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## NOTICE OF THE THIRTY-FIFTH ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Thirty-Fifth Annual General Meeting of the Company will be held at the London Room, No. 1, Jalan Istimewa 2, Taman Perindustrian Desa Cemerlang, 81800 Ulu Tiram, Johor Darul Takzim, Malaysia, on Saturday, 12 November 2016 at 8.00 a.m. for the following purposes:-

1. To lay the Audited Financial Statements for the financial year ended 30 June 2016 together with the Reports of the Directors and Auditors thereon. **Please Refer to Explanatory Note A (1)**
  
2. To consider and if thought fit, with or without any modification(s) to pass the followings resolutions:-
 

“**THAT** the payment of Directors’ fees of RM205,500.00 for the financial year ended 30 June 2016, be and is hereby approved.” **Ordinary Resolution 1**

“**THAT** the sum of RM208,500.00 being payment for Director’s Fees for the financial year ending 30 June 2017 be hereby approved **AND THAT** the Meeting Attendance Fees be payable on a quarterly basis upon the successful completion of the duties and responsibilities of the Directors for the said period during the financial year **AND THAT** the Directors’ Fees for the year and the Meeting Attendance Fees for the 4<sup>th</sup> Quarter be payable after the end of the financial year ending 30 June 2017.” **Ordinary Resolution 2**
  
3. To consider and, if thought fit, with or without any modification(s), to pass the following resolutions:-
 

“**THAT** Dato’ Sri Liew Kuek Hin, retiring pursuant to Section 129 of the Companies Act, 1965, be and is hereby re-appointed as Director of the Company to hold office until the conclusion of the next Annual General Meeting.” **Ordinary Resolution 3**

“**THAT** Datin Sri Lim Yook Lan, retiring pursuant to Section 129 of the Companies Act, 1965, be and is hereby re-appointed as Director of the Company to hold office until the conclusion of the next Annual General Meeting.” **Ordinary Resolution 4**

“**THAT** Dato’ Paduka Cheong Siew Kai, retiring pursuant to Section 129 of the Companies Act, 1965, be and is hereby re-appointed as Director of the Company to hold office until the conclusion of the next Annual General Meeting.” **Ordinary Resolution 5**
  
4. **Re-election of Directors**

“To re-elect the Director, Dato’ Liew Yet Lee, who retires pursuant to Article 84 of the Company’s Articles of Association.” **Ordinary Resolution 6**

“To re-elect the Director, Mr. Leslie Looi Meng, who retires pursuant to Article 84 of the Company’s Articles of Association.” **Ordinary Resolution 7**
  
5. To re-appoint Messrs. Adam & Co. of No. 5-1, Level 5, PV 128, No.128, Jalan Genting Klang, 53300 Kuala Lumpur, Malaysia, as the Auditors of the Company, to hold office until the conclusion of the next Annual General Meeting of the Company at a remuneration to be determined by the Directors. **Ordinary Resolution 8**

### SPECIAL BUSINESS

To consider and, if thought fit, with or without any modification(s), to pass the following resolutions:-

6. **Continuing in Office as Independent Non-Executive Directors**

“**THAT** subject to the passing of the Ordinary Resolution 5, authority be and is hereby given to Dato’ Paduka Cheong Siew Kai who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company.” **Ordinary Resolution 9**

“**THAT** authority be and is hereby given to Mr. Huang Yan Teo who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company.” **Ordinary Resolution 10**

“**THAT** authority be and is hereby given to Mr. Leslie Looi Meng who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company.” **Ordinary Resolution 11**

## NOTICE OF THE THIRTY-FIFTH ANNUAL GENERAL MEETING (CONTINUED)

**7. Authority to Allot and Issue Shares under Section 132D of the Companies Act, 1965**

**Ordinary  
Resolution 12**

“**THAT** pursuant to Section 132D of the Companies Act, 1965, and any amendments or enactment made to it from time to time, and subject to the approvals of the relevant Governmental and/or regulatory authorities, the Directors be and are hereby empowered to issue shares in the Company, from time to time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, including provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten percent (10%) of the issued share capital of the Company for the time being **AND THAT** the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing and quotation of the additional shares so issued **AND THAT** such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company.”

**8. Proposed Renewal of Share Buy-Back Mandate**

**Ordinary  
Resolution 13**

“**THAT** subject always to the Companies Act, 1965 (“**the Act**”), rules, regulations and orders made pursuant to the Act and any amendments or enactment made to it from time to time, provisions of the Company’s Memorandum and Articles of Association and any amendments made to it from time to time, and the requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) and any amendments made to it from time to time, and any other relevant authorities, the Directors of the Company, be hereby unconditionally and generally authorised, to the extent permitted by the law, to purchase such number of ordinary shares of the Company through Bursa Securities from time to time through Bursa Securities upon such terms and conditions and for such purchases, as the Directors may deem fit and expedient in the interest of the Company, subject to the followings:-

- (a) the maximum aggregate number of ordinary shares of RM1.00 each in LBB (“**LBB Shares**”) which may be purchased and/or held by the Company shall not exceed ten percent (10%) of the issued and paid-up ordinary share capital of the Company;
- (b) the maximum fund to be allocated by the Company for the purpose of purchasing the LBB Shares, shall not exceed the retained profits and/or the share premium account of the Company. Based on the Audited Financial Statements of LBB for the financial year ended 30 June 2016, the audited retained profits and share premium account of the Company were RM132,966,702 and RM13,774,466 respectively; and
- (c) the authority conferred by this resolution will be effective immediately upon passing of this Ordinary Resolution and will continue to be in force until:-
  - (i) the conclusion of the next Annual General Meeting (“**AGM**”) of the Company, following the General Meeting at which this resolution was passed at which time it shall lapse unless by Ordinary Resolution passed at the Meeting, the authority is renewed, either unconditionally or subject to conditions but not as to prejudice the completion of purchase by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the Act, the rules and regulations made pursuant thereto and the guidelines issued by Bursa Securities and/or any other relevant authority and any amendments or enactment made from time to time; or
  - (ii) the expiration of the period within which the next AGM is required by law to be held; or
  - (iii) revoked or varied by ordinary resolution passed by the Shareholders in General Meeting, whichever occurs first, but not so as to prejudice the completion of purchase(s) by the Company of the LBB Shares before the aforesaid expiry date and, made in any event, in accordance with the provisions of the guidelines issued by Bursa Securities and any prevailing laws, rules, regulations, orders, guidelines and requirements issued by any relevant authorities;

whichever is earlier and, in any event, in accordance with the provisions of the Listing Requirements of Bursa Securities or any other relevant authorities;

**AND THAT** the Directors of the Company be and are hereby authorised to act and to take all steps and do all things as they may deem necessary or expedient to implement, finalise, complete and/or give full effect to the purchase of LBB Shares.”

## NOTICE OF THE THIRTY-FIFTH ANNUAL GENERAL MEETING (CONTINUED)

9. **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs") involving the Company with Khee San Food Industries Sdn Bhd ("Proposed RRPTs Renewal")** **Ordinary Resolution 14**

"**THAT** subject to the provisions of the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company to enter into RRPTs and to give effect to the specified RRPTs with Khee San Food Industries Sdn Bhd, as set out in the Circular to Shareholders dated 21 October 2016 which transactions are necessary for the day-to-day operations in the ordinary course of business of the Company on terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company **AND THAT** such approval shall continue to be in force until:-

- a) the conclusion of the next Annual General Meeting ("**AGM**") of the Company, at which time it will lapse, unless renewed by a resolution passed at the Meeting; or
- b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("**the Act**") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act) and any amendments or enactment made from time to time; or
- c) revoked or varied by resolution passed by the Shareholders in General Meeting;

whichever is earlier.

**AND THAT** the Directors of the Company be and are hereby empowered to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution."

10. **Proposed New Shareholders' Mandate for Recurrent Related Party Transaction of a Revenue or Trading Nature (RRPT) involving Kinoss Food Industries (M) Sdn Bhd, a wholly-owned subsidiary of the Company with Khee San Food Industries Sdn Bhd ("Proposed New RRPT")** **Ordinary Resolution 15**

"**THAT** subject to the provisions of the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to Kinoss Food Industries (M) Sdn Bhd, a wholly-owned subsidiary of the Company, to enter into RRPT and to give effect to the specified RRPT with Khee San Food Industries Sdn Bhd, as set out in the Circular to Shareholders dated 21 October 2016 which transactions are necessary for the day-to-day operations in the ordinary course of business of the Company on terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company **AND THAT** such approval shall continue to be in force until:-

- a) the conclusion of the next Annual General Meeting ("**AGM**") of the Company, at which time it will lapse, unless renewed by a resolution passed at the Meeting; or
- b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("**the Act**") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act) and any amendments or enactment made from time to time; or
- c) revoked or varied by resolution passed by the Shareholders in General Meeting;

whichever is earlier.

**AND THAT** the Directors of the Company be and are hereby empowered to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution."

## NOTICE OF THE THIRTY-FIFTH ANNUAL GENERAL MEETING (CONTINUED)

11. To transact any other business of which due notice shall have been given.

### By Order of the Board

**HOH LEONG CHING** (MAICSA 7006654)

**HOH CHEE MUN** (MIA 8891)

Secretaries

Johor Bahru, Malaysia

Date: 21 October 2016

### Notes:

1. A Member entitled to attend and vote at this Meeting, is entitled to appoint a proxy or proxies to attend and vote in his/her place. A proxy may but need not be a Member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965, shall not apply to the Company. A Member may appoint not more than two (2) proxies to attend the same Meeting. Where a Member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his holdings to be represented by each proxy.
2. The Proxy Form must be signed by the Appointor or his Attorney duly authorised in writing, or if the Appointor is a corporation, either under its Common Seal or under the hand of an Officer or Attorney duly authorised and may by resolution of its directors authorise such person as it thinks fit to act as its representative at the meeting pursuant to Section 147 of the Companies Act, 1965.
3. Where a Member of the Company is an exempt nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.
4. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney, and the person so appointed may attend and vote at the Meeting at which the appointer is entitled to vote.
5. Only Members registered in the Record of Depositors as at 7 November 2016 shall be eligible to attend and vote at the said Meeting or appoint proxy(ies) to attend and vote on their behalf.
6. The Proxy Form must be completed and deposited at the Registered Office, No.1, Jalan Istimewa 2, Taman Perindustrian Desa Cemerlang, 81800 Ulu Tiram, Johor Darul Takzim, Malaysia, not less than forty-eight (48) hours before the time for holding the Meeting or any adjournment thereof.

### Explanatory Notes:

#### A. Ordinary Business

##### 1. For Agenda Item 1

This agenda is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965, which does not require a formal approval of the Shareholders and hence, this Agenda is not put forward for voting.

##### 2. Ordinary Resolution 2

###### Payment of Directors' Fees for the Financial Year Ending 30 June 2017

The Board has reviewed the Directors' Fees after taking into account, fee levels and trends for similar positions in the market and time commitment of the Directors. The payment of the Meeting Attendance Fees for the financial year ending 30 June 2017, shall be payable on a quarterly basis upon the successful completion of the duties and responsibilities of the Directors for the said period during the financial year. Further that the Annual Directors' Fees for the year and the Meeting Attendance Fees for the 4<sup>th</sup> Quarter be payable after the end of the financial year ending 30 June 2017.

#### B. Special Business

##### 1. Ordinary Resolutions 9, 10 and 11

###### Continuing in Office as Independent Non-Executive Directors

The Nominating Committee had assessed the independence of Dato' Paduka Cheong Siew Kai, Mr. Huang Yan Teo and Mr. Leslie Looi Meng, whom have served the Board as the Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years and the Board has recommended that the approval of the shareholders be sought to re-appoint Dato' Paduka Cheong Siew Kai, Mr. Huang Yan Teo and Mr. Leslie Looi Meng as the Independent Non-Executive Directors of the Company.

The proposed Ordinary Resolutions 9, 10 and 11 under Agenda 6, if passed, will allow Dato' Paduka Cheong Siew Kai, Mr. Huang Yan Teo and Mr. Leslie Looi Meng, be retained and continue to act as Independent Non-Executive Directors of the Company, to fulfill the requirements of Paragraph 3.04 of Bursa Malaysia Securities Berhad's Main Market Listing Requirements and in line with the Recommendation No. 3.3 of the Malaysian Code of Corporate Governance 2012.

## NOTICE OF THE THIRTY-FIFTH ANNUAL GENERAL MEETING (CONTINUED)

### 2. Ordinary Resolution 12

#### Authority to allot and issue shares under Section 132D of the Companies Act, 1965

This proposed Resolution, if passed, will give the Directors, the authority to issue and allot ordinary shares from the unissued capital of the Company, for such purposes as the Directors consider would be in the interest of the Company and also to avoid any delay and cost involved in convening a General Meeting to approve such issue of shares. This authority will, unless revoked or varied by the Company in General Meeting, expire at the conclusion of the next Annual General Meeting ("AGM") or the expiration of the period within which the next AGM is required by law, to be held, whichever is earlier.

The general mandate sought for issue of shares up to 10% of the issued capital of the Company is a renewal to the General Mandate which was approved by Shareholders at the 34<sup>th</sup> AGM held on 31 December 2015.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last AGM held on 31 December 2015 and which will lapse at the conclusion of the 35<sup>th</sup> AGM.

The renewed General Mandate is to provide flexibility to the Company for any possible fund raising exercises, including but not limited to issuance of new shares for the purposes of funding future investment project(s), working capital and/or acquisition(s).

### 3. Ordinary Resolution 13

#### Proposed Renewal of Share Buy-Back Mandate

This proposed Resolution, if passed, will empower the Company to purchase its own shares of up to ten per centum (10%) of the total issued and paid-up share capital of the Company. This authority will, unless, revoked or varied by the Company, in General Meeting, expires at the next AGM of the Company. The detailed information on the Proposed Renewal of Share Buy-Back Mandate is set out in the Statement / Circular to Shareholders dated 21 October 2016 which will be despatched together with the 2016 Annual Report.

### 4. Ordinary Resolution 14

#### Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs") involving the Company with Khee San Food Industries Sdn Bhd ("Proposed RRPTs Renewal")

This proposed Resolution, if passed, will allow its subsidiaries to enter into RRPTs in accordance with Chapter 10 of the Bursa Malaysia Securities Berhad's Main Market Listing Requirements. This approval will, unless, revoked or varied by the Company, in General Meeting, expires at the next AGM of the Company. The detailed information of the Proposed RRPTs Renewal are set out in the Statement / Circular to Shareholders dated 21 October 2016 which will be despatched together with the 2016 Annual Report.

### 5. Ordinary Resolution 15

#### Proposed New Shareholders' Mandate for Recurrent Related Party Transaction of a Revenue or Trading Nature (RRPT) involving Kinoss Food Industries (M) Sdn Bhd, a wholly-owned subsidiary of the Company, with Khee San Food Industries Sdn Bhd ("Proposed New RRPT")

This proposed Resolution, if passed, will allow its subsidiaries to enter into RRPT in accordance with Chapter 10 of the Bursa Malaysia Securities Berhad's Main Market Listing Requirements. This approval will, unless, revoked or varied by the Company, in General Meeting, expires at the next AGM of the Company. The detailed information of the Proposed New RRPTs are set out in the Statement / Circular to Shareholders dated 21 October 2016 which will be despatched together with the 2016 Annual Report.

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

**DATO' SRI LIEW KUEK HIN**

SSAP, DIMP, PJK, JP

*Non-Independent**Non-Executive Chairman***DATIN SRI LIM YOOK LAN***Non-Independent**Non-Executive Director***DATO' SRI LIEW YEW CHUNG**

SSAP, DIMP

*Group CEO***DATO' LIEW YEW CHENG**

DIMP

*Non-Independent**Non-Executive Director***MS. LIEW YET MEI***Non-Independent**Non-Executive Director***DATO' LIEW YET LEE**

DIMP

*Non-Independent**Non-Executive Director***DATO' PADUKA CHEONG SIEW KAI**

DJMK, AMS, JP

*Independent**(Non-Executive Director)***MR. HUANG YAN TEO**

PIS, PPN

*Independent**(Non-Executive Director)***MR. LESLIE LOOI MENG***Independent**(Non-Executive Director)*

### AUDIT COMMITTEE

**Mr. Leslie Looi Meng***(Chairman)***Dato' Sri Liew Kuek Hin****Mr. Huang Yan Teo**

### REMUNERATION COMMITTEE

**Dato' Liew Yet Lee***(Chairperson)***Dato' Sri Liew Kuek Hin****Ms. Liew Yet Mei**

### NOMINATING COMMITTEE

**Ms. Liew Yet Mei***(Chairperson)***Mr. Huang Yan Teo****Mr. Leslie Looi Meng**

### COMPANY SECRETARIES

**Ms. Hoh Leong Ching**

(MAICSA 7006654)

**Mr. Hoh Chee Mun**

(MIA 8891)

### REGISTERED ADDRESS

No 1, Jalan Istimewa 2,  
Taman Perindustrian Desa Cemerlang,  
81800 Ulu Tiram, Johor Darul Takzim,  
Malaysia.

Tel : +607-861 5288

Fax : +607-861 5186

Website : [www.londonbiscuits.com.my](http://www.londonbiscuits.com.my)Email : [lbbg@lbbg.com.my](mailto:lbbg@lbbg.com.my)

### DATE OF INCORPORATION

23 June 1981

### AUDITORS

**ADAM & CO. (AF 1250)**

Chartered Accountants

No. 5-1, Level 5, PV 128,

No. 128, Jalan Genting Klang,  
53300 Kuala Lumpur.

Tel : +603-4141 6242

Fax : +603-4141 6275

### SHARE REGISTRAR

**Bina Management (M) Sdn Bhd**

Lot 10, The Highway Centre,

Jalan 51/205, 46050 Petaling Jaya,

Selangor Darul Ehsan.

Tel : +603-7784 3922

Fax : +603-7784 1988

### STOCK EXCHANGE LISTING

Main Market,

Bursa Malaysia Securities Berhad

Stock Name: LONBISC

Stock Code: 7126

Sector: Consumer

### PRINCIPAL BANKERS

- Alliance Bank Malaysia Berhad
- OCBC Bank (Malaysia) Berhad
- RHB Bank Berhad

### SUBSIDIARIES

- Kinoss Food Industries (M) Sdn Bhd
- Kinoss Food Trading Sdn Bhd
- Kim Choaw Sdn Bhd
- Khee San Berhad
- Khee San Food Industries Sdn Bhd
- Khee San Marketing Sdn Bhd

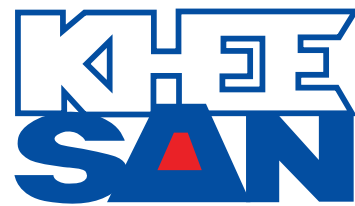
CORPORATE CHART



LONDON BISCUITS BERHAD  
Group of Companies

100%

19.72%



KINOS FOOD INDUSTRIES (M) SDN BHD

KHEE SAN BERHAD

100%

100%

KINOS FOOD  
TRADING  
SDN BHD

KIM CHOAW  
SDN BHD

100%

100%

KHEE SAN FOOD  
INDUSTRIES  
SDN BHD

KHEE SAN  
MARKETING  
SDN BHD



## DIRECTORS' PROFILE

**DATO' SRI LIEW KUEK HIN**, SSAP, DIMP, PJK, JP

*Non-Independent Non-Executive Chairman*

*Malaysian, aged 77, male*

He was appointed as the Non-Independent Non-Executive Chairman on 27 December 1993. He is also the Members of Audit Committee and Remuneration Committee.

Dato' Sri Liew Kuek Hin joined his family-owned businesses, which includes logging, transportation, sawmilling, plywood manufacturing, plantations, palm oil mill and hotel operations, after his study in Nanyang University, Singapore.

His current directorship in other public listed company includes Khee San Berhad.

Dato' Sri Liew Kuek Hin is a substantial shareholder of the Company through his direct and indirect shareholdings in London Biscuits Berhad ("LBB"). He is the spouse of Datin Sri Lim Yook Lan and is the parent of Dato' Sri Liew Yew Chung, Dato' Liew Yew Cheng, Ms. Liew Yet Mei and Dato' Liew Yet Lee. He has abstained from deliberating and voting in respect of transactions between the Group and related parties involving himself.

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**DATIN SRI LIM YOOK LAN**

*Non-Independent Non-Executive Director*

*Malaysian, aged 77, female*

She was appointed to the Board as the Non-Independent Non-Executive Director on 27 December 1993.

Datin Sri Lim Yook Lan is a substantial shareholder of the Company by virtue of her direct and indirect shareholdings in LBB. She is the spouse of Dato' Sri Liew Kuek Hin, and the parent to Dato' Sri Liew Yew Chung, Dato' Liew Yew Cheng, Ms. Liew Yet Mei and Dato' Liew Yet Lee. She has abstained from deliberating and voting in respect of transactions between the Group and related parties involving herself.

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**DATO' SRI LIEW YEW CHUNG**, SSAP, DIMP

*Group CEO*

*Malaysian, aged 46, male*

He was appointed to the Board on 27 December 1993. In 1994, he was appointed as a General Manager and in 2000, he was appointed as the Group CEO. He is also the Group CEO in Khee San Berhad, the subsidiary of LBB.

He obtained his Bachelor of Science in Business Administration from the Drexel University, Philadelphia, United States in 1991 and majoring in Economics and Finance Accounting. In 1992, he obtained his Masters of Business Administration, majoring in Accounting Control.

His current directorship in other public company includes Khee San Berhad.

Dato' Sri Liew Yew Chung is a substantial shareholder of the Company through his direct and indirect shareholdings in LBB. He is the son of Dato' Sri Liew Kuek Hin and Datin Sri Lim Yook Lan, and is the brother of Dato' Liew Yew Cheng, Ms. Liew Yet Mei and Dato' Liew Yet Lee. He has abstained from deliberating and voting in respect of transactions between the Group and related parties involving himself.

## DIRECTORS' PROFILE (CONTINUED)

### **DATO' LIEW YEW CHENG**, DIMP

*Non-Independent Non-Executive Director  
Malaysian, aged 43, male*

He was appointed to the Board on 27 December 1993.

He has obtained his Diploma in Business and Management from the Drexel University, Philadelphia, United States in 1994.

Dato' Liew Yew Cheng is the son of Dato' Sri Liew Kuek Hin and Datin Sri Lim Yook Lan, and the sibling of Dato' Sri Liew Yew Chung, Ms. Liew Yet Mei and Dato' Liew Yet Lee. He is a substantial shareholder of the Company by virtue of his direct and indirect shareholdings in LBB. He has abstained from deliberating and voting in respect of transactions between the Group and related parties involving himself.

### **LIEW YET MEI**

*Non-Independent Non-Executive Director  
Malaysian, 49, female*

She was appointed to the Board on 27 December 1993. Now, she is the Chairperson of Nominating Committee and a Member of Remuneration Committee.

She has her Bachelor Degree in Accounting from Drexel University, Philadelphia, United States in 1992.

Her current directorship in other public company includes Khee San Berhad.

Ms. Liew Yet Mei is a substantial shareholder of the Company by through her direct and indirect shareholdings in LBB. She is the daughter of Dato' Sri Liew Kuek Hin and Datin Sri Lim Yook Lan, and is the sister of Dato' Sri Liew Yew Chung, Dato' Liew Yew Cheng and Dato' Liew Yet Lee. She has abstained from deliberating and voting in respect of transactions between the Group and related parties involving herself.

### **DATO' LIEW YET LEE**, DIMP

*Non-Independent Non-Executive Director  
Malaysian, aged 42, female*

She was appointed to the Board on 27 December 1993. Currently, she is the Chairperson of Remuneration Committee and the Head of Internal Audit Department of LBB Group.

She started her career in LBB as an Executive Manager in 1993 and now, she is the Chief Audit Officer, Management Systems & Internal Audit Department.

She has obtained her Bachelor of Business majoring in Hospitality Management from Edith Cowan University, Western Australia in 1996.

Dato' Liew Yet Lee, is the daughter of Dato' Sri Liew Kuek Hin and Datin Sri Lim Yook Lan, and is the sibling of Dato' Sri Liew Yew Chung, Dato' Liew Yew Cheng and Ms. Liew Yet Mei. She is a substantial shareholder of the Company by virtue of her direct and indirect shareholdings in LBB. She has abstained from deliberating and voting in respect of transactions between the Group and related parties involving herself.

## DIRECTORS' PROFILE (CONTINUED)

**DATO' PADUKA CHEONG SIEW KAI**, DJMK, AMS, JP

*Independent Non-Executive Director*

*Malaysian, aged 78, male*

He was appointed to the Board on 20 November 2001 as an Independent Non-Executive Director.

He has obtained his Diploma in Accountancy from the Institute of Public Accountants, Australia in 1961. He is a Member of Malaysian Institute of Accounts, a fellow member of Malaysian Institute of Taxation and Member of the Malaysian Association of Company Secretaries.

He is also an expertise in income tax advisory work. He leads a group of companies which provides corporate and consultancy services in Kuala Lumpur.

He is not related to any Director and/or Major Shareholder of LBB and he does not hold any directorship in other listed companies in Malaysia.

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**HUANG YAN TEO**, PIS, PPN

*Independent Non-Executive Director*

*Malaysian, aged 69, male*

He was appointed to the Board on 20 November 2001. He is also a Member of the Audit Committee and Nominating Committee.

He became a Member of the Association of Chartered Certified Accountants (UK) in 1975 and obtained his Fellowship in 1980. He also became a Member of the Malaysian Institute of Accountants ("MIA") in 1975 and in 1992, as a Member of the Malaysian Institute of Taxation and now recognise as a Member of Chartered Tax Institute of Malaysia ("CTIM").

He served at an audit firm, Messrs. Coopers & Lybrand from 1966 to 1974 and he was appointed as the Group Financial Controller in a commercial firm from 1974 to 1981. Now, he is the Managing Partner of a Chartered Accountants firm, Messrs. Baker Tilly HYT.

His current directorship in other public company includes Khee San Berhad as an Independent Non-Executive Director.

He does not have any family relationship with any Director and /or Major Shareholder of LBB.

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**LESLIE LOOI MENG**

*Independent Non-Executive Director*

*Malaysian, aged 47, male*

He was appointed to the Board on 26 August 2005. He is also a Chairman of the Audit Committee and a Member of Nominating Committee.

