2018 ANNUAL REPORT

KHEE SAN BERHAD

(304376-A)

Volume 1: Corporate Report & Statements

Volume 1

Corporate Report & Statements

CONTENTS Pages

CORPORATE INFORMATION

BOARD OF DIRECTORS

DATO' SRI LIEW YEW CHUNG
SSAP, DIMP
Chairman
Non-Independent Non-Executive Director

MR. EDWARD TAN JUAN PENG
Chief Executive Officer
Executive Director

MR. LESLIE LOOI MENG
Independent Non-Executive Director

MR. HUANG YAN TEO
PIS, PPN
Independent Non-Executive Director

MR. WONG HOCK FOONG
Independent Non-Executive Director

DATO' HJ. MOHD ARIS BIN RAMLI
Independent Non-Executive Director

MR. MOHANADAS A/L K.P.BALAN
Independent Non-Executive Director

PROF. DR. HJ. MOHD AMY AZHAR BIN MOHD HARIF
Independent Non-Executive Director

MS. LIEW YET MEI
Alternate Director to Dato' Sri Liew Yew Chung

AUDIT COMMITTEE

PROF. DR. HJ. MOHD AMY AZHAR BIN MOHD HARIF
(Chairman)

DATO' HJ. MOHD ARIS BIN RAMLI
(Member)

MR. MOHANADAS A/L K.P.BALAN
(Member)

REMUNERATION COMMITTEE

MR. LESLIE LOOI MENG
(Chairman)

MR. HUANG YAN TEO
(Member)

MR. WONG HOCK FOONG
(Member)

NOMINATING COMMITTEE

MR. HUANG YAN TEO
(Chairman)

MR. LESLIE LOOI MENG
(Member)

DATO' SRI LIEW YEW CHUNG
(Member)

CORPORATE ADMINISTRATION AND COMPLIANCE COMMITTEE

MR. MOHANADAS A/L K.P.BALAN
(Chairman)

MR. LESLIE LOOI MENG
(Member)

MR. EDWARD TAN JUAN PENG
(Member)

MR. YAP CHUN CHIH
(Member)

RISK MANAGEMENT COMMITTEE

MR. MOHANADAS A/L K.P.BALAN
(Chairman)

MR. LESLIE LOOI MENG
(Member)

MR. EDWARD TAN JUAN PENG
(Member)

COMPANY SECRETARIES

MS. HOH LEONG CHING
(MAICSA 7006654)

MS. LEE SHOOK MUN @ LEE YUE YEE
(MAICSA 7000634)

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

KRESTON JOHN & GAN
(AF 0113)
160-2-1, Kompleks Maluri,
Business Centre, Jalan Jejaka,
55100 Kuala Lumpur.
Tel : +603-9287 1889
Fax : +603-9283 0889

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, 1821, 1822, 1823, 1824 & 1832, 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 BANKERS

- HSBC Bank Malaysia Berhad

SUBSIDIARIES

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

CORPORATE CHART

KHEE SAN BERHAD
(304376-A)

- **100%**
  KHEE SAN FOOD INDUSTRIES SDN. BHD.
  (27605-H)
- **100%**
  KHEE SAN MARKETING SDN. BHD.
  (27610-X)

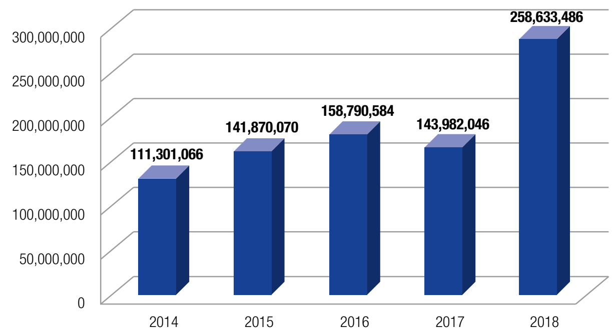
5-YEAR GROUP FINANCIAL HIGHLIGHTS

Financial Year / Period	2014 *Restated (RM)	2015 *Restated (RM)	2016 *Restated (RM)	2017 *Restated (RM)	2018 **18 months (RM)
Revenue	111,301,066	141,870,070	158,790,584	143,982,046	258,633,486
Profit Before Income Tax	3,943,112	5,917,174	4,840,143	4,234,833	10,078,322
Profit / (loss) After Income Tax attributable to equity holders of the Company	5,801,079	2,231,657	3,024,141	(476,174)	6,306,124
Profit / (loss) Attributable To Members	5,801,079	2,231,657	3,024,141	(476,174)	6,306,124
FINANCED BY					
Shareholders' Funds	109,059,287	136,091,694	152,455,791	155,367,891	130,910,862
STATISTICS					
Earnings / (loss) per share (Sen) (Basic)	9.59	2.92	3.23	(0.46)	6.06
Net Asset per share (Sen)	180	178	163	151	126

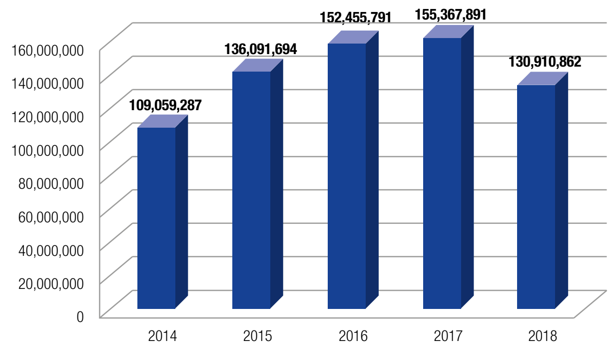
* The Group has restated its financial statements for the financial years ended 30 June 2014, 30 June 2015, 30 June 2016 and 30 June 2017 to correctly reflect prior year adjustment made.

** The Group has changed its financial year ended from 30 June to 31 December.

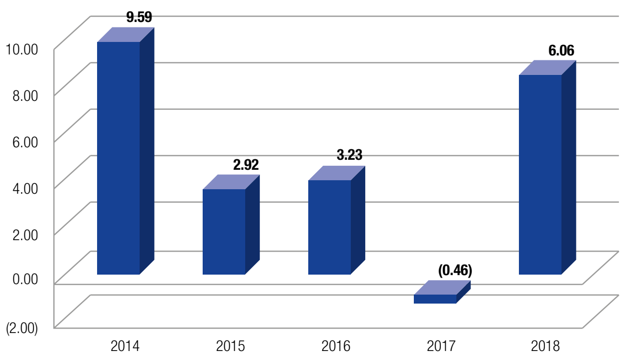
REVENUE



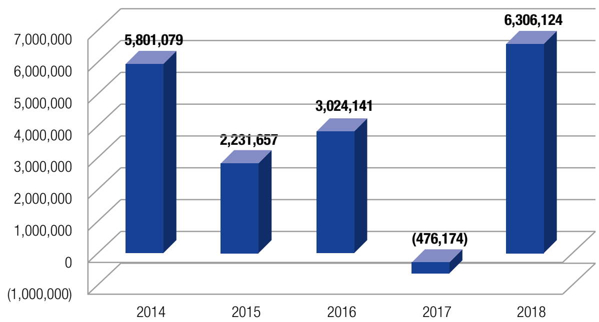
SHAREHOLDERS' FUNDS



EARNINGS PER SHARE



PROFIT AFTER TAX ATTRIBUTABLE TO SHAREHOLDERS



DIRECTORS' PROFILE

Name	**DATO' SRI LIEW YEW CHUNG** *SSAP, DIMP*	**EDWARD TAN JUAN PENG**
Age	49	46
Gender	Male	Male
Nationality	Malaysian	Malaysian
Qualification	• Bachelor of Science in Business Administration, Drexel University, Philadelphia, United Stated of America in 1991 and majoring in Economics and Finance. • Master of Business Administration in 1992 and majoring in Accounting Control.	• Bachelor of Arts (Hons) in Business Administration from Coventry University, Warwickshire, United Kingdom. • Associate Member of the Asian Institute of Chartered Bankers (AICB)
Position on Board	Chairman / Non-Independent Non-Executive	Chief Executive Officer
Board Committee	• Chaiman of Board of Directors • Member of Nominating Committee	• Member of Board of Directors • Member of Corporate Administration and Compliance Committee • Member of Risk Management Committee
Date of Appointment	1 November 2008	5 January 2017
Working Experience	He joined London Biscuits Berhad ("LBB") in 1994 as General Manager and was responsible for the day-to-day operations and the business development of LBB. Currently, he is the Group Managing Director and Group Chief Executive Officer of LBB Group of Companies.	He has a career experience of over 20 years in Banking, Securities and Finance, rising to the position as a Director and Head in various departments. He has established a well and good networked across Malaysia Corporate and Financial Institutions. He is well known for his successful management, superior service and innovative solutions covering the whole range of functions from front line sales and possesses depth industry experience especially in the consumer market. His long tenor with the financial institutions has also provided him an immense knowledge of the regulatory process, risk management, compliance knowledge, structure of public equities and novel financing products especially in equity funding and project finance related.
Other Directorships	London Biscuits Berhad	Nil
Family relationship with any Director and/or major shareholders	Sons of Dato' Sri Liew Kuek Hin and Datin Sri Lim Yook Lan and the brother of Dato' Liew Yew Cheng, Ms. Liew Yet Mei and Dato' Liew Yet Lee.	Nil
Conflict of Interest	Nil	Nil
List of convictions of offences within the past five (5) years	Nil	Nil
Particulars of any public sanction or penalty imposed by the relevant regulatory bodies	Securities Commission Malaysia had vide their letter dated 21 May 2018 reprimanded for breach of Section 354(1)(a) of the Capital Markets and Services Act 2007 read together with Regulation 4(1) of the Securities Industry (Compliance with Approved Accounting Standards) Regulations 1999. Fine: RM343,000.00	Nil
Shareholdings in the Company	Direct interest: 11,000,000 (10.58%) Indirect interest: 20,830,000 (20.03%) Deemed interested by virtue of his shareholdings in LBB and his family member's shareholdings in Khee San Berhad.	Nil

DIRECTORS' PROFILE

Name	**LESLIE LOOI MENG**	**HUANG YAN TEO** *PIS,PPN*
Age	50	72
Gender	Male	Male
Nationality	Malaysian	Malaysian
Qualification	• 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 thereafter.	• 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	Independent Non-Executive Director	Independent Non-Executive Director
Board Committee	• Member of Board of Directors • Chairman of Remuneration Committee • Member of Nominating Committee • Member of Corporate Administration and Compliance Committee • Member of Risk Management Committee	• Member of Board of Directors • Chairman of Nominating Committee • Member of Remuneration Committee
Date of Appointment	25 August 2009	31 January 2008
Working Experience	He is a 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.	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	Nil	Nil
Conflict of Interest	Nil	Nil
List of convictions of offences within the past five (5) years	Nil	Nil
Particulars of any public sanction or penalty imposed by the relevant regulatory bodies	Securities Commission Malaysia had vide their letter dated 21 May 2018 reprimanded for breach of Section 354(1)(a) of the Capital Markets and Services Act 2007 read together with Regulation 4(1) of the Securities Industry (Compliance with Approved Accounting Standards) Regulations 1999. Fine: RM392,000.00	Securities Commission Malaysia had vide their letter dated 21 May 2018 reprimanded for breach of Section 354(1)(a) of the Capital Markets and Services Act 2007 read together with Regulation 4(1) of the Securities Industry (Compliance with Approved Accounting Standards) Regulations 1999. Fine: RM392,000.00
Shareholdings in the Company	Nil	Nil

DIRECTORS' PROFILE

Name	**WONG HOCK FOONG**	**DATO' HJ. MOHD ARIS BIN RAMLI**
Age	35	65
Gender	Male	Male
Nationality	Malaysian	Malaysian
Qualification	• Bachelor Degree in Electronic and Electrical Engineering (Hons) from Northumbria University, United Kingdom. • Higher National Diploma in Electronic and Electrical Engineering from Penang Skills Development Centre.	• Diploma in Political Science. • Masters Degree in Human Resource Management.
Position on Board	Independent Non-Executive Director	Independent Non-Executive Director
Board Committee	• Member of Board of Directors • Member of Remuneration Committee	• Member of Board of Directors • Member of Audit Committee
Date of Appointment	5 January 2017	13 September 2018
Working Experience	He has 9 years working experience including but not limited to engineering, managing of companies, administration, financial planning, costing and budgeting, sourcing and marketing with worldwide suppliers, project management and quality control. He also owns his own company which specializes in heavy machinery industry.	He was a senior assistant commissioner in the Royal Malaysia Police. He has served as the Deputy Director of Commercial Crime Division, responsible for oversight of the Malaysia which involved insurance fraud, e-banking fraud, numerous other criminal justice and public safety agencies of the cyber-crime.
Other Directorships	Nil	Nil
Family relationship with any Director and/or major shareholders	Nil	Nil
Conflict of Interest	Nil	Nil
List of convictions of offences within the past five (5) years	Nil	Nil
Particulars of any public sanction or penalty imposed by the relevant regulatory bodies	Nil	Nil
Shareholdings in the Company	Nil	Nil

DIRECTORS' PROFILE

Name	**MOHANADAS A/L K.P.BALAN**	**PROF. DR. HJ. MOHD AMY AZHAR BIN MOHD HARIF**
Age	66	46
Gender	Male	Male
Nationality	Malaysian	Malaysian
Qualification	• Fellow Chartered Association of Certified Accountants (UK). • Chartered Accountant, Malaysian Institute of Accountants.	• Doctor of Philosophy (Ph.D), University of Southern Queensland, Australia. • Master in Business Administration (Management), Universiti Utara Malaysia, Kedah. • Bachelor in Accounting (Hons.), Universiti Utara Malaysia, Kedah. • Chartered Accountant, Malaysian Institute of Accountants.
Position on Board	Independent Non-Executive Director	Independent Non-Executive Director
Board Committee	• Member of Board of Directors • Member of Audit Committee • Chairman of Corporate Administration and Compliance Committee • Chairman of Risk Management Committee	• Member of Board of Directors • Chairman of Audit Committee
Date of Appointment	13 September 2018	13 September 2018
Working Experience	He has more than 40 years of experience in accounting, financial reporting, liquidity management and management control systems in various industries which including manufacturing, property development, international trading, distribution, oil palm plantation and agro & industrial chemical.	He is holding a position as the Assistant Vice Chancellor for UUM Enterprise and also the member of University Management Committee at Univerisiti Utara Malaysia (UUM). He is the professor at School of Economic, Finance and Banking and also a member of Senate of UUM. His specialization is in financial planning, SME finance and franchising. Currently, he is a Board Member and Audit Chairman of Bio Osmo Berhad. He was previously a Director in Perbadanan Nasional Berhad (PNS) from 2008 to 2013. During his tenure as a Director In PNS, he has assumed the role of the Chairman of Audit and Risk Committee. He is highly regarded as Franchise Industry Expert and Franchise Consultant. His extensive exposure in franchise industry, SME finance and entrepreneurship development involving research, consultation, government advisory and presentation research findings locally and abroad.
Other Directorships	Nil	Impiana Hotels Berhad (formerly known as Bio Osmo Berhad)
Family relationship with any Director and/or major shareholders	Nil	Nil
Conflict of Interest	Nil	Nil
List of convictions of offences within the past five (5) years	Nil	Nil
Particulars of any public sanction or penalty imposed by the relevant regulatory bodies	Nil	Nil
Shareholdings in the Company	Nil	Nil

DIRECTORS' PROFILE

Name	**LIEW YET MEI**
Age	52
Gender	Female
Nationality	Malaysian
Qualification	• Bachelor Degree in Accounting, from Drexel University, Philadelphia, United Stated of America in 1992.
Position on Board	Alternate Director to Dato' Sri Liew Yew Chung
Board Committee	Nil
Date of Appointment	13 September 2018
Working Experience	She served as Non-Independent Non-Executive Director in London Biscuit Berhad from 1993 to 2018.
Other Directorships	Nil
Family relationship with any Director and/or major shareholders	She is the sister of Dato' Sri Liew Yew Chung.
Conflict of Interest	Nil
List of convictions of offences within the past five (5) years	Nil
Particulars of any public sanction or penalty imposed by the relevant regulatory bodies	Securities Commission Malaysia had vide their letter dated 21 May 2018 reprimanded for breach of Section 354(1)(a) of the Capital Markets and Services Act 2007 read together with Regulation 4(1) of the Securities Industry (Compliance with Approved Accounting Standards) Regulations 1999. Fine: RM343,000.00
Shareholdings in the Company	Direct interest: Nil Indirect interest: 31,830,000 shares (30.61%) Deemed interested by virtue of her shareholdings in London Biscuits Berhad and her family members' shareholdings in Khee San Berhad.

KEY SENIOR MANAGEMENTS' PROFILE

Name	EDWARD TAN JUAN PENG	FOO VOON HOI	TIN WING YEE
Age	46	72	42
Gender	Male	Male	Female
Nationality	Malaysian	Malaysian	Malaysian
Position	Chief Executive Officer	Factory Manager	Group Manager - Customer Service Department
Qualification	Bachelor of Arts (Hons) in Business Administration from Coventry University, Warwickshire, United Kingdom.	Senior Middle Three (Chinese School)	Diploma in Industrial Engineering from Inti College, Subang Jaya, Selangor
Working Experience	He has more than 20 years' experience in local and foreign financial institutions and served as Director & Head in various departments. His exposure in various sections of the banking Industry in Malaysia includes consumer banking, retail product management, equities financing / restructuring and personal loan.	40 years in sugar confectionery industry.	She joined Khee San Food Industries Sdn Bhd since 21 February 2001 as an Executive in Raw Material Planning and was promoted as Assistant Operation Manager in year 2006 being prinmary responsible for planning, purchasing and customer service. In July 2011, she was promoted as Operation Manager, responsible for the Customer Service Department including exports sales and warehouse & logistics portion. She was promoted as the Group Manager – Customer Service on 1 October 2015 and is responsible for exports customer service and orders, handling customer enquiries and assists in products development. She also oversees the daily delivery / shipment arrangement, monitoring the stock level, allocation and stock issue to achieve the sales target.
Date which first appointed to Key Senior Management	5 January 2017	1 April 1996	1 October 2015
Directorship in public companies and listed issuers	Khee San Berhad	Nil	Nil
Family relationship with any Director and/or Shareholder	Nil	Nil	Nil
Conflict of Interest	Nil	Nil	Nil
List of convictions of offences within the past five (5) years	Nil	Nil	Nil
Particulars of any public sanction or penalty imposed by the relevant regulatory bodies	Nil	Nil	Nil

KEY SENIOR MANAGEMENTS' PROFILE

Name	**YEN PENG YEW**	**THYE CHEE LIN**	**YAP CHUN CHIH**
Age	50	49	38
Gender	Male	Male	Male
Nationality	Malaysian	Malaysian	Malaysian
Position	Deputy Factory Manager	Purchasing Manager	Accountant
Qualification	• Certificate In Marketing from Advance Tutorial Centre • Singapore-Cambridge General Certificate of Education ("A" Level) from Thomson Pre-University Singapore	• Diploma in Electrical and Electronic - City of Guilds of London Institute (Institute Technology Pertama, Kuala Lumpur)	• Member of Malaysian Institute of Accountants • Bachelor in Accountancy – University Putra Malaysia • Diploma in Accountancy – Ungku Omar Polytechnic
Working Experience	Since his graduation from Advance Tutorial Centre, he joined Victory Sochew Food Industries Ltd. (Chouzhou) as a Production Manager, to set up and design the new candy line in their Chouzhou plant. He was also in-charged of the day-to-day production planning and execution of all manufacturing and operations functions and to seek for raw and packaging material to meet the production requirement. He has joined Khee San Food Industries Sdn Bhd at the Telok Panglima Garang as a Deputy Factory Manager since year 2003, mainly in-charged of the new wafer line set up and design. He is now in-charge of the day-to-day production planning and execution of all the manufacturing and operations function to ensure the maximization of the utilization of resources, cost and quality standard maintenance.	In year 1999, he joined Khee San Food Industries Sdn Bhd as Production Supervisor cum Technician (Electrical) and now he is the Purchasing Manager in Khee San Food Industries Sdn Bhd.	• 4 years gained experiences in auditing field • 5 years experiences in manufacturing field.
Date which first appointed to Key Senior Management	1 January 2008	1 July 2013	19 June 2017
Directorship in public companies and listed issuers	Nil	Nil	Nil
Family relationship with any Director and/or Shareholder	Nil	Nil	Nil
Conflict of Interest	Nil	Nil	Nil
List of convictions of offences within the past five (5) years	Nil	Nil	Nil
Particulars of any public sanction or penalty imposed by the relevant regulatory bodies	Nil	Nil	Nil

MANAGEMENT DISCUSSION & ANALYSIS

1. INTRODUCTION

Khee San Berhad and its two (2) subsidiaries, Khee San Food Industries Sdn Bhd ("KSFI") and Khee San Marketing Sdn Bhd, (collectively known as "the Group") are the largest manufacturers of candy and wafer products in Malaysia.

The Group's headquarters and facilities are located in Seri Kembangan, Selangor where it produces and distributes the following products divided into two (2) segments:

Segment	**Sweets & Candies**		**Wafers**
Products	• Chewy • Deposited • Hard	• Tablet • Chewing Gum • Bubble Gum	• Wafer bars • Wafer cubes

2. FINANCIAL REVIEW

Pursuant to the Group's announcement on 25 June 2018, the Group has changed its financial year end from 30 June to 31 December. Hence, no comparable financial figures are available for the current 18-month period of financial period ended 31 December 2018 ("FPE2018") as the preceding audited financial statements were prepared for the 12-month period 30 June 2017 ("FYE2017"). However, for analysis purposes of this section, the Group has annualised the 18-month period of FPE2018 financial results to illustrate the changes in performance between FPE2018 and FYE2017. It is important that the readers of this "management and discussion analysis" section takes note that the annualised figures are not actual figures but are merely for illustration and comparison purposes.

In addition to the above, the Group has made an announcement on 18 April 2019, stating that the Group has completed its full re-audit on its audited financial statements for financial year ended 30 June 2015 ("FYE2015") and financial year ended 30 June 2016 ("FYE2016") respectively. As such, the figures used in comparison for FYE2017 have been restated to reflect the changes in the opening balances and closing balances of the re-audited financial statements.

a) Adjustments for the Restatement of the audited financial statements for FYE2017

i) Profit/(Loss) After Tax

(RM '000)	**FYE2017 Restated**	**FYE2017**	**Variance**
Profit Before Tax ("PBT")	4.2	5.9	(28.8%)
Taxation			
Income Tax	0.7	0.7	-
Deferred Taxation	4.0	1.6	>100.0%
Total Taxation	4.7	2.3	>100.0%
Profit/(Loss) After Tax ("PAT/LAT")	**(0.5)**	**3.6**	**n/m**

Note: n/m denotes not measurable.

The Group's FYE2017 Profit After Tax ("PAT") of RM3.6 million was reversed to a Restated Loss After Tax ("LAT") of RM0.5 million arising from the increase of deferred taxation expense of RM2.4 million. The increase in deferred taxation was attributable to the under provisioning of tax liabilities during FYE2017. In addition, the Group also witnessed reduction of PBT by 28.8% from RM5.9 million as recorded in FYE2017 to Restated FYE2017 PBT of RM4.2 million which was precipitated by the corresponding rise of Cost of Sales in Restated FYE2017. This adjustment was made to reflect the higher closing stock balances in FYE 2016 re-audited financial statements.

ii) Deferred Tax Liabilities

(RM '000)	**FYE2017 Restated**	**FYE2017**	**Variance**
Deferred Tax Liabilities	8.7	3.4	>100%

The Group recognised an additional RM5.3 million of deferred tax liabilities arising from the recognition of accelerated capital allowances which was under provisioned in FYE2017.

MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

b) Review of Statement of Comprehensive Income

The summary of the Statement of Comprehensive Income is as follows:-

(RM '000)	FPE2018 (18 Months)	FPE2018 (Annualised)	FYE2017 (Restated)	Variance Annualised (FPE2018 vs. Restated FYE2017)
Revenue	258.6	172.4	144.0	19.7%
Gross Profit ("GP")	50.9	33.9	18.0	88.3%
Gross Profit Margin ("GPM")	*19.7%*	*19.7%*	*12.5%*	
Distribution Costs	13.8	9.2	8.5	8.2%
Administrative Expenses	16.4	10.9	4.8	>100.0%
Other Expenses	9.9	6.6	3.4	(94.1%)
Finance Costs	7.2	4.8	4.0	20.0%
PBT	10.1	6.7	4.2	59.5%
PAT/LAT	6.3	4.2	(0.5)	n/m
PAT Margin	*2.4%*	*2.4%*	*n/m*	

Note: n/m denotes not measurable.

The Group has improved its revenue for Annualised FPE2018, evident by chalking up a 19.7% increase or RM28.4 million to RM172.4 million from the RM144.0 million registered during Restated FYE2017. The commendable growth in revenue was due to additional sales recorded from newly secured customers during FPE2018.

In tandem to the Group's stellar revenue performance, the Group saw an improvement in its GPM to 19.7% for Annualised FPE2018, compared with only 12.5% recorded in Restated FYE2017. The increased GPM was mainly attributable to the lower prices of raw materials incurred during the financial period which led to additional cost savings on the Group's cost of sales.

Nonetheless, the Group incurred higher distribution costs for Annualised FPE2018, costs amounting to RM9.2 million vis-à-vis RM8.5 million recorded in Restated FYE2017. The 8.2% increase in distribution costs was due to additional transportation expenses as a result of the influx of new customers in FPE2018. Further to the above, administrative expenses also witnessed a RM6.1 million increase, to RM10.9 million for Annualised FPE2018 against RM4.8 million incurred during Restated FYE2017. This notable increase was attributable to higher sales and marketing expenses to support the Group's sales growth for FPE2018.

Despite the increase in operating expenses during the current financial period, the Group managed to achieve PBT of RM6.7 million for Annualised FPE2018. This marks a 59.5% exemplary increase in comparison to RM4.2 million recorded in Restated FYE2017.

As a result of the improved PBT, the Group's profitability turned to black, registering a RM4.2 million PAT for Annualised FPE2018, which is a turnaround from LAT of RM0.5 million recorded in Restated FYE2017. The increase in profitability witnessed by the Group was also contributed by the lower deferred taxation during FPE2018 of RM2.8 million (Restated FYE2017: RM4.0 million).

MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

c) **Review of Statement of Financial Position**

The summary of the Statement of Financial Position is as follows:-

(RM '000)	FPE2018 (18 months)	FYE2017 (Restated)	Variance (FPE2018 vs. Restated FYE2017)
Property, Plant and Equipment	176.9	162.3	9.0%
Trade Receivables	114.2	60.1	90.0%
Cash and Bank Balances	19.0	8.6	>100.0%
Total Assets	322.6	248.8	29.7%
Other Payables & Accruals	81.7	2.7	>100.0%
Deferred Tax Liabilities	11.5	8.7	32.2%
Total Borrowings	84.3	66.5	26.8%
Total Liabilities	191.7	93.4	>100.0%
Shareholders' Equity	130.9	155.4	(15.8%)
NA per share (RM)[1]	1.26	1.51	(16.6%)

Note: [1]Based on weighted average number of shares

The Group experienced an increase of 29.7% in its total assets from RM248.8 million in Restated FYE2017 to RM322.6 million posted in FPE2018. This was primarily attributable to the RM23.2 million property, plant & equipment ("PPE") purchased during the financial period coupled with the increase in trade receivables arising from higher credit sales recorded during FPE2018. In addition, cash and bank balance as at FPE2018 increased to RM19.0 million from RM8.6 million in Restated FYE2017, an increase by RM10.4 million. This had also contributed to the rise in the Group's asset base.

Total liabilities stood at RM191.7 million in FPE2018, which represents an increase of RM98.3 million from RM93.4 million recorded in Restated FYE2017. The marked increase was mainly due to the increase in other payables & accruals which mainly consisted of a RM75.1 million amount due to a major corporate shareholder of the Group. Aside from that, the Group registered higher deferred tax liabilities of RM11.5 million in FPE2018 vis-à-vis Restated FYE2017 of RM8.7 million. Lastly, the Group's witnessed an uptake in bank borrowings of RM17.8 million during FPE2018. The uptake in bank borrowings was to finance the Group's additional working capital requirements to support higher level of revenue base.

Shareholders' equity saw a 15.8% decline or RM24.5 million to RM130.9 million during FPE2018 from RM155.4 million in Restated FYE2017. The decrease was due to the Group's adoption of MFRS 9, which resulted in an impairment loss of RM29.7 million for Expected Credit Loss on the Group's trade receivables. In addition, the Group's retained earnings was reduced by RM1.0 million from the interim dividend paid during the FPE2018. Nevertheless, the reduction in overall retained earnings was partially offset by the RM6.3 million in PAT generated in FPE2018.

MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

d) Review of Statement of Cash Flows

The summary of the Statement of Cash Flows is as follows:-

(RM '000)	FPE2018 (18 months)	FYE2017 (Restated)	Variance (FPE2018 vs. Restated FYE2017)
Net cash from operating activities	16.5	0.4	>100.0%
Net cash (used in)/from investing activities	(21.7)	10.9	n/m
Net cash from/(used in) financing activities	13.9	(8.6)	n/m
Net increase/(decrease) in cash and cash equivalents	8.7	2.7	>100.0%
Cash and cash equivalents at the beginning of the period	8.6	6.0	43.3%
Cash and cash equivalents at the end of the period	17.5	8.6	>100.0%

Note: n/m denotes not measurable.

In FPE2018, the Group saw a RM8.7 million net increase in cash and cash equivalents as compared to a net increase in cash and cash equivalent of RM2.7 million in Restated FYE2017. This was primarily attributable to the notable increase in net cash generated from operating activities of RM16.1 million which stood at RM16.5 million in FPE2018 (Restated FYE2017: RM0.4 million). The commendable improvement was due to the higher PBT recorded in FPE2018 of RM10.1 million in comparison to RM4.2 million recorded in Restated FYE2017.

The Group also witnessed a net cash used in investing activities of RM21.7 million in FPE2018 against RM10.9 million cash generated from investing activities posted in Restated FYE2017. The higher cash used in investing activities was resultant from the purchases of PPE which was used for upgrading the Group's current machineries.

Lastly on the financing front, the Group generated a net cash from its financing activities in FPE2018 of RM13.9 million vis-à-vis a net cash used in financing activities of RM8.6 million in Restated FYE2017. The change in cash flow financing position was mainly attributable from the net proceeds from bankers' acceptance amounting to RM23.0 million in FPE2018 for the purpose of financing the Group's on-going working capital requirements as oppose to a net repayment position of banker's acceptance of RM3.0 million recorded in Restated FYE2017.

3. GROUP REVENUE PERFORMANCE OVERVIEW

The Group's revenue performance for FPE2018 and FYE2017 on a geographical market segment basis is as follows:-

(RM '000)	FPE2018	Annualised FPE2018	%	FYE2017 (Restated)	%	Variance Annualised (FPE2018 vs. Restated FYE2017)
Domestic Market	176.1	117.4	68.1%	69.3	48.1%	69.4%
Export Market	82.5	55.0	31.9%	74.7	51.3%	(26.4%)
Total	**258.6**	**172.4**	**100.0%**	**144.0**	**100.0%**	**19.7%**

Overall demand for the Group's products has improved during FPE2018, in particular the soft candy products which by 70.1% from RM28.8 million in FYE2017 to RM49.0 million for the Annualised FPE2018.

Nonetheless, export sales experienced a drop of 26.4% from RM74.7 million in FYE2017 to RM55.0 million in Annualised FPE2018. This was mainly due to the lower demand for the Group's deposited candy products in its export markets.

MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

4. BUSINESS OPERATIONS REVIEW

In FPE2018, the Group recorded total sales revenue of RM258.6 million of which domestic sales accounted for 68.1% while export sales accounted for the balance 31.9%. The main product categories of the Group are Candy and Wafers.

Candy

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

Categories	Brands
Chewy	Fruitplus, Mintplus, Choco Plus and Milk Plus, Victory, Snackie and Sochews
Deposited	Victory Brand and S'creams
Hard	Torrone, Snackie, Kiss Me, BonBon, Fizzy, Salt Plus, Salt & Lemon, Comilk, Nini Drop, and Gollypop
Tablet	Bento
Chewing Gum	Victory
Bubble Gum	88 Super Bubble Gum

The Candy segment comprises the majority of the Group's revenue and was the main contributor of the Group. The bestselling product was the *Fruitplus* range of chewy candies whilst *Torrone Barley Mint* hard candies were an iconic product which was easily recognisable as it has been present in the market for over three decades. The overall market condition remained strong for the segment with strong demand for the chewy and soft candy products as witnessed by the increase in sales over the previous financial period. This was further strengthened by the successful introduction of the newer flavours in the preceding years.

Wafer Segment

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

Categories	Brands
Wafer Bars	Torrone, Lovin, and Tip-Top
Wafer Cubes	Snackie

The wafer segment's *Lovin* wafer in red waxed paper packaging is one of the oldest and iconic wafer brands in Malaysia having been in constant production for the past 40 years remained well known and recognised by consumers.

The Group originally operated a single wafer production line and due to strong demand for wafers, it had installed and commissioned the second wafer production line in 2009. This additional production line enabled the Group to launch new varieties of wafer products under new brand names. This includes the *Snackie* brand of wafer cubes which comes in a resealable zip bag packaging and *Tip Top* brand of large wafer bars. These products are targeted to support the Group's efforts to penetrate into modern distribution channels and hypermarkets chain stores such as AEON, Tesco and Giant. Wafers have proven to be enduringly popular and have realised a continued demand for them from various new markets in North and East Africa.

Production Operations

The Group's production operations are based at its plant located in Seri Kembangan, Selangor which produces both the candy and wafer products. The Group is currently experiencing capacity constraint due to rising production level to meet demand.

As such, the Group has made significant strides over the years through progressive investments to meet this demand trend. The Group currently operates four (4) units of state-of-the-art packaging machines from the initial two (2) packaging machines in 2013 for purposes of twist wrapping deposited candy products. These machines are capable of packaging speeds 5 times over that of the older existing packaging machines. To date, The Group is one of the few selected companies in Asia to operate this machine. In addition, it has carried out additional upgrades by installing automated candy jar packing lines to reduce manpower requirements. It has also installed new packaging machines for the 150 grams pouch bag packaging to cater for the increasing sales volume to the modern trade segments.

Similarly, for the *Fruitplus* chewy candy, the Group has progressively increased its packaging machines capacity to cater for the sustained demand growth over the last decade. Additional upgrades have also been made to the production lines to further automate the chewy candy process which helped increase its production output, reduce wastage as well as to reduce the Group's reliance on manpower. These efforts put forth by the Group will address the constrains faced by the production department.

MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

Sales and Marketing

Whilst the Group has established a strong footing in the domestic market, it has made significant headwinds to grow its export markets. The Group currently exports to over 30 countries with major destinations being Hong Kong, Vietnam and other Asia Pacific countries. For the domestic market, the focus will be on widening its coverage all the various retails sales point across both the wholesale and modern distribution channels. These sales points can range from mom and pop outlets, 24-hour convenient stores, to the various hypermarket chains such as AEON, Tesco and Giant.

The Group has also been aggressively promoting its products to new export markets by participating in various international exhibitions and trade fairs such as Thaifex 2018 and Yumex 2018, Dubai. The Management will continue to explore and develop prospective markets in Central Asia and the Middle Eastern regions whereby initial progress is evident in new markets such as Kuwait and Qatar.

Distribution Channels

The Group sells its products via two distribution channels, the wholesale and modern distribution channels.

In an effort to achieve higher sales volume, the Group distributes its products via both the wholesale and modern distribution channels in Malaysia. However, for the export sales, the distribution channels varies from country to country. For example, in Singapore and Hong Kong only the modern distribution channels will be employed whilst the wholesale channel will be more prevalent in Indonesia and Vietnam.

Objectives and Success Methodology

The Group's vision is to become the dominant player and a regional one-stop centre in the production an sales of candy products. Towards this end, the Group has ensured that it has sufficient production capacity to fulfil its expansion plans for the short to medium term while capitalising on the popularity of the wafer products.

Capital Expenditure ("CAPEX") Requirements

The Group had invested significant resources into expanding its manufacturing base over the last five years. However, the Group's CAPEX has tapered down recently as the focus has shifted toward maintaining and upgrading the Group's existing machineries to ease production bottlenecks, as well as to introduce automation processes to reduce the reliance in manpower. In the forthcoming years, the Group shall maintain its focus on maintenance CAPEX and will make small scale improvements such as to modernise its production facilities with climate-controlled capabilities and warehouses with racking systems to handle the increased volume of incoming raw materials and finished goods items.

5. BUSINESS RISKS OVERVIEW

The Group faces several risk factors that may affect the Group's profitability. Those risks include the following:-

a) Labour shortages and wage fluctuations

The Group's production activities are labour intensive in nature, thus it is prone to labour shortages. By that same breadth, it is also subject to wage fluctuations as witnessed by the government's amendments of Levy Payment Structure on foreign workers and the increase in minimum wage level in peninsular Malaysia. In an effort to reduce the over-reliance to the labour issues, the Group will continue to invest in automating the plants.

b) Fluctuation of raw materials prices

The fluctuation of raw materials prices has been an inherent issue for the Group, as well as its competitors in the similar industry. As an example, sugar price fluctuations may severely impact the Group as it is a major component of the Group's products. Realising this issue, the Group has taken necessary steps to reduce the risk of constant price fluctuations by engaging with its various raw material suppliers to strive for favourable longer-term supply arrangements. At the same time, the Group are constantly exploring with new suppliers to ensure that it is not overly dependent and reliant on its current key suppliers. The Group shall ensure that these initiatives are carried out without compromising its products quality.

MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

c) Fluctuation of foreign currency exchange rate

Significant fluctuation of foreign currency exchange rate will impact the Group's cash flow movement and profitability as most of its input materials are sourced from abroad. In addition, the Group also relies on its export sales which are also subject to changes in currency exchange rates. The Group shall manage currency exchange rate fluctuations by continuing to monitor global currency movements and, if necessary, take proactive hedging positions to mitigate such risk.

d) Changes in consumers' preferences

The Group is aware of the continuous shift in consumers' taste preferences. As such it is constantly introducing innovative new flavours for its existing product range, as well as new products and product packaging to the market.

e) Product quality

The Group recognises that it is crucial to ensure its food-base products are high of quality. Deterioration in quality may bring severe negative image to the Group's product brands and create harmful long-term impact to the Group's reputation. To mitigate such occurrences, the Group has implemented strict quality management systems and quality assurance processes to ensure that there is no deterioration in product quality. Furthermore, the group is certified as a HACCP, ISO and Halal candy and wafer manufacturer.

f) Interest rate & liquidity risk

The Group is exposed to interest rate and liquidity risk as it has considerably high bank borrowings. The board is cognisant of this inherent risk and shall monitor its cash flow position diligently while exploring alternate avenues of funding. The Group may consider raising funds through the capital markets when the stock market condition is much more favourable. This will help mitigate over-reliance on banking facility which is prone to interest rate movements.

6. OUTLOOK OF FUTURE PROSPECTS

The domestic economic outlook for 2019 is expected to remain sluggish amid global economic slowdown concerns alongside Ringgit volatility against major trading currencies. As such, the Group anticipates the domestic consumer sentiment to remain weaker than previously as consumers adopt more prudent spending habits which inevitably shall translate to weaker retail consumption across the board. Nevertheless, the Group is cognisant of these macro externalities and stands committed to weather the challenges ahead to preserve its position in the market as one of the leading candy and wafer producer in Malaysia.

The Management remains cautiously optimistic of the Group's future financial and business prospects as its candy capacity is sufficiently underpinned by foreseeable growth for up to the medium term which would facilitate the introduction of new product varieties. The new product launches over the past three years such as the Salt flavoured series of contrasting candies mixed with other flavours such as lemon and Lychee flavours together with strawberry milk flavoured chewy candy which is a double flavoured candy of strawberry and milk. These new launches have boded well to the Group's overall revenue growth, thus the Management chooses to continue focusing on growing the existing stable of candies while introducing other flavours.

The Group envisions that new product varieties will be introduced in the current financial year, which focuses on the development of premium candies with niche flavouring in specialised packaging designs and configurations. This new product variants will leverage on the strong brand recognition and brand positioning of the *Fruitplus* brand. The Group will also endeavour to broaden its existing distribution networks and provide *"Above the line"* marketing support to ensure the success of these new premium candies.

In terms of safeguarding the Group's various brands equity positions, the Management has remained vigilant through the continual engagement of stakeholders and market visits on various key territories such as China, Hong Kong and Vietnam. It will continue brand building campaign effort in selective markets in Malaysia as well as abroad to boost product brand awareness of the existing product ranges. Management has also firm plans in place for trade visits to various key distribution nodes in the Indonesia Archipelago and the Greater China.

SUSTAINABILITY REPORT

The Board of Directors present the inaugural Sustainability Report, an overview of the Group's environmental, social and governance performance. The scope of this Report covers Khee San Berhad and its subsidiaries ("KSB Group" or "the Group") for the financial period from 1 July 2017 to 31 December 2018. This Report is guided by Bursa Malaysia Sustainability Reporting Guide, United Nations Sustainable Development Goals and the stakeholders' interests.

This Sustainability Report combines financial and non-financial parameters, covering the impacts on sustainable issues, and be transparent on the risks and opportunities it faces and to manage change more effectively.

SUSTAINABILITY GOVERNANCE

The Group's sustainability matters are overseen by the Board of Directors via the recommendation from the Audit Committee, and are carried out and implemented by the Management team within the framework.

The Group's success as an organisation relies on the strong and continuing support of its customers, suppliers, business partners, governments and other stakeholders. Being a corporate citizen, its contribution to the vitality of its marketplace is the best way to command the stakeholders' respect and confidence. Business ethics, corporate governance and stakeholder engagement are crucial for the Group as a whole.

The Group works closely with its internal and selected external stakeholders to determine sustainability risks and opportunities with particular focus given to economic, environmental, and social risk factors. As each stakeholder has different requirements and concerns, the Group has made extra efforts to reach out to them, in order to further understand their concerns, interests, and obstacles.

KSB Group's Sustainability Governance Structure is as follows :-

Governance Structure	Roles
Board of Directors	Deliberate and approves the Group's strategies, initiatives, budget and related matters.
Corporate Administration and Compliance Committee	Review and overseeing the implementation and monitoring of the sustainable policies, measures and practices and recommends to the Board of Directors for approval.
Head of Department	Identify, plan and initiate the policies, measures and practices including day-to-day management of sustainability of risks and issues.

Moving forward, the Group plans to formulate a Sustainability Steering Committee which will be chaired by the Executive Director, and report directly to the Board of Directors. This Committee will formulate sustainability policies and be the driving force of the Group's sustainability efforts and initiatives while ensuring consistency with the Sustainability Strategy and Business Strategy. Under this Committee, several Working Groups will be established the develop and implement various sustainability policies and programmes; as well as to track, monitor and analyse the outcome and impacts of these initiatives.

The Group has categorised the following four (4) areas as material sustainability matters :-

Business	Conduct & Compliance	Environmental Sustainability	Community
• Customers' satisfaction • Returns on investments • Innovation	• Regulatory requirements • Strict internal control	• Environment friendly • Green and alternative technology • Waste Water Treatment	• Employees • Customers • Investors • Stakeholders • Government agencies • Diversity • Community

SUSTAINABILITY REPORT (CONTINUED)

STAKEHOLDER ENGAGEMENTS

The following are the areas of interests and methods of engagement used for the Group's key stakeholder groups :-

Stakeholder	Engagement Focus Areas	Engagement Approaches
Board of Directors	• Corporate Strategy • Corporate Governance	• Board Meetings
Business Partners (Non-Suppliers)	• Financial performance • Corporate Governance • Business developments	• Meetings and discussions • Financial announcements and reporting • Corporate website
Certification and Regulatory Bodies	• Regulatory compliance • Approvals and permits • Standards and certifications	• Meetings and consultations • Training programmes and dialogues • Audit and verification
Communities	• Quality of health and education • Indirect economic impact • Environmental impact of operations • Community well-being	• Community engagement • Donations and sponsorships • Charity drives and programmes
Customers	• Customer satisfactions • Quality assurance • Product quality and branding • Customer-company relationship • Customer service and complaints resolution • Pricing and promotion • After sales services	• Feedback and enquiry forms • Social media platforms • Customer Relationship Management • Product standards and certifications • Regular meetings • Marketing activities • Sponsorship activities
Employees	• Occupational safety & health • Remuneration policy • Career development and advancements • Performance review • Fair employment practices • Employee retention and loyalty	• Recruitment • Performance appraisal • Dialogues between employers and employees • Training programmes (in house, external, study trips) • Staff activities (sports events, family day) • Long service awards
Government	• Operational regulations • Bursa Malaysia Listing Requirements • Companies Act 2016 • Labour Law • Taxations • Local government licencing	• Compliances to laws and regulations
Media	• Reputation and image • Financial performance • Business updates and corporate news • Public relations • General announcements	• Social media platform • Conference and interviews • Events and functions
Shareholders and Investors	• Financial performance • Regulatory compliance • Corporate Governance • Ethical business conduct • Investment and divestment • Internal control and risk management • Composition of the Board and various Committees	• Meetings and briefings • Roadshows • Financial announcements and reporting • Policies and framework • Corporate website / social media
Vendors & Suppliers	• Food safety • Product quality and branding • Customer-company relationship • Customer service management • Pricing and promotion	• Quality audit and evaluation on services and products • Regular meetings • Factory visits • Quality audit on services and products • Contract negotiation
Wholesalers & Distributors	• Enhancement of distribution platform • Market demand • Product quality and pricing • Product development and innovation	• Marketing plan • Product promotions • Events • Training • Feedback and surveys

SUSTAINABILITY REPORT (CONTINUED)

SUSTAINABILITY STRATEGIES

Economic Sustainability

The Group contributed and creating values to its stakeholders through tax payments, providing employment opportunities and procurements of goods and services. It continues to manage risks and seek opportunities in increasing its revenue and remain profitable. The Group also develops marketing strategies in promoting and selling its products to both local and export markets to generate sustainable income to create strong and sustainable revenue stream for the Group.

Economic sustainability is the Group's core challenge due to the ever-evolving market conditions. The Group is exposed to external environmental factors, such as of raw materials pricing, finished goods demand, competition, trade barriers in importing countries. Hence, the Group takes great efforts to identify the critical risk which may influence its business strategies. The ability to make judgemental decisions based on market intelligence is crucial to preserve the competitiveness of the Group. With constant updates by the sales and marketing team, as well by advice from the procurement and finance staff, the management is able to mitigate these risk elements.

Financial Sustainability

The Group's commitment to business excellence is focused on its strong corporate governance and prudent financial management. It strives to maintain healthy revenue streams and positive operating cashflows, and achieve sustainable profit margins. Operational efficiency, in particular in the production areas, is a priority goal to overcome labour shortage and rising labour costs. Work efficiency by the office staff is similarly important, to maintain high level of result orientated working environment.

Another area to attain financial sustainability is the Group's strategic plans to diversify its income generating sources. By expanding its product mix and breadth, the group will not be over-dependent on a single product, or a small group of products, but instead possesses a larger pool of products catering to a wider market base.

Environment Sustainability

As a responsible corporate citizen, KSB Group continues to adhere to clearer, greener and healthier working environment. It is mindful of the environmental impact of its activities and has maintain full compliance with all environmental regulations, and will continue to develop effective initiatives to protect the environment.

Amongst some of the Environmental initiatives undertaken by the Group are :-

- efficient energy and water usage;
- effective energy, water and noise management;
- reducing noise pollution;
- recycling; and
- material efficiency.

Social Sustainability

Human resource is a vital component of KSB Group's business. Their performance and commitment to their respective jobs are crucial to develop a long-lasting survival and sustainability of the business. As such, the Group takes seriously its efforts to develop a sustainable talent pool who can realise their full potential. The Group organises in-house as well as external training programmes and workshops which are tailor-made to different departments and job functions to cater for their respective skill sets. This is to help the employees in broadening their knowledge base and technical knowhow on new developments in their respective field of expertise, as well as improving the soft skills of the employees.

The Group practises equal and competitive opportunities at all levels of its business, aiming to achieve a balanced participation between men and women in the workforce. The Group creates opportunity for employees to showcase their talent and dedication to their work. The Group also offers various employees' benefits, such as :-

- Hospitalisation and group insurance coverage;
- Long service awards in honour the employees' dedication, commitment and hard work; and
- Employees Share Option Scheme (ESOS) to allow the staff the opportunity to invest into the Company.

SUSTAINABILITY REPORT (CONTINUED)

The Group is committed in ensuring safe environment for its employees, contractors and visitors, such as :-

- ensuring the working place is free from any physical or verbal abuse;
- ensuring round-the-clock surveillance at workplace;
- briefings on the awareness of the safety precautions and health issues;
- adhering to the Occupational, Safety and Health management system standard;
- employees must wear safety gears to avoid injuries in their respective work place; and
- implementing of the whistleblowing policy.

As part of the compliance to ensure good quality produced products for the market, KSB Group adhered to the Good Manufacturing Practice ("GMP"), Hazard Analysis and Critical Control Points ("HACCP") guidelines.

KSB GROUP'S COMMITMENTS

As sustainability is a core element of the Group strategy, KSB Group is committed to strengthen the sustainable and practices to have a positive impact of our business in the society. There will be ongoing review and revision of directives and regular internal audits to ensure that the Group builds a sustainable business for generations to come. Much efforts will be put in to enhance and improve the management systems and policies, in order to improve its overall sustainability performances. This is in line with KSB Group's aspiration to continuously introduce new product range to its customers, create values to its stakeholders, and to enrich its employees and the local communities.

This Report has been approved by the Board of Directors on 6 May 2019.

CORPORATE GOVERNANCE OVERVIEW STATEMENTS

The Board of Directors ("the Board") of Khee San Berhad recognises the importance of the principles and recommendations as set out in the Malaysian Code on Corporate Governance 2017 ("MCCG 2017"). The Board is fully committed in maintaining high standards of corporate governance practices throughout the Group to protect and enhance long-term shareholders' value and all stakeholders' interests. The Board is pleased to present the following Corporate Governance Overview Statement ("CG Statement") that describe the extent of how the Group has applied and complied the three (3) principles which are set out in the MCCG 2017 throughout the financial year under review:-

(a) Principle A: Board leadership and effectiveness;

(b) Principle B: Effective audit and risk management; and

(c) Principle C: Integrity in corporate reporting and meaningful relationship with stakeholders.

This CG Statement is prepared in compliance with the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and to provide an overview of the extent of compliance with the three (3) Principles as set out in the MCCG 2017.

This CG Statement should also be read together with the Corporate Governance Report 2018 of the Company which is available on the Company's website at www.kheesan.com.my.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

Roles and Responsibilities of the Board

The Board is primarily responsible to lead and control the Group's overall strategic plans for business performance, overseeing the proper conduct of the businesses, risk management, internal control, management information systems, succession planning and communications with shareholders and stakeholders. These responsibilities include charting the strategic direction of the Group and supervising its affairs leading to the Group's success while ensuring compliance with the relevant laws, regulations, guidelines and directives.

The Board is guided by its Charter which outlines its roles, powers, duties and functions. This allocation of responsibilities reflects the dynamic nature of the relationship necessary for the Group to adapt to changing circumstances.

All members of the Board exercise due diligence and care in discharging their duties and responsibilities to ensure that high ethical standards are applied through compliance with relevant rules and regulations, directives and guidelines, in particular the MCCG 2017 issued by Securities Commission Malaysia and the requirements of Bursa Securities. The Board members are also guided by the Company's Code of Conduct and Ethics at all times. The Code of Conduct and Ethics is published at the Company's website at www.kheesan.com.my.

A capable and experienced Senior Management team is put in charge to oversee the day-to-day operations of the Group. However, all key matters such as approval of quarterly and annual financial results, acquisitions and disposals, investments, as well as material agreements are reserved for the Board.

In line with the practice of good corporate governance, the Board has established and implemented various processes to assist its members in carrying out their roles and responsibilities. The Board's roles and responsibilities include the following:-

(a) Promote good corporate governance culture within the Group which reinforces ethical, prudent and professional behaviour;

(b) Review, challenge and decide on Management's proposals for the Company and the Group, which includes corporate strategy, business plans and monitor the implementation processes by the Management;

(c) Oversee the resources and operational conducts of the Company and the Group's businesses, to evaluate and assess Management's performance to determine whether the businesses are being properly managed;

(d) Identify and understand the principal risks of the business of the Company and the Group while acknowledging that business decisions may involve the taking of appropriate risks;

(e) Set the risk appetite within which the Board expects Management to operate and to ensure that there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks;

(f) Ensure that the Senior Management has the necessary skill set and experience, and there are foolproof measures in place to provide for the orderly succession plan of Senior Management;

(g) Ensure that the Company adopts an effective communication strategy to enable effective communications with shareholders and relevant stakeholders;

CORPORATE GOVERNANCE OVERVIEW STATEMENTS (CONTINUED)

(h) Review the adequacy and integrity of the Group's internal control systems and to ensure there is a sound framework for internal control and risk management compliance with applicable laws, regulations, rules, directives and guidelines;

(i) Delegate certain responsibilities to the various Board Committees with clearly defined terms of reference to assist the Board in discharging its fiduciary responsibilities;

(j) Ensure that the strategic plans of the Company support long-term value creation, while adhering to statutory regulations on safety and occupational health, and promoting environmental friendly practices; and

(k) Ensure that the integrity of the Company and the Group's financial and non-financial reports are preserved at all times.

To ensure the effective discharge of its functions and responsibilities, the Board has delegated specific responsibilities to the following Committees:-

(a) Audit Committee;
(b) Nominating Committee;
(c) Remuneration Committee;
(d) Corporate Administration and Compliance Committee (Established on 30 November 2018);
(e) Risk Management Committee (Established on 13 March 2019); and
(f) ESOS Committee.

The duties and responsibilities delegated to the various Committees are set out in the Terms of Reference of each of the Committees as approved by the Board. The Board retains full responsibility for the direction and control of the Company and the Group.

