



## statement on corporate governance

The Board of Directors recognises the importance of establishing and maintaining good corporate governance. The Board is committed and continues to comply with the principles and best practices set out in Part 1 and 2 of the Malaysian Code on Corporate Governance (the Code).

Set out below is a statement on how the Company has applied the principles and complied with the best practices and good governance as set out in the Code.

### **BOARD OF DIRECTORS**

#### **Responsibilities**

The Board takes full responsibility for the overall performance of the Company including setting out the objectives, strategic direction and evaluation of performance of the Company. Other responsibilities including ensuring good corporate governance, succession planning, public relations and shareholder communication, ensuring sound internal control systems and evaluation of various performance indicators. Where deemed necessary, the Board may set up committees to examine certain key areas.

#### **Composition and Balance**

The Board has a wide range of experience in various fields such as manufacturing, business and finance. Representation on the Board is with the view of ensuring the right mix of business experience and technical knowledge.

The Board currently has nine (9) members, comprising two (2) Executive Directors, four (4) Non-Independent Non-Executive Directors and has three (3) Independent Non-Executive Directors. Independent Non-Executive Directors make up one third of the Board. There is a clear division of responsibility between the Chairman and Managing Director/ CEO to ensure a balance of power and authority. The Chairman's responsibility is to ensure the effectiveness of the Board and conduct including organising all necessary information on a timely basis for Board deliberations while the Managing Director/CEO is responsible for overall operations and effective implementation of Board decisions and policies. Non-Executive Directors contribute in providing their knowledge and experience towards formulation of the Company's policies and strategies. Representation on the Board is reflective of the extent of shareholdings of various parties in the Company.

#### **Supply of Information**

The Board is provided with an agenda and set of Board papers prior to Board meetings. This is to ensure that the Board has sufficient opportunity to study, review and raise queries to be answered and to obtain further explanations so as to be properly briefed before Board meetings. Matters discussed include periodical financial information, operational, corporate and financial issues. Where necessary, qualitative information is made available to the Board in its decision making and evaluations. Directors may obtain independent professional advice where deemed necessary at the Company's expense.

Every effort is taken to ensure that the Board is provided with information on significant events in a timely manner, even in event that there is no Board meeting pending.

The Company Secretary ensures that all appointments are properly made, that all necessary information is obtained from the Directors for the purposes of meeting statutory obligations and the Listing Requirements or other regulatory requirements.

### Board Meetings

For the financial year ended 30th June 2004, the number of Board meetings held was four (4) and the attendance of the Directors at the Board meetings is as follows:-

	No. of meetings attended
Dato' Liew Kuek Hin	4
Datin Lim Yook Lan	4
Dato' Liew Yew Chung	4
Liew Yew Cheng	4
Liew Yet Mei	4
Liew Yet Lee	4
Dato' Mohamed Salleh bin Bajuri (Resigned on 31.7.2004)	3
Dato' Cheong Siew Kai	4
Huang Yan Teo	3
Tan Poay Teik	4

### Nomination Committee

The Nomination Committee comprises the following members:-

Dato' Cheong Siew Kai	(Independent Non-Executive Director)
Tan Poay Teik	(Independent Non-Executive Director)
Datin Lim Yook Lan	(Non-Executive Director)
Huang Yan Teo (Appointed on 17.8.2004)	(Independent Non-Executive Director)

It is responsible for making recommendations for any new candidates to the Board; to assess candidates for directorship proposed by the Managing Director/CEO or any senior executive, director or shareholder and to recommend directors to fill the seats on Board committees. Ultimate responsibility on appointment of new Directors still lies with the Board notwithstanding recommendations that may be made by the Nomination Committee. The Nomination Committee will also review the required mix of skills and experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board from time to time and assess the effectiveness of the Board as a whole (including its size), Board committees and the individual contributions of each Director. New appointments to the Board are made to ensure the right mix of experience and expertise to enhance the core competencies of the Board. As part of the process of appointment, new Directors are provided with an orientation and familiarisation program, which include briefings by senior management and attendance of directors training programs conducted by Bursa Malaysia Securities Berhad ("BMSB").

Under the Company's Articles of Association, all Directors (including the Managing Director) are required to submit for re-election at least once every three years.