He graduated with Bachelor of Arts (Law) from the University of Kent, Canterbury, United Kingdom in 1990 and in 1990, he is a Barrister At Law (Middle Temple) and admitted to both the Malaysian Bar and the Singapore Bar.

He is a partner of the legal firm, Messrs. Dennis Nik & Wong and manages the Johor Bahru Branch. His scope of experience includes civil and corporate litigation (i.e. boardroom and shareholders disputes, corporate liquidation / insolvency and restructuring), corporate acquisitions, tax-restructuring schemes, cross-border joint ventures and corporate bank financing.

His current directorship in other public company includes Khee San Berhad as an Independent Non-Executive Director.

He does not have any family relationship with any Director and /or Major Shareholder of LBB.

*None of the Directors has convictions for any offence within the past 5 years, other than traffic offences, if any. Except as disclosed in the Profile set out above, none of the Directors has any conflict of interest in any business arrangement involving the Company.*

*A summary of the attendance of the Directors at board meetings held during the financial period is set out on page 20 of this Annual Report.*

## KEY SENIOR MANAGEMENT'S PROFILE

Name	DATO' LIEW YET LEE	WONG KIND LOOK	TANG LI SENG
Age	42	35	39
Gender	Female	Male	Female
Nationality	Malaysian	Malaysian	Malaysian
Qualification	Edith Cowan University, Western Australia - Bachelor of Business majoring in Hospitality Management in 1996	<ul style="list-style-type: none"> <li>• LLB (Hons), Liverpool</li> <li>• Barrister at Law Lincoln's Inn</li> </ul>	Rima College, Johor Bahru – Diploma in Private Secretarialship
Working Experience	In 1993, she started her career as an Executive Manager in LBB and now she is the Group Chief Audit Officer, Management Systems & Internal Audit Department.	<ul style="list-style-type: none"> <li>• 2004 - Abdul Raman Saad &amp; Associates</li> <li>• 2005 - Executive, Corporate Affairs in LBB</li> <li>• 2009 - Group Manager, Corporate Affairs</li> <li>• 2014 - Group General Manager, Corporate and Administration Department</li> </ul>	She started her career in LBB since 7 October 1999. Now she is the Group General Manager – Operations Support Department.
Date which first appointed to Key Senior Management	1 August 2014	1 August 2014	1 August 2014
Directorships	London Biscuits Berhad	Nil	Nil
Family relationship with any Director and/or Shareholder	Daughter of Dato' Sri Liew Kuek Hin and Datin Sri Lim Yook Lan. Siblings of Dato' Sri Liew Yew Chung, Dato' Liew Yew Cheng and Ms. Liew Yet Mei.	Nil	Nil
Conflict of interest	Nil	Nil	Nil
List of convictions of offences within the past five (5) years	Nil	Nil	Nil

**KEY SENIOR MANAGEMENT'S PROFILE (CONTINUED)**

	<b>LIM HENG MIN</b>	<b>LIM KHENG TAT</b>	<b>WONG SOO LEN</b>
<b>Name</b>	LIM HENG MIN	LIM KHENG TAT	WONG SOO LEN
<b>Age</b>	47	32	45
<b>Gender</b>	Male	Male	Female
<b>Nationality</b>	Malaysian	Malaysian	Malaysian
<b>Qualification</b>	<ul style="list-style-type: none"> <li>• United Business Institutes, Brussels, Belgium – Master of Business Administration in 2006</li> <li>• Society of Business Practitioner, United Kingdom – Post Graduate Diploma in Business Administration in 1991</li> </ul>	Bachelor Degree of Civil Engineering	United Kingdom – Certified Accounting Technician (CAT)
<b>Working Experience</b>	<ul style="list-style-type: none"> <li>• 1989 - Production Supervisor in Lau Fatt Kae Sdn Bhd</li> <li>• 1992, Production Senior Supervisor in Red Box (M) Berhad</li> <li>• 1995 - Assistant Production Manager in Apollo Food Holding Berhad</li> <li>• 1998 - Group General Manager – Manufacturing in LBB</li> </ul>	<ul style="list-style-type: none"> <li>• 2008 – 2010, Structural Design Engineer in THW Consultants Sdn Bhd</li> <li>• 2010 – 2013, Online Merchandising Senior Specialist in Dell Global Business Sdn Bhd</li> <li>• 2013 – Present, Group General Manager, Customer Service Department in LBB</li> </ul>	<ul style="list-style-type: none"> <li>• She has 25 years' experience in accounting field.</li> <li>• 2014 - Group General Manager, Corporate Finance Division.</li> </ul>
<b>Date which first appointed to Key Senior Management</b>	1 August 2014	1 October 2013	1 August 2014
<b>Directorships</b>	Nil	Nil	Nil
<b>Family relationship with any Director and/or Shareholder</b>	Nil	Nil	Nil
<b>Conflict of interest</b>	Nil	Nil	Nil
<b>List of convictions of offences within the past five (5) years</b>	Nil	Nil	Nil

## CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of LONDON BISCUITS BERHAD ("LONDON"), it is my pleasure to present to you the Annual Report and Audited Financial Statements of the Group for the financial year ended 30 June 2016.

### REVIEW OF PERFORMANCE

The Group's revenue for the financial year ended 30 June 2016 went up by another RM33,968,486 to RM436,507,512 which represented an increase of 8.44% of that registered in the preceding year of RM402,539,026. This increase in operating revenue was achieved with much efforts, commitments and sheer hard work of everyone in the Group but having met this target, the next will be an uphill task in the year to follow. Nobody knows the future years ahead but most will form the opinion that it is not going to be easy. Last year, the management had assured me that 2016 will improve over 2015. They have indeed done so. Compliments are what they deserve. 2017...?. It is a known fact, business operating environment is extremely challenging at home and abroad, for 2017. Will we be able to improve ourselves again. That I have confidence, we can do so.

Profit After Income Tax attributable to the Group ("PAT") went up by 23.19% to RM22,418,888 from RM18,198,429 achieved in the previous year, attributable mainly to better tax and finance management. Commendable results that all in the industry, are scratching their heads to maintain. Basic Earnings Per Share's calculation of the Group based on result of operations attributable to the Group (i.e. RM18,587,589), which is 9.96 sen (2015 - 8.35 sen) for this financial year under review, based on weighted average number of ordinary shares in issue of 186,533,789 (2015 - 179,859,699).

The Company's result, increased. Profit After Income Tax went up by 21.64% to RM12,922,433 from RM10,623,680, which is expected with an increase in operating revenue.

As at 30 June 2016, Group's shareholders' equity stood at RM397,816,268 (2015 - RM379,601,782). Group's net tangible assets per share went up accordingly to RM2.13 per share in 2016 from RM2.03 per share in 2015, as the share capital base remained.

### OUTLOOK AND PROSPECTS

I repeat. What lies the year ahead remain difficult and challenging. The local and world economy already slowed down. The impact on the implementations of the Goods and Services Tax ("GST") is felt. All these together with a weakening Ringgit not only increase our cost of production but affect all in the industries. Our management has to consider these impacts, which have all direct effects to our Group's operations affecting our bottomline. We are fortunate to be involved in a business that should be resilient to these impacts. However, we have to move not only fast with fundamentals to be ahead but being innovative and creative as well. That is to mean, hard work and heavy commitments from the management. New products range is constantly being introduced to keep going upfront. Our popular chewy candy sees 3 new varieties so far in 2016. This is the "SALT" range to follow the white coffee and banana flavoured candies.

Over to our products of cakes and, swiss rolls, confectionery and snack foods. Our launch of durian pie cakes proved successful. We are capitalizing on it, to spread the durian flavor to our classic roll cakes range to target local and Greater China regions. The panda bear series that was launched show favourable response, proving that novelty cake products have enduring popularity. We will follow up with a heart shaped and star shaped cakes in early 2017. Potato chips segment continues to maintain strong growth with improved bottom line margin. We intend to set up a third production line to render support to seal a foothold in this segment.

This year under review, the Group embarked on a detailed operational and financial review to overcome the expected difficulties in time. An upgrade of production facilities to streamline exercise for factory process workflow, which included a mid-life extension programme to ensure product quality and usage reliability, is completed.

Automation is still a must to alleviate the ever rising labour costs, to boost our production capacity and to maintain our presence in the market. In conjunction with the intended addition of a new wafer and a new potato chip production line, expected to commission in 2017, additional units of wrap machines are to be commissioned.

The factory in Telok Panglima Garang, which housed our existing wafer production lines is disposed, releasing funds to reduce our bank borrowings. At same time, it allowed us to consolidate operations at our premises in Seri Kembangan. We will benefit from improve manpower utilization and management supervision as well as eliminating duplicated job functions.

Worthy of mention, was a bold step by us to restructure our debts with a first ever issuance of a Medium Term loan notes. Completed in July 2016, this should give rise to interest savings and a more affordable financial structure for years to come.

## **CHAIRMAN'S STATEMENT (CONTINUED)**

We will continue to spend on massive advertising and participating on promotional campaigns to keep the public awareness of our BRAND of products. However, in view of cost/benefits, we associate ourselves only with high publicity media event like Singapore Mediacorp Star Awards 2016 and a much look forward to landmark event of the forthcoming New Year's Eve Countdown party, a first in conjunction with Astro New Talent Quest.

It cannot be denied, participating in world renowned exhibitions and trade fairs, do bring in results. Our durian pie cakes first launched in HOFEX HK brought us much success and popular acceptance by chinese customers. Amongst that we have participated this year were FHA Singapore (since 2006), Thaifex (since 2011), FHA Myanmar (to explore untapped market), SIAL Paris (to explore European market and halal opportunities), SIAL Middle East (since 2012, maintain networking with existing customers base and to secure new customers).

### **DIVIDENDS**

After deliberating, anticipating the difficult time ahead, the Board do not intend to recommend a final dividend in respect of the year under review.

### **ACKNOWLEDGEMENT AND APPRECIATION**

I, take this opportunity to express my sincere appreciation to my fellow directors, the management team and all our employees for their hard work and dedicated services in the past year.

My heartfelt thanks are also extended to our valued customers, suppliers, bankers and to others whose supports are invaluable to the continued success of LONDON.

**DATO' SRI LIEW KUEK HIN**, SSAP, DIMP, PJK, JP,  
**Chairman of the Board of Directors**

10 October 2016

## MANAGEMENT DISCUSSION & ANALYSIS

### 1. INTRODUCTION

London Biscuits Berhad (“London”) and its subsidiaries (“the Group”) are the largest domestic Malaysian manufacturer of assorted cake confectionery, candy confectionery, wafers and an assortment of snack confectionery with manufacturing facilities located in Ulu Tiram and Pasir Gudang in Johor as well as in Seri Kembangan Selangor.

Products under the Group produce 4 main categories of products:-

1. Cake Confectionery : Roll, Layer and Pie cakes
2. Candy Confectionery : Chewy, Deposited, Tablet and Hard Candies; Bubblegum and Chewing gum
3. Potato Chips : Chips in assorted flavours in canister packaging
4. Snack Confectionery : Extruded Corn Snacks, Jellies & Puddings, Chocolate Cup Dip Biscuits and Wafers

### 2. OVERVIEW OF THE BUSINESS ENVIRONMENT

The Group has continued to experience strong growth with turnover growing of 8.44% from RM402,539,026 in 2015 to RM436,507,512 being an increase of RM33,968,486 while Profit after Tax came in at RM18,587,589 representing an improved profit margin of 4.26%.

Over the past years, the Group has been facing the challenge of maintaining its price competitiveness in the face of manufacturing cost being attributed to the fluctuating prices for sugar, flour and packaging materials, these being three of the major cost components of our operations. This is reflected by the FAO Food Price index, being the average of a group of global commodity price indices, which is tracking at 170.9 points as of September 2016 being 10% higher than the corresponding month of September in 2015. These increases are mostly attributable to higher sugar prices and moderate increases in dairy, meats and vegetable oil prices.

Moving forward, the outlook for palm oil and sugar prices remains mixed as it is expected that vegetable oil prices will be on a higher trend as a result of weaker than expected output and low stocks levels. Meanwhile, sugar prices have risen for the past few months and will continue to do with poor weather conditions in Brazil and unfavourable reports from other sugar producing countries. The exception being the Cereal Price index which has been on a declining trend for the September 2016 quarter with positive reports of good harvests and ample supplies.

### 3. BUSINESS OPERATIONS REVIEW

The Group recorded sales revenue of RM436,507,512 with domestic sales accounting for approximately 67.4% and exports for approximately 32.6% each. The main categories of products for the Group are the Cakes Confectionery, Sweets and Candies, Potato Chips, Wafers and assorted snack confectionery.

#### *Cake Confectionery*

The Cake segment is subdivided into 4 main types:-

- Roll Cakes : Marketed under the London Brand
- Pie Cakes : Marketed under the London, Hiro and Mizu Brands
- Layer Cake : Marketed under the London Brand
- Pandar Bear Brownie : Marketed under the London Brand

The London Brand is used to market 4 types of cakes while the Hiro and Mizu brands are used to market the pie cakes exclusively. The Cake segment is one of the two major key products of the Group and accounts for approximately 31.1% of its turnover. London is the only domestic manufacturer that produces all these many varieties of cakes and had continuously upgraded and expanded its manufacturing capabilities to support the market demand for its cakes. London has various production lines and also currently operates the single largest capacity cake line in South East Asia whilst new flavours are introduced typically once a year either as a limited edition run or as permanent additions to the cake segment. There are currently 7 flavours with the London Choco Roll as the flagship product of the cake range, being a choco flavoured cake sponge with choco flavoured cream. The panda bear brownie was launched in 2014 as a premium tiered product which is a teddy bear shaped brownie texture like cake in choco, pandan or milk flavours. Moving forward, we have launched the new cheese and butter flavoured roll cakes and expect to launch other new exciting products over the next months to continue our drive to launch more premium range products such as heart shaped & star shaped cakes. An interest development will be the introduction of the durian flavoured roll cake to leverage on the success of the durian pie cake launched in 2015.

#### *Sweets and Candies*

The Sweet and Candies segment is subdivided into various categories as follows:-

- Chewy : Marketed under the Fruitplus Brand
- Deposited : Marketed under the Victory Brand
- Hard : Marketed under the Torrone Brand
- Tablet : Marketed under the Bento Brand
- Chewing Gum : Marketed under the Victory Brand
- Bubble Gum : Marketed under the 88 Super Bubble Gum Brand



## MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

The Sweets and Candies segment comprises approximately 34.25 % of the Group's turnover and is the single major contributor to the sales of the Group. The bestselling product is the Fruitplus range of chewy candies whilst our torrone barley mint hard candies are an iconic product which is easily recognisable as it has been present in the market for over 25 years. The overall market condition remains strong for the segment with heavy demand in particular for the chewy candies which had already resulted in a doubling of output over the preceding 3 years.

### *Potato Chips*

The Potato Chips segment is as follows:-

- Potato Chips : Marketed under the London & Kinosh Potato Bites Brand

The Potato Chips segment contributes approximately 7.4% to the Group's Turnover is being identified as the potential 3rd core product of the Group. There are currently 6 flavours being marketed and the products are found in both the domestic wholesale and export markets. There are 2 production lines in operation with the 1st commissioned in 2010 and the 2nd in January 2015. A 3rd production line is planned with an expected commissioning in 1st Quarter 2017 and the Management will have greater flexibility in terms of varying the flavours and packaging configurations to meet future orders and shipment. In turn, these will contribute substantially to the Group's growth in the future.

### *Snack Confectionery*

The snack segment is made of the following product types:-

- Corn Snacks : Marketed under the CaCa, Choco Bin, Nutty Bin Brands
- Wafer : Marketed under the Torrone, Lovin, Tip Top and Snackie Brands
- Jellies & Puddings : Marketed under the Sumi and Popo Brands
- Biscuit Dip Chocolates : Marketed under the NiNi Brands

The snack confectionery segment comprises of an assortment of product types, ranging from savoury corn snacks, chocolate coated corn snacks, wafers, jellies, puddings and biscuits with chocolate or peanut dipping cream. These are complementary products which support London's positioning of itself as a regional one stop centre for confectionery products. This segment contributes approximately 27.25% towards London's sales and new product ranges are periodically introduced to tap into interesting market trends.

### **Production Operations**

The Group production operations are based out of a total of 10 production plants located in Ulu Tiram and Pasir Gudang in Johor with Seri Kembangan in Selangor. The cakes, potato chips and snacks are produced from the Johor plants while the candies and wafer are produced from the Selangor plant.

London's cake range has been very successful since it was introduced to the market and has always operated at full capacity on a non-stop basis with a backlog of orders in excess of 8 weeks which had resulted in several rounds of capacity expansions to meet this demand. The last addition was the commissioning of a large capacity cake line which is the single biggest capacity cake line in South East Asia. This cake line has effectively doubled the capacity of the Roll Cake segment and is intended to fulfil the long standing shortage of the London Roll Cakes in the market. This production line is now operating at full capacity with strong demand from both local and export markets and London will continue to underpin the London Roll range with strong marketing support to burnish its brand image.

The Group has been facing long standing production bottlenecks at its Seri Kembangan production facilities due to obsolete packaging equipment which are unable to process the increased candy output leading to the installation back in 2009 of a new state of the art packaging machine to package the deposited candies in its twist wrap format and which is capable of packaging speeds 5 times over that of 1 of our existing packaging machines. A similar packaging machine was installed in middle of 2013 with a further 2 units installed in 2016. These machines are the fastest in their categories and the Group is currently the only manufacturer in the region to operate these advanced machines. At the same time another 4 packaging machines had also been installed to handle the increase in production output for the chewy candy range in 2013 and each of these new machines has a packaging speed 4 times faster than the existing machines used.

In 2013, the management had installed additional production lines to support the future expansion plans of Khee San which had increased our production capacity by at least 50% and these will be sufficient to underpin the Company's growth for the next 3 to 4 years. The Management had also commissioned a fully automated jar packaging machine which will automate what is currently one of the most labour intensive processes in the candy segment as well as new packaging equipment to increase output of the 150 grams pouch bags used for retailing in modern trade outlets.

Over the past several years, the Company had been expanding and upgrading its pie cake production facilities in Pasir Gudang and it now houses a complete modern manufacturing facility with 3 pie cake production lines capable of producing pie cakes with central filling or chocolate coating. London had also commissioned a new large capacity potato chip production line in January 2015 and it is the Management's plan to grow this segment into a new core product for the Group by adding a 3rd line in early 2017 to tap into the global market demand for potato chips.

## MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

### Sales and Marketing

The Group derives approximately 57% of its revenue from the domestic Malaysian market and the balance 43% from exports. The Group currently exports to 35 countries with major destinations such as Hong Kong, Indonesia, Thailand, China, the Middle East and Vietnam. Exports to the ASEAN / Pan Pacific region are dominantly for the Cake Range whilst the Corn Snacks are sold in the Middle East Region. The potato chips have presence in both these regions thereby affirming its widespread popularity. For its domestic market the focus is on increasing the coverage of all the various retail sales point across both the wholesale and modern distribution channels. These sales points can range from mom and pop outlets, to neighbourhood convenience store, 24 hours stores and the various supermarket chains such as Aeon and Tesco. The key market drivers for the Company are the Roll Cakes and Chewy Candies which have become familiar brand names to consumers. Moving forward, London had launched a series of premium tiered products such as the cereal bar which is a corn stick with an outer layer of cream and oats and the aforementioned panda bear brownie cake.

### Distribution Channels

The Group sells its products via 2 types of distribution channels being the wholesale and modern channels.

The wholesale channel is the classic distribution method whereby products are sold in bulk to a major wholesaler who in turn sells to various resellers further down the retail chain such as van sales, school canteen vendors, mom and pop shops and cash and carry stores. This distribution method is more commonly seen in places or districts where the population density is lower due to geographical reasons and also where retail sales point consists on individual shops instead of major supermarket chain stores.

The modern channel is the distribution model consisting of products being directly retailed at major supermarket or hypermarket chain stores and other convenience stores. A strong feature of the modern channel is that products are typically ordered via a centralised purchasing system and delivered to either a distribution centre or to the individual outlets. This channel is often seen in urban population centres with high densities.

The Groups distributes its products via both the wholesale and modern distribution channels in Malaysia while this will be on a country to country basis for the exports. For example, in Singapore and Hong Kong only the modern distribution channel will be employed whilst the wholesale channel will be more prevalent in Indonesia and Vietnam.

### Objectives

The Group's objectives are to become the dominant player and a regional one stop centre for Confectionery to supply the regional Asean export market. Towards this end, the Group has been busy with increasing its production capabilities to achieve its objectives over the next 5 years.

The Group is pleased at the strong growth posted for the financial year and that its future prospects remains good with its large capacity cake line continuing to operate at maximum utilisation and the increasing number of Points-of Sales ("POS") in its various key markets. The Group is also on track with the utilisation of the new enlarged chewy candy output and following the launch of the banana flavoured Fruitplus and coffee chewy candy while be launching a new strawberry milk flavoured chewy candy as well as a Salt and Lemon candy to continue to launch new and interesting products in the market.

For the current and coming year, the Group have been focusing on an aggressive brand building campaign to build on its successes with the brand positioning of its London Roll and Fruitplus brands since 2013. London is continuing its sponsorship of Singapore Mediacorp's Star Awards and Astro's Super Talent Quest 2016 which its key target audience is beginning to closely identify with the London Brand. This is in line with the Management's intention to associate its brand positioning with high profile prestigious events.

## 4. OUTLOOK OF FUTURE PROSPECTS

The Group's prospects are good though the operating environment is challenging with the Management having to be proactive and being nimble in responding to various external factors. The upcoming 12 months will see the Management actively engaging our key distributors to expand the network of POS as part of its initiative of focusing deeply on key markets for our established products and brands while using its potato chips range to target new markets.

## GROUP FINANCIAL HIGHLIGHTS

Group	2016 (RM)	2015 (RM)	2014 (RM)	2013 (RM)	2012 (RM)
Turnover	436,507,512	402,539,026	359,995,183	289,978,832	253,519,864
Profit Before Income Tax (before minority interest)	24,994,899	22,740,567	21,513,819	18,788,953	14,218,130
Profit After Income Tax attributable to equity holders of the Company	24,994,899	18,198,429	17,311,670	15,079,256	13,762,777
Profit Attributable To Members	18,587,589	15,023,270	14,349,156	12,364,117	11,092,227

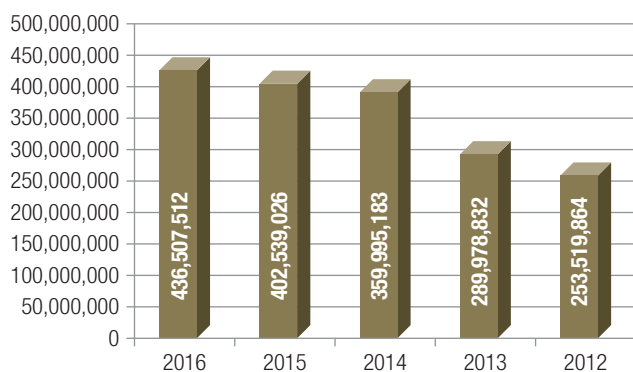
### FINANCED BY

Shareholders' Funds	519,851,994	486,471,852	421,676,423	683,341,095	614,986,037
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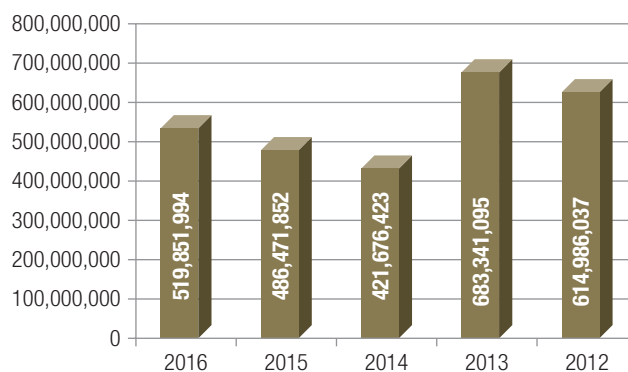
### STATISTICS

Earnings per share (Sen) (Fully diluted)	9.96	8.29	9.71	8.96	9.71
Net Asset per share (Sen)	278.70	260.80	257.82	255.36	249.70

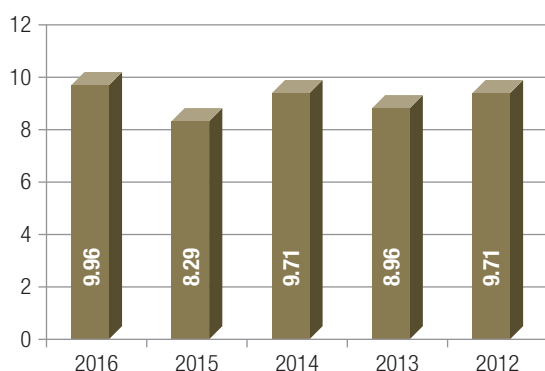
**TURNOVER**



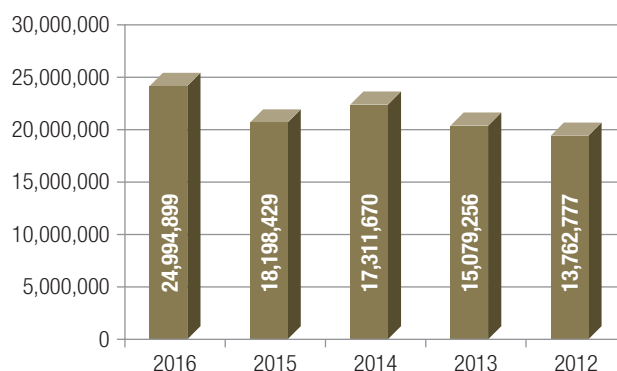
**SHAREHOLDERS' FUND**



**EARNINGS PER SHARE**



**PROFIT AFTER TAX ATTRIBUTABLE TO SHAREHOLDERS**



## STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors (“the Board”) of London Biscuits Berhad (“London” or “the Company”) recognized and subscribed to the importance of the principles and recommendations set out in the Malaysian Code of Corporate Governance 2012 (“the Code”) as a key factor towards achieving high standard of self-regulatory corporate practices to protect the Stakeholders’ interest and enhance the business sustainability and corporate accountability. The Board further acknowledges that the recommended best practices of the Code and except where specifically identified, the Board has generally complied with the best practices set out in the Code.

