest that could impair their objectivity and independence. The Internal Auditors reports directly to the ARMC and carries out their internal audit based on the plan approved by the ARMC. The Internal Auditors assist the Board in providing independent assessment on the adequacy and effectiveness of the governance, risk management and internal control processes for the purposes of safeguarding the Group's assets and the shareholders' investments.

The Internal Auditors are responsible for preparing and tabling the Internal Audit Reports on a quarterly basis to the ARMC and to highlight areas for improvement for each of the operating units within the Group. The Internal Auditors will follow up closely on the areas highlighted to determine the extent of the implementation of their recommendation and to ensure that they are satisfactorily resolved by the Management.

The summary of the activities undertaken by the Internal Auditors during the FYE 2018 is set out in the ARMC Report.

The details of the risk management and system of internal control of the Company are set out in the Statement on Risk Management and Internal Control of this Annual Report.

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

Communication with Stakeholders

The Company recognises the importance of being transparent and accountable to its shareholders and has used various channels of communications to enable the Board and Management to continuously communicate, disclose and disseminate comprehensive and timely information to investors, shareholders, financial community and the public generally. However, whilst the Company endeavours to provide as much information as possible to its shareholders, it is mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

The various channels of communications with stakeholders are through the following: -

- (i) the quarterly announcements on financial results and other periodical or relevant announcement to Bursa Securities;
- (ii) circulars and annual reports;
- (iii) general meetings of shareholders;
- (iv) meetings with investors, analysts and fund managers and briefings where appropriate; and
- (v) the Company's website at www.berjaya.com where shareholders can have easy access to the Company's corporate information such as the Board Charter, TOR of the Board Committees, Company Policies, press releases, financial information, Company announcements and others.

The above channels of communication will help to enhance stakeholders' understanding of the business and operations of the Group and to make informed investment decisions.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Conduct of General Meetings

The Company fully recognises the rights of the shareholders and importance of shareholders' participation at the Company's general meetings and encourages them to exercise their rights at such meetings. The AGM of the Company remains the principal forum for dialogue with shareholders where they may seek clarifications on issues pertaining to the Annual Report, audited financial statements and businesses of the Group.

The Company despatches its notice of meeting at least twenty-eight (28) days before the AGM together with a copy of the Annual Report and an Administrative Details to the shareholders of the Company to enable them to have sufficient time to consider the resolution that will be discussed at the AGM as well as to make the necessary arrangement to attend and participate personally at the AGM or through proxy or corporate representative. Each item of special business included in the Notice of AGM is accompanied by a brief explanatory statement on the proposed resolution to facilitate a better understanding and evaluation of issues involved.

At the Eighth AGM of the Company held on 2 October 2017, all the Directors, Board Committees, Company Secretaries, Senior Management team of the Group and the External Auditors were in attendance at the AGM to engage directly with the shareholders and to provide adequate response and answers to the queries raised by the shareholders.

During the AGM, the Chairman will ensure the orderly conduct of the meeting. The Senior General Manager of Group Accounts and Budgets will present a financial overview of the Group's performance for the financial year to the shareholders. The shareholders or proxies are also invited to raise questions pertaining to the agenda and resolutions tabled and/or business activities of the Group during the AGM. The External Auditors are also present to provide professional and independent clarification on issues and concerns raised by the shareholders in connection with the Audited Financial Statements. The interested Directors and persons connected to them will declare their interests and will abstain from deliberation and voting on the resolution that they have interest in respect of their direct and/or indirect shareholdings.

Poll Voting

All the resolutions passed by the shareholders at the previous AGM held on 2 October 2017 were voted by way of a poll in accordance with the Paragraph 8.29A (1) of the Main Market Listing Requirements of Bursa Securities. The shareholders were briefed on the voting procedures by the Share Registrar namely, Berjaya Registration Services Sdn Bhd while the results of the poll were verified and announced by the independent scrutineer, Messrs LT Lim & Associates.

