



ANNUAL REPORT 2016



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NOTICE OF THE TWENTY-SECOND ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-Second (22nd) 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, on Friday, 11 November 2016 at 8.00 a.m. for the purpose of considering the following businesses:-

- | | | |
|----|---|--|
| 1. | To receive the Audited Financial Statements for the year ended 30 June 2016 together with the Reports of the Directors and the 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 following resolutions:-

“ THAT the payment of Directors’ Fees of RM150,900.00 for the financial year ended 30 June 2016, be and is hereby approved.”

“ THAT the sum of RM170,500.00 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 4th Quarter be payable after the end of the financial year ending 30 June 2017.” | Ordinary Resolution 1

Ordinary Resolution 2 |
| 3. | To consider and, if thought fit, with or without any modification(s), to pass the following resolution:-

“ 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 |
| 4. | To re-elect the Director, Mr. Leslie Looi Meng, who retires by rotation pursuant to Article 77 of the Company’s Articles of Association. | Ordinary Resolution 4 |
| 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 5 |

SPECIAL BUSINESS

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

- | | | |
|----|---|------------------------------|
| 6. | Authority to Allot and Issue Shares under Section 132D of the Companies Act, 1965

“ 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.” | Ordinary Resolution 6 |
| 7. | Proposed Renewal of Share Buy-Back Mandate

“ THAT subject 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 RM1.00 each of the Company (“ Shares ”) 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:-

(i) the maximum aggregate number of ordinary shares of RM1.00 each in KSB (“ KSB 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;

(ii) the maximum funds to be allocated by the Company for the purpose of purchasing the KSB Shares, shall not exceed the total amount of the retained earnings of the Company at the time of purchase. Based on the Audited Financial Statements of KSB for the financial year ended 30 June 2016, the amount of the retained profit of the Company stood at RM1,927,688; and | Ordinary Resolution 7 |

NOTICE OF THE TWENTY-SECOND ANNUAL GENERAL MEETING (CONTINUED)

(iii) the authority conferred by this resolution will be effective immediately upon passing of this Ordinary Resolution and will continue to be in force until:-

- (a) 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
- (b) the expiration of the period within which the next AGM is required by law to be held; or
- (c) 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 the purchase(s) by the Company of the KSB 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 KSB Shares.”

8. **Proposed Renewal of Shareholders’ Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature (RRPTs) Involving Khee San Food Industries Sdn Bhd with London Biscuits Berhad (“Proposed RRPTs Renewal”)** **Ordinary Resolution 8**

“**THAT** subject to the provisions of the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to Khee San Food Industries Sdn Bhd, a wholly-owned subsidiary of the Company, to enter into RRPTs and to give effect to the specified RRPTs with London Biscuits Berhad, as set out in the Circular to Shareholders dated 20 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 TWENTY-SECOND ANNUAL GENERAL MEETING (CONTINUED)

9. **Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature (RRPTs) Involving Khee San Food Industries Sdn Bhd with Kinoss Food Industries (M) Sdn Bhd, a wholly-owned subsidiary of London Biscuits Berhad ("Proposed New RRPTs ")** **Ordinary Resolution 9**

"**THAT** subject to the provisions of the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to Khee San Food Industries Sdn Bhd, a wholly-owned subsidiary of the Company, to enter into RRPTs and to give effect to the specified RRPTs with Kinoss Food Industries (M) Sdn Bhd, a wholly-owned subsidiary of London Biscuits Berhad, as set out in the Circular to Shareholders dated 20 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. 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

Kuala Lumpur, Malaysia

Date: 20 October 2016

Notes:

1. A Member of the Company who is entitled to attend and vote at this Meeting, is entitled to appoint a proxy to attend and to vote in his stead. A proxy may but need not be a Member of the Company and Section 149(1)(b) of the Companies Act, 1965, shall not apply.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or if the appointer is a corporation, either under seal or the hand of an officer or attorney duly authorised.
3. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
4. A Member may appoint not more than two (2) proxies to attend the same Meeting. Where a member or the authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
5. The instrument appointing a proxy must be deposited at the Registered Office of the Company situated at 22-2, Jalan 1/64, Off Jalan Kolam Air / Jalan Sultan Azlan Shah, 51200 Kuala Lumpur, Malaysia, not less than forty-eight (48) hours before the time set for the holding of the Meeting or adjourned Meeting.
6. Only a depositor whose name appears on the Record of Depositors as at 7 November 2016 shall be entitled to attend and vote at the said meeting as well as for appointment of proxy(ies) to attend and vote on his/her stead.

NOTICE OF THE TWENTY-SECOND ANNUAL GENERAL MEETING (CONTINUED)

Explanatory Notes:

A) Ordinary Business

1. For Agenda Item 1

This agenda item is meant for discussion only as the provision of Section 169(1) of the Act and 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 4th Quarter be payable after the end of the financial year ending 30 June 2017.

B) Special Business

1. Ordinary Resolution 6

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 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 Twenty-First AGM held on 11 November 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 11 November 2015 and which will lapse at the conclusion of the Twenty-Second 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).

2. Ordinary Resolution 7

Proposed renewal authority to buy back its own shares by the Company

The proposed Resolution if passed, will allow 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 Share Buy-Back is set out in Part A of the Circular to Shareholders dated 20 October 2016 which will be despatched together with the Annual Report 2016.

3. Ordinary Resolution 8

Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature (RRPTs) Involving Khee San Food Industries Sdn Bhd with London Biscuits Berhad ("Proposed RRPTs Renewal")

The proposed Resolution, if passed, will allow the Company and its subsidiaries to enter into RRPTs in accordance with Chapter 10 of the Main Market Listing Requirements of Bursa Securities. 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 is set out in Part B of the Circular to Shareholders dated 20 October 2016 attached to the Annual Report 2016.

4. Ordinary Resolution 9

Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature (RRPTs) involving Khee San Food Industries Sdn Bhd with Kinoss Food Industries (M) Sdn Bhd, a wholly-owned subsidiary of London Biscuits Berhad ("Proposed New RRPTs")

The proposed Resolution, if passed, will allow the Company and its subsidiaries to enter into RRPTs in accordance with Chapter 10 of the Main Market Listing Requirements of Bursa Securities. 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 is set out in Part B of the Circular to Shareholders dated 20 October 2016 attached to the Annual Report 2016.

CORPORATE INFORMATION

BOARD OF DIRECTORS

DATO' SRI LIEW KUEK HIN

SSAP, DIMP, PJK, JP

Non-Independent

Non-Executive Chairman

DATO' SRI LIEW YEW CHUNG

SSAP, DIMP

Group Chief Executive Officer

MS. LIEW YET MEI

Non-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

SSAP, DIMP, PJK, JP

(Member)

Mr. Huang Yan Teo

PIS, PPN

(Member)

REMUNERATION COMMITTEE

Dato' Sri Liew Kuek Hin

SSAP, DIMP, PJK, JP

(Chairman)

Mr. Huang Yan Teo

PIS, PPN

(Member)

Mr. Leslie Looi Meng

(Member)

NOMINATING COMMITTEE

Dato' Sri Liew Kuek Hin

SSAP, DIMP, PJK, JP

(Chairman)

Mr. Huang Yan Teo

PIS, PPN

(Member)

Mr. Leslie Looi Meng

(Member)

COMPANY SECRETARIES

Ms. Hoh Leong Ching

(MAICSA 7006654)

Mr. Hoh Chee Mun

(MIA 8891)

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

AUDITORS

Messrs. Adam & Co.

(AF 1250)

Chartered Accountants

No.5-1, Level 5, PV128,

No.128, Jalan Genting Klang,

53300 Kuala Lumpur

Tel : 603 – 4141 6242

Fax : 603 – 4141 6275

REGISTERED OFFICE

22-2, Jalan 1/64,

Off Jalan Kolam Air / Jalan Sultan Azlan
Shah, 51200 Kuala Lumpur.

Tel : 603-4045 1080

Fax : 603-4045 1050

PRINCIPAL PLACE OF BUSINESS

Lot 1819-1820, Jalan Kolej,

43300 Seri Kembangan,

Selangor Darul Ehsan.

Tel : 603-8943 1390

Fax : 603-8943 1351

Website : www.kheesan.com.my

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad

- Main Market

Stock Code : 6203

PRINCIPAL BANKER

- OCBC Bank (Malaysia) Berhad

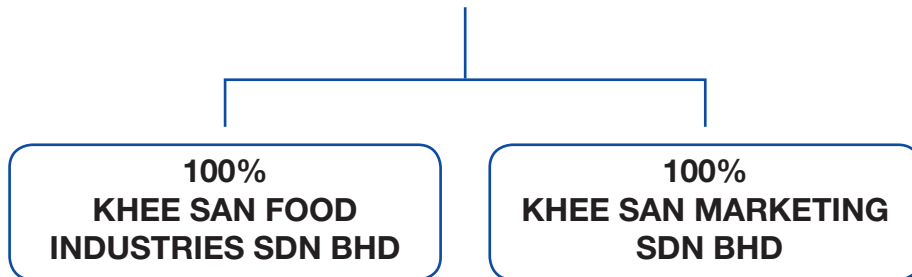
SUBSIDIARIES

- Khee San Food Industries Sdn Bhd (100%)
- Khee San Marketing Sdn Bhd (100%)

CORPORATE CHART



KHEE SAN BERHAD



DIRECTORS' PROFILE

	DATO' SRI LIEW KUEK HIN SSAP, DIMP, PJK, JP	DATO' SRI LIEW YEW CHUNG SSAP, DIMP
Name		
Age	77	46
Gender	Male	Male
Nationality	Malaysian	Malaysian
Qualification	Nanyang University, Singapore	<ul style="list-style-type: none"> Bachelor of Science in Business Administration, Drexel University, Philadelphia, United States of America in 1991 and majoring in Economics and Finance Masters of Business Administration in 1992 and majoring in Accounting Control
Position on Board	Chairman / Non-Independent Non-Executive Director	Group Chief Executive Officer
Board Committee	<ul style="list-style-type: none"> Chairman of Remuneration Committee Chairman of Nominating Committee Member of Audit Committee 	Member of Board of Directors
Date of Appointment	29 October 2007	1 November 2008
Working Experience	After graduated, he joined his family businesses, which includes logging, transportation, sawmilling, plywood manufacturing, plantations, palm oil mill and hotel operations.	He joined his family-owned businesses after he graduated. He became the General Manager of London Biscuits Berhad in 1994 and appointed as Group Chief Executive Officer in 2000.
Other Directorships	London Biscuits Berhad	London Biscuits Berhad
Family relationship with any Director and/or major shareholders	Parent to Dato' Sri Liew Yew Chung and Ms. Liew Yet Mei	Son of Dato' Sri Liew Kuek Hin and brother of Ms. Liew Yet Mei
Conflict of interest	Nil	Nil
List of convictions of offences within the past five (5) years	Nil	Nil
Shareholdings in the Company	Direct interest: 30,000 shares (0.03%) Indirect interest: 29,220,300 shares (29.22%) Deemed interested through his substantial shareholdings in London Biscuits Berhad and his son, Dato' Sri Liew Yew Chung in Khee San Berhad	Direct interest: 9,500,000 shares (9.50%) Indirect interest: 19,750,300 shares (19.75%) Deemed interested through his substantial shareholdings in London Biscuits Berhad and his parent, Dato' Sri Liew Kuek Hin in Khee San Berhad

DIRECTORS' PROFILE (CONTINUED)

Name	LIEW YET MEI	HUANG YAN TEO PIS,PPN
Age	49	69
Gender	Female	Male
Nationality	Malaysian	Malaysian
Qualification	Bachelor Degree in Accounting, from Drexel University, Philadelphia, United States of America in 1992	<ul style="list-style-type: none"> Member of the Association of Chartered Certified Accountants (ACCA) in 1975 and obtain Fellowship in 1980 Member of the Malaysian Institute of Accountants ("MIA") in 1975 Member of Chartered Tax Institute of Malaysia ("CTIM") in 2015
Position on Board	Non-Independent Non-Executive Director	Independent Non-Executive Director
Board Committee	Member of the Board of Directors	<ul style="list-style-type: none"> Member of Nominating Committee Member of Audit Committee Member of Remuneration Committee
Date of Appointment	9 November 2012	31 January 2008
Working Experience	Nil	He served at an audit firm, Messrs. Coopers & Lybrand from 1966 to 1974 and was appointed as the Group Financial Controller in a commercial firm from 1974 to 1981. Currently, he is the Managing Partner of Messrs. Baker Tilly HYT, a Chartered Accountants firm.
Other Directorships	London Biscuits Berhad	London Biscuits Berhad
Family relationship with any Director and/or major shareholders	Daughter of Dato' Sri Liew Kuek Hin and sister of Dato' Sri Liew Yew Chung	Nil
Conflict of interest	Nil	Nil
List of convictions of offences within the past five (5) years	Nil	Nil
Shareholdings in the Company	Direct interest: Nil Indirect interest: 29,250,300 shares (29.25%) Deemed interested through his substantial shareholdings in London Biscuits Berhad and her parent, Dato' Sri Liew Kwek Hin and her sibling, Dato' Sri Liew Yew Chung in Khee San Berhad	Nil

DIRECTORS' PROFILE (CONTINUED)

Name	LESLIE LOOI MENG
Age	47
Gender	Male
Nationality	Malaysian
Qualification	<ul style="list-style-type: none">• Bachelor of Arts (Law) from the University of Kent, Canterbury, United Kingdom in 1990• Barrister At Law (Middle Temple)• Admitted to the Malaysian Bar on 15 July 1993 and Singapore Bar
Position on Board	Independent Non-Executive Director
Board Committee	<ul style="list-style-type: none">• Chairman of Audit Committee• Member of Nominating Committee• Member of Remuneration Committee
Date of Appointment	25 August 2009
Working Experience	He is now the partner of Messrs. Dennis Nik & Wong, a legal firm and manages the Johor Bahru branch. He has been in active practice as an Advocates & Solicitor till to-date. His 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.
Other Directorships	London Biscuits Berhad
Family relationship with any Director and/or major shareholders	Nil
Conflict of interest	Nil
List of convictions of offences within the past five (5) years	Nil
Shareholdings in the Company	Nil