The Board are pleased to inform that the Company has established the followings which could be viewed from the Company’s corporate website at [www.londonbiscuits.com.my](http://www.londonbiscuits.com.my):-

- a. Board Charter
- b. Whistle-Blowing Policy
- c. Terms of Reference of Audit Committee
- d. Terms of Reference of Nominating Committee
- e. Terms of Reference of Remuneration Committee

### 1. Board of Directors

#### **Board Composition and Balance**

Our Board currently has nine (9) members, comprising one (1) Non-Independent Executive Director, five (5) Non-Independent Non-Executive Directors and three (3) Independent Non-Executive Directors. The composition of the Board fulfills with the minimum one-third requirement for Independent Directors to be on the Board as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Listing Requirements”). The Company has also complied with the gender requirements as in the Recommendation 2.2 of the Code.

The Directors bring characteristics which allow a mix of knowledge, experience, skills and expertise which includes financial, legal, taxation, secretarial and business management which necessary for the successful direction of the Group.

The Board is mindful on the recommendation of the Code that the Board must comprise a majority of Independent Non-Executive Directors where the Chairman of the Board is not an Independent Non-Executive Director. However, the Board is of the view that Dato’ Sri Liew Kuek Hin, the Non-Independent Non-Executive Chairman of the Board, being the pioneer and contribution towards the Company’s growth, his responsibility towards the Group’s business and development activities as well as his extensive knowledge on the Company’s operations and strategic direction renders him most suitable to represent the Company to its stakeholders.

The Board is of the opinion that the present composition of the Board which comprises of experienced and calibre Independent Directors are sufficient to provide the necessary check and balance of the Board.

The brief profile of each of the Directors is set out in the “Profile of Directors” on pages 8 to 10 of this Annual Report.

#### **Separation of Positions of the Chairman and Group Chief Executive Officer**

The roles of the Chairman, Dato’ Sri Liew Kuek Hin and Group CEO, Dato’ Sri Liew Yew Chung are separated with clear defined duties to ensure balance of power and authority within the Group.

The Chairman holds a non-executive position, is primary responsible for the leadership of the Board and ensure the effectiveness of the Board while the Group CEO manages the day-to-day business and operations and implements the Board’s decisions.

#### **Independent Directors**

The assessments on the Independence of all the Independent Directors are being carried out annually by the Nominating Committee and the results of these assessments have confirmed their independence.

The Company complied with the independence of Independent Directors’ requirements as in the Recommendation 3.2 and 3.3 of the Code. Subject to the assessment of the Nominating Committee, an Independent Director after serving a cumulative term of nine (9) years can remain as an Independent Director of the Company, are subject to the Shareholders’ approval at the forthcoming Annual General Meetings (“AGMs”).

At this forthcoming AGM, the Company will propose to seek the Shareholders’ approval to retain Dato’ Paduka Cheong Siew Kai, Mr. Huang Yan Teo and Mr. Leslie Looi Meng as Independent Directors of the Company. The Board is of the view that the Independent Directors can continue to serve in office beyond the nine (9) years tenure and provide their independence views and judgement in the decision making process.

## STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

### **Supply and Access to Information**

The Board recognised the process of decision making is highly reliable on the quality of information furnished. As such, the Board has full access to any information pertaining to the Group and the Company at all times, including access to the Senior Management and the Company Secretaries. All the Directors have full and timely access to the relevant information prior to each Board Meeting and Committees Meeting, in order to obtain a comprehensive understanding of the issues to be deliberated upon.

The Board is regulatory updated on new regulatory and regulatory requirements relating to their duties and responsibilities as a Director. The Board may seek for the independent professional advice in legal, financial, governance, if necessary, at the Company's expense to enable it to discharge its duties and responsibilities in relation in matters being deliberated.

### **Board Charter and Code of Conduct**

The Board Charter, which specified the duties and responsibilities of the Board, will be periodically assessed by the Board to ensure it incorporates the latest Company's policies and processes including the relevant legislation and regulations.

The Board recognises the importance of establishing a healthy corporate culture. The Board has obeyed the Code of Ethics for the Company Directors issued by the Companies Commission of Malaysia and in the midst of establishing the Code of Conduct for the Board, which sets out the standards of good behaviour by underscoring the core ethical values that are vital for that business decisions.

The Board also established a whistle-blower policy to provide a safe mechanism for whomever to come forward and raise any concerns about the actual or potential fraud or breach of trust involving employees, Management and the Board. This policy allows the whistle-blower to raise the concerns outside the Management line and the identity will be kept confidential and protection is given against any form of reprisal or retribution.

## **2. Board Meetings**

The Board ordinarily meets at least 5 times a year, to consider all matters relating to the overall control, business performance and strategy of the Company. Additional meetings will be convened, when if necessary, especially urgent and important decisions need to be concluded upon in between the scheduled meetings. The relevant reports (including Minutes of meetings), meeting agendas and Board papers are distributed to all Directors in advance of the Meeting to allow the Directors to have sufficient time to peruse for effective discussion and decision making during the meetings.

During the financial year, there were 5 Board Meetings carried out, of which 4 of the meetings were to review and discuss the Group's quarterly performances beside other agendas whilst the other meeting was held to review the annual audited financial results and the annual report for the year. During the Board Meetings, the Executive Director was in all time present (in the meeting or via tele-conferencing) to provide information, explanation on the performance and areas of concern within the Group.

In the period between the Board Meetings, the Board's approvals were sought via circular resolutions, together with the sufficient information required to make informed decisions.

During the financial year, the Directors' attendance at the Board Meetings were as follows:-

<b>Name</b>	<b>Designation</b>	<b>No. of Board Meetings Attended</b>	<b>Percentage of Attendance (%)</b>
Dato' Sri Liew Kuek Hin	Chairman / Non-Independent Non-Executive Director	5	100
Datin Sri Lim Yook Lan	Non-Independent Non-Executive Director	5	100
Dato' Sri Liew Yew Chung	Group CEO	5	100
Dato' Liew Yew Cheng	Non-Independent Non-Executive Director	5	100
Liew Yet Mei	Non-Independent Non-Executive Director	5	100
Dato' Liew Yet Lee	Non-Independent Non-Executive Director	5	100
Dato' Paduka Cheong Siew Kai	Independent Non-Executive Director	4	80
Huang Yan Teo	Independent Non-Executive Director	5	100
Leslie Looi Meng	Independent Non-Executive Director	5	100

## STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

*Note:*

*Dato' Paduka Cheong Siew Kai has sent his request to the Board to excuse him from attendance one of the Board Meeting as he has to attend a seminar and the request has been approved by the Board.*

Based on the above, all Directors have complied with the minimum 50% attendance requirement in respect of Board Meetings as stipulated in the Listing Requirements of Bursa Securities and the Articles of Association of the Company. The Board's Meetings and Committees' Meetings for each of the quarter were scheduled at the end of each of the Meeting, to allow the Directors and Members of the Committees to organise and plan their activities ahead to ensure that they would be able to attend all Meetings which have been scheduled earlier.

### 3. Company Secretary

The Company Secretaries are suitably qualified, competent and are members of the professional bodies. The Company maintains 2 named company secretaries namely, Ms. Hoh Leong Ching, a member of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) and Mr. Hoh Chee Mun, a member of Malaysian Institute of Accountants (MIA).

The Company Secretaries attended all the Boards and Committees Meetings carried out during the financial year under review. The procedures and conclusion of all the Board Meetings and Committees Meetings were minuted properly and approved by the Chairman of Meetings accordingly. Further that, amendments and updates on the Listing Requirements, Companies Act, 1965, Companies Act, 2016, the Code, Taxes or other regulatory and authorities which maybe of concern to the Group or the Directors would be highlighted by the Company Secretaries during the Board Meetings or circulated via emails.

The Company Secretaries also attended the AGMs of the Company to ensure the procedures were carried out efficiently. The conclusion of the AGMs would be minuted and the results of the voting of the resolutions tabled at the AGMs would be announced by the Company Secretaries after the Meetings to the public via Bursa-link.

### 4. Directors' Continuing Education

The Directors and representative of the Company continually attended relevant training programmes and seminars to keep abreast with the various issues facing the changing business environment within which the Group operates and further enhance their knowledges and professionalism in discharging their fiduciary duties to the Company.

During the financial year and up to the date of this Statement, the seminars and conferences attended by the Board Members include:-

Seminars / Conferences	Organisers	Date
National Tax Conference 2015	Chartered Tax Institute of Malaysia	25 & 26 August 2015
Seminar Percukaian Kebangsaan 2015	Lembaga Hasil Dalam Negeri Malaysia	29 October 2015
CG Breakfast Serves with Directors: Future of Auditor Reporting - The Game Changer for Boardroom	Bursa Malaysia Securities Berhad	2 November 2015
National Tax Conference 2016	Chartered Tax Institute of Malaysia	9 & 10 August 2016

The Board would continually evaluate and determine the training needs, particularly on relevant new regulations and essential practices for effective Board to enable them to effectively discharging their roles and duties.

### 5. Board Committees

The Board has delegated specific responsibilities to the following Board Committees to assist the Board examine specific issues and report to the Board with their recommendations. These Committees operate under the defined Terms of Reference or by-laws:-

- Audit Committee
- Nominating Committee
- Remuneration Committee
- ESOS Committee

## STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

### **Audit Committee**

The Audit Committee was established on 27 November 2001 and is currently chaired by Mr. Leslie Looi Meng (Independent Non-Executive Director). Members of the Audit Committee are Mr. Huang Yan Teo (Independent Non-Executive Director) and Dato' Sri Liew Kuek Hin (Non-Independent Non-Executive Director), who have discharged their duties and function as stipulated in the Terms of Reference of the Audit Committee.

The details of activities of Audit Committee are found in the "Statement on Audit Committee" of this Report.

### **Nominating Committee**

The Nominating Committee was established on 17 January 2002 to ensure the Board has an appropriate balance, size and the required mix of skills, experience and core competencies to govern the organisation towards achieving the intended goals and objectives.

Ms. Liew Yet Mei (Non-Independent Non-Executive Director) is currently the Chairperson of the Nominating Committee. The Members of the Nominating Committee are Mr. Huang Yan Teo (Independent Non-Executive Director) and Mr. Leslie Looi Meng (Independent Non-Executive Director). They have discharged their duties as set out in the Terms of Reference of Nominating Committee.

During the financial year under review, the Nominating Committee has met once with full attendance of its Members and has carried out the following key activities:-

- Reviewed and assessed the performance of the Board, Board Committees and Individual Directors;
- Reviewed the assessment of the retiring Directors according to Section 129 of the Act;
- Reviewed the assessment of the retiring Directors according to Article 84 of the Company's Articles of Association; and
- Assessed and determined the independency of the Independent Directors as recommended by the Code.

The Terms of Reference of the Nominating Committee was formalized and approved by the Board on 17 January 2002 and it was last reviewed and updated on 26 August 2016. The functions of the Nominating Committee such as nomination, election, assessment and evaluation process of the Board Members are set out in the Terms of Reference are made available in the Company's website.

### **Remuneration Committee**

The Remuneration Committee was established on 17 January 2002 to recommend the fair remuneration practices for the Board and key executives of the Group in order to attract, retain and motivate them.

The Remuneration Committee was currently chaired by Dato' Liew Yet Lee (Non-Independent Non-Executive Director) and the Members of the Remuneration Committee are Dato' Sri Liew Kuek Hin (Non-Independent Non-Executive Director) and Ms. Liew Yet Mei (Non-Independent Non-Executive Director). They have discharged their duties as set out in the Terms of Reference of the Remuneration Committee.

During the financial year under review, the Remuneration Committee has met once with full attendance of its Members and has carried out the following key activities:-

- Reviewed the remuneration packages of the Directors
- Reviewed the remunerations packages of the Group CEO

The Directors' Fees are recommended by the Board and are subject to the approval of the Shareholders of the Company at the AGM.

The Terms of Reference of the Remuneration Committee was formalized and approved by the Board on 17 January 2002 and it was last reviewed and updated on 26 August 2016. The remuneration procedures and policy of the Board Members and CEO are set out in the Terms of Reference which are made available in the Company's website.

### **ESOS Committee**

The formation of the ESOS Committee was on an ad-hoc basis. The ESOS Committee manages the policy and administrative of the Employees Share Option Scheme ("ESOS"), which was implemented on 2 January 2014 and would be dissolved upon the expired or the termination of the ESOS. The ESOS Committee was administered in accordance with the objectives and regulations set out in the By-Laws make rules and regulations or impose such terms and conditions in such manner as it deems fit and with such powers and duties as are conferred upon by the Board.

## STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

The ESOS Committee's members are as follows:-

- Mr. Wong Kind Look (Chairman)
- Mr. Lim Heng Min
- Ms. Wong Soo Len
- Mr. Kong Ching Ho

## 6. Directors' Remuneration

The aggregate remuneration of Directors paid or payable by the Company and the Group for the financial year under review were as follows:-

**Company**

Category	Fee (RM)	Salaries & Other Emoluments (RM)	Total (RM)
Executive Director	-	1,348,000	1,348,000
Non-Executive Directors	142,500	1,958,200	2,100,700

**Group**

Category	Fee (RM)	Salaries & Other Emoluments (RM)	Total (RM)
Executive Director	21,500	1,348,000	1,369,500
Non-Executive Directors	271,900	1,958,200	2,230,100

The remuneration paid to the Directors of the Company and the Group during the financial year under review, were analysed into bands of RM50,000 which complies with the disclosure requirements under the Listing Requirements as follows:-

**Company**

Bands (RM)	No. of Executive Director	No. of Non-Executive Directors
Below 50,000	-	5
100,001 – 150,000	-	1
350,001 – 400,000	-	1
1,300,001 – 1,350,000	1	-
1,350,001 – 1,400,000	-	-
1,400,001 – 1,450,000	-	1

**Group**

Bands (RM)	No. of Executive Director	No. of Non-Executive Directors
Below 50,000	-	2
50,001 – 100,000	-	3
100,001 – 150,000	-	1
350,001 – 400,000	-	1
1,350,001 – 1,400,000	1	-
1,450,001 – 1,500,000	-	1

Note:

For security and confidentiality reasons, the details of Directors' remuneration are not shown with reference to Directors individually. The Board is of the view that the transparency and accountability aspect of the corporate governance on Directors' remuneration are appropriately served by the band disclosure made.

Directors' Fees are subject to the approval by Shareholders at the forthcoming AGM.



## STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

### 7. Accountability and Audit

#### **Financial Reporting**

The Board takes responsibility to present a balance and meaningful assessment of the Group's position and prospects in the various financial reports and to ensure that the financial statements are drawn up in accordance with the provisions of the Companies Act, Listing Requirements, the Financial Reporting Standards approved by the Malaysian Accounting Standards Board and other statutory and regulatory requirements.

The Audit Committee ensured that the accounting records of the Group are properly kept. The Committee also assists in scrutinising information for disclosure to ensure accuracy, adequacy and completeness to give a true and fair view of the state of affairs of the Group especially of the Group's quarterly and audited financial statements before recommending to the Board for its approval.

#### **External Auditors**

The Audit Committee reviews and monitors the suitability and independence of the External Auditors, i.e. Messrs. Adam & Co. The External Auditors has confirmed that they were, and has been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

The External Auditors could be engaged to perform non-audit services that would not be perceived to be in conflict with their roles as the External Auditors. During the financial year ended 30 June 2016, the External Auditors did not perform any non-audit services to the Company and the Group. The Audit Committee is satisfied with the competence and independence of the External Auditors and had recommended the re-appointment of the External Auditors to the Shareholders at the forthcoming AGM.

The Audit Committee would meet the External Auditors to review the scope of audit process, the audit findings and the audited financial statements, without any presence of the Executive Director and the Management. The External Auditors are invited to attend the AGM of the Company and are available to the Shareholders' questions on the conduct of the statutory audit and the preparation and contents of their audit report.

#### **Risk Management and Internal Control**

The Board acknowledges the importance of risk management and internal control in the daily operation and management of the Company and the Group. The Board recognises that the risk would not be totally eliminated but it could be control and minimise with good internal control policy.

The Group's Statement on Risk Management and Internal Control is set out on pages 30 to 31 of this Annual Report. The said Statement has been duly reviewed by the External Auditors.

### 8. Relation with Shareholders

#### **On Dialogues between Company and Stakeholders**

The Board recognises the importance of implementation and maintenance of an effective communication and engagement with Shareholders and Stakeholders. The Company's website, i.e. [www.londonbiscuits.com.my](http://www.londonbiscuits.com.my), provides a platform for the Shareholders, investors, and the public to access to the corporate information pertaining to the Group and its activities.

To maintain a high level of transparency and to effectively address any issues and concerns, the Group has a dedicated electronic mail, i.e. [lbbg@lbbg.com.my](mailto:lbbg@lbbg.com.my), to which the Stakeholders could raise their requests, queries and concerns directly.

#### **Corporate Disclosure**

The Board is aware of the need to establish corporate disclosure policies and procedures in line with the Listing Requirements to enable comprehensive, accurate and timely disclosures relating to the Group to be made to the regulators, shareholders and investors.

The Board has delegated the authority to the Executive Director to approve all announcements for release to Bursa Securities. The Group CEO work closely with the Board, the Senior Management and the Company Secretaries, whom are privy to the information to maintain strict confidentiality of the information. The Board is in the midst of formalising the Corporate Disclosure Policy, which set out the standards of disclosure and dealings with the information of the Company and the Group.

## STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

### **AGMs**

The Company's AGM is the principal forum for dialogue with the Shareholders, whereby the Directors would be available during the meetings to respond to the Shareholders' queries and concerns. The External Auditors are also invited to such meetings to provide their professional and independent clarifications on queries which would be raised by any Shareholders.

Shareholders are being notified and being provided with a softcopy of the Company's Annual Report, at least 21 days prior to the date of meeting and the notice of the meeting would be advertised at the local national daily newspaper.

Each shareholder could vote in person or by appointing a proxy(ies) to attend and vote on his/her behalf. Any Special Business included in the Notice of the AGM would be accompanied by an explanation of the effects of the proposed resolutions. Shareholders are given the opportunity to participate in the question and answer session on the proposed resolutions and the operations of the Group. Separate resolutions would be prepared for different transactions and the outcome of the resolutions voted upon would be declared by the Chairman during the Meetings and would be announced to Bursa Securities on the same day after the Meetings.

The Chairman would inform the Shareholders, Proxies and Corporate Representatives on their rights to demand for a poll voting at the commencement of AGM for any resolution in accordance with the provisions of the Company's Articles of Association on the voting for any resolutions. In accordance with new Paragraph 8.29A of the Listing Requirements, the Company would ensure that all the resolutions tabled at the general meetings would be voted by poll.

### **9. Sustainability**

The Group is committed towards sustainable development, employees' welfare, environment as well as the community's responsibilities which would be integral to the way in which the Group conducts its business and operations. The Group is committed to the continuous efforts in maintaining a delicate balance between its sustainability plan and the interest of the Shareholders and Stakeholders. A Report on the activities pertaining to the Corporate Social Responsibilities is set out in page 26 of this Annual Report.

## STATEMENT ON CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility (“CSR”) has turn to be part of the business strategy for corporate development. In fulfilling its role as a good corporate citizen, the Group recognise the need and responsibility to care for the community, environment, workplace and marketplace.

The Group seeks to ensure that the interest of its key stakeholders from shareholders, investors, customers, employees and the communities are cared for through the conscious endeavours to integrate all our business plans and activities with corporate responsibility values.

### Community

In the course of conducting its business operation, the Group is mindful of its responsibilities as a corporate citizen in contributing to society while enhancing the Shareholders’ value. The Group’s commitment to serve the community goes beyond providing environmentally friendly products. The Group continues to support the particular needs of the communities by contributing to local charities and community functions/events in the form of gifts in kind and cash donations.

### Workplace

Recognising its employees as an important asset to the Group, it had always endeavoured to safeguard the welfare of its employees to ensuring business sustainability and growth.

Employees are provided with necessary training programmes on an ongoing basis to further enhance their skills and knowledge. This includes participation in various job related training organised by external parties.

The Group also maintains a diverse mix of gender, ethnicity and age in the work place and management of the Group. The Company received an award from Ministry of Women, Family and Community Development for achieving the target of at least 30% women on board in Public Listed Companies in conjunction with Hari Wanita 2016 on 25 August 2016.

The Group ensure the employees’ health and well-being at the workplace by observing strict Safety and Health Standards in our workplace. The standard operating policies of the Group have included incident and situation management which adhered to the Occupational Safety and Health Act, 1994.

### Environment

The Group is fully committed in ensuring that its production facilities, process, factories environment are managed, maintained and refined to be in line with its business needs to ensure compliance with any changes in the environmental laws and regulations, including promoting awareness among our staff to minimise the usage of electricity, water and paper.

The Group is committed to seek continuous improvements in its operations to minimise any negative impact on the environment.

The Group also has continued to take initiatives in reducing carbon footprints in all areas of its operations and other harmful wastes.

### Marketplace

To be in line with zero tolerance of the fraud and unethical practices, the Group has implemented a compliance and ethics programme, namely, a framework of internal control, policies and principles that provides reasonable assurance of the Group’s compliance to regulatory requirements and the Group’s corporate policies.

## STATEMENT ON AUDIT COMMITTEE

The Board of Directors of London Biscuits Berhad (“the Company”) is pleased to present the Statement on Audit Committee for the year ended 30 June 2016.

The Audit Committee was established on 27 November 2001. During the financial year, there were five (5) Audit Committee Meetings held and the attendance by the members as set out as follow:-

### 1. Composition of the Audit Committee:-

Audit Committee Members	No of Meetings Attended / No of Meetings Held
Mr. Leslie Looi Meng (Chairman) - Independent Non-Executive Director	5/5
Dato' Sri Liew Kuek Hin (Member) - Non-Independent Non-Executive Director	5/5
Mr. Huang Yan Teo (Member) - Independent Non-Executive Director	5/5

Mr. Huang Yan Teo is a member of the Malaysian Institute of Accountants and Malaysian Institute of Taxation. All members of the Audit Committee are financially literate. The details of the members of the Audit Committee are contained in the “Directors’ Profile” as set out on pages 8 to 10 of this Annual Report.

The Company Secretaries of the Company, Ms. Hoh Leong Ching and Mr. Hoh Chee Mun, are also the Secretaries of the Audit Committee.

### 2. Terms of Reference

The Terms of Reference of the Audit Committee was formalized and approved by the Board on 27 November 2001 and it was last reviewed and updated on 26 August 2016. The composition and function of the Audit Committee are set out in the Terms of Reference which is made available on the Company’s website at <http://www.londonbiscuits.com.my/>.

The Audit Committee has discharged its functions and duties as set out in the Terms of Reference.

### 3. Functions and Duties

The activities carried out by the Audit Committee during the financial year are as follows:-

- (a) Reviewed promptly the quarterly unaudited financial results of the Group and obtained clarifications from the Management Team before tabling and recommending the same for the Board’s consideration and approval.
- (b) Reviewed and discussed the annual audited financial statements of the Group and obtained clarifications from the Management Team together with the External Auditors before tabling and recommending the same for the Board’s consideration and approval.
- (c) Revised and updated the existing Terms of Reference of the Audit Committee to be aligned with the requirements of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and Malaysia Code of Corporate Governance 2012 before recommending for the Board’s approval and uploaded on the Company’s website.
- (d) Reviewed and formalised the Whistle-blower Policy with the Internal Auditor before recommending for the Board’s approval and uploaded on the Company’s website.
- (e) Reviewed the executive summary of the internal audit reports which were done based on the approved Annual Internal Audit Plans for the Group. The Audit Committee deliberated and resolved the audit findings and accepted the audit recommendations made, management’s responses and actions taken by the Internal Auditors to improve the system of internal control and procedures.
- (f) Reviewed and approved the Annual Audit Plans of the Group as advised by the Internal Auditor.
- (g) Carried out meetings with the External Auditors without the executive Board Members and Management being present to discuss issues arose from their reviews.
- (h) Discussed and reviewed the Audit Memorandum Planning prepared by the External Auditors before tabling and recommending the same to the Board’s consideration and approval.

## STATEMENT ON AUDIT COMMITTEE (CONTINUED)

- (i) Reviewed the External Auditors' reports and recommendations regarding the financial matters based on observations made in the course of their audits.
- (j) Evaluated the performance and effectiveness of the External Auditors, Messrs. Adam & Co. and made recommendations to the Board on their re-appointment and remuneration package.
- (k) Reviewed the transaction limit of recurrent related party transactions of a revenue or trading nature ("RRPTs") on a quarterly basis for compliances under the Shareholders' Mandate.
- (l) Reviewed the information contained in the Shareholders' Circular in relation to the RRPTs between the Company and Khee San Food Industries Sdn Bhd, a wholly-owned subsidiary of Khee San Berhad with the Management Team before tabling and recommending the same for the Board's approval.
- (m) Reviewed and considered the new transaction limit of the RRPTs proposed by the Management Team before recommending for the Board's approval.
- (n) Verified the Employees' Share Option Scheme ("ESOS") options allotted were in compliance with the established and approved ESOS By-Laws.
- (o) Reviewed the Statement on Audit Committee, Statement on Corporate Governance and Statement on Risk Management and Internal Control for insertion into the Company's Annual Report before tabling and recommending for the Board's approval.
- (p) Made due enquiries if there were any related party transactions and reviewed to ensure the related party transactions, if any, were on ordinary commercial terms and were not favourable to the related party than generally available to the public, and that the transactions were not detrimental to the minority party.

#### 4. Internal Audit Function

The Group has an Internal Audit Department in-charge by Dato' Liew Yet Lee, to assist the Audit Committee in the effective discharging of its duties and responsibilities.

The principal activity of the Internal Audit Department is to perform regular and systematic reviews of the Group's system of risk management and internal controls, recommending cost-effective measures to mitigate these risks, enhance operational efficiency and implementation of sound governance processes. The total costs incurred for internal audit for the period was RM19,900.00.

The Audit Committee has full access to the Internal Auditor for internal audit purposes.

A summary of its activities carried during the financial year under review as follows:-

- (a) Conducted audits of the various departments of the Group to be in compliance with internal control procedures.
- (b) Conducted follow-up audits on the implementation of the Audit Committee's recommendations and Management's actions taken to improve on issues identified during the audits.
- (c) Prepared annual internal audit plans for Audit Committee's consideration.
- (d) Prepared the Whistle-blower Policy of the Group and recommended to the Audit Committee for approval before tabling for the Board's approval.