The Company Secretaries will announce the poll results of the AGM with details on the number of votes cast for and against for each resolution and the respective percentage on the same day to Bursa Securities. The minutes of the AGM will be made available on the Company's website after it has been confirmed and signed by the Chairman of the AGM.

The Company may consider adopting the electronic voting moving forward to facilitate a more efficient voting process and to ensure that the voting results are transparent and accurate. The Company will also explore the use of technology to facilitate the voting in absentia and/or remote shareholders' participation at general meetings, taking into consideration the number of shareholders, the accuracy and stability of such technologies, applicable laws and regulations and the cost and resources required vis-a-vis the benefits.

This CG Overview Statement was approved by the Board of the Company on 6 August 2018.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors (“the Board”) of Berjaya Food Berhad (“BFood” or “the Group”) is committed to maintaining a sound system of risk management and internal controls to provide for a platform for Group’s business objectives to be achieved. The Board sets out below the nature and scope of the risk management and internal controls of the Group.

RESPONSIBILITY

The Board of BFood recognises that the Board is responsible for the Group’s system of internal control and for reviewing its adequacy and integrity. The Board’s responsibility in relation to the system of internal control extends to all subsidiaries of the Group.

The Group’s system of internal control is designed to manage the principal business risks that may impede the Group from achieving its business objectives. Due to the limitations that are inherent in any system of internal control, the Group’s internal control system cannot completely eliminate the risk of failure to achieve its business objectives. The system can only provide reasonable assurance against material misstatement or loss.

The Board has undertaken a review of the adequacy and effectiveness of the risk management and internal control system and concluded that the risk management and internal control system is adequate and effective. Further, the Board has obtained assurance from the Chief Executive Officer (“CEO”) that the Group’s risk management and internal control system is operating adequately and effectively, in all material aspects.

MANAGEMENT STYLE AND CONTROL CONSCIOUSNESS

The Group is involved in various food and beverage related businesses. These business interests are operated by the subsidiaries of the Group. Management of the day-to-day affairs of the Group’s various subsidiaries are assigned to local management who are accountable for the conduct and performance of their subsidiaries within agreed business strategies. The CEO attends various scheduled management meetings as well as conducting regular reviews of financial and operational reports. These provide the platform for timely identification of the Group’s risks and development of systems to manage those risks. The CEO regularly updates the Boards on any significant matters.

INTERNAL CONTROL PROCESSES

The key aspects of the internal control process are as follows:

- The business units identify the areas of control relevant to their business, design the internal control procedures and document the procedures in manuals.
- The internal auditors of the Group establish the annual audit plan and table the plan to the Audit and Risk Management Committee (“ARMC”) for approval.
- The internal auditors perform the audit and present their audit reports to the ARMC, highlighting any shortcomings by the business units in implementing the controls and the remedial procedures implemented by the business units.

ASSURANCE MECHANISM

The Board has assigned the ARMC with the duty of reviewing and monitoring the effectiveness of the Group’s system of internal control. The internal auditors furnish the ARMC with reports from visits conducted at various subsidiaries, as well as from the external auditors on areas for improvement identified during the course of their statutory audit.

The Board also reviews the minutes of the meetings of the ARMC. The Report of the ARMC is set out on Pages 41 to 45 of the Annual Report.

KEY FEATURES OF THE INTERNAL CONTROL SYSTEM

The Group has an extensive system of internal control that enables the management to ensure that established policies, guidelines and procedures are followed and complied with. Some key features of BFood’s system of internal control, include:

1. Clear organisation structure with delineated reporting lines
2. Defined levels of authority
3. Capable workforce with ongoing training efforts
4. Centralised human resource function which outlines procedures for recruitment, training, appraisal and the reward system
5. Timely financial and operations reports
6. Scheduled operations and management meetings
7. Centralised procurement function that ensures approval procedures are adhered to, as well as to leverage on the Group’s purchasing power

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

8. Payment functions controlled at Head office
9. Regular visits to the operating units of the Group's businesses by the CEO and senior management personnel
10. Independent assurance on the system of internal control from regular internal audit visits

INTERNAL CONTROL FUNCTION

The Board recognises that effective monitoring on a continuous basis is a vital component of a sound internal control system. In this respect, the ARMC carries out an internal audit function to monitor and assess the effectiveness of the internal control system. Observations from internal audits were presented to the ARMC together with management's response and proposed action plans for its review. The action plans were then followed up during subsequent internal audits with implementation status reported to the ARMC.