Board Composition and Balance

The Board currently has eight (8) members, comprising one (1) Non-Independent Non-Executive Chairman, one (1) Non-Independent Executive Director and six (6) Independent Non-Executive Directors. The profile of each of the Directors is set out in the "Directors' Profile" of the Volume 1 of this Annual Report.

The current board composition complies with the Practice 4.1 of the MCCG 2017 which requires at least half of the Board members to be represented by Independent Directors.

The Board of Directors comprises members with a diverse background of knowledge, experience, skills and expertise including financial, legal, taxation, secretarial and business management which are essential for the successful direction of the Group.

The Chairman and Group CEO

The roles of the Chairman, Dato' Sri Liew Yew Chung and Chief Executive Officer, Edward Tan Juan Peng, are separated with clear defined duties to ensure balance of power and authority within the Group. The Chairman, who holds a non-executive position, is primary responsible for the leadership of the Board.

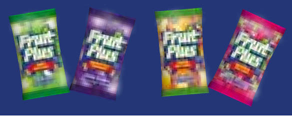
The Chief Executive Officer manages the day-to-day business operations and implements the Board's decisions and policies. The Chief Executive Officer leads the senior management team of the Group to exercise and implement the decisions of the Board, manages the day-to-day operations, as well as manages the resources and inherent risks in order to achieve the objectives and goals set forth by the Board.

Qualified and Competent Company Secretary

The Board is assisted by suitably qualified and competent Company Secretaries, whom are the members of recognised professional bodies. Under the financial period under review, the Company maintains two (2) named Company Secretaries namely, Ms. Hoh Leong Ching, a member of Malaysia Institute of Corporate Secretarial and Administrative ("MAICSA") and Mr. Hoh Chee Mun, a member of Malaysian Institute of Accountant. On 25 February 2019, Ms. Lee Shook Mun @ Lee Yue Yee, a member of MAICSA has been appointed in place to the resignation of Mr. Hoh Chee Mun.

The Company Secretaries play an advisory role to the Board in relation to the Group's constitution, policies, compliances to the relevant regulatory, codes and guidelines. Any updates and new advisory notes would be highlighted to the Board during Board Meetings or circulated to the Board members via emails. This is to ensure that the Board members are kept up-to-date with new regulations, rules, laws, so that they are in compliance with such new regulatory requirements imposed by Bursa Securities and other authorities.

In order to discharge their duties more efficiently and effectively, the Company Secretaries from time to time attended seminars, workshops or conferences which are deemed relevant to them. This will equipped them with knowledge of latest regulatory frameworks and requirements, and in turn they are able to discharge their duties and responsibilities effectively.



CORPORATE GOVERNANCE OVERVIEW STATEMENTS (CONTINUED)

The Company Secretaries attended all the Board, Committees Meetings and Annual General Meeting ("AGM") to ensure that the meeting procedures were carried out in accordance to proper procedure. The procedures and conclusion of all the Board Meetings and Committees Meetings were minuted and approved by the Chairman of Meetings accordingly.

Independent Directors

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

The Board takes cognisant that Practice 4.2 of the MCCG 2017 recommendation that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Upon completion of the nine-year tenure, the Independent Director may continue to serve on the Board subject to his/her re-designation as Non-Independent Director. In the event such director is to be retained as an Independent Director, the board must first produce the justification of such recommendation and seek shareholders' approval during an AGM. If the board continues to retain an Independent Director after the said director serves a cumulative of twelfth (12) years, shareholders' approval at the AGM must be sought annually through a two-tier voting process to retain the said director as an Independent Director.

Presently, Mr. Huang Yan Teo and Mr. Leslie Looi Meng, are the Independent Non-Executive Directors of the Company who have each served the board for more than nine (9) years.

The Nominating and Remuneration Committees and the Board have assessed the independence of Mr. Huang Yan Teo and Mr. Leslie Looi Meng and recommend that they be re-appointed as Independent Non-Executive Directors subject to annual shareholders' approval. Both the Nominating and Remuneration Committees believe that they will continue to discharge their duties diligently and provide independent and objective judgements during board deliberations. Their re-appointments will be put forth for voting in the coming AGM of the Company.

Supply and Access to Information

The Board recognises the process of decision making is highly dependable on the quality of information furnished. As such, the Board has unrestricted access to any information pertaining to the Company and the Group at all times, including access to the Senior Management and the Company Secretaries. All Directors have been granted full access to all relevant information prior to each the Board and Committees Meetings, in order for them to have comprehensive understanding of the issues to be deliberated upon or seek clarification, if any.

The Board is regularly updated on new regulations and regulatory requirements relating to their duties and responsibilities as Directors. If necessary, the Board may seek external professional advice in the areas of legal, financial, governance, in order to equip them with sufficient information and knowledge for them to discharge their duties and responsibilities in matters which are being deliberated. In such circumstance, the Company shall undertake to bare these professional fees accordingly.

Board Charter

The Company has adopted a Board Charter as a point of reference for board activities. It defines clearly the respective roles, responsibilities and authorities of the board of directors (both individually and collectively), the Board Committees and Management. It also sets the general direction of the Company.

The Board Charter is subject to review by the Board every three (3) year or on ad-hoc basis when the need arises. This is necessary to ensure its relevance and to remain consistent with the Board's objectives and responsibilities in accordance with new regulations that may have come into force. The Board Charter is available on the Company's website at www.kheesan.com.my.

Code of Ethics and Conduct

The Company establishes appropriate standards of business conduct and ethical behaviour as a guide to ensure that the Directors and all employees of the Group discharge their respective duties and responsibilities with the highest professionalism and trustworthiness in order to uphold good corporate integrity.

The Code of Ethics and Conduct is available on the Company's website at www.kheesan.com.my.

Whistleblowing Policy

The Group has adopted the Whistleblowing Policy which is designed to enable any Director, officer, employee and members of the public to report instances of unethical, unlawful or undesirable conduct on a confidential basis without fear of intimidation or reprisal.

CORPORATE GOVERNANCE OVERVIEW STATEMENTS (CONTINUED)

Confidential reports can be channeled online via this email address: khadmin@kheesanfood.com. Appropriate action will be taken against any party(ies) found guilty of any wrong-doings, while the identity of the information provider shall be kept confidential at all times.

Sustainability

The Group is committed towards sustainable development, employees' welfare, environment as well as the community's responsibilities which would be an integral part of the Group while carrying out its business and operations.

The Group is committed to the continuous efforts in maintaining a delicate balance between its sustainability plan and the interest of the shareholders and stakeholders. The Group's sustainability practices for the financial year are disclosed in the Sustainability Statement in this Annual Report.

Board Diversity

The Board recognises that diversity is an essential element contributing to the sustainable development of the Group and does not discriminate on the basis of ethnicity, age, gender, nationality, political affiliation, religious affiliation, marital status, education background or physical ability. The Group does not establish any specific target in the composition in terms of gender, age or ethnic of its Board members or members of Senior Management.

The Board acknowledges the recommendation of MCCG 2017 on gender diversity. It believes that the overriding factors in selection of a Director must be based on individual merits such as skill, experience, competency and wealth of knowledge, while taking into consideration diversity of the Board. The Board would endeavour to meet the requirement to identify and recommend suitable female candidate to the Nominating Committee in accordance with their skills, contributions, background, commitments and experiences in the nearby future.

The Board is satisfied with the composition of its current members and is of the view that with the current mix of skills, knowledge, experience and strength, the Board is able to discharge its duties effectively and in a competent manner.

Board Meetings

The Board meets every quarter to consider all matters relating to the financial results, overall controls, business performance and strategy of the Group. Additional meetings will be convened, when necessary, for urgent and important decisions which need to be concluded upon, in between the scheduled meetings.

The relevant reports (including Minutes of meetings), meeting agenda and Board papers are distributed to all Directors in advance to allow the Directors sufficient time to peruse and prepare themselves for effective discussion and decision making process during the meetings.

During the financial period under review, the Directors' attendance at the Board Meetings were as follows:-

Name	Designation	No. of Board Meetings Attended
Dato' Sri Liew Yew Chung	Chairman / Non-Independent Non-Executive Director	9/9
Edward Tan Juan Peng	Executive Director / Chief Executive Officer	9/9
Huang Yan Teo	Independent Non-Executive Director	8/9
Leslie Looi Meng	Independent Non-Executive Director	9/9
Wong Hock Foong	Independent Non-Executive Director	9/9
Prof. Dr. Hj. Mohd Amy Azhar Bin Mohd Harif *(Appointed on 13 September 2018)*	Independent Non-Executive Director	0/1
Mohanadas A/L K.P.Balan *(Appointed on 13 September 2018)*	Independent Non-Executive Director	1/1
Dato' Hj. Mohd Aris Bin Ramli *(Appointed on 13 September 2018)*	Independent Non-Executive Director	1/1
Liew Yet Mei *(Resigned on 13 September 2018)*	Non-Independent Non-Executive Director	8/8

The Board is satisfied with the level of commitment given by the Directors towards fulfilling their responsibilities as Directors. This, amongst others, is evidenced by the attendance record of the Directors at Board meetings.

The minimum 50% attendance requirement as stipulated in the MMLR has been complied with.

CORPORATE GOVERNANCE OVERVIEW STATEMENTS (CONTINUED)

Directors' Training

The Directors and representatives of the Company continually attended relevant training programmes and seminars to keep themselves abreast with the various issues facing the changing business environment within which the Group operates. These sessions have further enhanced their knowledge and professionalism in discharging their fiduciary duties to the Group.

During the financial period and up to the date of this Statement, the briefing, seminars and conferences attended by the Board Members includes:-

Directors	Seminars / Conferences
Dato' Sri Liew Yew Chung	• Moving towards Sustainability Development Seminar • Embracing the new financial instrument standards (MFRS 9 and MFRS 15) Seminar
Edward Tan Juan Peng	• Mandatory Accreditation Programme • Bursa CG Breakfast Series – "Board Excellence : How to Engage and enthuse Beyond Compliance with Sustainability" • Malaysian Code On Corporate Governance: A new dimension (Johor) • Advocacy Session to enhance quality of management discussion & analysis • "Key Highlights Of The Latest Amendments To The Listing Requirements (29/11/2017)
Huang Yan Teo	• Moving towards Sustainability Development Seminar • Embracing the new financial instrument standards (MFRS 9 and MFRS 15) Seminar
Leslie Looi Meng	• Moving towards Sustainability Development Seminar • Embracing the new financial instrument standards (MFRS 9 and MFRS 15) Seminar
Wong Hock Foong	• Mandatory Accreditation Programme
Prof. Dr. Hj. Mohd Amy Azhar Bin Mohd Harif *(Appointed on 13 September 2018)*	• 8th International Conference on Economic, Business and Social Sciences • Retreat Khas Pengurusan UUM 2018 • 11th International Conference on Economics Business and Sosial • Program Penanda Arasan Pemantapan Pengurusan Kualiti & Team Building • Bengkel Costing Template • Applied Research International Conference on Business and Social • International congress on Social and Economics Sciences. • Mandatory Accreditation Programme
Mohanadas A/L K.P.Balan *(Appointed on 13 September 2018)*	• Mandatory Accreditation Programme
Dato' Hj. Mohd Aris Bin Ramli *(Appointed on 13 September 2018)*	• Mandatory Accreditation Programme

Board Committees

To ensure the effective discharge of its fiduciary duties and responsibilities more effectively, the Board delegates specific responsibilities to the Board Committees established by the Board.

All Board Committees function within and in accordance with clearly defined terms of reference which were approved by the Board from the onset. These Board Committees have unrestricted authority to examine issues and submit reports of their findings to the Board. As the Board Committees have no authority to make decisions on matters reserved for the Board, the recommendations would then be deliberated by the Board as a whole for decision making.

(a) Nominating Committee

The Nominating Committee is empowered by the Board to recommend to the Board the right candidates with the necessary skills, experiences and competencies to be filled in the Board and Board Committees, re-election and reappointment of Directors. The Nominating Committee assesses the effectiveness of the Board as a whole, the Board Committees and the contribution of all individual Directors on an annual basis. The Terms of Reference of the Nominating Committee is available at the Company's website as www.kheesan.com.my. The Board through the Nominating Committee, conducted the annual assessment for 2018 on effectiveness of the Board, Board Committees and individual Directors. The annual review was carried out based on specific pre-set criteria, covering areas such as Board composition and structures, roles and responsibilities of the Board and the Committees, and qualities and contribution of individual Directors.

CORPORATE GOVERNANCE OVERVIEW STATEMENTS (CONTINUED)

For individual Directors, they are provided with questionnaires to carry out the assessments with absolute anonymity and are based on their competence, capability, time commitment, integrity, participation and contribution in Board and in the Committees. These results are then tabulated and presented to the Nominating Committee for review and recommendation to the Board for notation.

There are three (3) members in the Nominating Committee, of whom two (2) are Independent Non-Executive Director. The Chairman of this Committee is Mr. Huang Yan Teo, an Independent Non-Executive Director. The Nominating Committee met four times during the financial period. Details of the members' attendance are as follows:-

Members of Nominating Committee	Designation	Number of Meetings Attended
Huang Yan Teo	Chairman	4/4
Leslie Looi Meng	Member	4/4
Dato' Sri Liew Yew Chung	Member	4/4

The following issues were reported to the Board during the Nominating Committee meeting held during the financial period:

- reviewed and assessed the existing Board structure, size, balance and composition, and the effectiveness and performance of the Board and Board Committees, members of the Board and the independence of the Independent Directors;
- assessed and recommended the proposed re-election of retiring Directors at the forthcoming Annual General Meeting of the Company;
- reviewed the term of office and performance of the Audit Committee and each of its members, and assessed whether the Audit Committee and its members have carried out their duties in accordance with their terms of reference;
- review of the retention of Independent Directors whose tenure have exceeded nine (9) years; and
- review and assess the appointment of new Independent Directors of the Company.

(b) Remuneration Committee

The Company's policy on the Directors' remuneration is to attract, retain and motivate Directors to effectively oversee the business of the Group. The Remuneration Committee is primarily responsible for reviewing and recommending the appropriate level of remuneration packages for the Board and key Senior Management staff. It is nevertheless the ultimate responsibility of the entire Board to approve the remuneration of Directors.

During the financial period under review, there are three (3) members in Remuneration Committee of whom all are Independent Non-Executive Director. The chairman of this Committee is Mr. Leslie Looi Meng, an Independent Non-Executive Director. With the Committee majority helmed by Independent Non-Executive Directors shall instill greater transparency in reviewing and recommending the remuneration packages of Directors, in particular the Executive Directors. The Director whom remuneration package is being reviewed shall abstain in deliberation and voting on the decision.

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

(i) set, review, recommend and advise on elements of the remuneration such as reward structure, fringe benefits and other terms of employment of Directors;

(ii) advise the Board on the performance of the Directors, and an assessment of their entitlements to performance related pay; and

(iii) review the history of and proposals for the remuneration package of the Board's Committees.

Details of the members' attendance are as follows:-

Members of Remuneration Committee	Designation	Number of Meetings Attended
Mr. Leslie Looi Meng *(Chairman)*	Chairman	2/2
Mr. Huang Yan Teo	Member	2/2
Mr. Wong Hock Foong *(Appointed on 13 September 2018)*	Member	0/0
Dato' Sri Liew Yew Chung *(Resigned on 13 September 2018)*	Member	2/2

CORPORATE GOVERNANCE OVERVIEW STATEMENTS (CONTINUED)

The Board believes that appropriate and competitive remuneration is crucial to attract, retain and motivate Directors of the necessary calibre, expertise and experience to lead the Group. In line with this philosophy, remuneration for the Executive Directors is aligned to individual and the Company's performance. For Non-Executive Directors, the fees are set based on the responsibilities shouldered by the respective Directors. Individual Directors do not participate in determining their own remuneration package.

The remuneration of Executive Directors is made up of basic salaries, monetary incentives and fringe benefits; and is linked to their personal performance targets. Salaries for Executive Directors consist of both fixed (i.e. base salary) and variable (performance-based incentive) remuneration components. The remuneration levels of Executive Directors are structured to enable the Company to attract and retain the most qualified Executive Directors. The Company may provide competitive benefits to Executive Directors, such as a fully expensed car or cash alternative in lieu of car, company driver, fuel expenses, private medical insurance and life insurance. Allowances relating to business expenses (i.e. entertainment and travel) incurred are reimbursed such that no additional compensation is given to the Executive Directors.

The remuneration of Non-Executive Directors is made up of Directors' fees, meeting allowances and other benefits. The level of remuneration for Non-Executive Directors shall reflect the experience and level of responsibilities undertaken by the Non-Executive Director concerned. The remuneration of a Non-Executive Director shall and is not based on commission, percentage of profits, or turnover. Non-Executive Directors are not entitled to receive performance-based bonuses. The remuneration of Non-Executive Directors is reviewed by the Remuneration Committee and Board annually.

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

	Company				Group			
Name of Directors	Fees (RM	Salaries and Bonus (RM)	Benefits-in-kind (RM)	Others (RM)	Fees (RM)	Salaries and Bonus (RM)	Benefits-in-kind (RM)	Others (RM)
Executive Director								
Edward Tan Juan Peng	6,000	450,000	-	-	6,000	450,000	-	-
Non-Independent Non-Executive Director								
Dato' Sri Liew Yew Chung	9,700	-	-	-	9,700	-	-	-
Liew Yet Mei *(Resigned on 13 September 2018)*	6,000	-	-	-	6,000	-	-	-
TOTAL	21,700	450,000	-	-	21,700	450,000	-	-
Independent Non-Executive Director								
Huang Yan Teo	8,900	-	-	-	8,900	-	-	-
Leslie Looi Meng	11,300	-	-	-	11,300	-	-	-
Wong Hock Foong	6,000	-	-	-	6,000	-	-	-
Prof. Dr. Hj. Mohd Amy Azhar Bin Mohd Harif *(Appointed on 13 September 2018)*	-	-	-	-	-	-	-	-
Mohanadas A/L K.P.Balan *(Appointed on 13 September 2018)*	-	-	-	-	-	-	-	-
Dato' Hj. Mohd Aris Bin Ramli *(Appointed on 13 September 2018)*	-	-	-	-	-	-	-	-
TOTAL	26,200	-	-	-	26,200	-	-	-

CORPORATE GOVERNANCE OVERVIEW STATEMENTS (CONTINUED)

The top five Management of the Group in each remuneration band are as follows :-

Range of Remuneration	Number
RM150,000 to RM200,000	4
RM200,001 to RM250,000	1

(c) Audit Committee

The composition of the Audit Committee, its function and a summary of its activities are contained in the “Audit Committee Report” as set out on pages 32 to 34 of the Volume 1 of this Annual Report.

(d) Corporate Administration And Compliance Committee (“CACC”)

The CACC was established on 30 November 2018 and the CACC works hand-in-hand with the senior management of the Company to review on management’s proposals and monitor the implementation of the Company’s policies. The CACC was administered in accordance with the Terms of Reference of the CACC.

The Members of the CACC as follow:

- Mr. Mohanadas A/L K.P.Balan (Chairman)
- Mr. Leslie Looi Meng
- Mr. Edward Tan Juan Peng
- Mr. Yap Chun Chih

(e) Risk Management Committee (“RMC”)

The RMC was established on 13 March 2019 and their duty is to assist the Board of Directors in their responsibilities to identify, assess and monitor key business risks to safeguard shareholders’ investments and the company’s assets. The RMC was administered in accordance with the Terms of Reference of the RMC.

The Members of the RMC as follow:

- Mohanadas A/L K.P.Balan (Chairman)
- Mr. Leslie Looi Meng
- Mr. Edward Tan Juan Peng

(f) ESOS Committee

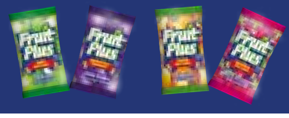
The formation of the Employees Share Option Scheme (“ESOS”) Committee was on an ad-hoc basis. The ESOS Committee was originally set up to manage the policy and administrative of an ESOS which was implemented on 20 November 2015. The ESOS would have been be dissolved upon the expired or the termination of the ESOS.

The ESOS Committee was administered in accordance with the objectives and regulations set out in the ESOS Policy and By-Laws. It recommend the rules and regulations or impose such terms and conditions in such manner as it deems fit and with such powers and duties which are conferred upon by the Board.

The ESOS Committee’s members are as follows:-

- Mr. Foo Voon Hoi (Chairman)
- Ms. Tin Wing Yee (Secretary)
- Ms. Lee Chai Hong (Member)

The ESOS Committee did not meet during the financial year.



CORPORATE GOVERNANCE OVERVIEW STATEMENTS (CONTINUED)

PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit Committee

The Audit Committee's main function is to assist the Board of Directors in discharging its statutory duties and responsibilities relating to risk management and accounting and reporting practices of the company. The Audit Committee is also tasked to oversee issues relating to compliance with the relevant rules and regulations governing listed companies. The Board of Directors relies heavily on the Audit Committee in providing advice in the areas of financial reporting, external audit, risk management, internal control environment and internal audit process, review of related party transactions as well as situations involving conflict of interest.

The Audit Committee is given full and direct access to both the internal and external auditors who, in turn, have access at all times to the Chairman of the Audit Committee. The composition, attendance of meetings and summary of activities of the Audit Committee during the financial period are contained in the "Audit Committee Report" as set out on pages 32 to 34 of the Volume 1 of this Annual Report.

The terms of reference of the Audit Committee is available at the company website at www.kheesan.com.my.

The Audit Committee is chaired by an Independent Director who is distinct from the Chairman of the Board. The Audit Committee met twelve (12) times during this financial period. As a normal practice, the Audit Committee meetings were held prior to the Board meetings. This was to ensure that all critical issues highlighted can be brought to the attention of the Board on a timely manner. The minutes of the Audit Committee meetings are tabled to the Board for their notation and for further actions, where appropriate.

Assessment of External Auditors

Through the Audit Committee, the Group has established a transparent and appropriate relationship with the Group's External Auditors. From time to time, representatives of the external auditors were invited to present the Audit Committee on specific issues arising from the annual audit of the Group. The External Auditors has confirmed that they have been independent while carrying out their audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

In line with Practice 8.3 of the MCCG 2017, the Audit Committee has assessed the suitability, objectivity and independence of the External Auditor. The assessment is conducted on yearly basis by the Audit Committee, using the prescribed External Auditors Evaluation Form, where the external auditors were evaluated based on their competence, adequacy of experience and resources, quality of the audit performances, independence and objectivity, reasonableness of audit fees and comparison of audit and non-audit fees.

The Audit Committee, as part of its review exercise, has obtained assurance from the External Auditors confirming that the latter have in place the policy of mandatory rotation for Signing Partners of an audit engagement every five (5) years to ensure objectivity, independence and integrity of the audit. The External Auditors are also required to declare their independence throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

The Audit Committee was satisfied with the performance, suitability and independence of the External Auditors of the Company based on the quality of services and sufficiency of resources they provided to the Group, in terms of the firm and the professional employees assigned to the audit.

Whistleblowing Policy

The Board is committed to maintaining the highest standard of ethical and legal conduct within the Group. In line with this commitment and in order to enhance good corporate governance and transparency, a Whistleblowing Policy is adopted with the aim to provide an avenue for raising concerns related to possible improprieties in matters of financial reporting, compliance and other malpractices at the earliest opportunity, in an appropriate manner and without fear of retaliation.

The Whistleblowing Policy also provides the contact via email address available at the Company's website at www.kheesan.com, should any employees or stakeholders be in doubt of the Management's independence and objectivity on the concerns raised.

Risk Management and Internal Control

The Directors are mindful of their responsibilities in relation to the maintenance of a sound risk management and internal controls system which provide reasonable assessment and review of the Company's effectiveness to safeguard shareholders' investment and Group's assets. The Board is continuously reviewing the adequacy and improving the integrity of the system of risk management and internal controls.

CORPORATE GOVERNANCE OVERVIEW STATEMENTS (CONTINUED)

The Group has in place an on-going process which lays the foundation for effective control framework in identifying, evaluating and managing the principal risks of the Group in a proactive manner.

The Internal Audit Department undertakes regular and systematic reviews on system of internal control and governance to ensure reasonable assurance that such system operates satisfactorily and effectively within the respective subsidiaries of the Group. The Internal Audit Department reports to the Audit Committee on a quarterly basis. However, the frequency of such reports can increase if circumstances arise.

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

Communication with Stakeholders

The Company places great emphasis on the importance of timely and equitable dissemination of information to the stakeholders. The Company has a number of formal channels for effective dissemination of information to the stakeholders particularly through the annual report, announcements to Bursa Securities, Company's website and investor relations programmes.

The Annual Report and quarterly reports are effective channels to disseminate the Group's activities and financial performance to its shareholders. The Company also maintains a website at www.kheesan.com.my through which shareholders and stakeholders can easily gain access to information about the Group and historical announcements made by the Company.

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 shareholders and stakeholders can raise their requests, queries and concerns directly to the relevant party within the Company.

Conduct of General Meetings

The Company's AGM is the principal forum for dialogue with the shareholders, whereby the Directors would be available to respond to queries and concerns. The External Auditors are also present at the meeting to provide their professional and independent clarifications on queries which may be raised by any shareholders.

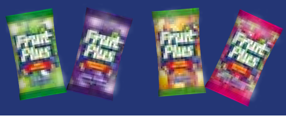
Shareholders are encouraged to attend these general meetings of the Company. Shareholders are notified and provided with the notice of AGM prior to the date of meeting and the notice of the meeting would be advertised at the major national newspapers.

Each shareholder could vote in person or by appointing a proxy or proxies to attend and vote on his/her behalf. Any Special Business included in the Notice of 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 prior to the voting process. Separate resolutions would be prepared for different transactions and the outcome of the resolutions voted upon would be declared by the Chairman during the AGMs and subsequently announced to Bursa Securities on the same day after the Meetings.

Poll Voting

In accordance with Paragraph 8.29A of the MMLR, all resolutions passed by the shareholders at the 23rd AGM held on 15 December 2017, were voted by way of a poll. The poll voting procedures were briefed by the Company Secretary before the voting process takes place, while the process and results of the poll voting were verified by an independent scrutineer. The Company will ensure that all the resolutions to be tabled at the forthcoming 24th AGM be carried out by way of poll voting.

This Report was made in accordance with a resolution of the Board dated 6 May 2019.



AUDIT COMMITTEE REPORT

The Audit Committee ("Committee") was established on 31 January 1996 to oversee and advise the Board of Directors in the areas of the financial reporting process, the audit process, the system of internal controls and compliance with laws and regulations.

A. Composition of the Audit Committee

During the financial period under review, the AC consists of the following members:

Prof. Dr. Hj. Mohd Amy Azhar Bin Mohd Harif (Chairman)
Independent Non-Executive Director
(Appointed on 13 September 2019)

Mohanadas A/L K.P.Balan (Member)
Independent Non-Executive Director
(Appointed on 13 September 2019)

Dato' Hj. Mohd Aris Bin Ramli (Member)
Independent Non-Executive Director
(Appointed on 13 September 2019)

Leslie Looi Meng (Chairman)
Independent Non-Executive Director
(Resigned on 13 September 2019)

Huang Yan Teo (Member)
Independent Non-Executive Director
(Resigned on 13 September 2019)

Dato' Sri Liew Yew Chung (Member)
Non-Independent Non-Executive Director
(Resigned on 13 September 2019)

During the financial period, the Independent Non-Executive Director, Mr. Huang Yan Teo who has resigned as a member of AC on 13 September 2018 is a member of the Malaysia Institute of Accountants and Malaysian Institute of Taxation. The new Committee member, Mr. Mohanadas A/L K.P.Balan is a member of Malaysia Institute of Accountants and Chartered Association of Certified Accountants (UK). All members of the Committee are financially literate. The details of the members of the Committee are contained in the "Board of Directors Profile" as set out on pages 4 to 8 of the Volume 1 of this Annual Report.

The Company Secretaries of the Company are also the Secretaries of the Committee.

B. Attendance of Members

The Committee held twelve (12) meetings during the financial period. The details of attendance of the Committee members are as follows:-

Members	Attendance
Leslie Looi Meng (Resigned on 13 September 2018)	11/11
Huang Yan Teo (Resigned on 13 September 2018)	11/11
Dato' Sri Liew Yew Chung (Resigned on 13 September 2018)	11/11
Prof. Dr. Hj. Mohd Amy Azhar Bin Mohd Harif (Appointed on 13 September 2018)	0/1
Mr. Mohanadas A/L K.P.Balan (Appointed on 13 September 2018)	1/1
Dato' Hj. Mohd Aris Bin Ramli (Appointed on 13 September 2018)	1/1

The notices of meeting, minutes of the Committee meetings, reports and papers were distributed to all the members of the Committee at least seven (7) days in advance prior to the respective meetings, to allow the members to have sufficient time to peruse the reports and papers for effective discussion and notation.

The executive director and accountant were invited to the Committee's Meetings, to report on the overall operations of the Company and its subsidiaries ("the Group"). The External Auditors were also invited to attend the Committee's Meeting, as and when necessary.

AUDIT COMMITTEE REPORT (CONTINUED)

C. Functions and Duties

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

(a) Financial Reporting

i. Reviewed and discussed the quarterly financial results, annual audited financial statements and draft announcements to Bursa Securities before recommending to the Board for approval of the same as follows focusing more particularly on:-
   - Changes in or implementation of major accounting policy changes;
   - Significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions, and how these matters are addressed; and
   - Compliance with the accounting standards and other legal requirements.

ii. Reviewed promptly the quarterly unaudited financial results of the Group and obtained clarifications from the Management Team prior to tabling and recommending the same for the Board's consideration and approval before submission to Bursa Securities.

(b) Internal Audit

i. Reviewed and approved the Internal Audit Plans of the Group proposed by the Internal Auditors.

ii. Reviewed the quarterly internal audit reports which were prepared by the Internal Auditors based on the approved Annual Audit Plans for the Group. The Committee also reviewed the audit findings, shortcomings actions taken and the recommendations to improve any weaknesses or non-compliance. The previous audit issues will be monitored by the internal auditors through the follow up reports to ensure that the issues are being properly addressed.

iii. Reviewed the adequacy of the scope, functions, competency and resources of the Internal Audit functions and that it has the necessary authority to carry out its work.

iv. Reviewed with Management on corrective actions taken on all matters raised in the internal audit reports to improve the system of internal control.

(c) External Auditors

i. Reviewed and discussed the annual audited financial statements of the Group with External Auditors prior to submission to the Board for its consideration and approval. The review is to ensure that the Audited Financial Statements were drawn up in accordance with the provisions of the Companies Act, 2016, the Malaysia Financial Reporting Standards ("MRFS") and International Financial Reporting Standards ("IFRS").

ii. Carried out meetings with the External Auditors without the presence of the Executive Board members and management, to discuss issues arising from their reviews regarding the financial matters, and their evaluation of the system of internal controls.

iii. Reviewed and discussed with the External Auditors their scope of work and Audit Memorandum Planning.

iv. Evaluated the performance and effectiveness of the External Auditors and reviewed the nomination of the External Auditors before recommending to the Board for its approval.

v. Reviewed with the External Auditors, the weaknesses in the internal control of the Group.

(d) Recurrent Related Party Transactions ("RRPTs")

i. Reviewed the transaction limit of the RRPTs on a quarterly basis for compliance under the Shareholders' Mandate.

ii. Reviewed the information, procedures and processes contained in the Shareholders' Circular yearly in relation to the RRPTs between a subsidiary of the Company, Khee San Food Industries Sdn Bhd and London Biscuits Berhad, with the Management Team before tabling and recommending the same for the Board's approval.

(e) Related Party Transactions

Made enquiries if there were any related party transactions involved between the Group and Directors or Major Shareholders of the Group.

AUDIT COMMITTEE REPORT (CONTINUED)

(f) Other Activities

i. Whistleblowing Policy

Reviewed and updated the Whistleblowing Policy with the Internal Auditors.

ii. Employees' Share Option Scheme ("ESOS")

Verified the ESOS allocation which allotted in compliance with the established and approved ESOS By-Laws. The existing ESOS will be expired on 19th November 2020.

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

iii. Statements in Annual Report

Prepared the Report of the Committee, reviewed the 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.

iv. Internal Control Review

Deliberated and assessed the findings and recommendations in relation to Internal Control Review which included an assessment of the financial reporting function of the Group by Messrs. PKF Advisory Sdn. Bhd. and had made appropriate recommendations to the Board to improve the internal control of the Group.

D. Summary of the Work of the Internal Audit Function

The Internal Audit Function is carried out by the Group's in-house Internal Audit Department.

The principal activity of the Internal Audit 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 costs incurred for the internal audit function in respect of the financial period was approximately RM5,000.

The Committee has full access to the Internal Auditor for internal audit purposes. A summary of its activities carried during the financial period 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 Committee's recommendations and Management's actions taken to improve on issues identified during the audits.

(c) Prepared annual internal audit plans for the Committee's consideration and approval.

(d) Revised the Whistleblowing Policy of the Group and recommended to the Committee for its approval before tabling to the Board's approval.

(e) Coordinate with the External Auditors on the Internal Control Review of Group which included an assessment of the financial reporting function as directed by Securities Commission.

E. Terms of Reference

The Committee is governed by its Terms of Reference which can be viewed on the Company's website at www.kheesan.com.my.

This Report was made in accordance with a resolution of the Board dated 6 May 2019.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

1. INTRODUCTION

Pursuant to paragraph 15.26(b) and Practice 9 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad in relation to the requirement to prepare the statement on risk management and internal controls, in which the Statement shall be guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers. The Board of Directors ("the Board") of Khee San Berhad ("the Company") is pleased to present the statement on the state of the risk management and internal controls of the Company and its subsidiaries ("the Group") for the financial period ended 31 December 2018.

The Board believes the practice of good risk management and internal control is an important continuous process to safeguard Shareholders' investment and the Group's assets.

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 of the risk management and internal control system and its alignment with the corporate objectives. The internal control system of the Company covering the risk management, financial, organisational and operation, business environment and compliance controls.

The Board also affirms that they will be continuously improve the process for identifying, evaluating, monitoring and managing the significant risks faced by the Group as to safeguard the Shareholders' and Stakeholders' interest. However, in view of the limitation inherent in any system of internal controls and risk management, it should be noted that a system of internal controls and risk management framework are 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 adequate, but not absolute assurance against material misstatement of management and financial information or against any 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.

A new Board Committee, Risk Management Committee has been established on 13 March 2019 to assist the Board in their responsibilities to identify, assess and monitor key business / operation / financial / reputational risks to safeguard shareholders' investments and the Company's assets.

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 risk management and control framework is embedded into the culture, processes and structures of the Company to achieve 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.

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 Internal Audit was carried out by the Internal Audit Department to assist the Audit Committee to monitor and review the effectiveness of the internal control system. The scope of work of the internal audit includes reviewing the adequacy and the integrity of the Group's internal control systems, management information systems and the system methodology on compliance with the applicable laws, regulations, rules and guidelines. The Internal Auditors report directly to the Audit Committee and they are independent of the Management and 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

During the financial period ended 31 December 2018, the Internal Auditors have conducted various approved internal audit plans which were 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.

5. KEY ELEMENTS OF INTERNAL CONTROL

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

- Establishment of a conducive control environment in accordance with the increasing of level of awareness as well as the actions of the Directors and Management and overall attitude in relation to the risk management and internal control system and its importance to the Group;
- Establishment of the relevant terms of reference and organisational structure which defined limits of authority, responsibility and accountability 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 more often on the operational issues, financial performance, human resources matter and business plans to review, discuss, identify and manage the key risks so that it is still within controlled environment;
- The initiative to implement a comprehensive policies and procedures manuals including staff handbook to ensure adherence with internal controls and the relevant laws and regulations that have been enforced, provide general rules on, and authority limits over diverse operating, financial, human resources inclusive of health and safety matters;
- Internal policies and procedures as set out in the Group's policies and procedures which include different operational and 0management aspects are being updated from time to time to address operational deficiencies and changes of risk;
- Different types of communication such as intranet, email, and teleconferencing are seen as effective instruments for 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, relevant 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 fulfill the respective responsibilities and ensuring adequate control are in place;
- Continuous provision of information to the management, which covers the financial performance of the Company, such as cashflow performance;
- 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; and
- 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 to allow an effective monitoring of significant variances and deviation from standard operating procedures and budget.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

6. BOARD ASSESSMENT

The Chief Executive Officer, being the person primarily responsible for the management of the financial affairs of the Company, have provided assurance to the Board that the Group's risk management and internal control system, have been 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 period 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. 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.

The Board has on 8 April 2019, appointed Messrs. PKF Advisory Sdn Bhd as an Internal Auditors to provide the Internal Audit Services to the Company.

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. Kreston John & Gan have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practice Guide issued by the Malaysian Institute of Accountants. The Practice Guide 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.

This statement is made in accordance with the resolution of the Board dated 6 May 2019.

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

This statement is prepared in accordance to the Paragraph 15.26(a) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are required by the Companies Act, 2016, to prepare the financial statements for every financial year in accordance with the approved accounting standards and give a true and fair view of the statements of affairs of the Company.

During the preparation of the statement of the Company for the financial period ended 31 December 2018, the Directors had:-

- ensured the compliance with the Companies Act, 2016 and approved accounting policies and standards been applied;
- adopted the appropriate accounting policies, which are consistently applied;
- made reasonable and prudent judgements and estimates;
- prepared the financial statements on a going concern basis; and
- ensured the Company and the Group have adequate resources to continue in on-going operations for the foreseeable future.

On the other hand, the Directors have full responsibilities for taking reasonable steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. In additional, the Directors had ensured that the accounting and other records are sufficient to explain the transactions and financial position of the Company and enable true and fair profit and loss accounts and balance sheets to be prepared and to be kept in a manner as to enable the accounting and other records to be conveniently and properly audited.

ADDITIONAL INFORMATION

1. SHARE BUY-BACK

There was no share buy-back of the Company's share during the financial period under review.

2. NON-AUDIT FEES

During the financial period, the amount of audit and non-audit fees paid or payable to the External Auditors, Messrs. Kreston John & Gan by the Company and the Group respectively were as follows:-

	Company (RM)	Group (RM)
Statutory audit fees	45,000	180,000
Non-audit fees	143,100	450,000

3. DEPOSITORY RECEIPT PROGRAMME

During the financial period under review, the Company did not sponsor any Depository Receipt Programme.

4. OPTIONS, WARRANT OR CONVERTIBLE SECURITIES

There were no options, warrants or convertible securities issued to any parties during the financial period under review.

5. MATERIAL CONTRACT

The Board is not aware of any 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 period under review.

6. 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 was no revaluation exercise on the Group's landed properties during the financial period ended 31 December 2018. The next revaluation will be due in 2021.

7. UTILISATION OF PROCEEDS

During the financial period under review, there were no proceeds raised from corporate proposal.

ADDITIONAL INFORMATION (CONTINUED)

8. RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE OR TRADING NATURE

The recurrent related party transaction entered into by the subsidiary of the Company, i.e. Khee San Food Industries Sdn. Bhd. during the financial period ended 31 December 2018 were as follows:-

Related Parties	Nature of Relationship	Nature of Transaction	Transacted Value from 1 July 2017 to 31 December 2018 (RM)
London Biscuits Berhad	London Biscuits Berhad is one of the Substantial Shareholders in the Company with 20.00% 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. to London Biscuits Berhad.	56,798,109.93
London Biscuits Berhad	London Biscuits Berhad is one of the Substantial Shareholders in the Company with 20.00% Shareholding.	London Biscuits Berhad is one of the Substantial Shareholders in the Company with 20.00% Shareholding.	71,889,281.42
Kinos Food Industries (M) Sdn. Bhd.	Kinos Food Industries (M) Sdn Bhd is the wholly-owned subsidiary of London Biscuits Berhad.	Rental of machineries, such as fryer machine, for the purposes of producing the products, such as potato chips and others, on a perpetual basis by Khee San Food Industries Sdn. Bhd. to Kinos Food Industries (M) Sdn. Bhd. The transaction will be on an arm's length basis and based on a rate which would be lower than market rate or at market rate.	447,301.80

The Company intends to seek its Shareholders' approval to renew the shareholders' mandate for the Recurrent Related Party Transactions at the forthcoming Annual General Meeting.

9. 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 years and subject to extension or renewal for a further period of five years.

During the financial period under review, there was no options which have been offered and subscribed by the eligible employees of the Group.

The percentage of share options applicable to the Directors and senior management under the ESOS are as follows:-

Directors and Senior Management	During the Financial Period Ended 31 December 2018	Since Commencement of the ESOS up to 31 December 2018
Aggregate maximum allocation	Nil	41.49%
Actual granted and accepted	Nil	41.49%

The Company did not grant any options over the ordinary shares pursuant to the ESOS to the Non-Executive Directors during the financial period under review.

ADDITIONAL INFORMATION (CONTINUED)

10. SECURITIES COMMISSION DIRECTIVE

Securities Commission ("SC") had vide their letter dated 21 May 2018 reprimanded Khee San Berhad ("the Company" or "Khee San") and its Directors at the material time for breach of Section 354(1)(a) of the Capital Markets and Services Act 2007 ("CMSA") read together with Regulation 4(1) of the Securities Industry (Compliance with Approved Accounting Standards) Regulations 1999 and directed Khee San:-

(a) to rectify and issue Khee San 's Audited Financial Statements ("AFS") 2015 and AFS 2016 as follows:-

(i) Khee San to appoint an External Auditor ("EA") (who registered with the Audit Oversight Board) to re-audit the entire AFS 2015 and AFS 2016 ("Re-audit of AFS 2015 and AFS 2016");

(ii) based on the findings of the Re-audit of AFS 2015 and AFS 2016, Khee San is to rectify and re-issue the AFS 2015, AFS 2016 and all quarterly results and audited financial statements issued subsequent to AFS 2016 ("Restatement of Accounts"); and

(iii) the Re-audit of AFS 2015 and AFS 2016 and Restatement of Accounts are to be completed by Khee San within 6 months from the date of the SC letter.

Khee San had appointed Messrs. Kreston John & Gan ("Kreston"), an EA who registered with the Audit Oversight Board to perform re-audit of AFS 2015 and AFS 2016. On 15 November 2018, SC had vide its letter granted Khee San an extension of time for the re-audit and reissuance of the Company's AFS 2015 and AFS 2016 results to 15 March 2019. Khee San have submitted the draft re-audited AFS 2015 and AFS 2016 to SC on 15 March 2019 and the updated re-audited AFS 2015 and AFS 2016 have re-submitted to SC on 4 April 2019.

On 18 April 2019, Khee San has completed the re-audit of AFS 2015 and AFS 2016 and approved by the Board of Directors on the same day. The AFS 2015 and AFS 2016 will be circulated to the Shareholders together with this Annual Report.

(b) to seek appropriate independent professional advice to reconstitute an effective Audit Committee ("AC") as follows:-

(i) Khee San is to consult and appoint an independent consultant for an assessment of the effectiveness of Khee San's current AC, particularly on the level of knowledge, skills, expertise and commitment of the AC members in discharging its responsibilities effectively and make appropriate recommendations ("Assessment of the AC");

(ii) Khee San's Board of Directors is to assess the findings on the Assessment of the AC and take appropriate steps;

(iii) Khee San is to highlight in its next audited financial statements and announce to Bursa Malaysia Securities Berhad ("Bursa Securities") the appropriate action the Company has taken in addressing the SC's directive; and

(iv) the Assessment of the AC must be completed by Khee San within 3 months from the completion of the Restatement of Accounts.

Khee San had appointed Messrs. PKF Advisory Sdn. Bhd. ("PKF") as the independent consultant to assess the effectiveness of Khee San's AC. On 13 September 2018, the AC of Khee San has been duly reconstituted with the appointment of new AC members.

(c) to address its Financial Reporting Function as follows:-

(i) Khee San is to appoint an EA (who is registered with the Audit Oversight Board) to evaluate the adequacy of the scope, function, competency and resources of Khee San's financial reporting function and make the appropriate recommendation to improve Khee San's Financial Reporting Function ("Assessment of Financial Reporting Function");

(ii) Khee San's Board of Directors is to assess the EA's findings on the Assessment of Financial Reporting Function and take the appropriate steps;

(iii) Khee San is to highlight in its next audited financial statements and announce to Bursa Securities (upon completion of the following remedial action) the following:-
- the appropriate action the Company has taken, given the CMSA breaches highlighted above; and
- the actions that the Board of Directors has taken in addressing the SC's directive in relation to the CMSA breaches highlighted above; and

(iv) The directive to address the Financial Reporting Function must be completed by the Company within 3 months from the Re-audit and Re-issuance of accounts.

ADDITIONAL INFORMATION (CONTINUED)

Khee San had appointed Kreston as the EA to conduct an assessment on the scope, functions, competency and resources of Khee San's financial reporting function. In addition, PKF had also been appointed by the Company to conduct an Internal Control Review of Khee San which also includes an assessment of the financial reporting functions.

The summary of the findings and recommendations by PKF are set out below:-

Finding 1	**Organizational structure – Core functions [Procurement and Information Technology ("IT")]**
Recommendations	Management is recommended to establish the Procurement and IT function accordingly.
Finding 2	**Policies and procedures**
Recommendations	Management is recommended to establish and formalize policies and procedures for: • Human Resource -Succession Plan; and • Payroll function.
Finding 3	**Assessment of Company's internal control systems**
Recommendations	Management is recommended to establish an in-house Internal Audit function or outsource the Internal Audit function to a professional firm. The Internal Audit function and its members shall be independent and report directly to the AC.
Finding 4	**Risk Management**
Recommendations	Management is recommended to form a Risk Management Committee. Members of the Risk Management Committee shall be appointed by the Board and a terms of reference shall be established to define the roles and responsibilities of the Risk Management Committee. The Risk Management Committee shall oversee risk management activities within the Company, such as: 1. Risk Management Framework, which includes the policies and procedures; 2. Risk Profiling –identification, analysis, evaluation, and monitoring of risks; and 3. Risk reporting. The Risk Management Committee has been established on 13 March 2019.
Finding 5	**Budgetary controls**
Recommendations	Management is recommended to establish a formalized budgetary process for the Company. The budgetary process shall include the establishment of a company-wide annual budget approved by the Board, and periodic comparison of budget against actual performance.
Finding 6	**Management Information system and Security**
Recommendations	Management is recommended to establish the IT function and formalize a Business Continuity / Disaster Recovery Plan for all primary functions.
Finding 7	**Tone at the top – Code of conduct**
Recommendations	Management is recommended to establish and formalize a policy on proper business conduct and ethics via a Group wide Code of Conduct. The Code of Conduct should be distributed to new and existing employees for acknowledgement once he/ she has read and understood the policies.
Finding 8	**Communication of Entity-wide Objectives and Strategies**
Recommendations	Management is recommended to: 1. Establish Core Values of the Company; and 2. Communicate the vision and mission, and core values of the Company to all stakeholders via Employee Handbook and posting on Company's website.
Finding 9	**Human Resource – Appraisal process**
Recommendations	Management is recommended to perform a formal performance appraisal with all employees. Both Appraiser and Appraisee should acknowledge on the Competency Evaluation Form.
Finding 10	**Human Resource – Training budget**
Recommendations	Management is recommended to allocate a budget for training and development for all levels of staff.
Finding 11	**Human Resource – Leave application process**
Recommendations	Management is recommended to: 1. Formalize a policy and procedure for Leave Application and reinforce that all staff to strictly adhere to the leave application policies endorsed by the Management. 2. Ensure all leave applications are approved by the respective supervisors or Head of Departments.

ADDITIONAL INFORMATION (CONTINUED)

Finding 12	**Production Plant KS1 – Maintenance record control**
Recommendations	Management is recommended to: 1. Use Machine Parts Change Record to record preventive maintenance performed by maintenance personnel. It should include machine downtime, parts changed, and the date of completion. 2. To indicate if the repairs / maintenance performed are for 'Preventive Maintenance' or 'Machine Breakdown' in the Machine Parts Change Record.
Finding 13	**Production Plant KS2 – Maintenance record control**
Recommendations	Management is recommended to: 1. Machine Parts Change Record to be used to record preventive maintenance performed by maintenance personnel. It should include machine downtime, parts changed, and the date of completion. 2. To indicate if the repairs / maintenance performed are for 'Preventive Maintenance' or 'Machine Breakdown' in the Machine Parts Change Record.
Finding 14	**Quality, Health, Safety, and Environment – Compliance controls**
Recommendations	Management is recommended to prepare a compliance checklist in accordance with the relevant laws and regulations required by authorities such as: Food Hygiene Regulations 2009 Chapter 1 – Duty of proprietor, owner or occupier of food premises; Chapter 2 – General requirements for food premises; and Chapter 3 – Specific requirements for food premises.
Finding 15	**Accounting and Finance – Approval controls**
Recommendations	Management is recommended to establish a formalized Limit of Authority for authorization of payments. The Limit of Authority shall be submitted to the CEO and Chairman for review and approval prior to implementation. The Limit of Authority shall be reviewed by the senior management on a regular basis i.e. annually to ensure its relevance.
Finding 16	**Accounting and Finance – Stock monitoring control**
Recommendations	Management is recommended that the Accounting & Finance Department should prepare monthly / quarterly stock ageing report for monitoring purpose. Additionally, the Accounting & Finance Department should establish a formalized policy and procedure for the impairment of slow-moving stocks and stock write off.
Finding 17	**Accounting and Finance – Reporting process**
Recommendations	Management is recommended to prepare monthly financial report / management accounts to senior management for review. The monthly financial report / management accounts should comprise of: • Balance Sheet; • Income Statement; • Cash Flow Analysis; and • Variance Analysis on the monthly results. The report should be submitted to CEO and Chairman for review and approval.
Finding 18	**Human Resource – Personal Data Protection Act ("PDPA") compliance**
Recommendations	Management is recommended to: 1. To establish a privacy policy in regard to the usage and maintenance of personal data by data processors i.e. The Company to be in compliance with PDPA 2010. 2. To obtain consent from employees to maintain and process personal data. e.g. include a clause in Letter of Offer / General Terms and Conditions of Service on giving consent to maintain and process personal data.
Finding 19	**Human Resource – Employee handbook and acknowledgement**
Recommendations	Management is recommended to establish an Employee Handbook for the Group and ensure all staff acknowledge on the 'General Terms and Conditions of Service'.
Finding 20	**Human Resource – Succession planning**
Recommendations	Management is recommended to establish a formalized succession plan for the key management positions.

ADDITIONAL INFORMATION (CONTINUED)

Finding 21	**Human Resource – Employee Exit process**
Recommendations	Management is to ensure Exit Interview Form is properly completed. Results from the exit interview should be analyzed and presented to Senior Management to identify reason for staff turnover.
Finding 22	**Human Resource – Payroll process**
Recommendations	Management is recommended to: 1. Establish a formalized policy and procedure for the payroll process. 2. Segregate the duties under Human Resource from Payroll Executive such as creation or deletion of employees and maintenance of employees' particulars / update of employee particulars. This should be performed by Human Resource Executive. 3. Inform IT personnel to remove the access of the Payroll Executive thereafter.
Finding 23	**Quality, Health, Safety, and Environment – Safety and health controls**
Recommendations	Management is recommended to enforce workers to wear their personal protective equipment at all times in the production area.
Finding 24	**Sales & Marketing – Marketing plan**
Recommendations	Management is recommended to develop a marketing plan to promote KSB and its products. The marketing plan shall include: • Marketing objectives which is in line with the vision and mission of the Company; • Action plans to achieve the marketing objectives; and • Elements of digital marketing as part of its marketing objectives to keep up with global marketing trends.
Finding 25	**Sales & Marketing – Sales quotation process**
Recommendations	Management is recommended to: • Monitor the validity of quotations sent to customers. Sales Quotations shall be reissued upon exceeded the validity date. • Segregate the duties of preparer and approver for better check and balance in quotation.
Finding 26	**Sales & Marketing – Documentation review controls**
Recommendations	Management is recommended to ensure all invoices and proforma invoices are initialed / signed by the Export Manager as a form of review and approval.
Finding 27	**Warehouse & Logistics – Stock management process**
Recommendations	Management is recommended to: 1. Ensure all goods received by Raw Material Warehouse are accurate according to documents provided i.e. if the items are calculated in weight, weighing tools must be utilized to ensure the accuracy of stocks before receiving. 2. Ensure all return materials from production are recorded prior to storage. 3. Ensure all stocks to be issued are verified against stock movement documents i.e. Stock Transfer Note, Material Requisition Note.
Finding 28	**Warehouse & Logistics – Stock adjustment controls**
Recommendations	Management is recommended to assign Accounting & Finance personnel i.e. Accountant to review the stock adjustments performed by the Export Manager. In addition, the Accounting & Finance Department should update the stock count procedures / instruction to reflect above control.
Finding 29	**Accounting & Finance – Asset disposal controls**
Recommendations	Management is recommended to establish a formalized standard request form utilized to request for addition / disposal of assets. The standard request form shall include fields to indicate the preparer and approver for accountability purpose.

The AC had deliberated and assessed the above findings and unanimously agreed to adopt all the recommendations by PKF during the financial year 2019. The AC had made the appropriate recommendations to the Board to improve its financial reporting function.