The internal audit activities have been carried out according to the internal audit plan approved by the Audit Committee for the financial year.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

### 1. INTRODUCTION

The Board of Directors (“the Board”) of London Biscuits Berhad (“the Company”) is pleased to present the Statement on Risk Management and Internal Control, which has been prepared in accordance with Paragraph 15.26 (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and guided by the “Statement on Risk Management & Internal Control – Guidelines for Directors of Listed Issuers” issued by the Institute of Internal Auditors Malaysia.

The Board believes the practice of good corporate governance is an important continuous process to safeguard Shareholders’ investment and the Group’s assets and not just a matter to be covered as compliance in its Annual Report.

### 2. BOARD’S RESPONSIBILITIES

The Board upholds its overall responsibility for the Group’s system of internal control, including the assurance of its adequacy and integrity, and its alignment with the corporate objectives. The internal control system covers risk management, financial, organisational and operation and compliance controls.

The Board also affirms that they will be continuously improve the process for identifying, evaluating, monitoring and managing the significant risks faced by the Group as to safeguard the Shareholders and Stakeholders interest. However, in view of the limitation inherent in any system of internal controls and risk management, it should be noted that a system of internal controls and risk management framework is designed to manage the principal risks of the Group rather than to eliminate the risks of failure. As such, the internal control system can only provide reasonable and not absolute assurance against material misstatement of management and financial information or against loss or fraud.

The Board is assisted by the Management in implementing the Board’s policies and procedures on risk and control by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to manage and control these risks.

### 3. RISK MANAGEMENT FRAMEWORK

As an integral part of the system of risk management, the Board maintained an ongoing group wide risk management process for identifying, evaluating and managing the significant risks that may affect the achievement of the Group’s business objectives.

Risk management is firmly embedded in the Group’s management systems and its policy is reviewed every 2 to 3 years to ensure it is relevant and adequate to manage the Group’s risks, which continue to evolve along with the changing of business environments. The Board strongly believes that prudent risk management is vital for business sustainability and the progressive enhancement of the Shareholders’ value.

It is the responsibilities of the key management, Head of subsidiary companies and Heads of Departments to identify, evaluate and monitor risk faced by the respective parties on an ongoing basis with defined parameters. The deliberation of risks and related mitigating responses are carried out at regular management meetings of the Group. Significant risks are conveyed to the Board at the quarterly scheduled meetings.

### 4. INTERNAL AUDIT FUNCTION

The Group has an Internal Audit Department (“IAD”) to assist the Audit Committee in discharging their responsibilities by reviewing the adequacy and the integrity of the Group’s internal control systems, management information systems and the system on compliance with the applicable laws, regulations, rules and guidelines. The Internal Auditors are independent of the Management and its operations.

The Audit Committee had approved the Internal Audit Plan for the internal control system of the Group. The Internal Auditors carries out continuous internal controls reviews on the business processes that manage the principal risks identified on a quarterly basis.

All findings and the recommendations together with the Management’s actions for further improvement were submitted to the Audit Committee on a quarterly basis. In assessing the adequacy and effectiveness of the system, the Audit Committee reports to the Board on its activities, audit findings and the necessary recommendations or actions needed to be taken by the Management to rectify those issues.

During the financial year ended 30 June 2016, the Internal Auditors have conducted various approved internal audit plans which are in consistent with the corporate goal of the Group and all internal Auditors’ reports were deliberated by the Audit Committee during its Audit Committee Meetings and recommendations made to the Board and/or the Management was acted upon thereafter.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

During the financial year under review, the following areas and departments were audited by the Internal Auditor:-

- Maintenance Department
- Laboratory Department
- LBB Management Information System Department – Issuing
- Warehouse Management
- Production Management
- Quality Assurance and Quality Control Management
- Administration Housekeeping
- Customer Service Department
- Cash Flow and Finance Management
- Human Resources and Administration Management
- Corporate Affair and Legal Department
- Supplier Audit

The costs incurred for the aforesaid internal audit function for the period ended 30 June 2016 amounted to RM19,900.00.

### 5. KEY ELEMENTS

The Group's key elements of risk management and internal control system are described as follows:-

- Establishment of a conducive control environment in respect of the overall attitude, awareness and the actions of the Directors and Management regarding the risk management and internal control system and its importance to the Group.
- Clearly defined limits of authority, responsibility and accountability have been established through the relevant terms of reference and organisational structures to enhance the Group's ability to achieve its strategies and operational objectives.
- A clear and detailed organisational structure has been established to focus on the related reporting responsibilities and accountabilities to ensure and clarify task ownership.
- Board meetings and Management meetings are held regularly on the operational issues, financial performance, human resources matters and business plans to discuss, identify and manage the key risks.
- Development of comprehensive policies and procedures manuals including staff handbook to ensure compliance with internal controls and the relevant laws and regulations, provide guidelines on, and authority limits over various operating, financial, human resources inclusive of health and safety matters.
- Internal policies and procedures as set out in the Group's policies and procedures covering various operational and management aspects are regularly updated to address operational deficiencies and changes of risk.
- The communication channel such as intranet, email, teleconferencing as an effective means of communication and knowledge sharing among the employees.
- A Code of Ethics which defines the ethical standards is introduced to all employees and conduct at work. New employees are briefed on the Group's culture, organisational structure, their job descriptions, responsibilities and key performance index expectations upon joining the Group by their immediate supervisors and a documents copy of the same is filed in their respective personnel files.
- Recruitment of experienced, skilled and professional staff to fulfil the respective responsibilities and ensuring adequate control are in place.
- The major capital expenditure and assets disposals are appraised and approved by the Board as well as the Board of Directors of the subsidiaries, whenever applicable.
- All Heads of Departments are required to prepare the annual strategic plan, capital and operating expenditure budgets to be aligned with the strategic planning and budgeting process of the Group.
- The Group's financial performance and statements has been reviewed by Audit Committee which is then reported to the Board.

Regular and comprehensive management reports to the Audit Committee from various lines of operations and business units, on key business performance, operating statistics and regular matters. This allows for an effective monitoring of significant variances and deviation from standard operating procedures and budget.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

### 6. REVIEW BY THE BOARD

The Board had reviewed the Audit Committee's report in the findings and recommendations by the Internal Auditor and necessary actions have been taken by the Management. The Board had received verbal assurance from the Group CEO that the Group's Risk Management and Internal Control Systems are operated adequately and effectively, in all material aspects, based on the Group's policies and procedures.

The Board considered the risk management and internal control process in the Group during the financial year to be satisfied and sufficient to safeguard the Stakeholders' interest.

The Board considers the system of internal controls described in this statement to be satisfactory and the risks to be at an acceptable level within the context of the Group's business environment. And, there is no significant breakdown or weaknesses in the current system of the Group for the financial year ended 30 June 2016. As the development of an efficient system of internal controls is an ongoing basis, the Board and the Management will continue to take necessary measures and maintain ongoing commitment to strengthen the risk management and internal controls environment and processes of the Group.

During the financial year under review, there were no material losses caused by the failure in internal controls.

### 7. REVIEW BY EXTERNAL AUDITORS

As required under Paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the External Auditors, Messrs. Adam & Co., have reviewed this Statement pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the Annual Report for financial year ended 30 June 2016. RPG 5 does not require the External Auditors to consider whether the Statement covers all risks and controls, or to for, an opinion on the adequacy and effectiveness of the risk management and internal controls system of the Group.

The External Auditors had reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the internal controls system within the Group.



## **STATEMENT ON DIRECTORS' RESPONSIBILITY IN PREPARING THE REPORTS AND FINANCIAL STATEMENTS**

The Board of Directors understand that they are responsible for ensuring that the financial statements for every financial year provide a true and fair view of the state of affairs of the Group and Company and of the results of the operations of the Group and Company for the financial year, as required by the Companies Act, 1965. The Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965 is stated on page 37 of this Annual Report.

In preparing the financial statements of the Group and of the Company for the financial year ended 30 June 2016, the Directors have:-

- ensure compliance with applicable approved Financial Reporting Standards in Malaysia;
- adopted the appropriate accounting policies, which are consistently applied;
- made reasonable and prudent judgments and estimates; and
- prepared the Annual Audited Financial Statements on a going concern basis.

On the other hand, the Directors have full responsibilities for taking reasonable steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. In addition, the Directors are also responsible to ensure that proper accounting records are maintained, where the financial position of the Group and the Company are properly kept and disclose with reasonable accuracy, and to ensure that the Financial Statements are comply with applicable approved accounting standards in Malaysia and the Companies Act, 1965.

## DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2016.

### PRINCIPAL ACTIVITIES

The principal activities of the Company are manufacturing and trading of confectionery and other related foodstuffs. The principal activities of the subsidiaries companies are disclosed in Note 15 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

### FINANCIAL RESULTS

	2016	
	Group RM	Company RM
Profit for the financial year	22,418,888	12,922,433
Attributable to:		
Owners of the parent	18,587,589	12,922,433
Non-controlling interest	3,831,299	-
	22,418,888	12,922,433

### RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year are disclosed in the financial statements.

### DIVIDENDS

No dividend was paid or declared by the Company since the end of the previous financial year.

The Directors do not recommend a final dividend to be paid in respect of the financial year ended 30 June 2016.

### ISSUE OF SHARES AND DEBENTURES

No shares or debentures were issued during the financial year.

### EMPLOYEES' SHARE OPTION SCHEME

The Company's Employees' Share Options Scheme ("ESOS") is governed under the by-laws approved by the shareholders at Extraordinary General Meeting held on 27 December 2013. During the financial year, there was no ESOS options being granted.

The salient features of the ESOS are disclosed in Note 24 to the financial statements.

### ISSUE OF WARRANTS

No warrants were issued during the financial year.

## DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016 (CONTINUED)

### DIRECTORS

The Directors who served since the date of the last report are:-

Dato' Sri Liew Kuek Hin, SSAP, DIMP, PJK, JP  
 Datin Sri Lim Yook Lan  
 Dato' Sri Liew Yew Chung, SSAP, DIMP  
 Dato' Liew Yew Cheng, DIMP  
 Liew Yet Mei  
 Dato' Liew Yet Lee, DIMP  
 Dato' Paduka Cheong Siew Kai, DJMK, AMS, JP  
 Leslie Looi Meng  
 Huang Yan Teo, PIS, PPN

### DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, the interests of those Directors who held office at the end of the financial year in shares in the Company during the financial year are as follows:-

	← Ordinary Shares of RM1 each →			At 30.6.2016
	At 1.7.2015	Bought	Sold	
Direct interest:				
Dato' Sri Liew Kuek Hin, SSAP, DIMP, PJK, JP	250	-	-	250
Datin Sri Lim Yook Lan	224,487	-	-	224,487
Dato' Sri Liew Yew Chung, SSAP, DIMP	2,133,985	-	-	2,133,985
Dato' Liew Yew Cheng, DIMP	31	-	-	31
Liew Yet Mei	39,671	-	-	39,671
Dato' Liew Yet Lee, DIMP	2,172,671	-	-	2,172,671
Indirect interest:				
Dato' Sri Liew Kuek Hin, SSAP, DIMP, PJK, JP	44,600,544	-	-	44,600,544
Datin Sri Lim Yook Lan	44,376,307	-	-	44,376,307
Dato' Sri Liew Yew Chung, SSAP, DIMP	42,466,809	-	-	42,466,809
Dato' Liew Yew Cheng, DIMP	44,600,763	-	-	44,600,763
Liew Yet Mei	44,561,123	-	-	44,561,123
Dato' Liew Yet Lee, DIMP	42,428,123	-	-	42,428,123

By virtue of their shareholdings in the Company, Dato' Sri Liew Kuek Hin, SSAP, DIMP, PJK, JP, Datin Sri Lim Yook Lan, Dato' Sri Liew Yew Chung, SSAP, DIMP, Dato' Liew Yew Cheng, DIMP, Liew Yet Mei and Dato' Liew Yet Lee, DIMP, are deemed to have interests in shares in all the subsidiary companies during the financial year to the extent of the Company's interest, in accordance with Section 6A of the Companies Act 1965.

### DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director is entitled or become entitled to receive any benefit (other than as disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a Company in which the Director has a substantial financial interest.

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

### BAD AND DOUBTFUL DEBTS

Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of impairment of receivables and are satisfied that all known bad debts have been written off and adequate impairment had been made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances that would render the amount written off for bad debts, or the amount of the allowance for impairment, in the financial statements of the Group and of the Company inadequate to any substantial extent.

## **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016 (CONTINUED)**

### **CURRENT ASSETS**

Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps to ascertain whether any current assets, other than debts, which were unlikely to realise in the ordinary course of business their value as shown in the accounting records of the Group and of the Company and to the extent so ascertained were written down to an amount that they might be expected to realise.

At the date of this report, the Directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

### **VALUATION METHODS**

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

### **CONTINGENT AND OTHER LIABILITIES**

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

- (i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person, or
- (ii) any contingent liabilities in respect of the Group and of the Company that has arisen since the end of the financial year, other than as disclosed in the financial statements.

In the opinion of the Directors, except disclosed in Note 33, no contingent liabilities or other liabilities of the Group and of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

### **CHANGE OF CIRCUMSTANCES**

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

### **ITEMS OF AN UNUSUAL NATURE**

The results of the operations of the Group and of the Company during the financial year, in the opinion of the Directors, may be substantially affected by items, transactions or events of a material and unusual nature.

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

### **EVENTS SUBSEQUENT TO BALANCE SHEET DATE**

Except as disclosed in Note 39 to the financial statements, there has not arisen in the interval between the end of the year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Group and the Company for the year in which this report is made.

## **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016 (CONTINUED)**

### **AUDITORS**

The auditors, Messrs. ADAM & CO., have indicated their willingness to accept re-appointment in accordance to Section 172(2) of the Companies Act, 1965.

Signed in accordance with a resolution of the Directors:

**DATO' SRI LIEW KUEK HIN,  
SSAP, DIMP, PJK, JP  
Director**

**DATO' SRI LIEW YEW CHUNG,  
SSAP, DIMP  
Director**

**Kuala Lumpur,  
Date: 28 September 2016**

## STATEMENT BY DIRECTORS PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, DATO' SRI LIEW KUEK HIN, SSAP, DIMP, PJK, JP and DATO' SRI LIEW YEW CHUNG, SSAP, DIMP, being two of the Directors of LONDON BISCUITS BERHAD, state that, in the opinion of the Directors, the financial statements set out on pages 40 to 84 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2016 and of their financial performance and cash flows for the financial year then ended.

The supplementary information on page 84 disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the Directors:-

**DATO' SRI LIEW KUEK HIN,**  
**SSAP, DIMP, PJK, JP**  
**Director**

**DATO' SRI LIEW YEW CHUNG,**  
**SSAP, DIMP**  
**Director**

Kuala Lumpur,  
Date: 28 September 2016

## STATUTORY DECLARATION PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, DATO' SRI LIEW YEW CHUNG, SSAP, DIMP (NRIC No.: 701102-01-6137), the Director primarily responsible for the financial management of LONDON BISCUITS BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 40 to 84 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the )  
abovenamed DATO' SRI LIEW YEW CHUNG, )  
SSAP, DIMP at Kuala Lumpur in the state of )  
Wilayah Persekutuan on 28 September 2016 )

Before me,

DATO' SRI LIEW YEW CHUNG,  
SSAP, DIMP

Commissioner for Oaths  
Samsiah binti Ali  
(No: W589)

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LONDON BISCUITS BERHAD**

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the financial statements of LONDON BISCUITS BERHAD, which comprise the statements of financial position as at 30 June 2016 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 40 to 84.

### **Directors' Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

### **Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Company as of 30 June 2016 and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

### **Report on Other Legal and Regulatory Requirements**

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (c) Our audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LONDON BISCUITS BERHAD (CONTINUED)**

### **Other Reporting Responsibilities**

The supplementary information set out on page 84 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad's Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

### **Other Matters**

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

**ADAM & CO.**  
AF 1250  
Chartered Accountants

**ADAM SELAMAT BIN MUSA**  
Approval No.: 2019/03/18(J)  
Chartered Accountant

Kuala Lumpur,  
Date: 28 September 2016



## STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Note	2016 RM	Group 2015 RM	2016 RM	Company 2015 RM
Revenue	4	436,507,512	402,539,026	274,763,408	251,441,722
Cost of sales	5	(343,749,504)	(310,274,033)	(217,437,622)	(186,501,586)
Gross profit		92,758,008	92,264,993	57,325,786	64,940,136
Other operating income	6	8,716,717	6,682,968	3,930,894	2,096,837
Selling & distribution costs		(29,619,361)	(28,686,440)	(10,904,935)	(17,761,758)
Administration expenses		(29,943,275)	(28,893,996)	(23,672,265)	(23,280,441)
Finance Cost	7	(16,917,190)	(18,626,958)	(11,721,082)	(12,382,235)
Profit before taxation	8	24,994,899	22,740,567	14,958,398	13,612,539
Taxation	11	(2,576,011)	(4,542,138)	(2,035,965)	(2,988,859)
Profit for the financial year		22,418,888	18,198,429	12,922,433	10,623,680
<b>Other comprehensive income</b>					
- Revaluation surplus on properties		31,253	-	-	-
Total comprehensive income		22,450,141	18,198,429	12,922,433	10,623,680
Profit attributable to:					
Owners of the parent		18,587,589	15,023,270	12,922,433	10,623,680
Non-controlling interest		3,831,299	3,175,159	-	-
Total comprehensive income attributable to:-					
Owners of the parent		18,618,842	15,023,270	12,922,433	10,623,680
Non-controlling interest		3,831,299	3,175,159	-	-
Earnings per ordinary share attributable to equity holders of the Company (sen)	12				
- Basic		9.96	8.35	6.93	5.91
- Diluted		9.96	8.29	6.93	5.86

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

## STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2016

	Note	2016 RM	Group 2015 RM	2016 RM	Company 2015 RM
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	13	569,182,501	572,814,214	289,844,605	293,207,096
Investment properties	14	-	2,900,000	-	-
Investment in subsidiaries companies	15	-	-	60,310,121	60,310,121
Investments	16	27,156	27,156	27,155	27,155
Intangible assets	17	12,659,547	12,659,547	-	-
<b>TOTAL NON-CURRENT ASSETS</b>		581,869,204	588,400,917	350,181,881	353,544,372
<b>CURRENT ASSETS</b>					
Inventories	18	25,600,110	27,761,207	11,782,556	13,669,320
Trade receivables	19	184,278,071	177,128,585	111,461,996	108,819,599
Non - trade receivables, deposits and prepayments	20	37,638,684	11,388,448	17,016,882	6,997,490
Amount due from subsidiaries	21	-	-	47,699,641	52,993,512
Deposits, cash and bank balances	22	46,054,245	21,642,575	39,872,951	20,353,131
<b>TOTAL CURRENT ASSETS</b>		293,571,110	237,920,815	227,834,026	202,833,052
<b>TOTAL ASSETS</b>		875,440,314	826,321,732	578,015,907	556,377,424
<b>EQUITY</b>					
Share capital	23	186,533,789	186,533,789	186,533,789	186,533,789
Reserve	25	211,282,479	193,067,993	169,798,123	156,875,690
<b>Shareholders' equity</b>		397,816,268	379,601,782	356,331,912	343,409,479
Non-controlling interest		122,035,726	106,870,070	-	-
<b>TOTAL EQUITY</b>		519,851,994	486,471,852	356,331,912	343,409,479

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

**STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2016  
(CONTINUED)**

	Note	2016 RM	Group 2015 RM	2016 RM	Company 2015 RM
<b>NON-CURRENT LIABILITIES</b>					
Hire purchase creditors	26	18,274,005	17,100,724	2,779,780	3,916,385
Borrowings	27	67,420,247	17,406,064	62,153,580	15,758,147
Deferred tax	29	18,091,325	15,605,767	14,882,605	12,913,630
<b>TOTAL NON-CURRENT LIABILITIES</b>		103,785,577	50,112,555	79,815,965	32,588,162
<b>CURRENT LIABILITIES</b>					
Trade payables	30	39,873,984	37,287,057	12,172,805	12,544,082
Non - trade payables and accruals	31	16,272,233	10,704,529	8,818,120	6,816,804
Borrowings	27	186,006,012	223,496,771	119,290,005	158,258,648
Hire purchase creditors	26	9,634,089	10,346,661	1,587,100	2,760,249
Tax payables		16,425	15,291	-	-
Bank overdrafts		-	7,887,016	-	-
<b>TOTAL CURRENT LIABILITIES</b>		251,802,743	289,737,325	141,868,030	180,379,783
<b>TOTAL LIABILITIES</b>		355,588,320	339,849,880	221,683,995	212,967,945
<b>TOTAL EQUITY AND LIABILITIES</b>		875,440,314	826,321,732	578,015,907	556,377,424

*The accompanying notes form an integral part of these financial statements.*

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR  
ENDED 30 JUNE 2016

		← Attributable to Equity Holders of the Company →					
Group	Note	Share capital RM	Share premium RM	Revaluation reserves RM	Retained earnings RM	Non- controlling interest RM	Total RM
At 1 July 2014		163,556,789	13,774,466	35,601,722	132,017,909	76,725,537	421,676,423
Employees share option scheme		6,627,000	-	-	-	-	6,627,000
Private placement		16,350,000	-	-	-	-	16,350,000
Increase in non-controlling interest share in subsidiaries		-	-	-	-	23,620,000	23,620,000
Dilution of interest in subsidiaries		-	-	(917,013)	(2,432,361)	3,349,374	-
Net profit for the year ended 2015		-	-	-	15,023,270	3,175,159	18,198,429
At 30 June 2015		186,533,789	13,774,466	34,684,709	144,608,818	106,870,070	486,471,852
Revaluation surplus on properties		-	-	6,251	-	25,002	31,253
Increase in non-controlling interest share in subsidiaries		-	-	-	-	10,930,000	10,930,000
Dilution of interest in subsidiaries		-	-	(443,451)	64,096	379,355	-
Net profit for the year ended 2016		-	-	-	18,587,590	3,831,299	22,418,889
<b>At 30 June 2016</b>		<b>186,533,789</b>	<b>13,774,466</b>	<b>34,247,509</b>	<b>163,260,504</b>	<b>122,035,726</b>	<b>519,851,994</b>
Company	Note	Share capital RM	Share premium RM	Revaluation reserves RM	Retained earnings RM		Total RM
At 1 July 2014		163,556,789	13,774,466	23,056,955	109,420,589		309,808,799
Employees share option scheme		6,627,000	-	-	-		6,627,000
Private placement		16,350,000	-	-	-		16,350,000
Net profit for the year ended 2015		-	-	-	10,623,680		10,623,680
At 30 June 2015		186,533,789	13,774,466	23,056,955	120,044,269		343,409,479
Net profit for the year ended 2016		-	-	-	12,922,433		12,922,433
<b>At 30 June 2016</b>		<b>186,533,789</b>	<b>13,774,466</b>	<b>23,056,955</b>	<b>132,966,702</b>		<b>356,331,912</b>

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

## STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	2016 RM	Group	2015 RM	2016 RM	Company	2015 RM
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>						
Profit before taxation	24,994,899		22,740,567	14,958,398		13,612,539
Adjustment for:-						
Depreciation	20,892,020		21,141,655	9,627,416		10,764,112
Impairment on inventories	432,145		209,209	385,908		52,462
Interest expenses	16,917,190		18,626,958	11,721,082		12,382,235
Unrealised gain on foreign exchange	(2,849,644)		(2,422,829)	(729,953)		(901,094)
Gain on disposal of property, plant and equipment	(685,994)		(42,229)	(685,994)		(23,427)
Dividend income	(1,125)		(1,125)	(1,125)		(1,125)
Reversal on impairment on investment	-		(9,790)	-		(9,790)
Tax refund	(136,968)		(125,062)	-		-
Interest income	(264,494)		(93,267)	(252,213)		(90,349)
Operating profit before working capital changes	59,298,029		60,024,087	35,023,519		35,785,563
Changes in working capital:-						
Decrease / (Increase) in inventories	1,647,240		(450,207)	1,886,764		(1,350,367)
Increase in trade receivables	(17,554,574)		(72,363,962)	(7,563,910)		(32,940,529)
Increase in non-trade receivables, deposits and prepayments	(9,726,718)		(3,612,071)	(3,564,252)		(1,724,228)
Decrease in trade payables	6,553,670		6,014,294	2,212,053		1,771,078
Increase in non-trade payables and accruals	5,567,704		3,080,576	4,551,771		1,895,687
Cash generated from / (used in) operating activities	45,785,351		(7,307,283)	32,545,945		3,437,204
Dividend received	1,125		1,125	1,125		1,125
Interest received	264,494		93,267	252,213		90,349
Tax refund	136,968		125,062	-		-
Tax paid	(1,465,500)		(1,423,607)	(1,000,000)		(1,000,000)
Interest paid	(16,917,190)		(18,626,958)	(11,721,082)		(12,382,235)
<i>Net cash generated from / (used in) operating activities</i>	27,805,248		(27,138,394)	20,078,201		(9,853,557)

*The accompanying notes form an integral part of these financial statements.*

## STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016 (CONTINUED)

	2016 RM	Group	2015 RM	2016 RM	Company	2015 RM
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>						
Proceeds from disposal of investment properties	3,250,000		-	-		-
Proceed from disposal of property, plant and equipment	49,625,363		959,010	18,174,608		913,648
*Purchase of property, plant and equipment	(56,177,543)		(23,077,939)	(23,488,838)		(5,659,683)
<i>Net cash used in investing activities</i>	(3,302,180)		(22,118,929)	(5,314,230)		(4,746,035)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>						
Proceeds from bankers' acceptance	7,416,937		41,887,717	5,130,702		20,574,991
Proceeds from issue of shares	-		16,350,000	-		16,350,000
Redeemable of employee share options scheme	-		30,247,000	-		6,627,000
Proceeds of revolving credits	17,883,340		-	13,883,340		-
Repayments of term loans	(12,776,853)		(18,157,201)	(11,587,252)		(16,967,600)
Repayments of hire purchase creditor	(4,727,806)		(13,253,372)	(2,670,941)		(4,453,800)
<i>Net cash generated from financing activities</i>	7,795,618		57,074,144	4,755,849		22,130,591
<b>Net increase in cash and cash equivalents</b>	<b>32,298,686</b>		<b>7,816,821</b>	<b>19,519,820</b>		<b>7,530,999</b>
<b>Cash and cash equivalents brought forward</b>	<b>13,755,559</b>		<b>5,938,738</b>	<b>20,353,131</b>		<b>12,822,132</b>
<b>Cash and cash equivalents at end of the financial year</b>	<b>46,054,245</b>		<b>13,755,559</b>	<b>39,872,951</b>		<b>20,353,131</b>
<b>Cash and cash equivalents comprise:</b>						
Cash and bank balances	45,763,889		21,364,110	39,582,595		20,074,666
Fixed deposits with licensed bank	290,356		278,465	290,356		278,465
Bank overdrafts	-		(7,887,016)	-		-
	46,054,245		13,755,559	39,872,951		20,353,131

\*During the year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM 56,177,543 (2015: RM 23,077,939) and RM 23,488,838 (2015: RM 5,659,683). Both of property, plant and equipment were acquired by means of hire purchase.