The internal audit function is outsourced to the Group Internal Audit Division of Berjaya Corporation Berhad, which reports directly to the ARMC. The scope of work covered by the internal audit function is determined by the ARMC after careful consideration and discussion of the audit plan with the Board.

WHISTLEBLOWING POLICY

The Group has in place a whistleblowing policy, designed to enable all its employees (including Directors) with the appropriate mechanisms to confidentially provide information in an independent and unbiased manner, on any genuine concerns, without fear of recrimination so as to enable prompt corrective action to be taken where appropriate.

RISK MANAGEMENT

In line with the Malaysian Code of Corporate Governance, and as part of the Company's plans to further enhance the Group's system of internal control, it has established a risk management system. The Board entrusts the ARMC with the overall responsibility to regularly review and monitor the risk management activities of the Group, in accordance with the Internal Control Guidance, and to approve appropriate risk management procedures and measurement methodologies.

RISK MANAGEMENT PROCESS

The key aspects of the risk management process are as follows:

- The business units are required to identify the risks relevant to their businesses.
- The risks are then assessed based on the probability of their occurrence and are evaluated as Low, Medium or High. The level of residual risk is determined after evaluating the effectiveness of controls and mitigating measures.
- The business units develop control procedures or action plans to either prevent the occurrence or reduce the impact upon its occurrence.
- The business units are required to update their risk profiles and review their processes in monitoring the risks periodically.
- On a quarterly basis, the business units are required to prepare a report summarising the significant risks and status of action plan. Selected reports will be submitted to the ARMC for review and deliberation.

REVIEW BY EXTERNAL AUDITORS

The external auditors have performed limited assurance procedures on the Statement on Risk Management and Internal Control ("SRMIC") pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3 (previously the Recommended Practice Guide 5 (Revised 2015), Guidance for Auditors on Engagements to Report on the SRMIC included in the Annual Report issued by the Malaysian Institute of Accountants), for the year ended 30 April 2018, and reported to the Board that nothing has come to their attention that causes them to believe the SRMIC intended to be included in the Annual Report is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the SRMIC: Guidelines for Directors of Listed Issuers, nor is the SRMIC factually inaccurate. AAPG 3 does not require the auditors to consider whether the Directors' SRMIC covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Directors and management thereon. The report from the external auditors was made solely to the Board in connection with their compliance with the Listing Requirements of Bursa Malaysia and for no other purposes or parties. The external auditors do not assume responsibility to any person other than the Board in respect of any aspect of this report.

CONCLUSION

The Board remains committed towards operating a sound system of internal control and recognises the need for the system to continuously evolve to support the types of businesses and size of operations of the Group. The Board, in striving for continuous improvement will put in place appropriate action plans, when necessary, to further enhance the Group's system of internal control.

The system of internal control was satisfactory and has not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's Annual Report.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

The Board of Directors of Berjaya Food Berhad (“BFood”) is pleased to present the report of the Audit and Risk Management Committee (“the ARMC”) for the financial year ended 30 April 2018.

MEMBERS AND MEETING ATTENDANCE

The members of the ARMC are as follows:-

Datuk Zainun Aishah Binti Ahmad
- *Chairman/Independent Non-Executive Director*

Dato’ Mustapha Bin Abd Hamid
- *Independent Non-Executive Director*

Tan Thiam Chai
- *Non-Independent Non-Executive Director*

The ARMC held five (5) meetings during the financial year ended 30 April 2018. The details of attendance of the ARMC members are as follows:-

Directors	Attendance
Datuk Zainun Aishah Binti Ahmad	5/5
Dato’ Mustapha Bin Abd Hamid	5/5
Tan Thiam Chai	5/5

The ARMC meetings were convened with proper notices and agenda and these were distributed to all members of the ARMC with sufficient notification. The minutes of each of the ARMC meetings were recorded and tabled for confirmation at the next ARMC meeting and tabled at the Board Meeting for the Directors’ review and notation.