LIST OF PROPERTIES OF THE GROUP

AS AT 31 DECEMBER 2018

Year of Revaluation* (Acquisition)	Location	Postal Address	Tenure & Usage (Approx. ageof buildings) (Years)	Land Area (sq. m.)	Description	Net Book Value as at 31 December 2018 (RM)
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 (32 to 51 years)	22,887.48	Factory and office	33,060,640.70
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 (41 to 46 years)	416.84	1 unit of semi-permanent single storey semi-detached house with 2 sections	290,840.00
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 (41 to 46 years)	531.13	1 unit of semi-permanent single storey semi-detached house with 2 sections	367,062.79
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 (41 to 46 years)	428.18	1 unit of semi-permanent single storey semi-detached house with 2 sections	336,043.36
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 (40 to 45 years)	413.14	1 unit of semi-permanent single storey semi-detached house with 2 sections	301,411.37
					TOTAL	**34,355,998.22**

Note:
Revalued by Independent Professional Valuer
** The last Revaluation of the Properties of were performed on 31 March 2016*

ANALYSIS OF SHAREHOLDINGS
AS AT 23 April 2018

Issued and Paid-Up Capital : RM104,000,000.00 divided into 104,000,000 ordinary shares
Class of shares : Ordinary shares
Voting rights : One vote per ordinary share

THIRTY LARGEST SECURITIES HOLDERS (WITHOUT AGGREGATING SECURITIES FROM DIFFERENT SECURITIES ACCOUNTS BELONGING TO THE SAME PERSON)

	Name	No. of Shares Held	% of Issued Share Capital
1.	LONDON BISCUIT BERHAD	20,800,000	20.00
2.	LIM PEI TIAM @ LIAM AHAT KIAT	12,633,100	12.15
3.	LOR FOOK YIN	3,898,500	3.75
4.	KENANGA NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR LIEW YEW CHUNG	2,500,000	2.40
5.	TEE YEOW	2,337,200	2.25
6.	LIM AH WAA	2,107,700	2.03
7.	KENANGA NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR MURUGA VADIVALE	2,000,000	1.92
8.	MIDF AMANAH INVESTMENT NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR LIEW YEW CHUNG (MGN-LYC0006M)	2,000,000	1.92
9.	CIMSEC NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : CIMB BANK FOR PHANG CHET PING (MY0322)	1,880,900	1.81
10.	HLB NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : : PLEDGED SECURITIES ACCOUNT FOR LIM PAY KAON	1,690,000	1.63
11.	CIMSEC NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : CIMB BANK FOR LIEW YEW CHUNG (M68106)	1,500,000	1.44
12.	KENANGA NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR SAROJINI A/P SIVANANDAM	1,497,000	1.44
13.	JF APEX NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR LIEW YEW CHUNG (MARGIN)	1,350,000	1.30
14.	LIEW SWEE MIO @ LIEW HOI FOO	1,300,700	1.25
15.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR LIEW YEW CHUNG (100411)	1,280,000	1.23
16.	AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR LIEW YEW CHUNG (M02)	1,220,000	1.17
17.	MAYBANK NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR LIEW YEW CHUNG	1,150,000	1.11
18.	KENANGA NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR PETER ERNEST SHACK	1,102,000	1.06
19.	TAN KUAN KAE	1,020,000	0.98
20.	YAP YOKE MING	990,000	0.95
21.	CIMSEC NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : CIMB BANK FOR LIM HENG MIN (M68067)	895,800	0.86
22.	GAN THENG PUAT @ YEOW THENG PUAT	836,700	0.80
23.	CIMSEC NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : CIMB BANK FOR WONG KIND LOOK (M68073)	750,000	0.72
24.	LIM YING YING	718,600	0.69
25.	KOK PUH CHIN	712,500	0.69
26.	CIMSEC NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : CIMB BANK FOR LOH CHAN KEOW (M68069)	700,000	0.67
27.	CIMSEC NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : CIMB BANK FOR WONG SOO LEN (M68074)	700,000	0.67
28.	CIMSEC NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : CIMB BANK FOR LIM KHENG TAT (M68112)	700,000	0.67
29.	KENANGA NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR JENNY LIM FEN FUA	700,000	0.67
30.	TAN KWE HEE	640,000	0.62
	TOTAL	**71,610,700**	**68.86**

ANALYSIS OF SHAREHOLDINGS
AS AT 23 APRIL 2018 (CONTINUED)

ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Holdings	No. of Shareholders	%	No. of Shares Held	%
Less than 100	160	8.23	2,584	◊
100 – 1,000	272	13.98	138,997	0.13
1,001 – 10,000	1,046	53.78	4,252,009	4.09
10,001 – 100,000	379	19.49	12,329,710	11.86
100,001 – 5,199,999 *	86	4.42	53,843,600	51.77
5,200,000 and above **	2	0.10	33,433,100	32.15
Grand Total	**1,945**	**100.00**	**104,000,000**	**100.00**

Remark:
◊ Negligible
** less than 5% of issued holdings*
*** 5% and above of issued holdings*

LIST OF SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Indirect Interest	
Name	No. of Shares Held	%	No. of Shares Held	%
London Biscuits Berhad	20,800,000	20.00	-	-
Lim Pei Tiam @ Liam Ahat Kiat	12,633,100	12.15	-	-
Dato' Sri Liew Yew Chung	11,000,000	10.58	20,830,000 (1)	20.03
Dato' Sri Liew Kuek Hin	30,000	0.03	31,800,000 (1)	30.58
Datin Sri Lim Yook Lan	-	-	31,830,000 (1)	30.61
Dato' Liew Yew Cheng	-	-	31,830,000 (1)	30.61
Liew Yet Mei	-	-	31,830,000 (1)	30.61
Dato' Liew Yet Lee	-	-	31,830,000 (1)	30.61
Meileelanusa Sdn Bhd	-	-	20,800,000 (2)	20.00

Note:
(1) Deemed interested by virtue of his/her shareholdings in London Biscuits Berhad and his/her family members' shareholdings in Khee San Berhad.
(2) Deemed interested through its substantial shareholdings in London Biscuits Berhad.

LIST OF DIRECTORS' SHAREHOLDINGS

a) *Interest in shares of the Company*

	Direct Interest		Indirect Interest	
Name of Directors	No. of Shares Held	%	No. of Shares Held	%
Dato' Sri Liew Yew Chung	11,000,000	10.58	20,830,000 (1)	20.03
Edward Tan Juan Peng	-	-	-	-
Huang Yan Teo	-	-	-	-
Leslie Looi Meng	-	-	-	-
Wong Hock Foong	-	-	-	-
Dato' Hj. Mohd Aris Bin Ramli	-	-	-	-
Mohanadas A/L K.P.Balan	-	-	-	-
Prof. Dr. Hj. Mohd Amy Azhar Bin Mohd Harif	-	-	-	-

Note:
(1) Deemed interested by virtue of his shareholdings in London Biscuits Berhad and his family members' shareholdings in Khee San Berhad.

b) *Interest in Subsidiaries*

By virtue of Dato' Sri Liew Yew Chung's interests in the Company, he is also deemed to be interested in the shares of all the subsidiaries of the Company to the extent of his interest in the Company.

Save as disclosed above, none of the other directors have any interest in the shares of subsidiaries as at 23 April 2019.

(304376-A)
KHEE SAN BERHAD
Lot 1819-1824,Jalan Kolej, 43300
Seri Kembangan,Selangor,Malaysia.
(603) 8943 1390
(603) 8943 1351
Email : info@kheesanfood.com
Website : www.kheesanfood.com

2018 ANNUAL REPORT

KHEE SAN BERHAD

(304376-A)

Volume 2: Reports & Financial Statements

Volume 2

Reports & Financial Statements

CONTENTS Pages

Corporate Information
for the financial period from 1 July 2017 to 31 December 2018

Board of Directors	:	Dato' Sri Liew Yew Chung, SSAP, DIMP (Chairman, Non-Independent Non-Executive Director)
	:	Edward Tan Juan Peng (Chief Executive Director, Executive Director)
	:	Huang Yan Teo, PIS, PPN (Independent Non-Executive Director)
	:	Leslie Looi Meng (Independent Non-Executive Director)
	:	Wong Hock Foong (Independent Non-Executive Director)
	:	Dato' Hj. Mohd Aris Bin Ramli (Independent Non-Executive Director)
	:	Prof. Dr. Hj. Mohd Amy Azhar bin Mohd Harif (Independent Non-Executive Director)
	:	Mohanadas A/L K.P. Balan (Independent Non-Executive Director)
Company Secretaries	:	Hoh Leong Ching (MAICSA 7006654)
	:	Lee Shook Mun @ Lee Yue Yee (MAICA 7000634)
Audit Committee	:	Prof. Dr. Hj. Mohd Amy Azhar bin Mohd Harif (Chairman)
	:	Mohanadas A/L K.P. Balan
	:	Dato' Hj. Mohd Aris Bin Ramli
Auditors	:	Kreston John & Gan Chartered Accountants (Firm No. AF 0113)
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
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: 603-774 1988
Business Address	:	Lot 1819, 1820, 1821, 1822, 1823, 1824 & 1832, Jalan Kolej, 43300 Seri Kembangan, Selangor Darul Ehsan. Tel: 603-8943 1390 Fax: 603-8943 1351 Website: www.kheesan.com.my
Principal Banker	:	HSBC Bank Malaysia Berhad
Stock Exchange Listing	:	Main Market of the Bursa Malaysia Securities Berhad
Stock Short Name	:	KHEESAN
Stock Code	:	6203

Directors' Report

for the financial period from 1 July 2017 to 31 December 2018

The directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial period ended 31 December 2018.

Principal activities

The Company is principally an investment holding company. The principal activities of the subsidiary companies are set out in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial period.

Results

	Group	Company
	RM	RM
Profit /(Loss) for the financial period after taxation attributable to owner of the Company	6,306,124	(2,508,298)

Dividends

The dividends paid or declared by the company since the end of the previous financial year were as follows : -

	RM
In respect of the financial period ended 31 December 2018 : -	
- Interim single-tier dividend of RM0.01 per share, paid on 7 March 2018	1,040,000

Reserves and provisions

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

Options granted over unissued shares

At an Extraordinary General Meeting held on 11 November 2015, the shareholders had approved the establishment of an Employees Share Option Scheme ("ESOS" or "Scheme").

Employees Share Option Scheme

The Company's ESOS is governed by the by-laws approved by the shareholders at the Extraordinary 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 at 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 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 Scheme.

(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

(e) No option shall be granted for less than 100 shares and shall always be in mutiples 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.

Detail of ESOS are disclosed in the Note 14 to the financial statements.

Directors' Report

for the financial period from 1 July 2017 to 31 December 2018

Bad and doubtful debts

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and adequate allowance had been made for doubtful debts.

At the date of this report, the directors of the Group and of the Company are not aware of any circumstances which would render the amount written off for bad debts, or the amount of the allowance for doubtful debts, in the Group or in the Company inadequate to any substantial extent.

Current assets

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain whether any current assets, other than debts, 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 or of the Company that has arisen since the end of the financial period which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial period.

No contingent liability or other liability of the Group or of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial period which, in the opinion of the directors, will or may substantially affect the ability of the Group or of the Company to meet its obligations as and when they fall due.

Directors' Report
for the financial period from 1 July 2017 to 31 December 2018

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 the financial statements of the Group and of the Company, that would render any amount stated in the financial statements misleading.

Items of an unusual nature

In the opinion of the directors, the results of the operations of the Group and of the Company for the financial period were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature other than the early adoption of MFRS 9 and MFRS 15, and the prior year adjustments for which the financial effects were disclosed in Note 40 to the financial statements.

There has not arisen in the interval between the end of the financial period 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 or of the Company for the current financial period.

Directors of the Company

The directors of the Company in office at any time during the financial period and since the end of the financial period are : -

Dato' Sri Liew Yew Chung, SSAP, DIMP

Edward Tan Juan Peng

Huang Yan Teo, PIS, PPN

Leslie Looi Meng

Wong Hock Foong

Dato' Hj. Mohd Aris Bin Ramli – appointed on 13/9/2018

Mohanadas A/L K.P. Balan – appointed on 13/9/2018

Prof. Dr. Hj. Mohd Amy Azhar Bin Mohd Harif – appointed on 13/9/2018

Liew Yet Mei – resigned on 13/9/2018

The director who hold office in the subsidiary companies (excluding directors who are also directors of the Company) during the financial period until the date of this report is : -

Datin Sri Lim Yook Lan – resigned on 1/4/2018

Directors' interests

The interests and deemed interest in the ordinary shares of the Company of those who are directors at reporting date (including the interests of the spouses or children of the directors) as recorded in the Register of directors' shareholdings are as follows : -

	Number of ordinary shares			
	As at 1/7/2017	Bought	Sold	As at 31/12/2018
Share capital of Company				
Direct interests				
Dato' Sri Liew Yew Chung, SSAP, DIMP	11,000,000	-	-	11,000,000
Indirect interests				
Dato' Sri Liew Yew Chung, SSAP, DIMP	20,830,000	-	-	20,830,000

By virtue of Section 8 of the Companies Act, 2016, Dato' Sri Liew Yew Chung, SSAP, DIMP is deemed to has an interest in shares of the subsidiary companies during the financial period to the extent that Khee San Berhad has an interest.

Directors' remuneration

The amounts of the remuneration of the directors or past directors of the Company comprising remunerations received /receivable from the Company or any of its subsidiary companies during the financial period are disclosed in Note 27 to the financial statements.

None of the directors or past directors of the Company have received any other benefits otherwise than in cash from the Company or any of its subsidiary companies during the financial period.

No payment has been paid to or payable to any third party in respect of the services provided to the Company or any of its subsidiary companies by the directors or past directors of the Company during the financial period.

Indemnifying Directors, Officers or Auditors

No indemnities have been given or insurance premiums paid, during or since the end of the financial period, for any person who is or has been the director, officer or auditor of the Company.

Directors' Report
for the financial period from 1 July 2017 to 31 December 2018

Directors' benefits

Since the end of the previous financial year, none of the directors of the Company have received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors as shown 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 except for any benefits which may deemed to have arisen by virtue of the significant related party transactions as disclosed in Note 37 to the financial statements.

There were no arrangements during and at the end of the financial period, to which the Company or its subsidiary companies is a party, which had the object of enabling the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Change of accounting year end

The Company changed its accounting year end from 30 June to 31 December.

Significant events

Details of significant events are disclosed in the Note 42 to the financial statements.

Auditors

a) Details of auditors' remuneration for the Group and the Company are disclosed in Note 25 to the financial statements.

b) The auditors, Kreston John & Gan, Chartered Accountants, have indicated their willingness to accept re-appointment.

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

**Dato' Sri Liew Yew Chung,
SSAP, DIMP**

Edward Tan Juan Peng

Kuala Lumpur,
Date : 6 May 2019

KRESTON
JOHN & GAN

Independent Auditors' Report

to members of Khee San Berhad
(Incorporated in Malaysia, Company No. 304376 - A)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Khee San Berhad, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial period then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 13 to 113.

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

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current period. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Kreston John & Gan
Chartered Accountants • AF 0113

160-2-1, Kompleks Maluri, Business Centre, Jalan Jejaka, 55100 Kuala Lumpur.
T : + 603 92871889 F : + 603 92830889 E : audit@kreston.com.my W : www.kreston.com.my Audit I Tax I Advisory

Independent Auditors' Report

to members of Khee San Berhad
(Incorporated in Malaysia, Company No. 304376 - A)

Key Audit Matters (Cont'd.)

Revenue Recognition

Refer to Notes 3(n) and 22 to the financial statements.

<u>The key audit matter</u>

Revenue is one of the significant accounts in the financial statements and also an important driver of the Group's operating results. We identified revenue recognition to be an area of audit focus as it is to be a possible cause of higher risk of material misstatements in the timing and amount of revenue recognised. Specifically, we focused our audit efforts to determine the possibility of overstatement of revenue.

<u>How our audit addresses this matter</u>

We performed the following audit procedures, among others, around revenue recognition : -

- Evaluated whether the accounting policy adopted by the management is consistent with the requirements of MFRS 15, Revenue from Contracts with Customers;
- Tested the operating effectiveness of the Group's internal controls over timing and amount of revenue recognised;
- Verified the documents for transactions selected based on sampling basis;
- Checked the sales prior and subsequent to the period-end and inspected the documents which evidenced the delivery of goods to customers;
- Tested sales transactions as well as credit notes issued, near to the period ended date to assess whether the revenue was recognised in the correct period; and
- Inspected the terms of significant sales contracts to determine the point of transfer of control over goods or services.

Property, plant and equipment

Refer to Notes 3(d) and 4 to the financial statements.

<u>The key audit matter</u>

The carrying amount of the Group's property, plant and equipment amounted to RM176.8 million and represented 99% of the Group's total non-current assets as at 31 December 2018.

The management has assessed if there are indication of impairment and performed an assessment on the carrying amount of the property, plant and equipment.

<u>How our audit addresses this matter</u>

Our audit procedures included as following : -

- Reviewed and checked the ownership and physical existence of major property, plant and equipment;
- Reviewed the insurance coverage of major items; and
- Assessed and reviewed whether there is any indication that the assets may be impaired and the adequacy of impairment loss on the property, plant and equipment.

Independent Auditors' Report

to members of Khee San Berhad
(Incorporated in Malaysia, Company No. 304376 - A)

Key Audit Matters (Cont'd.)

Trade Receivables

Refer to Notes 2(d)(ii) and 9 to the financial statements.

<u>The key audit matter</u>

As at 31 December 2018, the Group recorded significant outstanding trade receivables of approximately RM114.2 million and is subject to major credit risk exposures. The assessment of recoverability of receivables involved judgements and estimation uncertainty in analysing historical bad debts, customer concentration, customer creditworthiness, current economic trends, customer payment terms, etc.

<u>How our audit addresses this matter</u>

We performed the following audit procedures, among others : -

- Obtained an understand the Group's control over the receivable collection process and how the Group identifies and assesses the impairment of receivables;
- Reviewed the ageing analysis of receivables and testing the reliability thereof;
- Reviewed subsequent cash collections, customer correspondences, proposed or existing settlement plans, repayment schedule and considering explanation on recoverability with significantly overdue amounts; and
- Evaluated the reasonableness and adequacy of the allowance for impairment recognised for identified exposures.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the Chairman's Statement, Management Discussion & Analysis, and Directors' Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

KRESTON
JOHN & GAN

Independent Auditors' Report

to members of Khee San Berhad
(Incorporated in Malaysia, Company No. 304376 - A)

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

Independent Auditors' Report

to members of Khee San Berhad
(Incorporated in Malaysia, Company No. 304376 - A)

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd.)

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

Other Matters

The financial statements of the Group and of the Company for financial year ended 30 June 2017 were audited by another firm of auditors who expressed an unmodified opinion on those statements on 16 October 2017.

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

Kreston John & Gan
(AF 0113)
Chartered Accountants

Yong Chung Sin
Approval No: 02892/04/2020 J
Chartered Accountant

Kuala Lumpur,
Date : 6 May 2019

Consolidated Statement of Financial Position

31 December 2018

	Note	31/12/2018 RM	Restated 30/6/2017 RM	Restated 1/7/2016 RM
ASSETS				
Non-current Assets				
Property, plant and equipment	4	**176,852,436**	162,331,752	166,379,942
Intangible assets	7	**600,000**	800,000	800,000
Total Non-current Assets		**177,452,436**	163,131,752	167,179,942
Current Assets				
Inventories	8	**10,288,314**	12,106,208	15,813,690
Trade receivables	9	**114,235,263**	60,083,690	50,306,591
Other receivables, deposits and prepayments	10	**1,530,493**	4,619,159	2,675,667
Amount due from holding company		**-**	-	1,479,978
Current tax assets		**103,491**	181,246	448,258
Cash and bank balances		**19,013,989**	8,639,548	5,962,354
		145,171,550	85,629,851	76,686,538
Assets held for sale	11	**-**	-	11,884,736
Total Current Assets		**145,171,550**	85,629,851	88,571,274
Total Assets		**322,623,986**	248,761,603	255,751,216
EQUITY AND LIABILITIES				
Equity attributable to owners of the Company				
Share capital	12	**106,300,498**	104,000,000	100,000,000
Reserves	13	**24,610,364**	51,367,891	52,455,791
Total Equity		**130,910,862**	155,367,891	152,455,791
Non-current Liabilities				
Deferred tax liabilities	15	**11,517,000**	8,727,000	4,954,000
Borrowings	16	**3,472,006**	5,574,142	12,116,791
Total Non-current Liabilities		**14,989,006**	14,301,142	17,070,791
Current Liabilities				
Trade payables	20	**14,108,514**	15,333,695	18,617,682
Other payables and accruals	21	**81,734,954**	2,709,179	2,678,215
Current tax liabilities		**5,943**	149,316	4,949
Borrowings	16	**80,874,707**	60,900,380	64,923,788
Total Current Liabilities		**176,724,118**	79,092,570	86,224,634
Total Liabilities		**191,713,124**	93,393,712	103,295,425
Total Equity and Liabilities		**322,623,986**	248,761,603	255,751,216

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the financial period from 1 July 2017 to 31 December 2018

	Note	**18 months for period ended 31/12/2018 RM**	Restated 12 months for year ended 30/6/2017 RM
Revenue	22	**258,633,486**	143,982,046
Cost of sales		**(207,707,315)**	(125,978,020)
Gross profit		**50,926,171**	18,004,026
Other income	23	**6,532,199**	7,049,353
Distribution costs		**(13,804,781)**	(8,518,459)
Administrative expenses		**(16,406,161)**	(4,973,129)
Other expenses		**(9,941,153)**	(3,422,218)
Profit from operations		**17,306,275**	8,139,573
Finance costs	24	**(7,227,953)**	(3,904,740)
Profit before taxation	25	**10,078,322**	4,234,833
Income tax expense	28	**(3,772,198)**	(4,711,007)
Profit /(Loss) for the financial period /year, representing total comprehensive income /(loss) for the financial period /year		**6,306,124**	(476,174)
Earnings /(Loss) per share attributable to owners : - of the parent (sen)			
Basic	29	**6.06**	(0.46)

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

Khee San Berhad
(Incorporated in Malaysia, Company No. 304376 – A)

Consolidated Statement of Changes in Equity

for the financial period from 1 July 2017 to 31 December 2018

	Share capital RM	Share premium RM	Merger reserves RM	Revaluation reserves RM	Share option reserves RM	Retained earnings RM	Total RM
	<--- Attributable to equity holders of the company --->						
	<--- Non-Distributable --->					<Distributable>	
Balance at 1 July 2016							
As previously reported	100,000,000	-	(17,443,699)	26,464,120	-	44,151,380	153,171,801
Prior year adjustments (Note 30)	-	2,148,898	-	1,381,093	-	(4,246,001)	(716,010)
As restated	100,000,000	2,148,898	(17,443,699)	27,845,213	-	39,905,379	152,455,791
Transaction with owners :							
Share options exercised	4,000,000	-	-	-	-	-	4,000,000
Dividend paid	-	-	-	-	-	(1,040,000)	(1,040,000)
Total transactions with owners	4,000,000	-	-	-	-	(1,040,000)	2,960,000
Transfer reserves							
As previously reported	-	-	-	-	-	-	-
Prior year adjustments (Note 30)	-	151,600	-	(5,533,481)	(151,600)	5,533,481	-
As restated	-	151,600	-	(5,533,481)	(151,600)	5,533,481	-
Total comprehensive income for the financial year							
As previously reported	-	-	-	-	-	3,627,035	3,627,035
Prior year adjustments (Note 30)	-	-	-	276,674	151,600	(4,103,209)	(3,674,935)
As restated	-	-	-	276,674	151,600	(476,174)	(47,900)
Balance at 30 June 2017	104,000,000	2,300,498	(17,443,699)	22,588,406	-	43,922,686	155,367,891

Consolidated Statement of Changes in Equity

for the financial period from 1 July 2017 to 31 December 2018

	<—— Attributable to equity holders of the company ——>						
	<—— Non-Distributable ——>					<Distributable>	
	Share capital RM	Share premium RM	Merger reserves RM	Revaluation reserves RM	Share option reserves RM	Retained earnings RM	Total RM
Balance at 1 July 2017	104,000,000	2,300,498	(17,443,699)	22,588,406	-	43,922,686	155,367,891
Adjustments on initial application of MFRS 9, net of tax (Note 34)	-	-	-	-	-	(29,723,153)	(29,723,153)
As restated	104,000,000	2,300,498	(17,443,699)	22,588,406	-	14,199,533	125,644,738
Transaction with owners :							
Dividend paid	-	-	-	-	-	(1,040,000)	(1,040,000)
Transfer reserves	2,300,498	(2,300,498)	-	-	-	-	-
Total comprehensive income for the financial period	-	-	-	-	-	6,306,124	6,306,124
Balance at 31 December 2018	106,300,498	-	(17,443,699)	22,588,406	-	19,465,657	130,910,862

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

Consolidated Statement of Cash Flows

for the financial period from 1 July 2017 to 31 December 2018

	Note	**18 months for period ended 31/12/2018 RM**	Restated 12 months for year ended 30/6/2017 RM
Cash flows from operating activities			
Profit before taxation		**10,078,322**	4,234,833
Adjustments for : -			
Bad debts written off		**-**	70,531
Depreciation of property, plant and equipment		**8,494,298**	5,879,238
Gain on disposal of plant and equipment		**(131)**	-
Impairment losses on intangible assets		**200,000**	-
Impairment losses on inventories		**1,046,609**	2,668,219
Impairment losses on trade receivables		**981,699**	-
Interest expenses		**7,227,953**	3,904,740
Loss on disposal of asset held for sales		**-**	144,170
Other receivables and deposits written off		**1,326,362**	-
Plant and equipment written off		**154,024**	-
Reversal of impairment loss on trade receivables		**-**	(6,338)
Share-based payments	14	**-**	17,055
Unrealised gain on foreign exchange		**(3,325,270)**	(2,882,787)
Unrealised loss on foreign exchange		**154,763**	-
Operating profit before working capital changes		**26,338,629**	14,029,661
Decrease in inventories		**771,285**	1,039,263
Increase in trade receivables		**(81,857,540)**	(6,301,269)
Decrease /(Increase) in other receivables, deposits and prepayments		**1,762,304**	(986,204)
Decrease in trade payables		**(1,237,260)**	(3,283,987)
Increase in other payables and accruals		**79,025,775**	30,961
Cash generated from operations		**24,803,193**	4,528,425
Interest paid		**(7,227,953)**	(3,904,740)
Tax paid		**(1,173,574)**	(449,340)
Tax refund		**125,758**	199,388
Net cash from operating activities		**16,527,424**	373,733
Cash flows from investing activities			
Proceeds from disposal of plant and equipment		**6,000**	-
Proceeds from disposal of assets held for sale		**-**	11,740,566
Purchases of plant and equipment	31	**(21,728,346)**	(796,102)
Net cash (used in) /from investing activities		**(21,722,346)**	10,944,464
Balance carried forward		**(5,194,922)**	11,318,197

Consolidated Statement of Cash Flows

for the financial period from 1 July 2017 to 31 December 2018

	Note	18 months for period ended 31/12/2018 RM	Restated 12 months for year ended 30/6/2017 RM
Balance brought forward		**(5,194,922)**	11,318,197
Cash flows from financing activities			
Dividend paid		**(1,040,000)**	(1,040,000)
Proceeds from bankers' acceptances		**383,746,870**	180,206,000
Proceeds from finance lease liabilities		**1,446,529**	1,034,946
Proceeds from exercise of ESOS		**-**	4,000,000
Repayments of banker's acceptances		**(360,754,753)**	(183,197,757)
Repayment of finance lease liabilities		**(9,230,265)**	(8,919,522)
Repayments of term loans		**(266,667)**	(724,670)
Net cash from /(used in) financing activities		**13,901,714**	(8,641,003)
Net increase in cash and cash equivalents		**8,706,792**	2,677,194
Effects of foreign exchange translation		**183,701**	-
Cash and cash equivalents at the beginning of the financial period /year		**8,639,548**	5,962,354
Cash and cash equivalents at the end of the financial period /year	32	**17,530,041**	8,639,548

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

Statement of Financial Position

31 December 2018

	Note	31/12/2018 RM	Restated 30/6/2017 RM	Restated 1/7/2017 RM
ASSETS				
Non-current Assets				
Investment in subsidiary companies	5	**33,348,600**	33,348,600	33,360,872
Amount due from a subsidiary company	6	**71,719,378**	71,949,094	68,602,094
Total Non-current Assets		**105,067,978**	105,297,694	101,962,966
Current Assets				
Other receivable, deposits and prepayments	10	**6,542**	1,615,560	1,037
Amount due from holding company		**-**	-	1,479,978
Cash and bank balances		**21,495**	1,579,518	893,448
Total Current Assets		**28,037**	3,195,078	2,374,463
Total Assets		**105,096,015**	108,492,772	104,337,429
EQUITY AND LIABILITIES				
Equity attributable to owners of the Company				
Share capital	12	**106,300,498**	104,000,000	100,000,000
Reserves	13	**(1,604,638)**	4,244,158	4,076,586
Total Equity		**104,695,860**	108,244,158	104,076,586
Current Liabilities				
Other payables and accruals	21	**394,212**	227,845	255,894
Current tax liabilities		**5,943**	20,769	4,949
Total Current Liabilities		**400,155**	248,614	260,843
Total Liabilities		**400,155**	248,614	260,843
Total Equity and Liabilities		**105,096,015**	108,492,772	104,337,429

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

Statement of Profit or Loss and Other Comprehensive Income

for the financial period from 1 July 2017 to 31 December 2018

	Note	**18 months for period ended 31/12/2018 RM**	12 months for year ended 30/6/2017 RM
Revenue	22	**-**	1,550,000
Administrative expenses		**(2,531,124)**	(481,371)
(Loss) /Profit before taxation	25	**(2,531,124)**	1,068,629
Income tax expense	28	**22,826**	(12,657)
Loss /(Profit) for the financial period /year, representing total comprehensive (loss) /income for the period /year		**(2,508,298)**	1,055,972

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

Statement of Changes in Equity

for the financial period from 1 July 2017 to 31 December 2018

	<—— Attributable to equity holders of the company ——>				
	<—— Non-Distributable ——>			<Distributable>	
	Share capital RM	Share premium RM	Share option reserves RM	Retained earnings RM	Total RM
Balance at 1 July 2016					
As previously reported	100,000,000	-	-	1,927,688	101,927,688
Prior year adjustments (Note 30)	-	2,148,898	-	-	2,148,898
As restated	100,000,000	2,148,898	-	1,927,688	104,076,586
Transaction with owners :					
Share options exercised	4,000,000	-	-	-	4,000,000
Dividend paid	-	-	-	(1,040,000)	(1,040,000)
Total transactions with owners	4,000,000	-	-	(1,040,000)	2,960,000
Transfer reserves					
As previously reported	-	-	-	-	-
Prior year adjustments (Note 30)	-	151,600	(151,600)	-	-
	-	151,600	(151,600)	-	-
Total comprehensive income for the financial year	-	-	-	1,055,972	1,055,972
Prior year adjustments (Note 30)	-	-	151,600	-	151,600
As restated	-	-	151,600	1,055,972	1,207,572
Balance at 30 June 2017	104,000,000	2,300,498	-	1,943,660	108,244,158

Statement of Changes in Equity

for the financial period from 1 July 2017 to 31 December 2018

	Share capital RM	Share premium RM	Share option reserves RM	Retained earnings / Accumulated loss RM	Total RM
	<—— Attributable to equity holders of the company				——>
	<—— Non-Distributable		——>	<Distributable>	
Balance at 1 July 2017	104,000,000	2,300,498	-	1,943,660	108,244,158
Transaction with owners :					
Dividend paid	-	-	-	(1,040,000)	(1,040,000)
Transfer of share premium in accordance with Section 618(2) of the Companies Act, 2016	2,300,498	(2,300,498)	-	-	-
Total comprehensive income for the financial period	-	-	-	(2,508,298)	(2,508,298)
Balance at 31 December 2018	106,300,498	-	-	(1,604,638)	104,695,860

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

Statement of Cash Flows

for the financial period from 1 July 2017 to 31 December 2018

	Note	**18 months for eriod ended 31/12/2018 RM**	12 months for year ended 30/6/2017 RM
Cash flows from operating activities			
(Loss) /Profit before taxation		**(2,531,124)**	1,068,629
Adjustments for : -			
Dividend income from subsidiary		**-**	(1,550,000)
Impairment on investment in subsidiary companies		**-**	29,327
Operating loss before working capital changes		**(2,531,124)**	(452,044)
Decrease in other receivable, deposits and prepayments		**(5,505)**	-
Decrease /(Increase) in amount due from subsidiary companies		**1,844,239**	(3,347,000)
Increase /(Decrease) in other payables and accruals		**166,367**	(28,049)
Cash used in operations		**(526,023)**	(3,827,093)
Tax refund		**8,000**	11,163
Tax paid		**-**	(8,000)
Net cash used in operating activities		**(518,023)**	(3,823,930)
Cash flows from investing activity			
Dividends received from subsidiary		**-**	1,550,000
		(518,023)	(2,273,930)
Cash flows from financing activities			
Dividend paid		**(1,040,000)**	(1,040,000)
Proceeds from exercise of ESOS		**-**	4,000,000
Net cash (used in) /from financing activities		**(1,040,000)**	2,960,000
Net (decrease) /increase in cash and cash equivalents		**(1,558,023)**	686,070
Cash and cash equivalents at the beginning of the financial period /year		**1,579,518**	893,448
Cash and cash equivalents at the end of the financial period /year	32	**21,495**	1,579,518

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

Notes to the Financial Statements
31 December 2018

1. **General information**

Khee San Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The address of the registered office and principal place of business of the Company are as follows : -

Registered office	:	22-2, Jalan 1/64 Off Jalan Kolam Air /Jalan Sultan Azlan Shah 51200 Kuala Lumpur
Principal place of business	:	Lot 1819-1820, Jalan Kolej 43300 Seri Kembangan Selangot Darul Ehsan

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Company as at and for the year ended 31 December 2018 do not include other entities.

The Company is principally an investment holding company. The principal activities of the subsidiary companies are set out in Note 5 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 6 May 2019.

2. **Basis of preparation of financial statements**

a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 2016 in Malaysia.

The Group has elected to early adopt MFRS 9 Financial Instruments and MFRS 15 Revenue from Contracts with Customers, which are mandatory for the financial periods beginning on or after 1 January 2018.

MFRS 9 Financial Instruments

The adoption of this standard results in changes in accounting policies are disclosed in Note 3(c).

MFRS 15 Revenue from Contracts with Customers

The adoption of this standard results in changes in accounting policies for revenue recognition are disclosed in Note 3(n), and has no material financial impact other than the disclosures made in the Group's and the Company's financial statements.

2. **Basis of preparation of financial statements (Cont'd.)**

a) Statement of compliance (Cont'd.)

The following are accounting standards, amendments and interpretations of the MFRS framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company.

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- Amendments to MFRS 3, Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 9, Financial Instruments – Prepayment Features with Negative Compensation
- Amendments to MFRS 11, Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- MFRS 16, Leases
- Amendments to MFRS 112, Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 119, Employee Benefits – Plan Amendment, Curtailment or Settlement
- Amendments to MFRS 123, Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 128, Investments in Associates and Joint Ventures – Long Term Interests in Associates and Joint Ventures
- IC Interpretation 23, Uncertainty over Income Tax Treatments

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 2, Share-Based Payment
- Amendments to MFRS 3, Business Combinations
- Amendments to MFRS 6, Exploration for and Evaluation of Mineral Resources
- Amendment to MFRS 14, Regulatory Deferral Accounts
- Amendments to MFRS 101, Presentation of Financial Statements
- Amendments to MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors
- Amendments to MFRS 134, Interim Financial Reporting
- Amendment to MFRS 137, Provisions, Contingent Liabilities and Contingent Assets
- Amendment to MFRS 138, Intangible Assets
- Amendment to IC Interpretation 12, Service Concession Arrangements
- Amendment to IC Interpretation 19, Extinguishing Financial Liabilities with Equity Instruments
- Amendment to IC Interpretation 20, Stripping Costs in the Production Phase of a Surface Mine
- Amendment to IC Interpretation 22, Foreign Currency Transactions and Advance Consideration
- Amendments to IC Interpretation 132, Intangible Assets – Web Site Costs

2. **Basis of preparation of financial statements (Cont'd.)**

a) Statement of compliance (Cont'd.)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, Insurance Contracts

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

- Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations : -

- from the annual period beginning on 1 January 2019 for those accounting standards, amendments or interpretations that are applicable to the Group and to the Company and effective for annual periods beginning on or after 1 January 2019;

- from the annual period beginning on 1 January 2020 for those accounting standards, amendments or interpretations that are applicable to the Group and to the Company and effective for annual periods beginning on or after 1 January 2020; and

- from the annual period beginning on 1 January 2021 for those accounting standards, amendments or interpretations that are applicable to the Company and effective for annual periods beginning on or after 1 January 2021.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company except as mentioned below : -

MFRS 16, Leases

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. It introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term if more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. MFRS 16 will be effective for annual reporting periods beginning on or after 1 January 2019.

2. **Basis of preparation of financial statements (Cont'd.)**

a) Statement of compliance (Cont'd.)

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company except as mentioned below : - (Cont'd.)

Amendments to MFRS 123, Borrowing Costs

Amendments to MFRS 123 (effective form 1 January 2019) clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

IC Interpretation 23, Uncertainty over Income Tax Treatments

IC Interpretation 23 provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. If it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. The effect of uncertainty shall be measured using the method which best predicts the resolution of the uncertainty. IC interpretation 23 will be effective for annual reporting periods beginning on or after 1 January 2019.

Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify that : -

- gains and losses resulting from transactions involving assets that do not constitute a business, between investor and its associate or joint venture are recognised in the entity's financial statements only to the extent of unrelated investors' interests in the associate or joint venture; and

- gains and losses resulting from transactions involving the sale or contribution of assets to an associate of a joint venture that constitute a business is recognised in full.

The amendments are to be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined by Malaysian Accounting Standards Board. Earlier application is permitted. These amendments are not expected to have any impact on the Group and the Company.

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 16, amendments to MFRS 123, IC Interpretation 23 and amendments to MFRS 10 and MFRS 128.

2. **Basis of preparation of financial statements (Cont'd.)**

b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 3 to the financial statements.

c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's and Company's functional currency.

d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than the following items : -

i) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated in a reducing-balance basis over their estimated useful life. Management estimated the useful life of these assets to be within 5 to 50 years. Changes in the expected level of usage and technological developments could impact the economic useful life and the residual values of these assets, therefore future depreciation charges could be revised.

ii) Loss allowances of financial assets

The Group and the Company recognise impairment losses for trade receivables under the expected credit loss model. Individually significant trade receivables are tested for impairment separately by estimating the cash flows expected to be recoverable. All others are grouped into credit risk classes and tested for impairment collectively, using the Group's and the Company's past experience of loss statistics, ageing of past due amounts and current economic trends. The actual eventual losses may be different from the allowance made and this may affect the Group's and the Company's financial positions and results.

2. **Basis of preparation of financial statements (Cont'd.)**

d) Use of estimates and judgements (Cont'd.)

iii) Impairment of inventories

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

iv) Income tax expense

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises 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 recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

v) Impairment of investment in subsidiary companies

The Company reviews the investments in subsidiaries for impairment when there is an indication of impairment and assess the impairment of receivables on the amounts due from subsidiaries when the receivables are long outstanding.

The recoverable amounts of the investments in subsidiaries and amounts due from subsidiaries are assessed by reference to the value in use of the respective subsidiaries.

The value in use is the net present value of the projected future cash flows derived from the business operations of the respective subsidiaries discounted at an appropriate discount rate. For such discounted cash flow method, it involves the use of estimated future results and a set assumptions to reflect their income and cash flows. Judgement had also been used to determine the discount rate for the cash flows and the future growth of the businesses of the subsidiaries.

The carrying amounts of investment in subsidiary companies of the Company as at 31 December 2018 was RM33,348,600 (30/6/2017 – RM33,348,600).

3. **Significant accounting policies**

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by the Group entities, unless otherwise stated.

a) Basis of consolidation

i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has *de facto* power over an investee when, despite not having the majority affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

ii) Business combinations

a) Business combination of entities under common control

The acquisitions resulted in a business combination involving common entities, and accordingly the accounting treatment is outside the scope of MFRS 3. The merger accounting is used by the Group to account for such common control business combinations.

A business combination involving entities under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party and parties both before and after the business combination, and that control is not transitory.

Subsidiaries acquired which have met the criteria for pooling of interest are accounted for using merger accounting principles. Under the merger method of accounting, the results of the subsidiaries are presented as if the merger had been effected throughout the current financial year.

The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. No amount is recognised in respect of goodwill and excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets and liabilities and contingent liabilities over cost at the time of the common control business combination to the extent of the continuation of the controlling party and parties' interests.

3. **Significant accounting policies (Cont'd.)**

a) Basis of consolidation (Cont'd.)

ii) Business combinations (Cont'd.)

a) Business combination of entities under common control (Cont'd.)

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 full financial year.

b) Business combinations of entities under non-common control

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the noncontrolling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

iii) Acquisitions of non-controlling interests

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

3. **Significant accounting policies (Cont'd.)**

a) Basis of consolidation (Cont'd.)

v) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interest and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

b) Foreign currency

i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the forseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

3. **Significant accounting policies (Cont'd.)**

b) Foreign currency (Cont'd.)

ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 January 2012 (the date when the Group first adopted MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR") in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the profit or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

c) Financial instrument

During the financial year, the Group and the Company adopted MFRS 9, Financial Instruments which replaces MFRS 139, Financial Instruments : Recognition and Measurement.

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, the Group and the Company has elected not to restate the comparatives. The financial effect of the changes in accounting policies are disclosed in Note 43 to the financial statements.

i) Initial recognition and measurement

Current financial year

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the instrument.

Financial asset (unless it is a trade receivable without significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a financing component is initially measured at the transaction price.

3. **Significant accounting policies (Cont'd.)**

c) Financial instrument (Cont'd.)

i) Initial recognition and measurement (Cont'd.)

Previous financial year

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the instrument.

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.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

ii) Financial instrument categories and subsequent measurement

Financial assets

Current financial year

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

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group and the Company change their business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

3. **Significant accounting policies (Cont'd.)**

c) Financial instruments (Cont'd.)

ii) Financial instrument categories and subsequent measurement (Cont'd.)

Financial assets (Cont'd.)

Current financial year (Cont'd.)

b) Fair value through other comprehensive income

i) Debt investments

Fair value through other comprehensive income category comprises debt investment where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt investment is not designated as at fair value through profit or loss. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

ii) Equity investments

This category comprises investment in equity that is not held for trading, and the Group and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

c) Fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group and the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

3. **Significant accounting policies (Cont'd.)**

c) Financial instruments (Cont'd.)

ii) Financial instrument categories and subsequent measurement (Cont'd.)

Financial assets (Cont'd.)

Current financial year (Cont'd.)

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through comprehensive income, are subject to impairment assessment (see Note 3(j)(i)).

Previous financial year

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

a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

b) Held-to-maturity investments

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group and the Company has the positive intention and ability to hold them to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

c) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

3. **Significant accounting policies (Cont'd.)**

c) Financial instruments (Cont'd.)

ii) Financial instrument categories and subsequent measurement (Cont'd.)

Financial assets (Cont'd.)

Previous financial year (Cont'd.)

d) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedge items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 3(j)(i)).

Financial liabilities

Current financial year

At initial recognition, all financial liabilities are subsequently measured at fair value through profit or loss or at amortised cost.

a) Fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

3. **Significant accounting policies (Cont'd.)**

c) Financial instruments (Cont'd.)

ii) Financial instrument categories and subsequent measurement (Cont'd.)

Financial liabilities (Cont'd.)

Current financial year (Cont'd.)

a) Fair value through profit or loss (Cont''d.)

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognised the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch, and remaining amount of the change in fair value in the profit or loss.

b) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses are also recognised in the profit or loss.

Previous financial year

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

3. **Significant accounting policies (Cont'd.)**

c) Financial instruments (Cont'd.)

iii) Financial guarantee contracts (Cont'd.)

Fair value arising from financial guarantee contracts are classified as deferred income and is amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

iv) Regular way purchase or sales of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to : -

a) the recognition of an asset to be received and the liability to pay for it on the trade date, and

b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

v) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expired. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3. **Significant accounting policies (Cont'd.)**

d) Property, plant and equipment

i) Recognition and measurement

Items of property, plant and equipment except for freehold land are measured at cost /valuation less any accumulated depreciation and any accumulated impairment losses. Freehold land with indefinite useful life is not depreciated.

The Group revalues its freehold land and buildings every three to five years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value.

Valuation of the properties involves a degree of judgement before arriving at the respective property's revalued amount. As such, the revalued amount of the properties may be different from its actual market price.

Surpluses arising from revaluation are dealt with in the revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is charged to the profit or loss.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after making proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

3. **Significant accounting policies (Cont'd.)**

d) Property, plant and equipment (Cont'd.)

ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group and the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component are depreciated separately.

Depreciation is recognised in profit or loss on a reducing-balance basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group and the Company will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment in progress are not depreciated until the assets are ready for their intended use. The principal annual rates of depreciation for the property, plant and equipment are as follows : -

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

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period, and adjusted as appropriate.

3. **Significant accounting policies (Cont'd.)**

e) Leases

i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is measured using fair value model.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

f) Intangible assets

Intangibles assets represent the trademarks at cost less any accumulated impairment losses. Trademarks have an indefinite useful life as it is maintained through continuous marketing and introduction of new products. Trademarks are tested annually for impairment. Where an indication of impairment exists, the carrying amount of trademarks are assessed and written down immediately to its recoverable amount.

3. **Significant accounting policies (Cont'd.)**

g) Inventories

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

The cost of inventories (other than completed properties) is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

The cost of completed properties held for sale is determined on specific identification method, and comprises cost associated with the development costs and appropriate proportions of common costs.

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

h) Assets held for sale

Non-current assets, or disposal group comprising assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale.

Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with Group's accounting policies. Thereafter generally the assets, or disposal group, are measure at lower of their carrying amount and fair value less costs of disposal.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories and financial assets which continue to be measured in accordance with Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale are not amortised or depreciated. In addition, equity accounting of equity-accounted associated ceases once classified as held for sale.

i) Cash and cash equivalents

Cash and cash equivalents consists of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

3. **Significant accounting policies (Cont'd.)**

j) Impairment of assets

i) Financial assets

During the financial year, the Group and the Company adopted MFRS 9, Financial Instruments which replaces MFRS 139, Financial Instruments : Recognition and Measurement.

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, the Company have elected not to restate the comparatives. The financial effect of the changes in accounting policies are disclosed in Note 43 to the financial statements.

Current financial year

The Group and the Company recognise loss allowances for expected credit losses on financial assets and financial guarantees measured at amortised cost or fair value through comprehensive income, except for investments in equity instruments, and interest in subsidiaries and associates.

The Group and the Company measures loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured as 12 months expected credit loss.

Loss allowances for trade receivable are always measured at an amount equal to lifetime expected credit loss.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument, while 12 months expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

Expected credit losses are a probability-weighted estimate of credit losses. The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit assessment and including forward-looking information, where available.

3. **Significant accounting policies (Cont'd.)**

j) Impairment of assets (Cont'd.)

i) Financial assets (Cont'd.)

Current financial year (Cont'd.)

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of debt investments measured at fair value through other comprehensive income is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's and the Company's procedures for recovery amounts due.

Previous financial year

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 investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

3. **Significant accounting policies (Cont'd.)**

j) Impairment of assets (Cont'd.)

i) Financial assets (Cont'd.)

Previous financial year (Cont'd.)

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

ii) Other assets

The carrying amounts of other assets (except for inventories, amount due from contract customers, deferred tax assets, assets arising from employee benefits and non-current assets (or disposal group) classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to group of cash-generating units that are expected to benefit from the synergies of the combination.

3. **Significant accounting policies (Cont'd.)**

j) Impairment of assets (Cont'd.)

ii) Other assets (Cont'd.)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (group of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

k) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

ii) Ordinary shares

Ordinary shares are classified as equity.

3. **Significant accounting policies (Cont'd.)**

l) Employee benefits

i) Short term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

ii) State plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the profit or loss as incurred.

iii) Share-based payment transactions

The grant date fair value of share-based payment granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the employee share options is measured using a "Trinomial" pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

iv) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting period, then they are discounted.

3. **Significant accounting policies (Cont'd.)**

m) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

n) Revenue and other income

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of goods and service tax, returns, rebates and discounts. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or services promised in the contract. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

i) Goods sold

Revenue from the sale of goods is recognised upon delivery of goods where the control of the goods has been passed to the customers, net of returns and allowances and discounts.

ii) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from sub-leased property is recognised as other income.

iii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

iv) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

3. **Significant accounting policies (Cont'd.)**

o) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

p) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reserve, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Notes to the Financial Statements

31 December 2018

3. **Significant accounting policies (Cont'd.)**

p) Income tax (Cont'd.)

A deferred tax asset is recognised to the extent that is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

q) Earnings per ordinary shares

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS').

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding , adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

r) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

3. **Significant accounting policies (Cont'd.)**

s) Contingencies

i) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

ii) Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statements of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

t) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

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

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows : -

Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 : unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

4. **Property, plant and equipment**

Group **31/12/2018**	Freehold land RM	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
At cost /valuation								
Balance at 1/7/17	**28,880,390**	**5,133,236**	**15,515,491**	**1,615,629**	**4,784,332**	**153,684,228**	**9,952,450**	**219,565,756**
Additions	**-**	**619,319**	**1,060,132**	**6,379**	**156,540**	**1,880,786**	**19,451,719**	**23,174,875**
Disposal /Written off	**-**	**-**	**-**	**(900,207)**	**(61,643)**	**-**	**-**	**(961,850)**
Transfer	**-**	**-**	**-**	**-**	**-**	**10,051,450**	**(10,051,450)**	**-**
Balance at 31/12/18	**28,880,390**	**5,752,555**	**16,575,623**	**721,801**	**4,879,229**	**165,616,464**	**19,352,719**	**241,778,781**
Accumulated depreciation								
Balance at 1/7/17	**-**	**117,699**	**9,244,694**	**1,138,045**	**1,945,307**	**44,788,259**	**-**	**57,234,004**
Charge for the financial period	**-**	**159,247**	**1,037,419**	**53,378**	**430,443**	**6,813,811**	**-**	**8,494,298**
Deletion	**-**	**-**	**-**	**(746,183)**	**(55,774)**	**-**	**-**	**(801,957)**
Balance at 31/12/18	**-**	**276,946**	**10,282,113**	**445,240**	**2,319,976**	**51,602,070**	**-**	**64,926,345**
Carrying amount	**28,880,390**	**5,475,609**	**6,293,510**	**276,561**	**2,559,253**	**114,014,394**	**19,352,719**	**176,852,436**
Representing : -								
At cost	**-**	**-**	**6,293,510**	**276,561**	**2,559,253**	**114,014,394**	**19,352,719**	**142,496,437**
At valuation	**28,880,390**	**5,475,609**	**-**	**-**	**-**	**-**	**-**	**34,355,999**
	28,880,390	**5,475,609**	**6,293,510**	**276,561**	**2,559,253**	**114,014,394**	**19,352,719**	**176,852,436**

Notes to the Financial Statements

31 December 2018

4. **Property, plant and equipment (Cont'd.)**

Group 30/6/2017	Freehold land RM	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
At cost /valuation								
Balance at 1/7/16	28,880,390	5,031,537	14,833,703	1,603,014	4,372,143	153,061,471	9,952,450	217,734,708
Additions	-	101,699	681,788	12,615	412,189	622,757	-	1,831,048
Balance at 30/6/17	28,880,390	5,133,236	15,515,491	1,615,629	4,784,332	153,684,228	9,952,450	219,565,756
Accumulated depreciation								
Balance at 1/7/16	-	28,980	8,543,320	1,099,278	1,606,716	40,076,472	-	51,354,766
Charge for the financial year	-	88,719	701,374	38,767	338,591	4,711,787	-	5,879,238
Balance at 30/6/17	-	117,699	9,244,694	1,138,045	1,945,307	44,788,259	-	57,234,004
Carrying amount	28,880,390	5,015,537	6,270,797	477,584	2,839,025	108,895,969	9,952,450	162,331,752
Representing : -								
At cost	-	-	6,270,797	477,584	2,839,025	108,895,969	9,952,450	128,435,825
At valuation	28,880,390	5,015,537	-	-	-	-	-	33,895,927
	28,880,390	5,015,537	6,270,797	477,584	2,839,025	108,895,969	9,952,450	162,331,752

4. **Property, plant and equipment (Cont'd.)**

i) The freehold land and buildings are stated at directors' valuations based on professional valuations made by an independent professional qualified valuer on the open market value basis conducted in year 2016.

Had the freehold land and buildings been carried at historical cost less accumulated depreciation, the carrying amounts of the revalued assets that would have been included in the financial statements at the end of the year are as follows : -

	Group	
	31/12/2018	30/6/2017
	RM	RM
Freehold land	**3,795,500**	3,795,500
Buildings	**8,375,112**	8,042,580
	12,170,612	11,838,080

ii) Details of the Group's freehold and leasehold land and buildings and information about the fair value hierarchy are as follows : -

	<------Fair value------>		
	Level 1	Level 2	Level 3
Group	RM	RM	RM
31/12/2018			
Freehold land	**-**	**28,880,390**	**-**
Buildings	**-**	**5,600,409**	**-**
	-	**34,480,799**	**-**
30/6/2017			
Freehold land	-	28,880,390	-
Buildings	-	5,015,537	-
	-	33,895,927	-

The fair values of the freehold land and buildings of the Group are categorised as Level 2. The properties are valued by an independent firm of professional valuers based on the 'market value' which is defined as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm length transaction after proper marketing wherein the parties has each acted knowledgeably, prudently and without compulsion.

4. **Property, plant and equipment (Cont'd.)**

ii) Details of the Group's freehold and leasehold land and buildings and information about the fair value hierarchy are as follows (Cont'd.) : -

Level 2 fair value

Level 2 fair value freehold land and building have been generally derived using the open market value approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is comparing the subject property with comparable properties which have been sold or are being offered for sale and making adjustment for factors which affect value such as location, floor level and siting, floor area, finishes, building services, management and maintenance, age and state of repair, market conditions and other relevant factors.