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"> • LLB (Hons), Liverpool • Barrister at Law Lincoln's Inn 	Rima College, Johor Bahru – Diploma in Private Secretarialship
Working Experience	In 1993, she started her career as an Executive Manager in London Biscuits Berhad and now she is the Group Chief Audit Officer, Management Systems & Internal Audit Department.	<ul style="list-style-type: none"> • 2004 - Abdul Raman Saad & Associates • 2005 - Executive, Corporate Affairs in London Biscuits Berhad • 2009 - Group Manager, Corporate Affairs • 2014 - Group General Manager, Corporate and Administration Department 	She started her career in London Biscuits Berhad 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)

Name	LIM HENG MIN	LIM KHENG TAT	WONG SOO LEN	FOO VOON HOI
Age	47	32	45	69
Gender	Male	Male	Female	Male
Nationality	Malaysian	Malaysian	Malaysian	Malaysian
Qualification	<ul style="list-style-type: none"> • United Business Institutes, Brussels, Belgium – Master of Business Administration in 2006 • Society of Business Practitioner, United Kingdom – Post Graduate Diploma in Business Administration in 1991 	Bachelor Degree of Civil Engineering	United Kingdom – Certified Accounting Technician (CAT)	Senior Middle Three (Chinese School)
Working Experience	<ul style="list-style-type: none"> • 1989 - Production Supervisor in Lau Fatt Kae Sdn Bhd • 1992 - Production Senior Supervisor in Red Box (M) Berhad • 1995 - Assistant Production Manager in Apollo Food Holding Berhad • 1998 - Group General Manager – Manufacturing in London Biscuits Berhad 	<ul style="list-style-type: none"> • 2008 – 2010 - Structural Design Engineer in THW Consultants Sdn Bhd • 2010 – 2013 - Online Merchandising Senior Specialist in Dell Global Business Sdn Bhd • 2013 - Present, Group General Manager, Customer Service Department in LBB 	<ul style="list-style-type: none"> • She has 25 years' experience in accounting field. • 2014 - Group General Manager, Corporate Finance Department 	<ul style="list-style-type: none"> • 40 years in Sugar Confectionery • Factory Manager in Khee San Food Industries Sdn. Bhd.
Date which first appointed to Key Senior Management	1 August 2014	1 October 2013	1 August 2014	1 April 1996
Directorships	Nil	Nil	Nil	Nil
Family relationship with any Director and/or Shareholder	Nil	Nil	Nil	Nil
Conflict of interest	Nil	Nil	Nil	Nil
List of convictions of offences within the past five (5) years	Nil	Nil	Nil	Nil

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Khee San Berhad, it is my pleasure to present my Statement on the Annual Report and the Audited Financial Statements of the Group and of the Company for the financial year ended 30 June 2016.

FINANCIAL PERFORMANCE

For the financial year under review, I am glad that the Group's revenue went up year by year, this year by 10.02% to RM156,957,156 from RM142,662,988 in previous year. The Group, has registered an operating profit before income tax of RM5,056,260 as compared to an operating profit before income tax of RM5,095,474 for the year ended 30 June 2015. Profit after income tax for the year ended 30 June 2016 was at RM4,911,922 an enviable 20.66% increase of RM841,205 with RM4,070,717 reported in the previous year. I am relieved that the Group's result turned out well beyond expectations. This set out the encouragement for us to endeavour to maintain and to sustain such result in the coming year, which all know is, definitely not going to be an easy year. The following year, so far with "gloomy news" coming in one after another, it is going to be tough with many difficult challenges ahead. Let just work together, to overcome these odds, to achieve another year of commendable performance, in the next financial year ending 30 June 2017. Although our profit before taxation did not rise in proportion to operating revenue, I must reiterate my express satisfaction with our overall results although it can be better. The impact and uncertainties arising on the Good and Services Tax (GST), may have been settled and accepted, what can't be denied, is the preparations in readiness to face the slowdown in the global economy and for the worst in whatever that take place in local developments. Our constant concerns remain that of rising cost of production, to maintain our competitive edge, continued uncertainties now worldwide and the continuing weakness of the Ringgit, all do affect our business plans. It is a mind boggling exercise to juggle with what we have and what we can procure to end 30 June 2017 proud and up to mark.

The Group basic net earnings per share for the financial year ended 30 June 2016 was 5.26 sen (2015 – 5.36 sen), while on a diluted basis, it is calculated at also 5.26 sen for 2016 and 5.36 sen for 2015. Net assets per share decreased to RM1.53 against RM1.54 in the previous financial year, in tandem with the increase in paid-up share capital.

OPERATIONS REVIEW AND PROSPECT

Everybody say, bad time is on the way. We have to brace ourselves. With that we did an operational review and our arrived at conclusion is a heartening "GOOD" prospects.

Our winning formula of hard work and heavy commitments from the management, resilient products with high acceptance at home and abroad have not failed since. New products are continuing being launched, 3 new varieties so far in 2016, to keep moving our chewy candy upfront, being one of our signature products. This is the "SALT" range to follow the white coffee and banana flavoured candies. New flavoured cheese wafer and cookie and cream wafer bars are in pipeline. These will keep our sales teams on their toes, to drum in sales, from both local and export markets with support of course, from the manufacturing and the research development departments.

With this in mind, 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 an opportunity to consolidate all our manufacturing operations at the Seri Kembangan premises. This move would improve manpower utilization, operational controls, management supervision, as well as eliminating duplicated job functions. More orders mean new capital expenditure to replace and to update the old and obsolete plant, machineries and equipment and also to expand our existing capacity, to meet the orders in line, as well as to boost supply for our marketing team to sell. Production facilities for upgrade or to catch up with latest technology in the market is a constant process. A new wafer production line is being acquired, to commission hopefully by mid 2017. Automation is still a must, to alleviate the high labour costs and reducing our dependence in manpower requirement.

Media Campaigns and participation in exhibitions are without fail, means to open new markets and to build brand awareness. This business direction, we continue to persue.

DIVIDENDS

The Board does not recommend a payment of dividend for the financial year under review. I hope, our shareholders will understand our present position, the need to conserve cash resources to meet challenges ahead.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to extend our appreciations and gratitude to our valued customers, bankers, suppliers, business associates, relevant authorities and our shareholders, my heartfelt thanks to them for their invaluable support and continued understanding confidence in us.

My appreciation is also extended to my fellow Board's members, the management team and all the employees of the Group for their resilience, dedication and their firm commitment.

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

8 October 2016

MANAGEMENT DISCUSSION & ANALYSIS

1. INTRODUCTION

Khee San Berhad (“Khee San” or “the Company”) and its group of companies (“the Group”) are the largest domestic Malaysia manufacturer of sweets and candy confectionery ranging from chewy, deposited, tablet and hard candies. It also produces both chewing and bubble gum as well as being one of the largest wafer manufacturers. The Company currently operates a factory in Seri Kembangan producing the sweets, candies and the wafers.

2. OVERVIEW OF THE BUSINESS ENVIRONMENT

The Group reported strong sales growth with turnover growing of 10.02% from RM142,662,988 in 2015 to RM156,957,156 in 2016. Profit after Tax came in at RM4,911,922.

Over the past several years, Khee San had successfully maintained a sustainable growth in sales volume but faced various challenges such as upward fluctuating manufacturing cost and competitive market environment to which now had been added the impact of the Malaysian Goods and Services Tax (“GST”) and the drop in value of the Ringgit. Though the FAO Food Price index, being the average indexed value of a group of global commodity price indices, was on a decreasing trend in the 1st quarter of 2016 before rebounding and on a steadily increasing trend of 170.9 points as of September 2016 being the highest point since March 2015. This increase is attributable to an increase in sugar prices and moderate increase in dairy product, meats and vegetable oils. This is also reflected in the sugar index which had risen from a low of 168.4 points in September 2015 to a high of 304.8 in September 2016.

Despite this increase in manufacturing cost, the Company is continuing with its business plans as envisioned by the Management. The increased capacity for its chewy candy candies continues to support plans for increasing the depth and coverage of existing key markets in order to ensure higher penetration of points-of-sales locations and various new varieties of candies and wafers have been introduced in the 2nd half of 2016 and progressively in the 1st half of 2017.

3. BUSINESS OPERATIONS REVIEW

The Group recorded sales revenue of RM156,957,156 of which domestic sales accounted for 53.18% and export sales 46.82%. The main categories of products for the Group are the Sweets and Candies and the Wafers.

Sweets and Candies

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

- Chewy : Marketed under the Fruitplus, Choco Plus and Milk Plus Brands
- 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

The Sweets and Candies segment comprises 68.15% 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 can be seen from the increase in sales revenue over the previous year and this is being further bolstered by the launch of new product varieties.

Wafers

The wafer segment is subdivided into various categories as follows:-

- Wafers Bars : Marketed under the Torrone, Lovin and Tip Top Brand
- Wafer Cubes : Marketed under the Snackie Brand

The wafer segment contributes 31.85% of the Group’s turnover and is one of the oldest manufacturers of wafers in Malaysia. The Lovin choco wafers have been produced for the past 35 years and are well known and recognised by consumers.

The Group originally operated 1 wafer production line and due to strong demand for wafers had installed and commissioned a 2nd wafer production line in 2009. This additional production line enabled Khee San to launch new varieties of wafer products under new brands. This includes the Snackie brand of wafer cubes which comes in a resealable zip bag packaging and the Tip Top brand of large wafer bars. These products are targeted to support the Group’s efforts to penetrate the modern distribution channel in outlets such as Aeon, Tesco and Giant with the wafer range. Due to the stable growth and enduring popularity of wafers, the Group is in the process of acquiring a 3rd wafer production line for commissioning in mid-2017 to expand its presence in this segment and capitalise on market demand.

MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

Production Operations

The Group production operations are based out of the production plant located in Seri Kembangan ("SK") which produces the candies and the wafers.

The Group had recognised that demand exceeds our output capacity and the limitations that the production department currently operates under. The commissioning of 2 state of the art packaging machine acquired in 2011 and 2013 to package the deposited candies in its twist wrap format has proven to be very successful and these have been joined by 2 new units in 2016. These machines are capable of packaging speeds 5 times over that of the older existing packaging machines and as of to date, Khee San is one of the few selected companies in Asia to operate this machine. In late 2014, additional upgrades are being implemented with the installation of an automated candy jar packing line to reduce manpower requirements. New machines for the 150 grams pouch bag packaging found in hypermarkets have also been installed to increase output which is in line with the increasing sales volume to modern trade segments.

Similarly for our Fruitplus chewy candy, 4 packaging machines had been installed to handle the increase in production output for the range in 2010 and each of these new machines has a packaging speed 4 times faster than the existing machines used. The Management had installed additional production lines in early and middle 2013 to support the future expansion plans of Khee San which we anticipate will increase our production capacity by at least 50% and with this in mind had also acquired an additional 4 packaging machines to supplement the earlier batch to support the expanded capacity.

Sales and Marketing

The Group derives approximately 53.18% of its revenue from the domestic Malaysian market and the balance 46.82% from exports. This is a strong increase percentage and value wise when compared to 2008 with exports then only accounting of less than 20% of Group revenue. The Group currently exports to 31 countries with major destinations being Hong Kong and Vietnam while for its domestic market the focus is on increasing the coverage of all the various retails 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 Company had also been aggressively promoting its products to new export markets in 2016 by participating in various exhibitions such as Thaifex, FHA Singapore 2016, SIAL Myanmar and SIAL Paris along with our upcoming annual participation to Dubai for SIAL Middle East. Other prospective in 2016 will once again Thaifex 2017 and also possibly to explore the US market by joining the Summer Fancy Fair in mid 2017.

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.

MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

Objectives

The Group's objectives are to become the dominant player and a regional one stop centre for sweets and candies to supply the Asean export market. Towards this end, the Group has ensured that it has sufficient production capacity to fulfil its expansion plans for the short to medium term of 4 to 5 years.

Production machines have been acquired for the production of chewy candies which will support the maximum coverage over the existing distribution channels of both local and export markets whilst opening new opportunities in other countries. This in turn is able to support the launch of new product varieties over the past 2 years and which is an on-going process with a launch schedule until mid-2017.

4. OUTLOOK OF FUTURE PROSPECTS

The Management is optimistic of the Group's future financial and business prospects as the capacity expansion plan will underpin its sales growth for the next 3 to 4 years and provide leverage for the introduction of new product varieties. The planned launches for this year include the Salt flavoured series of candies mixed with other flavours such as Salt & Lemon or Salt & Lychee candies, strawberry milk flavoured chewy candy which is a double flavoured candy and the salt & lemon hard candy. Moving forward, the Group will continue its focus on products positioned in the premium range by capitalising on the brand awareness and positioning of the FruitPlus brand. The Company is continuing its planned slate of new product launched and has maintained its advertising budget with domestic advertising and promotion activities.

The Group has been conducting consistent market visits to various key territories such as China, Hong Kong and Vietnam and will continue its brand building campaign in selective markets such as domestic Malaysia, Singapore and Hong Kong to boost product brand awareness of the existing product ranges and also in preparation for new premium products.