The Chief Executive Officer was invited to attend all the ARMC meetings to report on the overall operations of the Company and its subsidiaries (“the Group”) while the senior management of the relevant operations was invited to provide clarification on the audit and risk related issues of their respective operations. The General Manager and Deputy General Manager of Group Internal Audit as well as the Senior General Manager of Group Accounts and Budgets of Berjaya Corporation Berhad were also invited to attend the ARMC meetings. The External Auditors were invited to attend three (3) of these meetings.

SUMMARY OF ACTIVITIES AND WORK OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

The duties and responsibilities of the ARMC are set out in its terms of reference, a copy of which is available at www.berjaya.com.

In discharging its duties and responsibilities, the ARMC had undertaken the following activities and work during the year:-

Financial Reporting

- (a) Reviewed the quarterly financial statements including the draft announcements pertaining thereto and made recommendations to the Board for approval of the same as follows:-

Date of Meetings	Review of Quarterly Financial Statements
14 June 2017	Fourth quarter results as well as the unaudited results of the Group for the financial year ended 30 April 2017
15 September 2017	First quarter results for financial year ended 30 April 2018
13 December 2017	Second quarter results for financial year ended 30 April 2018
15 March 2018	Third quarter results for financial year ended 30 April 2018

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

The above review is to ensure that the Company's quarterly financial reporting and disclosures present a true and fair view of the Group's financial position and performance and are in compliance with the Malaysian Financial Reporting Standard 134 - Interim Financial Reporting Standards in Malaysia and International Accounting Standard 34 - Interim Financial Reporting as well as the applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad.

- (b) Reviewed and made recommendations to the Board in respect of the audited financial statements of the Company and the Group for the financial year ended 30 April 2017 at its meeting held on 24 July 2017 and to ensure that it presented a true and fair view of the Company's financial position and performance for the year and compliance with regulatory requirements. Prior to that, the ARMC had reviewed the status report on the Audit Plan for financial year ended 30 April 2017 prepared by the External Auditors at the meeting held on 14 June 2017.

External Audit

- (a) Evaluated the performance of the External Auditors for the financial year ended 30 April 2017 covering areas such as calibre, quality processes, audit team, audit scope, audit communication, audit governance and independence as well as the audit fees of the External Auditors. The ARMC, having been satisfied with the independence, suitability and performance of Messrs Ernst & Young ("EY"), had recommended to the Board for approval of the re-appointment of EY as External Auditors for the ensuing financial year end of 30 April 2018 at its meeting held on 24 July 2017 for approval.
- (b) Discussed and considered the significant accounting adjustments and auditing issues arising from the interim audit as well as the final audit with the External Auditors including the following key audit matters raised in the external auditors' report for the financial year ended 30 April 2017:-
 - (i) Impairment of goodwill;
 - (ii) Impairment of investment in a subsidiary company; and
 - (iii) Impairment of amount due from a subsidiary company.

The ARMC also had a private discussion with the External Auditors on 24 July 2017 without the presence of Management during the review of the audited financial statements for the year ended 30 April 2017 to discuss any problems/issues arising from the final audit and the assistance given by the employees during the course of audit by External Auditors. However, there was no major issue raised during the private session.

- (c) Reviewed with the External Auditors at the meeting held on 15 March 2018, their audit plan for the financial year end of 30 April 2018, outlining the audit scope, methodology and timetable, audit materiality, areas of focus, fraud considerations and the risk of management override, the new and revised auditors reporting standards, on-going review of key audit matters, changes in regulatory environment and updates by External Auditors to leverage on technology to perform their audit moving forward.