The Group does not have non-financial assets measured at Level 1 and Level 3 hierarchy.

iii) The plant and machinery at carrying amount of RM15,994,850 (30/6/2017 – RM18,943,187) have been pledged to licensed banks as security for credit facilities granted to the Group.

iv) The carrying amount of plant and equipment of the Group at the reporting date held under finance lease arrangements is as follows : -

	Group	
		Restated
	31/12/2018	30/6/2017
	RM	RM
Plant and machinery	**31,729,622**	32,119,097
Motor vehicles	**2,218,035**	2,553,468
	33,947,657	34,672,565

5. Investment in subsidiary companies

	Company	
		Restated
	31/12/2018	30/6/2017
	RM	RM
Unquoted shares, at cost	**35,567,639**	35,567,639
Less : Allowance for impairment losses	**(2,219,039)**	(2,219,039)
	33,348,600	33,348,600

The reconciliation of the allowance account is as follows : -

	Company	
	31/12/2018	30/6/2017
	RM	RM
At beginning of the financial period /year	**2,219,039**	2,189,712
Impairment losses recognised	**-**	29,327
At the end of the financial period/ year	**2,219,039**	2,219,039

The principal activities of the subsidiaries in the Group and the interest of Khee San Berhad are as follows : -

Name of subsidiary	Place of incorporation	Principal activities	Effective ownership interest	
			31/12/2018	30/6/2017
			%	%
Khee San Food Industries Sdn. Bhd.	Malaysia	Manufacturer of candy confectionery and wafer products	**100**	100
Khee San Marketing Sdn. Bhd.	Malaysia	Temporary ceased operations	**100**	100

6. Amounts due from a subsidiary company

	Company	
	31/12/2018	30/6/2017
	RM	RM
Amount due from a subsidiary company : -		
Non-Trade		
- Khee San Food Industires Sdn. Bhd.	**71,719,378**	71,949,094

The amounts due from a subsidiary company represents unsecured interest free advances which are not expected to be realised within 12 months after the reporting date.

7. **Intangible assets**

Group

	Trademarks
31/12/2018	RM
Cost	
At 1/7/2017	**1,600,000**
Additions	**-**
At 31/12/2018	**1,600,000**
Accumulated impairment loss	
At 1/7/2017	**800,000**
Impairment for the period	**200,000**
At 31/12/2018	**1,000,000**
Net book value	**600,000**
Restated 30/6/2017	
Cost	
At 1/7/2016	1,600,000
Additions	-
At 30/6/2017	1,600,000
Accumulated impairment loss	
At 1/7/2016	800,000
Impairment for the year	-
At 30/6/2017	800,000
Net book value	800,000

The recoverable amount of the CGUs is based on its value in use, determined by discounting future cash flows to be generated by the respective CGUs. The following key assumptions are used : -

i) Revenue growth rates are extrapolated using growth rate between of 3% to 5% as the management is in the planning of expanding distribution networks and capacity expansion. Such as distribute to petrol mart to explore new market.

ii) Historical record shown that gross profit margin of the Group maintain between 5% to 6%

iii) Operating expenses are expected to increase based on an annual rates of 2%.

iv) A pre-tax discount rate of 6.2% has been applied in determining the recoverable amount of the unit.

8. Inventories

Group	31/12/2018 RM	Restated 30/6/2017 RM
At cost		
Raw materials	**6,961,402**	4,086,540
Work-in-progress	**1,456,794**	1,703,764
Finished goods	**1,870,118**	4,488,765
Goods-in-transit	**-**	1,827,139
	10,288,314	12,106,208
Recognised in profit or loss :		
- Inventories recognised as costs of sales	**207,707,315**	125,978,020
- Impairment loss on inventories	**1,046,609**	2,668,219

9. Trade receivables

	Group	
	31/12/2018 RM	Restated 30/6/2017 RM
Trade receivables	**144,940,115**	60,083,690
Less : Allowance for impairment losses (Note 34(b)(i))	**(30,704,852)**	-
	114,235,263	60,083,690

The normal credit terms of trade receivables range from immediate payment to 180 days (30/6/2017 – immediate payment to 180 days). Other terms are assessed and approved on a case-by-case basis.

The foreign currency exposure of trade receivables of the Group is as follows : -

	Group	
	31/12/2018 RM	Restated 30/6/2017 RM
Australian Dollar	**4,970**	6,399
Euro	**1,756,536**	1,232,508
Hong Kong Dollar	**283,443**	9,557,624
Indonesian Rupiah	**349,672**	782,962
Japanese Yen	**4,629,782**	8,067,141
Singapore Dollar	**26,112**	-
Thai Baht	**163,063**	185,716
US Dollar	**29,429,740**	27,838,138

9. **Trade receivables (Cont'd.)**

Group

Included in trade receivables is an amount of Nil (30/6/2017 – RM657,236) due from a major corporate shareholder with a common director in the Company.

10. **Other receivables, deposits and prepayments**

	Group		Company	
		Restated		Restated
	31/12/2018	30/6/2017	**31/12/2018**	30/6/2017
	RM	RM	**RM**	RM
Other receivables	**295,488**	2,900,076	**1,037**	1,615,560
Other deposits	**1,114,916**	614,393	**-**	-
Prepayments	**120,089**	1,104,690	**5,505**	-
	1,530,493	4,619,159	**6,542**	1,615,560

Group

Included in other deposits is an amount of RM211,490 (30/6/2017 – Nil) relating to the deposit paid for the purchase of plant and equipment.

11. **Assets held for sale**

	Group	
		Restated
	31/12/2018	30/6/2017
	RM	RM
At 1 July	**-**	11,884,736
Disposal	**-**	(11,884,736)
At 31 December /30 June	**-**	-

The above movement represents the assets held for sale related to the disposal of property which completed in the financial year ended 30 June 2017.

Notes to the Financial Statements
31 December 2018

12. **Share capital**

	Group and Company			
	31/12/2018		30/6/2017	
	Number of ordinary shares	**RM**	Number of ordinary shares	RM
Issued and fully paid				
Ordinary shares with no par value				
At 1 July	**104,000,000**	**104,000,000**	100,000,000	100,000,000
Transfer from share premium in accordance with Section 618(2) of the Companies Act, 2016	**-**	**2,300,498**	-	-
ESOS	**-**	**-**	4,000,000	4,000,000
At 31 December /30 June	**104,000,000**	**106,300,498**	104,000,000	104,000,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

13. **Reserves**

	Group		Company	
		Restated		Restated
	31/12/2018	30/6/2017	**31/12/2018**	30/6/2017
	RM	RM	**RM**	RM
Non-distributable				
Share premium	**-**	2,300,498	**-**	2,300,498
Merger reserves	**(17,443,699)**	(17,443,699)	**-**	-
Revaluation reserves	**22,588,406**	22,588,406	**-**	-
Distributable				
Retained earnings /Accumulated loss	**19,465,657**	43,922,686	**(1,604,638)**	1,943,660
	24,610,364	51,367,891	**(1,604,638)**	4,244,158

13. **Reserves (Cont'd.)**

	Group and Company	
		Restated
	31/12/2018	30/6/2017
	RM	RM
Share premium		
At 1 July	**2,300,498**	2,148,898
Transfer to share capital in accordance with Section 618(2) of the Companies Act, 2016	**(2,300,498)**	-
Transfer from share option reserves	**-**	151,600
At 31 December /30 June	**-**	2,300,498

Share premium

Section 618(2) of the Companies Act, 2016 states that upon the commencement of Section 74, the share premium account shall become part of share capital.

Merger reserves

The merger reserve is related to the subsidiaries which were consolidated under the merger method of accounting. The merger reserve arose from the difference between the carrying value of the investment and the nominal value of the shares of the subsidiaries upon consolidation using merger accounting principles.

Revaluation reserves

The revaluation reserves of the Group represents surplus on revaluation of freehold land and buildings of subsidiary companies.

Retained profits

Under the single tier income tax system, the company is not required to have tax credit under section 108 of the income tax 1967 for dividend payment purposes. Dividends paid under this system are tax exempt in the hands of shareholders.

Share option reserve

The share option comprises the cumulative value of employee services received for the issue of share options. The share options reserve in relation to the unexercised option at the expiry of the share option scheme will be transferred to retained earnings. Share option is disclosed in Note 14 to the financial statements.

14. **Employee Share Option Sheme ("ESOS")**

The Company's ESOS is governed by the by-laws approved by the shareholders at the Extraordinary 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 at 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 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 Scheme.

(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

(e) No option shall be granted for less than 100 shares and shall always be in mutiples 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.

14. **Employee Share Option Sheme ("ESOS") (Cont'd.)**

On 28 September 2016, the Company granted share options to eligible director and employees to subscribe for the ordinary shares in the Company under the Employees Share Option Scheme ("ESOS") approved by the shareholder of the Company on 25 November 2009.

The movements in number of share options pursuant to the ESOS in previous year as follows : -

	Company			
	Number of options over ordinary shares of RM1.00 each			
30/6/2017	**Balance 1/7/2016**	**Granted**	**Exercised**	**Balance 30/6/2017**
28 September 2016	-	4,000,000	(4,000,000)	-
Weighted average exercise prices (RM)	-	1	1	-
Weighted average remaining contractual life (months)	49			-

During the financial period, the Group recognised share options granted under shares options scheme of Nil (30/6/2017 – RM17,055) in profit or loss was in respect of employees of subsidiaries. At Company level, the amount of Nil (30/6/2017 – RM17,055) was recorded as an increase in investments in subsidiaries (Note 5) with a corresponding credit to equity.

	Weighted average exercise price		Exercise period
	31/12/2018	30/6/2017	
Offer date	RM	RM	
28 September 2016	-	1	28.9.16 - 19.11.20

Share option exercised during the financial period resulted in the issuance of Nil (30/6/2017 – RM4,000,000) ordinary shares at an average price of Nil (30/6/2017 – RM1) each. The related weighted average ordinary share price at the date of exercise was Nil (30/6/2017 – RM0.795).

14. **Employee Share Option Sheme ("ESOS") (Cont'd.)**

The fair value of share options granted in previous year was estimated by using the Trinomial option pricing model, taking into account the terms and conditions upon which the options were granted. The risk-free rate is based on Malaysian Government Securities ("MGSs"). The fair value of share options measured at grant date and the assumptions are as follows : -

	Grant date 28/9/2016
Fair value at grant date (RM)	0.038
Weighted average share price (RM)	0.800
Share price at grant date (RM)	0.795
Expected volatility (weighted average volatility)	25.00%
Option life (expected weighted average life)	5 years
Risk-free interest rate (based on Malaysian government bonds)	3.14%

15. **Deferred tax liabilities**

	Group	
	31/12/2018	Restated 30/6/2017
	RM	RM
Balance at the beginning of the financial period /year	**8,727,000**	4,954,000
Recognised in profit or loss (Note 28)	**2,790,000**	4,049,674
Credit to revaluation reserves	**-**	(276,674)
Balance at the end of the financial period /year	**11,517,000**	8,727,000

15. **Deferred tax liabilities (Cont'd.)**

The components and movements of deferred tax liabilities during the financial period /year are as follows : -

Group	As at 1 July RM	Recognised in profit or loss RM	Credit to equity RM	As at 31 Dec /30 June RM
31/12/2018				
Deferred tax liabilities				
Accelerated capital allowances	**7,173,186**	**2,790,000**	**-**	**9,963,186**
Revaluation reserve	**1,553,814**	**-**	**-**	**1,553,814**
	8,727,000	**2,790,000**	**-**	**11,517,000**
Restated 30/6/2017				
Deferred tax liabilities				
Accelerated capital allowances	3,123,512	4,049,674	-	7,173,186
Revaluation reserve	1,830,488	-	(276,674)	1,553,814
	4,954,000	4,049,674	(276,674)	8,727,000

16. **Borrowings**

	Group 31/12/2018 RM	Group 30/6/2017 RM
Non-current liability		
Secured		
Finance lease liabilities	**3,472,006**	5,574,142
Current liabilities		
Secured		
Bankers' acceptances	**77,145,117**	54,153,000
Bank overdraft	**1,483,948**	-
Term loan	**-**	266,667
Finance lease liabilities	**2,245,642**	6,480,713
	80,874,707	60,900,380

16. **Borrowings (Cont'd.)**

	Group	
	31/12/2018	30/6/2017
	RM	RM
Total borrowings : -		
Secured		
Bankers' acceptances (Note 17)	**77,145,117**	54,153,000
Bank overdraft (Note 17)	**1,483,948**	-
Term loan (Note 18)	**-**	266,667
Finance lease liabilities (Note 19)	**5,717,648**	12,054,855
	84,346,713	66,474,522

Effective interest rates per annum on the borrowings of the Group is as follows : -

	Group	
	31/12/2018	30/6/2017
	%	%
Bankers' acceptances	**4.43-6.95**	4.46-5.53
Bank overdraft	**1.25**	-
Term loan	**-**	5.53
Finance lease liabilities	**2.41-6.60**	2.41-6.60

17. **Bankers' acceptances and bank overdraft**

Secured

Group

The bankers' acceptances and bank overdraft are secured by corporate guarantee given by the Company and negative pledge over the unencumbered assets of the Group.

18. **Term loan**

	Group	
	31/12/2018	30/6/2017
	RM	RM
Secured		
Term loan	**-**	266,667
Repayable as follows : -		
Current liabilities		
- not later than one year	**-**	266,667

18. **Term loan (Cont'd.)**

The term loan is secured by corporate guarantees given by the Company and negative pledge over the unencumbered assets of the Group.

The term loan is repayable by 60 equal monthly instalments of RM33,333.

19. **Finance lease liabilities**

	Group	
	31/12/2018	30/6/2017
	RM	RM
Minimum lease payments : -		
- not later than one year	**2,541,659**	7,098,663
- later than one year and not later than two years	**2,084,623**	2,567,879
- later than two years and not later than five years	**1,635,462**	3,501,708
- later than five years	**92,544**	-
	6,354,288	13,168,250
Less : Future interest charges	**(636,640)**	(1,113,395)
Present value of finance lease liabilities	**5,717,648**	12,054,855
Repayable as follows : -		
Non-current liabilities		
- later than one year and not later than two years	**1,930,540**	2,297,150
- later than two years and not later than five years	**1,451,514**	3,276,992
- later than five years	**89,952**	-
	3,472,006	5,574,142
Current liabilities		
- not later than one year	**2,245,642**	6,480,713
	5,717,648	12,054,855

The Group obtains finance lease facilities to finance its purchase of motor vehicles and plant and machinery. The remaining finance lease terms are in the range from 1 to 7 years as at 31 December 2018. Implicit interest rates of the finance lease are fixed at the inception of the finance lease arrangements, and the finance lease instalments are fixed throughout the finance lease period. The Group has the option to purchase the assets at the end of the agreements. There are no significant restriction clauses imposed on the finance lease arrangements.

20. **Trade payables**

Group

The normal credit terms of trade payables are in the range from 30 to 90 days (30/6/2017 – 30 to 90 days). However, the term may vary upon negotiation with the trade payables.

Notes to the Financial Statements
31 December 2018

21. **Other payables and accruals**

	Group		Company	
		Restated		
	31/12/2018	30/6/2017	**31/12/2018**	30/6/2017
	RM	RM	**RM**	RM
Other payables	**80,529,716**	2,099,750	**163,336**	48,039
Accruals	**576,549**	492,476	**230,876**	179,806
Provisions	**592,689**	95,950	**-**	-
Deposits	**36,000**	21,000	**-**	-
	81,734,954	2,709,176	**394,212**	227,845

Group

Included in other payables are : -

(i) an amount of RM75,132,942 (30/6/2017 – Nil) due to a major corporate shareholder with a common director in the Company.

(ii) an amount of RM626,446 (30/6/2017 – Nil) due to a person connected to one of the directors in the Company.

The amounts outstanding are unsecured, interest free and repayable on demand in cash and cash equivalents.

22. **Revenue**

	Group		Company	
		Restated		
	18 months for period ended 31/12/2018	12 months for year ended 30/6/2017	**18 months for period ended 31/12/2018**	12 months for year ended 30/6/2017
	RM	RM	**RM**	RM
Revenue from contract with customers : -				
Dividend received from subsidiary companies	**-**	-	**-**	1,550,000
Sale of goods	**258,633,486**	143,982,046	**-**	-
	258,633,486	143,982,046	**-**	1,550,000
Timing of revenue : -				
- at a point of time	**258,633,486**	143,982,046	**-**	1,550,000

23. Other income

	Group	
	18 months for period ended 31/12/2018 RM	12 months for year ended 30/6/2017 RM
Assembly charges	**808,688**	20,799
Gain on disposal of plant and equipment	**131**	-
Gain on foreign exchange - unrealised	**3,325,270**	2,882,787
Gain on foreign exchange - realised	**1,836,093**	3,330,054
Rental income	**447,302**	350,491
Sales of scrap	**105,270**	89,185
Others	**9,445**	376,037
	6,532,199	7,049,353

24. Finance costs

	Company	
		Restated
	18 months for period ended 31/12/2018 RM	12 months for year ended 30/6/2017 RM
Interest expense of financial liabilities that are not fair value through profit or loss : -		
- Banker acceptance	**5,287,899**	2,509,098
- Bank overdraft	**829,587**	573,912
- Finance lease	**1,033,846**	783,365
- Letter of credit charges	**13,358**	1,650
- Other interest charge	**58,357**	3,766
- Term loan	**4,906**	32,949
	7,227,953	3,904,740

25. Profit /(Loss) before taxation

	Group		Company	
	18 months for period ended 31/12/2018 RM	12 months for year ended 30/6/2017 RM	**18 months for period ended 31/12/2018 RM**	12 months for year ended 30/6/2017 RM
This is arrived at after charging : -				
Auditors' remuneration				
- current year provision	**180,000**	130,969	**45,000**	24,000
- over provision in previous year	**-**	(3,234)	**-**	-
- other services	**450,000**	-	**143,100**	-
Bad debts written off	**-**	70,531	**-**	-
Depreciation of property, plant and equipment	**8,494,298**	5,879,238	**-**	-
Employee benefits expense (Note 26)	**14,361,894**	8,607,821	**751,077**	57,100
Impairment on investment in subsidiary companies	**-**	-	**-**	29,327
Impairment loss on inventories	**1,046,609**	2,668,219	**-**	-
Impairment loss on intangible assets	**200,000**	-	**-**	-
Impairment loss on trade receivables	**981,699**	-	**-**	-
Interest expenses : -				
- Banker acceptances	**5,287,899**	2,509,098	**-**	-
- Bank overdraft	**829,587**	573,912	**-**	-
- Finance lease	**1,033,846**	783,365	**-**	-
- Letter of credit charges	**13,358**	1,650	**-**	-
- Other interest charge	**58,357**	3,766	**-**	-
- Term loan	**4,906**	32,949	**-**	-
Lease rental	**150,906**	202,888	**-**	-
Loss on disposal of asset held for sales	**-**	144,170	**-**	-
Other receivables and deposits written off	**1,326,362**	-	**-**	-
Plant and equipment written off	**154,024**	-	**-**	-
Rental of plant and equipment	**12,580**	8,040	**-**	-
Rental of premises	**1,270,041**	-	**-**	-
Unrealised loss on foreign exchang	**154,763**	-	**-**	-

Notes to the Financial Statements
31 December 2018

25. **Profit /(Loss) before taxation (Cont'd.)**

	Group		Company	
	18 months for period ended 31/12/2018 RM	12 months for year ended 30/6/2017 RM	**18 months for period ended 31/12/2018 RM**	12 months for year ended 30/6/2017 RM
This is arrived at after crediting : -				
Dividends received from subsidiary companies	**-**	-	**-**	1,550,000
Gain on disposal of plant and equipment	**131**	-	**-**	-
Gain on foreign exchange - unrealised	**3,325,270**	2,882,787	**-**	-
Gain on foreign exchange - realised	**1,836,093**	3,330,054	**-**	-
Rental income	**447,302**	298,201	**-**	-
Reversal of impairment losses no longer required	**-**	6,338	**-**	-

26. **Employee benefits expense**

	Group		Group	
		Restated		
	18 months for period ended 31/12/2018 RM	12 months for year ended 30/6/2017 RM	**18 months for period ended 31/12/2018 RM**	12 months for year ended 30/6/2017 RM
Salaries, allowances and bonus	**10,443,818**	7,136,479	**638,466**	57,100
Employees Provident Fund	**578,902**	357,261	**77,486**	-
Employment Isurance System	**1,110**	-	**230**	-
Social security costs	**73,926**	49,410	**2,908**	-
Share based expenses	**-**	17,055	**-**	-
Other staff related expenses	**3,264,138**	1,047,616	**31,987**	-
	14,361,894	8,607,821	**751,077**	57,100

Included in employee benefits expense of the Group and of the Company are directors' emoluments excluding benefits-in-kind, amounting to RM450,000 (30/6/2017 – Nil) as disclosed in Note 27.

Notes to the Financial Statements
31 December 2018

27. Directors' remuneration

	Group		Company	
	18 months for period ended 31/12/2018 RM	12 months for year ended 30/6/2017 RM	**18 months for period ended 31/12/2018 RM**	12 months for year ended 30/6/2017 RM
Directors of the Company				
Executive directors				
- Fees	**6,000**	162,115	**6,000**	15,000
- Other emoluments	**450,000**	-	**450,000**	-
	456,000	162,115	**456,000**	15,000
Non-executive directors				
- Fees	**41,900**	882,100	**41,900**	162,100
Total excluding benefits-in-kind	**497,900**	1,044,215	**497,900**	177,100

28. Income tax expense

	Group		Company	
	18 months for period ended 31/12/2018 RM	Restated 12 months for year ended 30/6/2017 RM	**18 months for period ended 31/12/2018 RM**	12 months for year ended 30/6/2017 RM
Income tax				
- current financial year provision	**1,000,000**	661,333	**-**	12,657
- overprovision in previous financial year	**(17,802)**	-	**(22,826)**	-
	982,198	661,333	**(22,826)**	12,657
Deferred taxation (Note 15)	**2,790,000**	4,049,674	**-**	-
	3,772,198	4,711,007	**(22,826)**	12,657

Income tax is calculated at the Malaysian statutory tax rate of 24% (30/6/2017 – 24%) of the estimated assessable profit for the period /year.

28. **Income tax expense (Cont'd.)**

The numerical reconciliation between the effective tax rate and the applicable tax rate is as follows : -

	Group		Company	
		Restated		
	31/12/2018	30/6/2017	**31/12/2018**	30/6/2017
	%	%	**%**	%
Applicable tax rate	**24**	(24)	**(24)**	24
Tax effects of :				
- Non-allowable expenses	**12**	15	**24**	-
- Non-taxable income	**-**	(9)	**-**	(23)
- Depreciation on non-qualifying assets	**2**	-	**-**	-
- Overprovision of taxation in previous financial year	**(1)**	-	**(1)**	-
- Underprovision of deferred taxation in previous financial year	**-**	129	**-**	-
Effective tax rate	**37**	111	**(1)**	1

29. **Earnings /(Loss) per share**

Basic :

Basic earnings per share is calculated by dividing the profit /(loss) for the financial period /year attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial period /year.

	Group	
		Restated
	31/12/2018	30/6/2017
	RM	RM
Profit /(Loss) for the period /year attributable to ordinary equity holders of the Company	**6,306,124**	(476,174)
	Number of shares	
	Unit	Unit
Number of shares in issue at 1 July	**104,000,000**	100,000,000
Effect of ESOS	**-**	3,024,658
Weighted average number of ordinary shares in issue	**104,000,000**	103,024,658
Basic earnings per share (sen)	**6.06**	(0.46)

The Group had no dilutive potential ordinary shares during the current period and prior financial year.

30. Prior year adjustments

(a) The SC had vide their letter dated 21 May 2018 signified that the Company had breached Section 354(1)(a) of the Capital Markets and Services Act 2007 ("CMSA") read together with Regulation 4(1) of the Securities Industries (Compliance with Approved Accounting Standards) Regulations 1999 ("SIR") for failure to prepare and present the Group's and the Company's audited financial statements for the financial year ended 30 June 2015 ("AFS 2015") and 30 June 2016 ("AFS 2016") in accordance with approved accounting standards.

In this regard, pursuant to Section 354(3)(c) of the CMSA, SC had directed the Company to re-audit and re-issue the Group's and the Company's AFS 2015 and AFS 2016 accordingly. The prior years' adjustments represent the following : -

(i) Understatement of impairment on intangible assets for the financial year ended 30 June 2014

The financial statements for prior financial year have been restated to adjust for the impairment of trademarks amounting to RM800,000.

(ii) Over recognised of cost of sales for the financial year ended 30 June 2014 to 30 June 2016

The financial statements for prior financial years have been restated to adjust for the cost of sales and inventories amounting to RM5,186,748.

(iii) Over recognised of sales for the financial year ended 30 June 2014 to 30 June 2016

The financial statements for prior financial years have been restated to adjust for the sales and trade receivables amounting to RM3,262,617.

(iv) Written off of long outstanding other receivables and reversal the disposal of property and investment properties for the financial year ended 30 June 2015 and 30 June 2016 respectively

The financial statements for prior financial years have been restated to adjust the other receivables, assets held for sale and other payables amounting to RM12,670,480, RM11,884,736 and RM704,437 respectively.

(v) Understatement of share-based payment for the financial year ended 30 June 2014 to 30 June 2016

The financial statements for prior financial years have been restated to adjust for the understatement of the share-based payment amounting to RM2,148,898.

(vi) Understatement of share premium for the financial year ended 30 June 2014 to 30 June 2016

The financial statements for prior financial years have been restated to adjust for the transfer to share premium for share options amounting to RM2,148,898.

30. **Prior year adjustments (Cont'd.)**

(a) In this regard, pursuant to Section 354(3)(c) of the CMSA, SC had directed the Company to re-audit and re-issue the Group's and the Company's AFS 2015 and AFS 2016 accordingly. The prior years' adjustments represent the following : - (Cont'd.)

(vii) Understatement of revaluation reserves for the financial year ended 30 June 2014 and 30 June 2016

The financial statements for prior financial years have been restated to adjust for the revaluation amounting to RM1,381,093.

(viii) Overstatement of deferred tax liabilities for the financial year ended 30 June 2014 to 30 June 2016

The financial statements for prior financial years have been restated to adjust for the deferred tax amounting to RM3,238,809.

The prior year adjustments affecting the financial ended 30 June are as follows : -

		2014	2015	2016	Total
Group		RM	RM	RM	RM
Intangible assets	(i)	(800,000)	-	-	(800,000)
Inventories	(ii)	3,786,752	1,488,105	(88,109)	5,186,748
Trade receivables	(iii)	(4,303,127)	(963,884)	2,004,394	(3,262,617)
Other receivables	(iv)	-	(225,400)	(12,445,080)	(12,670,480)
Assets held for sale	(iv)	-	-	11,884,736	11,884,736
Other payables	(iv)	-	-	704,437	704,437
Amount due from					-
holding company	(v)	10,810	873,630	595,538	1,479,978
Share premium	(vi)	12,535	1,188,915	947,448	2,148,898
Share option reserves		8,165	(8,165)	-	-
Retained earnings		470,552	(1,839,059)	(2,877,494)	(4,246,001)
Revaluation reserves	(vii)	(1,039,875)	-	2,420,968	1,381,093
Deferred tax liabilities	(viii)	(756,942)	2,660,760	1,334,991	3,238,809
Company					
Investment in subsidiaries	(v)	9,890	307,120	351,910	668,920
Amount due from holding company	(v)	2,645	881,795	595,538	1,479,978
Share premium	(v)	12,535	1,188,915	947,448	2,148,898

30. **Prior year adjustments (Cont'd.)**

(b) In relation to the re-audit for the financial years ended 30 June 2015 and 30 June 2016, certain related amounts in financial year ended 30 June 2017 have been adjusted and restated accordingly as follows : -

	2017
Group	RM
Intangible assets	688,000
Inventories	(3,359,609)
Trade receivables	1,138,037
Other receivables	12,445,000
Amount due from holding company	134,545
Assets held for sale	(11,884,736)
Share premium	151,600
Retained earnings	1,430,272
Revaluation reserves	(5,256,807)
Deferred tax liabilities	2,131,738
Sales	1,138,037
Cost of sales	(3,359,609)
Administrative expenses	(17,055)
Other expenses	543,830
Income expenses	(2,408,412)
Company	
Investment in subsidiary companies	17,055
Amount due from holding company	134,545
Share premium	151,600

The prior year adjustments were made retrospectively to the financial statements of prior years are disclosed in Note 40 to the financial statements.

31. **Purchase of plant and equipment**

During the financial period /year, the Group and the Company made the following cash payments to purchase plant and equipment : -

	Group	
	18 months for period ended 31/12/2018 RM	12 months for year ended 30/6/2017 RM
Purchase of plant and equipment (Note 4)	**23,174,875**	1,831,048
Financed by finance lease arrangement	**(1,446,529)**	(1,034,946)
Cash payment on purchase of plant and equipment	**21,728,346**	796,102

32. **Cash and cash equivalents**

	Group		Company	
	31/12/2018	30/6/2017	**31/12/2018**	30/6/2017
	RM	RM	RM	RM
Cash and bank balances	**19,013,989**	8,639,548	**21,495**	1,579,518
Bank overdraft (Note 17)	**(1,483,948)**	-	**-**	-
	17,530,041	8,639,548	**21,495**	1,579,518

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

	Group	
	30/12/2018	30/6/2017
	RM	RM
US Dollar	**10,372**	2,416
Japanese Yen	**95,842**	-

33. **Segmental information**

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

33. **Segmental information (Cont'd.)**

Business segments

The Group comprises the following main business segments : -

Investment holding	Investment holding.
Manufacturing and trading	Manufacturing and trading of food and all related products.

There are varying levels of integration among the reportable segments. This integration includes transfers of raw materials, shared managed services and financial resources. Inter-segment pricing is determined on negotiated basis in a manner similar to transactions with third parties.

Performance is measured based on segment profit before tax, interest, depreciation and amortisation, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer (the chief operating decision maker). Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets and liabilities

The total of segment assets and liabilities are measured based on all assets and liabilities of a segment, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer.

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial period to acquire property, plant and equipment, and intangible assets other than goodwill.

Notes to the Financial Statements
31 December 2018

33. **Segmental information (Cont'd.)**

a) Business Segment

31/12/2018 Business Segments	Investment holding RM	Manufacturing and trading RM	Elimination RM	Total RM
Revenue				
Revenue from external customers	-	**258,633,486**	-	**258,633,486**
Total revenue	-	**258,633,486**	-	**258,633,486**
Results				
Segment results	**(2,531,124)**	**13,305,200**	-	**10,774,076**
Other operating income	-	**6,532,199**	-	**6,532,199**
Finance costs	-	**(7,227,953)**	-	**(7,227,953)**
Profit before taxation	**(2,531,124)**	**12,609,446**	-	**10,078,322**
Income tax expense	**22,826**	**(3,795,024)**	-	**(3,772,198)**
Profit for the financial period	**(2,508,298)**	**8,814,422**	-	**6,306,124**
Other information				
Segment assets	**105,096,015**	**326,963,349**	**(109,435,378)**	**322,623,986**
Segment liabilities	**400,155**	**267,399,747**	**(76,086,778)**	**191,713,124**
Non-cash expenses				
- Depreciation of property, plant and equipment	-	**8,494,298**	-	**8,494,298**
- Impairment loss on inventories	-	**1,046,609**	-	**1,046,609**
- Impairment loss on intangible assets	-	**200,000**	-	**200,000**
- Impairment loss on trade receivables	-	**981,699**	-	**981,699**
- Other receivables and deposits written off	-	**1,326,362**	-	**1,326,362**
- Plant and equipment written off	-	**154,024**	-	**154,024**
- Unrealised loss on foreign exchange	-	**154,763**	-	**154,763**

33. **Segmental information (Cont'd.)**

a) Business Segment (Cont'd.)

31/12/2018 Business Segments	Investment holding RM	Manufacturing and trading RM	Elimination RM	Total RM
Other information				
Non-cash income				
- Gain on disposal of plant and equipment	**-**	**(131)**	**-**	**(131)**
- Gain on foreign exchange - unrealised	**-**	**(3,325,270)**	**-**	**(3,325,270)**
Included in the measure of segment assets are : -				
Additions to non-current assets other than financial instruments and deferred tax assets	**-**	**23,174,875**	**-**	**23,174,875**

33. **Segmental information (Cont'd.)**

a) Business Segment (Cont'd.)

30/6/2017 Business Segments	Investment holding RM	Manufacturing and trading RM	Elimination RM	Total RM
Revenue				
Revenue from external customers	-	143,982,046	-	143,982,046
Inter-segment revenue	1,550,000	-	(1,550,000)	-
Total revenue	1,550,000	143,982,046	(1,550,000)	143,982,046
Results				
Segment results	1,068,629	1,542,264	(1,520,673)	1,090,220
Other operating income	-	7,049,353	-	7,049,353
Finance costs	-	(3,904,740)	-	(3,904,740)
Profit before taxation	1,068,629	4,686,877	(1,520,673)	4,234,833
Income tax expense	(12,657)	(4,698,350)	-	(4,711,007)
Profit for the financial year	1,055,972	(11,473)	(1,520,673)	(476,174)
Other information				
Segment assets	108,492,772	249,844,944	(109,576,113)	248,761,603
Segment liabilities	248,614	169,372,611	(76,227,513)	93,393,712
Non-cash expenses				
- Depreciation of property, plant and equipment	-	5,879,238	-	5,879,238
- Impairment loss on inventories	-	2,668,219	-	2,668,219
- Loss on disposal of assets held for sale	-	144,170	-	144,170
Non-cash income				
- Gain on foreign exchange - unrealised	-	(2,882,787)	-	(2,882,787)
- Reversal of impairment loss on trade receivables	-	(6,338)	-	(6,338)
Included in the measure of segment assets are : -				
Additions to non-current assets other than financial instruments and deferred tax assets	-	1,831,048	-	1,831,048

33. **Segmental information (Cont'd.)**

b) Geographical segment

The manufacturing and trading operations are based not only in Malaysia but also spread throughout the rest of Asia, Europe, Africa and Middle East.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers whereas segment assets are based on the geographical location of assets.

	Revenue		Segment assets	
	18 months for period ended 31/12/2018 RM	12 months for year ended 30/6/2017 RM	**31/12/2018 RM**	30/6/2017 RM
Malaysia	**176,233,343**	69,323,807	**322,623,986**	248,761,603
Rest of Asia	**64,158,923**	59,640,840	**-**	-
Europe	**2,004,371**	1,555,443	**-**	-
Africa	**15,821,949**	10,756,296	**-**	-
Middle East	**414,900**	2,705,660	**-**	-
	258,633,486	143,982,046	**322,623,986**	248,761,603

The following are the major customers with revenue equal or more than 10% of the Group's total revenue : -

	Revenue		Segment
	18 months for period ended 31/12/2018 RM	12 months for year ended 30/6/2017 RM	
Customer A	**64,515,856**	36,765,467	Manufacturing and trading
Customer B	**56,798,110**	24,069,643	Manufacturing and trading
Customer C	**30,516,962**	16,352,967	Manufacturing and trading
Customer D	**-**	15,840,137	Manufacturing and trading

34. **Financial instruments**

a) Categories of financial instruments

The table below provides an analysis of financial instruments categorised under MFRS 9 as follows : -

(i) Financial assets measured at amortised cost ("FAAC");
(ii) Financial liabilities measured at amortised cost ("FLAC").

Group	Carrying amount RM	FAAC RM	FLAC RM
31/12/2018			
Financial assets			
Trade receivables	**114,235,263**	**114,235,263**	**-**
Other receivables	**295,488**	**295,488**	**-**
Cash and bank balances	**19,013,989**	**19,013,989**	**-**
	133,544,740	**133,544,740**	**-**
Financial liabilities			
Trade payables	**(14,108,514)**	**-**	**(14,108,514)**
Other payables and accruals	**(81,734,954)**	**-**	**(81,734,954)**
Bankers' acceptances	**(77,145,117)**	**-**	**(77,145,117)**
Bank overdraft	**(1,483,948)**	**-**	**(1,483,948)**
Finance lease liabilities	**(5,717,648)**	**-**	**(5,717,648)**
	(180,190,181)	**-**	**(180,190,181)**
Company			
Financial assets			
Other receivables	**1,037**	**1,037**	**-**
Amount due from a subsidiary company	**71,719,378**	**71,719,378**	**-**
Cash and bank balances	**21,495**	**21,495**	**-**
	71,741,910	**71,741,910**	**-**
Financial liability			
Other payables and accruals	**(394,212)**	**-**	**(394,212)**

34. **Financial instruments (Cont'd.)**

a) The table below provides an analysis of financial instruments categorised under MFRS 139 as follows : -

(i) Loans and receivables ("L&R");
(ii) Financial liabilities measured at amortised cost ("FL").

Group	Carrying amount RM	L&R RM	FL RM
30/6/2017			
Financial assets			
Trade receivables	60,083,690	60,083,690	-
Other receivables	2,990,076	2,990,076	-
Cash and bank balances	8,639,548	8,639,548	-
	71,713,314	71,713,314	-
Financial liabilities			
Trade payables	(15,333,695)	-	(15,333,695)
Other payables and accruals	(2,709,176)	-	(2,709,176)
Bankers' acceptances	(54,153,000)	-	(54,153,000)
Term loan	(266,667)	-	(266,667)
Finance lease liabilities	(12,054,855)	-	(12,054,855)
	(84,517,393)	-	(84,517,393)

Company	Carrying amount RM	L&R RM	FL RM
30/6/2017			
Financial assets			
Other receivables	1,615,560	1,615,560	-
Amount due from a subsidiary company	71,949,094	71,949,094	-
Cash and bank balances	1,579,518	1,579,518	-
	75,144,172	75,144,172	-
Financial liability			
Other payables and accruals	(227,845)	-	(227,845)

34. **Financial instruments (Cont'd.)**

b) Financial risk management

The Group has exposure to the following risks from its use of financial instruments as follows : -

- Credit risk
- Liquidity and cash flow risk
- Market risk
- Operational risk

i) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries. The Group also has an internal credit review which is conducted if the credit risk is material. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

<u>Receivables</u>

Risk management objectives, policies and processes for managing the risk
The credit risk is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high credit worthiness. The Group also has an internal credit review which is conducted if the credit risk is material. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

Exposure to credit risk, credit quality and collateral
As at 31 December 2018, the Group has significant concentration of credit risk in the form of outstanding balance of approximately RM89,000,000 due from five trade receivables which represents 78% of the total trade receivables of the Group. However, the directors are of the opinion that these amount outstanding is fully recoverable. Credit risk and receivables are monitored on an ongoing basis. These procedures substantially mitigate credit risk of the Group.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any past due receivables having significant balances, which are deemed to have higher credit risk, are monitored individually.

The trade receivables are not secured by any collateral or supported by any other credit enhancements.

34. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

i) Credit risk (Cont'd.)

<u>Receivables (Cont'd.)</u>

Expected credit losses ("ECL") assessment for trade receivables as at 1 July 2017 and 31 December 2018

The Group use an allowance matrix to measure the ECLs of trade receivables from individual customers.

To measure the expected credit losses, trade receivables have been grouped based on credit risk and days past due.

Where a trade receivable has a low credit risk, it is excluded from the allowance matrix and its ECL is assessed individually by considering historical payment trends and financial strength of the receivable.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2018 : -

Group	Gross RM	Loss allowance RM	Net RM
Not past due	**86,386,271**	**(1,179,580)**	**85,206,691**
Past due 1-30 days	**8,672,437**	**(1,221,841)**	**7,450,596**
Past due 31-60 days	**12,520,591**	**(706,086)**	**11,814,505**
Past due 61-90 days	**4,735,949**	**(1,725,111)**	**3,010,838**
Past due 91-120 days	**4,282,226**	**(607,868)**	**3,674,358**
Past due 121-150 days	**4,458,701**	**(1,921,808)**	**2,536,893**
Past due 151-180 days	**3,296,554**	**(3,003,450)**	**293,104**
Past due over 180 days	**20,587,386**	**(20,339,108)**	**248,278**
	144,940,115	**(30,704,852)**	**114,235,263**

34. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

i) Credit risk (Cont'd.)

Receivables (Cont'd.)

Comparative under MFRS 139 Financial Instruments

An analysis of the credit quality of trade receivables that were neither past due nor impaired and the aging of trade receivables that were past due but not impaired as at 30 June 2017 is as follows : -

Group	Gross RM	Individual impairment RM	Net RM
Not past due	51,795,970	-	51,795,970
Past due 1-30 days	3,662,032	-	3,662,032
Past due 31-60 days	-	-	-
Past due 61-90 days	-	-	-
Past due 91-120 days	-	-	-
Past due 121-150 days	-	-	-
Past due 151-180 days	-	-	-
Past due over 180 days	4,625,688	-	4,625,688
	60,083,690	-	60,083,690

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

The aging of trade receivables as at 30 June 2017 was as follows : -

	Restated 30/6/2017 RM
At 1 July	6,338
Reversal of impairment loss on trade receivables	(6,338)
At 30 June	-

34. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

i) Credit risk (Cont'd.)

Receivables (Cont'd.)

Movements in the allowance for impairment losses in respect of trade receivables

On the date of initial application of MFRS 9, there was no adjustment on the ending balance of the allowance for impairment losses reported under the previous MFRS 139 to derive the opening balance allowance for impairment losses determined in accordance with MFRS 9.

The movement in the allowance for impairment losses in respect of trade receivables during the financial period is as follows : -

Group	**31/12/2018 RM**
Balance at 1 July as per MFRS 139	**-**
Adjustments on initial application of MFRS 9	**29,723,153**
Balance at 1 July as per MFRS 9	**29,723,153**
Net measurement of loss allowance	**981,699**
Balance at 31 December	**30,704,852**

The allowance in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the trade receivable directly.

Comparative amounts for 2017 represent the allowance for impairment losses under MFRS 139, Financial Instruments.

Expected credit loss of other receivables

Expected credit loss of other receivables is determined individually after considering the financial strength of the other receivables. Based on management's assessment, the probability of the default of these receivables is low and hence, no loss allowance has been made.

34. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

i) Credit risk (Cont'd.)

Financial guarantees

Risk management objectives, policies and processes for managing the risk
The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

Exposure to credit risk, credit quality and collateral
The maximum exposure to credit risk amounts to RM71,746,218 (30/6/2017 – RM59,267,556) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

ii) Liquidity and cash flow risks

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

34. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

ii) Liquidity and cash flow risks (Cont'd.)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments : -

Group	Carrying amount	Effective interest rate	Contractual cash flows	Under 1 year	1 - 2 years	2 - 5 years	More than 5 years
	RM	%	RM	RM	RM	RM	RM
31/12/2018							
Non-derivative financial liabilities							
Trade payables	**14,108,514**	**-**	**14,108,514**	**14,108,514**	**-**	**-**	**-**
Other payables and accruals	**81,734,954**	**-**	**81,734,954**	**81,734,954**	**-**	**-**	**-**
Bankers' acceptances	**77,145,117**	**4.43-6.95**	**77,145,117**	**77,145,117**	**-**	**-**	**-**
Bank overdraft	**1,483,948**	**1.25**	**1,483,948**	**1,483,948**	**-**	**-**	**-**
Finance lease liabilities	**5,717,648**	**2.41-6.60**	**6,354,288**	**2,541,659**	**2,084,623**	**1,635,462**	**92,544**
	180,190,181		**180,826,821**	**177,014,192**	**2,084,623**	**1,635,462**	**92,544**

34. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

ii) Liquidity and cash flow risks (Cont'd.)

Maturity analysis

Group	Carrying amount RM	Effective interest rate %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
30/6/2017							
Non-derivative financial liabilities							
Trade payables	15,333,695	-	15,333,695	15,333,695	-	-	-
Other payables and accruals	2,709,179	-	2,709,179	2,709,179	-	-	-
Bankers' acceptances	54,153,000	4.46-5.53	54,153,000	54,153,000	-	-	-
Term loans	266,667	5.53	266,667	266,667	-	-	-
Finance lease liabilities	12,054,855	2.41-6.60	13,168,250	7,098,663	2,567,879	3,501,708	-
	84,517,396		85,630,791	79,561,204	2,567,879	3,501,708	-

34. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

ii) Liquidity and cash flow risks (Cont'd.)

Company	Carrying amount	Effective interest rate	Contractual cash flows	Under 1 year
		%		
31/12/2018				
Non-derivative financial liabilities				
Other payables and accruals	**394,212**	**-**	**394,212**	**394,212**
30/6/2017				
Non-derivative financial liabilities				
Other payables and accruals	227,845	-	227,845	227,845

iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's financial position or cash flows. Other than interest rates risk and foreign exchange rate risk, the Group is not expose to other prices risk.

Currency risk

The Group is exposed to foreign currency risk on sales that are denominated in a currency other than the respective functional currency of Group entities. The currency giving rise to this risk were primarily Australian Dollar ("AUD"), Singapore Dollar ("SGD"), U. S. Dollar ("USD"), Hong Kong Dollar ("HKD"), Thai Baht ("THB"), Japanese Yen ("JPY"), Euro ("Euro"), and Indonesian Rupiah ("IDR").

Risk management objectives, policies and processes for managing the risk
The Group is closely monitoring the foreign currency risk on an ongoing basis to ensure that the net exposure is at acceptable level. On occasion, the Group enters into forward foreign currency contracts to hedge against its foreign currency risk.

34. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

iii) Market risk (Cont'd.)

Exposure to foreign currency risk
The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was : -

	31/12/2018	30/6/2017
	RM	RM
Trade receivables (Note 9)		
- Australian Dollar	**4,970**	6,399
- Euro	**1,756,536**	1,232,508
- Hong Kong Dollar	**283,443**	9,557,623
- Indonesian Rupiah	**349,672**	782,962
- Japanese Yen	**4,629,782**	8,067,141
- Singapore Dollar	**26,112**	-
- Thai Baht	**163,063**	185,716
- US Dollar	**29,429,740**	27,838,138
Cash and bank balances (Note 32)		
- US Dollar	**10,372**	2,416
- Japanese Yen	**95,842**	-

Currency risk sensitivity analysis
A 5% strengthening of RM against the following currencies at the end of the reporting period would have increased /(decreased) equity and post-tax profit or loss by the amount shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonable possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remained constant.

34. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

iii) Market risk (Cont'd.)

Currency risk sensitivity analysis (Cont'd.)

	31/12/2018		30/6/2017	
Group	**Equity RM**	**Profit for the period RM**	Equity RM	Loss for the year RM
Increase	**1,832,166**	**1,832,166**	2,383,645	2,383,645

A 5% of weakening of RM against the above foreign currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amount shown above, on the basis that all other variables remained constant.

Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes interest rates. Short term investment such as deposits with licensed bank are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk
The Group's policy is to borrow principally on the floating rate basis but to retain a proportion of fixed rate debt. The objectives for the mix between fixed and floating rate borrowings are set to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rates fall.

34. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

iii) Market risk (Cont'd.)

Interest rate risk (Cont'd.)

Exposure to interest rate risk
The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was : -

	Group	
		Effective interest rate
31/12/2018		
	RM	**%**
Fixed rate instruments		
Finance lease liabilities	**(5,717,648)**	**2.41-6.60**
Floating rate instruments		
Bankers' acceptances	**(77,145,117)**	**4.43-6.95**
Bank overdraft	**(1,483,948)**	**1.25**
30/6/2017		
Fixed rate instruments		
Finance lease liabilities	(12,054,855)	2.41-6.60
Floating rate instruments		
Bankers' acceptances	(54,153,000)	4.46-5.53
Term loans	(266,667)	5.53

34. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

iii) Market risk (Cont'd.)

Interest rate risk (Cont'd.)

Interest rate risk sensitivity analysis : -
Fair value sensitivity analysis for fixed rate instruments
The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change on interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments
At the reporting date, if interest rates had been 100 basis points lower/higher, with all other variables held constant, the Group's loss net of tax would have been RM78,629 higher/lower, arising mainly as a result of lower/higher interest expense on floating rate borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

iv) Operational risk

The operational risk arises from the daily activities of the Group which includes legal, credit reputation and financing risk and other risks associated to daily running of its business operations.

Such risks are mitigated through proper authority levels of approval limits, clear reporting structure, segregation of duties, policies and procedures implemented and periodic management meetings.

In dealing with its stewardship, the directors recognise that effective risk management is an integral part of good business practice.

The directors will pursue an ongoing process of identifying, assessing and managing key business areas, overall operational and financial risks faced by the business units as well as regularly reviewing and enhancing risk mitigating strategies with its appointed and key management personnel.

34. **Financial instruments (Cont'd.)**

c) Fair value information

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

Group	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
31/12/2018	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Financial liabilities										
Finance lease liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**4,892,634**	**4,892,634**	**4,892,634**	**5,717,648**
30/6/2017										
Financial liabilities										
Term loan	-	-	-	-	-	-	254,283	254,283	254,283	266,667
Finance lease liabilities	-	-	-	-	-	-	10,429,245	10,429,245	10,429,245	12,054,855
	-	-	-	-	-	-	10,683,528	10,683,528	10,683,528	12,321,522

34. **Financial instruments (Cont'd.)**

c) Fair value information

The following shows the valuation techniques used in the determination of fair values within Level 3 for financial instruments not carried at fair value, as well as the key unobservable inputs used in the valuation models.

Type	Description of valuation technique and inputs used
Bank borrowing	Discounted cash flows using a rate based on the current market rate of borrowing of the respective Group entities at the reporting date.

35. **Capital management**

The overall capital management objective of the Group is to safeguard its ability to continue as a going concern so as to provide fair returns to owners and benefits to other stakeholders. In order to meet this objective, the Group always strives to maintain an optimal capital structure to reduce the cost of capital and sustain its business development.

The Group considers its total equity to be the key component of its capital structure and may, from time to time, adjust the dividend payouts, purchase own shares, issue new shares, redeem debts or sell assets, where necessary, to maintain an optimal capital structure. Management has not formulated any formal policies and processes for monitoring the Group's capital in view of its simple structure. Nevertheless, management will always strive to improve those policies and processes whenever the need arises.

36. **Contingent liabilities**

	Company	
	31/12/2018	30/6/2017
	RM	RM
Unsecured		
Corporate guarantees issued to bank for bank facilities granted to : -		
- subsidiary companies	**71,746,218**	59,267,556

The directors are of the opinion that adequate allowance has been made in the financial statements for any possible liabilities.

37. **Related parties**

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain members of the senior management of the Group.

The Group has related party relationship with its subsidiaries, Directors and key management personnel.

Significant related party transactions

Related party transactions have been entered into the normal course of business under normal trade terms. The significant related party transactions of the Group and of the Company are show below. The related party balances are shown in Note 6,9 and 21 to the financial statements.

a) Related party /companies transactions : -

i) Transactions with a company in which is a major corporate shareholder with a common director in the Company : -

	Group	
	18 months for period ended 31/12/2018	12 months for year ended 30/6/2017
Sales		
- London Biscuits Berhad	**56,798,110**	36,765,467
Purchases		
- London Biscuits Berhad	**71,889,281**	1,505,685
Rental income		
- London Biscuits Berhad	**447,302**	298,201

37. **Related parties (Cont'd.)**

a) Related party /companies transactions : - (Cont'd.)

ii) Significant related company transactions in the financial statements are as follows : -

This transaction has been entered in the normal course of business and established under negotiated terms.

	Company	
	18 months for period ended 31/12/2018 RM	12 months for year ended 30/6/2017 RM
Gross dividend income received from subsidiary companies		
- Khee San Food Industries Sdn. Bhd.	**-**	1,550,000

b) Compensation of key management personnel

The remuneration paid by the Group and the Company to key management personnel during the year are as follows : -

	Group		Company	
	18 months for period ended 31/12/2018 RM	12 months for year ended 30/6/2017 RM	**18 months for period ended 31/12/2018 RM**	12 months for year ended 30/6/2017 RM
Short-term employee benefits	**497,900**	1,044,215	**497,900**	177,100

Included in the total key management personnel are : -

	Group		Company	
	18 months for period ended 31/12/2018 RM	12 months for year ended 30/6/2017 RM	**18 months for period ended 31/12/2018 RM**	12 months for year ended 30/6/2017 RM
Directors' remuneration (Note 27)				
- Directors of the Company	**497,900**	1,044,215	**497,900**	177,100

38. **Rental commitment**

As at the reporting date, the company has rental commitment in respect of rental of premises and machineries as follows : -

	Group	
	31/12/2018	30/6/2017
	RM	RM
Not later than one year	**860,928**	905,328
Later than one year but not later than two years	**860,928**	863,928
	1,721,856	1,769,256

39. **Capital commitment**

	Group	
	31/12/2018	30/6/2017
Authorised and contracted for		
- plant and equipment	**RM351,490**	-

40. **Comparative figures**

a) The following comparative figures have been reclassified and restated to conform with the current period's presentation and to reflect the impacts due to the prior year adjustments as disclosed in Note 30 to the financial statements : -

Group	As previously reported RM	< Effects of prior year adjustments > Note 30(a) RM	Note 30(b) RM	Reclassification RM	As restated RM
Statement of Financial Position At 30 June 2017					
Non-current Asset					
Intangible assets	912,000	(800,000)	688,000	-	800,000
Current Assets					
Inventories	10,279,069	5,186,748	(3,359,609)	-	12,106,208
Trade receivables	61,551,034	(3,262,617)	1,138,037	657,236	60,083,690
Other receivables	3,230,116	(12,670,480)	12,445,000	1,614,523	4,619,159
Amount due from holding company	-	1,479,978	134,545	(1,614,523)	-
Amount due from related					-
company	657,236	-	-	(657,236)	-
Assets held for sale	-	11,884,736	(11,884,736)	-	-
Equity					
Share premium	-	2,148,898	151,600	-	2,300,498
Retained earnings	46,738,415	(4,246,001)	1,430,272	-	43,922,686
Revaluation reserves	26,464,120	1,381,093	(5,256,807)	-	22,588,406

40. **Comparative figures (Cont'd.)**

a) The following comparative figures have been reclassified and restated to conform with the current period's presentation and to reflect the impacts due to the prior year adjustments as disclosed in Note 30 to the financial statements : - (Cont'd.)