GROUP FINANCIAL HIGHLIGHTS

Group	2016 (RM)	2015 (RM)	2014 (RM)	2013 (RM)	2012 (RM)
Revenue	156,957,156	142,662,988	115,604,193	95,778,148	88,536,981
Profit Before Income Tax	5,056,260	5,095,474	5,269,377	4,503,468	3,256,127
Profit After Income Tax attributable to equity holders of the Company	4,911,922	4,070,717	4,419,683	4,028,997	3,978,176
Profit Attributable To Members	4,911,922	4,070,717	4,419,683	4,028,997	3,978,176

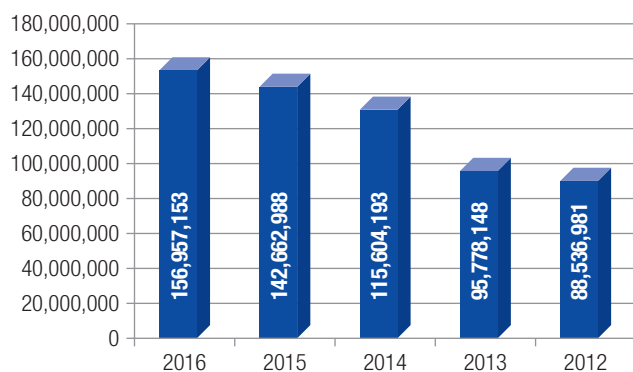
FINANCED BY (RM)

Shareholders' Funds	153,171,801	137,298,626	109,607,910	95,638,771	88,142,990
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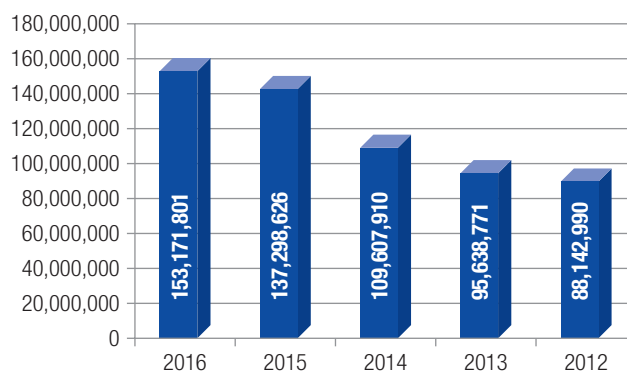
STATISTICS

Earnings per share (Sen) (Basic)	5.26	5.36	7.31	6.71	6.63
Net Asset per share (Sen)	153	154	167	159	147

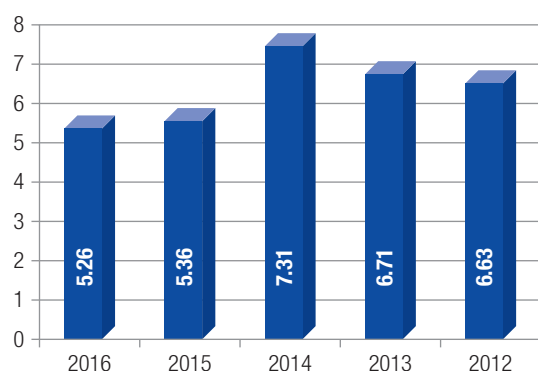
REVENUE



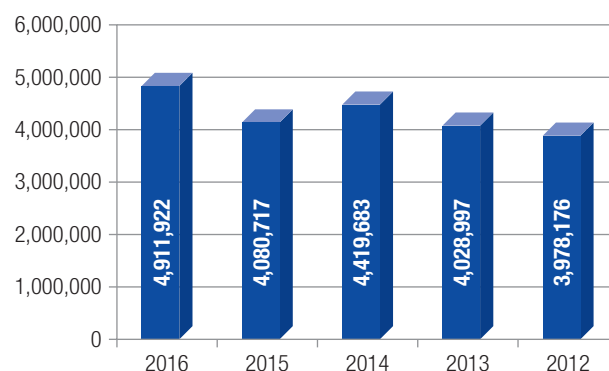
SHAREHOLDERS' FUNDS



EARNINGS PER SHARE



PROFIT AFTER TAX ATTRIBUTABLE TO SHAREHOLDERS



STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors (“the Board”) of Khee San Berhad (“Khee San” or “the Company”) recognized and subscribed to the importance 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:-

- 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 five (5) members, comprising one (1) Non-Independent Executive Director, two (2) Non-Independent Non-Executive Directors and two (2) Independent Non-Executive Directors. The composition of the Board fulfils 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 (“Bursa Securities”) (“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 comprises of experienced and calibre Independent Directors who 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 7 to 9 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 acknowledged 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 Annual General Meetings (“AGMs”). There were no Independent Directors who are subject to reappointment during the forthcoming AGM.

Supply and Access to Information

The Board recognises that 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.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

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 sets out the role, functions, composition, operation and processes of the Board in accordance with the principles of good corporate governance set out in the policy documents and guidelines issued by the regulatory authorities. The Board Charter provides guidance to the Board in relation to the Board's role, duties, responsibilities and authorities which are in line with the principles of good corporate governance. All Board Members are aware of their duties and responsibilities and are assisted by the Board Charter that acts as a source of reference and primary induction literature for prospective Board Members and Management which also serve as a base for the Board in assessing its collective performance and that of each individual Director.

The Board Charter would comprise of the Code of Ethics and Conduct which covers on the key areas provides guidance to the Board and its Committees in fulfilling its roles and responsibilities as well as carrying out the duties, in line with the principles and recommendations of the Code where the Board will review the Charter periodically to ensure that any updates on relevant laws and regulations are duly incorporated and any changes to the Company's policies, procedures, processes and the latest relevant legislations and regulations are reflected. The Board Charter acts as a source of reference for Board Members and Senior Management.

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 4 times a year, to consider all matters relating to the overall control, business performance and strategy of the Company. Additional meetings will be convened, if necessary, especially urgent and important decisions need to be concluded upon in between the scheduled meetings. The relevant reports (including Minutes of meetings), meetings agendas and Board papers are distributed to all Directors in advance prior to the Meeting, to allow the Directors to have sufficient time to peruse for effective discussions and decision makings 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 amongst 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' attendances at the Board Meetings were as follows:-

Name	Designation	No. of Board Meetings Attended	Percentage of Attendance (%)
Dato' Sri Liew Kuek Hin	Chairman / Non-Independent Non-Executive Director	5	100
Dato' Sri Liew Yew Chung	Group Chief Executive Officer	5	100
Liew Yet Mei	Non-Independent Non-Executive Director	5	100
Huang Yan Teo	Independent Non-Executive Director	5	100
Leslie Looi Meng	Independent Non-Executive Director	5	100

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 and Articles of Association of the Company. The Board's and Board 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 the Meetings which have been scheduled earlier.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

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 The 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 conclusions 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 Bill 2015, 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 AGM 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 then 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
CG Breakfast Series with Directors; Future of Auditor Reporting - The Game Changer for Boardroom	Bursa Malaysia Securities Berhad	2 November 2015

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 defined terms of reference or by-laws:-

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

Audit Committee

The Audit Committee was established on 31 January 1996 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 discharged their duties and responsibilities 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 27 November 2008 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.

The Nominating Committee is currently chaired by Ms. Liew Yet Mei (Non-Independent Non-Executive Director). 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.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

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 Companies Act, 1965;
- Reviewed the assessment of the retiring Directors according to Article 77 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 27 November 2008 and it was last reviewed and updated on 26 August 2016. The functions of the Nominating Committee, 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 27 November 2008 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' Sri Liew Kuek Hin (Non-Independent Non-Executive Director) and the Members of the Remuneration 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 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 Chief Executive Officer

The Directors' Fees are recommended by the Board and are subject to the approval of the Shareholders of the Company at AGMs. The individual Directors do not participate in the discussion of their own remuneration during the Remuneration Committee Meeting.

The Terms of Reference of the Remuneration Committee was formalized and approved by the Board on 27 November 2008 and it was last reviewed and updated on 26 August 2016. The remuneration procedures and policy of the Board Members and Chief Executive Officer are set out in the Terms of Reference which are made available on 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 20 November 2015 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.

The ESOS Committee's members are as follows:-

- Mr. Wong Kind Look (Chairman)
- Mr. Lee Chai Hong (Member)
- Ms. Kong Ching Ho (Member)
- Ms. Tin Wing Yee (Secretary)

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	21,500	-	21,500
Non-Executive Directors	129,400	-	129,400

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

Group

Category	Fee (RM)	Salaries & Other Emoluments (RM)	Total (RM)
Executive Director	21,500	-	21,500
Non-Executive Directors	129,400	-	129,400

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)	Executive Director	Non-Executive Directors
Below 50,000	1	4

Group

Bands (RM)	Executive Director	Non-Executive Directors
Below 50,000	1	4

Note:

For security and confidentially 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.

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 minded the importance of risk management and internal control in the daily operation and management of the Company and the Group. The Board recognizes that the internal control could control and minimise the risk as it could not be totally eliminate.

The Group's Statement on Risk Management and Internal Control is set out on pages 26 to 28 of this Annual Report. The said Statement has been duly reviewed by the External Auditors.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

8. Relation with Shareholders

On Dialogues between Company and Investors

The Board recognises the importance of implementation and maintenance of an effective communication and engagement with Shareholders and Stakeholders. The Company's corporate website, 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. info@kheesanfood.com, 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 of Bursa Securities to ensure that communications to the investing public regarding the business, operations and financial performance of the Company are accurate, timely, factual, informative, consistent, broadly disseminated and where necessary, information filed with regulators is in accordance with applicable legal and regulatory requirements.

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 such 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.

AGMs

The Company's AGM is the principal forum for dialogue with the Shareholders, whereby the Directors would be available during the meetings to response to the Shareholders' queries and concerns. The External Auditors are also invited to such meeting 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 announced by the Chairman during the AGMs and subsequently 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 Requirement, the Company would ensure that all the resolutions tabled at the general meetings would be voted by poll.

9. Sustainability

The Board promotes corporate governance in the application of sustainability practices throughout the Company, the benefits of which are believed to translate into better corporate performance and its growth impact to the Group including emphasis in the social and environmental impact of its business operations.

The Board views the commitment to sustainability and Environmental, Social and Governance performance as part of its broader responsibility to clients, shareholders and the communities in which it operates. The Company's activities on corporate social responsibilities for the financial year under review are disclosed in the Statement of Corporate Social Responsibilities in this Annual Report. Khee San Group is committed to the continuous efforts in maintaining a delicate balance between its sustainability agenda and the shareholders' interests.

STATEMENT ON CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility is becoming more mainstream/important as forward-thinking companies embedded sustainability into the core of their business operations to create shared value for business and society.

The Group is committed to be a successful and responsible corporate citizen by not just delivering quality products and services and generating attractive returns to our customers and shareholders, but also recognising that its corporate social responsibility to ensure that businesses are conducted in an ethical, professional and socially responsible manner. As the Company strive to achieve this aim, it recognises its responsibility towards the employees, business associates and community within which the businesses are conducted as well as the environment in which it operates in.

Marketplace

The Group is committed to produce quality products to the customers and ensure its productivity is at a high standard available to be consumed by the customers. At the same time, the Group is committed to continuously improve and innovate, the products to promote a healthy lifestyle and intend to introduce a range of sweets enhanced with health supplements. It also aims for continuous improvement towards building long term relationships with all its stakeholders. The Group's initiatives in supporting CSR are an ongoing commitment towards creation of a competitive nation, yet a moral, ethical, caring and economically just society.

Workplace & Ethical Conduct

The Group is committed in providing a safe, fair and stimulating work environment that empowers employees to make a meaningful contribution to the organisation's performance and development, and offers challenging and rewarding opportunities for personal and professional growth. Continuous learning and development programmes were carried out throughout the year to equip the staff with relevant skills, knowledge and experience which would enhance the individual staff's competency and eventually add value to the Group.

Occupational Safety and Health Programme have been established to provide a safe and healthy workplace and environment for the employees and visitors.

Employees are introduced to the ethical corporate culture of the Group during employee induction and thereafter, employees are constantly monitored to ensure the culture is upheld in their dealings within the Group and also in their association with customers, distributors, suppliers, governmental and regulatory authorities and other business associates. Any employee may report directly to the Chairman of any ethical misconduct discovered within the Group. A written code of conduct on ethical standards has been established by the Company to assist the employees in defining ethical standards and conduct at work.

Environment

The Group also committed to create a conducive working environment for our employees and ensures the workplace environment is a safe and healthy area for all employees and visitors, through regular inspections of the workplace by the Internal Audit Department and improvements or ratification would be carried out, where needed, if applicable. During the year, the Group undertook several initiatives in preserving the environment including upgrading its information technology infrastructure.

Community

As a socially responsible corporate citizen, the Group believes in creating business sustainability will enhance value for all its stakeholders. Khee San looks at positive investments by engaging with communities where the Group has direct impact and where shareholders may have an influence on operations. Over the years, our commitment towards the community has continued to expand, be improved and refined. The Group pledge to ensure business sustainability without compromising the rights and needs of future generations.

STATEMENT ON AUDIT COMMITTEE

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

The Audit Committee was established on 31 January 1996. During the financial year, there were five (5) Audit Committee Meetings held and the attendance by the members was 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 “Board of Directors Profile” as set out on pages 7 to 9 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 31 January 1996 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.

The Audit Committee has discharged their 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 and discussed the annual audited financial statements of the Group for the year ended 30 June 2016 and obtained clarifications from the Management Team together with the External Auditors before tabling and recommending the same to the Board’s consideration and approval.
- (b) Reviewed promptly the quarterly unaudited financial results of the Group and obtained clarifications from the Management Team prior to tabling and recommending the same to the Board’s consideration and approval before submission to Bursa Malaysia Securities Berhad and Securities Commission.
- (c) 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.
- (d) Revised and updated the existing Terms of Reference of the Audit Committee to be in line 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.
- (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 response and actions taken by the Internal Auditors to improve the internal control systems and its procedures.
- (f) Reviewed and approved the Annual Internal Audit Plans of the Group as advised by the Internal Auditors.
- (g) Carried out meetings with the External Auditors without the Executive Board Members and Management being present to discuss issues arising from their reviews.
- (h) Discussed and reviewed the Audit Memorandum Planning presented by the External Auditors.