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

## NOTES TO THE FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

The Company is principally engaged in manufacturing and trading of confectionery and other related foodstuffs. The principal activities of the subsidiaries companies are disclosed in Note 15 to the financial statements.

There have been no significant changes in the principal activities of the Group during the financial year.

The Company is a public listed company, incorporated and domiciled in Malaysia and is listed on the Main Market, Bursa Malaysia Securities Berhad.

The registered office and principal place of business of the Company is located at No.1, Jalan Istimewa 2, Taman Perindustrian Desa Cemerlang, 81800 Ulu Tiram, Johor Darul Takzim.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 28 September 2016.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of preparation of the financial statements

The financial statements of the Group and of the Company have been prepared in accordance with applicable Malaysia Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of Companies Act, 1965 in Malaysia.

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

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

The preparation of financial statements in conformity with MFRS requires the use of certain accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements, and reported amounts of revenue and expenses during the reported financial period. It also requires directors' best knowledge of current events and action, and therefore actual results may differ.

#### 2.2 Standards issued but not yet effective

The Group and the Company has not adopted the following standards and interpretations that have been issued but not yet effective:-

<b>Title</b>	<b>Effective for the financial period beginning on or after</b>
<i>Amendments to MFRS 112 : Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
<i>Amendments to FRS 107 : Disclosure Initiative</i>	1 January 2017
<i>Amendments to MFRS 9 : Financial Instruments</i>	1 January 2018
<i>MFRS 15 : Revenue from Contracts from Customers</i>	1 January 2018
<i>Amendments to MFRS 2 : Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
<i>MFRS 16 : Leases</i>	1 January 2019

The Group and the Company will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any effect to the financial statements of the Group and of the Company upon their initial application.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.3 Significant accounting policies

The financial statements of the Company have been prepared under the historical cost convention other than as disclosed in the notes to the financial statements and in the requirements of the Companies Act, 1965, MFRS and IFRS.

##### (a) Basis of consolidation and subsidiaries

Subsidiaries companies are enterprises controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of the enterprises so as to obtain benefits from their activities.

The consolidated financial statements include the financial statements of the Company and its subsidiaries companies made up to the statement of financial position date using the purchase method of accounting. Under this method, the results of the subsidiaries companies acquired are included in the consolidated financial statements from the dates of acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities represents goodwill.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in statement of comprehensive income.

Disposal groups of which intention to dispose within twelve months or have been contracted for sale but not completed at the statement of financial position date are classified as held for sale in accordance with MFRS 5 Non-current Assets Held for Sale and Discontinued Operations, which are recognised at fair value less costs to sell.

All inter-company balances and transactions are eliminated on consolidation and the consolidated financial statements reflect external transactions only.

##### (b) Financial instruments

Financial instruments are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments. Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

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

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

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

The Group and the Company categorise the financial instruments as follows:-

##### (i) Financial assets

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

##### *Financial assets at fair value through profit or loss*

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

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



## NOTES TO THE FINANCIAL STATEMENTS

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.3 Significant accounting policies (continued)

##### (b) Financial instruments (continued)

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

###### *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment loss, with revenue recognised on an effective yield basis.

###### *Available-for-sale financial assets*

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

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

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

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

###### *Loans and receivables financial assets*

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

###### (ii) Financial liabilities

All financial liabilities are initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

###### (iii) Equity instruments

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

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

##### (c) Intangible assets

###### (i) Goodwill on consolidation

Goodwill on consolidation represents the excess of the fair value of the purchase consideration over the Group's share of the fair values of the identifiable net assets of subsidiaries at the date of acquisition.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.3 Significant accounting policies (continued)

##### (c) Intangible assets (continued)

###### (i) Goodwill on consolidation (continued)

Goodwill on consolidation is retained in the consolidated statement of financial position. The carrying amount of the goodwill is reviewed annually and is written down for impairment where it is considered necessary. The impairment value of goodwill is taken to the consolidated statement of comprehensive income.

If after reassessment, the Group's interest in the fair values of the identifiable net assets of the subsidiaries exceed the cost of the business combinations, the excess is recognised immediately in the consolidated statement of comprehensive income.

###### (ii) Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each statement of financial position date.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

##### (d) Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment are stated at cost as modified by the revaluation of certain freehold land and buildings and certain plant and machinery less accumulated depreciation and accumulated impairment loss, if any.

No depreciation is provided on freehold land, freehold land and buildings-in-progress and plant and machinery under installation.

Leasehold land and buildings are amortised over the remaining leasehold period.

Depreciation is provided on the straight-line method in order to write off the cost of each asset to its residual value over its estimated useful life. Depreciation of an asset does not cease when the assets becomes idle or is retired from active use unless the asset is fully depreciated.

The principal rate used is as follows:-

Freehold buildings	1% - 2%
Furniture and fittings	10%
Office and laboratory equipment	10%
Motor vehicles	20%
Plant and machinery	5%
Plant and machinery at group cost	6 2/3%
Renovations and electrical fittings	10% - 25%

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.3 Significant accounting policies (continued)

##### (d) Property, plant and equipment and depreciation (continued)

The Group adopts a policy to revalue at a regular interval of at least once in every five years for its freehold land and buildings with additional valuations in the intervening years where market conditions indicate that the carrying values of the revalued land and buildings materially differ from the market value. Surpluses arising from the revaluation are recognised in other comprehensive income and accumulated in equity under the revaluation reserve. Deficits arising from the revaluation, to the extent that they are not supported by any previous revaluation surpluses, are recognised in statement of comprehensive income.

The residual values, useful life of assets and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date. The effects of any revisions of the residual values, useful lives and depreciation method are included in profit or loss for the financial year in which the changes arise. Fully depreciated assets are retained in the financial statements until the assets are no longer in use.

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

##### (e) Leases

###### (i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases.

###### (ii) Finance leases

Assets acquired by way of finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the statement of financial position as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine, otherwise, the Group's or Company's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in statement of comprehensive income over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

###### (iii) Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease terms.

##### (f) Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Gain or losses arising from changes in the fair values of investment properties are included in the statement of comprehensive income in the year in which they arise.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.3 Significant accounting policies (continued)

##### (f) Investment properties (continued)

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. On the derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount is charged to the statement of comprehensive income; any amount in the revaluation reserve relating to the investment property is transferred to retained earnings.

##### (g) Impairment of assets

###### (i) Impairment of financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss and investment in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the fair value reserve. In addition, the cumulative loss recognised in other comprehensive income and accumulated in equity under fair value reserve, is reclassified from equity to profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss made is recognised in other comprehensive income.

###### (ii) Impairment of non-financial assets

The carrying values of assets, other than those to which MFRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts.

The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value-in-use, which is measured by reference to discounted future cash flow.

An impairment loss is recognised in profit or loss immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset.

When there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately, unless the asset is carried at its revalued amount. A reversal of an impairment loss on a revalued asset is credited to other comprehensive income. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the statements of comprehensive income, a reversal of that impairment loss is recognised as income in the statements of comprehensive income.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.3 Significant accounting policies (continued)

##### (h) Investments

Investments in subsidiaries are stated at cost less impairment losses, if any. Investments in quoted shares, portfolio investment in quoted shares and money market and unquoted bonds held as long term investments are stated at cost less accumulated impairment losses, if any. Marketable securities are carried at lower of cost and market value. Market value is calculated by reference to stock exchange quoted price at close of business on the statement of financial position date.

##### (i) Inventories

Inventories are valued at the lower of cost and net realisable value on the weighted average cost basis. Cost of raw materials comprised the cost of purchase plus the cost of bringing the inventories to their present location and condition. For finished goods and work-in-progress cost consist of raw materials, direct labour and an appropriate proportion of production overheads.

Net realisable value is the estimated selling price in the ordinary course of business less selling expenses. In arriving at net realisable value, due allowance is made for all obsolete and slow moving inventories.

##### (j) Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. Allowance is made for doubtful debts based on a review of all outstanding amounts as at the statement of financial position date.

##### (k) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances and deposits with licensed banks, net of outstanding bank overdrafts which are subject to an insignificant risk of changes in value.

##### (l) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

##### (m) Hire-purchase

Property, plant and equipment acquired under hire-purchase are capitalised and are depreciated in accordance with the policy stated in Note 2.3 (d) and the corresponding obligations relating to the remaining capital payments are treated as liabilities. Finance charges are charged to the statement of comprehensive income over the period of the plan so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

##### (n) Interest-bearing borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs.

Borrowing costs directly attributable to the acquisition of property, plant and equipment are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use. All other borrowing costs are charged to the statement of comprehensive income as an expense in the period in which they are incurred.

##### (o) Share capital

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Cost incurred directly attributable to the issuance of the shares are accounted for as a deduction from share premium, otherwise it is charged to the statement of comprehensive income.

Dividends to shareholders are recognised in equity in the period in which they are declared or approved by shareholders at general meeting.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.3 Significant accounting policies (continued)

##### (p) Provisions

Provisions are recognised when there is a present obligation, legal or constructive as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate.

##### (q) Taxation

Income tax on the profit for the year comprises current and deferred income tax liabilities. Current income tax liabilities is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the statement of financial position date.

Deferred income tax liabilities is provided for, using the liability method, on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred income tax liabilities are recognised for all taxable temporary differences and deferred income tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

A deferred income tax asset is recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. The carrying amount of a deferred income tax asset is reviewed at each statement of financial position date. If it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred income tax asset to be utilised, the carrying amount of the deferred income tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profit will be available, such reduction will be reversed to the extent of the taxable profit.

##### (r) Foreign currencies

Foreign currency transactions are converted into Ringgit Malaysia, the Group's functional currency, at the rates of exchange ruling on the transaction dates. Monetary assets and liabilities in foreign currencies at statement of financial position date are translated into Ringgit Malaysia at the exchange rates ruling at that date. All exchange gains and losses are taken up in the statement of comprehensive income.

The principal closing rates used in translation of foreign currency amounts are as follows:-

Foreign currency	2016 RM	2015 RM
1 Singapore Dollar	2.982	2.810
1 US Dollar	4.023	3.786
1 Euro	4.466	4.236
1 Hong Kong Dollar	0.518	0.488
1 Japanese Yen	0.039	0.031
1 Thai Baht	0.114	0.112
100 Indonesian Rupiah	0.031	0.030

##### (s) Employee benefits

###### Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non monetary benefits are accrued in the period in which the associated services are rendered by the employees of the Group.

###### Defined contribution plan

The Group's contribution to the defined contribution plan ("Employees Provident Fund") are charged to the statement of comprehensive income in the period in which they relate. Once the contributions have been paid, the Group have no further payment obligations.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.3 Significant accounting policies (continued)

##### (s) Employee benefits (continued)

###### Equity compensation benefits

The Employees Share Option Scheme allows the employees to acquire shares of the Company. No compensation cost or obligation is recognised. When the options are exercised, equity is increased by the amount of the proceeds received.

##### (t) Revenue recognition

Revenue from sales of goods is recognised when significant risks and rewards of ownership have been transferred to the buyer.

Other revenue earned by the Group and by the Company are recognised on the following basis: -

###### (i) Interest income

Interest income recognized on an accrual basis.

###### (ii) Dividend income

Dividend income from investment in quoted shares is accounted for in the statement of comprehensive income when the right to receive payment is established.

###### (iii) Rental income

Rental income recognized on an accrual basis.

###### (iv) Interest from investment in bonds

Interest from investment in bonds is accounted for in the statement of comprehensive income when the right to receive payment is established.

### 3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as stated below:-

#### (i) *Depreciation of property, plant and equipment*

The residual values for certain major plant and machinery of the Group are ascertained annually at a percentage of cost to reflect their approximate fair value at the end of their estimated useful lives.

Property, plant and equipment are depreciated on a straight line basis over their estimated useful lives. Management estimates the useful lives of the plant and equipment to be 5 to 25 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and residual values of the plant and equipment. Therefore, the future depreciation charges could be revised.

#### (ii) *Net realisable values of inventories*

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuations of inventories.

## NOTES TO THE FINANCIAL STATEMENTS

### 3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(iii) *Recoverability of receivables*

The Group makes impairment of receivables based on an assessment of the recoverability of receivables. Impairment of receivables are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analysed historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the Impairment of receivables. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

(iv) *Taxation*

The Group is subject to income taxes of different jurisdictions. Significant judgment is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognised liabilities for tax based on estimates of assessment of the tax liability due. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions, where applicable, in the period in which such determination is made.

(v) *Impairment on investments*

At reporting date, management determines whether the carrying amounts of its investments are impaired. This involves measuring the recoverable amounts which includes fair value less costs to sell and valuation techniques. Valuation techniques include the use of discounted cash flow analysis, considering the current market value indicators and recent arms-length market transactions. These estimates provide reasonable approximations to the computation of recoverable amounts.

In performing discounted cash flow analysis, discount rate and growth rates used reflect, amongst others, the maturity of the business development cycle as well as the industry growth potential. The growth rates used to forecast the projected cash flow for the following year approximate the performances of the respective investments based on the latest available management accounts.

Based on management's review, no further impairment is required for the investments of the Group and the Company during the current financial year.

(vi) *Share-based payments to employees*

The cost of providing share-based payments to employees and directors is charged to profit or loss over the vesting period of the related share options. The cost is based on the fair value of the options at grant date and the number of options expected to vest. The fair value of each option is determined using the binomial model valued by an independent valuer.

The valuation of these share-based payments requires judgements to be made in respect of the fair value of the options at grant date and the number of options that are expected to vest.

### 4. Revenue

	2016 RM	Group 2015 RM	2016 RM	Company 2015 RM
Net sales of goods	436,507,512	402,539,026	274,763,408	251,441,722

### 5. Cost of sales

	2016 RM	Group 2015 RM	2016 RM	Company 2015 RM
Opening inventories	27,970,416	27,761,207	13,721,782	13,616,858
Cost of goods manufactured	342,020,552	310,483,242	215,936,766	186,606,510
Closing inventories (Note 18)	(26,241,464)	(27,970,416)	(12,220,926)	(13,721,782)
	343,749,504	310,274,033	217,437,622	186,501,586



## NOTES TO THE FINANCIAL STATEMENTS

### 6. OTHER OPERATING INCOME

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Assembly charges	150,699	134,678	150,699	134,678
Dividend income (gross)	1,125	1,125	1,125	1,125
Gain on disposal of property, plant and equipment	685,994	42,229	685,994	23,427
Interest income	264,494	93,267	252,213	90,349
Realised gain on foreign exchange	2,841,862	1,680,160	1,000,794	-
Rental income	133,160	152,852	-	16,692
Unrealised gain on foreign exchange	2,849,644	2,422,829	729,953	901,094
Others	1,789,739	2,155,828	1,110,116	929,472
	8,716,717	6,682,968	3,930,894	2,096,837

### 7. FINANCE COST

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Bankers' acceptances interest	7,849,079	8,085,656	5,220,972	4,369,023
Bank overdrafts interest	2,255,424	2,128,097	1,593,313	1,529,440
Hire-purchase interest	1,684,635	2,164,504	291,865	581,550
Revolving credit interest	3,013,704	2,620,399	2,797,817	2,612,758
Term loans interest	1,372,844	2,109,991	1,258,018	1,924,151
Loss on derivative instruments	-	621,683	-	621,683
Commitment fee	49,034	82,925	37,493	39,347
Interest charge	335,136	725,112	335,136	703,118
Letter of credit charge	17,583	1,165	14,949	1,165
Bank commission	339,751	87,426	171,519	-
	16,917,190	18,626,958	11,721,082	12,382,235

## NOTES TO THE FINANCIAL STATEMENTS

## 8. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging / (crediting) amongst other items the following:-

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Auditors' remuneration				
- current year	343,410	343,900	201,930	198,000
- (over)/under provision of prior year	2,900	(8,977)	-	15,000
Depreciation (Note 13)	20,892,020	21,141,655	9,627,416	10,764,112
Directors' remuneration (Note 9)	3,599,600	3,894,400	3,448,700	3,748,200
Impairment of inventories (Note 18)	432,145	209,209	385,908	52,462
Interest expenses	16,917,190	18,626,958	11,721,082	12,382,235
Staff costs (Note 10)	19,007,061	17,657,260	7,183,029	10,848,901
Reversal on impairment of investment	-	(9,790)	-	(9,790)
Reversal on provision of doubtful debt	(6,553)	-	(6,553)	-
Provision of doubtful debt (Note 19)	23,414	34,282	-	-
<b>Rental expenses:</b>				
Equipment	196,033	9,447	188,953	5,670
Motor vehicles	-	16,692	-	16,692
Operating lease	346,204	1,894,564	158,202	1,053,133
Premises	393,912	561,942	-	-
Workers' quarters	-	128,100	-	-

## 9. DIRECTORS' REMUNERATION

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Directors of the Company:-				
Executive:-				
Fees	21,500	21,200	-	-
Salaries and allowances	1,343,000	1,485,500	1,343,000	1,485,500
Attendance allowances	5,000	4,000	5,000	4,000
Non executive:-				
Fees	271,900	267,500	142,500	142,500
Salaries and allowances	1,900,200	2,055,200	1,900,200	2,055,200
Attendance allowances	58,000	61,000	58,000	61,000
	3,599,600	3,894,400	3,448,700	3,748,200

The total number of the Directors, inclusive of Executive and Non-Executive Directors, of the Group and the Company at the end of the financial year were 1 (2015: 1) and 8 (2015: 8).

## NOTES TO THE FINANCIAL STATEMENTS

### 10. STAFF COSTS

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Salaries, wages and allowances	15,965,217	15,076,595	5,518,280	8,187,226
Contributions to defined contribution plan	2,089,128	1,686,334	1,565,389	1,550,350
Social security contributions	114,533	88,747	45,741	68,202
Other staff benefits	838,183	805,584	53,619	1,043,123
<b>Total staff costs</b>	<b>19,007,061</b>	<b>17,657,260</b>	<b>7,183,029</b>	<b>10,848,901</b>

### 11. TAXATION

The numerical reconciliation between the tax expense in the income statement and the income tax expense applicable to profit before taxation at the statutory income tax rates of the Group and the Company is as follows:-

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Tax expense for the year	100,919	86,570	66,124	21,721
(Over)/Under provision of tax in prior years	(10,466)	(17,379)	866	2,853
	90,453	69,191	66,990	24,574
Deferred taxation (Note 29):				
- recognised in the income statement	2,657,396	4,489,094	1,758,446	2,665,899
- (over)/under provision of deferred tax in prior years	(171,838)	(16,147)	210,529	298,386
	2,485,558	4,472,947	1,968,975	2,964,285
<b>Total tax expense</b>	<b>2,576,011</b>	<b>4,542,138</b>	<b>2,035,965</b>	<b>2,988,859</b>
Profit before taxation	24,994,899	22,740,567	14,958,398	13,612,539
Tax at statutory tax rate of 25% (2015: 25%)	6,248,725	5,685,142	3,739,600	3,403,135
<i>Adjustment for:-</i>				
Expenses not deductible for tax expenses	7,865,987	12,843,247	5,956,084	944,700
Income not subject for taxation	(1,255,676)	(800,357)	(729,953)	(256,446)
Utilisation of capital allowances	(12,758,117)	(17,641,462)	(8,899,607)	(4,069,668)
Deferred tax recognised in income statement	2,485,558	4,472,947	1,968,975	2,964,285
(Over)/Under provision of tax in prior years	(10,466)	(17,379)	866	2,853
	2,576,011	4,542,138	2,035,965	2,988,859

Malaysian income tax is calculated at the statutory rate of 25% on chargeable income (2015: 25%).

## NOTES TO THE FINANCIAL STATEMENTS

## 12. EARNINGS PER SHARE

The basic earnings per share for the financial year has been calculated based on the Group's profit attributable to owners of the Company for the financial year.

	2016 RM	Group	2015 RM	2016 RM	Company	2015 RM
Net profit attributable to owners of the Company	18,587,589		15,023,270	12,922,433		10,623,680
Weighted average number of ordinary shares in issue	186,533,789		179,859,699	186,533,789		179,859,699
Basic earnings per share (sen)	9.96		8.35	6.93		5.91

For the diluted earnings per share calculation, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares.

The dilutive potential ordinary shares for the year of the Group are share options granted to employees.

Share options are deemed to have been converted into ordinary shares at the beginning of the year or on the date when the options were granted whichever is the later.

	2016 RM	Group	2015 RM	2016 RM	Company	2015 RM
Profit attributable to the equity holders of the Company	18,587,589		15,023,270	12,922,433		10,623,680
Weighted average number of ordinary shares in issue	186,533,789		181,232,699	186,533,789		181,232,699
Adjusted weighted average number of ordinary shares in issue and issueable	186,533,789		181,232,699	186,533,789		181,232,699
Diluted earnings per share (sen)	9.96		8.29	6.93		5.86

## NOTES TO THE FINANCIAL STATEMENTS

### 13. PROPERTY, PLANT AND EQUIPMENT

Group	← At valuation →		At group cost	← At cost →			Balance c/f RM
	Freehold land and buildings RM	Leasehold land and buildings RM	Plant and machinery in-progress RM	Furniture and fittings RM	Motor vehicles RM	Plant and machinery RM	
<b>Cost</b>							
At 1 July 2015	97,163,085	13,430,000	4,437,000	6,451,564	8,626,991	511,235,129	641,343,769
Additions	3,360,297	-	-	588	1,737,152	17,448,542	22,546,579
Transfer	-	-	-	-	(700)	27,280,650	27,279,950
Disposals	(17,661,709)	-	-	-	(24,000)	(6,963,861)	(24,649,570)
At 30 June 2016	82,861,673	13,430,000	4,437,000	6,452,152	10,339,443	549,000,460	666,520,728
<b>Accumulated Depreciation</b>							
At 1 July 2015	634,607	408,447	1,719,036	5,542,010	2,665,222	112,044,197	123,013,519
Charge for the year	477,063	408,447	-	191,070	1,332,753	16,962,463	19,371,796
Disposals	(749,451)	-	-	-	(16,135)	-	(765,586)
At 30 June 2016	362,219	816,894	1,719,036	5,733,080	3,981,840	129,006,660	141,619,729
<b>Net book value</b>							
At 30 June 2016	82,499,454	12,613,106	2,717,964	719,072	6,357,603	419,993,800	524,900,999

## NOTES TO THE FINANCIAL STATEMENTS

## 13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	← At cost →				Total RM
	Balance b/f RM	Plant and machinery in-progress RM	Office and laboratory equipment RM	Renovations and electrical fittings RM	
<b>Cost</b>					
At 1 July 2015	641,343,769	43,843,340	9,728,469	23,281,072	718,196,650
Additions	22,546,579	32,856,123	25,387	749,454	56,177,543
Transfer	27,279,950	(27,279,950)	-	-	-
Disposals	(24,649,570)	(15,033,252)	-	-	(39,682,822)
At 30 June 2016	666,520,728	34,386,261	9,753,856	24,030,526	734,691,371
<b>Accumulated Depreciation</b>					
At 1 July 2015	123,013,519	-	6,133,533	16,235,384	145,382,436
Charge for the year	19,371,796	-	76,482	1,443,742	20,892,020
Disposals	(765,586)	-	-	-	(765,586)
At 30 June 2016	141,619,729	-	6,210,015	17,679,126	165,508,870
<b>Net book value</b>					
At 30 June 2016	524,900,999	34,386,261	3,543,841	6,351,400	569,182,501

## NOTES TO THE FINANCIAL STATEMENTS

### 13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	← At valuation →		At group cost	← At cost →			Balance c/f RM
	Freehold land and buildings RM	Leasehold land and buildings RM	Plant and machinery RM	Furniture and fittings RM	Motor vehicles RM	Plant and machinery RM	
<b>Cost</b>							
At 1 July 2014	96,513,000	13,430,000	4,437,000	6,374,119	7,712,453	500,696,955	629,163,527
Additions	650,085	-	-	86,945	2,511,342	10,850,974	14,099,346
Disposals	-	-	-	(9,500)	(1,596,804)	(312,800)	(1,919,104)
<u>At 30 June 2015</u>	<u>97,163,085</u>	<u>13,430,000</u>	<u>4,437,000</u>	<u>6,451,564</u>	<u>8,626,991</u>	<u>511,235,129</u>	<u>641,343,769</u>
<b>Accumulated Depreciation</b>							
At 1 July 2014	-	-	1,719,036	5,363,527	2,729,225	94,580,517	104,392,305
Charge for the year	634,607	408,447	-	187,431	946,765	17,464,133	19,641,383
Disposals	-	-	-	(8,948)	(1,010,768)	(453)	(1,020,169)
<u>At 30 June 2015</u>	<u>634,607</u>	<u>408,447</u>	<u>1,719,036</u>	<u>5,542,010</u>	<u>2,665,222</u>	<u>112,044,197</u>	<u>123,013,519</u>
<b>Net book value</b>							
<u>At 30 June 2015</u>	<u>96,528,478</u>	<u>13,021,553</u>	<u>2,717,964</u>	<u>909,554</u>	<u>5,961,769</u>	<u>399,190,932</u>	<u>518,330,250</u>