Group	As previously reported	< Effects of prior year adjustments > Note 30(a)	Note 30(b)	Reclassification	As restated
	RM	RM	RM		RM
Statement of Financial Position At 30 June 2017					
Non-current Liability					
Deferred tax liabilities	3,356,453	3,238,809	2,131,738	-	8,727,000
Statement of profit or loss and other comprehensive income					
Sales	142,844,009	-	1,138,037	-	143,982,046
Cost of sales	(122,618,411)	-	(3,359,609)	-	(125,978,020)
Distribution cost	(8,518,459)	-	-	-	(8,518,459)
Administrative expenses	(8,794,857)	-	(17,055)	3,966,048	(4,845,864)
Other expenses	-	-	543,830	(3,966,048)	(3,422,218)
Income tax expenses	(2,302,595)	-	(2,408,412)	-	(4,711,007)

40. **Comparative figures (Cont'd.)**

a) The following comparative figures have been reclassified and restated to conform with the current period's presentation and to reflect the impacts due to the prior year adjustments as disclosed in Note 30 to the financial statements : - (Cont'd.)

Company	As previously reported	< Effects of prior year adjustments > Note 30(a)	Note 30(b)	Reclassification	As restated
	RM	RM	RM		RM
Statement of Financial Position At 30 June 2017					
Non-current Asset					
Investment in subsidiary companies	32,662,625	668,920	17,055	-	33,348,600
Current Assets					
Amount due from holding company	-	1,479,978	134,545	(1,614,523)	-
Other receivables, deposits and prepayments	1,037	-	-	1,614,523	1,615,560
Equity					
Share premium	-	2,148,898	151,600	-	2,300,498

40. **Comparative figures (Cont'd.)**

a) The following comparative figures have been reclassified and restated to conform with the current period's presentation and to reflect the impacts due to the prior year adjustments as disclosed in Note 30 to the financial statements : - (Cont'd.)

Group	As previously reported	Effects of prior year adjustments Note 30(a)	Reclassification	As restated
	RM	RM	RM	RM
Statement of Financial Position At 1 July 2016				
Non-current Assets				
Intangible asets	1,600,000	(800,000)	-	800,000
Current Assets				
Inventories	10,626,942	5,186,748	-	15,813,690
Trade receivables	53,569,208	(3,262,617)	-	50,306,591
Other receivables	16,846,630	(12,670,480)	(1,500,483)	2,675,667
Amount due from holding company	-	1,479,978	-	1,479,978
Assets held for sales	-	11,884,736	-	11,884,736
Equity				
Share premium	-	2,148,898	-	2,148,898
Retained earnings	44,151,380	(4,246,001)	-	39,905,379
Revaluation reserves	26,464,120	1,381,093	-	27,845,213
Non-current Liabilities				
Deferred tax liabilities	1,715,191	3,238,809	-	4,954,000

40. **Comparative figures (Cont'd.)**

a) The following comparative figures have been reclassified and restated to conform with the current year's presentation and to reflect the impacts due to the prior year adjustments as disclosed in Note 30 to the financial statements : - (Cont'd.)

Group	As previously reported RM	Effects of prior year adjustments Note 30(a) RM	Reclassification RM	As restated RM
Current Liabilities				
Other payables and accruals	4,883,135	704,437	(1,500,483)	4,087,089
Company				
Statement of Financial Position At 1 July 2016				
Non-current Asset				
Investment in subsidiary companies	32,691,952	668,920	-	33,360,872
Current Asset				
Amount due from holding company	-	1,479,978	-	1,479,978
Equity				
Share premium	-	2,148,898	-	2,148,898

41. **Change of accounting year**

The Company changed its accounting year ended from 30 June to 31 December.

42. **Significant events**

a) Securities Commission Malaysia ("SC") had vide their letter dated 21 May 2018 ("SC letter") reprimanded the Company and its Directors at the material time for breach of Section 354(1)(a) of the Capital Markets and Services Act 2007 ("CMSA") read together with Regulation 4(1) of the Securities Industry (Compliance with Approved Accounting Standards) Regulations 1999.

The SC sanctions arose as a result of its findings that the Company had failed to comply with the relevant Malaysian Financial Reporting Standards ("MFRS") extended to various distinct areas within the financial years ended 30 June 2015 ("AFS 2015") and 30 June 2016 ("AFS 2016").

Pursuant to Section 354(3)(c) of the CMSA, SC has directed the Company to rectify and re-issue Khee San's AFS 2015 and AFS 2016, seek appropriate independent professional advice to reconstitute an effective Audit Committee ("AC") and address its Financial Reporting Function.

b) The non-compliance to MFRS highlighted in the SC letter are tabled as follows : -

No.	Area of disclosure	MFRS	Nature of non-compliance
1.	Segmental reporting	Paragraph 33, MFRS 8 Operating Segments ("MFRS 8")	Failure to disclose in AFS 2015 and AFS 2016 the revenue breakdown by geographical segment
		Paragraph 34, MFRS 8	Failure to disclose in AFS 2015 and AFS 2016 KHEESAN's reliance on major customer
2.	Employees' Share Option Scheme ("ESOS")	Paragraph 44, MFRS 2 Share Based Payment ("MFRS 2")	Incorrect disclosure in AFS 2015 on the movement of ESOS and share capital which wrongly included the amount of Private Placement (as defined below)
		Paragraph 46, MFRS 2	Non-disclosure in AFS 2015 and AFS 2016 of the fair value ("FV") of ESOS options granted and assumptions used to arrive at the FV of ESOS options granted
		Paragraph 10, MFRS 2	The FV of ESOS options granted in AFS 2015 and AFS 2016 was measured without a basis that is in accordance to the parameters set out in MFRS 2

42. **Significant events (Cont'd.)**

c) The non-compliance to MFRS highlighted in the SC letter are tabled as follows : - (Cont'd.)

No.	Area of disclosure	MFRS	Nature of non-compliance
3.	Private Placement	Paragraph 15 and 106(d), MFRS 101 Presentation of Financial Statements ("MFRS 101") Paragraph 21, MFRS 107 Statement of Cash Flows Paragraph 49(a), MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors ("MFRS 108")	Non-disclosure in AFS 2015 of the issuance of 6.9 million new shares ("Private Placement") in the Notes to the Accounts and Statement of Changes in Equity Non-disclosure in AFS 2015 of cash proceeds raised from the Private Placement exercise Non-disclosure in AFS 2016 on the nature of the prior error in AFS 2015 i.e. rectification of Statement of Changes in Equity and Statement of Cash Flows in relation to the Private Placement
4.	Trade receivables – aging analysis	Paragraph 31, MFRS 7 Financial Instruments Disclosure Paragraph 49(a) MFRS 108	Misrepresentation of the aging analysis for FYE 2015 in Note 10 of the AFS 2015 Non-disclosure in AFS 2016 on nature of the prior period error i.e. correction of aging analysis of its trade receivables for FYE 2015 in AFS 2016
5.	Intangible assets ("IA") – Assessments of indefinite useful life	Paragraph 88, MFRS 138 Intangible Assets ("MFRS 138") Paragraph 122, MFRS 138	Assessment of the useful life of the IA in AFS 2015 and AFS 2016 was not done in accordance to the parameters set MFRS 138 Failure to disclose in AFS 2015 and AFS 2016 the reasons supporting the assessment of an indefinite useful life of the IA
6.	IA – Impairment assessment	Paragraph 33, MFRS 136 Impairment of Assets Paragraph 134, MFRS 136	The impairment testing for IA in AFS 2015 and AFS 2016 was based on unreasonable and unsupported assumptions Non-disclosure in AFS 2015 and AFS 2016 of the key assumptions used to support the non-impairment of the IA

42. **Significant events (Cont'd.)**

d) On 26 April 2019, the Company announced that the re-audit of AFS 2015 and AFS 2016 was duly completed on 18 April 2019. AFS 2015 and AFS 2016 were approved by the Board of Directors on the same day.

43. **Changes in accounting policy**

During the financial year, the Group adopted MFRS 15, Revenue from Contracts with Customers and MFRS 9, Financial Instruments on their financial statements. The Group generally applied the requirements of these accounting standards retrospectively with practical expedients and transitional exemptions as allowed by the standards. Nevertheless, as permitted by MFRS 9, the Group have elected not to restate the comparatives.

i) Impacts on financial statements

The following table summarise the impacts arising from the adoption of MFRS 9 on the Group's financial statements.

Consolidation Statement of Financial Position

Group		1 July 2017	
	As previously reported after prior year adjustment and reclassification RM	MFRS 9 adjustments RM	As restated RM
Trade receivables	60,083,690	(29,723,153)	30,360,537
Retained earnings	43,922,686	(29,723,153)	14,199,533

ii) Accounting for financial instruments

a) **Transition**

In the adoption of MFRS 9, the following transitional exemptions as permitted by the standard have been adopted : -

i) The Group have not restated comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of MFRS 9 are recognised in retained earnings and reserves as at 1 July 2017. Accordingly, the information presented for 2017 does not generally reflect the requirements of MFRS 9, but rather those of MFRS 139, Financial Instruments: Recognition and Measurement.

43. **Changes in accounting policy (Cont'd.)**

ii) Accounting for financial instruments (Cont'd.)

a) **Transition (Cont'd.)**

i) The following assessments have been made based on the facts and circumstances that existed at the date of initial application : -

- the determination of the business model within which a financial asset is held;
- the designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and
- the designation of certain investments in equity instruments not held for trading as at FVOCI.

ii) If an investment in a debt security had low credit risk at date of initial application of MFRS 9, the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

iii) Loss allowance for receivables (other than trade receivables) is recognised at an amount equal to lifetime expected credit losses until the receivable is derecognised.

43. **Changes in accounting policy**

ii) Accounting for financial instruments (Cont'd.)

b) **Classification of financial assets and financial liabilities upon adoption of MFRS 9**

The following table shows the initial measurement under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Group's and the Company's financial assets and liabilities as at 1 July 2017 based on the business model assessment done.

Group	Classification under MFRS 139	New classification under MFRS 9	Carrying amount under MFRS 139 RM	Carrying amount under MFRS 9 RM
Financial assets				
Trade receivables	Loans and receivables	Amortised cost	60,083,690	60,083,690
Other receivables	Loans and receivables	Amortised cost	2,900,076	2,900,076
Cash and bank balances	Loans and receivables	Amortised cost	8,639,548	8,639,548
Financial liabilities				
Trade payables	Financial liabilities measured at amortised cost	Financial liabilities measured at amortised cost	(15,333,695)	(15,333,695)
Other payables and accruals	Financial liabilities measured at amortised cost	Financial liabilities measured at amortised cost	(2,709,176)	(2,709,176)
Borrowings	Financial liabilities measured at amortised cost	Financial liabilities measured at amortised cost	(66,474,522)	(66,474,522)

43. **Changes in accounting policy**

ii) Accounting for financial instruments (Cont'd.)

b) **Classification of financial assets and financial liabilities upon adoption of MFRS 9**

The following table shows the initial measurement under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Group's and the Company's financial assets and liabilities as at 1 July 2017 based on the business model assessment done.

Company	Classification under MFRS 139	New classification under MFRS 9	Carrying amount under MFRS 139 RM	Carrying amount under MFRS 9 RM
Financial assets				
Amount due from a subsidiary company	Loans and receivables	Amortised cost	71,949,094	71,949,094
Other receivables	Loans and receivables	Amortised cost	1,615,560	1,615,560
Cash and bank balances	Loans and receivables	Amortised cost	1,579,518	1,579,518
Financial liability				
Other payables and accruals	Financial liabilities measured at amortised cost	Financial liabilities measured at amortised cost	(227,845)	(227,845)

Trade and other receivables, amount due from a subsidiary company and cash and bank balances are reclassified from loan and receivables to amortised cost under MFRS 9.

Statement by Directors

Pursuant to Section 251(2) of the Companies Act, 2016

We, Dato' Sri Liew Yew Chung, SSAP, DIMP and Edward Tan Juan Peng, being two of the directors of Khee San Berhad, do hereby state that, in the opinion of the directors, the financial statements set out on pages 13 to 113 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2018 and of the results and the cash flows of the Group and of the Company for the financial period ended on that date.

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

Dato' Sri Liew Yew Chung, SSAP, DIMP

Edward Tan Juan Peng

Kuala Lumpur,
Date : 6 May 2019

Statutory Declaration

Pursuant to Section 251(1)(b) of the Companies Act, 2016

I, Yap Chun Chih, NRIC: 810623-05-5169, being the officer primarily responsible for the financial management of Khee San Berhad, do solemnly and sincerely declare that the financial statements set out on pages 13 to 113, to the best of my knowledge and belief, are 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 at Kuala Lumpur on 6 May 2019

Yap Chun Chih
MIA No. 34178

Before me

D. Selvaraj (W 320)
Commissioner for Oaths

(304376-A)
KHEE SAN BERHAD
Lot 1819-1824,Jalan Kolej, 43300
Seri Kembangan,Selangor,Malaysia.
(603) 8943 1390
(603) 8943 1351
Email : info@kheesanfood.com
Website : www.kheesanfood.com

KHEE SAN BERHAD

(Incorporated in Malaysia)
Company No. 304376-A

REPORTS & FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

KRESTON JOHN & GAN
Chartered accountants
(Firm No. AF 0113)

KHEE SAN BERHAD

(Company No: 304376-A)
(Incorporated in Malaysia)

ANNUAL REPORT 2015

TO ALL SHAREHOLDERS OF KHEE SAN BERHAD

Reference is made to the Annual Report 2015 which contained the Audited Financial Statements for the financial year ended 30 June 2015 that was submitted to Bursa Malaysia Securities Berhad on 20 October 2015.

The Securities Commission Malaysia ("SC") had vide their letter dated 21 May 2018 signified that the Company had breached Section 354(1)(a) of the Capital Markets and Services Act 2007 ("CMSA") read together with Regulation 4(1) of the Securities Industries (Compliance with Approved Accounting Standards) Regulations 1999 ("SIR") for failure to prepare and present the Group's and the Company's audited financial statements for the year ended 30 June 2015 ("AFS 2015") and 30 June 2016 ("AFS 2016") in accordance with approved accounting standards.

In this regard, pursuant to Section 354(3)(c) of the CMSA, SC had directed the Company to re-audit and re-issue the Group's and the Company's AFS 2015 and AFS 2016 accordingly. The effects are disclosed in the Note 42 to the financial statements.

The Company hereby submit the re-audited financial statements for the financial year ended 30 June 2015 for your attention.

By Order of the Board

HOH LEONG CHING (MAICSA 7006654)
LEE SHOOK MUN @ LEE YUE YEE (MAICSA 7000634)
Secretaries
Kuala Lumpur
8 May 2019

Khee San Berhad
(Incorporated in Malaysia, Company No. 304376 – A)

Financial Statements

30th June

2015

Khee San Berhad
(Incorporated in Malaysia, Company No. 304376 – A)

Corporate Information
for the year ended 30th June 2015

Board of Directors	:	Dato' Sri Liew Yew Chung (Chairman, Non-Independent Non-Executive Director)
	:	Edward Tan Juan Peng (Chief Executive Director)
	:	Huang Yan Teo (Independent Non-Executive Director)
	:	Leslie Looi Meng (Independent Non-Executive Director)
	:	Wong Hock Foong (Independent Non-Executive Director)
	:	Dato' Hj. Mohd Aris Bin Ramli (Independent Non-Executive Director)
	:	Prof. Dr. Hj. Mohd Amy Azhar bin Mohd Harif (Independent Non-Executive Director)
	:	Mohanadas A/L K.P Balan (Independent Non-Executive Director)
Company Secretaries	:	Hoh Leong Ching (MAICSA 7006654)
	:	Lee Shook Mun @ Lee Yue Yee (MAICA 7000634)
Audit Committee	:	Prof. Dr. Hj. Mohd Amy Azhar bin Mohd Harif (Chairman)
	:	Mohanadas A/L K.P Balan
	:	Dato' Hj. Mohd Aris bin Ramli
Auditors	:	Kreston John & Gan Chartered Accountants (Firm No. AF 0113)
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
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: 603-774 1988
Business Address	:	Lot 1819-1820, Jalan Kolej, 43300 Seri Kembangan, Selangor Darul Ehsan. Tel: 603-8943 1390 Fax: 603-8943 1351 Website: www.kheesan.com.my
Principal Bankers	:	HSBC Bank Malaysia Berhad
	:	Standard Chartered Bank Malaysia Berhad
	:	OCBC Bank (Malaysia) Berhad
Stock Exchange Listing	:	Main Market of the Bursa Malaysia Securities Berhad
Stock Short Name	:	KHEESAN
Stock Code	:	6203

Directors' Report

for the year ended 30th June 2015

The directors hereby submit their report and the re-audited financial statements of the Group and of the Company for the financial year ended 30th June 2015.

As stated in Note 41(g) to the financial statements, the Securities Commission Malaysia ("SC") had vide their letter dated 21st May 2018 signified that the Company had breached Section 354(1)(a) of the Capital Markets and Services Act 2007 ("CMSA") read together with Regulation 4(1) of the Securities Industries (Compliance with Approved Accounting Standards) Regulations 1999 ("SIR") for failure to prepare and present the Group's and the Company's audited financial statements for the year ended 30th June 2015 ("AFS 2015") and 30th June 2016 ("AFS 2016") in accordance with approved accounting standards.

In this regard, pursuant to Section 354(3)(c) of the CMSA, SC had directed the Company to re-audit and re-issue the Group's and the Company's AFS 2015 and AFS 2016 accordingly. The effects are disclosed in the Note 42 to the financial statements.

Principal activities

The Company is principally an investment holding company. The principal activities of the subsidiary companies are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

Results

	Group	Company
	RM	RM
Profit for the year attributable to owner of the Company	2,231,657	377,614

Dividends

No dividend has been paid, declared or proposed since the end of the previous financial year. The directors do not recommend any dividend payment in respect of the current financial year.

Reserves and provisions

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

Shares and debentures

During the financial year, the Company issued and paid-up ordinary share capital was increased from RM65,450,000 to RM89,070,000 by way of the issuance of 16,720,000 and 6,900,000 ordinary shares of RM1.00 each arising from the conversion of 16,720,000 of the Employees Share Option Scheme (“ESOS”) and 6,900,000 of the private placement respectively at the par value of RM1.00 per share.

No debentures were issued during the financial year.

Options granted over unissued shares

At an Extraordinary General Meeting held on 12th December 2014, the shareholders had approved the establishment of an Employees Share Option Scheme (“ESOS” or “Scheme”)

Directors' Report

for the year ended 30th June 2015

Employees Share Option Scheme

The Company's ESOS is governed by the by-laws approved by the shareholders at the Extraordinary General Meeting held on 12nd December 2014.

The principal features of ESOS are as follows : -

(a) 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.

(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 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 Scheme.

(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

(e) No option shall be granted for less than 100 shares and shall always be in mutiples 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.

Detail of ESOS are disclosed in the Note 16 to the financial statements.

Directors' Report
for the year ended 30th June 2015

Share placement of up to 6,900,000 new ordinary shares in the company, representing up to 10% of the issued ordinary share capital of the company

The Company announced on 1st October 2014, 14th October 2014 and 27th October 2014 that it proposed to undertake a placement of up to 6,900,000 new ordinary shares in the Company ("Placement Shares"), representing up to 10% of the then existing issued and paid-up ordinary share capital of the Company ("Private Placement").

Ministry of International Trade and Industry ("MITI") had, vide its letter dated 28th November 2014, approved the Proposed Private Placement.

The Private Placement was completed on 17th March 2015, with a total of 6,900,000 new ordinary shares issued.

Bad and doubtful debts

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and adequate allowance had been made for doubtful debts.

At the date of this report, the directors of the Group and of the Company are not aware of any circumstances which would render the amount written off for bad debts, or the amount of the allowance for doubtful debts, in the Group or in the Company inadequate to any substantial extent.

Current assets

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain whether any current assets, other than debts, 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 or 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 liability in respect of the Group or of the Company that has arisen since the end of the financial year.

Contingent and other liabilities (Cont'd.)

No contingent liability or other liability of the Group or 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, in the opinion of the directors, will or may substantially affect the ability of the Group or of the Company to meet its 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 the financial statements of the Group and of the Company, that would render any amount stated in the financial statements misleading.

Items of an unusual nature

In the opinion of the directors, the results of the operations of the Group and of the Company for the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event 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 or of the Company for the current financial year.

Directors of the Company

The directors of the Company in office at any time during the year and since the end of the year are : -

Dato' Sri Liew Yew Chung, SSAP, DIMP

Huang Yan Teo, PIS, PPN

Leslie Looi Meng

Edward Tan Juan Peng – appointed on 5/1/2017

Wong Hock Foong – appointed on 5/1/2017

Dato' Hj. Mohd Aris Bin Ramli – appointed on 13/9/2018

Mohanadas A/L K.P. Balan – appointed on 13/9/2018

Prof. Dr. Hj. Mohd Amy Azhar Bin Mohd Harif – appointed on 13/9/2018

Dato' Sri Liew Kuek Hin, SSAP, DIMP, PJK, JP – resigned on 15/12/2016

Liew Yet Mei – resigned on 13/9/2018

The directors who hold office in the subsidiary companies (excluding directors who are also directors of the Company) during the financial year until the date of this report are : -

Datin Sri Lim Yook Lan

Directors' Report
for the year ended 30th June 2015

Directors' interests

The interests and deemed interest in the ordinary shares of the Company of those who are directors at year end (including the interests of the spouses or children of the directors) as recorded in the Register of Directors' Shareholdings are as follows : -

	Number of ordinary shares			
	As at 1/7/2014	Bought	Sold	As at 30/6/2015
(a) Share capital of Company				
Direct interests				
Dato' Sri Liew Kuek Hin, SSAP, DIMP, PJK, JP	30,000	-	-	30,000
Indirect interests				
Dato' Sri Liew Kuek Hin, SSAP, DIMP, PJK, JP	19,720,300	-	-	19,720,300
Dato' Sri Liew Yew Chung, SSAP, DIMP	19,750,300	-	-	19,750,300
Liew Yet Mei	19,750,300	-	-	19,750,300
(b) Share capital of related companies				
Shareholding in which director have interest in the ultimate holding company, London Biscuits Berhad : -				
Direct interests				
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 interests				
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 Section 6A of the Companies Act, 1965, Dato' Sri Liew Kuek Hin, SSAP, DIMP, PJK, JP, Dato' Sri Liew Yew Chung, SSAP, DIMP and Liew Yet Mei are deemed to have an interest in shares of the subsidiary companies during the financial year to the extent that Khee San Berhad has an interest.

Directors' benefits

Since the end of the previous financial year, none of the directors of the Company have received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors as shown 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 except for any benefits which may deemed to have arisen by virtue of the significant related party transactions as disclosed in Note 38 to the financial statements.

Directors' Report
for the year ended 30th June 2015

Directors' benefits (Cont'd.)

There were no arrangements during and at the end of the financial year, to which the Company or its subsidiary companies is a party, which had the object of enabling the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Holding company

The directors regard London Biscuits Berhad, a company listed on the Main Market of the Bursa Malaysia Securities Berhad as holding company of the Company. London Biscuis Berhad was incorporated and domiciled in Malaysia.

Subsequent events

Details of subsequent events are disclosed in the Note 41 to the financial statements.

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

Dato' Sri Liew Yew Chung,
SSAP, DIMP

Edward Tan Juan Peng

Kuala Lumpur,
Date : 18th April 2019

Independent Auditors' Report

re-issued to members of Khee San Berhad
(Incorporated in Malaysia, Company No. 304376 - A)

Report on the Audit of the Financial Statements

Opinion

We have re-audited the financial statements of Khee San Berhad, which comprise the statements of financial position as at 30th June 2015 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 12 to 100.

In our opinion, except for the possible effects of the matters described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30th June 2015, and of its financial performance and its 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.

Basis for Qualified Opinion

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

We were appointed as auditors of the Group on 31st October 2018 and therefore did not observe the counting of physical inventories at the end of the financial year. We were unable to satisfy ourselves by alternative means concerning those inventory quantities held at 30th June 2015, which are stated in the consolidated statement of financial position of the Group at RM16,292,285. Since inventories enter into the determination of the financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the profit for the year reported in the consolidated statement of profit or loss and other comprehensive income and the net cash flows from operating activities reported in the consolidated statement of cash flows.

Independence and Other Ethical Responsibilities

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

Kreston John & Gan
Chartered Accountants • AF 0113

160-2-1, Kompleks Maluri, Business Centre, Jalan Jejaka, 55100 Kuala Lumpur.
T : + 603 92871889 F : + 603 92830889 E : audit@kreston.com.my W : www.kreston.com.my

Independent Auditors' Report

re-issued to members of Khee San Berhad
(Incorporated in Malaysia, Company No. 304376 - A)

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 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 of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

Independent Auditors' Report

re-issued to members of Khee San Berhad
(Incorporated in Malaysia, Company No. 304376 - A)

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd.)

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

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

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

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

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

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

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 of which we have acted as auditors 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) The 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

re-issued to members of Khee San Berhad
(Incorporated in Malaysia, Company No. 304376 - A)

Other Reporting Responsibilities

The supplementary information set out in Note 43 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

The financial statements of the Group and of the Company for financial year ended 30th June 2014 were audited by another firm of auditors who expressed an unmodified opinion on those statements on 21st October 2014.

As disclosed in Note 41(g), this report is made and re-issued solely to the members of the Company, as a body, under the directive of Securities Commission Malaysia dated 21st May 2018 in accordance with Section 354(3)(c) of the Capital Market and Services Act 2007 and 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 contents of this report.

Kreston John & Gan
(AF 0113)
Chartered Accountants

Yong Chung Sin
Approval No: 02892/04/2020 J
Chartered Accountant

Kuala Lumpur,
Date : 18th April 2019

Consolidated Statement of Financial Position

30th June 2015

	Note	2015 RM	Restated 2014 RM
ASSETS			
Non-current Assets			
Property, plant and equipment	4	**168,381,498**	166,876,051
Investment properties	5	**2,900,000**	2,900,000
Intangible assets	8	**800,000**	800,000
Deferred tax assets	9	**-**	189,000
		172,081,498	170,765,051
Current Assets			
Inventories	10	**16,292,285**	15,548,005
Trade receivables	11	**46,923,963**	7,635,129
Other receivables, deposits and prepayments	12	**2,114,193**	2,108,418
Amount due from holding company	13	**884,440**	10,810
Current tax assets		**379,605**	311,187
Cash and bank balances		**1,052,727**	1,178,362
		67,647,213	26,791,911
Total Assets		**239,728,711**	197,556,962
EQUITY AND LIABILITIES			
Equity attributable to owners			
Share capital	14	**89,070,000**	65,450,000
Reserves	15	**47,021,694**	43,609,287
		136,091,694	109,059,287
Non-current Liabilities			
Deferred tax liabilities	9	**3,482,000**	-
Borrowings	17	**14,379,666**	21,027,100
		17,861,666	21,027,100
Current Liabilities			
Trade payables	21	**16,522,146**	13,103,731
Other payables and accruals	22	**2,998,515**	2,747,186
Amount due to holding company	13	**1,677,033**	1,723,778
Borrowings	17	**64,577,657**	49,895,880
		85,775,351	67,470,575
Total Liabilities		**103,637,017**	88,497,675
Total Equity and Liabilities		**239,728,711**	197,556,962

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the financial year ended 30th June 2015

	Note	2015 RM	Restated 2014 RM
Revenue	23	**141,870,070**	111,301,066
Cost of sales		**(125,447,090)**	(97,482,426)
Gross profit		**16,422,980**	13,818,640
Other income	24	**2,343,348**	1,639,569
Distribution costs		**(4,078,197)**	(2,905,860)
Administrative expenses		**(3,905,450)**	(3,224,833)
Other expenses		**(225,400)**	(800,000)
Profit from operations		**10,557,281**	8,527,516
Finance costs	25	**(4,640,107)**	(4,584,404)
Profit before taxation	26	**5,917,174**	3,943,112
Income tax (expense) /credit	29	**(3,685,517)**	1,857,967
Profit for the year		**2,231,657**	5,801,079
Other comprehensive income : -			
Item that is or may be reclassified subsequently to profit or loss			
Revaluation surplus, net of deferred tax		**-**	2,148,737
Total comprehensive income for the year		**2,231,657**	7,949,816
Basic earnings per share (sen)	30	**2.92**	9.59
Diluted earnings per share (sen)	30	**3.01**	9.07

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

Consolidated Statement of Changes in Equity

for the financial year ended 30th June 2015

	<---- Attributable to equity holders of the company ----						>
	<---- Non-Distributable			---->		<Distributable>	
	Share capital RM	Share premium RM	Merger reserves RM	Revaluation reserves RM	Share option reserves RM	Retained earnings RM	Total RM
Balance at 1st July 2013	60,000,000	-	(17,443,699)	23,323,124	-	29,759,346	95,638,771
Transaction with owners :							
Share options exercised	5,450,000	-	-	-	-	-	5,450,000
Total transactions with owners	65,450,000	-	(17,443,699)	23,323,124	-	29,759,346	101,088,771
Prior year adjustments (Note 31)	-	-	-	910,844	20,700	(910,844)	20,700
As restated	65,450,000	-	(17,443,699)	24,233,968	20,700	28,848,502	101,109,471
Transfer to share premium for share options exercised	-	-	-	-	-	-	-
Prior year adjustments (Note 31)	-	12,535	-	-	(12,535)	-	-
As restated	-	12,535	-	-	(12,535)	-	-
Comprehensive income :							
Net profit for the financial year	-	-	-	-	-	4,419,683	4,419,683
Other comprehensive income :	-	-	-	-	-	-	-
Revaluation surplus, net of deferred tax	-	-	-	4,099,456	-	-	4,099,456
Total comprehensive income as previous reported	-	-	-	4,099,456	-	4,419,683	8,519,139
Prior year adjustments (Note 31)	-	-	-	(1,950,719)	-	1,381,396	(569,323)
As restated	-	-	-	2,148,737	-	5,801,079	7,949,816
Balance at 30th June 2014	65,450,000	12,535	(17,443,699)	26,382,705	8,165	34,649,581	109,059,287

Consolidated Statement of Changes in Equity

for the financial year ended 30th June 2015

	<---- Attributable to equity holders of the company ---->						
	<---- Non-Distributable ---->				<Distributable>		
	Share capital RM	Share premium RM	Merger reserves RM	Revaluation reserves RM	Share option reserves RM	Retained earnings RM	Total RM
Balance at 1st July 2014	65,450,000	12,535	(17,443,699)	26,382,705	8,165	34,649,581	109,059,287
Transaction with owners :							
Share options exercised	16,720,000	-	-	-	-	-	16,720,000
Share-based payment transactions	-	-	-	-	1,180,750	-	1,180,750
Private placement	6,900,000	-	-	-	-	-	6,900,000
Total transactions with owners	23,620,000	-	-	-	1,180,750	-	24,800,750
Transfer to share premium for share options exercised	-	1,188,915	-	-	(1,188,915)	-	-
Comprehensive income :							
Net profit for the financial year	-	-	-	-	-	2,231,657	2,231,657
Other comprehensive income :	-	-	-	-	-	-	-
Revaluation surplus, net of deferred tax	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	2,231,657	2,231,657
As restated	-	-	-	-	-	2,231,657	2,231,657
Balance at 30th June 2015	89,070,000	1,201,450	(17,443,699)	26,382,705	-	36,881,238	136,091,694

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

Consolidated Statement of Cash Flows

for the financial year ended 30th June 2015

	Note	2015 RM	Restated 2014 RM
Cash flows from operating activities			
Profit before taxation		**5,917,174**	3,943,112
Adjustments for : -			
Bad debts written off		**34,282**	-
Depreciation of property, plant and equipment		**5,989,934**	4,563,542
Fair value on investment properties, net of deferred income tax		**-**	(142,500)
Gain on disposal of property, plant and equipment		**(18,802)**	(998,976)
Impairment losses on inventory		**81,712**	-
Impairment losses on intangible assets		**-**	800,000
Interest expenses		**5,470,107**	4,584,404
Interest income		**(2,918)**	-
Other receivables written off		**225,400**	-
Share-based payments	16	**307,120**	9,890
Unrealised gain on foreign exchange		**(1,350,769)**	(55,157)
Operating profit before working capital changes		**16,653,240**	12,704,315
Increase in inventories		**(825,992)**	(2,546,069)
(Increase) /Decrease in trade receivables		**(37,972,347)**	504,830
(Increase) /Decrease in other receivables, deposits and prepayments		**(231,175)**	1,939,061
Increase /(Decrease) in trade payables		**12,160,685**	(7,557,909)
Increase /(Decrease) in other payables and accruals		**251,329**	(601,447)
Increase in amount due to holding company		**2,020,775**	1,143,999
Cash (used in) /generated from operations		**(7,943,485)**	5,586,780
Interest paid		**(5,470,107)**	(4,584,404)
Tax paid		**(208,000)**	(301,108)
Tax refund		**125,065**	481,943
Net cash (used in) /from operating activities		**(13,496,527)**	1,183,211
Cash flows from investing activities			
Interest received		**2,918**	-
Investment in structured product (Net)		**-**	137,621
Proceeds from disposal of investment properties		**-**	1,960,000
Proceeds from disposal of property, plant and equipment		**23,600**	1,681,000
Purchases of plant and equipment	32	**(7,500,179)**	(18,281,922)
Net cash used in investing activities		**(7,473,661)**	(14,503,301)
Balance carried forward		**(20,970,188)**	(13,320,090)

Consolidated Statement of Cash Flows
for the financial year ended 30th June 2015

	Note	2015 RM	Restated 2014 RM
Balance brought forward		**(20,970,188)**	(13,320,090)
Cash flows from financing activities			
Proceeds from bankers' acceptances		**148,130,644**	109,737,025
Proceeds from finance lease liabilities		**-**	18,172,430
Proceeds from exercise of ESOS		**5,910,210**	5,450,000
Proceeds from private placement		**6,900,000**	-
Repayments of bankers' acceptances		**(130,176,862)**	(100,040,204)
Repayments of finance lease liabilities		**(7,164,365)**	(26,020,927)
Repayments of term loans		**(789,605)**	(789,604)
Net cash from financing activities		**22,810,022**	6,508,720
Net (decrease) /increase in cash and cash equivalents		**1,839,834**	(6,811,370)
Cash and cash equivalents at the beginning of the year		**(6,991,494)**	(180,124)
Cash and cash equivalents at the end of the year	33	**(5,151,660)**	(6,991,494)

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

Statement of Financial Position

30th June 2015

	Note	2015 RM	Restated 2014 RM
ASSETS			
Non-current Assets			
Investment in subsidiary companies	6	**32,931,578**	32,624,459
Amount due from a subsidiary company	7	**57,105,394**	33,160,686
		90,036,972	65,785,145
Current Assets			
Other receivable, deposits and prepayments	12	**1,037**	3,736
Amount due from holding company	13	**884,440**	10,810
Current tax assets		**4,511**	2,057
Cash and bank balances		**1,007,581**	921,462
		1,897,569	938,065
Total Assets		**91,934,541**	66,723,210
EQUITY AND LIABILITIES			
Equity attributable to owners			
Share capital	14	**89,070,000**	65,450,000
Reserves	15	**2,673,246**	1,114,882
		91,743,246	66,564,882
Current Liabilities			
Other payables and accruals	22	**191,295**	158,328
		191,295	158,328
Total Liabilities		**191,295**	158,328
Total Equity and Liabilities		**91,934,541**	66,723,210

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

Statement of Profit or Loss and Other Comprehensive Income

for the financial year ended 30th June 2015

	Note	**2015** **RM**	2014 RM
Revenue	23	**1,000,000**	750,000
Other income	24	**2,918**	32,354
Administrative expenses		**(619,758)**	(427,538)
Profit before taxation	26	**383,160**	354,816
Income tax expense	29	**(5,546)**	(4,125)
Profit for the year, representing total comprehensive profit for the year		**377,614**	350,691

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

Statement of Changes in Equity

for the financial year ended 30th June 2015

	<----- Attributable to equity holders of the company -----				>
	<----- Non-Distributable		----->	< Distributable >	
	Share capital	Share premium	Share option reserves	Retained earnings	Total
	RM	RM	RM	RM	RM
Balance at 1st July 2013	60,000,000	-	-	743,491	60,743,491
Transaction with owners :					
Share options exercised	5,450,000	-	-	-	5,450,000
Total transactions with owners as previous reported	65,450,000	-	-	743,491	66,193,491
Prior year adjustments (Note 31)	-	-	20,700	-	20,700
As restated	65,450,000	-	20,700	743,491	66,214,191
Transfer to share premium for share options exercised	-	-	-	-	-
Prior year adjustments (Note 31)	-	12,535	(12,535)	-	-
As restated	-	12,535	(12,535)	-	-
Total comprehensive income	-	-	-	350,691	350,691
Balance at 30th June 2014	65,450,000	12,535	8,165	1,094,182	66,564,882

Statement of Changes in Equity
for the financial year ended 30th June 2015

	Attributable to equity holders of the company				
	Non-Distributable			Distributable	
	Share capital RM	Share premium RM	Share option reserves RM	Retained earnings RM	Total RM
Balance at 1st July 2014	65,450,000	12,535	8,165	1,094,182	66,564,882
Transaction with owners :					
Share options exercised	16,720,000	-	-	-	16,720,000
Share-based payment transactions	-	-	1,180,750	-	1,180,750
Private placement	6,900,000	-	-	-	6,900,000
Total transactions with owners	23,620,000	-	1,180,750	-	24,800,750
Transfer to share premium for share options exercised	-	1,188,915	(1,188,915)	-	-
Total comprehensive income	-	-	-	377,614	377,614
Balance at 30th June 2015	89,070,000	1,201,450	-	1,471,796	91,743,246

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

Statement of Cash Flows

for the financial year ended 30th June 2015

	Note	**2015 RM**	2014 RM
Cash flows from operating activities			
Profit before taxation		**383,160**	354,816
Adjustments for : -			
Dividend income from subsidiary		**(1,000,000)**	(750,000)
Impairment loss on investment in subsidiary companies		**-**	107,872
Interest income		**(2,918)**	-
Operating loss before working capital changes		**(619,758)**	(287,312)
Decrease in other receivable, deposits and prepayments		**2,700**	(977)
Decrease in amount due from a subsidiary company		**(13,134,918)**	(9,016,100)
Decrease in other payables and accruals		**32,967**	6,928
Cash used in operations		**(13,719,009)**	(9,297,461)
Tax refund		**-**	352,743
Tax paid		**(8,000)**	(8,000)
Net cash used in operating activities		**(13,727,009)**	(8,952,718)
Cash flows from investing activities			
Dividends received from subsidiary		**1,000,000**	750,000
Interest received		**2,918**	-
Investment in structured product (Net)		**-**	137,621
Net cash from investing activities		**1,002,918**	887,621
		(12,724,091)	(8,065,097)
Cash flows from financing activities			
Proceeds from exercise of ESOS		**5,910,210**	5,450,000
Proceeds from private placement		**6,900,000**	-
Net cash used in financing activity		**12,810,210**	5,450,000
Net (decrease) /increase in cash and cash equivalents		**86,119**	(2,615,097)
Cash and cash equivalents at the beginning of the year		**921,462**	3,536,559
Cash and cash equivalents at the end of the year	33	**1,007,581**	921,462

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

Notes to the Financial Statements

30th June 2015

1. **General information**

Khee San Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The address of the registered office and principal place of business of the Company are as follows : -

Registered office	:	22-2, Jalan 1/64 Off Jalan Kolam Air /Jalan Sultan Azlan Shah 51200 Kuala Lumpur
Principal place of business	:	Lot 1819-1820, Jalan Kolej 43300 Seri Kembangan Selangot Darul Ehsan

The consolidated financial statements of the Company as at and for the financial year ended 30th June 2015 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Company as at and for the year ended 30th June 2015 do not include other entities.

The Company is principally an investment holding company. The principal activities of the subsidiary companies are set out in Note 6 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 18th April 2019.

2. **Basis of preparation of financial statements**

a) Statement of compliance

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

The following are accounting standards, amendments and interpretations of the MFRS framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company.

2. **Basis of preparation of financial statements (Cont'd.)**

a) Statement of compliance (Cont'd.)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1st January 2016

- MFRS 14, Regulatory Deferral Accounts
- Annual Improvements to MFRS Standards 2012 – 2014 Cycle

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1st January 2017

- Amendments to MFRS 12, Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014 – 2016 Cycle)
- Amendments to MFRS 107, Statement of Cash Flows – Disclosure Initiative
- Amendments to MFRS 112, Income Tax – Recognition of Deferred Tax Assets for Unrealised Losses

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1st January 2018

- Amendments to MFRS 2, Share-based Payment – Classification and Measurement of Share-based Payment Transactions
- MFRS 9, Financial Instruments (2014)
- MFRS 15, Revenue from Contracts with Customers
- Clarifications to MFRS 15, Revenue from Contracts with Customers
- Annual Improvements to MFRS Standards 2014 – 2016 Cycle
- Amendments to MFRS 140, Investment Property – Transfer of Investment Property
- IC Interpretation 22, Foreign Currency Transactions and Advance Consideration

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1st January 2019

- Amendments to MFRS 9, Financial Instruments – Prepayment Features with Negative Compensation
- Amendments to MFRS 119, Employee Benefits – Plan Amendment, Curtailment or Settlement
- Amendments to MFRS 128, Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures
- IC Interpretation 23, Uncertainty over Income Tax Treatments
- Annual Improvements to MFRS Standards 2014 – 2017 Cycle

2. **Basis of preparation of financial statements (Cont'd.)**

a) Statement of compliance (Cont'd.)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1st January 2020

- Amendments to references to the Conceptual Framework in MFRS Standards

MFRSs, Interpretations and Amendments effective for a date yet to be confirmed

- Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Directors anticipate that the above mentioned accounting standards interpretations and amendments will be adopted by the Group and the Company, when they become effective.

MFRS 17, Insurance Contracts were not been taken into consideration because they are not applicable to the Group and the Company.

2. **Basis of preparation of financial statements (Cont'd.)**

a) Statement of compliance (Cont'd.)

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company except as mentioned below : -

MFRS 9, Financial Instruments

MFRS 9 replaces MFRS 139, Financial Instruments – Recognition and Measurement.

MFRS 9 contains a new classification and measurement approach for financial assets based on the business model for managing the assets and the contractual cash flow characteristics of the assets. The new standard contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI) and fair value through profit or loss ("FVTPL") and eliminates the excising MFRS 139 categories of held to maturity, loans and receivables and available-for-sale investments.

With regard to the measurement of financial liabilities, the standard retains most of the MFRS 139 requirements except for liabilities designated at inception to be measured at FVTPL. MFRS 9 requires that fair value changes attributable to own credit risk shall be presented in other comprehensive income ("OCI") rather than in profit or loss, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.

The new impairment model requires the recognition of impairment provisions based in expected credit losses rather than incurred credit losses as is the case under MFRS 139. It applies to financial assets classified at amortised cost, debt instruments measured at fair value after other comprehensive income, contract assets under MFRS 15, Revenue from Contracts with Customers and intercompany balances. The new impairment model may have an impact on the Group's and the Company's financial results given the significant financial asset balances at each reporting date.

The Group and the Company will adopt the standard using the cumulative catch-up transition method and will therefore not restate comparative periods. The cumulative effect will be recognised in opening retained earnings and /or other comprehensive of equity as at 1st July 2017 (date of initial application).

MFRS 15, Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111, Construction Contracts, MFRS 118, Revenue, IC Interpretation 13, Customer Loyalty Programmes, IC Interpretation 15, Arrangements for Construction of Real Estate, IC Interpretation 18, Transfers of Assets from Customers and IC Interpretation 131, Revenue – Barter Transactions Involving Advertising Services.

2. **Basis of preparation of financial statements (Cont'd.)**

a) Statement of compliance (Cont'd.)

MFRS 16, Leases

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. It introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term if more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. MFRS 16 will be effective for annual reporting periods beginning on or after 1st January 2019.

Amendments to MFRS 123, Borrowing Costs

Amendments to MFRS 123 (effective from 1st January 2019) clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

IC Interpretation 23, Uncertainty over Income Tax Treatments

IC Interpretation 23 provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. If it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. The effect of uncertainty shall be measured suing the method which best predicts the resolution of the uncertainty. IC interpretation 23 will be effective for annual reporting periods beginning on or after 1st January 2019.

Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify that : -

- gains and losses resulting from transactions involving assets that do not constitute a business, between investor and its associate or joint venture are recognised in the entity's financial statements only to the extent of unrelated investors' interests in the associate or joint venture; and

- gains and losses resulting from transactions involving the sale or contribution of assets to an associate of a joint venture that constitute a business is recognised in full.

The amendments are to be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined by MASB. Earlier application is permitted. These amendments are not expected to have any impact on the Group and the Company.

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 9, MFRS 15, MFRS 16, amendments to MFRS 123, IC Interpretation 23 and amendments to MFRS 10.

2. **Basis of preparation of financial statements (Cont'd.)**

b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 3.

c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's and Company's functional currency.

d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than the following items : -

i) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated in a reducing-balance basis over their estimated useful life. Management estimated the useful life of these assets to be 5 to 50 years. Changes in the expected level of usage and technological developments could impact the economic useful life and the residual values of these assets, therefore future depreciation charges could be revised.

ii) Impairment losses for trade receivables

At the end of the reporting period, included in the allowance account for trade receivables of the Group is individually assessed impairment losses for trade receivables amounting to Nil (2014 – RM764,610). The estimates of individually assessed impairment for trade receivables are based on the historical default rate. Hence, should the actual default rate becomes higher than the estimated default rate, the Group may be required to charge additional impairment losses to the profit or loss within the next financial year.

2. **Basis of preparation of financial statements (Cont'd.)**

d) Use of estimates and judgements (Cont'd.)

iii) Deferred tax assets

Deferred tax assets are recognised for all unabsorbed tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the unabsorbed tax losses and unabsorbed capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

vi) Allowance for inventories

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

v) Income tax expense

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises 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 recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

vi) Impairment of investment in subsidiary companies

The Company reviews the investments in subsidiaries for impairment when there is an indication of impairment and assess the impairment of receivables on the amounts due from subsidiaries when the receivables are long outstanding.

The recoverable amounts of the investments in subsidiaries and amounts due from subsidiaries are assessed by reference to the value in use of the respective subsidiaries.

The value in use is the net present value of the projected future cash flows derived from the business operations of the respective subsidiaries discounted at an appropriate discount rate. For such discounted cash flow method, it involves the use of estimated future results and a set assumptions to reflect their income and cash flows. Judgement had also been used to determine the discount rate for the cash flows and the future growth of the businesses of the subsidiaries.

The carrying amount of investment in subsidiary companies of the Company as at 30th June 2015 was RM32,931,578 (2014 – RM32,624,459).

3. **Significant accounting policies**

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by the Group entities, unless otherwise stated.

a) Basis of consolidation

i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

ii) Business combinations

a) Business combination of entities under common control

The acquisitions resulted in a business combination involving common entities, and accordingly the accounting treatment is outside the scope of MFRS 3. The merger accounting is used by the Group to account for such common control business combinations.

A business combination involving entities under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party and parties both before and after the business combination, and that control is not transitory.

Subsidiaries acquired which have met the criteria for pooling of interest are accounted for using merger accounting principles. Under the merger method of accounting, the results of the subsidiaries are presented as if the merger had been effected throughout the current financial year.

The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. No amount is recognised in respect of goodwill and excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets and liabilities and contingent liabilities over cost at the time of the common control business combination to the extent of the continuation of the controlling party and parties' interests.

3. **Significant accounting policies (Cont'd.)**

a) Basis of consolidation (Cont'd.)

ii) Business combinations (Cont'd.)

a) Business combination of entities under common control (Cont'd.)

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 full financial year.

b) Business combinations of entities under non-common control

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the noncontrolling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

iii) Acquisitions of non-controlling interests

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

3. **Significant accounting policies (Cont'd.)**

a) Basis of consolidation (Cont'd.)

v) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interest and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

b) Foreign currency

i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the forseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

3. **Significant accounting policies (Cont'd.)**

b) Foreign currency (Cont'd.)

ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1st January 2012 (the date when the Group first adopted MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR") in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the profit or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

c) Financial instrument

i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

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 financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

3. **Significant accounting policies (Cont'd.)**

c) Financial instrument (Cont'd.)

ii) Financial instrument categories and subsequent measurement

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

Financial assets

a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

b) Held-to-maturity investments

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group or the Company has the positive intention and ability to hold them to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

c) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

d) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

3. **Significant accounting policies (Cont'd.)**

c) Financial instruments (Cont'd.)

ii) Financial instrument categories and subsequent measurement (Cont'd.)

Financial assets (Cont'd.)

d) Available-for-sale financial assets (Cont'd.)

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedge items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 3(j)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

3. **Significant accounting policies (Cont'd.)**

c) Financial instruments (Cont'd.)

iii) Financial guarantee contracts (Cont'd.)

Fair value arising from financial guarantee contracts are classified as deferred income and is amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharged of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

iv) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to : -

a) the recognition of an asset to be received and the liability to pay for it on the trade date, and

b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

v) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expired or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset is transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3. **Significant accounting policies (Cont'd.)**

d) Property, plant and equipment

i) Recognition and measurement

Items of property, plant and equipment except for freehold land are measured at cost /valuation less any accumulated depreciation and any accumulated impairment losses. Freehold land with indefinite useful life is not depreciated.

The Group revalues its freehold land and buildings every three to five years or at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value.

Valuation of the properties involves a degree of judgement before arriving at the respective property's revalued amount. As such, the revalued amount of the properties may be different from its actual market price.

Surpluses arising from revaluation are dealt with in the revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is charged to the profit or loss.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after making proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

Notes to the Financial Statements

30th June 2015

3. **Significant accounting policies (Cont'd.)**

d) Property, plant and equipment (Cont'd.)

ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group and the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component are depreciated separately.

Depreciation is recognised in profit or loss on a reducing-balance basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group and the Company will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment in progress are not depreciated until the assets are ready for their intended use. The principal annual rates of depreciation for the property, plant and equipment are as follows : -

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

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period, and adjusted as appropriate.

3. **Significant accounting policies (Cont'd.)**

e) Leases

i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is measured using fair value model.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

3. **Significant accounting policies (Cont'd.)**

f) Intangible assets

Intangibles assets represent the trademarks at cost less any accumulated impairment losses. Trademarks have an indefinite useful life as it is maintained through continuous marketing and introduction of new products. Trademarks are tested annually for impairment. Where an indication of impairment exists, the carrying amount of trademarks are assessed and written down immediately to its recoverable amount.

g) Investment property

i) Investment property carried at fair value

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured initially at cost and subsequently at fair value with any changes therein recognised in profit or loss for the period in which they arise. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

ii) Reclassification to /from investment property

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories, its fair value at the date of reclassification becomes its cost for subsequent accounting.

3. **Significant accounting policies (Cont'd.)**

h) Inventories

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

The cost of inventories (other than completed properties) is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

The cost of completed properties held for sale is determined on specific identification method, and comprises cost associated with the development costs and appropriate proportions of common costs.

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

i) Cash and cash equivalents

Cash and cash equivalents consists of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

j) Impairment of assets

i) 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 investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

3. **Significant accounting policies (Cont'd.)**

j) Impairment of assets (Cont'd.)

i) Financial assets (Cont'd.)

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

ii) Other assets

The carrying amounts of other assets (except for inventories, amount due from contract customers, deferred tax assets, assets arising from employee benefits and non-current assets (or disposal group) classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to group of cash-generating units that are expected to benefit from the synergies of the combination.

3. **Significant accounting policies (Cont'd.)**

j) Impairment of assets (Cont'd.)

ii) Other assets (Cont'd.)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (group of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

k) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

ii) Ordinary shares

Ordinary shares are classified as equity.

3. **Significant accounting policies (Cont'd.)**

l) Employee benefits

i) Short term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

ii) State plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the profit or loss as incurred.

iii) Share-based payment transactions

The grant date fair value of share-based payment granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the employee share options is measured using a "Trinomial" pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

iv) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting period, then they are discounted.

3. **Significant accounting policies (Cont'd.)**

m) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

n) Revenue and other income

i) Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

Deferred costs are recognised when the goods delivered to customers but pending installation and /or testing rendered to customers.

ii) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from sub-leased property is recognised as other income.

iii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

iv) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

3. **Significant accounting policies (Cont'd.)**

o) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

p) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reserve, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3. **Significant accounting policies (Cont'd.)**

p) Income tax (Cont'd.)

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

q) Earnings per ordinary shares

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS').