STATEMENT ON AUDIT COMMITTEE (CONTINUED)

- (i) Reviewed the External Auditors' report 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 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 compliance under the Shareholders' Mandate.
- (l) Reviewed the information contained in the Shareholders' Circular in relation to the RRPTs between a subsidiary of Company, Khee San Food Industries Sdn Bhd and London Biscuits Berhad, the holding company, 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 were allotted in compliance with the established and approved ESOS By-Laws.
- (o) Reviewed the Statement on Audit Committee, Statement on Corporate Governance and Statement of Risk Management and Internal Control for insertion into the Company's Annual Report before tabling and recommending for the Board's approval.
- (p) Made enquiries if there were any related party transactions and reviewed to ensure the related party transactions, if any, were of ordinary commercial terms and were not favourable to the related party than would generally available to the public, and that the transactions were not detrimental to the minority party.

4. Report on the Allocation of ESOS by the Audit Committee

During the financial year under review, there were four (4) share options which have been offered and granted to eligible employees of the Group under the ESOS. The total shares allotted under ESOS of 10,930,000 ordinary shares were allotted and listed at an exercise price of RM1.00 per share.

The Audit Committee has verified the allocation of options in accordance with the ESOS By-Laws and confirmed that the criterias for allocation of options have been disclosed to the employees and the said allocations have been duly complied with the criteria set.

During the financial period, there was no allocation of ESOS to Directors of the Company. The details of the allocation of ESOS are disclosed in page 76 of this Annual Report.

5. Internal Audit Function

The Group has an Internal Audit Department, led by Dato' Liew Yet Lee, which assists 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 RM8,600.00.

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 to 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 under review.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

1. INTRODUCTION

The Board of Directors (“the Board”) of Khee San Berhad (“the Company”) are pleased to present the Statement on Risk Management and Internal Control, which has been prepared in accordance with the 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 affirm that they will be continuously improving 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

With the increasingly complex and dynamic business environment, proactive management of the overall business risks is a prerequisite in ensuring that the organisation achieves its strategic objectives. The Group is committed to ensure that the risks inherent in its business are identified and effectively managed through its planned activities. Risk Management activities are to be regarded an integral part of the Group’s philosophy and business practices and not in isolation.

As the effectiveness of the risk management system is dependent on constant awareness of potential risks and regular practice of risk assessment processes by all levels of an organisation, the level of success in the implementation of mitigation actions have been incorporated as one of the criteria in the annual performance appraisal of Senior Management. The deliberation of risks and related mitigating responses are carried out at regular management meetings of the Group and significant risks are conveyed to the Board at the quarterly scheduled meetings, if necessary.

4. INTERNAL AUDIT FUNCTION

The Group has an Internal Audit Department (“IAD”) to assists the Audit Committee in discharging its 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 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 under review, the following areas and departments were audited by the Internal Auditors:-

- Maintenance Department
- Laboratory Department
- 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 RM8,600.00.

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 Auditors and necessary actions have been taken by the Management. The Board had received verbal assurance from the Group Chief Executive Office and Chief Finance Officer 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 reviewed, 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

This statement is prepared in accordance to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Pursuant to Section 166A of the Companies Act, 1965, the Board of Directors are required to prepare the financial statements for every financial year in accordance with the approved accounting standards as stated in Section 2 of the Financial Reporting Act, 1997, the Malaysian Financial Reporting Standard issued by the Malaysian Accounting Standards Board and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Other than that, the financial statements must be prepared to give a true and fair view of the state of affairs of the Company and of the Group as at the end of every financial year and to be laid before the Annual General Meeting of the Company under Section 169 of the Companies Act, 1965.

During the preparation of the financial statement for the financial year ended 30 June 2016, the Board of Directors had:-

- ensured that all appropriate and approved accounting policies and standards had been adopted in preparation of financial statements;
- made reasonable and prudent judgment and estimates;
- ensured that the financial statements had been prepared on the going concern basis;
- ensured that the Group and the Company have adequate resources to continue in ongoing operations for the foreseeable future; and
- reviewed the adequacy and integrity of the Group and the Company's systems of internal controls and of its management information.

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 activity of the Company is that of investment holding. The principal activities of the subsidiary 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	4,911,922	455,892
Retained earnings brought forward	38,249,746	1,471,796
Transfer reserve	989,712	-
Retained earnings carried forward	44,151,380	1,927,688

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 any dividends in respect of the financial year ended 30 June 2016.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and paid-up ordinary share capital of the Company was increased from RM89,070,000 to RM100,000,000 by way of the issuance of 10,930,000 ordinary shares of RM1.00 each arising from the conversion of 10,930,000 of the Employees' Share Option Scheme ("ESOS") at the par value of RM1.00 per share.

No debentures were issued during the financial year.

EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

The Company's ESOS is governed by the by-laws approved by the shareholders at the Annual General Meeting held on 11 November 2015.

The principal features of ESOS are as follows:-

- Scheme shall be in force for a period of five years from the effective date at implementation of the scheme but subject to any extension or renewal for a further period of five years.
- 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.

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

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

- (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 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 RM1.00 each, whichever is the higher.
- Since the market price are lower than the par value, the Company have opted the par value as option price. Based on Chapter 16 of Policies and Guidelines on Issue / Offer of Securities: Employee Share Option Schemes, Para 16.02 (2), stated that "the option price shall not be lower than the par value". Therefore, the par value of the shares is considered as the fair value of the option price.
- (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 details of the option over ordinary shares of RM 1.00 each of the Company granted under the ESOS are as follows:-

Grant date	Expiry date	Exercise price RM per share	Number of options over ordinary shares of RM1.00 each			Outstanding and exercisable as at 30.06.2016
			Balance at 01.07.2015	Granted	Exercised	
17.09.2015	22.12.2019	1.00	190,500	-	(190,500)	-
21.12.2015	20.11.2020	1.00	-	5,590,000	(5,590,000)	-
18.02.2016	20.11.2020	1.00	-	1,700,000	(1,700,000)	-
08.04.2016	20.11.2020	1.00	-	3,449,500	(3,449,500)	-
			190,500	10,739,500	(10,930,000)	-

There were 4 issuances of ESOS during the financial year under review, of which the 1st issuance of 190,500 was granted under the ESOS mandate obtained from the shareholders in 2014 Annual General Meeting while the remaining 3 issuances of 10,739,500 were granted from the ESOS mandate obtained from shareholders in 2015 Annual General Meeting. From the implementation of the 1st ESOS for which shareholders' approval was obtained in 2009 until the end of the financial year under review, a total of 33,100,000 options had been granted to the eligible employees of the Group.

During the financial year and since the implementation of the ESOS until the end of the financial year, the senior management of the Company and its subsidiaries had been granted 34.65% respectively of the total options available under the ESOS.

DIRECTORS

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

- Dato' Sri Liew Kuek Hin, SSAP, DIMP, PJK, JP
- Dato' Sri Liew Yew Chung, SSAP, DIMP
- Liew Yet Mei
- Huang Yan Teo, PIS, PPN
- Leslie Looi Meng

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

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:-

Shares in the Company	Ordinary Shares of RM1 each			At 30.6.2016
	At 1.7.2015	Bought	Sold	
<u>The Company</u>				
Direct interest:				
Dato' Sri Liew Kuek Hin, SSAP, DIMP, PJK, JP	30,000	-	-	30,000
Dato' Sri Liew Yew Chung, SSAP, DIMP	-	7,500,000	-	7,500,000
Indirect interest:				
Dato' Sri Liew Kuek Hin, SSAP, DIMP, PJK, JP	19,720,300	7,500,000	-	27,220,300
Dato' Sri Liew Yew Chung, SSAP, DIMP	19,750,300	-	-	19,750,300
Liew Yet Mei	19,750,300	7,500,000	-	27,250,300
<u>Holding Company</u>				
<u>- London Biscuits Berhad</u>				
Indirect interest:				
Dato' Sri Liew Kuek Hin, SSAP, DIMP, PJK, JP	250	-	-	250
Dato' Sri Liew Yew Chung, SSAP, DIMP	2,133,985	-	-	2,133,985
Liew Yet Mei	39,671	-	-	39,671
Indirect interest:				
Dato' Sri Liew Kuek Hin, SSAP, DIMP, PJK, JP	44,600,544	-	-	44,600,544
Dato' Sri Liew Yew Chung, SSAP, DIMP	42,466,809	-	-	42,466,809
Liew Yet Mei	44,561,123	-	-	44,561,123

By virtue of their shareholdings in the ultimate holding Company, Dato' Sri Liew Kuek Hin, SSAP, DIMP, PJK, JP, Dato' Sri Liew Yew Chung, SSAP, DIMP and Liew Yet Mei, 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.

HOLDING COMPANY

The Directors regard London Biscuits Berhad, incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad, as the holding company.

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 disclose in Note 31, 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 36 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 KHEE SAN BERHAD, state that, in the opinion of the Directors, the financial statements set out on pages 38 to 75 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 74 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 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 KHEE SAN BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 38 to 75 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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KHEE SAN BERHAD

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of KHEE SAN 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 38 to 75.

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 KHEE SAN BERHAD (CONTINUED)

Other Reporting Responsibilities

The supplementary information set out on page 74 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	156,957,156	142,662,988	900,000	1,000,000
Cost of sales	5	(136,352,494)	(126,935,194)	-	-
Gross profit		20,604,662	15,727,794	900,000	1,000,000
Other operating income	6	3,457,267	2,514,314	77,384	2,918
Distribution costs		(11,003,932)	(4,105,622)	-	-
Administration expenses		(3,807,710)	(3,570,904)	(511,436)	(619,758)
Finance cost	7	(4,194,027)	(5,470,108)	-	-
Profit before taxation	8	5,056,260	5,095,474	465,948	383,160
Taxation	11	(144,338)	(1,024,757)	(10,056)	(5,546)
Profit for the financial year		4,911,922	4,070,717	455,892	377,614
Profit for the financial year attributable to:-					
Owners of the parent		4,911,922	4,070,717	455,892	377,614
Earnings per ordinary share attributable to equity holders of the Company (sen)	12				
- Basic		5.26	5.36		
- Diluted		5.26	5.36		
Profit for the financial year		4,911,922	4,070,717	455,892	377,614
Other comprehensive income					
- Revaluation surplus on properties		31,253	-	-	-
Total comprehensive income		4,943,175	4,070,717	455,892	377,614
Total comprehensive income attributable to:					
Owners of the parent		4,943,175	4,070,717	455,892	377,614

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
NON-CURRENT ASSETS					
Property, plant and equipment	13	166,379,942	168,381,498	-	-
Investment properties	14	-	2,900,000	-	-
Investment in subsidiary companies	15	-	-	32,691,952	32,614,568
Intangible assets	16	1,600,000	1,600,000	-	-
Amount due from subsidiaries	17	-	-	68,602,094	57,105,394
TOTAL NON-CURRENT ASSETS		167,979,942	172,881,498	101,294,046	89,719,962
CURRENT ASSETS					
Inventories	18	10,626,942	11,017,428	-	-
Trade receivables	19	53,569,208	52,190,976	-	-
Non - trade receivables, deposits and prepayments	20	16,846,630	2,339,592	1,037	1,037
Tax recoverable		443,312	379,609	-	4,511
Cash and bank balances	21	5,962,354	1,052,727	893,448	1,007,581
TOTAL CURRENT ASSETS		87,448,446	66,980,332	894,485	1,013,129
TOTAL ASSETS		255,428,388	239,861,830	102,188,531	90,733,091
EQUITY					
Share capital	22	100,000,000	89,070,000	100,000,000	89,070,000
Merger reserve		(17,443,699)	(17,443,699)	-	-
Revaluation reserve		26,464,120	27,422,579	-	-
Retained earnings		44,151,380	38,249,746	1,927,688	1,471,796
TOTAL EQUITY		153,171,801	137,298,626	101,927,688	90,541,796

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
NON-CURRENT LIABILITIES					
Hire purchase creditors	24	11,850,124	12,727,718	-	-
Borrowings	25	5,266,667	991,337	-	-
Deferred tax	26	1,715,191	1,578,182	-	-
TOTAL NON-CURRENT LIABILITIES		18,831,982	15,297,237	-	-
CURRENT LIABILITIES					
Trade payables	27	18,617,682	16,522,146	-	-
Non - trade payables and accruals	28	4,883,135	2,998,518	255,894	191,295
Amount due to holding company	29	-	1,677,033	-	-
Hire purchase creditors	24	7,054,361	6,521,699	-	-
Borrowings	25	52,869,427	53,342,184	-	-
Tax payable		-	-	4,949	-
Bank overdrafts	21	-	6,204,387	-	-
TOTAL CURRENT LIABILITIES		83,424,605	87,265,967	260,843	191,295
TOTAL EQUITY AND LIABILITIES		255,428,388	239,861,830	102,188,531	90,733,091

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	Merger reserve RM	Revaluation reserves RM	Retained earnings RM	Total RM
At 1 July 2014		65,450,000	(17,443,699)	27,422,579	34,179,029	109,607,909
Issuance of shares		6,900,000	-	-	-	6,900,000
Employees share option scheme	23	16,720,000	-	-	-	16,720,000
Net profit for the year ended 2015		-	-	-	4,070,717	4,070,717
At 30 June 2015		89,070,000	(17,443,699)	27,422,579	38,249,746	137,298,626
Employees share option scheme	23	10,930,000	-	-	-	10,930,000
Revaluation surplus on properties		-	-	31,253	-	31,253
Transfer reserve		-	-	(989,712)	989,712	-
Net profit for the year ended 2016		-	-	-	4,911,922	4,911,922
At 30 June 2016		100,000,000	(17,443,699)	26,464,120	44,151,380	153,171,801