Internal Audit

- (a) Reviewed the Internal Audit Reports on the Company's subsidiaries namely, Berjaya Food Supreme Sdn Bhd ("BFood Supreme"), Jollibean Foods Pte Ltd ("JFPL"), Berjaya Roasters (M) Sdn Bhd ("BRoasters") and Berjaya Starbucks Coffee Company Sdn Bhd ("BStarbucks") during the financial year under review. The ARMC also reviewed the audit findings and Internal Auditors' recommendations to improve any weaknesses or non-compliance together with the Management's responses from the respective business units thereto. The Internal Auditors monitored the implementation of Management's action plan on outstanding issues through follow up reports to ensure that all key risks and control weaknesses are being properly addressed.
- (b) Reviewed and approved the Internal Audit Plan for financial year ending 30 April 2019 to ensure that the scope and coverage of the internal audit on the operations of the BFood Group is adequate and comprehensive and that all the risk areas are audited annually.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

Recurrent Related Party Transactions

- (a) Reviewed the 2017 Circular to Shareholders in connection with the Recurrent Related Party Transactions (“RRPT”) that arose within the Group to ensure that the transactions are fair and reasonable to, and are not to the detriment of, the minority shareholders.

The framework set up for identifying and monitoring the RRPT includes inter-alia, the following:-

- (i) The transaction prices are based on prevailing market rates/prices that are agreed upon under similar commercial terms for transactions with third parties, business practices and policies and on terms which are generally in line with industry norms;
- (ii) The related parties and interested Directors will be notified of the method and/or procedures of the RRPT for the BFood Group;
- (iii) Records of RRPT will be retained and compiled by the Group accountant for submission to the ARMC for review;
- (iv) The ARMC is to provide a statement that it has reviewed the terms of the RRPT to ensure that such transactions are undertaken based on terms not more favourable to the related parties than those generally available to the public, are not detrimental to the minority shareholders and are in the best interest of the BFood Group;
- (v) The ARMC also reviewed the procedures and processes with regards to the RRPT on a half yearly basis to ensure that the transactions are within the approved mandate;
- (vi) Directors who have any interest in any RRPT shall abstain from Board deliberations and voting and will ensure that they and any person connected with them will also abstain from voting on the resolution(s) at the Extraordinary General Meeting or Annual General Meeting to be convened for the purpose; and
- (vii) Disclosures will be made in the annual report on the breakdown of the aggregate value of the RRPT during the financial year, amongst others, based on the following information:-
 - (a) the type of the RRPT made; and
 - (b) the names of the related parties involved in each type of the RRPT made and their relationships with the BFood Group.

Risk Management Activities

- (a) Reviewed the risk management activities on the Company’s subsidiaries namely, BFood Supreme, JFPL, BRoasters and BStarbucks including the risk descriptions, risk mitigation strategies and controls and its existing controls to ensure the business activities and risk areas are re-aligned and enhanced on an on-going basis.
- (b) Reviewed the summary of the risk register covering areas such as the likelihood of occurrence, the impact of the risks, risk score, risk treatment, risk owner and control effectiveness to ensure that the management of the relevant risks is appropriately placed within the Group.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

Other Activities

- (a) Reviewed and recommended to the Board for approval, the ARMC Report, Statement on Corporate Governance and Statement on Risk Management and Internal Control for inclusion in the 2017 Annual Report.
- (b) Verified the allocation and movement of the new Employee Share Scheme (“ESS”) for the financial year ended 30 April 2017 to ensure that it had been carried out according to the criteria and matrix stipulated in the ESS’s Bylaws.
- (c) Reviewed and took note of the changes and amendments to the Companies Act 2016, the new Malaysian Code on Corporate Governance (“MCCG”), Malaysian Financial Reporting Standards and other regulatory requirements tabled by the Company Secretary and External Auditors.
- (d) Reviewed the analysis of the MCCG prepared by the Company Secretary on the Practices of the MCCG which related to the roles and responsibilities of the ARMC in carrying out their duties in preparing the Corporate Governance Report and the action plan to improve the gap of the Practices of MCCG.
- (e) Reviewed and approved the External Auditors Policy of the Company which encompassed the appointment of External Auditors, assessment of External Auditors, independence of the External Auditors, non-audit services, annual reporting, rotation of external audit engagement partner and appointment of a former key audit partner as member of ARMC and/or Director in order to govern the assessment and monitor the External Auditors.
- (f) Reviewed and recommended to the Board for approval the establishment of Sustainability Committee, adoption of Sustainability Practices and Policy and Terms of Reference of Sustainability Committee.
- (g) Reviewed and recommended to the Board for approval the revised Terms of Reference of the ARMC following the amendments to the Listing Requirements of Bursa Malaysia Securities Berhad which took effect on 2 January 2018 and the new MCCG as follows:-
 - (i) Inclusion a statement that any former audit partner shall observe a two-year cooling-off period before being appointed as a member of ARMC;
 - (ii) Inclusion of responsibilities of the Chairman of the ARMC; and
 - (iii) Enhancement of authority and duties of the ARMC.