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding , adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

r) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

s) Contingencies

i) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3. **Significant accounting policies (Cont'd.)**

s) Contingencies (Cont'd.)

ii) Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statements of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

t) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

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

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows : -

Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 : unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

4. **Property, plant and equipment**

Group **2015**	Freehold land RM	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
At cost /valuation								
Balance at 1/7/14	**22,604,064**	**20,075,936**	**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**
Disposal	**-**	**-**	**(69,370)**	**(9,500)**	**(8,800)**	**-**	**-**	**(87,670)**
Balance at 30/6/15	**22,604,064**	**20,726,021**	**14,343,113**	**1,602,426**	**3,730,298**	**119,351,464**	**32,143,006**	**214,500,392**
Accumulated depreciation								
Balance at 1/7/14	**-**	**-**	**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**
Deletion	**-**	**-**	**(66,939)**	**(8,948)**	**(6,985)**	**-**	**-**	**(82,872)**
Balance at 30/6/15	**-**	**271,951**	**7,815,708**	**1,057,187**	**1,287,532**	**35,686,516**	**-**	**46,118,894**
Carrying amount	**22,604,064**	**20,454,070**	**6,527,405**	**545,239**	**2,442,766**	**83,664,948**	**32,143,006**	**168,381,498**
Representing : -								
At cost	**-**	**-**	**6,527,405**	**545,239**	**2,442,766**	**83,664,948**	**32,143,006**	**125,323,364**
At valuation	**22,604,064**	**20,454,070**	**-**	**-**	**-**	**-**	**-**	**43,058,134**
	22,604,064	**20,454,070**	**6,527,405**	**545,239**	**2,442,766**	**83,664,948**	**32,143,006**	**168,381,498**

4. **Property, plant and equipment**

Group **2014**	Freehold land RM	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
At cost /valuation								
Balance at 1/7/13	**20,660,329**	**17,959,671**	**11,311,594**	**1,536,184**	**3,587,715**	**115,237,574**	**-**	**170,293,067**
Additions	**-**	**104,480**	**1,488,633**	**37,492**	**523,648**	**7,020,149**	**27,279,950**	**36,454,352**
Revaluation	**1,943,735**	**2,011,785**	**-**	**-**	**-**	**-**	**-**	**3,955,520**
Disposal /Written off	**-**	**-**	**-**	**-**	**(404,165)**	**(3,210,891)**	**-**	**(3,615,056)**
Balance at 30/6/14	**22,604,064**	**20,075,936**	**12,800,227**	**1,573,676**	**3,707,198**	**119,046,832**	**27,279,950**	**207,087,883**
Accumulated depreciation								
Balance at 1/7/13	**-**	**-**	**6,611,543**	**978,250**	**935,061**	**30,416,846**	**-**	**38,941,700**
Charge for the year	**-**	**360,378**	**611,929**	**44,115**	**367,437**	**3,179,683**	**-**	**4,563,542**
Deletion	**-**	**-**	**-**	**-**	**(357,160)**	**(2,575,872)**	**-**	**(2,933,032)**
Revaluation	**-**	**(360,378)**	**-**	**-**	**-**	**-**	**-**	**(360,378)**
Balance at 30/6/14	**-**	**-**	**7,223,472**	**1,022,365**	**945,338**	**31,020,657**	**-**	**40,211,832**
Carrying amount	**22,604,064**	**20,075,936**	**5,576,755**	**551,311**	**2,761,860**	**88,026,175**	**27,279,950**	**166,876,051**
Representing : -								
At cost	**-**	**-**	**5,576,755**	**551,311**	**2,761,860**	**88,026,175**	**27,279,950**	**124,196,051**
At valuation	**22,604,064**	**20,075,936**	**-**	**-**	**-**	**-**	**-**	**42,680,000**
	22,604,064	**20,075,936**	**5,576,755**	**551,311**	**2,761,860**	**88,026,175**	**27,279,950**	**166,876,051**

4. **Property, plant and equipment (Cont'd.)**

i) The freehold land and buildings are stated at directors' valuations based on professional valuations made by an independent professional qualified valuer on the open market value basis conducted in year 2014.

Had the freehold land and buildings been carried at historical cost less accumulated depreciation, the carrying amounts of the revalued assets that would have been included in the financial statements at the end of the year are as follows : -

	Group	
		Restated
	2015	2014
	RM	RM
Freehold land	**5,227,882**	5,227,882
Buildings	**12,170,230**	11,881,740
	17,398,112	17,109,622

ii) Details of the Group's freehold and leasehold land and buildings and information about the fair value hierarchy as at 30th June are as follows : -

	<----------Fair value---------->		
	Level 1	Level 2	Level 3
Group	RM	RM	RM
2015			
Freehold land	**-**	**22,604,064**	**-**
Buildings	**-**	**20,454,070**	**-**
	-	**43,058,134**	**-**
2014			
Freehold land	-	22,604,064	-
Buildings	-	20,075,936	-
	-	42,680,000	-

The fair values of the freehold land and buildings of the Group are categorised as Level 2. The properties are valued by an independent firm of professional valuers based on the 'market value' which is defined as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm length transaction after proper marketing wherein the parties has each acted knowledgeably, prudently and without compulsion.

4. **Property, plant and equipment (Cont'd.)**

ii) Details of the Group's freehold and leasehold land and buildings and information about the fair value hierarchy as at 30th June are as follows (Cont'd.) : -

Level 2 fair value

Level 2 fair value freehold land and building have been generally derived using the open market value approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is comparing the subject property with comparable properties which have been sold or are being offered for sale and making adjustment for factors which affect value such as location, floor level and siting, floor area, finishes, building services, management and maintenance, age and state of repair, market conditions and other relevant factors.

The Group does not have non-financial assets measured at Level 1 and Level 3 hierarchy.

iii) The plant and machinery at carrying amount of RM22,325,283 (2014 – RM28,686,587) have been pledged to a licensed banks as security for credit facilities granted to the Group.

iv) The carrying amount of plant and equipment of the Group at the reporting date held under finance lease arrangements is as follows : -

	Group	
		Restated
	2015	2014
	RM	RM
Plant and machinery	**33,884,320**	40,700,433
Motor vehicles	**2,103,279**	2,375,328
	35,987,599	43,075,761

5. **Investment properties**

Group **2015**	Freehold land and buildings RM	Leasehold land and buildings RM	Total RM
At fair value			
Balance at 1/7/14	**750,000**	**2,150,000**	**2,900,000**
Fair value adjustment, net	**-**	**-**	**-**
Balance at 30/6/15	**750,000**	**2,150,000**	**2,900,000**
2014			
At fair value			
Balance at 1/7/13	730,000	2,020,000	2,750,000
Fair value adjustment, net	20,000	130,000	150,000
Balance at 30/6/14	750,000	2,150,000	2,900,000

Investment properties comprise a number of commercial properties that are leased to third parties.

The long term leasehold land and buildings of the Group have unexpired lease periods range from 29 to 64 years.

Rental income earned by the Group amounted to RM136,160 (2014 – RM144,160) is recognised in profit or loss in respect of the investment properties.

Fair value information

The fair values of investment properties of the Group is categorised as follows : -

Group **2015**	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Investment properties	**-**	**2,900,000**	**-**	**2,900,000**
2014				
Investment properties	-	2,900,000	-	2,900,000

Investment properties are stated at fair value based on valuation performed by independent professional valuer, who holds a recognised relevant professional qualification and has recent experience in the locations and categories of investment properties valued.

5. **Investment properties (Cont'd.)**

No valuation was carried out by independent valuers during the financial year. The Group determines the fair values of its investment properties by reference to the selling price of recent transactions and asking prices of similar properties of in the same location and condition and where necessary, adjusting for location, accessibility, visibility, time, terrain, size, present market trends and other differences. The directors believe that assessment made by management is appropriate in determining the fair value of the Group's investment properties as there has been no significant change to the market value of the Group's investment properties during the financial year.

Fair value is determined based on comparison method of valuation using significant observable inputs (Level 2 inputs). Changes in fair value are recognised in the profit or loss during the period in which they are reviewed.

Level 2 fair value freehold land and building has been generally derived using the open market value approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

The Group and the Company do not have non-financial assets measured at Level 1 and Level 3 hierarchy.

6. **Investment in subsidiary companies**

	Company	
		Restated
	2015	2014
	RM	RM
Unquoted shares, at cost	**35,198,673**	34,891,554
Less : Allowance for impairment losses	**(2,267,095)**	(2,267,095)
	32,931,578	32,624,459

6. **Investment in subsidiary companies (Cont'd.)**

The reconciliation of the allowance account is as follows : -

	Company 2015 RM	2014 RM
At beginning of the financial year	**2,267,095**	2,159,223
Impairment loss recognised	**-**	107,872
At the end of the financial year	**2,267,095**	2,267,095

The principal activities of the subsidiaries in the Group and the interest of Khee San Berhad are as follows : -

Name of subsidiary	Place of incorporation	Principal activities	Effective ownership interest 2015 %	2014 %
Khee San Food Industries Sdn. Bhd.	Malaysia	Manufacturer of candy confectionery and wafer products	**100**	100
Khee San Marketing Sdn. Bhd.	Malaysia	Temporary ceased operations	**100**	100

7. **Amounts due from a subsidiary company**

	Company 2015 RM	2014 RM
Amount due from a subsidiary company : -		
Non-Trade		
- Khee San Food Industires Sdn. Bhd.	**57,105,394**	33,160,686

The amounts due from a subsidiary company is in respect of advances and payments made on behalf, which are non-trade in nature, unsecured and repayable on demand on cash and cash equivalents.

8. Intangible assets

Group

	Trademarks
2015	RM
Cost	
At 1/7/2014	**1,600,000**
Additions	**-**
At 30/6/2015	**1,600,000**
Accumulated impairment loss	
At 1/7/2014	**800,000**
Impairment for the year	**-**
At 30/6/2015	**800,000**
Net book value	**800,000**
2014	Restated
Cost	
At 1/7/2013	1,600,000
Additions	-
At 30/6/2014	1,600,000
Accumulated impairment loss	
At 1/7/2013	-
Impairment for the year	800,000
At 30/6/2014	800,000
Net book value	800,000

The recoverable amount of the CGUs is based on its value in use, determined by discounting future cash flows to be generated by the respective CGUs. The following key assumptions are used : -

i) Revenue growth rates are extrapolated using growth rate between of 3% to 5% as the management is in the planning of expanding distribution networks and capacity expansion. Such as distribute to petrol mart to explore new market.

ii) Historical record shown that gross profit margin of the Company maintain between 5% to 6%

iii) Operating expenses are expected to increase based on an annual rates of 2%.

iv) A pre-tax discount rate of 6.2% has been applied in determining the recoverable amount of the unit.

9. Deferred tax assets /(liabilities)

	Group 2015 RM	Group Restated 2014 RM
Balance at the beginning of the year	**189,000**	456,000
Recognised in profit or loss (Note 29)	**(3,671,000)**	1,907,661
Fair value on investment properties	**-**	(7,500)
Credit to revaluation reserves	**-**	(2,167,161)
Balance at the end of the year	**(3,482,000)**	189,000

The components and movements of deferred tax liabilities during the financial year are as follows : -

Group	As at 1st July RM	Recognised in profit or loss RM	Credit to equity RM	As at 30th June RM
2015				
Deferred tax liabilities				
Accelerated capital allowances	**2,356,161**	**(3,671,000)**	**-**	**(1,314,839)**
Revaluation reserve	**(2,167,161)**	**-**	**-**	**(2,167,161)**
	189,000	**(3,671,000)**	**-**	**(3,482,000)**
2014				
Deferred tax assets				
Accelerated capital allowances	456,000	1,900,161	-	2,356,161
Revaluation reserve	-	-	(2,167,161)	(2,167,161)
	456,000	1,900,161	(2,167,161)	189,000

10. Inventories

	Group 2015 RM	Group Restated 2014 RM
At cost		
Raw materials	**6,729,328**	8,056,217
Work-in-progress	**1,259,694**	1,069,407
Finished goods	**3,818,743**	2,635,629
Goods-in-transit	**4,484,520**	3,786,752
	16,292,285	15,548,005

The cost of inventories recognised as an expense during the financial year by the Group amounted to RM126,063,145 (2014 – RM101,269,178).

11. Trade receivables

	Group	
		Restated
	2015	2014
	RM	RM
Trade receivables	**46,930,301**	8,911,971
Less : Allowance for impairment	**(6,338)**	(1,276,842)
	46,923,963	7,635,129

The reconciliation of the allowance for impairment is as follows : -

	Group	
		Restated
	2015	2014
	RM	RM
At beginning of the financial year	**1,276,842**	1,276,842
Amount written off	**(1,270,504)**	-
At the end of the financial year	**6,338**	1,276,842

The allowance for impairment in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivables directly. Allowance for impairment at end of the financial year represents individually assessed impairment.

The normal credit term of trade receivables range from immediate payment to 180 days (2014 – immediate payment to 180 days). Other terms are assessed and approved on a case-by-case basis.

The foreign currency exposure of trade receivables of the Group is as follows : -

	Group	
	2015	2014
	RM	RM
Euro	**960,385**	38,018
Hong Kong Dollar	**2,798,667**	217,936
Indonesian Rupiah	**960,961**	709,609
Japanese Yen	**3,833,622**	209,860
Singapore Dollar	**152,790**	314,895
Thai Baht	**190,078**	319,889
US Dollar	**16,768,123**	5,786,886

Notes to the Financial Statements

30th June 2015

12. **Other receivables, deposits and prepayments**

	Group		Company	
	2015	2014	**2015**	2014
	RM	RM	**RM**	RM
Other receivables	**639,385**	928,448	**1,037**	1,037
Dividend payable	**-**	2,699	**-**	2,699
Other deposits	**435,888**	217,247	**-**	-
Prepayments	**1,038,920**	960,024	**-**	-
	2,114,193	2,108,418	**1,037**	3,736

13. **Amount due from /(to) holding company**

The Company is a subsidiary of London Biscuits Berhad, a company listed on Main Market of the Bursa Malaysia Securities Berhad. London Biscuits Berhad was incorporated and domiciled in Malaysia.

The amount outstanding is unsecured, interest free and repayable on demand in cash and cash equivalents.

14. **Share capital**

	Group and Company			
	2015	2014	**2015**	2014
	Number of ordinary shares of RM1.00 each		**RM**	RM
Authorised :				
At beginning of the financial year	**100,000,000**	100,000,000	**100,000,000**	100,000,000
Created during the financial year	**-**	-	**-**	-
At end of the financial year	**100,000,000**	100,000,000	**100,000,000**	100,000,000
Issued and fully paid :				
At beginning of the financial year	**65,450,000**	60,000,000	**65,450,000**	60,000,000
Private placement	**6,900,000**	-	**6,900,000**	-
ESOS	**16,720,000**	5,450,000	**16,720,000**	5,450,000
At end of the financial year	**89,070,000**	65,450,000	**89,070,000**	65,450,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets. In respect of the Company's treasury shares that are held by the Group, all rights are suspended until those shares are reissued.

Notes to the Financial Statements

30th June 2015

15. **Reserves**

	Group		Company	
		Restated		Restated
	2015	2014	**2015**	2014
	RM	RM	**RM**	RM
Non-distributable				
Share premium	**1,201,450**	12,535	**1,201,450**	12,535
Merger reserves	**(17,443,699)**	(17,443,699)	**-**	-
Revaluation reserves	**26,382,705**	26,382,705	**-**	-
Share option reserves	**-**	8,165	**-**	8,165
Distributable				
Retained earnings	**36,881,238**	34,649,581	**1,471,796**	1,094,182
	47,021,694	43,609,287	**2,673,246**	1,114,882

Share premium

The share premium is not distributable by way of cash dividends and may be utilised in the manner as set out in Section 60(3) of the Companies Act, 1965 in Malaysia.

Merger reserves

The merger reserve is related to the subsidiaries which were consolidated under the merger method of accounting. The merger reserve arose from the difference between the carrying value of the investment and the nominal value of the shares of the subsidiaries upon consolidation using merger accounting principles.

Revaluation reserves

The revaluation reserves of the Group represents surplus on revaluation of freehold land and buildings of subsidiary companies.

Retained profits

Under the single tier income tax system, the company is not required to have tax credit under section 108 of the income tax 1967 for dividend payment purposes. Dividends paid under this system are tax exempt in the hands of shareholders.

Share option reserve

The share option comprises the cumulative value of employee services received for the issue of share options. The share options reserve in relation to the unexercised option at the expiry of the share option scheme will be transferred to retained earnings. Share option is disclosed in Note 16.

16. **Employee Share Option Scheme ("ESOS")**

The Company's ESOS is governed by the by-laws approved by the shareholders at the Extraordinary General Meeting held on 12th December 2014.

The principal features of ESOS are as follows : -

(a) 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.

(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 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 Scheme.

(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

(e) No option shall be granted for less than 100 shares and shall always be in mutiples 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.

16. **Employee Share Option Scheme ("ESOS")**

On 15th May 2014, 16th January 2015, 10th March 2015 and 2nd May 2015, the Company granted share options to eligible employees to subscribe for the ordinary shares in the Company under the Employees Share Option Scheme ("ESOS") approved by the shareholder of the Company on 25th November 2009.

The movements in number of share options pursuant to the ESOS during the financial year as follows : -

	Company			
	Number of options over ordinary shares of RM1.00 each			
2015	**Balance 1/7/2014**	**Granted**	**Exercised**	**Balance 30/6/2015**
15th May 2014	3,550,000	-	(3,550,000)	-
Weighted average exercise prices (RM)	1	-	1	-
Weighted average remaining contractual life (months)	5			-

	Company			
	Number of options over ordinary shares of RM1.00 each			
2015	**Balance 1/7/2014**	**Granted**	**Exercised**	**Balance 30/6/2015**
16th January 2015	-	7,500,000	(7,500,000)	-
Weighted average exercise prices (RM)	-	1	1	-
Weighted average remaining contractual life (months)	58			-

16. **Employee Share Option Scheme ("ESOS")**

2015	Company Number of options over ordinary shares of RM1.00 each Balance 1/7/2014	Granted	Exercised	Balance 30/6/2015
10th March 2015	-	4,400,000	(4,400,000)	-
Weighted average exercise prices (RM)	-	1	1	-
Weighted average remaining contractual life (months)	56			-

2015	Company Number of options over ordinary shares of RM1.00 each Balance 1/7/2014	Granted	Exercised	Balance 30/6/2015
2nd May 2015	-	1,270,000	(1,270,000)	-
Weighted average exercise prices (RM)	-	1	1	-
Weighted average remaining contractual life (months)	55			-

2014	Company Number of options over ordinary shares of RM1.00 each Balance 1/7/2013	Granted	Exercised	Balance 30/6/2014
15th May 2014	-	9,000,000	(5,450,000)	3,550,000
Weighted average exercise prices (RM)	-	1	1	1
Weighted average remaining contractual life (months)	6			5

16. Employee Share Option Scheme ("ESOS")

During the financial year, the Group recognised share options granted under shares options scheme of RM307,120 (2014 – RM9,890) in profit or loss was in respect of employees of subsidiaries. At Company level, the amount of RM307,120 (2014 – RM9,890) was recorded as an increase in investments in subsidiaries (Note 6) with a corresponding credit to equity.

	Weighted average exercise price		Exercise period
	2015	2014	
Offer date	RM	RM	
15th May 2014	1	1	15.5.14 - 24.11.14
16th January 2015	1	1	16.1.15 - 21.12.19
10th March 2015	1	1	10.3.15 - 21.12.19
2nd May 2015	1	1	2.5.15 - 21.12.19

Share option exercised during the financial year resulted in the issuance of RM16,720,000 (2014 – RM5,450,000) ordinary shares at an average price of RM1 (2014 – RM1) each. The related weighted average ordinary share price at the date of exercise was RM0.560 (2014 – RM0.625).

The fair value of share options granted during the financial year was estimated by using the Trinomial option pricing model, taking into account the terms and conditions upon which the options were granted. The risk-free rate is based on Malaysian Government Securities ("MGSs"). The fair value of share options measured at grant date and the assumptions are as follows : -

	Grant date		
	16/1/2015	10/3/2015	2/5/2015
Fair value at grant date (RM)	0.092	0.070	0.144
Weighted average share price (RM)	0.493	0.520	0.777
Share price at grant date (RM)	0.490	0.515	0.755
Expected volatility (weighted average volatility)	42.50%	37.50%	50.00%
Option life (expected weighted average life)	5 years	5 years	5 years
Risk-free interest rate (based on Malaysian government bonds)	3.77%	3.67%	3.54%

Notes to the Financial Statements

30th June 2015

17. Borrowings

	Group 2015 RM	Group Restated 2014 RM
Non-current liabilities		
Secured		
Term loans	**991,338**	1,750,098
Finance lease liabilities	**13,388,328**	19,277,002
	14,379,666	21,027,100
Current liabilities		
Secured		
Bankers' acceptances	**51,722,578**	33,768,796
Bank overdraft	**6,204,387**	8,169,856
Term loans	**789,604**	820,449
Finance lease liabilities	**5,861,088**	7,136,779
	64,577,657	49,895,880
Total borrowings : -		
Secured		
Bankers' acceptances (Note 18)	**51,722,578**	33,768,796
Bank overdraft (Note 18)	**6,204,387**	8,169,856
Term loans (Note 19)	**1,780,942**	2,570,547
Finance lease liabilities (Note 20)	**19,249,416**	26,413,781
	78,957,323	70,922,980

Effective interest rates per annum on the borrowings of the Group is as follows : -

	Group 2015 %	Group Restated 2014 %
Bankers' acceptances	**4.55-5.45**	4.20-5.30
Bank overdraft	**8.10-8.57**	8.10-8.57
Term loans	**5.53**	5.53
Finance lease liabilities	**2.41-6.60**	2.41-6.60

Notes to the Financial Statements
30th June 2015

18. **Bankers' acceptances and bank overdraft**

Secured

Group

The bankers'acceptances and bank overdraft are secured by corporate guarantee given by the Company and negative pledge over the unencumbered assets of the Company.

19. **Term loans**

	Group	
	2015	2014
	RM	RM
Secured		
Term loan I	**1,066,667**	1,466,667
Term loan II	**714,275**	1,103,880
	1,780,942	2,570,547
Repayable as follows : -		
Non-current liabilities		
- later than one year and not later than two years	**724,670**	789,605
- later than two years and not later than five years	**266,668**	960,493
	991,338	1,750,098
Current liabilities		
- not later than one year	**789,604**	820,449
	1,780,942	2,570,547

The term loan I and II are unsecured by corporate guarantees given its immediate holding company and negative pledge over the unencumbered assets of the Company.

The term loan I is repayable by 60 equal monthly instalments of RM33,333.

The term loan II is repayable by 60 equal monthly instalments of RM32,467.

20. **Finance lease liabilities**

	Group 2015 RM	Group 2014 RM
Minimum lease payments : -		
- not later than one year	**7,274,173**	8,733,617
- later than one year and not later than two years	**6,303,675**	7,725,852
- later than two years and not later than five years	**8,205,294**	14,491,919
- later than five years	**589,111**	-
	22,372,253	30,951,388
Less : Future interest charges	**(3,122,837)**	(4,537,607)
Present value of finance lease liabilities	**19,249,416**	26,413,781
Repayable as follows : -		
Non-current liabilities		
- later than one year and not later than two years	**5,369,089**	6,550,674
- later than two years and not later than five years	**7,455,585**	12,726,328
- later than five years	**563,654**	-
	13,388,328	19,277,002
Current liabilities		
- not later than one year	**5,861,088**	7,136,779
	19,249,416	26,413,781

The Group obtains finance lease facilities to finance its purchase of motor vehicles. The remaining finance lease terms are in the range from 1 to 10 years as at 30th June 2015. Implicit interest rates of the finance lease are fixed at the inception of the finance lease arrangements, and the finance lease instalments are fixed throughout the finance lease period. The Group has the option to purchase the assets at the end of the agreements. There are no significant restriction clauses imposed on the finance lease arrangements.

21. **Trade payables**

Group

The normal credit term of trade payables is in the range from 30 to 90 days (2014 – 30 to 90 days). However, the term may vary upon negotiation with the trade payables.

22. Other payables and accruals

	Group		Company	
	2015	2014	**2015**	2014
	RM	RM	**RM**	RM
Other payables	**1,897,430**	1,670,167	**38,095**	4,928
Accruals	**884,352**	701,958	**153,200**	153,400
Deposits	**216,733**	375,061	**-**	-
	2,998,515	2,747,186	**191,295**	158,328

Company

Included in accruals is an amount of provision of directors' remuneration of RM110,000 (2014 – RM110,000).

23. Revenue

	Group		Company	
	2015	2014	**2015**	2014
	RM	RM	**RM**	RM
Dividend received from subsidiary companies	**-**	-	**1,000,000**	750,000
Sale of goods	**141,870,070**	111,301,066	**-**	-
	141,870,070	111,301,066	**1,000,000**	750,000

24. Other income

	Group		Company	
	2015	2014	**2015**	2014
	RM	RM	**RM**	RM
Assembly charges	**45,933**	-	**-**	-
Fair value adjustment on investment properties	**-**	142,500	**-**	-
Freight and handling charges	**222,624**	-		-
Gain on disposal of investment	**-**	12,409	**-**	12,409
Gain on disposal of property, plant and equipment	**18,802**	998,976	**-**	-
Gain on foreign exchange - unrealised	**1,350,769**	55,157	**-**	19,945
Insurance claims	**32,779**	-	**-**	-
Interest income	**2,918**	-	**2,918**	-
Rental income	**434,361**	366,572	**-**	-
Sundry income	**149,935**	63,955	**-**	-
Sales of scrap	**85,227**	-	**-**	-
	2,343,348	1,639,569	**2,918**	32,354

25. Finance costs

	Group		Company	
	2015	2014	**2015**	2014
	RM	RM	**RM**	RM
Interest expense of financial liabilities that are not at fair value through profit or loss : -				
Banker acceptances	**2,418,589**	2,086,354	**-**	-
Bank charges and commission	**45,936**	105,224	**-**	-
Bank overdraft	**577,664**	479,254	**-**	-
Commitment fees	**31,043**	-	**-**	-
Finance lease	**1,432,750**	1,702,779	**-**	-
Letter of credit charges	**7,640**	74,357	**-**	-
Other interest charge	**6,669**	-	**-**	-
Term loan	**119,816**	136,436	**-**	-
	4,640,107	4,584,404	**-**	-

26. Profit before taxation

	Group		Company	
		Restated		
	2015	2014	**2015**	2014
	RM	RM	**RM**	RM
Profit before tax is arrived at after charging : -				
Auditors' remuneration				
- current year provision	**101,997**	86,000	**30,000**	20,000
- (over) /under provision in previous year	**(23,977)**	1,500	**-**	1,500
Bad debts written off	**34,282**	-	**-**	-
Depreciation of plant and equipment	**5,989,934**	4,563,542	**-**	-
Employee benefits expense (Note 27)	**8,503,431**	8,537,384	**36,700**	35,900
Impairment loss on : -				
- Intangible assets	**-**	800,000	**-**	-
- Inventory	**81,712**	-	**-**	-
Interest expenses : -				
- Banker acceptances	**2,418,589**	2,086,354	**-**	-
- Bank charges and commission	**45,936**	105,224	**-**	-
- Bank overdraft	**577,664**	479,254	**-**	-
- Commitment fees	**31,043**	-	**-**	-
- Finance lease	**1,432,750**	1,702,779	**-**	-
- Letter of credit charges	**7,640**	74,357	**-**	-
- Other interest charge	**6,669**	-	**-**	-
- Term loan	**119,816**	136,436	**-**	-
Other receivables written off	**225,400**	-	**-**	-
Lease rental	**180,000**	616,754	**-**	-
Rental of motor vehicles	-	14,795	**-**	-
Rental of plant and equipment	**9,447**	10,810	**-**	-
Rental of premises	**376,272**	381,367	**-**	-

Notes to the Financial Statements

30th June 2015

26. **Profit before taxation (Cont'd.)**

	Group 2015 RM	Group Restated 2014 RM	Company 2015 RM	Company 2014 RM
Profit before tax is arrived at after crediting : -				
Dividend received from subsidiary company	**-**	-	**1,000,000**	750,000
Fair value on investment properties, net of deferred income tax	**-**	142,500	**-**	-
Gain on disposal of property, plant and equipment	**18,802**	-	**-**	-
Gain on foreign exchange - unrealised	**1,350,769**	55,157	**-**	19,945
Gain on disposal of investment	**-**	12,409	**-**	12,409
Interest income	**2,918**	-	**2,918**	-
Rental income	**434,361**	366,572	**-**	-

27. **Employee benefits expense**

	Group 2015 RM	Group Restated 2014 RM	Company 2015 RM	Company Restated 2014 RM
Salaries, allowances and bonus	**7,625,296**	7,746,895	**36,700**	35,900
Employees Provident Fund	**329,504**	340,755	**-**	-
Social security costs	**48,327**	46,296	**-**	-
Share based expenses	**307,120**	9,890	**-**	-
Other staff related expenses	**193,184**	393,548	**-**	-
	8,503,431	8,537,384	**36,700**	35,900

Included in employee benefits expense of the Group and of the Company are directors' emoluments excluding benefits-in-kind, amounting to RM36,700 (2014 – RM35,900) as disclosed in Note 28.

Notes to the Financial Statements

30th June 2015

28. Directors' remuneration

	Group		Company	
		Restated		Restated
	2015	2014	**2015**	2014
	RM	RM	**RM**	RM
Directors of the Company				
Executive directors				
- Fees	**20,000**	20,000	**20,000**	27,500
- Other emoluments	**8,700**	8,700	**8,700**	8,700
	28,700	28,700	**28,700**	36,200
Non-executive directors				
- Fees	**90,000**	90,000	**90,000**	82,500
- Other emoluments	**28,000**	27,200	**28,000**	27,200
	118,000	117,200	**118,000**	109,700
Total excluding benefits-in-kind	**146,700**	145,900	**146,700**	145,900

29. Income tax (expense) /credit

	Group		Company	
		Restated		
	2015	2014	**2015**	2014
	RM	RM	**RM**	RM
Income tax				
- current year provision	**(34,749)**	(50,000)	**(709)**	-
- over /(under) provision in previous year	**20,232**	306	**(4,837)**	(4,125)
	(14,517)	(49,694)	**(5,546)**	(4,125)
Deferred taxation (Note 9)	**(3,671,000)**	1,907,661	**-**	-
	(3,685,517)	1,857,967	**(5,546)**	(4,125)

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

29. **Income tax (expense) /credit (Cont'd.)**

The numerical reconciliation between the effective tax rate and the applicable tax rate is as follows : -

	Group		Company	
		Restated		Restated
	2015	2014	**2015**	2014
	%	%	**%**	%
Applicable tax rate	**(25)**	(25)	**(25)**	(25)
Tax effects of :				
- Non-allowable expenses	**(1)**	(4)	**-**	-
- Non-taxable income	**7**	3	**24**	24
- Depreciation on non-qualifying assets	**(8)**	(1)	**-**	-
- Utilisation of capital allowance	**7**	33	**-**	-
- Over /(under) provision of deferred taxation in previous year	**(41)**	41	**-**	-
Effective tax rate	**(61)**	47	**(1)**	(1)

30. **Earnings per share**

Basic :

Basic earnings per share is calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group	
		Restated
	2015	2014
	RM	RM
Profit for the year attributable to ordinary equity holders of the Company	**2,231,657**	5,801,079
	Number of shares	
	Unit	Unit
Number of shares in issue at 1st July	**65,450,000**	60,000,000
Effect of private placement	**2,734,247**	-
Effect of ESOS	**8,178,000**	507,671
Weighted average number of ordinary shares in issue	**76,362,247**	60,507,671
Basic earnings per share (sen)	**2.92**	9.59

30. **Earnings per share**

Diluted :

	Group	
		Restated
	2015	2014
	RM	RM
Profit for the year attributable to ordinary equity holders of the Company (diluted)	**2,231,657**	5,801,079
	Number of shares	
	Unit	Unit
Weighted average number of ordinary shares in issue (basic)	**74,076,739**	60,418,082
Dilutive potential ordinary shares		
- Adjustment for assumed exercise of share options	**-**	3,550,000
Weighted average number of ordinary shares in issue (diluted)	**74,076,739**	63,968,082
Diluted earnings per share (sen)	**3.01**	9.07

31. **Prior years adjustments**

Prior years adjustments represent the following : -

(a) Understatement of share-based payment for the financial year ended 30th June 2014

The financial statements for prior year have been restated to adjust for the understatement of the share-based payment amounting to RM20,700.

(b) Understatement of share premium for the financial year ended 30th June 2014

The financial statements for prior year have been restated to adjust for the transfer to share premium for share options amounting to RM12,535.

(c) Understatement of impairment on intangible assets for the financial year ended 30th June 2014

The financial statements for prior year have been restated to adjust for the impairment of trademarks amounting to RM800,000.

(d) Understatement of revaluation reserves for the year prior to 1st July 2013

The financial statements for prior year have been restated to adjust for the revaluation amounting to RM910,843.

(e) Overstatement of revaluation reserves for the year ended 30th June 2014

The financial statements for prior year have been restated to adjust for the revaluation amounting to RM1,950,718.

(f) Overstatement of deferred tax liabilities for the year ended 30th June 2014

The financial statements for prior year have been restated to adjust for the deferred tax amounting to RM378,942.

31. **Prior years adjustments (Cont'd.)**

Prior years adjustments represent the following : - (Cont'd.)

(g) Over recognised of sales for the year ended 30th June 2014

The financial statements for prior year have been restated to adjust for the sales and trade receivables amounting to RM4,303,127.

(h) Over recognised of cost of sales for the year ended 30th June 2014

The financial statements for prior year have been restated to adjust for the cost of sales and inventories amounting to RM3,786,752.

The prior years adjustments affecting the financial ended 30th June are as follows : -

	2014 RM
Intangible assets	(800,000)
Deferred tax assets	189,000
Inventories	3,786,752
Trade receivables	(4,303,127)
Amount due from holding company	10,810
Share premium	12,535
Share option reserves	8,165
Retained earnings	470,552
Revaluation reserves	(1,039,875)
Deferred tax liabilities	(567,942)
Sales	(4,303,127)
Cost of sales	3,786,752
Administrative expenses	(9,890)
Other expenses	(800,000)
Income (expenses) /credit	2,707,661

As a result, the prior year adjustments were made retrospectively to the financial statements of prior year as disclosed in Note 40 to the financial statements.

32. **Purchase of plant and equipment**

During the financial year, the Group and the Company made the following cash payments to purchase plant and equipment : -

	Group		Company	
	2015 RM	2014 RM	**2015 RM**	2014 RM
Purchase of plant and equipment (Note 4)	**7,500,179**	36,454,352	**-**	-
Financed by finance lease arrangement	**-**	(18,172,430)	**-**	-
Cash payment on purchase of plant and equipment	**7,500,179**	18,281,922	**-**	-

33. Cash and cash equivalents

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts : -

	Group		Company	
	2015	2014	**2015**	2014
	RM	RM	**RM**	RM
Cash and bank balances	**1,052,727**	1,178,362	**1,007,581**	921,462
Bank overdrafts (Note 18)	**(6,204,387)**	(8,169,856)	**-**	-
	(5,151,660)	(6,991,494)	**1,007,581**	921,462

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

	2015	2014
	RM	RM
US Dollar	**2,118**	176,499

34. Segmental information

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

Notes to the Financial Statements

30th June 2015

34. **Segmental information (Cont'd.)**

Business segments

The Group comprises the following main business segments : -

Investment holding	Investment holding.
Manufacturing and trading	Manufacturing and trading of candy, confectionery and wafer products.

There are varying levels of integration among the reportable segments. This integration includes transfers of raw materials, shared managed services and financial resources. Inter-segment pricing is determined on negotiated basis in a manner similar to transactions with third parties.

Performance is measured based on segment profit before tax, interest, depreciation and amortisation, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer (the chief operating decision maker). Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets and liabilities

The total of segment assets and liabilities are measured based on all assets and liabilities of a segment, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer.

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial period to acquire property, plant and equipment, and intangible assets other than goodwill.

34. Segmental information (Cont'd.)

a) Business Segment

2015 Business Segments	Investment holding RM	Manufacturing and trading RM	Elimination RM	Total RM
Revenue				
Revenue from external customers	**-**	**141,870,070**	**-**	**141,870,070**
Inter-segment revenue	**1,000,000**	**-**	**(1,000,000)**	**-**
Total revenue	**1,000,000**	**141,870,070**	**(1,000,000)**	**141,870,070**
Results				
Segment results	**380,242**	**8,833,691**	**(1,000,000)**	**8,213,933**
Other operating income	**2,918**	**2,340,430**	**-**	**2,343,348**
Finance costs	**-**	**(4,640,107)**	**-**	**(4,640,107)**
Profit before taxation	**383,160**	**6,534,014**	**(1,000,000)**	**5,917,174**
Income tax	**(5,546)**	**(3,679,971)**	**-**	**(3,685,517)**
Profit for the year	**377,614**	**2,854,043**	**(1,000,000)**	**2,231,657**
Other information				
Segment assets	**91,934,541**	**242,101,690**	**(94,307,520)**	**239,728,711**
Segment liabilities	**191,295**	**164,821,664**	**(61,375,942)**	**103,637,017**
Depreciation	**-**	**5,989,934**	**-**	**5,989,934**
Included in the measure of segment assets are : -				
Additions to non-current assets other than financial instruments and deferred tax assets	**-**	**7,500,179**	**-**	**7,500,179**

34. **Segmental information (Cont'd.)**

a) Business Segment (Cont'd.)

Restated **2014** Business Segments	Investment holding RM	Manufacturing and trading RM	Elimination RM	Total RM
Revenue				
Revenue from external customers	-	111,301,066	-	111,301,066
Inter-segment revenue	750,000	-	(750,000)	-
Total revenue	750,000	111,301,066	(750,000)	111,301,066
Results				
Segment results	322,462	7,207,612	(642,127)	6,887,947
Other operating income	32,354	1,607,215	-	1,639,569
Finance costs	-	(4,584,404)	-	(4,584,404)
Profit before taxation	354,816	4,230,423	(642,127)	3,943,112
Income tax	(4,125)	1,862,091	-	1,857,966
Non-controlling interests	-	-	-	-
Profit for the year	350,691	6,092,514	(642,127)	5,801,078
Other information				
Segment assets	66,723,210	200,949,391	(70,115,639)	197,556,962
Segment liabilities	158,328	125,830,528	(37,491,181)	88,497,675
Depreciation	-	4,563,542	-	4,563,542
Included in the measure of segment assets are : -				
Additions to non-current assets other than financial instruments and deferred tax assets	-	36,454,352	-	36,454,352

34. **Segmental information (Cont'd.)**

b) Geographical segment

The manufacturing and trading operations are based not only in Malaysia but also spread throughout the rest of Asia, Europe, Africa and South America.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers whereas segment assets are based on the geographical location of assets.

	Revenue		Segment assets	
	2015	2014	**2015**	2014
	RM	RM	**RM**	RM
Malaysia	**73,748,068**	62,724,318	**239,728,711**	197,556,962
Rest of Asia	**58,650,246**	43,279,042	**-**	-
Europe	**1,981,147**	831,230	**-**	-
Africa	**2,764,275**	458,424	**-**	-
South America	**4,726,334**	4,008,052	**-**	-
	141,870,070	111,301,066	**239,728,711**	197,556,962

The following are the major customer with revenue equal or more than 10% of the Group's total revenue : -

	Revenue		Segment
	2015	2014	
	RM	RM	
Customer A	41,038,469	26,398,164	Manufacturing and trading
Customer B	24,282,901	21,343,359	Manufacturing and trading
Customer C	20,298,760	22,628,384	Manufacturing and trading

35. **Financial instruments**

a) Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows : -

(a) Loans and receivables ("L&R");
(b) Financial liabilities measured at amortised cost ("FL").

Group	Carrying amount RM	L&R RM	FL RM
2015			
Financial assets			
Trade receivables	**46,923,963**	**46,923,963**	**-**
Other receivables	**639,385**	**639,385**	**-**
Amount due from holding company	**884,440**	**884,440**	**-**
Cash and bank balances	**1,052,727**	**1,052,727**	**-**
	49,500,515	**49,500,515**	**-**
Financial liabilities			
Trade payables	**(16,522,146)**	**-**	**(16,522,146)**
Other payables and accruals	**(2,998,515)**	**-**	**(2,998,515)**
Amount due to holding company	**(1,677,033)**	**-**	**(1,677,033)**
Bankers' acceptances	**(51,722,578)**	**-**	**(51,722,578)**
Bank overdraft	**(6,204,387)**	**-**	**(6,204,387)**
Term loans	**(1,780,942)**	**-**	**(1,780,942)**
Finance lease liabilities	**(19,249,416)**	**-**	**(19,249,416)**
	(100,155,017)	**-**	**(100,155,017)**
2014			
Financial assets			
Trade receivables	7,635,129	7,635,129	-
Other receivables	928,448	928,448	-
Amount due from holding company	10,810	10,810	-
Cash and bank balances	1,178,362	1,178,362	-
	9,752,749	9,752,749	-
Financial liabilities			
Trade payables	(13,103,731)	-	(13,103,731)
Other payables and accruals	(2,747,186)	-	(2,747,186)
Amount due to holding company	(1,723,778)	-	(1,723,778)
Bankers' acceptances	(33,768,796)	-	(33,768,796)
Bank overdraft	(8,169,856)	-	(8,169,856)
Term loans	(2,570,547)	-	(2,570,547)
Finance lease liabilities	(26,413,781)	-	(26,413,781)
	(88,497,675)	-	(88,497,675)

Notes to the Financial Statements

30th June 2015

35. **Financial instruments (Cont'd.)**

a) Categories of financial instruments (Cont'd.)

Company	Carrying amount RM	L&R RM	FL RM
2015			
Financial assets			
Other receivables	**1,037**	**1,037**	**-**
Amount due from holding company	**884,440**	**884,440**	**-**
Amount due from a subsidiary company	**57,105,394**	**57,105,394**	**-**
Cash and bank balances	**1,007,581**	**1,007,581**	**-**
	58,998,452	**58,998,452**	**-**
Financial liability			
Other payables and accruals	**(191,295)**	**-**	**(191,295)**
2014			
Financial assets			
Other receivables	1,037	1,037	-
Amount due from holding company	10,810	10,810	-
Amount due from a subsidiary company	33,160,686	33,160,686	-
Cash and bank balances	921,462	921,462	-
	34,093,995	34,093,995	-
Financial liability			
Other payables and accruals	(158,328)	-	(158,328)

b) Financial risk management

The Group has exposure to the following risks from its use of financial instruments as follows : -

- Credit risk
- Liquidity and cash flow risk
- Market risk
- Operational risk

35. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

i) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries. The Group also has an internal credit review which is conducted if the credit risk is material. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

Receivables

Risk management objectives, policies and processes for managing the risk
The credit risk is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high credit worthiness. The Group also has an internal credit review which is conducted if the credit risk is material. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

Exposure to credit risk, credit quality and collateral
As at 30th June 2015, the Group has significant concentration of credit risk in the form of outstanding balance of approximately RM36,000,000 due from five trade receivable which represents 68% of the total trade receivables of the Group. However, the directors are of the opinion that these amount outstanding is fully recoverable. Credit risk and receivables are monitored on an ongoing basis. These procedures substantially mitigate credit risk of the Group.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any past due receivables having significant balances, which are deemed to have higher credit risk, are monitored individually.

The trade receivables are not secured by any collateral or supported by any other credit enhancements.

35. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

i) Credit risk (Cont'd.)

Receivables (Cont'd.)

The Group maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was : -

Group	Gross RM	Individual impairment RM	Net RM
2015			
Not past due	**45,610,609**	**-**	**45,610,609**
Past due 1-30 days	**829,602**	**-**	**829,602**
Past due over 30 days	**483,752**	**-**	**483,752**
	46,923,963	**-**	**46,923,963**
Restated 2014			
Not past due	6,487,486	-	6,487,486
Past due over 30 days	1,912,253	(764,610)	1,147,643
	8,399,739	(764,610)	7,635,129

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

Inter-company loans and advances

Risk management objectives, policies and processes for managing the risk
The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral
As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Impairment losses
As at the end of the reporting period, there was no indication that the loans and advances to the subsidiaries are not recoverable. The Company does not specifically monitor the ageing of current advances to the subsidiaries.

35. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

i) Credit risk (Cont'd.)

<u>Financial guarantees</u>

Risk management objectives, policies and processes for managing the risk
The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

Exposure to credit risk, credit quality and collateral
The maximum exposure to credit risk amounts to RM78,957,323 (2014 – RM70,922,980) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

ii) Liquidity and cash flow risks

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

35. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

ii) Liquidity and cash flow risks (Cont'd.)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments : -

Group	Carrying amount	Effective Interest / Rate	Contractual cash flows	Under 1 year	1 - 2 years	2 - 5 years	More than 5 years
	RM	%	RM	RM	RM	RM	RM
2015							
Non-derivative financial liabilities							
Trade payables	**16,522,146**	**-**	**16,522,146**	**16,522,146**	**-**	**-**	**-**
Other payables and accruals	**2,998,515**	**-**	**2,998,515**	**2,998,515**	**-**	**-**	**-**
Amount due to holding company	**1,677,033**	**-**	**1,677,033**	**1,677,033**	**-**	**-**	**-**
Bankers' acceptances	**51,722,578**	**4.55-5.45**	**51,722,578**	**51,722,578**	**-**	**-**	**-**
Bank overdraft	**6,204,387**	**8.10-8.57**	**6,204,387**	**6,204,387**	**-**	**-**	**-**
Term loans	**1,780,942**	**5.53**	**1,845,877**	**789,605**	**789,605**	**266,667**	**-**
Finance lease liabilities	**19,249,416**	**2.41-6.60**	**22,372,253**	**7,274,173**	**6,303,675**	**8,205,294**	**589,111**
	100,155,017		**103,342,789**	**87,188,437**	**7,093,280**	**8,471,961**	**589,111**

35. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

ii) Liquidity and cash flow risks (Cont'd.)

Maturity analysis

Group	Carrying amount RM	Effective Interest / Rate %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
2014							
Non-derivative financial liabilities							
Trade payables	13,103,731	-	13,103,731	13,103,731	-	-	-
Other payables and accruals	2,747,186	-	2,747,186	2,747,186	-	-	-
Amount due to holding company	1,723,778	-	1,723,778	1,723,778	-	-	-
Bankers' acceptances	33,768,796	4.20-5.30	33,768,796	33,768,796	-	-	-
Bank overdraft	8,169,856	8.10-8.57	8,169,856	8,169,856	-	-	-
Term loans	2,570,547	5.53	2,570,547	789,605	789,605	991,337	-
Finance lease liabilities	26,413,781	2.41-6.60	31,344,837	8,332,517	7,182,170	14,423,767	1,406,383
	88,497,675		93,428,731	68,635,469	7,971,775	15,415,104	1,406,383

35. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

ii) Liquidity and cash flow risks (Cont'd.)

Company	Carrying amount	Effective interest rate %	Contractual cash flows	Under 1 year
2015				
Non-derivative financial liabilities				
Other payables and accruals	**191,295**	**-**	**191,295**	**191,295**
2014				
Non-derivative financial liabilities				
Other payables and accruals	158,328	-	158,328	158,328

iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's financial position or cash flows. Other than interest rates risk and foreign exchange rate risk, the Group is not expose to other prices risk.

Currency risk

The Group is exposed to foreign currency risk on sales that are denominated in a currency other than the respective functional currency of Group entities. The currency giving rise to this risk were primarily Singapore Dollar ("SGD"), U. S. Dollar ("USD"), Hong Kong Dollar ("HKD"), Thai Baht ("THB"), Japanese Yen ("JPY"), Euro ("Euro"), and Indonesian Rupiah ("IDR").

Risk management objectives, policies and processes for managing the risk
The Group is closely monitoring the foreign currency risk on an ongoing basis to ensure that the net exposure is at acceptable level. On occasion, the Group enters into forward foreign currency contracts to hedge against its foreign currency risk.

35. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

iii) Market risk (Cont'd.)

Exposure to foreign currency risk
The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was : -

	2015	2014
	RM	RM
Trade receivables (Note 11)		
- Euro	**960,385**	38,018
- Hong Kong Dollar	**2,798,667**	217,936
- Indonesian Rupiah	**960,961**	709,609
- Japanese Yen	**3,833,622**	209,860
- Singapore Dollar	**152,790**	314,895
- Thai Baht	**190,078**	319,889
- US Dollar	**16,768,123**	5,786,886
Cash and bank balances (Note 33)		
- US Dollar	**2,118**	176,499

Currency risk sensitivity analysis
A 5% strengthening of RM against the following currencies at the end of the reporting period would have increased /(decreased) equity and post-tax profit or loss by the amount shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonable possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remained constant.

35. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

iii) Market risk (Cont'd.)

Currency risk sensitivity analysis (Cont'd.)

Group	**2015** Equity RM	**2015** Profit for the year RM	2014 Equity RM	2014 Profit for the year RM
Increase	**1,540,929**	**1,540,929**	388,680	388,680

A 5% of weakening of RM against the above foreign currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amount shown above, on the basis that all other variables remained constant.

Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes interest rates. Short term investment such as deposits with licensed bank are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk
The Group's policy is to borrow principally on the floating rate basis but to retain a proportion of fixed rate debt. The objectives for the mix between fixed and floating rate borrowings are set to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rates fall.

35. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

iii) Market risk (Cont'd.)

Interest rate risk (Cont'd.)

Exposure to interest rate risk
The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was : -

	Group		Company	
		Effective Interest rate		**Effective Interest rate**
2015	**RM**	**%**	**RM**	**%**
Fixed rate instruments				
Finance lease liabilities	**(19,249,416)**	**2.41-6.60**	-	-
Floating rate instruments				
Bankers' acceptances	**(51,722,578)**	**4.55-5.45**	-	-
Bank overdrafts	**(6,204,387)**	**8.10-8.57**	-	-
Term loans	**(1,780,942)**	**5.53**	-	-
2014				
Fixed rate instruments				
Finance lease liabilities	(26,413,781)	2.41-6.60	-	-
Floating rate instruments				
Bankers' acceptances	(33,768,796)	4.20-5.30	-	-
Bank overdrafts	(8,169,856)	8.10-8.57	-	-
Term loans	(2,570,547)	5.53	-	-

35. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

iii) Market risk (Cont'd.)

Interest rate risk (Cont'd.)

Interest rate risk sensitivity analysis : -
Fair value sensitivity analysis for fixed rate instruments
The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change on interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments
At the reporting date, if interest rates had been 100 basis points lower/higher, with all other variables held constant, the Group's loss net of tax would have been RM60,538 higher/lower, arising mainly as a result of lower/higher interest expense on floating rate borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

iv) Operational risk

The operational risk arises from the daily activities of the Group which includes legal, credit reputation and financing risk and other risks associated to daily running of its business operations.

Such risks are mitigated through proper authority levels of approval limits, clear reporting structure, segregation of duties, policies and procedures implemented and periodic management meetings.

In dealing with its stewardship, the directors recognise that effective risk management is an integral part of good business practice.

The directors will pursue an ongoing process of identifying, assessing and managing key business areas, overall operational and financial risks faced by the business units as well as regularly reviewing and enhancing risk mitigating strategies with its appointed and key management personnel.

Notes to the Financial Statements
30th June 2015

35. **Financial instruments (Cont'd.)**

c) Fair value information

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

Group	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
2015	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Financial liabilities										
Term loans	**-**	**-**	**-**	**-**	**-**	**-**	**1,625,843**	**1,625,843**	**1,625,843**	**1,780,942**
Finance lease liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**18,823,242**	**18,823,242**	**18,823,242**	**19,249,416**
	-	**-**	**-**	**-**	**-**	**-**	**20,449,085**	**20,449,085**	**20,449,085**	**21,030,358**
2014										
Financial liabilities										
Term loans	-	-	-	-	-	-	2,288,873	2,288,873	2,288,873	2,570,547
Finance lease liabilities	-	-	-	-	-	-	24,691,507	24,691,507	24,691,507	26,413,781
	-	-	-	-	-	-	26,980,380	26,980,380	26,980,380	28,984,328

35. **Financial instruments (Cont'd.)**

c) Fair value information

The following shows the valuation techniques used in the determination of fair values within Level 3 for financial instruments not carried at fair value, as well as the key unobservable inputs used in the valuation models.

Type	**Description of valuation technique and inputs used**
Bank borrowing	Discounted cash flows using a rate based on the current market rate of borrowing of the respective Group entities at the reporting date.

36. **Capital management**

The overall capital management objective of the Group is to safeguard its ability to continue as a going concern so as to provide fair returns to owners and benefits to other stakeholders. In order to meet this objective, the Group always strives to maintain an optimal capital structure to reduce the cost of capital and sustain its business development.

The Group considers its total equity to be the key component of its capital structure and may, from time to time, adjust the dividend payouts, purchase own shares, issue new shares, redeem debts or sell assets, where necessary, to maintain an optimal capital structure. Management has not formulated any formal policies and processes for monitoring the Group's capital in view of its simple structure. Nevertheless, management will always strive to improve those policies and processes whenever the need arises.

37. **Contingent liabilities**

	Group	
		Restated
	2015	2014
	RM	RM
Unsecured		
Corporate guarantees issued to bank for bank facilities granted to : -		
- subsidiary companies	**70,545,095**	59,259,332

The directors are of the opinion that adequate allowance has been made in the financial statements for any possible liabilities.

38. **Related parties**

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain members of the senior management of the Group.

The Group has related party relationship with its subsidiaries, Directors and key management personnel.

Significant related party transactions

Related party transactions have been entered into the normal course of business under normal trade terms. The significant related party transactions of the Group and of the Company are show below. The related party balances are shown in Note 7 and 13

a) Related party /companies transactions : -

i) Significant related company transactions in the financial statements are as follows : -

	Group	
	2015	2014
	RM	RM
Sales		
- London Biscuits Berhad	**20,298,760**	22,628,384
Purchases		
- London Biscuits Berhad	**(4,357,233)**	-
Rental income		
- London Biscuits Berhad	**298,201**	-

This transaction has been entered in the normal course of business and established under negotiated terms.

	Company	
	2015	2014
	RM	RM
Gross dividend income received from subsidiary companies		
- Khee San Food Industries Sdn. Bhd.	**1,000,000**	750,000

38. **Related parties (Cont'd.)**

b) Compensation of key management personnel

The remuneration paid by the Group and the Company to key management personnel during the year are as follows : -

	Group		Company	
	2015	2014	**2015**	2014
	RM	RM	**RM**	RM
Short-term employee benefits	**146,700**	145,900	**146,700**	145,900

Included in the total key management personnel are : -

	Group		Company	
	2015	2014	**2015**	2014
	RM	RM	**RM**	RM
Directors' remuneration (Note 28)				
- Directors of the Company	**146,700**	145,900	**146,700**	145,900

39. **Rental commitment**

As at the reporting date, the Company has rental commitment in respect of rental of premises and machineries as follows : -

	2015	2014
	RM	RM
- Not later than one year	**414,642**	392,622
- Later than one year but not later than two years	**414,642**	414,642
	829,284	807,264

Notes to the Financial Statements
30th June 2015

40. **Comparative figures**

a) The following comparative figures have been reclassified and restated to conform with the current year's presentation and to reflect the impacts due to the prior years adjustments as disclosed in Note 31 to the financial statements : -

Group	As previously reported RM	Effects of prior years adjustments RM	Reclassification RM	As restated RM
Statement of Financial Position At 1st July 2014				
Non-current Assets				
Intangible assets	1,600,000	(800,000)	-	800,000
Deferred tax assets	-	189,000	-	189,000
Current Assets				
Inventories	11,761,253	3,786,752	-	15,548,005
Trade receivables	11,938,256	(4,303,127)	-	7,635,129
Amount due from holding company	-	10,810	-	-
Cash and bank balances	1,186,552	-	(8,190)	1,178,362
Equity				
Share premium	-	12,535	-	12,535
Share option reserves	-	8,165	-	8,165
Retained earnings	34,179,029	470,552	-	34,649,581
Revaluation reserves	27,422,580	(1,039,875)	-	26,382,705
Non-current Liabilities				
Deferred tax liabilities	567,942	(567,942)	-	-
Current Liabilities				
Borrowings	49,904,070	-	(8,190)	49,895,880
Statement of profit or loss and other comprehensive income				
Sales	115,604,193	(4,303,127)	-	111,301,066
Cost of sales	(101,269,178)	3,786,752	-	(97,482,426)
Administrative expenses	(3,214,943)	(9,890)	-	(3,224,833)
Other expenses	-	(800,000)	-	(800,000)
Income tax (expenses) / credit	(849,694)	2,707,661	-	1,857,967

41. **Subsequent events**

a) On 20th June 2016, the company entered into a sale and purchase agreement to dispose of one unit of property for a consideration of RM9,00,000.