## NOTES TO THE FINANCIAL STATEMENTS

## 13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	← At cost →				Total RM
	Balance b/f RM	Plant and machinery in-progress RM	Office and laboratory equipment RM	Renovations and electrical fittings RM	
<b>Cost</b>					
At 1 July 2014	629,163,527	36,679,007	9,649,190	21,615,461	697,107,185
Additions	14,099,346	7,164,333	79,279	1,734,981	23,077,939
Disposals	(1,919,104)	-	-	(69,370)	(1,988,474)
At 30 June 2015	641,343,769	43,843,340	9,728,469	23,281,072	718,196,650
<b>Accumulated Depreciation</b>					
At 1 July 2014	104,392,305	-	6,037,029	14,898,555	125,327,889
Charge for the year	19,641,383	-	96,504	1,403,768	21,141,655
Disposals	(1,020,169)	-	-	(66,939)	(1,087,108)
At 30 June 2015	123,013,519	-	6,133,533	16,235,384	145,382,436
<b>Net book value</b>					
At 30 June 2015	518,330,250	43,843,340	3,594,936	7,045,688	572,814,214



## NOTES TO THE FINANCIAL STATEMENTS

### 13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	At valuation ←				→ At cost				Total RM
	Freehold land and buildings RM	Furniture and fittings RM	Motor vehicles RM	Plant and machinery RM	Plant and machinery in-progress RM	Office and laboratory equipment RM	Renovations and electrical fittings RM		
<b>Cost</b>									
At 1 July 2015	53,833,000	5,455,273	4,507,695	276,769,089	11,700,334	2,481,735	14,775,672	369,522,798	
Additions	3,340,108	-	465,042	1,402,038	18,063,178	25,387	193,085	23,488,838	
Disposals	(8,223,476)	-	-	(6,963,861)	(2,301,277)	-	-	(17,488,614)	
At 30 June 2016	48,949,632	5,455,273	4,972,737	271,207,266	27,462,235	2,507,122	14,968,757	375,523,022	
<b>Accumulated Depreciation</b>									
At 1 July 2015	362,656	4,638,912	1,272,523	56,398,792	-	2,100,066	11,542,751	76,315,700	
Charge for the year	235,170	123,696	902,158	7,579,044	-	76,482	710,868	9,627,418	
Disposals	(264,701)	-	-	-	-	-	-	(264,701)	
At 30 June 2016	333,125	4,762,608	2,174,681	63,977,836	-	2,176,548	12,253,619	85,678,417	
<b>Net book value</b>									
At 30 June 2016	48,616,507	692,665	2,798,056	207,229,430	27,462,235	330,574	2,715,138	289,844,605	

## NOTES TO THE FINANCIAL STATEMENTS

## 13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	At valuation ←				→ At cost				Total RM
	Freehold land and buildings RM	Furniture and fittings RM	Motor vehicles RM	Plant and machinery RM	Plant and machinery in-progress RM	Office and laboratory equipment RM	Renovations and electrical fittings RM		
<b>Cost</b>									
At 1 July 2014	53,833,000	5,455,273	3,616,257	276,398,129	9,399,057	2,402,456	14,652,947	365,757,119	
Additions	-	-	2,479,442	676,960	2,301,277	79,279	122,725	5,659,683	
Disposals	-	-	(1,588,004)	(306,000)	-	-	-	(1,894,004)	
At 30 June 2015	53,833,000	5,455,273	4,507,695	276,769,089	11,700,334	2,481,735	14,7775,672	369,522,798	
<b>Accumulated Depreciation</b>									
At 1 July 2014	-	4,495,253	1,727,059	47,507,351	-	2,027,552	10,798,158	66,555,373	
Charge for the year	362,656	143,661	549,247	8,891,441	-	72,514	744,593	10,764,112	
Disposals	-	-	(1,003,783)	-	-	-	-	(1,003,783)	
At 30 June 2015	362,656	4,638,914	1,272,523	56,398,792	-	2,100,066	11,542,751	76,315,702	
<b>Net book value</b>									
At 30 June 2015	53,470,344	816,359	3,235,172	220,370,297	11,700,334	381,669	3,232,921	293,207,096	

## 13.1 Assets acquired under hire purchase

Included in property, plant and equipment of the Company are plant and machinery and motor vehicle acquired under hire purchase as follows:-

Group	Cost RM	Accumulated depreciation RM	Net book value RM	Depreciation charge RM
<b>2016</b>				
Plant and machinery	549,000,460	(129,006,660)	419,993,800	16,962,463
Motor vehicles	10,339,443	(3,981,840)	6,357,603	1,332,753
	559,339,903	(132,988,500)	426,351,403	18,295,216
<b>2015</b>				
Plant and machinery	511,235,129	(112,044,197)	399,190,932	17,464,133
Motor vehicles	8,626,991	(2,665,222)	5,961,769	946,765
	519,862,120	(114,709,419)	405,152,701	18,410,898

## NOTES TO THE FINANCIAL STATEMENTS

### 13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

#### 13.1 Assets acquired under hire purchase (continued)

Company	Cost RM	Accumulated depreciation RM	Net book value RM	Depreciation charge RM
<b>2016</b>				
Plant and machinery	271,207,266	(63,977,836)	207,229,430	7,579,044
Motor vehicles	4,972,737	(2,174,681)	2,798,056	902,158
	276,180,003	(66,152,517)	210,027,486	8,481,202
<b>2015</b>				
Plant and machinery	276,769,089	(56,398,792)	220,370,297	8,891,441
Motor vehicles	4,507,695	(1,272,523)	3,235,172	549,247
	281,276,784	(57,671,315)	223,605,469	9,440,688

#### 13.2 Valuation of property, plant and equipment

The valuation of property, plant and equipment were valued based on valuations by independent external valuer who holds a recognised qualification and has relevant experience.

The fair values of the market comparable approach using a certain unit of comparison such as price per square foot which reflects the recent transaction prices for similar properties within the same area, without any significant adjustments.

Had the revalued land and buildings been carried at historical cost less accumulated depreciation, the net book value of the land and buildings that would have been included in the financial statements of the Group are as follows:-

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Freehold land and buildings	524,799,573	572,814,214	48,616,507	53,470,344

### 14. INVESTMENT PROPERTIES

Group	Land and buildings RM
<b>Cost</b>	
At 1 July 2015	2,900,000
Disposals	(2,900,000)
At 30 June 2016	-
At 30 June 2015	2,900,000

The investment properties of the Group were revalued by independent professional valuers Messrs. CCO & Associates on comparison method of valuation.

## NOTES TO THE FINANCIAL STATEMENTS

## 15. INVESTMENT IN SUBSIDIARIES COMPANIES

	2016 RM	Company 2015 RM
Unquoted equity shares, at cost	31,725,687	31,725,687
Quoted shares in Malaysia, at cost	28,584,434	28,584,434
	60,310,121	60,310,121

The amount due from subsidiaries companies represent advances and payments made on behalf by the company which are unsecured, interest free and is not repayable within the next twelve months.

The details of subsidiaries are as follows:-

Name of the company	Place of incorporation	Effective percentage of equity held		Principal activities
		2016 %	2015 %	
Subsidiaries of the Company:-				
Khee San Berhad	Malaysia	20	22	Investment holding
Khee San Marketing Sdn. Bhd. (wholly owned by Khee San Berhad)	Malaysia	20	22	Temporary ceased operations
Khee San Food Industries Sdn. Bhd. (wholly owned by Khee San Berhad)	Malaysia	20	22	Manufacturer of candy confectionery and wafer products
Kinos Food Industries (M) Sdn. Bhd.	Malaysia	100	100	Investment holding, manufacturing and trading of confectioneries and snack food
Kim Choaw Sdn. Bhd. (wholly owned by Kinos Food Industries (M) Sdn. Bhd.)	Malaysia	100	100	Dormant
Kinos Food Trading Sdn. Bhd. (wholly owned by Kinos Food Industries (M) Sdn. Bhd.)	Malaysia	100	100	Temporary ceased operations

## NOTES TO THE FINANCIAL STATEMENTS

### 16. INVESTMENTS

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Unquoted shares at cost in Malaysia				
Bonds	4,000,000	4,000,000	4,000,000	4,000,000
Quoted in Malaysia				
Shares in corporation	53,181	53,181	53,181	53,181
Quoted outside Malaysia				
Shares in corporation (at group cost)	1	1	-	-
	53,182	53,182	53,181	53,181
Total cost	4,053,182	4,053,182	4,053,181	4,053,181
Less: Impairment losses	(4,026,026)	(4,026,026)	(4,026,026)	(4,026,026)
	27,156	27,156	27,155	27,155
Market value:				
Quoted in Malaysia	63,022	50,225	63,022	50,225
Quoted outside Malaysia	-	-	-	-
	63,022	50,225	63,022	50,225

### 17. INTANGIBLE ASSETS

	Group	
	2016 RM	2015 RM
Goodwill on consolidation	11,568,174	11,568,174
Less: Accumulated amortisation	(508,627)	(508,627)
	11,059,547	11,059,547
Trademarks	1,600,000	1,600,000
	12,659,547	12,659,547

The intangible assets represent the trademarks at cost. The Directors regard this trademarks to have indefinite useful lives.

## NOTES TO THE FINANCIAL STATEMENTS

## 18. INVENTORIES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
At cost:-				
Raw materials	15,786,627	14,816,448	6,610,546	6,371,154
Work-in-progress	6,196,446	5,539,935	4,351,005	4,223,609
Finished goods	4,202,146	7,090,816	1,259,375	2,814,022
Fuel, gas, and spare parts	56,245	175,061	-	-
Factory consummables	-	348,156	-	312,997
Inventories - Gross (Note 5)	26,241,464	27,970,416	12,220,926	13,721,782
Less : Impairment on inventories (Note 18.1)	(641,354)	(209,209)	(438,370)	(52,462)
	25,600,110	27,761,207	11,782,556	13,669,320

## 18.1 The reconciliation of movements in impairment of inventories are as follows:-

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
At 1st July	209,209	-	52,462	-
Amount recognised in current year	432,145	209,209	385,908	52,462
At 30th June	641,354	209,209	438,370	52,462

## 19. TRADE RECEIVABLES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Trade receivables - Gross	186,122,840	178,956,493	112,484,458	109,848,614
Less: Impairment loss	(1,844,769)	(1,827,908)	(1,022,462)	(1,029,015)
Trade receivables - Net	184,278,071	177,128,585	111,461,996	108,819,599

- (i) Trade receivables are non-interest bearing and the normal credit terms of trade receivables granted by the Group ranged from 30 to 180 days (2015: 30 to 180 days). They are recognised at their original invoices amounts, which represent their fair values on initial recognition.

## NOTES TO THE FINANCIAL STATEMENTS

### 19. TRADE RECEIVABLES (CONTINUED)

(ii) The foreign currency exposure profile of trade receivables are as follows:-

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
US Dollar (\$)	115,653,244	71,331,211	75,667,625	36,400,802
Singapore Dollar (\$)	788,337	186,990	580,154	34,200
Hong Kong Dollar (\$)	8,634,511	3,893,068	-	-
Thailand Baht (฿)	396,933	332,667	234,119	54,744
Japanese Yen (¥)	8,369,373	3,930,433	-	-
Euro (€)	1,024,180	960,385	-	-
Indonesia Rupiah (Rp)	219,291	2,035,313	30,762	1,073,777
	135,085,869	82,670,067	76,512,660	37,563,523

(iii) The ageing analysis of trade receivables of the Group and the Company is as follows:-

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Neither past due nor impaired	184,210,823	175,468,393	111,399,938	107,561,107
Past due not impaired:				
1 to 30 days	-	-	-	-
31 to 60 days	-	2,160	-	-
61 to 90 days	-	-	-	-
91 to 120 days	-	-	-	-
More than 120 days	67,248	1,658,032	62,058	1,258,492
	67,248	1,660,192	62,058	1,258,492
Past due and impaired	1,844,769	1,827,908	1,022,462	1,029,015
Trade receivables - Gross	186,122,840	178,956,493	112,484,458	109,848,614

(iv) The reconciliation of movements in impairment losses of trade receivables are as follows:-

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
At 1st July	1,827,908	1,793,626	1,029,015	1,029,015
Charge for the financial year	23,414	34,282	-	-
Reversal of impairment	(6,553)	-	(6,553)	-
At 30th June	1,844,769	1,827,908	1,022,462	1,029,015

Trade receivables that are individually determined to be impaired at the end of each reporting period relate to those debtors that exhibit significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

## NOTES TO THE FINANCIAL STATEMENTS

### 19. TRADE RECEIVABLES (CONTINUED)

(iv) The reconciliation of movements in impairment losses of trade receivables are as follows:-

Receivables that are neither past due nor impaired

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

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

Receivables that past due but not impaired

Based on the Group past experience and owing to the reason that no loss event had occurred to these receivable, such as significant financial difficulties, no impairment was made in respect of these past due trade receivables. These receivables are unsecured in nature.

### 20. NON-TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Non-trade receivables	25,933,862	2,393,752	11,416,975	1,632,644
Tax recoverable	2,822,332	4,575,150	2,817,021	3,133,145
Sundry deposits	914,615	837,964	434,027	442,527
Deposits for purchase of property, plant and equipment	-	99,000	-	-
Prepayment	3,082,806	3,017,329	1,420,767	1,782,350
Dividend payable	6,824	6,824	6,824	6,824
Input taxation	4,878,245	458,429	921,268	-
	37,638,684	11,388,448	17,016,882	6,997,490

During the financial year, there are increase of unpaid amount for disposal of land, building and investment property amounting to RM11,995,000.

### 21. AMOUNT DUE FROM SUBSIDIARIES COMPANIES

	2016 RM	Group 2015 RM
Amount due from subsidiaries companies	47,699,641	52,993,512

The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment.



## NOTES TO THE FINANCIAL STATEMENTS

### 22. DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Fixed deposits with licensed banks	290,356	278,465	290,356	278,465
Cash in hand and banks	45,763,889	21,364,110	39,582,595	20,074,666
	46,054,245	21,642,575	39,872,951	20,353,131

The average interest rate and maturity periods of fixed deposits at the statement of financial position date were as follows:-

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Interest rate	2.80% - 2.90%	2.80% - 3.02%	2.80% - 2.90%	2.80% - 3.02%
Maturity period	1 to 12 months	1 to 12 months	1 to 12 months	1 to 12 months

The foreign currency exposures of bank and cash balances are as follows:-

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Euro	6,512	5,953	5,762	5,159
Singapore Dollar	26,322	8,554	26,212	8,420
US Dollar	48,337	21,599	39,579	6,650
Thailand Baht	35	34	35	34
Hong Kong Dollar	94	75	84	68
	81,300	36,215	71,672	20,331

### 23. Share capital

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
<b>Authorised:</b>				
Ordinary shares of RM1.00 each				
At beginning / at the end of the year	300,000,000	300,000,000	300,000,000	300,000,000
<b>Issued and fully paid:</b>				
Ordinary shares of RM1.00 each				
At beginning of the year	186,533,789	163,556,789	186,533,789	163,556,789
Employees' share option scheme	-	6,627,000	-	6,627,000
Private placement	-	16,350,000	-	16,350,000
	186,533,789	186,533,789	186,533,789	186,533,789

## NOTES TO THE FINANCIAL STATEMENTS

### 24. Employees' Share Option Scheme (ESOS)

The salient features of ESOS are as follows:-

- (a) Scheme shall be in force for a period of five years from 2 January 2014 (the date of the first offer made) expiring on 1 January 2019 but subject to any extension or renewal for a further period of five years as may be approved by the shareholders in a general meeting and any other relevant regulatory authority whose approval is necessary.
- (b) Eligible persons are employees of the Group, who is a Malaysian citizen who has attained eighteen (18) years of age (including Executive Directors) and have been confirmed and has served at least six (6) months in the employment of the Group on the date of the offer or where the Executive Director or employee is under an employment contract, the contract is for a duration of at least one (1) year and has not expired within three (3) months from the date of offer. The eligibility for participation in ESOS shall be at the discretion of the ESOS Committee appointed by the Board of Directors.
- (c) The total number of shares to be issued under ESOS shall not exceed 15% of the issued and paid-up share capital of the Company being, the maximum allowable allotment of shares, at any point of time during the duration of the Scheme.
- (d) The option price for each new RM 1.00 share to be offered shall be determined by the ESOS Committee in the following manner:
  - (i) a price at a discount of not more than ten percent (10%) from the five (5) days weighted average market price of the Company's shares as shown in the daily official list issued by Bursa Malaysia Securities Berhad immediately preceding the date of offer; or
  - (ii) the par value of the Company's shares of RM 1.00 each, whichever is the higher.
- (e) No option shall be granted for less than 100 shares and shall always be in multiples of 100 shares.
- (f) An offer made by the ESOS Committee to a selected employee shall be valid for a period of forty-five days from the date of offer and may be accepted within this prescribed period by the selected employee to whom the offer is made by written notice to the ESOS Committee. Upon acceptance of an offer, the Grantee may during the option period exercise his options in full or in part in such manner as stipulated in the offer letter.
- (g) All new ordinary shares issued upon exercise of the options granted under ESOS will rank pari-passu in all respects with the existing ordinary shares of the Company except that the shares so issued will not be entitled to any dividends, rights allotments and/or other distributions, the entitlement date of which is prior to the date of allotment of the new ordinary shares.

The Company's Employee Share Options Scheme ("ESOS") is governed under the by-laws approved by the shareholders at Extraordinary General Meeting held on 27 December 2013. During the financial year, there was no ESOS options being granted.

However, as at 30 June 2016, Khee San Berhad, the subsidiary of the Company, has granted 10,739,500 options of which all have been exercised by the employees under its ESOS.

### 25. Reserves

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Non-distributable:				
Share premium	13,774,466	13,774,466	13,774,466	13,774,466
Revaluation reserve	34,247,509	34,684,709	23,056,955	23,056,955
Distributable:				
Retained earnings	163,260,504	144,608,818	132,966,702	120,044,269
	211,282,479	193,067,993	169,798,123	156,875,690

## NOTES TO THE FINANCIAL STATEMENTS

### 26. HIRE PURCHASE CREDITORS

	Group			Company		
	Hire Purchase Creditors RM	Hire Purchase Interest Suspense RM	Net RM	Hire Purchase Creditors RM	Hire Purchase Interest Suspense RM	Net RM
Obligations at 30 June 2016						
Over 2 years	12,095,692	(1,488,894)	10,606,798	2,553,279	(281,259)	2,272,020
Later than 12 months and not later than 2 years	8,923,811	(1,256,604)	7,667,207	630,028	(122,268)	507,760
	21,019,503	(2,745,498)	18,274,005	3,183,307	(403,527)	2,779,780
Due within 12 months	11,357,012	(1,722,923)	9,634,089	1,770,894	(183,794)	1,587,100
	32,376,515	(4,468,421)	27,908,094	4,954,201	(587,321)	4,366,880
Obligations at 30 June 2015						
Over 2 years	10,794,926	(1,358,405)	9,436,521	2,735,833	(337,478)	2,398,355
Later than 12 months and not later than 2 years	8,749,288	(1,085,085)	7,664,203	1,682,998	(164,968)	1,518,030
	19,544,214	(2,443,490)	17,100,724	4,418,831	(502,446)	3,916,385
Due within 12 months	11,905,677	(1,559,016)	10,346,661	3,048,985	(288,736)	2,760,249
	31,449,891	(4,002,506)	27,447,385	7,467,816	(791,182)	6,676,634

The term for hire purchase is 4 to 9 (2015: 4 to 9) years. In respect of the financial year ended 30 June 2016, the borrowing rate ranges from 2.39% to 3.75% (2015: 2.39% to 3.75%) per annum. The interest rates are fixed at the inception of the hire purchase arrangements.

### 27. BORROWINGS

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Non-current liabilities:				
Term loans	7,420,247	17,406,064	7,153,580	15,758,147
Banker acceptance (Note 28)	19,500,000	-	14,500,000	-
Revolving credits (Note 28)	40,500,000	-	40,500,000	-
	67,420,247	17,406,064	62,153,580	15,758,147
Current liabilities:				
Term loans	10,531,234	13,322,270	9,149,984	12,132,669
Banker acceptance	155,091,438	167,174,501	93,756,681	103,125,979
Revolving credits	20,383,340	43,000,000	16,383,340	43,000,000
	186,006,012	223,496,771	119,290,005	158,258,648
Total borrowings	253,426,259	240,902,835	181,443,585	174,016,795

## NOTES TO THE FINANCIAL STATEMENTS

## 27. BORROWINGS (CONTINUED)

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Represented by:-				
Term loan (i)	17,951,481	30,728,334	16,303,564	27,890,816
Banker acceptance (ii)	174,591,438	167,174,501	108,256,681	103,125,979
Revolving credit (iii)	60,883,340	43,000,000	56,883,340	43,000,000
	253,426,259	240,902,835	181,443,585	174,016,795

(i) The term loan bear interest negotiated and agreed at commercial banking rates per annum.

It is repayable by 60 to 120 equal monthly instalments ending November 2015 to February 2020. Interest is charged at 1.5% (2015: 1.5%) above the bank's base lending rate.

(ii) The bankers' acceptances bear interest negotiated and agreed at commercial banking rates per annum.

In respect of the financial year ended 30 June 2016, the borrowing rate ranges for bankers' acceptances is from 2.85% to 6.5% (2015: 3.43% to 5.28) per annum.

(iii) The revolving credit bear interest negotiated and agreed at commercial banking rates per annum.

In respect of the financial year ended 30 June 2016, the borrowing rate ranges for revolving credit is from 4.4% to 7.18% (2015: 4.79% to 6.45%) respectively per annum.

## 28. MEDIUM TERM NOTES ("MTN")

The Board of Directors had via an announcement dated 30 June 2016 established an Unrated Medium Term Notes Programme of up to RM 100,000,000. The MTN was subsequently made and issued on 26 July 2016 with maturities ranging from 3 to 7 years and at coupon rate of between 6.10% to 6.60%.

The Medium Term Notes (MTN) are denominated in Ringgit Malaysia and are utilised for the following purposes and are drawn down to:-

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
<u>No. 1</u>				
Refinance existing bank borrowing	60,000,000	-	55,000,000	-
<u>No. 2</u>				
Finance capital expenditure	20,000,000	-	20,000,000	-
<u>No. 3</u>				
Finance working capital requirements	20,000,000	-	20,000,000	-
	100,000,000	-	95,000,000	-

## NOTES TO THE FINANCIAL STATEMENTS

### 28. MEDIUM TERM NOTES (“MTN”) (CONTINUED)

#### No. 1

In respect of the financial year ended 30 June 2016, the Company had refinanced the existing borrowings being principally Banker's Acceptance and Revolving Credit of up to RM 60,000,000 as per below:-

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Banker's acceptance	19,500,000	-	14,500,000	-
Revolving credit	40,500,000	-	40,500,000	-
	60,000,000	-	55,000,000	-

#### No. 2

The Company intends to utilize up to RM 20,000,000 to finance the purchase of new machineries to increase production capacity for further expansion.

#### No. 3

The Company intends to utilize up to RM 20,000,000 as working capital to support the daily operational expenses. The working capital includes the costs of maintaining existing plant and machinery and other general operational purposes.

### 29. DEFERRED TAX

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
As at beginning of the year	15,605,767	11,132,820	12,913,630	9,949,345
Amount recognised in the income statement	2,657,396	4,489,094	1,758,446	2,665,899
(Over)/Under provision of deferred tax in prior year	(171,838)	(16,147)	210,529	298,386
As at end of the year	18,091,325	15,605,767	14,882,605	12,913,630

The components and movements of deferred tax liabilities and assets during the year prior to offsetting are as follows: -

Deferred tax liabilities of the Group:-

Group	Property, plant and equipment RM	Others RM	Total RM
As at 1 July 2015	15,605,767	-	15,605,767
Recognised in the income statement	2,485,558	-	2,485,558
As at 30 June 2016	18,091,325	-	18,091,325

## NOTES TO THE FINANCIAL STATEMENTS

## 29. DEFERRED TAX (CONTINUED)

Deferred tax liabilities of the Company:-

Company	Property, plant and equipment RM	Others RM	Total RM
As at 1 July 2015	12,913,630	-	12,913,630
Recognised in the income statement	1,968,975	-	1,968,975
As at 30 June 2016	14,882,605	-	14,882,605

## 30. TRADE PAYABLES

	2016 RM	Group 2015 RM	2016 RM	Company 2015 RM
Trade payables	39,873,984	37,287,057	12,172,805	12,544,082

Trade payables are non-interest bearing and the credit terms granted to the Company is range from 30 to 120 days (2015: 30 to 120 days) from date of invoice.

## 31. NON - TRADE PAYABLES AND ACCRUALS

	2016 RM	Group 2015 RM	2016 RM	Company 2015 RM
Non-trade payables	9,267,801	6,559,430	5,419,801	2,380,754
Accruals	4,147,664	3,824,387	2,425,630	2,966,976
Deposits	49,900	216,733	-	-
Output taxation	2,806,868	103,979	972,689	1,469,074
	16,272,233	10,704,529	8,818,120	6,816,804

## 32. SIGNIFICANT RELATED PARTIES' TRANSACTIONS

	2016 RM	Company 2015 RM
<b>Sales of goods charged to subsidiaries companies</b>		
- Kinos Food Industries (M) Sdn. Bhd.	(7,814,662)	(24,789,362)
<b>Purchased charged to subsidiaries companies</b>		
- Khee San Berhad	27,469,910	20,489,473
- Kinos Food Industries (M) Sdn. Bhd.	27,222,466	24,882,081
<b>Amount due from subsidiaries companies (Note 20)</b>		
- Khee San Berhad	-	1,677,033
- Kinos Food Industries (M) Sdn. Bhd.	47,699,641	51,316,479

The Directors are of the opinion that all the transactions above have been entered into the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

## NOTES TO THE FINANCIAL STATEMENTS

### 33. CONTINGENT LIABILITIES

	2016 RM	Company 2015 RM
Corporate guarantees given to various financial institutions for facilities granted to subsidiaries companies	18,264,369	15,756,482

The Company provides corporate guarantees up to a total amount of RM18,264,369 (2015: RM15,756,482) to licensed banks for banking facilities granted to certain subsidiaries.

### 34. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders' value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio. The debt-to-equity ratio is calculated as net debt divided by total equity. Net debt is calculated as borrowings plus trade and other payables less cash and bank balances.

During the year, no significant changes were made in the objectives, policies or processes for managing capital.