Company	Note	Share capital RM	Retained earnings RM	Total RM
At 1 July 2014		65,450,000	1,094,182	66,544,182
Issuance of shares		6,900,000	-	6,900,000
Employees share option scheme	23	16,720,000	-	16,720,000
Net profit for the year ended 2015		-	377,614	377,614
At 30 June 2015		89,070,000	1,471,796	90,541,796
Employees share option scheme	23	10,930,000	-	10,930,000
Net profit for the year ended 2016		-	455,892	455,892
At 30 June 2016		100,000,000	1,927,688	101,927,688

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
CASH FLOW FROM OPERATING ACTIVITIES				
Profit before taxation	5,056,260	5,095,474	465,948	383,160
Adjustment for:-				
Impairment on inventories	46,237	81,712	-	-
Depreciation	5,736,871	5,989,934	-	-
Interest expenses	4,194,027	5,470,108	-	-
Loss/ (Gain) on disposal of property, plant and equipment	149,034	(18,802)	-	-
Unrealised gain on foreign exchange	(1,787,087)	(1,521,735)	-	-
Dividend income	-	-	(900,000)	(1,000,000)
Reversal on impairment loss	-	-	(77,384)	-
Provision of doubtful debt	23,414	34,282	-	-
Interest income	-	(2,918)	-	(2,918)
Operating profit/(loss) before working capital changes	13,418,756	15,128,055	(511,436)	(619,758)
Changes in working capital:-				
Decrease in inventories	344,249	662,113	-	-
Decrease / (Increase) in trade receivables	396,518	(38,765,267)	-	-
(Increase) / Decrease in non-trade receivables, deposits and prepayments	(14,507,038)	(231,174)	-	2,700
Increase in amount due from subsidiaries	-	-	(11,496,700)	(23,944,708)
Increase in trade payables	2,084,459	3,418,414	-	-
Increase in non-trade payables and accruals	1,884,617	251,331	64,599	32,967
Decrease in amount due to ultimate holding company	(1,677,033)	(46,745)	-	-
Cash generated from/(used in) operating activities	1,944,528	(19,583,273)	(11,943,537)	(24,528,799)
Tax paid	(208,000)	(208,000)	(8,000)	(8,000)
Interest received	-	2,918	-	2,918
Dividend received	-	-	900,000	1,000,000
Tax refund	136,968	125,062	7,404	-
Interest paid	(4,194,027)	(5,470,108)	-	-
<i>Net cash used in operating activities</i>	(2,320,531)	(25,133,401)	(11,044,133)	(23,533,881)

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
CASH FLOW FROM INVESTING ACTIVITIES						
Proceed from disposal of investing properties	3,250,000		-	-		-
Proceed from disposal of property, plant and equipment	8,493,567		23,600	-		-
Purchase of property, plant and equipment	(11,272,952)		(7,500,179)	-		-
Transfer of asset to holding company	4,863,056		-	-		-
<i>Net cash generated from/(used in) investing activities</i>	5,333,671		(7,476,579)	-		-
CASH FLOW FROM FINANCING ACTIVITIES						
Proceeds from bankers' acceptance	4,592,178		18,783,783	-		-
Repayments of term loans	(789,605)		(789,605)	-		-
Redeemable of employee share options scheme	10,930,000		16,720,000	10,930,000		16,720,000
Proceeds from issuance of shares	-		6,900,000	-		6,900,000
Repayments of hire purchase creditor	(6,631,699)		(7,164,364)	-		-
<i>Net cash generated from financing activities</i>	8,100,874		34,449,814	10,930,000		23,620,000
Net increase/(decrease) in cash and cash equivalents	11,114,014		1,839,834	(114,133)		86,119
Cash and cash equivalents brought forward	(5,151,660)		(6,991,494)	1,007,581		921,462
Cash and cash equivalents at end of the financial year	5,962,354		(5,151,660)	893,448		1,007,581
Cash and cash equivalents comprise:						
Cash and bank balances	5,962,354		1,052,727	893,448		1,007,581
Bank overdrafts	-		(6,204,387)	-		-
	5,962,354		(5,151,660)	893,448		1,007,581

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 investment holding. The principal activities of the subsidiary 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 22-2, Jalan 1/64, Off Jalan Kolam Air/Jalan Sultan Azlan Shah, 51200 Kuala Lumpur and Lot 1819-1820, Jalan Kolej, 43300 Seri Kembangan, Selangor Darul Ehsan respectively.

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

Title	Effective for the financial period beginning on or after
<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 Payments 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting policies (continued)

(a) Basis of consolidation and subsidiaries

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 30 June 2016.

A subsidiary is defined as a company in which the parent company has the power, directly or indirectly, to exercise control over its financial and operating policies so as to obtain benefits from its activities.

The subsidiaries are consolidated using the merger method of accounting except for Khee San Marketing Sdn. Bhd., which is consolidated using the purchase method of accounting.

The subsidiaries acquired which have previously met the criteria for merger accounting are accounted for using merger accounting principles. When the merger method is used, the cost of investment in the Company's books is recorded at the nominal value of shares issued. The difference between the carrying value of the investment and the nominal value of the shares of the subsidiaries is treated as a merger deficit or merger reserve as applicable. The results of the subsidiaries being merged are included for the entire financial year.

The MFRS 3 "Business Combinations" states that all business combinations shall be accounted for by applying the purchase method. However, the Group has adopted the exemption allowed to apply MFRS 3 on a prospective basis. Accordingly, business combinations entered into prior to 1 July 2007, have not been restated to comply with this Standard.

Under the purchase method of accounting, the results of subsidiaries acquired or disposed of during the financial year are included in the consolidated statement of comprehensive income from the date of acquisition or up to the date of disposal. The difference between the consideration paid for the investment in the subsidiaries and the fair value of attributable net assets acquired is reflected as goodwill or reserve on consolidation as appropriate. The carrying amount of goodwill is reviewed annually and written down for impairment where it is considered necessary.

Intragroup transactions, balances and unrealised gains on transactions are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

(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.

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)

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.

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 recognized 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting policies (continued)

(b) Financial instruments (continued)

(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

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.

Property, plant and equipment are stated at cost modified by the revaluation of certain property less accumulated depreciation and impairment loss, if any.

The carrying amounts of property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognized as an expense in the income statement.

No depreciation is provided on freehold lands and plant and machinery in-progress.

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:-

Buildings	2%
Furniture, fittings and equipment	5% – 10%
Electrical equipment	10% – 20%
Motor vehicles	20%
Plant and machinery	5% – 20%

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.

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)

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 and 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) 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.

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.

(f) 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 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting policies (continued)

(f) Impairment of assets (continued)

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

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.

(g) Investments

Investments in subsidiaries are initially stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the financial year if events or changes in circumstances indicate that their carrying values may not be recoverable.

(h) 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.

(i) 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.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and fixed deposits, net of bank overdrafts which have an insignificant risk of changes in value.

(k) 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.

(l) 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 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.

(m) Interest-bearing borrowings

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

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting policies (continued)

(m) Interest-bearing borrowings (continued)

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.

(n) 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.

(o) Provisions

Provisions are recognised when the Group and the Company has present legal or constructive obligation 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 obligations, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risk specific to the liability and the present value of the expenditure expected to be required to settle the obligation.

(p) 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.

(q) Functional and foreign currencies

(i) Functional and presentation currency

The functional currency of the Group is measured using the currency of the primary economic environment in which the Group operates.

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

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting policies (continued)

(q) Functional and foreign currencies (continued)

(i) Functional and presentation currency (continued)

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 Australian Dollar	2.989	-
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

(ii) Transactions and balances

Transactions in foreign currency are converted into RM at the approximate rates of exchange ruling at the transaction dates. Transactions in foreign currency are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the statement of financial position date are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are taken to the statement of comprehensive income.

(r) Employee benefits

Short term employee benefits

Wages, salaries and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when employees render services that increase their entitlement to future compensated absences. Non-accumulating compensated absences, such as sick and medical leaves are recognised when the absences occur. The expected cost of accumulating compensated absences is measured as the additional amount expected to be paid as a result of the unused entitlements that have accumulated at the balance sheet date.

Defined contribution plan

Contributions to the Employees Provident Fund are recognised as an expense in the statement of comprehensive income in the period to which they relate.

Share based compensation

The Khee San Berhad Employees' Share Option Scheme ("ESOS"), an equity-settled, share based compensation plan, allows the Group's employees to acquire ordinary shares of the Company. The total fair value of share options granted to employees is recognized as an employee cost with a corresponding increase in the share options reserve within equity over the vesting period and taking into account the probability that the options will be vested.

The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognizes the impact of the revision of original estimates, if any, in profit or loss, with a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognized in the share options reserve until the options are exercised, upon which it will be transferred to share premium. The share option reserve in relation to the unexercised option at the expiry of the share option scheme will be transferred to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting policies (continued)

(r) Employee benefits (continued)

Share based compensation (continued)

If the options are exercised, the Group issues new shares to the employees. The proceeds received, not of any directly attributable transaction costs are recognized in ordinary share capital at nominal value, and any excess would be recognized in share premium.

(s) Contingency liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a probable asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

(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 from investment is recognised when the right to receive payment is established.

(ii) Dividend income

Dividend income recognized as and when the shareholders' right to receive payment is established.

(iii) Rental income

Rental income recognized on an accrual basis.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires Directors to exercise their judgement in the process of applying the Group's accounting policies. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:-

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

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial and production factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions.

The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(ii) *Taxation*

There are certain transactions computations for which the ultimate tax determination may be different from the initial estimate. The Group recognizes tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognized, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

(iii) *Impairment of non-financial assets*

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(iv) *Classification between investment properties and owner-occupied properties*

The Group determines whether a property qualifies as an investment property, and has developed a criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independent of the other assets held by the Group.

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

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

(v) *Recoverability of receivables*

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

(vi) *Allowance for inventories*

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

(vii) *Revaluation of properties*

Certain properties of the Group are reported at valuation which is based on valuations performed by independent professional valuers. The independent professional valuers have exercised judgement in determining discount rates, estimates of future cash flows, capitalisation rate, terminal year value, market freehold rental and other factors used in the valuation process. Also, judgement has been applied in estimating prices for less readily observable external parameters. Other factors such as model assumptions, market dislocations and unexpected correlations can also materially affect these estimates and the resulting valuation estimates.

(viii) *Fair value estimates for certain financial assets and liabilities*

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

NOTES TO THE FINANCIAL STATEMENTS

4. REVENUE

	2016 RM	Group 2015 RM	2016 RM	Company 2015 RM
Sales of goods	156,957,156	142,662,988	-	-
Dividends	-	-	900,000	1,000,000
	156,957,156	142,662,988	900,000	1,000,000

5. COST OF SALES

	2016 RM	Group 2015 RM
Opening inventories	11,099,140	11,761,253
Cost of goods manufactured	136,008,245	126,273,081
Closing inventories (Note 18)	(10,754,891)	(11,099,140)
	136,352,494	126,935,194

6. OTHER OPERATING INCOME

	2016 RM	Group 2015 RM	2016 RM	Company 2015 RM
Other income	190,378	311,517	-	-
Rental income	133,160	136,160	-	-
Interest income	-	2,918	-	2,918
Insurance claimed	-	32,779	-	-
Reversal of impairment on subsidiary	-	-	77,384	-
Gain on disposal of property, plant and equipment	-	18,802	-	-
Sundry income	69,384	405,176	-	-
Sales of scrap	84,230	85,227	-	-
Unrealised gain on foreign exchange	1,787,087	1,521,735	-	-
Realised gain on foreign exchange	1,193,028	-	-	-
	3,457,267	2,514,314	77,384	2,918

NOTES TO THE FINANCIAL STATEMENTS

7. FINANCE COST

	2016 RM	Group 2015 RM
Term loan interest	71,933	119,816
Bank commission	83,254	45,937
Bank overdraft interest	625,043	577,664
Banker's acceptance interest	2,124,761	3,248,589
Commitment fee	11,541	6,669
Financial charges	15,233	31,043
Hire-purchase interest	1,259,628	1,432,750
Letter of credit charges	2,634	7,640
	4,194,027	5,470,108

8. PROFIT BEFORE TAXATION

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

	2016 RM	Group 2015 RM	2016 RM	Company 2015 RM
Depreciation (Note 13)	5,736,871	5,989,934	-	-
Auditor's remuneration				
-current year	97,320	102,400	24,000	30,400
-(over)/under provision of prior year	3,100	(23,977)	3,100	-
Staff costs (Note 9)	7,926,397	8,453,462	-	-
Directors' remuneration (Note 10)	150,900	146,200	150,900	146,200
Rental expenses:				
Office and residential premises	393,912	376,272	-	-
Lease rental	188,002	180,000	-	-
Equipment	7,080	9,447	-	-
Impairment of inventory (Note 18.1)	46,237	81,712	-	-
Loss/ (Gain) on disposal of property, plant and equipment	149,034	(18,802)	-	-
Interest expenses	4,092,906	5,385,488	-	-
Provision of doubtful debt	23,414	34,282	-	-

NOTES TO THE FINANCIAL STATEMENTS

9. STAFF COSTS

	2016 RM	Group 2015 RM
Salaries, wages and allowances	7,456,157	7,588,596
Contributions to defined contribution plan	339,526	329,504
Social security contributions	44,879	48,327
Other staff benefits	85,835	487,035
Total staff costs	7,926,397	8,453,462

10. DIRECTORS' REMUNERATION

	2016 RM	Group 2015 RM	2016 RM	Company 2015 RM
Directors of the Company:-				
Executive:-				
Fees	21,500	21,200	21,500	21,200
Non executive:-				
Fees	129,400	125,000	129,400	125,000
	150,900	146,200	150,900	146,200

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 4 (2015: 4).