41. **Subsequent events (Cont'd.)**

b) On 17th July 2016, the company entered into a sale and purchase agreement to dispose of one unit of investment property for a consideration of RM750,000.

c) On 25th July 2016, the company entered into a sale and purchase agreement to dispose of one unit of investment property for a consideration of RM1,800,000.

d) On 18th August 2016, the company entered into a sale and purchase agreement to dispose of one unit of investment property for a consideration of RM700,000.

e) Companies Act, 2016

The Companies Act, 2016 ("New Act") was enacted to replace the Companies Act, 1965 and was passed by Parliament on 4th April 2016. The New Act was subsequently gazetted on 15th September 2016. On 26th January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism announced that the effective date of the New Act, except for section 241 and Division 8 of Part lll of the New Act, to be 31st January 2017.

Amongst the key changes introduced in the New Act, which will affect the financial statements of the Group and of the Company would include the removal of the authorised share capital, replacement of no par value shares in place of par or nominal value shares, and the treatment of share premium and capital redemption reserves.

The adoption of the New Act did not have any financial impact on the Group and the Company for the financial year ended 30th June 2015 as any accounting implications will only be applied prospectively, if applicable, and the effect of adoption mainly was on the disclosures to the annual report and financial statements of the Group and of the Company for the financial year ended 30th June 2017.

f) On 5th January 2017, the Company announced that London Biscuits Berhad ("LBB"), which was a major shareholder with a shareholding of 19,920,500 ordinary shares of RM1.00 each (being equivalent to 19.15%) no longer was the holding company of KSB by virtue of Section 5(1)(a)(i) of the Company Act, 1965 with effect from the date of announcement. There was no material dilution and no changes in the shareholding of equity share in the Company by LBB.

g) Securities Commission Malaysia ("SC") had vide their letter dated 21st May 2018 ("SC letter") reprimanded the Company and its Directors at the material time for breach of Section 354(1)(a) of the Capital Markets and Services Act 2007 ("CMSA") read together with Regulation 4(1) of the Securities Industry (Compliance with Approved Accounting Standards) Regulations 1999.

The SC sanctions arose as a result of its findings that the Company had failed to comply with the relevant Malaysian Financial Reporting Standards ("MFRS") extended to various distinct areas within the financial years ended 30th June 2015 ("AFS 2015") and 30th June 2016 ("AFS 2016").

Pursuant to Section 354(3)(c) of the CMSA, SC has directed the Company to rectify and re-issue Khee San's AFS 2015 and AFS 2016, seek appropriate independent professional advice to reconstitute an effective Audit Committee ("AC") and address its Financial Reporting Function.

41. **Subsequent events (Cont'd.)**

g) The non-compliance to MFRS highlighted in the SC letter are tabled as follows : -

No.	Area of disclosure	MFRS	Nature of non-compliance
1.	Segmental reporting	Paragraph 33, MFRS 8 Operating Segments ("MFRS 8")	Failure to disclose in AFS 2015 and AFS 2016 the revenue breakdown by geographical segment
		Paragraph 34, MFRS 8	Failure to disclose in AFS 2015 and AFS 2016 KHEESAN's reliance on major customer
2.	Employees' Share Option Scheme ("ESOS")	Paragraph 44, MFRS 2 Share Based Payment ("MFRS 2")	Incorrect disclosure in AFS 2015 on the movement of ESOS and share capital which wrongly included the amount of Private Placement (as defined below)
		Paragraph 46, MFRS 2	Non-disclosure in AFS 2015 and AFS 2016 of the fair value ("FV") of ESOS options granted and assumptions used to arrive at the FV of ESOS options granted
		Paragraph 10, MFRS 2	The FV of ESOS options granted in AFS 2015 and AFS 2016 was measured without a basis that is in accordance to the parameters set out in MFRS 2
3.	Private Placement	Paragraph 15 and 106(d), MFRS 101 Presentation of Financial Statements ("MFRS 101")	Non-disclosure in AFS 2015 of the issuance of 6.9 million new shares ("Private Placement") in the Notes to the Accounts and Statement of Changes in Equity
		Paragraph 21, MFRS 107 Statement of Cash Flows	Non-disclosure in AFS 2015 of cash proceeds raised from the Private Placement exercise
		Paragraph 49(a), MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors ("MFRS 108")	Non-disclosure in AFS 2016 on the nature of the prior error in AFS 2015 i.e. rectification of Statement of Changes in Equity and Statement of Cash Flows in relation to the Private Placement

41. **Subsequent events (Cont'd.)**

g) The non-compliance to MFRS highlighted in the SC letter are tabled as follows : - (Cont'd.)

No.	Area of disclosure	MFRS	Nature of non-compliance
4.	Trade receivables – aging analysis	Paragraph 31, MFRS 7 Financial Instruments Disclosure Paragraph 49(a) MFRS 108	Misrepresentation of the aging analysis for FYE 2015 in Note 10 of the AFS 2015 Non-disclosure in AFS 2016 on nature of the prior period error i.e. correction of aging analysis of its trade receivables for FYE 2015 in AFS 2016
5.	Intangible assets ("IA") – Assessments of indefinite useful life	Paragraph 88, MFRS 138 Intangible Assets ("MFRS 138") Paragraph 122, MFRS 138	Assessment of the useful life of the IA in AFS 2015 and AFS 2016 was not done in accordance to the parameters set MFRS 138 Failure to disclose in AFS 2015 and AFS 2016 the reasons supporting the assessment of an indefinite useful life of the IA
6.	IA – Impairment assessment	Paragraph 33, MFRS 136 Impairment of Assets Paragraph 134, MFRS 136	The impairment testing for IA in AFS 2015 and AFS 2016 was based on unreasonable and unsupported assumptions Non-disclosure in AFS 2015 and AFS 2016 of the key assumptions used to support the non-impairment of the IA

42. **Reconciliation of profit after tax**

For the financial year ended 30th June 2015

	Group RM	Company RM
Profit after tax before re-audit	4,070,717	377,614
Adjustments : -		
- Omission of share-based expenses	(307,120)	-
- Other receivables written off	(225,400)	-
- Sales of goods over recognised - net	(792,918)	-
- Cost of sales over recognised - net	697,767	-
- Overstatement of unrealised gain on foreign exchange	(170,966)	-
- Repayment of bankers' acceptances wrongly charged to profit or loss	830,000	-
- Understatement of deferred tax liabilities	(2,660,760)	-
- Understatement of closing inventories	790,337	-
Profit after tax after re-audit	2,231,657	377,614

43. **Supplementary information on the breakdown of realised and unrealised profits or losses**

The breakdown of the retained profit of the Group and of the Company at 30th June 2015, into realised and unrealised losses, pursuant to Rules 2.07 and 2.23 of Bursa Malaysia Securities Berhad Main Market Listing Requirements, are as follows : -

Group	**2015 RM**	Restated 2014 RM
Total retained profit of the Company and its subsidiaries:		
- realised	**44,526,507**	38,623,850
- unrealised	**(3,482,000)**	189,000
	41,044,507	38,812,850
Less : Consolidation adjustments	**(4,163,269)**	(4,163,269)
Total retained profit	**36,881,238**	34,649,581
Company		
Total retained profit of the Company		
- realised	**1,471,796**	1,094,182
Total retained profit	**1,471,796**	1,094,182

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profit or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by Malaysian Institute of Accountants on 20th December 2010.

Statement by Directors

Pursuant to Section 251(2) of the Companies Act, 2016

We, Dato' Sri Liew Yew Chung, SSAP, DIMP and Edward Tan Juan Peng, being two of the directors of Khee San Berhad, do hereby state that, in the opinion of the directors, the financial statements set out on pages 12 to 99 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 30th June 2015 and of the results and the cash flows of the Group and of the Company for the financial year ended on that date.

The information set out in Note 43 on page 100 to the financial statements has been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

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

Dato' Sri Liew Yew Chung, SSAP, DIMP

Edward Tan Juan Peng

Kuala Lumpur,
Date : 18th April 2019

Khee San Berhad
(Incorporated in Malaysia, Company No. 304376 – A)

Statutory Declaration

Pursuant to Section 251(1)(b) of the Companies Act, 2016

I, Edward Tan Juan Peng, NRIC: 730831-01-6711, being 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 12 to 100, to the best of my knowledge and belief, are 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 at Kuala Lumpur on 18th April 2019

Edward Tan Juan Peng

Before me

D. Selvaraj (W 320)
Commissioner for Oaths

KHEE SAN BERHAD

(Incorporated in Malaysia)
Company No. 304376-A

REPORTS & FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

KRESTON JOHN & GAN
Chartered accountants
(Firm No. AF 0113)

KHEE SAN BERHAD

(Company No: 304376-A)
(Incorporated in Malaysia)

ANNUAL REPORT 2016

TO ALL SHAREHOLDERS OF KHEE SAN BERHAD

Reference is made to the Annual Report 2016 which contained the Audited Financial Statements for the financial year ended 30 June 2015 that was submitted to Bursa Malaysia Securities Berhad on 20 October 2016.

The Securities Commission Malaysia ("SC") had vide their letter dated 21 May 2018 signified that the Company had breached Section 354(1)(a) of the Capital Markets and Services Act 2007 ("CMSA") read together with Regulation 4(1) of the Securities Industries (Compliance with Approved Accounting Standards) Regulations 1999 ("SIR") for failure to prepare and present the Group's and the Company's audited financial statements for the year ended 30 June 2015 ("AFS 2015") and 30 June 2016 ("AFS 2016") in accordance with approved accounting standards.

In this regard, pursuant to Section 354(3)(c) of the CMSA, SC had directed the Company to re-audit and re-issue the Group's and the Company's AFS 2015 and AFS 2016 accordingly. The effects are disclosed in the Note 41 to the financial statements.

The Company hereby submit the re-audited financial statements for the financial year ended 30 June 2016 for your attention.

By Order of the Board

HOH LEONG CHING (MAICSA 7006654)
LEE SHOOK MUN @ LEE YUE YEE (MAICSA 7000634)
Secretaries
Kuala Lumpur
8 May 2019

Khee San Berhad
(Incorporated in Malaysia, Company No. 304376 – A)

Financial Statements

30th June

2016

Khee San Berhad
(Incorporated in Malaysia, Company No. 304376 – A)

Corporate Information

for the year ended 30th June 2016

Board of Directors	:	Dato' Sri Liew Yew Chung (Chairman, Non-Independent Non-Executive Director)
	:	Edward Tan Juan Peng (Chief Executive Director)
	:	Huang Yan Teo (Independent Non-Executive Director)
	:	Leslie Looi Meng (Independent Non-Executive Director)
	:	Wong Hock Foong (Independent Non-Executive Director)
	:	Dato' Hj. Mohd Aris Bin Ramli (Independent Non-Executive Director)
	:	Prof. Dr. Hj. Mohd Amy Azhar bin Mohd Harif (Independent Non-Executive Director)
	:	Mohanadas A/L K.P Balan (Independent Non-Executive Director)
Company Secretaries	:	Hoh Leong Ching (MAICSA 7006654)
	:	Lee Shook Mun @ Lee Yue Yee (MAICA 7000634)
Audit Committee	:	Prof. Dr. Hj. Mohd Amy Azhar bin Mohd Harif (Chairman)
	:	Mohanadas A/L K.P Balan
	:	Dato' Hj. Mohd Aris bin Ramli
Auditors	:	Kreston John & Gan Chartered Accountants (Firm No. AF 0113)
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
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: 603-774 1988
Business Address	:	Lot 1819-1820, Jalan Kolej, 43300 Seri Kembangan, Selangor Darul Ehsan. Tel: 603-8943 1390 Fax: 603-8943 1351 Website: www.kheesan.com.my
Principal Bankers	:	HSBC Bank Malaysia Berhad
	:	Standard Chartered Bank Malaysia Berhad
	:	OCBC Bank (Malaysia) Berhad
Stock Exchange Listing	:	Main Market of the Bursa Malaysia Securities Berhad
Stock Short Name	:	KHEESAN
Stock Code	:	6203

Directors' Report
for the year ended 30th June 2016

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

As stated in Note 40(c) to the financial statements, the Securities Commission Malaysia ("SC") had vide their letter dated 21st May 2018 signified that the Company had breached Section 354(1)(a) of the Capital Markets and Services Act 2007 ("CMSA") read together with Regulation 4(1) of the Securities Industries (Compliance with Approved Accounting Standards) Regulations 1999 ("SIR") for failure to prepare and present the Group's and the Company's audited financial statements for the year ended 30th June 2015 ("AFS 2015") and 30th June 2016 ("AFS 2016") in accordance with approved accounting standards.

In this regard, pursuant to Section 354(3)(c) of the CMSA, SC had directed the Company to re-audit and re-issue the Group's and the Company's AFS 2015 and AFS 2016 accordingly. The effects are disclosed in the Note 41 to the financial statements.

Principal activities

The Company is principally an investment holding company. The principal activities of the subsidiary companies are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

Results

	Group	Company
	RM	RM
Profit for the year attributable to owner of the Company	3,024,141	455,892

Dividends

No dividend has been paid, declared or proposed since the end of the previous financial year. The directors do not recommend any dividend payment in respect of the current financial year.

Reserves and provisions

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

Shares and debentures

During the financial year, the Company issued and paid-up ordinary share capital 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 Schemen (“ESOS”) at the par value of RM1.00 per share.

No debentures were issued during the financial year.

Options granted over unissued shares

At an Extraordinary General Meeting held on 12th December 2014, the shareholders had approved the establishment of an Employees Share Option Scheme (“ESOS” or “Scheme”)

Employees Share Option Scheme

The Company's ESOS is governed by the by-laws approved by the shareholders at the Extraordinary General Meeting held on 12nd December 2014.

The principal features of ESOS are as follows : -

(a) 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.

(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 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 Scheme.

(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

(e) No option shall be granted for less than 100 shares and shall always be in mutiples 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.

Detail of ESOS are disclosed in the Note 16 to the financial statements.

Directors' Report
for the year ended 30th June 2016

Share placement of up to 6,900,000 new ordinary shares in the company, representing up to 10% of the issued ordinary share capital of the company

The company announced on 1st October 2014, 14th October 2014 and 27th October 2014 that it proposed to undertake a placement of up to 6,900,000 new ordinary shares in the Company ("Placement Shares"), representing up to 10% of the then existing issued and paid-up ordinary share capital of the Company ("Private Placement")

Ministry of International Trade and Industry ("MITI") had, vide its letter dated 28th November 2014, approved the Proposed Private Placement.

The Private Placement was completed on 17th March 2015, with a total of 6,900,000 new ordinary shares issued.

Bad and doubtful debts

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and adequate allowance had been made for doubtful debts.

At the date of this report, the directors of the Group and of the Company are not aware of any circumstances which would render the amount written off for bad debts, or the amount of the allowance for doubtful debts, in the Group or in the Company inadequate to any substantial extent.

Current assets

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain whether any current assets, other than debts, 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 or 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 liability in respect of the Group or of the Company that has arisen since the end of the financial year.

Directors' Report
for the year ended 30th June 2016

Contingent and other liabilities (Cont'd.)

No contingent liability or other liability of the Group or 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, in the opinion of the directors, will or may substantially affect the ability of the Group or of the Company to meet its 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 the financial statements of the Group and of the Company, that would render any amount stated in the financial statements misleading.

Items of an unusual nature

In the opinion of the directors, the results of the operations of the Group and of the Company for the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event 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 or of the Company for the current financial year.

Directors of the Company

The directors of the Company in office at any time during the year and since the end of the year are : -

Dato' Sri Liew Yew Chung, SSAP, DIMP

Huang Yan Teo, PIS, PPN

Leslie Looi Meng

Edward Tan Juan Peng – appointed on 5/1/2017

Wong Hock Foong – appointed on 5/1/2017

Dato' Hj. Mohd Aris Bin Ramli – appointed on 13/9/2018

Mohanadas A/L K.P. Balan – appointed on 13/9/2018

Prof. Dr. Hj. Mohd Amy Azhar Bin Mohd Harif – appointed on 13/9/2018

Dato' Sri Liew Kuek Hin, SSAP, DIMP, PJK, JP – resigned on 15/12/2016

Liew Yet Mei – resigned on 13/9/2018

The directors who hold office in the subsidiary companies (excluding directors who are also directors of the Company) during the financial year until the date of this report are : -

Datin Sri Lim Yook Lan

Directors' Report
for the year ended 30th June 2016

Directors' interests

The interests and deemed interest in the ordinary shares of the Company of those who are directors at year end (including the interests of the spouses or children of the directors) as recorded in the Register of Directors' Shareholdings are as follows : -

		Number of ordinary shares			
		As at 1/7/2015	Bought	Sold	As at 30/6/2016
(a)	Share capital of Company				
	Direct interests				
	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 interests				
	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
(b)	Share capital of related companies				
	Shareholding in which director have interest in the ultimate holding company, London Biscuits Berhad : -				
	Direct interests				
	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 interests				
	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 Section 6A of the Companies Act, 1965, Dato' Sri Liew Kuek Hin, SSAP, DIMP, PJK, JP, Dato' Sri Liew Yew Chung, SSAP, DIMP and Liew Yet Mei are deemed to have an interest in shares of the subsidiary companies during the financial year to the extent that Khee San Berhad has an interest.

Directors' benefits

Since the end of the previous financial year, none of the directors of the Company have received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors as shown 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 except for any benefits which may deemed to have arisen by virtue of the significant related party transactions as disclosed in Note 38 to the financial statements.

Directors' Report
for the year ended 30th June 2016

Directors' benefits (Cont'd.)

There were no arrangements during and at the end of the financial year, to which the Company or its subsidiary companies is a party, which had the object of enabling the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Holding company

The directors regard London Biscuits Berhad, a company listed on the Main Market of the Bursa Malaysia Securities Berhad as holding company of the Company. London Biscuis Berhad was incorporated and domiciled in Malaysia.

Subsequent events

Details of subsequent events are disclosed in the Note 40 to the financial statements.

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

Dato' Sri Liew Yew Chung,
SSAP, DIMP

Edward Tan Juan Peng

Kuala Lumpur,
Date : 18th April 2019

KRESTON
JOHN & GAN

Independent Auditors' Report

re-issued to members of Khee San Berhad

(Incorporated in Malaysia, Company No. 304376 - A)

Report on the Audit of the Financial Statements

Opinion

We have re-audited the financial statements of Khee San Berhad, which comprise the statements of financial position as at 30th June 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 12 to 100.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30th June 2016, and of its financial performance and its 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.

Basis for Qualified Opinion

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

We were appointed as auditors of the Group on 31st October 2018 and therefore did not observe the counting of physical inventories at the end of the financial year. We were unable to satisfy ourselves by alternative means concerning those inventory quantities held at 30th June 2016, which are stated in the consolidated statement of financial position of the Group at RM15,813,690. Since inventories enter into the determination of the financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the profit for the year reported in the consolidated statement of profit or loss and other comprehensive income and the net cash flows from operating activities reported in the consolidated statement of cash flows.

Independence and Other Ethical Responsibilities

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

Kreston John & Gan
Chartered Accountants • AF 0113

160-2-1, Kompleks Maluri, Business Centre, Jalan Jejaka, 55100 Kuala Lumpur.
T : + 603 92871889 F : + 603 92830889 E : audit@kreston.com.my W : www.kreston.com.my Audit I Tax I Advisory

Independent Auditors' Report

re-issued to members of Khee San Berhad
(Incorporated in Malaysia, Company No. 304376 - A)

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 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 of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

Independent Auditors' Report

re-issued to members of Khee San Berhad
(Incorporated in Malaysia, Company No. 304376 - A)

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd.)

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

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

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

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

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

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

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 of which we have acted as auditors 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) The 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

re-issued to members of Khee San Berhad
(Incorporated in Malaysia, Company No. 304376 - A)

Other Reporting Responsibilities

The supplementary information set out in Note 42 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

As disclosed in Note 40(c), this report is made and re-issued solely to the members of the Company, as a body, under the directive of Securities Commission Malaysia dated 21st May 2018 in accordance with Section 354(3)(c) of the Capital Market and Services Act 2007 and 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 contents of this report.

Kreston John & Gan
(AF 0113)
Chartered Accountants

Yong Chung Sin
Approval No: 02892/04/2020 J
Chartered Accountant

Kuala Lumpur,
Date : 18th April 2019

Consolidated Statement of Financial Position

30th June 2016

	Note	2016 RM	2015 RM
ASSETS			
Non-current Assets			
Property, plant and equipment	4	**166,379,942**	168,381,498
Investment properties	5	**-**	2,900,000
Intangible assets	8	**800,000**	800,000
		167,179,942	172,081,498
Current Assets			
Inventories	9	**15,813,690**	16,292,285
Trade receivables	10	**50,306,591**	46,923,963
Other receivables, deposits and prepayments	11	**2,675,667**	2,114,193
Amount due from holding company	12	**1,479,978**	884,440
Current tax assets		**448,258**	379,605
Cash and bank balances		**5,962,354**	1,052,727
		76,686,538	67,647,213
Assets held for sale	13	**11,884,736**	-
Total Current Assets		**88,571,274**	67,647,213
Total Assets		**255,751,216**	239,728,711
EQUITY AND LIABILITIES			
Equity attributable to owners			
Share capital	14	**100,000,000**	89,070,000
Reserves	15	**52,455,791**	47,021,694
		152,455,791	136,091,694
Non-current Liabilities			
Deferred tax liabilities	17	**4,954,000**	3,482,000
Borrowings	18	**12,116,791**	14,379,666
		17,070,791	17,861,666
Current Liabilities			
Trade payables	22	**18,617,682**	16,522,146
Other payables and accruals	23	**2,678,215**	2,998,515
Amount due to holding company	12	**-**	1,677,033
Current tax liabilities		**4,949**	-
Borrowings	18	**64,923,788**	64,577,657
		86,224,634	85,775,351
Total Liabilities		**103,295,425**	103,637,017
Total Equity and Liabilities		**255,751,216**	239,728,711

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the financial year ended 30th June 2016

	Note	2016 RM	2015 RM
Revenue	24	**158,790,584**	141,870,070
Cost of sales		**(136,486,840)**	(125,447,090)
Gross profit		**22,303,744**	16,422,980
Other income	25	**3,628,233**	2,343,348
Distribution costs		**(11,003,932)**	(4,078,197)
Administrative expenses		**(3,969,213)**	(3,905,450)
Other expenses		**(1,094,663)**	(225,400)
Profit from operations		**9,864,169**	10,557,281
Finance costs	26	**(5,024,026)**	(4,640,107)
Profit before taxation	27	**4,840,143**	5,917,174
Income tax expense	30	**(1,816,002)**	(3,685,517)
Profit for the year		**3,024,141**	2,231,657
Other comprehensive income : -			
Item that is or may be reclassified subsequently to profit or loss			
Revaluation surplus, net of deferred tax		**1,462,508**	-
Total comprehensive income for the year		**4,486,649**	2,231,657
Basic earnings per share (sen)	31	**3.23**	2.92
Diluted earnings per share (sen)	31	**3.23**	2.92

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

Consolidated Statement of Changes in Equity

for the financial year ended 30th June 2016

	Share capital RM	Share premium RM	Merger reserves RM	Revaluation reserves RM	Share option reserves RM	Retained earnings RM	Total RM
	<--- Attributable to equity holders of the company						--->
	<--- Non-Distributable				--->	<Distributable>	
Balance at 1st July 2014	65,450,000	12,535	(17,443,699)	26,382,705	8,165	34,649,581	109,059,287
Transaction with owners :							
Share options exercised	16,720,000	-	-	-	-	-	16,720,000
Share-based payment transactions	-	-	-	-	1,180,750	-	1,180,750
Private placement	6,900,000	-	-	-	-	-	6,900,000
Total transactions with owners	23,620,000	-	-	-	1,180,750	-	24,800,750
Transfer to share premium for share options exercised	-	1,188,915	-	-	(1,188,915)	-	-
Comprehensive income :							
Net profit for the financial year	-	-	-	-	-	2,231,657	2,231,657
Total comprehensive income	-	-	-	-	-	2,231,657	2,231,657
Balance at 30th June 2015	89,070,000	1,201,450	(17,443,699)	26,382,705	-	36,881,238	136,091,694

Consolidated Statement of Changes in Equity

for the financial year ended 30th June 2016

	Share capital RM	Share premium RM	Merger reserves RM	Revaluation reserves RM	Share option reserves RM	Retained earnings RM	Total RM
	<—— Attributable to equity holders of the company ——>						
	<—— Non-Distributable			——>		<Distributable>	
Balance at 1 July 2015	89,070,000	1,201,450	(17,443,699)	26,382,705	-	36,881,238	136,091,694
Transaction with owners :							
Share options exercised	10,930,000	947,448	-	-	-	-	11,877,448
Total transactions with owners	10,930,000	947,448	-	-	-	-	11,877,448
Comprehensive income :							
Net profit for the financial year	-	-	-		-	3,024,141	3,024,141
Other comprehensive income :							
Revaluation surplus, net of deferred tax	-	-	-	1,462,508	-	-	1,462,508
Total comprehensive income	-	-	-	1,462,508	-	3,024,141	4,486,649
Balance at 30th June 2016	100,000,000	2,148,898	(17,443,699)	27,845,213	-	39,905,379	152,455,791

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

Consolidated Statement of Cash Flows

for the financial year ended 30th June 2016

	Note	2016 RM	2015 RM
Cash flows from operating activities			
Profit before taxation		**4,840,143**	5,917,174
Adjustments for : -			
Bad debts written off		**23,414**	34,282
Depreciation of property, plant and equipment		**5,736,871**	5,989,934
Gain /(loss) on disposal of property, plant and equipment		**4,864**	(18,802)
Impairment losses on inventory		**-**	81,712
Interest expenses		**4,095,539**	5,470,107
Interest income		**-**	(2,918)
Other receivables and prepayments written off		**80**	225,400
Revaluation deficit		**1,094,583**	-
Share-based payments	16	**351,910**	307,120
Unrealised gain on foreign exchange		**(1,787,087)**	(1,350,769)
Operating profit before working capital changes		**14,360,317**	16,653,240
(Increase) /Decrease in inventories		**478,595**	(825,992)
Increase in trade receivables		**(1,618,955)**	(37,972,347)
Increase in other receivables, deposits and prepayments		**(561,554)**	(231,175)
Increase in trade payables		**2,095,536**	12,160,685
Increase /(Decrease) in other payables and accruals		**(320,300)**	251,329
Increase /(Decrease) in amount due to ultimate holding company		**4,117,467**	2,020,775
Cash (used in) /generated from operations		**18,551,106**	(7,943,485)
Interest paid		**(4,095,539)**	(5,470,107)
Tax paid		**(208,000)**	(208,000)
Tax refund		**136,967**	125,065
Net cash (used in) /from operating activities		**14,384,534**	(13,496,527)
Cash flows from investing activities			
Interest received		**-**	2,918
Proceeds from disposal of plant and equipment		**3,000**	23,600
Purchases of plant and equipment	32	**(11,272,952)**	(7,500,179)
Transfer of asset to holding company		**4,863,056**	-
Net cash used in investing activities		**(6,406,896)**	(7,473,661)
Balance carried forward		**7,977,638**	(20,970,188)

Consolidated Statement of Cash Flows

for the financial year ended 30th June 2016

	Note	**2016** **RM**	2015 RM
Balance brought forward		**7,977,638**	(20,970,188)
Cash flows from financing activities			
Proceeds from bankers' acceptances		**180,094,874**	148,130,644
Proceeds from finance lease liabilities		**6,286,767**	-
Proceeds from exercise of ESOS		**5,135,500**	5,910,210
Proceeds from private placement		**-**	6,900,000
Repayments of banker's acceptances		**(174,672,695)**	(130,176,862)
Repayment of finance lease liabilities		**(12,918,465)**	(7,164,365)
Repayments of term loans		**(789,605)**	(789,605)
Net cash from financing activities		**3,136,376**	22,810,022
Net increase in cash and cash equivalents		**11,114,014**	1,839,834
Cash and cash equivalents at the beginning of the year		**(5,151,660)**	(6,991,494)
Cash and cash equivalents at the end of the year	33	**5,962,354**	(5,151,660)

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

Statement of Financial Position

30th June 2016

	Note	**2016 RM**	2015 RM
ASSETS			
Non-current Assets			
Investment in subsidiary companies	6	**33,360,872**	32,931,578
Amount due from a subsidiary company	7	**68,602,094**	57,105,394
		101,962,966	90,036,972
Current Assets			
Other receivable, deposits and prepayments	11	**1,037**	1,037
Amount due from holding company	12	**1,479,978**	884,440
Current tax assets		**-**	4,511
Cash and bank balances		**893,448**	1,007,581
		2,374,463	1,897,569
Total Assets		**104,337,429**	91,934,541
EQUITY AND LIABILITIES			
Equity attributable to owners			
Share capital	14	**100,000,000**	89,070,000
Reserves	15	**4,076,586**	2,673,246
		104,076,586	91,743,246
Current Liabilities			
Other payables and accruals	23	**255,894**	191,295
Current tax liabilities		**4,949**	-
		260,843	191,295
Total Liabilities		**260,843**	191,295
Total Equity and Liabilities		**104,337,429**	91,934,541

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

Statement of Profit or Loss and Other Comprehensive Income

for the financial year ended 30th June 2016

	Note	**2016** **RM**	2015 RM
Revenue	24	**900,000**	1,000,000
Other income	25	**77,384**	2,918
Administrative expenses		**(511,436)**	(619,758)
Profit before taxation	27	**465,948**	383,160
Income tax expense	30	**(10,056)**	(5,546)
Profit for the year, representing total comprehensive profit for the year		**455,892**	377,614

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

Statement of Changes in Equity

for the financial year ended 30th June 2016

	<——— Attributable to equity holders of the company ———>				
	<——— Non-Distributable ———>			<Distributable>	
	Share capital RM	Share premium RM	Share option reserves RM	Retained earnings RM	Total RM
Balance at 1st July 2014	65,450,000	12,535	8,165	1,094,182	66,564,882
Transaction with owners :					
Share options exercised	16,720,000	-	-	-	16,720,000
Share-based payment transactions	-	-	1,180,750	-	1,180,750
Private placement	6,900,000	-	-	-	6,900,000
Total transactions with owners	23,620,000	-	1,180,750	-	24,800,750
Transfer to share premium for share options exercised	-	1,188,915	(1,188,915)	-	-
Total comprehensive income	-	-	-	377,614	377,614
Balance at 30th June 2015	89,070,000	1,201,450	-	1,471,796	91,743,246

Statement of Changes in Equity

for the financial year ended 30th June 2016

	<—— Attributable to equity holders of the company ——				—>
	<—— Non-Distributable		——>	<Distributable>	
	Share capital RM	Share premium RM	Share option reserves RM	Retained earnings RM	Total RM
Balance at 1st July 2015	89,070,000	1,201,450	-	1,471,796	91,743,246
Transaction with owners :					
Share options exercised	10,930,000	-	-	-	10,930,000
Share -based payment transactions	-	-	947,448	-	947,448
Total transactions with owners	100,000,000	1,201,450	947,448	1,471,796	103,620,694
Transfer to share premium for share options exercised	-	947,448	(947,448)	-	-
Total comprehensive income	-	-	-	455,892	455,892
Balance at 30th June 2016	100,000,000	2,148,898	-	1,927,688	104,076,586

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

Statement of Cash Flows
for the financial year ended 30th June 2016

	Note	**2016** **RM**	2015 RM
Cash flows from operating activities			
Profit before taxation		**465,948**	383,160
Adjustments for : -			
Dividend income from subsidiary		**(900,000)**	(1,000,000)
Reversal of impairment loss		**(77,384)**	-
Interest income		**-**	(2,918)
Operating loss before working capital changes		**(511,436)**	(619,758)
Decrease in other receivable, deposits and prepayments		**-**	2,700
Decrease in amount due from subsidiary companies		**(5,702,200)**	(13,134,918)
Decrease in other payables and accruals		**64,599**	32,967
Cash used in operations		**(6,149,037)**	(13,719,009)
Tax refund		**7,404**	-
Tax paid		**(8,000)**	(8,000)
Net cash used in operating activities		**(6,149,633)**	(13,727,009)
Cash flows from investing activities			
Dividends received from subsidiary		**900,000**	1,000,000
Interest received		**-**	2,918
Net cash from investing activities		**900,000**	1,002,918
		(5,249,633)	(12,724,091)
Cash flows from financing activities			
Proceeds from exercise of ESOS		**5,135,500**	5,910,210
Proceeds from private placement		**-**	6,900,000
Net cash used in financing activity		**5,135,500**	12,810,210
Net (decrease) /increase in cash and cash equivalents		**(114,133)**	86,119
Cash and cash equivalents at the beginning of the year		**1,007,581**	921,462
Cash and cash equivalents at the end of the year	33	**893,448**	1,007,581

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

Notes to the Financial Statements

30th June 2016

1. **General information**

Khee San Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The address of the registered office and principal place of business of the Company are as follows : -

Registered office	:	22-2, Jalan 1/64 Off Jalan Kolam Air /Jalan Sultan Azlan Shah 51200 Kuala Lumpur
Principal place of business	:	Lot 1819-1820, Jalan Kolej 43300 Seri Kembangan Selangot Darul Ehsan

The consolidated financial statements of the Company as at and for the financial year ended 30th June 2016 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Company as at and for the year ended 30th June 2016 do not include other entities.

The Company is principally an investment holding company. The principal activities of the subsidiary companies are set out in Note 6 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 18th April 2019.

2. **Basis of preparation of financial statements**

a) Statement of compliance

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

The following are accounting standards, amendments and interpretations of the MFRS framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company.

2. **Basis of preparation of financial statements (Cont'd.)**

a) Statement of compliance (Cont'd.)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1st January 2016

- MFRS 14, Regulatory Deferral Accounts
- Annual Improvements to MFRS Standards 2012 – 2014 Cycle

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1st January 2017

- Amendments to MFRS 12, Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014 – 2016 Cycle)
- Amendments to MFRS 107, Statement of Cash Flows – Disclosure Initiative
- Amendments to MFRS 112, Income Tax – Recognition of Deferred Tax Assets for Unrealised Losses

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1st January 2018

- Amendments to MFRS 2, Share-based Payment – Classification and Measurement of Share-based Payment Transactions
- MFRS 9, Financial Instruments (2014)
- MFRS 15, Revenue from Contracts with Customers
- Clarifications to MFRS 15, Revenue from Contracts with Customers
- Annual Improvements to MFRS Standards 2014 – 2016 Cycle
- Amendments to MFRS 140, Investment Property – Transfer of Investment Property
- IC Interpretation 22, Foreign Currency Transactions and Advance Consideration

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1st January 2019

- Amendments to MFRS 9, Financial Instruments – Prepayment Features with Negative Compensation
- Amendments to MFRS 119, Employee Benefits – Plan Amendment, Curtailment or Settlement
- Amendments to MFRS 128, Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures
- IC Interpretation 23, Uncertainty over Income Tax Treatments
- Annual Improvements to MFRS Standards 2014 – 2017 Cycle

2. **Basis of preparation of financial statements (Cont'd.)**

a) Statement of compliance (Cont'd.)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1st January 2020

- Amendments to references to the Conceptual Framework in MFRS Standards

MFRSs, Interpretations and Amendments effective for a date yet to be confirmed

- Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Directors anticipated that the above mentioned accounting standards interpretations and amendments will be adopted by the Group and the Company, when they become effective.

MFRS 17, Insurance Contracts were not been taken into consideration because they are not applicable to the Group and the Company.

2. **Basis of preparation of financial statements (Cont'd.)**

a) Statement of compliance (Cont'd.)

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company except as mentioned below : -

MFRS 9, Financial Instruments

MFRS 9 replaces MFRS 139, Financial Instruments – Recognition and Measurement.

MFRS 9 contains a new classification and measurement approach for financial assets based on the business model for managing the assets and the contractual cash flow characteristics of the assets. The new standard contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI) and fair value through profit or loss ("FVTPL") and eliminates the excising MFRS 139 categories of held to maturity, loans and receivables and available-for-sale investments.

With regard to the measurement of financial liabilities, the standard retains most of the MFRS 139 requirements except for liabilities designated at inception to be measured at FVTPL. MFRS 9 requires that fair value changes attributable to own credit risk shall be presented in other comprehensive income ("OCI") rather than in profit or loss, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.

The new impairment model requires the recognition of impairment provisions based in expected credit losses rather than incurred credit losses as is the case under MFRS 139. It applies to financial assets classified at amortised cost, debt instruments measured at fair value after other comprehensive income, contract assets under MFRS 15, Revenue from Contracts with Customers and intercompany balances. The new impairment model may have an impact on the Group's and the Company's financial results given the significant financial asset balances at each reporting date.

The Group and the Company will adopt the standard using the cumulative catch-up transition method and will therefore not restate comparative periods. The cumulative effect will be recognised in opening retained earnings and /or other comprehensive of equity as at 1st July 2017 (date of initial application).

MFRS 15, Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111, Construction Contracts, MFRS 118, Revenue, IC Interpretation 13, Customer Loyalty Programmes, IC Interpretation 15, Arrangements for Construction of Real Estate, IC Interpretation 18, Transfers of Assets from Customers and IC Interpretation 131, Revenue – Barter Transactions Involving Advertising Services.

2. **Basis of preparation of financial statements (Cont'd.)**

a) Statement of compliance (Cont'd.)

MFRS 16, Leases

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. It introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term if more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. MFRS 16 will be effective for annual reporting periods beginning on or after 1st January 2019.

Amendments to MFRS 123, Borrowing Costs

Amendments to MFRS 123 (effective from 1st January 2019) clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

IC Interpretation 23, Uncertainty over Income Tax Treatments

IC Interpretation 23 provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. If it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. The effect of uncertainty shall be measured suing the method which best predicts the resolution of the uncertainty. IC interpretation 23 will be effective for annual reporting periods beginning on or after 1st January 2019.

Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify that : -

- gains and losses resulting from transactions involving assets that do not constitute a business, between investor and its associate or joint venture are recognised in the entity's financial statements only to the extent of unrelated investors' interests in the associate or joint venture; and

- gains and losses resulting from transactions involving the sale or contribution of assets to an associate of a joint venture that constitute a business is recognised in full.

The amendments are to be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined by MASB. Earlier application is permitted. These amendments are not expected to have any impact on the Group and the Company.

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 9, MFRS 15, MFRS 16, amendments to MFRS 123, IC Interpretation 23 and amendments to MFRS 10.

2. **Basis of preparation of financial statements (Cont'd.)**

b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 3.

c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's and Company's functional currency.

d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than the following items : -

i) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated in a reducing-balance basis over their estimated useful life. Management estimated the useful life of these assets to be 5 to 50 years. Changes in the expected level of usage and technological developments could impact the economic useful life and the residual values of these assets, therefore future depreciation charges could be revised.

ii) Allowance for inventories

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

iii) Income tax expense

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises 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 recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

2. **Basis of preparation of financial statements (Cont'd.)**

d) Use of estimates and judgements (Cont'd.)

iv) Impairment of investment in subsidiary companies

The Company reviews the investments in subsidiaries for impairment when there is an indication of impairment and assess the impairment of receivables on the amounts due from subsidiaries when the receivables are long outstanding.

The recoverable amounts of the investments in subsidiaries and amounts due from subsidiaries are assessed by reference to the value in use of the respective subsidiaries.

The value in use is the net present value of the projected future cash flows derived from the business operations of the respective subsidiaries discounted at an appropriate discount rate. For such discounted cash flow method, it involves the use of estimated future results and a set assumptions to reflect their income and cash flows. Judgement had also been used to determine the discount rate for the cash flows and the future growth of the businesses of the subsidiaries.

The carrying amounts of investment in subsidiary companies of the Company as at 30th June 2016 was RM33,360,872 (2015 – RM32,931,578).

3. **Significant accounting policies**

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by the Group entities, unless otherwise stated.

a) Basis of consolidation

i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

3. **Significant accounting policies (Cont'd.)**

a) Basis of consolidation (Cont'd.)

ii) Business combinations

a) Business combination of entities under common control

The acquisitions resulted in a business combination involving common entities, and accordingly the accounting treatment is outside the scope of MFRS 3. The merger accounting is used by the Group to account for such common control business combinations.

A business combination involving entities under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party and parties both before and after the business combination, and that control is not transitory.

Subsidiaries acquired which have met the criteria for pooling of interest are accounted for using merger accounting principles. Under the merger method of accounting, the results of the subsidiaries are presented as if the merger had been effected throughout the current financial year.

The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. No amount is recognised in respect of goodwill and excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets and liabilities and contingent liabilities over cost at the time of the common control business combination to the extent of the continuation of the controlling party and parties' interests.

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 full financial year.

b) Business combinations of entities under non-common control

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

3. **Significant accounting policies (Cont'd.)**

a) Basis of consolidation (Cont'd.)

ii) Business combinations (Cont'd.)

b) Business combinations of entities under non-common control (Cont'd.)

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the noncontrolling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

iii) Acquisitions of non-controlling interests

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

v) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interest and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

3. **Significant accounting policies (Cont'd.)**

a) Basis of consolidation (Cont'd.)

vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

b) Foreign currency

i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the forseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

3. **Significant accounting policies (Cont'd.)**

b) Foreign currency (Cont'd.)

ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1st January 2012 (the date when the Group first adopted MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR") in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the profit or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

c) Financial instrument

i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

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 financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

3. **Significant accounting policies (Cont'd.)**

c) Financial instrument (Cont'd.)

ii) Financial instrument categories and subsequent measurement

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

Financial assets

a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

b) Held-to-maturity investments

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group or the Company has the positive intention and ability to hold them to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

c) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

d) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

3. **Significant accounting policies (Cont'd.)**

c) Financial instruments (Cont'd.)

ii) Financial instrument categories and subsequent measurement (Cont'd.)

Financial assets (Cont'd.)

d) Available-for-sale financial assets (Cont'd.)

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedge items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 3(k)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

3. **Significant accounting policies (Cont'd.)**

c) Financial instruments (Cont'd.)

iii) Financial guarantee contracts (Cont'd.)

Fair value arising from financial guarantee contracts are classified as deferred income and is amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharged of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

iv) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to : -

a) the recognition of an asset to be received and the liability to pay for it on the trade date, and

b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

v) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expired or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset is transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3. **Significant accounting policies (Cont'd.)**

d) Property, plant and equipment

i) Recognition and measurement

Items of property, plant and equipment except for freehold land are measured at cost /valuation less any accumulated depreciation and any accumulated impairment losses. Freehold land with indefinite useful life is not depreciated.

The Group revalues its freehold land and buildings every three to five years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value.

Valuation of the properties involves a degree of judgement before arriving at the respective property's revalued amount. As such, the revalued amount of the properties may be different from its actual market price.

Surpluses arising from revaluation are dealt with in the revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is charged to the profit or loss.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after making proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

3. **Significant accounting policies (Cont'd.)**

d) Property, plant and equipment (Cont'd.)

ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group and the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component are depreciated separately.

Depreciation is recognised in profit or loss on a reducing-balance basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group and the Company will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment in progress are not depreciated until the assets are ready for their intended use. The principal annual rates of depreciation for the property, plant and equipment are as follows : -

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

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period, and adjusted as appropriate.

3. **Significant accounting policies (Cont'd.)**

e) Leases

i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is measured using fair value model.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

3. **Significant accounting policies (Cont'd.)**

f) Intangible assets

Intangibles assets represent the trademarks at cost less any accumulated impairment losses. Trademarks have an indefinite useful life as it is maintained through continuous marketing and introduction of new products. Trademarks are tested annually for impairment. Where an indication of impairment exists, the carrying amount of trademarks are assessed and written down immediately to its recoverable amount.

g) Investment property

i) Investment property carried at fair value

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured initially at cost and subsequently at fair value with any changes therein recognised in profit or loss for the period in which they arise. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

ii) Reclassification to /from investment property

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories, its fair value at the date of reclassification becomes its cost for subsequent accounting.

3. **Significant accounting policies (Cont'd.)**

h) Inventories

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

The cost of inventories (other than completed properties) is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

The cost of completed properties held for sale is determined on specific identification method, and comprises cost associated with the development costs and appropriate proportions of common costs.

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

i) Assets held for sale

Non-current assets, or disposal group comprising assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale.

Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with Group's accounting policies. Thereafter generally the assets, or disposal group, are measure at lower of their carrying amount and fair value less costs of disposal.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories and financial assets which continue to be measured in accordance with Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale are not amortised or depreciated. In addition, equity accounting of equity-accounted associated ceases once classified as held for sale.

j) Cash and cash equivalents

Cash and cash equivalents consists of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

Notes to the Financial Statements

30th June 2016

3. **Significant accounting policies (Cont'd.)**

k) Impairment of assets

i) 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 investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

3. **Significant accounting policies (Cont'd.)**

k) Impairment of assets (Cont'd.)

ii) Other assets

The carrying amounts of other assets (except for inventories, amount due from contract customers, deferred tax assets, assets arising from employee benefits and non-current assets (or disposal group) classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (group of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

3. **Significant accounting policies (Cont'd.)**

l) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

ii) Ordinary shares

Ordinary shares are classified as equity.

m) Employee benefits

i) Short term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

ii) State plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the profit or loss as incurred.

iii) Share-based payment transactions

The grant date fair value of share-based payment granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

3. **Significant accounting policies (Cont'd.)**

m) Employee benefits (Cont'd.)

iii) Share-based payment transactions (Cont'd.)

The fair value of the employee share options is measured using a "Trinomial" pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

iv) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting period, then they are discounted.

n) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

o) Revenue and other income

i) Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

Deferred costs are recognised when the goods delivered to customers but pending installation and /or testing rendered to customers.

3. **Significant accounting policies (Cont'd.)**

o) Revenue and other income (Cont'd.)

ii) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from sub-leased property is recognised as other income.

iii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

iv) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

p) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

3. **Significant accounting policies (Cont'd.)**

q) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reserve, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

3. **Significant accounting policies (Cont'd.)**

r) Earnings per ordinary shares

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS').

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding , adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

s) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

t) Contingencies

i) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

ii) Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statements of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

3. **Significant accounting policies (Cont'd.)**

u) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

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

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows : -

Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 : unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

Notes to the Financial Statements
30th June 2016

4. **Property, plant and equipment**

Group **2016**	Freehold land RM	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
At cost /valuation								
Balance at 1/7/15	**22,604,064**	**20,726,021**	**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	**7,942,638**	**(7,942,638)**	**-**	**-**	**(700)**	**27,280,650**	**(27,279,950)**	**-**
Revaluation	**2,783,688**	**(3,214,550)**	**-**	**-**	**-**	**-**	**-**	**(430,862)**
Disposal	**-**	**-**	**-**	**-**	**(24,000)**	**-**	**-**	**(24,000)**
Transfer	**-**	**-**	**-**	**-**	**-**	**-**	**(4,863,056)**	**(4,863,056)**
Transfer to assets held for sale	**(4,450,000)**	**(4,557,486)**	**-**	**-**	**-**	**-**	**-**	**(9,007,486)**
Balance at 30/6/16	**28,880,390**	**5,031,536**	**14,833,703**	**1,603,014**	**4,372,143**	**153,061,471**	**9,952,450**	**217,734,707**
Accumulated depreciation								
Balance at 1/7/15	**-**	**271,951**	**7,815,708**	**1,057,187**	**1,287,532**	**35,686,516**	**-**	**46,118,894**
Charge for the year	**-**	**241,892**	**727,612**	**42,091**	**335,320**	**4,389,956**	**-**	**5,736,871**
Revaluation	**-**	**(462,114)**	**-**	**-**	**-**	**-**	**-**	**(462,114)**
Deletion	**-**	**-**	**-**	**-**	**(16,136)**	**-**	**-**	**(16,136)**
Transfer to assets held for sale	**-**	**(22,750)**	**-**	**-**	**-**	**-**	**-**	**(22,750)**
Balance at 30/6/16	**-**	**28,979**	**8,543,320**	**1,099,278**	**1,606,716**	**40,076,472**	**-**	**51,354,765**
Carrying amount	**28,880,390**	**5,002,557**	**6,290,383**	**503,736**	**2,765,427**	**112,984,999**	**9,952,450**	**166,379,942**
Representing : -								
At cost	**-**	**-**	**6,290,383**	**503,736**	**2,765,427**	**112,984,999**	**9,952,450**	**132,496,995**
At valuation	**28,880,390**	**5,002,557**	**-**	**-**	**-**	**-**	**-**	**33,882,947**
	28,880,390	**5,002,557**	**6,290,383**	**503,736**	**2,765,427**	**112,984,999**	**9,952,450**	**166,379,942**

4. **Property, plant and equipment (Cont'd.)**

Group 2015	Freehold land RM	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
At cost /valuation								
Balance at 1/7/14	22,604,064	20,075,936	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
Disposal	-	-	(69,370)	(9,500)	(8,800)	-	-	(87,670)
Balance at 30/6/15	22,604,064	20,726,021	14,343,113	1,602,426	3,730,298	119,351,464	32,143,006	214,500,392
Accumulated depreciation								
Balance at 1/7/14	-	-	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
Deletion	-	-	(66,939)	(8,948)	(6,985)	-	-	(82,872)
Balance at 30/6/15	-	271,951	7,815,708	1,057,187	1,287,532	35,686,516	-	46,118,894
Carrying amount	22,604,064	20,454,070	6,527,405	545,239	2,442,766	83,664,948	32,143,006	168,381,498
Representing : -								
At cost	-	-	6,527,405	545,239	2,442,766	83,664,948	32,143,006	125,323,364
At valuation	22,604,064	20,454,070	-	-	-	-	-	43,058,134
	22,604,064	20,454,070	6,527,405	545,239	2,442,766	83,664,948	32,143,006	168,381,498

4. **Property, plant and equipment (Cont'd.)**

i) The freehold land and buildings are stated at directors' valuations based on professional valuations made by an independent professional qualified valuer on the open market value basis conducted in year 2016.

Had the freehold land and buildings been carried at historical cost less accumulated depreciation, the carrying amounts of the revalued assets that would have been included in the financial statements at the end of the year are as follows : -

	Group	
	2016	2015
	RM	RM
Freehold land	**5,227,882**	5,227,882
Buildings	**11,828,421**	12,170,230
	17,056,303	17,398,112

ii) Details of the Group's freehold and leasehold land and buildings and information about the fair value hierarchy as at 30th June are as follows : -

	<----------Fair value---------->		
	Level 1	Level 2	Level 3
Group	RM	RM	RM
2016			
Freehold land	**-**	**28,880,390**	**-**
Buildings	**-**	**5,002,557**	**-**
	-	**33,882,947**	**-**
2015			
Freehold land	-	22,604,064	-
Buildings	-	20,454,070	-
	-	43,058,134	-

The fair values of the freehold land and buildings of the Group are categorised as Level 2. The properties are valued by an independent firm of professional valuers based on the 'market value' which is defined as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm length transaction after proper marketing wherein the parties has each acted knowledgeably, prudently and without compulsion.

4. **Property, plant and equipment (Cont'd.)**

ii) Details of the Group's freehold and leasehold land and buildings and information about the fair value hierarchy as at 30th June are as follows (Cont'd.) : -

Level 2 fair value

Level 2 fair value freehold land and building have been generally derived using the open market value approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is comparing the subject property with comparable properties which have been sold or are being offered for sale and making adjustment for factors which affect value such as location, floor level and siting, floor area, finishes, building services, management and maintenance, age and state of repair, market conditions and other relevant factors.

The Group does not have non-financial assets measured at Level 1 and Level 3 hierarchy.

iii) The plant and machinery at carrying amount of RM21,588,551 (2015 – RM22,325,283) have been pledged to a licensed banks as security for credit facilities granted to the Group.

iv) The carrying amount of plant and equipment of the Group at the reporting date held under finance lease arrangements is as follows : -

	Group	
	2016	2015
	RM	RM
Plant and machinery	**39,113,866**	33,884,320
Motor vehicles	**2,433,611**	2,103,279
	41,547,477	35,987,599

5. **Investment properties**

Group	Freehold land and buildings	Leasehold land and buildings	Total
2016	RM	RM	RM
At fair value			
Balance at 1/7/15	**750,000**	**2,150,000**	**2,900,000**
Transfer to assests held for sale (Note 13)	**(750,000)**	**(2,150,000)**	**(2,900,000)**
Balance at 30/6/16	**-**	**-**	**-**
2015			
At fair value			
Balance at 1/7/14	750,000	2,150,000	2,900,000
Fair value adjustment, net	-	-	-
Balance at 30/6/15	750,000	2,150,000	2,900,000

5. **Investment properties (Cont'd.)**

Investment properties comprise a number of commercial properties that are leased to third parties.

During the financial year, the investment properties were transferred to asset held for sales as disclosed in Note 13.