The debts-to-equity ratio at the reporting date was as follows:-

	2016 RM	Group 2015 RM
<b>Debts</b>		
Total borrowings	281,334,353	276,237,236
Trade and other payables	56,146,217	47,991,586
	337,480,570	324,228,822
Less: Cash and bank balances	(46,054,245)	(21,642,575)
Net debts	291,426,325	302,586,247
<b>Capital</b>		
Total equity	519,851,994	486,471,852
Debts-to-equity	0.56	0.62

### 35. LEASE COMMITMENTS

The Group and the Company have an effective annual commitment under a non-cancellable operating lease in respect of plant and equipment which expires as follows:-

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Within 1 year	158,202	1,053,133	158,202	1,053,133
Between 1 to 5 years	188,593	5,670	188,593	5,670
	346,795	1,058,803	346,795	1,058,803

## NOTES TO THE FINANCIAL STATEMENTS

## 36. SEGMENTAL REPORTING

For management purposes, the Group is organized into the following operating divisions:-

- Manufacturing and trading
- Others\*
- Eliminations

Business segments	Manufacturing and trading		Others		Eliminations		Consolidated	
	2016 RM	2015 RM	2016 RM	2015 RM	2016 RM	2015 RM	2016 RM	2015 RM
<b>Revenue</b>								
External revenue	499,014,560	455,006,451	-	-	(62,507,038)	(52,467,425)	436,507,522	402,539,026
Inter-segment revenue	-	-	900,000	1,000,000	(900,000)	(1,000,000)	-	-
	499,014,560	455,006,451	900,000	1,000,000	(63,407,038)	(53,467,425)	436,507,522	402,539,026
<b>Results</b>								
Segment result	22,450,380	34,570,710	10,446,787	113,847	298,205	(18,626,958)	33,195,372	16,057,599
Other operating income	3,930,894	6,500,050	5,084,028	182,918	(298,205)	-	8,716,717	6,682,968
Operating profit	26,381,274	41,070,760	15,530,815	296,765	-	(18,626,958)	41,912,089	22,740,567
Finance cost	(11,721,082)	-	(5,196,108)	-	-	-	(16,917,190)	-
Taxation	(2,035,965)	(4,514,001)	(540,046)	(28,137)	-	-	(2,576,011)	(4,542,138)
Profit after taxation	12,624,227	36,556,759	9,794,661	268,628	-	(18,626,958)	22,418,888	18,198,429
Non-controlling interest	(3,831,299)	-	-	-	-	-	(3,831,299)	(3,175,159)
<b>Profit after taxation attributable to equity holders of the company</b>							18,587,589	15,023,270



## NOTES TO THE FINANCIAL STATEMENTS

### 36. SEGMENTAL REPORTING (CONTINUED)

Business segments	Manufacturing and trading		Others		Eliminations		Consolidated	
	2016 RM	2015 RM	2016 RM	2015 RM	2016 RM	2015 RM	2016 RM	2015 RM
<b>Other information</b>								
Segment assets	867,239,513	773,583,430	109,563,825	95,780,914	(104,110,004)	(47,238,153)	872,693,334	822,126,191
Unallocated assets	2,661,980	4,148,530	85,000	47,011	-	-	2,746,980	4,195,541
<hr/>								
Consolidated total assets	869,901,493	777,731,960	109,648,825	95,827,925	(104,110,004)	(47,238,153)	875,440,314	826,321,732
<hr/>								
Segment liabilities	285,735,512	324,025,182	1,185,710	218,931	67,283,135	-	354,204,357	324,244,113
Unallocated liabilities	1,337,325	15,476,557	46,638	147,972	-	(18,762)	1,383,963	15,605,767
<hr/>								
Consolidated total liabilities	287,072,837	339,501,739	1,232,348	366,903	67,283,135	(18,762)	355,588,320	339,849,880
<hr/>								
Capital expenditure	47,155,324	56,340,950	-	-	-	-	47,155,324	56,340,950
<hr/>								
Depreciation	20,683,381	20,933,015	208,640	208,640	-	-	20,892,020	21,141,655
<hr/>								

\* Others represent companies in the business of investment holding and letting of properties.

\*\* Segment assets comprise total current and non-current assets, less tax recoverable and deferred income tax assets.

\*\*\* Segment income liabilities comprise total current and long-term liabilities, less tax payable and deferred income tax liabilities.

### 37. FINANCIAL INSTRUMENTS

The operations of the Group are subject to a variety of market risks, including credit risk, foreign currency exchange risk, interest rate risk, liquidity risk and cash flow risk and market risk. The Group has formulated guidelines and policies as well as internal controls which seek to minimize the Group's exposure to risks associated with the financing, investing and operating activities of the Group.

#### (a) Financial Risk Management Objectives and Policies

##### (i) Credit risk

Deposits, cash and bank balances placed with major financial institutions of which the Directors believe that the possibility of non-performance by these financial institutions is remote on the basis of their financial strength.

Therefore, credit risk arises mainly from the inability of its customers to make payments when due. The Group has a credit policy in place to evaluate customers requiring credit over a certain amount or period. Credit risk is further minimized and is monitored via strictly limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via the Group's management reporting procedures.

The Group does not hold any collateral and thus, the credit exposure is continuously monitored by the directors.

The ageing analysis of trade receivable and movement of impairment of trade receivables are as disclosed in Note 19.

## NOTES TO THE FINANCIAL STATEMENTS

## 37. FINANCIAL INSTRUMENTS (CONTINUED)

## (a) Financial Risk Management Objectives and Policies (continued)

## (ii) Interest rate risk

The Group's exposure to interest rate risk arises from interest-bearing borrowings of which the Group reviews and monitors the interest rates at regular intervals. The hire-purchase, bank overdraft, bankers' acceptances, trust receipts and term loan bear interest registered at commercial banking rates per annum.

Sensitivity analysis for interest rate risk:-

As at 30 June 2016, if interest rates at the date had been 100 basis points lower with all other variables held constant, profit before income for the year would have been approximately RM 2,810,440 (2015 : RM 2,685,984) higher and vice versa.

## (iii) Liquidity risk and cash flow risk

The Group actively manages its operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash and cash equivalents to meet its working capital requirements and prudently balances its portfolio of short term and long term funding requirements.

The table below summarises the maturity profile of the Group's liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	Group			Total RM
	On demand within 1 year RM	1 to 5 years RM	Over 5 years RM	
<b>Financial liabilities at 30 June 2016:</b>				
Total borrowings	195,640,101	84,701,923	992,329	281,334,353
Trade and other payables	56,146,217	-	-	56,146,217
Total undiscounted financial liabilities	251,786,318	84,701,923	992,329	337,480,570
<b>Financial liabilities at 30 June 2015:</b>				
Total borrowings	233,843,432	47,490,921	-	281,334,353
Trade and other payables	37,287,059	10,704,527	-	47,991,586
Total undiscounted financial liabilities	271,130,491	58,195,448	-	329,325,939

## NOTES TO THE FINANCIAL STATEMENTS

### 37. FINANCIAL INSTRUMENTS (CONTINUED)

#### (a) Financial Risk Management Objectives and Policies (continued)

##### (iv) Foreign currency exchange risk

The Group is exposed to foreign currency on transactions and balances that are denominated in currencies other than Ringgit Malaysia. The Group monitors the movements in foreign currency exchange rates closely to ensure their exposure is minimized.

The net unhedged financial assets and liabilities of the Group that are not denominated in their functional currencies are as follows:-

<b>2016</b>	<b>Trade receivables RM</b>	<b>Cash and bank balances RM</b>
Euro	1,024,180	6,512
Singapore Dollar	788,337	26,322
US Dollar	115,653,244	48,337
Thailand Bhat	396,933	35
Japanese Yen	8,369,373	-
Hong Kong Dollar	8,634,511	94
Indonesia Ruppiah	219,291	-
	<b>135,085,869</b>	<b>81,300</b>

<b>2015</b>	<b>Trade receivables RM</b>	<b>Cash and bank balances RM</b>
Euro	960,385	5,953
Singapore Dollar	185,047	8,554
US Dollar	69,547,469	21,599
Thailand Bhat	331,668	34
Japanese Yen	3,930,433	-
Hong Kong Dollar	3,893,068	75
Indonesia Ruppiah	2,020,189	-
	<b>80,868,259</b>	<b>36,215</b>

#### (b) Classification of financial instruments

##### (i) Classification of financial instruments is as follows:-

	<b>2016 RM</b>	<b>Group 2015 RM</b>
<b>FINANCIAL ASSETS</b>		
<b>Fair value through profit or loss</b>		
Other investment	27,156	27,156
<b>Loans and receivables financial assets</b>		
Trade receivables	184,278,071	177,128,585
Other receivables, deposits and prepayments	37,638,684	11,388,448
Cash and bank balances	46,054,245	21,642,575
	<b>267,971,000</b>	<b>210,159,608</b>

## NOTES TO THE FINANCIAL STATEMENTS

## 37. FINANCIAL INSTRUMENTS (CONTINUED)

## (b) Classification of financial instruments (continued)

(i) Classification of financial instruments is as follows (continued) :-

	2016 RM	Group 2015 RM
<b>FINANCIAL LIABILITIES</b>		
<b>Other financial liabilities</b>		
Trade payables	39,873,984	37,287,057
Other payables and accruals	16,272,233	10,704,529
Hire-purchase payables	27,908,094	27,447,385
Term loans	17,951,481	30,728,334
Bankers' acceptances and revolving credits	235,474,778	210,174,501
Bank overdrafts	-	7,887,016
	337,480,570	324,228,822

(ii) Net gains and losses arising from financial instruments

	2016 RM	Group 2015 RM
Net losses arising from:		
Loans and receivables	267,971,000	210,159,608
Other financial liabilities	(337,480,570)	(324,228,822)
	(69,509,570)	(114,069,214)

## (c) Fair values

In the opinion of the directors, the carrying amounts of financial assets and financial liabilities of the Group at the statement of financial position date are approximate their fair values except as set out below:-

Recognised	Group			
	2016		2015	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Hire-purchase payables	27,908,094	26,512,689	27,447,385	26,193,078
Term loans	17,951,481	17,053,907	30,728,334	29,391,319
Banker's acceptance	174,591,438	165,861,866	167,174,501	159,818,823
Revolving credits	60,883,340	57,839,173	43,000,000	41,108,000
Borrowings	281,334,353	267,267,635	268,350,220	256,511,220

The methods and assumptions used by management to determine the fair values of other financial instruments are as follows:-

- (i) In respect of cash and cash equivalents, receivables, deposits and prepayments, payables, accruals and short term borrowings, the carrying amounts approximates fair value due to relatively short term nature of these financial instruments.
- (ii) The fair value of the borrowings which is accounted for as long term financial liabilities is estimated by discounting future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

## NOTES TO THE FINANCIAL STATEMENTS

### 38. SUPPLEMENTARY INFORMATION DISCLOSED PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS

The breakdown of the retained profit of the Group and of the Company as at 30 June 2016 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad's Listing Requirements, as issued by the Malaysian Institute of Accountants.

The retained earnings as at 30 June 2016 as follow:-

	Group RM	Company RM
The retained earnings of London Biscuits Berhad and its subsidiaries :		
Realised	187,669,052	132,966,702
Unrealised	18,091,325	-
Less: Consolidated adjustments	(42,499,873)	-
<b>Total retained earnings</b>	<b>163,260,504</b>	<b>132,966,702</b>

The disclosure of realised and unrealised profits or losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia Securities Berhad and should not be applied for any other purposes.

### 39. SUBSEQUENT EVENTS

- a) On 26 July 2016, London Biscuits Berhad has announced on issuance of RM 100,000,000 unrated medium term notes (MTN) pursuant to an unrated MTN programme of up to RM 100,000,000. However, this announcement should be read in conjunction with the earlier announcement made on 30 June 2016 in relation to MTN programme.
- b) On 18 August 2016, the Directors of the subsidiary Company, Khee San Berhad, have announced on Bursa Malaysia Securities Berhad that there were increase in numbers of shares for Directors both direct and indirect interests. Details as per below: -
  - i) 2,000,000 ordinary shares of RM 1.00 each under Dato' Sri Liew Kuek Hin was through acquisition of shares by Dato' Sri Liew Yew Chung at a price of RM 0.80 per ordinary shares. The interest was categorised as indirect interest.
  - ii) 2,000,000 ordinary shares of RM 1.00 each under Dato' Sri Liew Yew Chung was through his acquisition of shares in open market at a price of RM 0.80 per ordinary shares. The interest was categorised as direct interest.
  - iii) 2,000,000 ordinary shares of RM 1.00 each under Liew Yet Mei was through acquisition of shares by Dato' Sri Liew Yew Chung at a price of RM 0.80 per ordinary shares. The interest was categorised as indirect interest.
- c) On 21 September 2016, the subsidiary Company, Khee San Berhad, has announced that an offer of 4,000,000 ESOS options has been made to the Eligible Person at an exercise price of RM 1.00 per share. From the total amount of options offered, 1,500,000 shares have been offered to one of the directors of the Company, Dato' Sri Liew Yew Chung. Once the options accepted, it will be vested over a period of up to 30 days.

## ADDITIONAL COMPLIANCE INFORMATION

### NON-AUDIT FEES

There was no non-audit fees incurred during the financial year under review.

### MATERIAL CONTRACT

There has been no material contracts entered into by the Company (not being contracts entered into in the ordinary course of business of the Company) involving the Directors and Major Shareholders for the financial year under review.

### REVALUATION POLICY

The Group has adopted a policy of revaluation on its landed properties at a regular interval of at least once in every five (5) years. During the financial year under review, Khee San Berhad, the subsidiary of the Company has conducted a revaluation exercise during the financial year with total revaluation surplus of RM30,400.

### STATUS OF UTILISATION OF PROCEEDS FROM CORPORATE PROPOSALS

The Company had via an announcement dated 30 June 2016 established an Unrated Medium Term Notes Programme of up to RM100,000,000. The Medium Term Notes ("MTN") was subsequently made and issued on 26 July 2016 with maturities ranging from 3 to 7 years and at coupon rate of between 6.10% to 6.60%.

The MTN are denominated in Ringgit Malaysia and are utilised for the following purposes and are drawn down to:-

Purpose	Proposed Utilisation (RM)	Actual Utilisation (RM)
Refinance Existing Bank Borrowings	60,000,000	600,00,000
Finance Capital Expenditure	20,000,000	20,000,000
Finance Working Capital Requirements	20,000,000	20,000,000
Total	100,000,000	100,000,000

### EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

During the financial year under review, there was no ESOS options offered and subscribed by the Directors, senior management and eligible employees of the Group.

### RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE OR TRADING NATURE

At the 34th Annual General Meeting ("AGM") of the Company held on 31 December 2015, the Shareholders of the Company has given their approval for the renewal of its existing mandate for the Group to enter into recurrent related party transactions of a revenue or trading nature ("RRPTs") with the related party which are necessary for the day-to-day operation and are in the ordinary course of business of the Group.

The said mandate took effect on 31 December 2015 until the forthcoming 35th AGM of the Company scheduled to be held on 12 November 2016. The Company intends to seek its Shareholders' approval to renew the existing mandate for the RRPTs at the 35th AGM of the Company.

## ADDITIONAL COMPLIANCE INFORMATION (CONTINUED)

The RRPTs of the Company conducted pursuant to the shareholders' mandate are as follows:-

<b>Related Parties</b>	<b>Nature of Relationship</b>	<b>Nature of Transaction</b>	<b>Actual Value Transacted from the 34th AGM to 26 September 2016 (RM)</b>
Khee San Food Industries Sdn Bhd	The Company has an effective interest of 19.72% in Khee San Food Industries Sdn Bhd via its direct shareholdings in Khee San Bhd.	Purchase of sweets and confectionery products including contract manufacturing of deposited candies, hard and chewy candies/sweets, wafers and chewing gums on a perpetual basis from Khee San Food Industries Sdn Bhd by the Company.	30,320,026.40
Khee San Food Industries Sdn Bhd	The Company has an effective interest of 19.72% in Khee San Food Industries Sdn Bhd via its direct shareholdings in Khee San Bhd.	Sale of assorted raw materials such as packaging materials, sugar and flavourings on a perpetual basis by the Company to Khee San Food Industries Sdn Bhd.	114,707.90

The Company had via its public announcement dated 4 October 2016 proposed to seek the approval of its shareholders for the following new RRPT at the forthcoming 35th AGM. The new RRPT is as follow:-

<b>Related Parties</b>	<b>Nature of Relationship</b>	<b>Nature of Transaction</b>	<b>Proposed Mandate</b>
Between Kinos Food Industries (M) Sdn Bhd and Khee San Food Industries Sdn Bhd	The Company has an effective interest of 100% in Kinos Food Industries (M) Sdn Bhd and 19.72% in Khee San Food Industries Sdn Bhd via its direct shareholdings in Khee San Berhad.	Rental of machineries charged by Khee San Food Industries Sdn Bhd to Kinos Food Industries (M) Sdn Bhd.	RM1,000,000

The details of the abovementioned RRPTs are enclosed in the Circular to Shareholders dated 21 October 2016.

## LIST OF PROPERTIES OF THE GROUP

AS AT 30 JUNE 2016

Year of Revaluation (Acquisition)	Location	Postal Address	Tenure & Usage (Approx. age of buildings) (Years)	Land Area (sq. m.)	Description	Net Book Value as at 30 June 2016 (RM)
2014 ^ (1995)	H.S.(D) No 191720, PTD No 91909, Mukim of Plentong, District of Johor Bahru, State of Johor	No. 91, Jalan Cemerlang, Taman Perindustrian Desa Cemerlang, 81800 Ulu Tiram, Johor Bahru, Johor	Freehold Own use (20 years)	1,189.0	Industrial land with office and factory building for manufacturing of corn extruded products	2,439,512
2014 ^ (1995)	H.S.(D) No 191719, PTD No 91908, Mukim of Plentong, District of Johor Bahru, State of Johor	No. 93, Jalan Cemerlang, Taman Perindustrian Desa Cemerlang, 81800 Ulu Tiram, Johor Bahru, Johor	Freehold Own use (20 years)	1,189.0	Industrial land with office and factory building for manufacturing of corn extruded products	2,439,512
2014 ^ (1995)	H.S. (D) No 191403, PTD No 89457, Mukim of Plentong, District of Johor Bahru, State of Johor	No. 31, Jalan Canggih 9, Taman Perindustrian Desa Cemerlang, 81800 Ulu Tiram, Johor Bahru, Johor	Freehold Own use (20 years)	334.4	Industrial land with office and factory building for warehouse and manufacture of bakery products	673,171
2014 ^ (1995)	H.S.(D) No 191404, PTD No 89458, Mukim of Plentong, District of Johor Bahru, State of Johor	No. 33 Jalan Canggih 9, Taman Perindustrian Desa Cemerlang, 81800 Ulu Tiram, Johor Bahru, Johor	Freehold Own use (20 years)	1,066.8	Industrial land with office and factory building for warehouse and manufacture of bakery products	1,661,219
2014 ^ (1999)	GRN 136988, Lot 111742 (f.k.a H.S.(D) 237256, PTD No 115212) Mukim of Plentong, District of Johor Bahru, State of Johor	No. 3 Jalan Istimewa 2, Taman Perindustrian Desa Cemerlang, 81800 Ulu Tiram, Johor Bahru, Johor	Freehold Own use (16 years)	1,388.0	Industrial land with office and factory building for warehouse and manufacture of bakery products	2,874,186
2014 ^ (1999)	GRN 136987, Lot 111741 (f.k.a H.S.(D) 237255, PTD No 115211), Mukim of Plentong, District of Johor Bahru, State of Johor	No. 5 Jalan Istimewa 2, Taman Perindustrian Desa Cemerlang, 81800 Ulu Tiram, Johor Bahru, Johor	Freehold Own use (16 years)	1,388.0	Industrial land with office and factory building for warehouse and manufacture of bakery products	2,424,884
2014 ^ (1999)	GRN 136986, Lot 111741 (f.k.a H.S.(D) 237255, PTD No 115210), Mukim of Plentong District of Johor Bahru, State of Johor	No. 7 Jalan Istimewa 2, Taman Perindustrian Desa Cemerlang, 81800 Ulu Tiram, Johor Bahru, Johor	Freehold Own use (16 years)	1,338.0	Industrial land with office and factory building for warehouse and manufacture of bakery products	2,913,256
2014 ^ (1999)	GRN 136985, Lot 111739 (f.k.a H.S.(D) 237253, PTD No 115209), Mukim of Plentong District of Johor Bahru, State of Johor	No. 9 Jalan Istimewa 2, Taman Perindustrian Desa Cemerlang, 81800 Ulu Tiram, Johor Bahru, Johor	Freehold Own use (16 years)	1,338.0	Industrial land with office and factory building for warehouse and manufacture of bakery	2,424,884
2014 ^ (1999)	GRN 136984, Lot 111738 (f.k.a H.S.(D) 237252, PTD No 115208) Mukim of Plentong, District of Johor Bahru, State of Johor	No 11, Jalan Istimewa 2, Taman Perindustrian Desa Cemerlang, 81800 Ulu Tiram, Johor Bahru, Johor	Freehold Own use (16 years)	1,337.8	Industrial land with office and factory building for warehouse and manufacture of bakery	2,424,884
2014 ^ (1999)	GRN 136983, Lot 111737 (f.k.a H.S.(D) 237251, PTD No 115207) Mukim of Plentong District of Johor Bahru State of Johor	No 15, Jalan Istimewa 2, Taman Perindustrian Desa Cemerlang, 81800 Ulu Tiram, Johor Bahru, Johor	Freehold Own use (16 years)	1,337.8	Industrial land with office and factory building for warehouse and manufacture of bakery	2,424,884
2014 ^ (1999)	GRN 136874, Lot 111687 (f.k.a H.S.(D) 237310) Mukim of Plentong, District of Johor Bahru, State of Johor	No 1, Jalan Istimewa 4, Taman Perindustrian Desa Cemerlang, 81800 Ulu Tiram, Johor Bahru, Johor	Freehold Own use (15 years)	1,213.28	Industrial land with office and factory building for warehousing	1,865,287
2014 ^ (2000)	GRN 136873, Lot 111686 (f.k.a H.S.(D) 237309), Mukim of Plentong, District of Johor Bahru, State of Johor	No 3, Jalan Istimewa 4, Taman Perindustrian Desa Cemerlang, 81800 Ulu Tiram, Johor Bahru, Johor	Freehold Own use (15 years)	891.80	Industrial land with office and factory building for warehousing	1,535,287



## LIST OF PROPERTIES OF THE GROUP (CONTINUED)

AS AT 30 JUNE 2016

Year of Revaluation (Acquisition)	Location	Postal Address	Tenure & Usage (Approx. age of buildings) (Years)	Land Area (sq. m.)	Description	Net Book Value as at 30 June 2016 (RM)
2014 ^ (2003)	GRN 136989, Lot 111743 (f.k.a H.S.(D) 237257, PTD No 115213), Mukim of Plentong, District of Johor Bahru, State of Johor	No 1, Jalan Istimewa 2, Taman Perindustrian Desa Cemerlang, 81800 Ulu Tiram, Johor Bahru, Johor	Freehold Own use (12 years)	5,423.03	Industrial land with office and factory building for warehousing	10,064,000
2014 ^ (2009)	H.S.(D) No 493396, PTD No 192059, Mukim of Plentong District of Johor Bahru State of Johor	No. 1 Jalan Istimewa 7, Taman Perindustrian Desa Cemerlang, 81800 Ulu Tiram, Johor Bahru, Johor	Freehold Own use (7 years)	10,494.66	Industrial Land	12,451,542
<b>KINOS FOOD INDUSTRIES (M) SDN BHD</b>						
2014 ^ (1985)	Title No. PN 6715, Lot No. 51709, Mukim of Plentong, District of Johor Bahru, State of Johor	PLO. 233 Jalan Tembaga 1, Kawasan Perindustrian Pasir Gudang, 81700 Pasir Gudang, Johor	60 years Leasehold expiring in 2045 (30 years)	8,093.72	Industrial land with a two storey office with a single storey factory for manufacturing of bakery products	6,510,385
<b>KIM CHOAW SDN BHD</b>						
2014 ^ (1985)	H.S.(D) No 124988, PTD No 71051, Mukim of Plentong District of Johor Bahru State of Johor	PLO. 308, Jalan Tembaga 2, Kawasan Perindustrian Pasir Gudang, 81700 Pasir Gudang, Johor	60 years Leasehold expiring in 2045 (30 years)	8,093.72	Industrial land with a two storey office with a single storey factory for manufacturing of bakery products	1,830,816
<b>KHEE SAN BERHAD</b>						
2016 * (1982)	Lot Nos. 1819 to 1824 & 1832, Mukim & District of Petaling Selangor Darul Ehsan	Lots 1819 to 1824, Jalan Kolej, 43300 Seri Kembangan, Selangor Darul Ehsan	Freehold Own Use (29 to 48 years)	22,887.48	Factory and office	31,979,200
2016 * (1993 - 1996)	GM 461, Lot 14254 (Lot No. 14254, PT No. 9221) Mukim & District of Petaling, Selangor Darul Ehsan	No CS-16A, Jalan Jinma 1, Taman Jinma, 43300 Seri Kembangan, Selangor Darul Ehsan	Freehold Workers' Hostel (38 to 43 years)	416.84	1 unit of semi permanent single storey semi-detached house with 2 sections	290,840
2016 * (1993 - 1996)	GM 904, Lot 30731 (Lot No. 11251, P.T. No. 9218), Mukim & District of Petaling, Selangor Darul Ehsan	No. CS-30A, Jalan Jinma 1, Taman Jinma, 43300 Seri Kembangan, Selangor Darul Ehsan	Freehold Workers' Hostel (38 to 43 years)	531.13	1 unit of semi permanent single storey semi-detached house with 2 sections	351,533
2016 * (1993 - 1996)	GM 449, Lot 14241 (Lot No. 14241, GM No 68), Mukim & District of Petaling, Selangor Darul Ehsan	No. CS-41A & 41B, Jalan Jinma 1, Taman Jinma, 43300 Seri Kembangan, Selangor Darul Ehsan	Freehold Workers' Hostel (38 to 43 years)	428.18	1 unit of semi permanent single storey semi-detached house with 2 sections	320,000
2016 * (1993 - 1996)	GM 902, Lot 30729 (Lot No. 11244, P.T. No. 9211), Mukim & District of Petaling, Selangor Darul Ehsan	No. CS-43A, Jalan Jinma 1, Taman Jinma, 43300 Seri Kembangan, Selangor Darul Ehsan	Freehold Workers' Hostel (38 to 43 years)	413.14	1 unit of semi permanent single storey semi-detached house with 2 sections	286,880
<b>TOTAL</b>						<b>90,177,162</b>

Note:

Revalued by Independent Professional Valuer

^ The last Revaluation of the Properties were performed on 30 June 2014

\* The last Revaluation of the Properties were performed on 31 March 2016

## ANALYSIS OF SHAREHOLDINGS AS AT 26 SEPTEMBER 2016

1. Authorised Share capital : RM300,000,000.00  
 Issued and Paid-Up Capital : RM186,533,789.00  
 No. of Shareholders : 4,404  
 Class of shares : Ordinary shares of RM1.00 each  
 Voting rights : One (1) vote per RM1.00 share

### 2. ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Holdings	No. of Shareholders	% of Total Shareholders	No. of Shares Held	% of Issued Share Capital
Less than 100	45	1.02	1,276	◇
100 - 1,000	481	10.92	331,872	0.18
1,001 - 10,000	2,370	53.82	13,917,271	7.46
10,001 - 100,000	1,335	30.31	43,151,806	23.13
100,001 - Less than 5%	172	3.91	100,139,365	53.69
5% And Above	1	0.02	28,992,199	15.54
Grand Total	4,404	100.00	186,533,789	100.00

◇ Negligible

### 3. SUBSTANTIAL SHAREHOLDERS

Name	DIRECT INTEREST		INDIRECT INTEREST	
	No. of Shares Held	% of Issued Share Capital	No. of Shares Held	% of Issued Share Capital
1. MEILEELANUSA SDN BHD	40,029,699	21.46	--	--
2. DATO' LIEW YET LEE	2,172,671	1.16	42,428,123 (1)(2)	22.75
3. DATO' SRI LIEW YEW CHUNG	2,133,985	1.14	42,466,809 (1)(3)	22.77
4. DATIN SRI LIM YOOK LAN	224,487	0.12	44,376,307 (1)(4)	23.79
5. LIEW YET MEI	39,671	0.02	44,561,123 (1)(5)	23.89
6. DATO' SRI LIEW KUEK HIN	250	◇	44,600,544 (1)(6)	23.91
7. DATO' LIEW YEW CHENG	31	◇	44,600,763 (1)(7)	23.91

**Note:**

◇ Negligible

(1) Deemed interested by virtue of their interest in Meileelanusa Sdn Bhd.