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 Company is as follows:-

	2016 RM	Group 2015 RM	2016 RM	Company 2015 RM
Tax expense for the year	21,045	34,749	10,169	709
Deferred taxation (Note 26)	137,009	1,010,240	-	-
(Over)/Under provision of tax in prior years	(13,716)	(20,232)	(113)	4,837
	144,338	1,024,757	10,056	5,546

NOTES TO THE FINANCIAL STATEMENTS

11. TAXATION (CONTINUED)

	2016 RM	Group 2015 RM	2016 RM	Company 2015 RM
Profit before taxation	5,056,260	5,095,474	465,948	383,160
Tax at statutory tax rate of 25% (2015: 25%)	1,264,065	1,273,869	116,487	95,790
<i>Adjustment for:-</i>				
Expenses not deductible for tax expenses	1,915,958	1,654,314	118,682	-
Income not subject for taxation	(698,645)	(184,233)	(225,000)	(95,081)
Utilisation of capital allowances	(2,462,374)	(2,709,201)	-	-
Unutilisation of unabsorbed losses	2,041	-	-	-
Deferred taxation recognised in income statement	137,009	1,010,240	-	-
(Over)/Under provision of tax in prior years	(13,716)	(20,232)	(113)	4,837
	144,338	1,024,757	10,056	5,546

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

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
Net profit attributable to owners of the Company	4,911,922	4,070,717
Weighted average number of ordinary shares in issue	89,070,000	65,450,000
Effects of dilution due to:-		
-ESOS	4,245,448	7,806,520
-Private placement	-	2,734,247
	93,315,448	75,990,767
Basic earnings per share (sen)	5.26	5.36

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.

NOTES TO THE FINANCIAL STATEMENTS

12. EARNINGS PER SHARE (CONTINUED)

	2016 RM	Group 2015 RM
Profit attributable to the equity holders of the Company	4,911,922	4,070,717
Weighted average number of ordinary shares in issue	93,315,448	75,990,767
Adjustment for assumed exercise of share options	-	-
Adjusted weighted average number of ordinary shares in issue and issueable	93,315,448	75,990,767
Diluted earnings per share (sen)	5.26	5.36

13. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and buildings RM	Electrical equipment RM	Furniture, fittings and equipment RM	Motor vehicles RM	Plant and machinery RM	Plant and machinery in-progress RM	Total RM
Cost							
At 1 July 2015	43,330,085	14,343,113	1,602,426	3,730,298	119,351,464	32,143,006	214,500,392
Additions	20,189	490,590	588	666,545	6,429,357	9,952,450	17,559,719
Reclassification	-	-	-	(700)	27,280,650	(27,279,950)	-
Transfer	-	-	-	-	-	(4,863,056)	(4,863,056)
Disposals	(9,438,347)	-	-	(24,000)	-	-	(9,462,347)
At 30 June 2016	33,911,927	14,833,703	1,603,014	4,372,143	153,061,471	9,952,450	217,734,708
Represented by:-							
At cost	-	14,833,703	1,603,014	4,372,143	153,061,471	9,952,450	183,822,781
At valuation	33,911,927	-	-	-	-	-	33,911,927
	33,911,927	14,833,703	1,603,014	4,372,143	153,061,471	9,952,450	217,734,708
Accumulated Depreciation							
At 1 July 2015	271,951	7,815,708	1,057,187	1,287,532	35,686,516	-	46,118,894
Charge for the year	241,893	727,612	42,091	335,319	4,389,956	-	5,736,871
Disposals	(484,864)	-	-	(16,135)	-	-	(500,999)
At 30 June 2016	28,980	8,543,320	1,099,278	1,606,716	40,076,472	-	51,354,766
Net book value							
At 30 June 2016	33,882,947	6,290,383	503,736	2,765,427	112,984,999	9,952,450	166,379,942

NOTES TO THE FINANCIAL STATEMENTS

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold land and buildings RM	Electrical equipment RM	Furniture, fittings and equipment RM	Motor vehicles RM	Plant and machinery RM	Plant and machinery in-progress RM	Total RM
Cost							
At 1 July 2014	42,680,000	12,800,227	1,573,676	3,707,198	119,046,832	27,279,950	207,087,883
Additions	650,085	1,612,256	38,250	31,900	304,632	4,863,056	7,500,179
Disposals	-	(69,370)	(9,500)	(8,800)	-	-	(87,670)
At 30 June 2015	<u>43,330,085</u>	<u>14,343,113</u>	<u>1,602,426</u>	<u>3,730,298</u>	<u>119,351,464</u>	<u>32,143,006</u>	<u>214,500,392</u>
Represented by:-							
At cost	-	14,343,113	1,602,426	3,730,298	119,351,464	32,143,006	171,170,307
At valuation	<u>43,330,085</u>	-	-	-	-	-	<u>43,330,085</u>
	<u>43,330,085</u>	<u>14,343,113</u>	<u>1,602,426</u>	<u>3,730,298</u>	<u>119,351,464</u>	<u>32,143,006</u>	<u>214,500,392</u>
Accumulated Depreciation							
At 1 July 2014	-	7,223,472	1,022,365	945,338	31,020,657	-	40,211,832
Charge for the year	271,951	659,175	43,770	349,179	4,665,859	-	5,989,934
Disposals	-	(66,939)	(8,948)	(6,985)	-	-	(82,872)
At 30 June 2015	<u>271,951</u>	<u>7,815,708</u>	<u>1,057,187</u>	<u>1,287,532</u>	<u>35,686,516</u>	-	<u>46,118,894</u>
Net book value							
At 30 June 2015	<u>43,058,134</u>	<u>6,527,405</u>	<u>545,239</u>	<u>2,442,766</u>	<u>83,664,948</u>	<u>32,143,006</u>	<u>168,381,498</u>

NOTES TO THE FINANCIAL STATEMENTS

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

13.1 Assets acquired under hire purchase

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

	Cost RM	Accumulated depreciation RM	Net book value RM	Depreciation charge RM
2016				
Plant and machinery	42,199,662	(3,085,797)	39,113,865	1,190,568
Motor vehicles	3,484,993	(1,051,382)	2,433,611	253,403
	<u>45,684,655</u>	<u>(4,137,179)</u>	<u>41,547,476</u>	<u>1,443,971</u>
2015				
Plant and machinery	45,874,962	(2,932,606)	115,807,954	1,496,427
Motor vehicles	2,901,258	(780,029)	2,442,766	271,960
	<u>48,776,220</u>	<u>(3,712,635)</u>	<u>118,250,720</u>	<u>1,768,387</u>

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:-

	2016 RM	Group 2015 RM
Freehold land and buildings	33,228,453	42,416,000

14. INVESTMENT PROPERTIES

Group	Land and buildings RM
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	34,881,664	34,881,664
Less: Impairment loss	(2,189,712)	(2,267,096)
	32,691,952	32,614,568

The details of subsidiaries are as follows:-

Name of the company	Place of incorporation	Effective percentage of equity held		Principal activities
		2016 %	2015 %	
<u>Subsidiaries of the Company:-</u>				
Khee San Marketing Sdn. Bhd.	Malaysia	100	100	Temporary ceased operations
Khee San Food Industries Sdn. Bhd.	Malaysia	100	100	Manufacturer of candy confectionery and wafer products

16. INTANGIBLE ASSETS

	2016 RM	Group 2015 RM
Trademarks	1,600,000	1,600,000

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

17. AMOUNT DUE FROM SUBSIDIARIES

	2016 RM	Group 2015 RM
Amount due from subsidiaries	68,602,094	57,105,394

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

NOTES TO THE FINANCIAL STATEMENTS

18. INVENTORIES

	2016 RM	Group 2015 RM
At cost:		
Raw materials	6,779,809	6,777,722
Work-in-progress	1,719,883	1,259,694
Finished goods	2,255,199	3,061,724
Inventories - Gross (Note 5)	10,754,891	11,099,140
Less: Impairment on inventories (Note 18.1)	(127,949)	(81,712)
Inventories - Net	10,626,942	11,017,428

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

	2016 RM	Group 2015 RM
At 1st July	81,712	-
Charge for the financial year	46,237	81,712
At 30th June	127,949	81,712

19. TRADE RECEIVABLES

	2016 RM	Group 2015 RM
Trade receivables - Gross	54,391,515	52,989,869
Less: Impairment loss	(822,307)	(798,893)
Trade receivables - Net	53,569,208	52,190,976

(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.

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

	2016 RM	Group 2015 RM
US Dollar (\$)	21,720,014	19,384,550
Singapore Dollar (\$)	188,577	152,790
Hong Kong Dollar (\$)	8,634,511	3,893,068
Thailand Baht (฿)	77,013	190,078
Japanese Yen (¥)	8,369,373	3,930,433
Euro (£)	1,024,180	960,385
Indonesia Rupiah (Rp)	165,275	960,961
	40,178,943	29,472,265

NOTES TO THE FINANCIAL STATEMENTS

19. TRADE RECEIVABLES (CONTINUED)

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

	2016 RM	Group 2015 RM
Neither past due nor impaired	53,564,018	51,789,276
1 to 30 days past due not impaired	-	-
31 to 60 days past due not impaired	-	2,160
61 to 90 days past due not impaired	-	-
91 to 120 days past due not impaired	-	-
More than 120 days past due not impaired	5,190	399,540
	5,190	401,700
Past due and impaired	822,307	798,893
Trade receivables - Gross	54,391,515	52,989,869

The ageing analysis of trade receivables of the Group and Company is 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 past experience, the Group is satisfied that no impairment is necessary in respect of these trade receivables. These trade receivables are substantially from companies with good collection track records and no recent history of default. These trade receivables are unsecured in nature.

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

	2016 RM	Group 2015 RM
At 1st July	798,893	764,611
Charge for the financial year	23,414	34,282
At 30th June	822,307	798,893

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

20. NON-TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Non-trade receivables*	12,763,005	759,835	1,037	1,037
Deposits	440,688	435,887	-	-
Prepayment	1,271,443	1,143,450	-	-
Input taxation	2,371,494	420	-	-
	16,846,630	2,339,592	1,037	1,037

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

21. CASH AND BANK BALANCES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Cash in hand	6,082	5,440	-	-
Balance in licensed banks	5,956,272	1,047,287	893,448	1,007,581
	5,962,354	1,052,727	893,448	1,007,581
Bank overdrafts	-	(6,204,387)	-	-
	5,962,354	(5,151,660)	893,448	1,007,581

22. SHARE CAPITAL

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Authorised:				
Ordinary shares of RM1.00 each				
At beginning of the year	100,000,000	100,000,000	100,000,000	100,000,000
Created during the financial year	100,000,000	-	100,000,000	-
At the end of the year	200,000,000	100,000,000	200,000,000	100,000,000
Issued and fully paid:				
Ordinary shares of RM1.00 each				
At beginning of the year	89,070,000	65,450,000	89,070,000	65,450,000
Employees share option scheme	10,930,000	16,720,000	10,930,000	16,720,000
Private placement	-	6,900,000	-	6,900,000
At the end of the year	100,000,000	89,070,000	100,000,000	89,070,000

NOTES TO THE FINANCIAL STATEMENTS

22. SHARE CAPITAL (CONTINUED)

- (a) During the financial year ended 30 June 2016, the authorized share capital of the Company was increased from RM100,000,000 to RM200,000,000 by the creation of additional 100,000,000 new ordinary share of RM1.00 each.

The issued and fully paid-up ordinary share capital of the Company was increased from RM89,070,000 to RM100,000,000 by way of issuance of RM10,930,000 new ordinary shares of RM1.00 each pursuant to the following:-

- (i) 10,930,000 options exercised under the Employees' Share Option Scheme (ESOS) at exercise price of RM1.00 per ordinary share for cash, which resulted in 10,930,000 new ordinary shares of RM1.00 each being allotted and issued.
- (b) During the financial year ended 30 June 2015, the issued and fully paid-up ordinary share capital of the Company was increased from RM65,450,000 to RM89,070,000 by way of issuance of RM23,620,000 new ordinary shares of RM1.00 each pursuant to the following:-
- (i) 16,720,000 options exercised under the Employees' Share Option Scheme (ESOS) at exercise price of RM1.00 per ordinary share for cash, which resulted in 16,720,000 new ordinary shares of RM1.00 each being allotted and issued.
- (ii) 6,900,000 ordinary shares of RM1.00 each issued through private placement at an average issue price of RM1.00 per ordinary shares for cash for additional working capital purposes.

23. EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

During the financial year, the number of options over the ordinary shares of RM1.00 each of the Company granted under the ESOS are as follows:-

Grant date	Expiry date	Exercise price RM per share	Number of options over ordinary shares of RM1.00 each			Outstanding and exercisable as at 30.06.2016
			Balance at 01.07.2015	Granted	Exercised	
17.09.2015	22.12.2019	1.00	190,500	-	(190,500)	-
21.12.2015	20.11.2020	1.00	-	5,590,000	(5,590,000)	-
18.02.2016	20.11.2020	1.00	-	1,700,000	(1,700,000)	-
08.04.2016	20.11.2020	1.00	-	3,449,500	(3,449,500)	-
			190,500	10,739,500	(10,930,000)	-

An Employees' Share Option Scheme ("ESOS" or "Scheme"), governed by the by-laws was approved by the shareholders at the Annual General Meeting held on 11 November 2015.

The principal features of ESOS are as follows:-

- (a) Scheme shall be in force for a period of five years from the effective date of implementation of the Scheme but subject to any extension or renewal for a further period of five years.
- (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.