In order to discharge the above duties and responsibilities of ARMC effectively, the ARMC had undertaken continuous professional development by attended various seminars, training programmes and conferences during the financial year. They were also briefed by the External Auditors of the latest accounting and audit standards applicable to the Group and topics on changes in regulatory environment. The list of training attended is disclosed in the Corporate Governance Overview Statement as set out in this Annual Report.

SUMMARY OF WORK OF THE INTERNAL AUDIT FUNCTION

The Internal Audit Division of Berjaya Corporation Berhad was engaged to undertake the internal audit function that would enable the Audit and Risk Management Committee (“ARMC”) to discharge its duties and responsibilities. Their role is to provide the ARMC with independent and objective reports on the state of internal controls of the operating units within the Group and the extent of compliance with the Group’s established policies, procedures and statutory requirements.

The activities of Internal Audit are guided by Internal Audit Charter and the Internal Audit Division adopts a risk-based approach focusing on high risk areas. All high risk activities in each auditable area are audited annually.

For the financial year under review, the Internal Audit Division conducted audit assignments on the operating units of the Group involved in the development and operation of the “Starbucks Coffee” stores in Malaysia & Brunei, “Kenny Rogers Roasters” chain of restaurants in Malaysia and “Jollibean”, “Sushi Deli” & “Kopi Alley” outlets in Singapore.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

The activities undertaken by the Internal Audit Division during the financial year ended 30 April 2018 included the following:

1. Tabled Internal Audit Plan for the ARMC's review and endorsement.
2. Reviewed the existing systems, controls and governance processes of the operating units within the Group.
3. Conducted audit reviews and evaluated risk exposures relating to the Group's governance process and system of internal controls on reliability and integrity of financial and operational information, safeguarding of assets, efficiency of operations, compliance with established policies and procedures and statutory requirements.
4. Provided recommendations to assist the operating unit and the Group in accomplishing its internal control requirements by suggesting improvements to the control processes.
5. Issued internal audit reports incorporating audit recommendations and Management's responses in relation to audit findings on weaknesses in the systems and controls to the ARMC and the management of the respective operations.
6. Presented internal audit reports to the ARMC for review.
7. Followed up review to ensure that the agreed internal audit recommendations are effectively implemented.

The cost incurred for the internal audit function in respect of the financial year ended 30 April 2018 was approximately RM132,342.00.

TERMS OF REFERENCE OF THE ARMC

The terms of reference of the ARMC can be viewed on the Company's website at www.berjaya.com.

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

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

In preparing the financial statements, the Directors have:

- adopted appropriate accounting policies and applied them consistently;
- made judgements and estimates that are reasonable;
- ensured that applicable accounting standards have been complied with; and
- applied the going concern basis.

The Directors are responsible for ensuring that the Group and the Company keep proper accounting records, which disclose with reasonable accuracy on the financial position of the Group and of the Company, and which enable them to ensure that the financial statements comply with the provisions of the Companies Act 2016.

The Directors are responsible for taking reasonable steps to safeguard the assets of the Company and to prevent and detect other irregularities.