(2) Deemed interested by virtue of the shares held by her parents, Dato' Sri Liew Kuek Hin and Datin Sri Lim Yook Lan, and her siblings, Dato' Sri Liew Yew Chung, Dato' Liew Yew Cheng and Ms. Liew Yet Mei.

(3) Deemed interested by virtue of the shares held by his parents, Dato' Sri Liew Kuek Hin and Datin Sri Lim Yook Lan, and his siblings, Dato' Liew Yew Cheng, Ms. Liew Yet Mei and Dato' Liew Yet Lee.

(4) Deemed interested by virtue of the shares held by her spouse, Dato' Sri Liew Kuek Hin, and her children, Dato' Sri Liew Yew Chung, Dato' Liew Yew Cheng, Ms. Liew Yet Mei and Dato' Liew Yet Lee.

(5) Deemed interested by virtue of the shares held by her parents, Dato' Sri Liew Kuek Hin and Datin Sri Lim Yook Lan, and her siblings, Dato' Sri Liew Yew Chung, Dato' Liew Yew Cheng and Dato' Liew Yet Lee.

(6) Deemed interested by virtue of the shares held by his spouse, Datin Sri Lim Yook Lan, and his children, Dato' Sri Liew Yew Chung, Dato' Liew Yew Cheng, Ms. Liew Yet Mei and Dato' Liew Yet Lee.

(7) Deemed interested by virtue of the shares held by his parents, Dato' Sri Liew Kuek Hin and Datin Sri Lim Yook Lan, and his siblings, Dato' Sri Liew Yew Chung, Ms. Liew Yet Mei and Dato' Liew Yet Lee.

## ANALYSIS OF SHAREHOLDINGS AS AT 26 SEPTEMBER 2016 (CONTINUED)

### 4. INTEREST OF DIRECTORS

#### a) Interest in shares of the Company

Name of Directors	DIRECT INTEREST		INDIRECT INTEREST	
	No. of Shares Held	% of Issued Share Capital	No. of Shares Held	% of Issued Share Capital
1. DATO' SRI LIEW KUEK HIN	250	◇	44,600,544 (1)(2)	23.91
2. DATIN SRI LIM YOOK LAN	224,487	0.12	44,376,307 (1)(3)	23.79
3. DATO' SRI LIEW YEW CHUNG	2,133,985	1.14	42,466,809 (1)(4)	22.77
4. DATO' LIEW YEW CHENG	31	◇	44,600,763 (1)(5)	23.91
5. LIEW YET MEI	39,671	0.02	44,561,123 (1)(6)	23.89
6. DATO' LIEW YET LEE	2,172,671	1.16	42,428,123 (1)(7)	22.75
7. DATO' PADUKA CHEONG SIEW KAI	-	-	-	-
8. HUANG YAN TEO	-	-	-	-
9. LESLIE LOOI MENG	-	-	-	-

#### Note:

◇ Negligible

(1) Deemed interested by virtue of their interest in Meileelanusa Sdn Bhd.

(2) Deemed interested by virtue of the shares held by his spouse, Datin Sri Lim Yook Lan, and his children, Dato' Sri Liew Yew Chung, Dato' Liew Yew Cheng, Ms. Liew Yet Mei and Dato' Liew Yet Lee.

(3) Deemed interested by virtue of the shares held by her spouse, Dato' Sri Liew Kuek Hin, and her children, Dato' Sri Liew Yew Chung, Dato' Liew Yew Cheng, Ms. Liew Yet Mei and Dato' Liew Yet Lee.

(4) Deemed interested by virtue of the shares held by his parents, Dato' Sri Liew Kuek Hin and Datin Sri Lim Yook Lan, and his siblings, Dato' Liew Yew Cheng, Ms. Liew Yet Mei and Dato' Liew Yet Lee.

(5) Deemed interested by virtue of the shares held by his parents, Dato' Sri Liew Kuek Hin and Datin Sri Lim Yook Lan, and his siblings, Dato' Sri Liew Yew Chung, Ms. Liew Yet Mei and Dato' Liew Yet Lee.

(6) Deemed interested by virtue of the shares held by her parents, Dato' Sri Liew Kuek Hin and Datin Sri Lim Yook Lan, and her siblings, Dato' Sri Liew Yew Chung, Dato' Liew Yew Cheng and Dato' Liew Yet Lee.

(7) Deemed interested by virtue of the shares held by her parents, Dato' Sri Liew Kuek Hin and Datin Sri Lim Yook Lan, and her siblings, Dato' Sri Liew Yew Chung, Dato' Liew Yew Cheng and Ms. Liew Yet Mei.

#### b) Interest in Subsidiaries

By virtue of Dato' Sri Liew Kuek Hin, Datin Sri Lim Yook Lan, Dato' Sri Liew Yew Chung, Dato Liew Yew Cheng, Ms. Liew Yet Mei and Dato' Liew Yet Lee's interests in the Company, they are also deemed to be interested in the shares of all the subsidiaries of the Company to the extent of their interest in the Company.

Save as disclosed above, none of the other Directors have any interest in the shares of subsidiaries as at 26 September 2016.

### 5. LIST OF 30 LARGEST SECURITIES ACCOUNT HOLDERS

(without aggregating the securities from different securities account belonging to the same Depositor)

Name	No. of Shares Held	% of Issued Share Capital
1. MEILEELANUSA SDN BHD	28,992,199	15.54
2. CITIGROUP NOMINEES (TEMPATAN) SDN BHD BENEFICIARY: EMPLOYEES PROVIDENT FUND BOARD (RHB INV)	6,662,600	3.57
3. AMANAHRAYA TRUSTEES BERHAD BENEFICIARY : PUBLIC ISLAMIC TREASURES GROWTH FUND	5,888,500	3.16
4. ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR MEILEELANUSA SDN BHD	5,634,000	3.02
5. CARTABAN NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : TMF TRUSTEES MALAYSIA BERHAD FOR RHB PRIVATE FUND - SERIES 6	5,350,000	2.87
6. CARTABAN NOMINEES (ASING) SDN BHD BENEFICIARY : BBH AND CO BOSTON FOR FIDELITY PURITAN TRUST: FIDELITY SERIES INTRINSIC OPPORTUNITIES FUND	4,000,000	2.14
7. CIMB GROUP NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR MEILEELANUSA SDN BHD (49646 JLK2)	4,000,000	2.14

## ANALYSIS OF SHAREHOLDINGS AS AT 26 SEPTEMBER 2016 (CONTINUED)

### 5. LIST OF 30 LARGEST SHAREHOLDERS (CONTINUED)

(without aggregating the securities from different securities account belonging to the same Depositor)

Name	No. of Shares Held	% of Issued Share Capital
8. LIM KIAN HUAT	3,302,200	1.77
9. HSBC NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : HSBC (M) TRUSTEE BHD FOR RHB EQUITY TRUST	2,552,700	1.37
10. HSBC NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : HSBC (M) TRUSTEE BHD FOR RHB SMART TREASURE FUND	2,530,000	1.36
11. HSBC NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : HSBC (M) TRUSTEE BHD FOR RHB PRIVATE FUND - SERIES 3	2,400,000	1.29
12. DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD BENEFICIARY : DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR HONG LEONG CONSUMER PRODUCTS SECTOR FUND	2,200,000	1.18
13. CIMSEC NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : CIMB BANK FOR LIEW YET LEE (M68107)	2,133,000	1.14
14. CIMSEC NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : CIMB BANK FOR LIEW YEW CHUNG (M68106)	2,133,000	1.14
15. AMANAHRAYA TRUSTEES BERHAD BENEFICIARY : PUBLIC SELECT ALPHA - 30 FUND	2,043,600	1.10
16. HSBC NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : HSBC (M) TRUSTEE BHD FOR RHB DANA HAZEEM	2,025,000	1.09
17. TAN CHING CHING	1,921,100	1.03
18. MAYBANK NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : MAYBANK TRUSTEES BERHAD FOR RHB DYNAMIC FUND (200188)	1,545,000	0.83
19. MIDF AMANAH INVESTMENT NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR MEILEELANUSA SDN BHD (MGN-LYC0006M)	1,400,000	0.75
20. KOPERASI SRI NILAM BERHAD	1,321,000	0.71
21. HSBC NOMINEES (ASING) SDN BHD BENEFICIARY : HSBC-FS FOR RHB ASEAN MEGATREND MASTER FUND	1,238,000	0.66
22. MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR TAN CHING CHING	1,206,700	0.65
23. KHOR MEOW SIANG	1,035,100	0.55
24. WONG CHEE CHOON	1,009,500	0.54
25. HSBC NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : HSBC (M) TRUSTEE BHD FOR RHB SMALL CAP OPPORTUNITY UNIT TRUST	950,000	0.51
26. TEOH HOOI BIN	941,300	0.50
27. LIM HUI HUAT @ LIM HOOI CHANG	880,000	0.47
28. CITIGROUP NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (RHB INV)	844,100	0.45
29. KUMPULAN WANG SIMPANAN GURU-GURU	799,400	0.43
30. NAM HENG OIL MILL COMPANY SDN BHD	760,000	0.41
<b>TOTAL</b>	<b>97,697,999</b>	<b>52.37</b>

## ANALYSIS OF WARRANT HOLDINGS

### As at 26 September 2016

1. Number of Outstanding Warrants : 37,281,357  
 Exercise Price of Warrants : RM1.00  
 Exercise Period of Warrants : 27 January 2015 to 26 January 2020  
 Voting Rights at Meeting of Warrant Holders : One (1) vote per Warrant

#### 2. ANALYSIS BY SIZE OF WARRANT HOLDINGS

(without aggregating the securities from different securities account belonging to the same Depositor)

Size of Holdings	No. of Shareholders	% of Total Shareholders	No. of Shares Held	% of Issued Share Capital
Less than 100	223	6.32	5,911	0.02
100 - 1,000	1,427	40.46	825,787	2.21
1,001 - 10,000	1,495	42.39	5,265,482	14.12
10,001 - 100,000	330	9.36	10,456,117	28.05
100,001 - Less than 5%	51	1.44	12,722,830	34.13
5% And Above	1	0.03	8,005,240	21.47
<b>Grand Total</b>	<b>3,527</b>	<b>100.00</b>	<b>37,281,377</b>	<b>100.00</b>

#### 3. SUBSTANTIAL WARRANT HOLDERS

Name of Warrant Holders	DIRECT INTEREST		INDIRECT INTEREST	
	No. of Warrants Held	Percentage (%)	No. of Warrants Held	Percentage (%)
1. MEILEELANUSA SDN BHD	8,005,940	21.47	-	-
2. DATO' LIEW YET LEE	434,534	1.17	8,485,624 (1)(2)	22.76
3. DATO' SRI LIEW YEW CHUNG	426,797	1.14	8,493,361 (1)(3)	22.78
4. DATIN SRI LIM YOOK LAN	44,897	0.12	8,875,261 (1)(4)	23.81
5. LIEW YET MEI	7,934	0.02	8,912,224 (1)(5)	23.91
6. DATO' SRI LIEW KUEK HIN	50	◇	8,920,108 (1)(6)	23.93
7. DATO' LIEW YEW CHENG	6	◇	8,920,152 (1)(7)	23.93

**Note:**

◇ Negligible

(1) Deemed interested by virtue of their interest in Meileelanusa Sdn Bhd.

(2) Deemed interested by virtue of the shares held by her parents, Dato' Sri Liew Kuek Hin and Datin Sri Lim Yook Lan, and her siblings, Dato' Sri Liew Yew Chung, Dato' Liew Yew Cheng and Ms. Liew Yet Mei.

(3) Deemed interested by virtue of the shares held by his parents, Dato' Sri Liew Kuek Hin and Datin Sri Lim Yook Lan, and his siblings, Dato' Liew Yew Cheng, Ms. Liew Yet Mei and Dato' Liew Yet Lee.

(4) Deemed interested by virtue of the shares held by her spouse, Dato' Sri Liew Kuek Hin, and her children, Dato' Sri Liew Yew Chung, Dato' Liew Yew Cheng, Ms. Liew Yet Mei and Dato' Liew Yet Lee.

(5) Deemed interested by virtue of the shares held by her parents, Dato' Sri Liew Kuek Hin and Datin Sri Lim Yook Lan, and her siblings, Dato' Sri Liew Yew Chung, Dato' Liew Yew Cheng and Dato' Liew Yet Lee.

(6) Deemed interested by virtue of the shares held by his spouse, Datin Sri Lim Yook Lan, and his children, Dato' Sri Liew Yew Chung, Dato' Liew Yew Cheng, Ms. Liew Yet Mei and Dato' Liew Yet Lee.

(7) Deemed interested by virtue of the shares held by his parents, Dato' Sri Liew Kuek Hin and Datin Sri Lim Yook Lan, and his siblings, Dato' Sri Liew Yew Chung, Ms. Liew Yet Mei and Dato' Liew Yet Lee.

## ANALYSIS OF WARRANT HOLDINGS

### As at 26 September 2016 (CONTINUED)

#### 4. DIRECTORS' WARRANT HOLDINGS

Name of Directors	DIRECT INTEREST		INDIRECT INTEREST	
	No. of Warrants Held	Percentage (%)	No. of Warrants Held	Percentage (%)
1. DATO' SRI LIEW KUEK HIN	50	◇	8,920,108 <sup>(1)(2)</sup>	23.93
2. DATIN SRI LIM YOOK LAN	44,897	0.12	8,875,261 <sup>(1)(3)</sup>	23.81
3. DATO' SRI LIEW YEW CHUNG	426,797	1.14	8,493,361 <sup>(1)(4)</sup>	22.78
4. DATO' LIEW YEW CHENG	6	◇	8,920,152 <sup>(1)(5)</sup>	23.93
5. LIEW YET MEI	7,934	0.02	8,912,224 <sup>(1)(6)</sup>	23.91
6. DATO' LIEW YET LEE	434,534	1.17	8,485,624 <sup>(1)(7)</sup>	22.76
7. DATO' PADUKA CHEONG SIEW KAI	-	-	-	-
8. HUANG YAN TEO	-	-	-	-
9. LESLIE LOOI MENG	-	-	-	-

**Note:**

◇ Negligible

(1) Deemed interested by virtue of their interest in Meileelanusa Sdn Bhd.

(2) Deemed interested by virtue of the shares held by his spouse, Datin Sri Lim Yook Lan, and his children, Dato' Sri Liew Yew Chung, Dato' Liew Yew Cheng, Ms. Liew Yet Mei and Dato' Liew Yet Lee.

(3) Deemed interested by virtue of the shares held by her spouse, Dato' Sri Liew Kuek Hin, and her children, Dato' Sri Liew Yew Chung, Dato' Liew Yew Cheng, Ms. Liew Yet Mei and Dato' Liew Yet Lee.

(4) Deemed interested by virtue of the shares held by his parents, Dato' Sri Liew Kuek Hin and Datin Sri Lim Yook Lan, and his siblings, Dato' Liew Yew Cheng, Ms. Liew Yet Mei and Dato' Liew Yet Lee.

(5) Deemed interested by virtue of the shares held by his parents, Dato' Sri Liew Kuek Hin and Datin Sri Lim Yook Lan, and his siblings, Dato' Sri Liew Yew Chung, Ms. Liew Yet Mei and Dato' Liew Yet Lee.

(6) Deemed interested by virtue of the shares held by her parents, Dato' Sri Liew Kuek Hin and Datin Sri Lim Yook Lan, and her siblings, Dato' Sri Liew Yew Chung, Dato' Liew Yew Cheng and Dato' Liew Yet Lee.

(7) Deemed interested by virtue of the shares held by her parents, Dato' Sri Liew Kuek Hin and Datin Sri Lim Yook Lan, and her siblings, Dato' Sri Liew Yew Chung, Dato' Liew Yew Cheng and Ms. Liew Yet Mei.

#### 5 LIST OF 30 LARGEST WARRANT HOLDERS

(without aggregating the securities from different securities account belonging to the same Depositor)

Name	No. of Shares Held	% of Issued Share Capital
1. MEILEELANUSA SDN BHD	8,005,240	21.47
2. ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR OOI CHIN HOCK (8058312)	881,700	2.36
3. OOI CHIN HOCK	673,800	1.81
4. RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR TIE MING CHUNG (CEB)	620,000	1.66
5. LIM KIAN HUAT	554,860	1.49
6. EB NOMINEES (TEMPATAN) SENDIRIAN BERHAD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR ON BOON KAI (TPI-SFC)	535,000	1.44
7. CHIA SIANG EEM	450,000	1.21
8. CIMSEC NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : CIMB BANK FOR LIEW YET LEE (M68107)	426,600	1.14

## ANALYSIS OF WARRANT HOLDINGS

### As at 26 September 2016 (CONTINUED)

#### 5 LIST OF 30 LARGEST WARRANT HOLDERS (CONTINUED)

(without aggregating the securities from different securities account belonging to the same Depositor)

Name	No. of Shares Held	% of Issued Share Capital
9. CIMSEC NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : CIMB BANK FOR LIEW YEW CHUNG (M68106)	426,600	1.14
10. CARTABAN NOMINEES (ASING) SDN BHD BENEFICIARY : BBH AND CO BOSTON FOR FIDELITY PURITAN TRUST: FIDELITY SERIES INTRINSIC OPPORTUNITIES FUND	400,000	1.07
11. MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR LOW CHEE HIAN (STF)	371,200	1.00
12. KENANGA NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR LIM YOK CHIN (04LJ833S-004)	350,000	0.94
13. CHOONG QIAN XUAN	345,000	0.93
14. HOW LEE CHIN	340,000	0.91
15. WONG MOI FONG	340,000	0.91
16. TEOH HOOI BIN	337,800	0.91
17. NG SI YOON	260,000	0.70
18. WONG CHIOU MUN	255,700	0.69
19. CIMSEC NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : CIMB BANK FOR YEW MIW CHIN @ YEW MEOW TIN (MY1371)	252,900	0.68
20. LIM KIM HOCK	250,000	0.67
21. CHEONG KEAN KONG	210,200	0.56
22. YAP KIM BIAN	206,000	0.55
23. CIMSEC NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR NYONG CHYE SENG (S PETALING-CL)	200,000	0.54
24. MAYBANK NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : SAW LOONG KANG	200,000	0.54
25. SEAH HOOI CHENG	200,000	0.54
26. LAI YOK CHEE	195,000	0.52
27. CIMSEC NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR KOO SENG HIAP (MUAR-CL)	177,300	0.48
28. LOW CHEE HIAN	170,000	0.46
29. CHON KEE KUAN	160,000	0.43
30. CIMSEC NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR WONG MOI FONG (J DEDAP-CL)	160,000	0.43
<b>TOTAL</b>	<b>17,954,900</b>	<b>48.16</b>

# LONDON BISCUITS BERHAD (72057-H)



## PROXY FORM

Number of shares held	
CDS Account No.	

\*I/We, \_\_\_\_\_ (\*NRIC No./Company No.:

(FULL NAME OF SHAREHOLDER, IN BLOCK LETTERS)

of \_\_\_\_\_  
(FULL ADDRESS)

being a \*member/members of LONDON BISCUITS BERHAD, hereby appoint \_\_\_\_\_  
(NAME OF PROXY AS PER NRIC, IN BLOCK LETTERS)

(NRIC No.): \_\_\_\_\_ of \_\_\_\_\_  
(FULL ADDRESS)

or failing \*him/her \_\_\_\_\_ (NRIC No.): \_\_\_\_\_  
(NAME OF PROXY AS PER NRIC, IN BLOCK LETTERS)

of \_\_\_\_\_  
(FULL ADDRESS)

\*and/or failing whom the Chairman of the meeting as \*my/our proxy to attend and vote on \*my/our behalf at the Thirty-Fifth Annual General Meeting of the Company to be held at the London Room, No 1, Jalan Istimewa 2, Taman Perindustrian Desa Cemerlang, 81800 Ulu Tiram, Johor Darul Takzim, Malaysia, on Saturday, 12 November 2016, at 8.00 a.m. or at any adjournment thereof \*for/against the resolution(s) to be proposed thereat:-

\*I/We direct \*my/our proxy to vote for or against the resolutions to be proposed at the meeting as hereunder indicated:-

Resolutions	BUSINESSES	For	Against
<b>ORDINARY BUSINESS</b>			
Ordinary Resolution 1	To approve payment of Directors' Fee for the financial year ended 2016.		
Ordinary Resolution 2	To approve payment of Directors' Fee for the financial year ending 2017.		
Ordinary Resolution 3	To re-elect Dato' Sri Liew Kuek Hin as Director.		
Ordinary Resolution 4	To re-elect Datin Sri Lim Yook Lan as Director.		
Ordinary Resolution 5	To re-elect Dato' Paduka Cheong Siew Kai as Director.		
Ordinary Resolution 6	To re-elect Dato' Liew Yet Lee as Director.		
Ordinary Resolution 7	To re-elect Mr. Leslie Looi Meng as Director.		
Ordinary Resolution 8	To re-appoint Messrs. Adam & Co. as the Auditors.		
<b>SPECIAL BUSINESS</b>			
Ordinary Resolution 9	To re-appoint Dato' Paduka Cheong Siew Kai to continue as an Independent Non-Executive Director.		
Ordinary Resolution 10	To re-appoint Mr. Huang Yan Teo to continue as an Independent Non-Executive Director.		
Ordinary Resolution 11	To re-appoint Mr. Leslie Looi Meng to continue as an Independent Non-Executive Director.		
Ordinary Resolution 12	To approve authority to issue and allot shares.		
Ordinary Resolution 13	To renew the authority to buy back its own shares.		
Ordinary Resolution 14	To renew the Shareholders' Mandate for Recurrent Related Party Transactions.		
Ordinary Resolution 15	To approve the new Shareholders' Mandate for Recurrent Related Party Transaction Involving Kinoss Food Industries (M) Sdn Bhd with Khee San Food Industries Sdn Bhd, a wholly-owned subsidiary of Khee San Berhad		

Please indicate with 'X' in the appropriate spaces how you wish your votes to be cast. In the absence of specific directions, your proxy will vote or abstain as he or she thinks fit.)

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2016

Signature of Member/Common Seal

\*Delete if not applicable

For the appointment of proxies, percentage of shareholdings to be represented by the proxies:

Proxies	No. of Shares	Percentage
Proxy 1		
Proxy 2		
Total		100%

### Notes :

1. A Member entitled to attend and vote at this Meeting, is entitled to appoint a proxy or proxies to attend and vote in his/her place. A proxy may but need not be a Member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965, shall not apply to the Company. A Member may appoint not more than two (2) proxies to attend the same Meeting. Where a Member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his holdings to be represented by each proxy.
2. The Proxy Form must be signed by the Appointor or his Attorney duly authorised in writing, or if the Appointor is a corporation, either under its Common Seal or under the hand of an Officer or Attorney duly authorised and may by resolution of its directors authorise such person as it thinks fit to act as its representative at the meeting pursuant to Section 147 of the Companies Act, 1965.
3. Where a Member of the company is an exempt nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.
4. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney, and the person so appointed may attend and vote at the Meeting at which the appointor is entitled to vote.
5. Only Members registered in the Record of Depositors as at 7 November 2016 shall be eligible to attend and vote at the said Meeting or appoint proxy(ies) to attend and vote on their behalf.
6. The Proxy Form must be completed and deposited at the Registered Office, No.1, Jalan Istimewa 2, Taman Perindustrian Desa Cemerlang, 81800 Ulu Tiram, Johor Darul Takzim, Malaysia, not less than forty-eight (48) hours before the time for holding the Meeting or any adjournment thereof.



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**AFFIX  
STAMP**

**The Company Secretaries**  
**LONDON BISCUITS BERHAD**  
No. 1, Jalan Istimewa 2  
Taman Perindustrian Desa Cemerlang  
81800 Ulu Tiram  
Johor Darul Takzim  
Malaysia

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