NOTES TO THE FINANCIAL STATEMENTS

23. EMPLOYEES' SHARE OPTION SCHEME ("ESOS") (CONTINUED)

- (d) The option price for each new RM1.00 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 RM1.00 each, whichever is the higher.

Since the market price are lower than the par value, the Company have opted the par value as option price. Based on Chapter 16 of Policies and Guidelines on Issue / Offer of Securities: Employee Share Option Schemes, Para 16.02 (2), stated that "the option price shall not be lower than the par value". Therefore, the par value of the shares is considered as the fair value of the option price.

- (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.

Effect of the ESOS transaction on the Company's profit/loss during the year as per below:-

Value of employee services received for issue of share options:-

	2016 RM	Group 2015 RM
Share-based payment expense (transaction cost)	75,505	74,790

24. HIRE PURCHASE CREDITORS

Group	Hire Purchase Creditors RM	Hire Purchase Interest Suspense RM	Net RM
Obligations at 30 June 2016			
Over than 2 years	6,381,781	(902,328)	5,479,453
Later than 12 months and not later than 2 years	7,298,904	(928,233)	6,370,671
	13,680,685	(1,830,561)	11,850,124
Due within 12 months	8,326,642	(1,272,281)	7,054,361
	22,007,327	(3,102,842)	18,904,485
Obligations at 30 June 2015			
Over than 2 years	7,873,635	(996,714)	6,876,921
Later than 12 months and not later than 2 years	6,757,843	(907,046)	5,850,797
	14,631,478	(1,903,760)	12,727,718
Due within 12 months	7,734,507	(1,212,808)	6,521,699
	22,365,985	(3,116,568)	19,249,417

The hire purchase bears interest at 2.76% - 6.60% (2015:2.86% - 6.60%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

25. BORROWINGS

	2016 RM	Group 2015 RM
Non-current liabilities:-		
Banker's acceptance	5,000,000	-
Term loans	266,667	991,337
	5,266,667	991,337
Current liabilities:-		
Banker's acceptance	52,144,757	52,552,579
Term loans	724,670	789,605
	52,869,427	53,342,184
Total borrowings	58,136,094	54,333,521

	2016 RM	Group 2015 RM
Represented by:-		
Banker's acceptance (Note a)	57,144,757	52,552,579
Term loans (Note b)	991,337	1,780,942
	58,136,094	54,333,521

a) Banker's acceptance

- i) The bankers' acceptance bear interest negotiated and agreed at commercial banking rates per annum.
- ii) In respect of the financial year ended 30 June 2016, the borrowing rate ranges for bankers' acceptance from 3.63% to 5.85% (2015: 3.27% to 5.72%) per annum.

b) Term loan

- i) The term loan is unsecured by corporate guarantees given by the Company to its subsidiary company and negative pledge over the unencumbered assets of the Company.
- ii) It is repayable by 60 equal monthly installments ending April 2017 and February 2018. Interest is charged at 1.5% (2015: 1.5%) above cost of funds.

26. DEFERRED TAX

	2016 RM	Group 2015 RM
As at beginning of the year	1,578,182	567,942
Amount recognised in the income statement	137,009	1,010,240
As at end of the year	1,715,191	1,578,182

NOTES TO THE FINANCIAL STATEMENTS

26. DEFERRED TAX (CONTINUED)

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:-

	Property, plant and equipment RM	Others RM	Total RM
As at 1 July 2015	1,578,182	-	1,578,182
Recognised in the income statement	137,009	-	137,009
As at 30 June 2016	1,715,191	-	1,715,191

27. TRADE PAYABLES

	2016 RM	Group 2015 RM
Trade payables	18,617,682	16,522,146

The normal trade credit terms granted to the Group range from 30 to 90 days (2015: 30 to 90 days) from date of invoice.

28. NON-TRADE PAYABLES AND ACCRUALS

	2016 RM	Group 2015 RM	2016 RM	Company 2015 RM
Non-trade payables	2,158,237	1,853,227	99,394	38,095
Accruals	1,174,515	840,816	156,500	153,200
Deposits	49,900	216,733	-	-
Output taxation	1,500,483	87,742	-	-
	4,883,135	2,998,518	255,894	191,295

29. AMOUNT DUE TO HOLDING COMPANY

	2016 RM	Group 2015 RM
Amount due to Holding Company	-	1,677,033

The Directors regard London Biscuits Berhad, incorporated in Malaysia and listed in the Main Market of Bursa Malaysia Securities Berhad, as the holding company. The amount due to Holding Company is unsecured, interest free and has no fixed terms of repayment.

NOTES TO THE FINANCIAL STATEMENTS

30. SIGNIFICANT RELATED PARTIES TRANSACTIONS

	2016 RM	Group 2015 RM
Sales of goods charged to a holding company		
- London Biscuits Berhad	(27,469,910)	(20,489,473)
Dividend income charge from a subsidiary company		
- Khee San Food Industries Sdn. Bhd.	(900,000)	(1,000,000)
Amount due to a holding company		
- London Biscuits Berhad	-	(1,677,033)
Amount due from a subsidiary company		
- Khee San Food Industries Sdn. Bhd.	68,602,094	57,105,394

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.

31. CONTINGENT LIABILITIES

	2016 RM	Group 2015 RM
Corporate guarantees given to financial institutions for banking facilities granted to a subsidiary, (unsecured)	71,078,225	60,674,847

The Group provides corporate guarantees up to a total amount of RM71,078,225 (2015: RM60,674,847) to licensed banks for banking facilities granted to a subsidiary.

32. 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
Debts		
Total borrowings	77,040,579	79,787,325
Trade and other payables	23,500,817	19,520,664
	100,541,396	99,307,989
Less: Cash and bank balances	(5,962,354)	(1,052,727)
Net debts	94,579,042	98,255,262
Capital		
Total equity	153,171,801	137,298,626
Debts-to-equity	0.62	0.72

NOTES TO THE FINANCIAL STATEMENTS

33. SEGMENTAL REPORTING

Segmental information is presented in respect of the Group of business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure. Inter-segment pricing is determined based on negotiated terms. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can allocated on reasonable basis.

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

- Investment
- Manufacturing and trading
- Eliminations

Business segments	Investment holding		Manufacturing and trading		Eliminations		Consolidated	
	2016 RM	2015 RM	2016 RM	2015 RM	2016 RM	2015 RM	2016 RM	2015 RM
Revenue								
External revenue	-	-	156,957,156	142,662,988	-	-	156,957,156	142,662,988
Inter-segment revenue	900,000	1,000,000	-	-	(900,000)	(1,000,000)	-	-
	900,000	1,000,000	156,957,156	142,662,988	(900,000)	(1,000,000)	156,957,156	142,662,988
Results								
Segment result	388,564	380,242	5,404,456	7,671,026	-	-	5,793,020	8,051,268
Other operating income	77,384	2,918	3,457,267	2,511,396	(77,384)	-	3,457,267	2,514,314
Operating profit	465,948	383,160	8,861,723	10,182,422	(77,384)	-	9,250,287	10,565,582
Finance cost	-	-	(4,194,027)	(5,470,108)	-	-	(4,194,027)	(5,470,108)
Taxation	(10,056)	(5,546)	(134,282)	(1,019,211)	-	-	(144,338)	(1,024,757)
Profit for the year	455,892	377,614	4,533,414	3,693,103	(77,384)	-	4,911,922	4,070,717
Other information								
*Segment assets	102,183,582	90,728,580	254,095,540	238,581,476	(101,294,046)	(89,827,835)	254,985,076	239,482,221
Unallocated assets	-	4,511	443,312	375,098	-	-	443,312	379,609
Consolidated total assets	102,183,582	90,733,091	254,538,852	238,956,574	(101,294,046)	(89,827,835)	255,428,388	239,861,830
**Segment liabilities	(255,894)	(191,295)	(168,887,596)	(157,899,121)	68,602,094	57,105,394	(100,541,396)	(100,985,022)
Unallocated liabilities	-	-	(1,715,191)	(1,578,182)	-	-	(1,715,191)	(1,578,182)
Consolidated total liabilities	(255,894)	(191,295)	(170,602,787)	(159,477,303)	68,602,094	57,105,394	(102,256,587)	(102,563,204)
Capital expenditure	-	-	10,615,124	32,793,091	-	-	10,615,124	32,793,091
Depreciation	-	-	5,736,871	5,989,934	-	-	5,736,871	5,989,934

* 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.

NOTES TO THE FINANCIAL STATEMENTS

34. 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.

(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 RM770,406 (2015 : RM850,000) 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	
Financial liabilities at 30 June 2016:				
Total borrowings	59,923,788	16,624,835	491,956	77,040,579
Trade and other payables	23,500,817	-	-	23,500,817
Total undiscounted financial liabilities	83,424,605	16,624,835	491,956	100,541,396

NOTES TO THE FINANCIAL STATEMENTS

34. FINANCIAL INSTRUMENTS (CONTINUED)

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

(iii) Liquidity risk and cash flow risk (continued)

	Group			Total RM
	On demand within 1 year RM	1 to 5 years RM	Over 5 years RM	
Financial liabilities at 30 June 2015:				
Total borrowings	66,068,270	13,719,055	-	79,787,325
Trade and other payables	19,520,664	-	-	19,520,664
Total undiscounted financial liabilities	85,588,934	13,719,055	-	99,307,989

(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:-

	Group	
	Trade receivables RM	Cash and bank balances RM
2016		
Euro	1,024,180	-
Singapore Dollar	188,577	-
US Dollar	21,720,014	2,631
Thailand Bhat	77,013	-
Japanese Yen	8,369,373	-
Hong Kong Dollar	8,634,511	-
Indonesia Ruppiah	165,275	-
	40,178,943	2,631

	Group	
	Trade receivables RM	Cash and bank balances RM
2015		
Euro	960,385	-
Singapore Dollar	152,790	-
US Dollar	19,384,550	2,118
Thailand Bhat	190,078	-
Japanese Yen	3,930,433	-
Hong Kong Dollar	3,893,068	-
Indonesia Ruppiah	960,961	-
	29,472,265	2,118

NOTES TO THE FINANCIAL STATEMENTS

34. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Classification of financial instruments

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

	2016 RM	Group 2015 RM
FINANCIAL ASSETS		
Loans and receivables financial assets		
Trade receivables	53,569,208	52,190,976
Other receivables, deposits and prepayments	16,846,630	2,339,592
Cash and bank balances	5,962,354	1,052,727
	76,378,192	55,583,295

	2016 RM	Group 2015 RM
FINANCIAL LIABILITIES		
Other financial liabilities		
Trade payables	18,617,682	16,522,146
Other payables and accruals	4,883,135	2,998,518
Amount due to ultimate holding company	-	1,677,033
Hire-purchase payables	18,904,485	19,249,417
Term loans	991,337	1,780,942
Bankers' acceptances and trust receipts	57,144,757	52,552,579
Bank overdrafts	-	6,204,387
	100,541,396	100,985,022

(ii) Net gains and losses arising from financial instruments

	2016 RM	Group 2015 RM
Net losses arising from:		
Loans and receivables	76,378,192	55,583,295
Fair value through profit or loss	-	-
Other financial liabilities	(100,541,396)	(100,985,022)
	(24,163,204)	(3,863,753)

NOTES TO THE FINANCIAL STATEMENTS

34. FINANCIAL INSTRUMENTS (CONTINUED)

(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 Carrying amount RM	Fair value RM	2015 Carrying amount RM	Fair value RM
Hire-purchase payables	18,904,485	18,082,140	19,249,417	18,373,568
Term loans	991,337	950,692	1,780,942	1,705,252
Borrowings	19,895,822	19,032,832	21,030,359	20,078,820

Unrecognised

The Company provides guarantee to lenders for financial facilities extended to subsidiaries which are disclosed in Note 25 to the financial statements. The fair value of the financial corporate guarantee is negligible as the probability of the subsidiaries defaulting on the financing facilities is remote.

35. SUPPLEMENTARY INFORMATION DISCLOSED PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD 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 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 Khee San Berhad and its subsidiaries		
Realised	46,676,842	1,927,688
Unrealised	1,715,191	-
Less: Consolidated adjustments	(4,240,653)	-
Total retained earnings	44,151,380	1,927,688

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.

NOTES TO THE FINANCIAL STATEMENTS

36. SUBSEQUENT EVENTS

- a) On 18 August 2016, the Directors of the Company had announced on Bursa Malaysia Securities Berhad that there were increase in the numbers of shares for the 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 the acquisition of shares by Dato' Sri Liew Yew Chung at a price of RM 0.80 per ordinary shares. This 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 the acquisition in open market at a price of RM 0.80 per ordinary shares. This interest was categorised as direct interest.
 - iii) 2,000,000 ordinary shares of RM 1.00 each under Miss Liew Yet Mei was through the acquisition of shares by Dato' Sri Liew Yew Chung, at a price of RM 0.80 per ordinary shares. This interest was categorised as indirect interest.
- b) On 21 September 2016, the Company 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 adopts a policy to revalue at a regular interval of at least once in every five (5) years for its landed properties 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. There has been a revaluation exercise on the Group's landed properties during the financial year ended 30 June 2016 with the total revaluation surplus was RM30,400.

STATUS OF UTILISATION OF PROCEEDS FROM CORPORATE PROPOSALS

No proceeds were raised by the Company from any corporate proposal during the financial year.

EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

The current ESOS scheme of the Company is governed by the by-laws approved by the Shareholders at the Annual General Meeting held on 11 November 2015 and commenced on 20 November 2015 for a period of five (5) years and subject to extension or renewal for a further period of five (5) years.

During the financial year under review, there were four (4) ESOS options which have been offered and subscribed by the eligible employees of the Group under two (2) separate ESOS, ie, 2014 ESOS and 2015 ESOS. The 2014 ESOS was terminated during the Annual General Meeting of the Company held on 11 November 2015.