In previous financial year, the long term leasehold land and buildings of the Group have unexpired lease periods range from 29 to 64 years.

Rental income earned by the Group amounted to RM133,160 (2015 – RM136,160) is recognised in profit or loss in respect of the investment properties.

Fair value information

The fair values of investment properties of the Group is categorised as follows : -

Group	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2016				
Investment properties	-	-	-	-
2015				
Investment properties	-	2,900,000	-	2,900,000

Investment properties were stated at fair value based on valuation performed by independent professional valuer, who holds a recognised relevant professional qualification and has recent experience in the locations and categories of investment properties valued.

Fair value is determined based on comparison method of valuation using significant observable inputs (Level 2 inputs). Changes in fair value are recognised in the profit or loss during the period in which they are reviewed.

Level 2 fair value freehold land and building has been generally derived using the open market value approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

The Group and the Company do not have non-financial assets measured at Level 1 and Level 3 hierarchy.

Notes to the Financial Statements

30th June 2016

6. **Investment in subsidiary companies**

	Company	
	2016	2015
	RM	RM
Unquoted shares, at cost	**35,550,584**	35,198,673
Less : Allowance for impairment losses	**(2,189,712)**	(2,267,095)
	33,360,872	32,931,578

The reconciliation of the allowance account is as follows : -

	Company	
	2016	2015
	RM	RM
At beginning of the financial year	**2,267,096**	2,267,095
Reversal of impairment loss	**(77,384)**	-
At the end of the financial year	**2,189,712**	2,267,095

The principal activities of the subsidiaries in the Group and the interest of Khee San Berhad are as follows : -

Name of subsidiary	Place of incorporation	Principal activities	Effective ownership interest	
			2016	2015
			%	%
Khee San Food Industries Sdn. Bhd.	Malaysia	Manufacturer of candy confectionery and wafer products	**100**	100
Khee San Marketing Sdn. Bhd.	Malaysia	Temporary ceased operations	**100**	100

7. **Amounts due from a subsidiary company**

	Company	
	2016	2015
	RM	RM
Amount due from a subsidiary company : -		
Non-Trade		
- Khee San Food Industires Sdn. Bhd.	**68,602,094**	57,105,394

The amounts due from a subsidiary company is in respect of advances and payments made on behalf, which are non-trade in nature, unsecured and repayable on demand on cash and cash equivalents.

8. Intangible assets

Group

	Trademarks RM
2016	
Cost	
At 1/7/2015	**1,600,000**
Additions	**-**
At 30/6/2016	**1,600,000**
Accumulated amortisation and impairment loss	
At 1/7/2015	**800,000**
Impairment for the year	**-**
At 30/6/2016	**800,000**
Net book value	**800,000**
2015	
Cost	
At 1/7/2014	1,600,000
Additions	-
At 30/6/2015	1,600,000
Accumulated amortisation and impairment loss	
At 1/7/2014	800,000
Impairment for the year	-
At 30/6/2015	800,000
Net book value	800,000

The recoverable amount of the CGUs is based on its value in use, determined by discounting future cash flows to be generated by the respective CGUs. The following key assumptions are used : -

i) Revenue growth rates are extrapolated using growth rate between of 3% to 5% as the management is in the planning of expanding distribution networks and capacity expansion. Such as distribute to petrol mart to explore new market.

ii) Historical record shown that gross profit margin of the Company maintain between 5% to 6%

iii) Operating expenses are expected to increase based on an annual rates of 2%.

iv) A pre-tax discount rate of 6.2% has been applied in determining the recoverable amount of the unit.

9. Inventories

Group	2016 RM	2015 RM
At cost		
Raw materials	**6,731,415**	6,729,328
Work-in-progress	**1,719,883**	1,259,694
Finished goods	**4,556,541**	3,818,743
Goods-in-transit	**2,805,851**	4,484,520
	15,813,690	16,292,285

The cost of inventories recognised as an expense during the financial year by the Group amounted to RM135,552,270 (2015 – RM126,063,145).

10. Trade receivables

	Group	
	2016 RM	2015 RM
Trade receivables	**50,312,929**	46,930,301
Less : Allowance for impairment	**(6,338)**	(6,338)
	50,306,591	46,923,963

The reconciliation of the allowance for impairment is as follows : -

	Group	
	2016 RM	2015 RM
At beginning of the financial year	**6,338**	1,276,842
Amount written off	**-**	(1,270,504)
At the end of the financial year	**6,338**	6,338

The allowance for impairment in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivables directly. Allowance for impairment at end of the financial year represents individually assessed impairment.

The normal credit term of trade receivables range from immediate payment to 180 days (2015 – immediate payment to 180 days). Other terms are assessed and approved on a case-by-case basis.

10. **Trade receivables (Cont'd.)**

The foreign currency exposure of trade receivables of the Group is as follows : -

	Group	
	2016	2015
	RM	RM
Euro	**1,024,180**	960,385
Hong Kong Dollar	**8,349,378**	2,798,667
Indonesian Rupiah	**165,275**	960,961
Japanese Yen	**8,369,373**	3,833,622
Singapore Dollar	**188,577**	152,790
Thai Baht	**77,013**	190,078
US Dollar	**18,761,117**	16,768,123

11. **Other receivables, deposits and prepayments**

	Group		Company	
	2016	2015	**2016**	2015
	RM	RM	**RM**	RM
Other receivables	**1,068,146**	639,385	**1,037**	1,037
Other deposits	**440,688**	435,888	**-**	-
Prepayments	**1,166,833**	1,038,920	**-**	-
	2,675,667	2,114,193	**1,037**	1,037

12. **Amount due from /(to) holding company**

The Company is a subsidiary of London Biscuits Berhad, a company listed on Main Market of the Bursa Malaysia Securities Berhad. London Biscuits Berhad was incorporated and domiciled in Malaysia.

The amount outstanding is unsecured, interest free and repayable on demand in cash and cash equivalents.

Notes to the Financial Statements

30th June 2016

13. **Assets held for sale**

On 20th June 2016, 15th July 2016, 25th July 2016 and 18th August 2016, the Group entered into sale and purchase agreement to dispose of lands and building for total consideration of RM12,250,000. The transaction has not been completed and the ownership of the said properties was not transferred to the purchaser as at 30th June 2016. The non-current assets have been classified as assets held for sale in the consolidated statement of financial position as at 30th June 2016.

	Group	
	2016	2015
	RM	RM
Assets classified as held for sale		
Property	**8,984,736**	-
Investment properties (Note 5)	**2,900,000**	-
	11,884,736	-

The carrying value of property, plant and equipment is the same as its carrying value before it was reclassified to current asset.

Property held for sale comprise the following : -

	Group	
	2016	2015
	RM	RM
Cost (Note 4)	**9,007,486**	-
Accumulated depreciation (Note 4)	**(22,750)**	-
	8,984,736	-

14. **Share capital**

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

14. **Share capital (Cont'd.)**

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets. In respect of the Company's treasury shares that are held by the Group, all rights are suspended until those shares are reissued.

15. **Reserves**

	Group		Company	
	2016	2015	**2016**	2015
	RM	RM	**RM**	RM
Non-distributable				
Share premium	**2,148,898**	1,201,450	**2,148,898**	1,201,450
Merger reserves	**(17,443,699)**	(17,443,699)	**-**	-
Revaluation reserves	**27,845,213**	26,382,705	**-**	-
Distributable				
Retained earnings	**39,905,379**	36,881,238	**1,927,688**	1,471,796
	52,455,791	47,021,694	**4,076,586**	2,673,246

Share premium

The share premium is not distributable by way of cash dividends and may be utilised in the manner as set out in Section 60(3) of the Companies Act, 1965 in Malaysia.

Merger reserves

The merger reserve is related to the subsidiaries which were consolidated under the merger method of accounting. The merger reserve arose from the difference between the carrying value of the investment and the nominal value of the shares of the subsidiaries upon consolidation using merger accounting principles.

Revaluation reserves

The revaluation reserves of the Group represents surplus on revaluation of freehold land and buildings of subsidiary companies.

Retained profits

Under the single tier income tax system, the company is not required to have tax credit under section 108 of the income tax 1967 for dividend payment purposes. Dividends paid under this system are tax exempt in the hands of shareholders.

Share option reserve

The share option comprises the cumulative value of employee services received for the issue of share options. The share options reserve in relation to the unexercised option at the expiry of the share option scheme will be transferred to retained earnings. Share option is disclosed in Note 16.

16. **Employee Share Option Sheme ("ESOS")**

The Company's ESOS is governed by the by-laws approved by the shareholders at the Extraordinary General Meeting held on 12th December 2014.

The principal features of ESOS are as follows : -

(a) 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.

(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 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 Scheme.

(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

(e) No option shall be granted for less than 100 shares and shall always be in mutiples 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.

16. **Employee Share Option Sheme ("ESOS") (Cont'd.)**

On 15th September 2015, 22nd December 2015, 18th February 2016 and 12th April 2016, the Company granted share options to eligible employees to subscribe for the ordinary shares in the Company under the Employees Share Option Scheme ("ESOS") approved by the shareholder of the Company on 25th November 2009.

The movements in number of share options pursuant to the ESOS during the financial year as follows : -

	Company			
	Number of options over ordinary shares of RM1.00 each			
2016	**Balance 1/7/2015**	**Granted**	**Exercised**	**Balance 30/6/2016**
15th September 2015	-	190,500	(190,500)	-
Weighted average exercise prices (RM)	-	1	1	-
Weighted average remaining contractual life (months)	50			-

	Company			
	Number of options over ordinary shares of RM1.00 each			
2016	**Balance 1/7/2015**	**Granted**	**Exercised**	**Balance 30/6/2016**
22nd December 2015	-	5,590,000	(5,590,000)	-
Weighted average exercise prices (RM)	-	1	1	-
Weighted average remaining contractual life (months)	47			-

16. **Employee Share Option Sheme ("ESOS") (Cont'd.)**

	Company			
	Number of options over ordinary shares of RM1.00 each			
2016	**Balance 1/7/2015**	**Granted**	**Exercised**	**Balance 30/6/2016**
18th February 2016	-	1,700,000	(1,700,000)	-
Weighted average exercise prices (RM)	-	1	1	-
Weighted average remaining contractual life (months)	45			-

	Company			
	Number of options over ordinary shares of RM1.00 each			
2016	**Balance 1/7/2015**	**Granted**	**Exercised**	**Balance 30/6/2016**
12th April 2016	-	3,449,500	(3,449,500)	-
Weighted average exercise prices (RM)	-	1	1	-
Weighted average remaining contractual life (months)	43			-

	Company			
	Number of options over ordinary shares of RM1.00 each			
2015	**Balance 1/7/2014**	**Granted**	**Exercised**	**Balance 30/6/2015**
15th May 2014	3,550,000	-	(3,550,000)	-
Weighted average exercise prices (RM)	1	-	1	-
Weighted average remaining contractual life (months)	5			-

16. Employee Share Option Sheme ("ESOS") (Cont'd.)

2015	Company Number of options over ordinary shares of RM1.00 each Balance 1/7/2014	Granted	Exercised	Balance 30/6/2015
16th January 2015	-	7,500,000	(7,500,000)	-
Weighted average exercise prices (RM)	-	1	1	-
Weighted average remaining contractual life (months)	58			-

2015	Company Number of options over ordinary shares of RM1.00 each Balance 1/7/2014	Granted	Exercised	Balance 30/6/2015
10th March 2015	-	4,400,000	(4,400,000)	-
Weighted average exercise prices (RM)	-	1	1	-
Weighted average remaining contractual life (months)	56			-

2015	Company Number of options over ordinary shares of RM1.00 each Balance 1/7/2014	Granted	Exercised	Balance 30/6/2015
2nd May 2015	-	1,270,000	(1,270,000)	-
Weighted average exercise prices (RM)	-	1	1	-
Weighted average remaining contractual life (months)	55			-

During the financial year, the Group recognised share options granted under shares options scheme of RM351,910 (2015 – RM307,120) in profit or loss was in respect of employees of subsidiaries. At Company level, the amount of RM351,910 (2015 – RM307,120) was recorded as an increase in investments in subsidiaries (Note 6) with a corresponding credit to equity.

16. **Employee Share Option Sheme ("ESOS") (Cont'd.)**

Offer date	Weighted average exercise price 2016 RM	2015 RM	Exercise period
15th September 2015	1	1	15.9.15 - 21.12.19
22nd December 2015	1	1	22.12.15 - 21.12.19
18th February 2016	1	1	18.2.16 - 21.12.19
12th April 2016	1	1	12.4.16 - 21.12.19

Share option exercised during the financial year resulted in the issuance of RM10,930,000 (2015 – RM16,720,000) ordinary shares at an average price of RM1 (2015 – RM1) each. The related weighted average ordinary share price at the date of exercise was RM0.821 (2015 – RM0.560).

The fair value of share options granted during the financial year was estimated by using the Trinomial option pricing model, taking into account the terms and conditions upon which the options were granted. The risk-free rate is based on Malaysian Government Securities ("MGSs"). The fair value of share options measured at grant date and the assumptions are as follows : -

	Grant date			
	15/9/2015	22/12/2015	18/2/2016	12/4/2016
Fair value at grant date (RM)	0.124	0.106	0.080	0.057
Weighted average share price (RM)	0.674	0.874	0.819	0.754
Share price at grant date (RM)	0.700	0.865	0.820	0.760
Expected volatility (weighted average volatility)	50.00%	40.00%	35.00%	30.00%
Option life (expected weighted average life)	5 years	5 years	5 years	5 years
Risk-free interest rate (based on Malaysian government bonds)	3.82%	3.55%	3.38%	3.38%

17. **Deferred tax liabilities**

	Group	
	2016 RM	2015 RM
Balance at the beginning of the year	**3,482,000**	(189,000)
Recognised in profit or loss (Note 30)	**1,808,673**	3,671,000
Credit to revaluation reserves	**(336,673)**	-
Balance at the end of the year	**4,954,000**	3,482,000

17. **Deferred tax liabilities (Cont'd.)**

The components and movements of deferred tax liabilities during the financial year are as follows : -

Group	As at 1st July RM	Recognised in profit or loss RM	Credit to equity RM	As at 30th June RM
2016				
Deferred tax liabilities				
Accelerated capital allowances	**1,314,839**	**1,808,673**	**-**	**3,123,512**
Revaluation reserve	**2,167,161**	**-**	**(336,673)**	**1,830,488**
	3,482,000	**1,808,673**	**(336,673)**	**4,954,000**
2015				
Deferred tax liabilities				
Accelerated capital allowances	(2,356,161)	3,671,000	-	1,314,839
Revaluation reserve	2,167,161	-	-	2,167,161
	(189,000)	3,671,000	-	3,482,000

18. **Borrowings**

	Group 2016 RM	Group 2015 RM
Non-current liabilities		
Secured		
Term loans	**266,667**	991,338
Finance lease liabilities	**11,850,124**	13,388,328
	12,116,791	14,379,666

18. **Borrowings (Cont'd.)**

	Group	
	2016	2015
	RM	RM
Current liabilities		
Secured		
Bankers' acceptances	**57,144,757**	51,722,578
Bank overdraft	**-**	6,204,387
Term loans	**724,670**	789,604
Finance lease liabilities	**7,054,361**	5,861,088
	64,923,788	64,577,657
Total borrowings : -		
Secured		
Bankers' acceptances (Note 19)	**57,144,757**	51,722,578
Bank overdraft (Note 19)	**-**	6,204,387
Term loans (Note 20)	**991,337**	1,780,942
Finance lease liabilities (Note 21)	**18,904,485**	19,249,416
	77,040,579	78,957,323

Effective interest rates per annum on the borrowings of the Group is as follows : -

	Group	
	2016	2015
	%	%
Bankers' acceptances	**3.85-5.85**	4.55-5.45
Bank overdraft	**-**	8.10-8.57
Term loans	**5.53**	5.53
Finance lease liabilities	**2.41-6.60**	2.41-6.60

19. **Bankers' acceptances and bank overdraft**

Secured

Group

The bankers'acceptances and bank overdraft are secured by corporate guarantee given by the Company and negative pledge over the unencumbered assets of the Company.

20. Term loans

	Group 2016 RM	Group 2015 RM
Secured		
Term loan 1	**666,667**	1,066,667
Term loan 2	**324,670**	714,275
	991,337	1,780,942
Repayable as follows : -		
Non-current liabilities		
- later than one year and not later than two years	**266,667**	724,670
- later than two years and not later than five years	**-**	266,668
	266,667	991,338
Current liabilities		
- not later than one year	**724,670**	789,604
	991,337	1,780,942

The term loans are unsecured by corporate guarantees given its immediate holding company and negative pledge over the unencumbered assets of the Company.

The term loan 1 is repayable by 60 equal monthly instalments of RM33,333.

The term loan 2 is repayable by 60 equal monthly instalments of RM32,467.

21. **Finance lease liabilities**

	Group	
	2016	2015
	RM	RM
Minimum lease payments : -		
- not later than one year	**8,326,642**	7,274,173
- later than one year and not later than two years	**7,298,904**	6,303,675
- later than two years and not later than five years	**6,381,781**	8,205,294
- later than five years	**-**	589,111
	22,007,327	22,372,253
Less : Future interest charges	**(3,102,842)**	(3,122,837)
Present value of finance lease liabilities	**18,904,485**	19,249,416
Repayable as follows : -		
Non-current liabilities		
- later than one year and not later than two years	**6,370,671**	5,369,089
- later than two years and not later than five years	**5,479,453**	7,455,585
- later than five years	**-**	563,654
	11,850,124	13,388,328
Current liabilities		
- not later than one year	**7,054,361**	5,861,088
	18,904,485	19,249,416

The Group obtains finance lease facilities to finance its purchase of motor vehicles. The remaining finance lease terms are in the range from 1 to 9 years as at 30th June 2016. Implicit interest rates of the finance lease are fixed at the inception of the finance lease arrangements, and the finance lease instalments are fixed throughout the finance lease period. The Group has the option to purchase the assets at the end of the agreements. There are no significant restriction clauses imposed on the finance lease arrangements.

22. **Trade payables**

Group

The normal credit term of trade payables is in the range from 30 to 90 days (2015 – 30 to 90 days). However, the term may vary upon negotiation with the trade payables.

23. Other payables and accruals

	Group		Company	
	2016	2015	**2016**	2015
	RM	RM	**RM**	RM
Other payables	**1,408,765**	1,897,430	**99,394**	38,095
Accruals	**1,219,550**	884,352	**156,500**	153,200
Deposits	**49,900**	216,733	**-**	-
	2,678,215	2,998,515	**255,894**	191,295

Company

Included in accruals is an amount of provision of directors' remuneration of RM110,000 (2015 – RM110,000).

24. Revenue

	Group		Company	
	2016	2015	**2016**	2015
	RM	RM	**RM**	RM
Dividend received from subsidiary companies	**-**	-	**900,000**	1,000,000
Sale of goods	**158,790,584**	141,870,070	**-**	-
	158,790,584	141,870,070	**900,000**	1,000,000

25. Other income

	Group		Company	
	2016	2015	**2016**	2015
	RM	RM	**RM**	RM
Assembly charges	**-**	45,933	**-**	-
Freight and handling charges	**190,378**	222,624		
Gain on disposal of plant and equipment	**-**	18,802	**-**	-
Gain on foreign exchange - unrealised	**1,958,053**	1,350,769	**-**	-
Gain on foreign exchange - realised	**1,193,028**	-	**-**	
Insurance claims	**-**	32,779	**-**	-
Interest income	**-**	2,918	**-**	2,918
Rental income	**133,160**	434,361	**-**	-
Reversal of impairment on subsidiary	**-**	-	**77,384**	-
Sundry income	**69,384**	149,935	**-**	-
Sales of scrap	**84,230**	85,227	**-**	-
	3,628,233	2,343,348	**77,384**	2,918

26. **Finance costs**

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Interest expense of financial liabilities that are not fair value through profit or loss : -				
Banker acceptance	**2,954,760**	2,418,589	**-**	-
Bank charges and commission	**83,254**	45,936	**-**	-
Bank overdraft	**625,043**	577,664	**-**	-
Commitment fees	**15,233**	31,043	**-**	-
Finance lease	**1,259,628**	1,432,750	**-**	-
Letter of credit charges	**2,634**	7,640	**-**	-
Other interest charge	**11,541**	6,669	**-**	-
Term loans	**71,933**	119,816	**-**	-
	5,024,026	4,640,107	**-**	-

27. **Profit before taxation**

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Profit before tax is arrived at after charging : -				
Auditors' remuneration				
- current year provision	**97,630**	101,997	**24,000**	30,000
- (over) /under provision in previous year	**3,100**	(23,977)	**3,100**	-
Bad debts written off	**23,414**	34,283	**-**	-
Depreciation of plant and equipment	**5,736,871**	5,989,934	**-**	-
Employee benefits expense (Note 28)	**8,319,207**	8,503,431	**40,900**	36,700
Impairment loss on inventory	**127,949**	81,712	**-**	-
Interest expenses : -				
- Banker acceptances	**2,954,760**	2,418,589	**-**	-
- Bank charges and commission	**83,254**	45,936	**-**	-
- Bank overdraft	**625,042**	577,664	**-**	-
- Commitment fees	**11,541**	31,043	**-**	-
- Finance lease	**1,259,628**	1,432,750	**-**	-
- Letter of credit charges	**2,634**	7,640	**-**	-
- Other interest charge	**15,233**	6,669	**-**	-
- Term loan	**71,933**	119,816	**-**	-
Lease rental	**188,002**	180,000	**-**	-
Loss on disposal of PPE	**4,864**	-		
Other receivables and prepayment written off	**80**	225,400	**-**	-
Rental of plant and equipment	**7,080**	9,447	**-**	-
Rental of premises	**393,912**	376,272	**-**	-
Revaluation deficit	**1,094,583**	-	**-**	-

27. **Profit before taxation (Cont'd.)**

	Group		Company	
	2016	2015	**2016**	2015
	RM	RM	**RM**	RM
and after crediting : -				
Dividends received from subsidiary companies	**-**	-	**900,000**	1,000,000
Gain on disposal of property, plant and equipment	**-**	18,802	**-**	-
Gain on foreign exchange - unrealised	**1,787,087**	1,350,769	**-**	-
Gain on foreign exchange - realised	**1,193,028**	-	**-**	-
Interest income	**-**	2,918	**-**	2,918
Rental income	**133,160**	434,361	**-**	-

28. **Employee benefits expense**

	Group		Group	
	2016	2015	**2016**	2015
	RM	RM	**RM**	RM
Salaries, allowances and bonus	**7,497,057**	7,625,296	**40,900**	36,700
Employees Provident Fund	**339,526**	329,504	**-**	-
Social security costs	**44,879**	48,327	**-**	-
Share based expenses	**351,910**	307,120	**-**	-
Other staff related expenses	**85,835**	193,184	**-**	-
	8,319,207	8,503,431	**40,900**	36,700

Included in employee benefits expense of the Group and of the Company are directors' emoluments excluding benefits-in-kind, amounting to RM40,900 (2015 – RM36,700) as disclosed in Note 29.

29. Directors' remuneration

	Group		Company	
	2016	2015	**2016**	2015
	RM	RM	**RM**	RM
Directors of the Company				
Executive directors				
- Fees	**20,000**	20,000	**20,000**	20,000
- Other emoluments	**9,000**	8,700	**9,000**	8,700
	29,000	28,700	**29,000**	28,700
Non-executive directors				
- Fees	**90,000**	90,000	**90,000**	90,000
- Other emoluments	**31,900**	28,000	**31,900**	28,000
	121,900	118,000	**121,900**	118,000
Total excluding benefits-in-kind	**150,900**	146,700	**150,900**	146,700

30. Income tax expense

	Group		Company	
	2016	2015	**2016**	2015
	RM	RM	**RM**	RM
Income tax				
- current year provision	**21,045**	34,749	**10,169**	709
- (over) /under provision in previous year	**(13,716)**	(20,232)	**(113)**	4,837
	7,329	14,517	**10,056**	5,546
Deferred taxation (Note 17)	**1,808,673**	3,671,000	**-**	-
	1,816,002	3,685,517	**10,056**	5,546

Income tax is calculated at the Malaysian statutory tax rate of 24% (2015 – 25%) of the estimated assessable profit for the year.

The numerical reconciliation between the effective tax rate and the applicable tax rate is as follows : -

	Group		Company	
	2016	2015	**2016**	2015
	%	%	**%**	%
Applicable tax rate	**24**	25	**24**	25
Tax effects of :				
- Non-allowable expenses	**12**	1	**-**	-
- Non-taxable income	**(4)**	(7)	**(22)**	(24)
- Depreciation on non-qualifying assets	**11**	8	**-**	-
- Utilisation of capital allowances	**(4)**	(7)	**-**	-
- Under provision of deferred taxation in previous year	**-**	41	**-**	-
Effective tax rate	**39**	61	**2**	1

Notes to the Financial Statements

30th June 2016

31. **Earnings per share**

Basic /Diluted:

Basic earnings per share is calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2016	2015
	RM	RM
Profit for the year attributable to ordinary equity holders of the Company	**3,024,141**	2,231,657
	Number of shares	
	Unit	Unit
Number of shares in issue at 1st July	**89,070,000**	65,450,000
Effect of private placement	**-**	2,734,247
Effect of ESOS	**4,456,142**	8,178,000
Weighted average number of ordinary shares in issue	**93,526,142**	76,362,247
Basic earnings per share (sen)	**3.23**	2.92

The Group had no dilutive potential ordinary shares during the current and prior financial year.

32. **Purchase of plant and equipment**

During the financial year, the Group and the Company made the following cash payments to purchase plant and equipment : -

	Group		Company	
	2016	2015	**2016**	2015
	RM	RM	**RM**	RM
Purchase of plant and equipment (Note 4)	**17,559,719**	7,500,179	**-**	-
Financed by finance lease arrangement	**(6,286,767)**	-	**-**	-
Cash payment on purchase of plant and equipment	**11,272,952**	7,500,179	**-**	-

33. Cash and cash equivalents

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts : -

	Group		Company	
	2016	2015	**2016**	2015
	RM	RM	**RM**	RM
Cash and bank balances	**5,962,354**	1,052,727	**893,448**	1,007,581
Bank overdrafts (Note 19)	**-**	(6,204,387)	**-**	-
	5,962,354	(5,151,660)	**893,448**	1,007,581

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

	2016	2015
	RM	RM
US Dollar	**2,631**	2,118

34. Segmental information

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

Business segments

The Group comprises the following main business segments : -

Investment holding	Investment holding.
Manufacturing and trading	Manufacturing and trading of food and all related products.

There are varying levels of integration among the reportable segments. This integration includes transfers of raw materials, shared managed services and financial resources. Inter-segment pricing is determined on negotiated basis in a manner similar to transactions with third parties.

34. **Segmental information (Cont'd.)**

Business segments (Cont'd.)

Performance is measured based on segment profit before tax, interest, depreciation and amortisation, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer (the chief operating decision maker). Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets and liabilities

The total of segment assets and liabilities are measured based on all assets and liabilities of a segment, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer.

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial period to acquire property, plant and equipment, and intangible assets other than goodwill.

34. **Segmental information (Cont'd.)**

a) Business Segment

2016 Business Segments	Investment holding RM	Manufacturing and trading RM	Elimination RM	Total RM
Revenue				
Revenue from external customers	-	158,790,584	-	158,790,584
Inter-segment revenue	900,000	-	(900,000)	-
Total revenue	900,000	158,790,584	(900,000)	158,790,584
Results				
Segment results	388,564	6,747,372	(900,000)	6,235,936
Other operating income	77,384	3,628,233	(77,384)	3,628,233
Finance costs	-	(5,024,026)	-	(5,024,026)
Profit before taxation	465,948	5,351,579	(977,384)	4,840,143
Income tax	(10,056)	(1,805,946)	-	(1,816,002)
Profit for the period	455,892	3,545,633	(977,384)	3,024,141
Other information				
Segment assets	104,337,429	257,587,701	(106,173,914)	255,751,216
Segment liabilities	260,843	175,847,624	(72,813,042)	103,295,425
Depreciation	-	5,736,871	-	5,736,871
Included in the measure of segment assets are : -				
Additions to non-current assets other than financial instruments and deferred tax assets	-	17,559,719	-	17,559,719

34. **Segmental information (Cont'd.)**

a) Business Segment (Cont'd.)

2015 Business Segments	Investment holding RM	Manufacturing and trading RM	Elimination RM	Total RM
Revenue				
Revenue from external customers	-	141,870,070	-	141,870,070
Inter-segment revenue	1,000,000	-	(1,000,000)	-
Total revenue	1,000,000	141,870,070	(1,000,000)	141,870,070
Results				
Segment results	380,242	8,833,691	(1,000,000)	8,213,933
Other operating income	2,918	2,340,430	-	2,343,348
Finance costs	-	(4,640,107)	-	(4,640,107)
Profit before taxation	383,160	6,534,014	(1,000,000)	5,917,174
Income tax	(5,546)	(3,679,971)	-	(3,685,517)
Profit for the year	377,614	2,854,043	(1,000,000)	2,231,657
Other information				
Segment assets	91,934,541	242,101,690	(94,307,520)	239,728,711
Segment liabilities	191,295	164,821,664	(61,375,942)	103,637,017
Depreciation	-	5,989,934	-	5,989,934
Included in the measure of segment assets are : -				
Additions to non-current assets other than financial instruments and deferred tax assets	-	7,500,179	-	7,500,179

Notes to the Financial Statements

30th June 2016

34. **Segmental information (Cont'd.)**

b) Geographical segment

The manufacturing and trading operations are based not only in Malaysia but also spread throughout the rest of Asia, Europe, North America, Oceanic, Africa and South America.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers whereas segment assets are based on the geographical location of assets.

	Revenue		Segment assets	
	2016	2015	**2016**	2015
	RM	RM	**RM**	RM
Malaysia	**56,226,265**	73,748,068	**255,751,216**	239,728,711
Rest of Asia	**78,775,306**	58,650,246	**-**	-
Europe	**3,424,788**	1,981,147	**-**	-
Africa	**8,122,561**	2,764,275	**-**	-
South America	**12,241,664**	4,726,334	**-**	-
	158,790,584	141,870,070	**255,751,216**	239,728,711

The following are the major customer with revenue equal or more than 10% of the Group's total revenue : -

	Revenue		Segment
	2016	2015	
	RM	RM	
Customer A	34,820,768	41,038,469	Manufacturing and trading
Customer B	21,849,021	24,282,901	Manufacturing and trading
Customer C	26,188,738	20,298,760	Manufacturing and trading

35. **Financial instruments**

a) Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows : -

(a) Loans and receivables ("L&R");
(b) Financial liabilities measured at amortised cost ("FL").

Group	Carrying amount RM	L&R RM	FL RM
2016			
Financial assets			
Trade receivables	**50,306,591**	**50,306,591**	**-**
Other receivables	**1,068,146**	**1,068,146**	**-**
Amount due from holding company	**1,479,978**	**1,479,978**	**-**
Cash and bank balances	**5,962,354**	**5,962,354**	**-**
	58,817,069	**58,817,069**	**-**
Financial liabilities			
Trade payables	**(18,617,682)**	**-**	**(18,617,682)**
Other payables and accruals	**(2,678,215)**	**-**	**(2,678,215)**
Bankers' acceptances	**(57,144,757)**	**-**	**(57,144,757)**
Term loans	**(991,337)**	**-**	**(991,337)**
Finance lease liabilities	**(18,904,485)**	**-**	**(18,904,485)**
	(98,336,476)	**-**	**(98,336,476)**
2015			
Financial assets			
Trade receivables	46,923,963	46,923,963	-
Other receivables	639,385	639,385	-
Amount due from holding company	884,440	884,440	-
Cash and bank balances	1,052,727	1,052,727	-
	49,500,515	49,500,515	-
Financial liabilities			
Trade payables	(16,522,146)	-	(16,522,146)
Other payables and accruals	(2,998,515)	-	(2,998,515)
Amount due to holding company	(1,677,033)	-	(1,677,033)
Bankers' acceptances	(51,722,578)	-	(51,722,578)
Bank overdraft	(6,204,387)	-	(6,204,387)
Term loans	(1,780,942)	-	(1,780,942)
Finance lease liabilities	(19,249,416)	-	(19,249,416)
	(100,155,017)	-	(100,155,017)

35. **Financial instruments (Cont'd.)**

a) Categories of financial instruments (Cont'd.)

Company	Carrying amount RM	L&R RM	FL RM
2016			
Financial assets			
Other receivables	**1,037**	**1,037**	**-**
Amount due from holding company	**1,479,978**	**1,479,978**	**-**
Amount due from a subsidiary company	**68,602,094**	**68,602,094**	**-**
Cash and bank balances	**893,448**	**893,448**	**-**
	70,976,557	**70,976,557**	**-**
Financial liability			
Other payables and accruals	**(255,894)**	**-**	**(255,894)**
2015			
Financial assets			
Other receivables	1,037	1,037	-
Amount due from holding company	884,440	884,440	-
Amount due from a subsidiary company	57,105,394	57,105,394	-
Cash and bank balances	1,007,581	1,007,581	-
	58,998,452	58,998,452	-
Financial liability			
Other payables and accruals	(191,295)	-	(191,295)

b) Financial risk management

The Group has exposure to the following risks from its use of financial instruments as follows : -

- Credit risk
- Liquidity and cash flow risk
- Market risk
- Operational risk

35. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

i) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries. The Group also has an internal credit review which is conducted if the credit risk is material. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

<u>Receivables</u>

Risk management objectives, policies and processes for managing the risk
The credit risk is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high credit worthiness. The Group also has an internal credit review which is conducted if the credit risk is material. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

Exposure to credit risk, credit quality and collateral
As at 30th June 2016, the Group has significant concentration of credit risk in the form of outstanding balance of approximately RM10,000,000 due from one trade receivable which represents 19% of the total trade receivables of the Group. However, the directors are of the opinion that these amount outstanding is fully recoverable. Credit risk and receivables are monitored on an ongoing basis. These procedures substantially mitigate credit risk of the Group.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any past due receivables having significant balances, which are deemed to have higher credit risk, are monitored individually.

The trade receivables are not secured by any collateral or supported by any other credit enhancements.

35. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

i) Credit risk (Cont'd.)

Receivables (Cont'd.)

The Group maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was : -

Group	Gross RM	Individual impairment RM	Net RM
2016			
Not past due	**44,593,596**	**-**	**44,593,596**
Past due 1-30 days	**5,622,698**	**-**	**5,622,698**
Past due over 30 days	**90,297**	**-**	**90,297**
	50,306,591	**-**	**50,306,591**
2015			
Not past due	45,610,609	-	45,610,609
Past due 1-30 days	829,602	-	829,602
Past due over 30 days	483,752	-	483,752
	46,923,963	-	46,923,963

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

Inter-company loans and advances

Risk management objectives, policies and processes for managing the risk
The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral
As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Impairment losses
As at the end of the reporting period, there was no indication that the loans and advances to the subsidiaries are not recoverable. The Company does not specifically monitor the ageing of current advances to the subsidiaries.

35. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

i) Credit risk (Cont'd.)

Financial guarantees

Risk management objectives, policies and processes for managing the risk
The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

Exposure to credit risk, credit quality and collateral
The maximum exposure to credit risk amounts to RM77,040,579 (2015 – RM78,957,323) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

ii) Liquidity and cash flow risks

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

35. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

ii) Liquidity and cash flow risks (Cont'd.)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments : -

Group	Carrying amount RM	Effective Interest / Rate %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
2016							
Non-derivative financial liabilities							
Trade payables	**18,617,682**	**-**	**18,617,682**	**18,617,682**	**-**	**-**	**-**
Other payables and accruals	**2,678,215**	**-**	**2,678,215**	**2,678,215**	**-**	**-**	**-**
Bankers' acceptances	**57,144,757**	**3.85-5.85**	**57,144,757**	**57,144,757**	**-**	**-**	**-**
Term loans	**991,337**	**5.53**	**699,338**	**432,671**	**266,667**		**-**
Finance lease liabilities	**18,904,485**	**2.41-6.60**	**23,038,305**	**7,929,916**	**6,871,005**	**7,722,333**	**515,051**
	98,336,476		**102,178,297**	**86,803,241**	**7,137,672**	**7,722,333**	**515,051**

35. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

ii) Liquidity and cash flow risks (Cont'd.)

Maturity analysis

Group	Carrying amount RM	Effective Interest / Rate %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
2015							
Non-derivative financial liabilities							
Trade payables	16,522,146	-	16,522,146	16,522,146	-	-	-
Other payables and accruals	2,998,515	-	2,998,515	2,998,515	-	-	-
Amount due to holding company	1,677,033	-	1,677,033	1,677,033	-	-	-
Bankers' acceptances	51,722,578	4.55-5.45	51,722,578	51,722,578	-	-	-
Bank overdraft	6,204,387	8.10-8.57	6,204,387	6,204,387	-	-	-
Term loans	1,780,942	5.53	1,845,877	789,605	789,605	266,667	-
Finance lease liabilities	19,249,416	2.41-6.60	22,372,253	7,274,173	6,303,675	8,205,294	589,111
	100,155,017		103,342,789	87,188,437	7,093,280	8,471,961	589,111

35. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

ii) Liquidity and cash flow risks (Cont'd.)

Company	Carrying amount	Effective interest rate %	Contractual cash flows	Under 1 year
2016				
Non-derivative financial liabilities				
Other payables and accruals	**255,894**	**-**	**255,894**	**255,894**
2015				
Non-derivative financial liabilities				
Other payables and accruals	191,295	-	191,295	191,295

iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's financial position or cash flows. Other than interest rates risk and foreign exchange rate risk, the Group is not expose to other prices risk.

Currency risk

The Group is exposed to foreign currency risk on sales that are denominated in a currency other than the respective functional currency of Group entities. The currency giving rise to this risk were primarily Singapore Dollar ("SGD"), U. S. Dollar ("USD"), Hong Kong Dollar ("HKD"), Thai Baht ("THB"), Japanese Yen ("JPY"), Euro ("Euro"), and Indonesian Rupiah ("IDR").

Risk management objectives, policies and processes for managing the risk
The Group is closely monitoring the foreign currency risk on an ongoing basis to ensure that the net exposure is at acceptable level. On occasion, the Group enters into forward foreign currency contracts to hedge against its foreign currency risk.

35. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

iii) Market risk (Cont'd.)

Exposure to foreign currency risk
The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was : -

	2016 RM	2015 RM
Trade receivables (Note 10)		
- Euro	**1,024,180**	960,385
- Hong Kong Dollar	**8,349,378**	2,798,667
- Indonesian Rupiah	**165,275**	960,961
- Japanese Yen	**8,369,373**	3,833,622
- Singapore Dollar	**188,577**	152,790
- Thai Baht	**77,013**	190,078
- US Dollar	**18,761,117**	16,768,123
Cash and bank balances (Note 33)		
- US Dollar	**2,631**	2,118

Currency risk sensitivity analysis
A 5% strengthening of RM against the following currencies at the end of the reporting period would have increased /(decreased) equity and post-tax profit or loss by the amount shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonable possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remained constant.

35. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

iii) Market risk (Cont'd.)

Currency risk sensitivity analysis (Cont'd.)

	2016		2015	
Group	**Equity RM**	**Profit for the year RM**	Equity RM	Profit for the year RM
Increase	**1,846,746**	**1,846,746**	1,540,929	1,540,929

A 5% of weakening of RM against the above foreign currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amount shown above, on the basis that all other variables remained constant.

Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes interest rates. Short term investment such as deposits with licensed bank are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk
The Group's policy is to borrow principally on the floating rate basis but to retain a proportion of fixed rate debt. The objectives for the mix between fixed and floating rate borrowings are set to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rates fall.

35. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

iii) Market risk (Cont'd.)

Interest rate risk (Cont'd.)

Exposure to interest rate risk
The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was : -

	Group		Company	
		Effective Interest rate		**Effective Interest rate**
2016				
	RM	**%**	**RM**	**%**
Fixed rate instruments				
Finance lease liabilities	**(18,904,485)**	**2.41-6.60**	**-**	**-**
Floating rate instruments				
Bankers' acceptances	**(57,144,757)**	**3.85-5.85**	**-**	**-**
Term loans	**(991,337)**	**5.53**	**-**	**-**
2015				
Fixed rate instruments				
Finance lease liabilities	(19,249,416)	2.41-6.60	-	-
Floating rate instruments				
Bankers' acceptances	(51,722,578)	4.55-5.45	-	-
Bank overdrafts	(6,204,387)	8.10-8.57	-	-
Term loans	(1,780,942)	5.53	-	-

35. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

iii) Market risk (Cont'd.)

Interest rate risk (Cont'd.)

Interest rate risk sensitivity analysis : -
Fair value sensitivity analysis for fixed rate instruments
The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change on interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments
At the reporting date, if interest rates had been 100 basis points lower/higher, with all other variables held constant, the Group's loss net of tax would have been RM58,136 higher/lower, arising mainly as a result of lower/higher interest expense on floating rate borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

iv) Operational risk

The operational risk arises from the daily activities of the Group which includes legal, credit reputation and financing risk and other risks associated to daily running of its business operations.

Such risks are mitigated through proper authority levels of approval limits, clear reporting structure, segregation of duties, policies and procedures implemented and periodic management meetings.

In dealing with its stewardship, the directors recognise that effective risk management is an integral part of good business practice.

The directors will pursue an ongoing process of identifying, assessing and managing key business areas, overall operational and financial risks faced by the business units as well as regularly reviewing and enhancing risk mitigating strategies with its appointed and key management personnel.

35. **Financial instruments (Cont'd.)**

c) Fair value information

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

Group	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
2016	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Financial liabilities										
Term loans	**-**	**-**	**-**	**-**	**-**	**-**	**953,086**	**953,086**	**953,086**	**991,337**
Finance lease liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**20,740,449**	**20,740,449**	**20,740,449**	**18,904,485**
	-	**-**	**-**	**-**	**-**	**-**	**21,693,535**	**21,693,535**	**21,693,535**	**19,895,822**
2015										
Financial liabilities										
Term loans	-	-	-	-	-	-	1,625,843	1,625,843	1,625,843	1,780,942
Finance lease liabilities	-	-	-	-	-	-	18,823,242	18,823,242	18,823,242	19,249,416
	-	-	-	-	-	-	20,449,085	20,449,085	20,449,085	21,030,358

35. **Financial instruments (Cont'd.)**

c) Fair value information

The following shows the valuation techniques used in the determination of fair values within Level 3 for financial instruments not carried at fair value, as well as the key unobservable inputs used in the valuation models.

Type	**Description of valuation technique and inputs used**
Bank borrowing	Discounted cash flows using a rate based on the current market rate of borrowing of the respective Group entities at the reporting date.

36. **Capital management**

The overall capital management objective of the Group is to safeguard its ability to continue as a going concern so as to provide fair returns to owners and benefits to other stakeholders. In order to meet this objective, the Group always strives to maintain an optimal capital structure to reduce the cost of capital and sustain its business development.

The Group considers its total equity to be the key component of its capital structure and may, from time to time, adjust the dividend payouts, purchase own shares, issue new shares, redeem debts or sell assets, where necessary, to maintain an optimal capital structure. Management has not formulated any formal policies and processes for monitoring the Group's capital in view of its simple structure. Nevertheless, management will always strive to improve those policies and processes whenever the need arises.

37. **Contingent liabilities**

	Group	
	2016	2015
	RM	RM
Unsecured		
Corporate guarantees issued to bank for bank facilities granted to : -		
- subsidiary companies	**68,317,279**	70,545,095

The directors are of the opinion that adequate allowance has been made in the financial statements for any possible liabilities.

Notes to the Financial Statements

30th June 2016

38. **Related parties**

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain members of the senior management of the Group.

The Group has related party relationship with its subsidiaries, Directors and key management personnel.

Significant related party transactions

Related party transactions have been entered into the normal course of business under normal trade terms. The significant related party transactions of the Group and of the Company are show below. The related party balances are shown in Note 7 and 12.

a) Related party /companies transactions : -

i) Significant related company transactions in the financial statements are as follows : -

	Group	
	2016	2015
	RM	RM
Sales		
- London Biscuits Berhad	**26,188,738**	20,298,760
Purchases		
- London Biscuits Berhad	**(6,470,729)**	(4,357,233)
Rental income		
- London Biscuits Berhad	**-**	298,201

This transaction has been entered in the normal course of business and established under negotiated terms.

	Company	
	2016	2015
	RM	RM
Gross dividend income received from subsidiary companies		
- Khee San Food Industries Sdn. Bhd.	**900,000**	1,000,000

38. **Related parties (Cont'd.)**

b) Compensation of key management personnel

The remuneration paid by the Group and the Company to key management personnel during the year are as follows : -

	Group		Company	
	2016	2015	**2016**	2015
	RM	RM	**RM**	RM
Short-term employee benefits	**150,900**	146,700	**150,900**	146,700

Included in the total key management personnel are : -

	Group		Company	
	2016	2015	**2016**	2015
	RM	RM	**RM**	RM
Directors' remuneration (Note 29)				
- Directors of the Company	**150,900**	146,700	**150,900**	146,700

39. **Rental commitment**

As at the reporting date, the company has rental commitment in respect of rental of premises and machineries as follows : -

	2016	2015
	RM	RM
Not later than one year	**414,642**	414,642
Later than one year but not later than two years	**414,642**	414,642
	829,284	829,284

40. **Subsequent event**

a) Companies Act, 2016

The Companies Act, 2016 ("New Act") was enacted to replace the Companies Act, 1965 and was passed by Parliament on 4 April 2016. The New Act was subsequently gazetted on 15 September 2016. On 26th January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism announced that the effective date of the New Act, except for section 241 and Division 8 of Part lll of the New Act, to be 31st January 2017.

Amongst the key changes introduced in the New Act, which will affect the financial statements of the Group and of the Company would include the removal of the authorised share capital, replacement of no par value shares in place of par or nominal value shares, and the treatment of share premium and capital redemption reserves.

The adoption of the New Act did not have any financial impact on the Group and the Company for the financial year ended 30th June 2016 as any accounting implications will only be applied prospectively, if applicable, and the effect of adoption mainly was on the disclosures to the annual report and financial statements of the Group and of the Company for the financial year ended 30th June 2017.

b) On 5th January 2017, the Company announced that London Biscuits Berhad ("LBB"), which was a major shareholder with a shareholding of 19,920,500 ordinary shares of RM1.00 each (being equivalent to 19.15%) no longer was the holding company of KSB by virtue of Section 5(1)(a)(i) of the Company Act, 1965 with effect from the date of announcement. There was no material dilution and no changes in the shareholding of equity share in the Company by LBB.

c) Securities Commission Malaysia ("SC") had vide their letter dated 21st May 2018 ("SC letter") reprimanded the Company and its Directors at the material time for breach of Section 354(1)(a) of the Capital Markets and Services Act 2007 ("CMSA") read together with Regulation 4(1) of the Securities Industry (Compliance with Approved Accounting Standards) Regulations 1999.

The SC sanctions arose as a result of its findings that the Company had failed to comply with the relevant Malaysian Financial Reporting Standards ("MFRS") extended to various distinct areas within the financial years ended 30th June 2015 ("AFS 2015") and 30th June 2016 ("AFS 2016").

Pursuant to Section 354(3)(c) of the CMSA, SC has directed the Company to rectify and re-issue Khee San's AFS 2015 and AFS 2016, seek appropriate independent professional advice to reconstitute an effective Audit Committee ("AC") and address its Financial Reporting Function.

40. **Subsequent event (Cont'd.)**

c) The non-compliance to MFRS highlighted in the SC letter are tabled as follows : -

No.	Area of disclosure	MFRS	Nature of non-compliance
1.	Segmental reporting	Paragraph 33, MFRS 8 Operating Segments ("MFRS 8")	Failure to disclose in AFS 2015 and AFS 2016 the revenue breakdown by geographical segment
		Paragraph 34, MFRS 8	Failure to disclose in AFS 2015 and AFS 2016 KHEESAN's reliance on major customer
2.	Employees' Share Option Scheme ("ESOS")	Paragraph 44, MFRS 2 Share Based Payment ("MFRS 2")	Incorrect disclosure in AFS 2015 on the movement of ESOS and share capital which wrongly included the amount of Private Placement (as defined below)
		Paragraph 46, MFRS 2	Non-disclosure in AFS 2015 and AFS 2016 of the fair value ("FV") of ESOS options granted and assumptions used to arrive at the FV of ESOS options granted
		Paragraph 10, MFRS 2	The FV of ESOS options granted in AFS 2015 and AFS 2016 was measured without a basis that is in accordance to the parameters set out in MFRS 2
3.	Private Placement	Paragraph 15 and 106(d), MFRS 101 Presentation of Financial Statements ("MFRS 101")	Non-disclosure in AFS 2015 of the issuance of 6.9 million new shares ("Private Placement") in the Notes to the Accounts and Statement of Changes in Equity
		Paragraph 21, MFRS 107 Statement of Cash Flows	Non-disclosure in AFS 2015 of cash proceeds raised from the Private Placement exercise
		Paragraph 49(a), MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors ("MFRS 108")	Non-disclosure in AFS 2016 on the nature of the prior error in AFS 2015 i.e. rectification of Statement of Changes in Equity and Statement of Cash Flows in relation to the Private Placement

40. **Subsequent events (Cont'd.)**

c) The non-compliance to MFRS highlighted in the SC letter are tabled as follows : - (Cont'd.)

No.	Area of disclosure	MFRS	Nature of non-compliance
4.	Trade receivables – aging analysis	Paragraph 31, MFRS 7 Financial Instruments Disclosure Paragraph 49(a) MFRS 108	Misrepresentation of the aging analysis for FYE 2015 in Note 10 of the AFS 2015 Non-disclosure in AFS 2016 on nature of the prior period error i.e. correction of aging analysis of its trade receivables for FYE 2015 in AFS 2016
5.	Intangible assets ("IA") – Assessments of indefinite useful life	Paragraph 88, MFRS 138 Intangible Assets ("MFRS 138") Paragraph 122, MFRS 138	Assessment of the useful life of the IA in AFS 2015 and AFS 2016 was not done in accordance to the parameters set MFRS 138 Failure to disclose in AFS 2015 and AFS 2016 the reasons supporting the assessment of an indefinite useful life of the IA
6.	IA – Impairment assessment	Paragraph 33, MFRS 136 Impairment of Assets Paragraph 134, MFRS 136	The impairment testing for IA in AFS 2015 and AFS 2016 was based on unreasonable and unsupported assumptions Non-disclosure in AFS 2015 and AFS 2016 of the key assumptions used to support the non-impairment of the IA

41. **Reconciliation of profit after tax**

For the financial year ended 30th June 2016

	Group RM	Company RM
Profit after tax before re-audit	4,911,922	455,892
Adjustments : -		
- Omission of share-based expenses	(351,910)	-
- Prepayment written off	(80)	-
- Revaluation deficit adjusted from revaluation reserves	(1,094,583)	-
- Reversal of loss on disposal of properties	144,170	-
- Reversal of repayment of bankers' acceptances wrongly charged to profit or loss in previous year	(830,000)	-
- Realisation of unrealised foreign exchange gain overstated in previous year	170,966	-
- Sales of goods under recognised - net	1,833,428	-
- Cost of sales under recognised - net	(1,678,669)	-
- Understatement of deferred tax liabilities	(1,671,663)	-
- Understatement of closing inventories	1,590,560	-
Profit after tax after re-audit	3,024,141	455,892

For the financial year ended 30th June 2015

	Group RM	Company RM
Profit after tax before re-audit	4,070,717	377,614
Adjustments : -		
- Omission of share-based expenses	(307,120)	-
- Other receivables written off	(225,400)	-
- Sales of goods over recognised - net	(792,918)	-
- Cost of sales over recognised - net	697,767	-
- Overstatement of unrealised gain on foreign exchange	(170,966)	-
- Repayment of bankers' acceptances wrongly charged to profit or loss	830,000	-
- Understatement of deferred tax liabilities	(2,660,760)	-
- Understatement of closing inventories	790,337	-
Profit after tax after re-audit	2,231,657	377,614

42. **Supplementary information on the breakdown of realised and unrealised profits or losses**

The breakdown of the retained profit of the Group and of the Company at 30th June 2016, into realised and unrealised losses, pursuant to Rules 2.07 and 2.23 of Bursa Malaysia Securities Berhad Main Market Listing Requirements, are as follows : -

Group	**2016** **RM**	2015 RM
Total retained profit of the Company and its subsidiaries:		
- realised	**49,100,032**	44,526,507
- unrealised	**(4,954,000)**	(3,482,000)
	44,146,032	41,044,507
Less : Consolidation adjustments	**(4,240,653)**	(4,163,269)
Total retained profit	**39,905,379**	36,881,238

Company	**2016** **RM**	2015 RM
Total retained profit of the Company		
- realised	**1,927,688**	1,471,796
Total retained profit	**1,927,688**	1,471,796

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profit or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by Malaysian Institute of Accountants on 20 December 2010.

Khee San Berhad
(Incorporated in Malaysia, Company No. 304376 – A)

Statement by Directors

Pursuant to Section 251(2) of the Companies Act, 2016

We, Dato' Sri Liew Yew Chung, SSAP, DIMP and Edward Tan Juan Peng, being two of the directors of Khee San Berhad, do hereby state that, in the opinion of the directors, the financial statements set out on pages 12 to 99 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 30th June 2016 and of the results and the cash flows of the Group and of the Company for the financial year ended on that date.

The information set out in Note 42 on page 100 to the financial statements has been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

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

Dato' Sri Liew Yew Chung, SSAP, DIMP

Edward Tan Juan Peng

Kuala Lumpur,
Date : 18th April 2019

Statutory Declaration

Pursuant to Section 251(1)(b) of the Companies Act, 2016

I, Edward Tan Juan Peng, NRIC: 730831-01-6711, being 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 12 to 100, to the best of my knowledge and belief, are 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 at Kuala Lumpur on 18th April 2019

Edward Tan Juan Peng

Before me

D. Selvaraj (W 320)
Commissioner for Oaths