The total number of ordinary shares allotted was 10,930,000 as describe below:-

- i) 190,500 new ordinary shares of RM1.00 each per share under 2014 ESOS, was allotted on 15 September 2015 and listed on 18 September 2015.
- ii) 5,590,000 new ordinary shares of RM1.00 each per share under 2015 ESOS, was allotted on 23 December 2015 and listed on 29 December 2015.
- iii) 1,700,000 new ordinary shares of RM1.00 each per share under 2015 ESOS, was allotted on 22 February 2016 and listed on 24 February 2016; and
- vi) 3,449,500 new ordinary shares of RM1.00 each per share under 2015 ESOS, was allotted on 21 April 2016 and listed on 25 April 2016.

The information in relation to the ESOS for the financial year under review is as follows:-

Category of Employees	No. of ESOS Options Granted/Vested as at 30 June 2016	No. of ESOS Options Exercised	No. of ESOS Options Lapsed	No. of ESOS Options Outstanding
Directors	-	-	-	-
Senior Management	3,750,000	3,750,000	-	-
Other Employees	7,180,000	7,180,000	-	-
Total	10,930,000	10,930,000	-	-

The aggregate maximum allocation of the ESOS option applicable to the Directors, Dato' Sri Liew Yew Chung, the Group CEO of the Company is not more than 10% of the total number of shares to be issued under the ESOS. During the financial year under review and since the commencement of the scheme, there was no option offered to and exercised by any directors and Dato' Sri Liew Yew Chung.

The aggregate maximum allocation of the ESOS option applicable to the senior management was 26.08% during the financial year under review and 34.65% since the commencement of the 1st ESOS.

ADDITIONAL COMPLIANCE INFORMATION (CONTINUED)

RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE OR TRADING NATURE

At the 21st Annual General Meeting ("AGM") of the Company held on 11 November 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 11 November 2015 until the forthcoming 22nd AGM of the Company scheduled to be held on 11 November 2016. The Company intends to seek its Shareholders' approval to renew the existing mandate for the RRPTs at the 22nd AGM of the Company.

Related Parties	Nature of Relationship	Nature of Transaction	Actual Value Transacted from the 21st AGM to 26 September 2016 (RM)
London Biscuits Berhad	London Biscuits Berhad is one of the Substantial Shareholders in the Company with 19.72% Shareholding.	Sale of sweets and confectionery products including contract manufacturing of deposited candies, hard and chewy candies/ sweets, wafers and chewing gums on a perpetual basis by Khee San Food Industries Sdn Bhd, a subsidiary of the Company, to London Biscuits Berhad.	34,444,770.72
London Biscuits Berhad	London Biscuits Berhad is one of the Substantial Shareholders in the Company with 19.72% Shareholding.	Purchase of assorted raw materials, such as packaging materials, sugar and flavourings on a perpetual basis by Khee San Food Industries Sdn Bhd, a subsidiary of the Company, to London Biscuits Berhad.	NIL

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 22nd AGM. The new RRPT is as follow:-

Related Parties	Nature of Relationship	Nature of Transaction	Proposed Mandate
Kinos Food Industries (M) Sdn Bhd	Kinos Food Industries is a wholly-owned subsidiary of London Biscuits Berhad.	Rental of machineries charged by Khee San Food Industries Sdn Bhd to Kinos Food Industries (M) Sdn Bhd.	RM1,000,000

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 (RM'000) as at 30 June 2015
KHEE SAN FOOD INDUSTRIES SDN BHD						
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
TOTAL						33,228,453

Note:

Revalued by Independent Professional Valuer

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

ANALYSIS OF SHAREHOLDINGS AS AT 26 SEPTEMBER 2016

1. Authorised Share capital : RM200,000,000.00
 Issued and Paid-Up Capital : RM100,000,000.00
 Class of shares : Ordinary shares of RM1.00 each
 Voting rights : One vote per 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	155	6.97%	2,483	*
100 - 1,000	271	12.19%	148,797	0.15%
1,001 - 10,000	1,230	55.33%	5,329,610	5.33%
10,001 - 100,000	480	21.59%	15,867,910	15.87%
100,001 - Less than 5%	85	3.82%	48,230,900	48.23%
5% And Above	2	0.09%	30,420,300	30.42%
Grand Total	2,223	100.00	100,000,000	100.00

* Negligible

3. 30 LARGEST SECURITIES ACCOUNT HOLDERS

Name	No. of Shares Held	% of Issued Share Capital
1. LONDON BISCUIT BERHAD	19,720,300	19.72
2. LIM PEI TIAM @ LIAM AHAT KIAT	10,700,000	10.70
3. KOK YACT MENG	3,643,000	3.64
4. LIM AH WAA	2,574,500	2.57
5. KENANGA NOMINEES (TEMPATAN) SDN BHD BENEFICIARY: PLEDGED SECURITIES ACCOUNT FOR LIEW YEW CHUNG	2,500,000	2.50
6. TEE YEOW	2,337,200	2.34
7. MIDF AMANAH INVESTMENT NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR LIEW YEW CHUNG (MGN-LYC0006M)	2,000,000	2.00
8. LIM PAY KAON	1,500,000	1.50
9. JF APEX NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR LIEW YEW CHUNG (MARGIN)	1,350,000	1.35
10. ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD BENEFICIARY: PLEDGED SECURITIES ACCOUNT FOR LIEW YEW CHUNG (100411)	1,280,000	1.28
11. AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR LIEW YEW CHUNG (M02)	1,220,000	1.22
12. LIM YING YING	1,167,100	1.17
13. MIDF AMANAH INVESTMENT NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR SECRET INGREDIENTS SDN BHD (MGN-LYC0006M)	1,159,000	1.16
14. LIEW SWEE MIO @ LIEW HOI FOO	1,150,000	1.15
15. MAYBANK NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR LIEW YEW CHUNG	1,150,000	1.15
16. THAM KIN FOONG (JOHN)	1,021,200	1.02
17. ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR OOI CHIN HOCK (8058312)	904,900	0.90
18. CIMSEC NOMINEES (ASING) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR NOBLE PLAN SDN BHD	900,000	0.90
19. TAN KUAN KAE	900,000	0.90
20. GAN THENG PUAT @ YEOW THENG	836,700	0.84
21. CIMSEC NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : CIMB BANK FOR WONG KIND LOOK (M68073)	750,000	0.75
22. ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR KOK YACT MENG (8041787)	712,500	0.71

ANALYSIS OF SHAREHOLDINGS AS AT 26 SEPTEMBER 2016 (CONTINUED)

3. 30 LARGEST SECURITIES ACCOUNT HOLDERS (CONTINUED)

Name	No. of Shares Held	% of Issued Share Capital
23. CIMSEC NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : CIMB BANK FOR LOH CHAN KEOW (M68069)	700,000	0.70
24. CIMSEC NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : CIMB BANK FOR WONG SOO LEN (M68074)	700,000	0.70
25. CIMSEC NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : CIMB BANK FOR LIM KHENG TAT (M68112)	700,000	0.70
26. AU YONG MUN YUE	680,000	0.68
27. TAN LEE HWA	680,000	0.68
28. TAN KWE HEE	667,200	0.67
29. CIMSEC NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : CIMB BANK FOR THYE CHEE LIN (M79023)	635,500	0.64
30. CIMSEC NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : CIMB BANK FOR YEN PENG YEW (M79022)	634,500	0.63
TOTAL	64,870,300	64.87

4. SUBSTANTIAL SHAREHOLDERS

Name	DIRECT INTEREST		INDIRECT INTEREST	
	No. of Shares Held	% of Issued Share Capital	No. of Shares Held	% of Issued Share Capital
1. LONDON BISCUITS BERHAD	19,720,300	19.72	-	-
2. DATO' SRI LIEW KUEK HIN, SSAP, DIMP, PJK, JP	30,000	0.03	29,220,300 ∞	29.22
3. DATIN SRI LIM YOOK LAN	-	-	29,250,300 (1)	29.25
4. DATO' SRI LIEW YEW CHUNG, SSAP, DIMP	9,500,000	9.50	19,750,300 (2)	19.75
5. DATO' LIEW YEW CHENG, DIMP	-	-	29,250,300 (3)	29.25
6. MS. LIEW YET MEI	-	-	29,250,300 (3)	29.25
7. DATO' LIEW YET LEE, DIMP	-	-	29,250,300 (3)	29.25
8. MEILEELANUSA SDN BHD	-	-	19,720,300 (4)	19.72
9. MR. LIM PEI TIAM @ LIAM AHAT KIAT	10,700,000	10.70	-	-

Note:

∞ Deemed interested through his substantial shareholdings in London Biscuits Berhad and his son, Dato' Sri Liew Yew Chung in Khee San Berhad.

(1) Deemed interested through her substantial shareholdings in London Biscuits Berhad, her spouse, Dato' Sri Liew Kuek Hin and her son, Dato' Sri Liew Yew Chung in Khee San Berhad.

(2) Deemed interested through his substantial shareholdings in London Biscuits Berhad and his parent, Dato' Sri Liew Kuek Hin in Khee San Berhad.

(3) Deemed interested through their substantial shareholdings in London Biscuits Berhad and their parent, Dato' Sri Liew Kuek Hin and their sibling, Dato' Sri Liew Yew Chung in Khee San Berhad.

(4) Deemed interested through its substantial shareholdings in London Biscuits Berhad.

5. INTEREST OF DIRECTORS

a) Interest in shares of the Company

Name	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, SSAP, DIMP, PJK, JP	30,000	0.03	29,220,300 *	29.22
2. DATO' SRI LIEW YEW CHUNG, SSAP, DIMP	9,500,000	9.50	19,750,300 **	19.75
3. MS. LIEW YET MEI	-	-	29,250,300 ***	29.25
4. MR. HUANG YAN TEO, PIS, PPN	-	-	-	-
5. MR. LESLIE LOOI MENG	-	-	-	-

Note:

* Deemed interested through his substantial shareholdings in London Biscuits Berhad and his son, Dato' Sri Liew Yew Chung in Khee San Berhad.

** Deemed interested through his substantial shareholdings in London Biscuits Berhad and his parent, Dato' Sri Liew Kuek Hin in Khee San Berhad.

*** Deemed interested through her substantial shareholdings in London Biscuits Berhad and her parent, Dato' Sri Liew Kuek Hin and her sibling, Dato' Sri Liew Yew Chung in Khee San Berhad.

b) Interest in Subsidiaries

By virtue of Dato' Sri Liew Kuek Hin's, Dato' Sri Liew Yew Chung's and Ms. Liew Yet Mei'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.



PROXY FORM

Number of shares held	
CDS Account No.	

*I/We, _____ (*NRIC No./Company No.) _____
 (FULL NAME IN BLOCK LETTERS)

of _____
 (FULL ADDRESS)

being a *member/members of KHEE SAN BERHAD hereby appoint _____
 (FULL NAME IN BLOCK LETTERS)

(NRIC No.): _____ of _____
 (FULL ADDRESS)

or failing *him/her _____ (NRIC No.): _____
 (FULL NAME IN BLOCK LETTERS)

of _____
 (FULL ADDRESS)

or failing him/her, the CHAIRMAN OF THE MEETING as *my/our proxy to vote for *me/us on *my/our behalf at the Twenty-Second 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, Malaysia, on Friday, 11 November 2016 at 8.00 a.m. and at any adjournment thereof.

*My/Our proxy(ies) is/are to vote as indicated below:-

Resolutions	BUSINESSES	For	Against
ORDINARY BUSINESS			
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 Mr. Leslie Looi Meng as Director.		
Ordinary Resolution 5	To re-appoint Messrs. Adam & Co. as the Auditors.		
SPECIAL BUSINESS			
Ordinary Resolution 6	To approve authority to issue and allot shares.		
Ordinary Resolution 7	To Renew the Authority to buy back its own shares.		
Ordinary Resolution 8	To Renew the Shareholders' Mandate for Recurrent Related Party Transactions between Khee San Food Industries Sdn Bhd with London Biscuits Berhad		
Ordinary Resolution 9	To approve New Shareholders' Mandate for Recurrent Related Party Transactions Involving Khee San Food Industries Sdn Bhd with Kinoss Food Industries (M) Sdn Bhd, a wholly-owned subsidiary of London Biscuits Berhad		

(Please indicate with "X" how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his discretion.

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 of the Company who is entitled to attend and vote at this Meeting, is entitled to appoint a proxy to attend and to vote in his stead. A proxy may but need not be a Member of the Company and Section 149(1)(b) of the Companies Act, 1965, shall not apply.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or if the appointer is a corporation, either under seal or the hand of an officer or attorney duly authorised.
3. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under SICDA which is exempted from compliance with the provisions of subsection 25A (1) of SICDA.
4. A Member may appoint not more than two (2) proxies to attend the same Meeting. Where a member or the authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
5. The instrument appointing a proxy must be deposited at the Registered Office of the Company situated at 22-2, Jalan 1/64, Off Jalan Kolam Air/Jalan Sultan Azlan Shah, 51200 Kuala Lumpur, Malaysia, not less than forty-eight (48) hours before the time set for the holding of the Meeting or adjourned Meeting.
6. Only a depositor whose name appears on the Record of Depositors as at 7 November 2016 shall be entitled to attend and vote at the said meeting as well as for appointment of proxy(ies) to attend and vote on his/ her stead.

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**AFFIX
STAMP**

The Company Secretaries
KHEE SAN BERHAD
22-2, Jalan 1/64,
Off Jalan Kolam Air /
Jalan Sultan Azlan Shah,
51200 Kuala Lumpur, Malaysia.

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KHEE SAN BERHAD (304376-A)

Lot 1819 - 1824 Jalan Kolej,
Seri Kembangan, 43300 Selangor, Malaysia.

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