### Remuneration Committee

The Remuneration Committee comprises the following members:-

Dato' Cheong Siew Kai	(Independent Non-Executive Director)
Tan Poay Teik	(Independent Non-Executive Director)
Dato' Liew Yew Chung	(Managing Director/ CEO)
Liew Yet Mei (Appointed on 20.9.2004)	(Non-Executive Director)



The Remuneration Committee is responsible for setting up the policy framework and recommending to the Board the remuneration packages and benefits to be extended to Executive Directors. The individual Executive Director should play no part in decisions on his/her own remuneration. The remuneration of Non-Executive Directors will be a matter to be decided by the Board as a whole. The individual Non-Executive Director should play no part in deliberations and decisions on his/her own remuneration. Criteria for remuneration is primarily based on experience, performance, qualifications and responsibilities and use of external benchmarks. Directors' fees are determined by the Board with the approval of shareholders at the Company's Annual General Meeting.

#### **EMPLOYEES SHARE OPTION (ESOS) COMMITTEE**

LBB's Employees Share Option Scheme ("ESOS") Committee was successfully launched on 20th November, 2003 for an initial period of five (5) years.

Members and details of attendance at the ESOS Committee Meetings of LBB for the year ended 30th June, 2004 are as follows:-

	<b>Status</b>	<b>No. of Meetings Attended</b>
Andrew Yeoh Cheng Kwang	Chairman	4/5
Zainab Binti Rezat	Secretary	4/5
Liew Yew Cheng	Member	5/5
Tan Poay Teik	Member	1/5
Wah Keng Sen	Member	5/5
Lim Heng Min	Member	5/5
Wong Soo Len	Member	5/5

The ESOS Committee assists the Board in determining all questions of policy and expediency that may arise in the administration of the ESOS scheme and generally exercises all acts that are required and necessary to promote the best interest of the Company. The ESOS Committee oversees the Management's implementation of the Scheme and decides inter alia on the offer, offer date, eligibility, basis of allotment, exercise of option, administration, modification, dispute and termination issues in relation to the scheme in line with the ESOS Bye-laws. Granting of options to Executive Directors shall be the responsibility of the full Board after considering the ESOS Committee's recommendations.

During the financial year, a total of 2,200,000 ordinary shares of RM1.00 each were exercised in respect of LBB's ESOS.

#### **Directors' Remuneration**

The aggregate remuneration of the Directors who had served during the financial year ended 30th June 2004 categorized into appropriate components is as follows:-

	<b>Executive Directors</b>		<b>Non-Executive Directors</b>	
Salaries and allowances	RM	1,370,950	RM	173,500
Fees	RM	68,000	RM	349,000
Attendance allowance	RM	15,000	RM	51,000

Breakdown of aggregate remuneration for the year of Directors who had served during the financial year ended 30th June 2004 in bands of RM50,000 are as follows:-

Remuneration	No. of Directors	
	Executive	Non-Executive
RM1 to RM50,000	-	3
RM50,001 to RM100,000	-	3
RM100,001 to RM150,000	-	2
RM150,001 to RM200,000	1	-
RM200,001 to RM250,000	-	-
RM250,001 to RM300,000	1	-

## ACCOUNTABILITY AND AUDIT

### Financial Reporting

It is the responsibility of the Board, with the assistance of the Audit Committee, to ensure that the presentation of the Company's financial statements, quarterly results and periodic announcements, complied with the Companies Act 1965, applicable Approved Accounting Standards in Malaysia and BMSB Listing Requirements. The Board is assisted by the Audit Committee to ensure information for enclosure is timely, accurate and adequate. The Statement by the Board pursuant to Paragraph 15.27(a) of the BMSB Listing Requirements on its responsibilities in preparing the financial statements is set out on page 21.

### Relationship with Auditors

The Board has established a professional and transparent relationship with the External Auditors. The External Auditors were invited to attend Audit Committee's meetings and if necessary, Management Meetings and Board Meeting to discuss and review issues.

### Audit Committee

The Audit Committee presently comprises the following: -

Dato' Cheong Siew Kai	(Independent Non-Executive Director)
Tan Poay Teik	(Independent Non-Executive Director)
Huang Yan Teo (Appointed on 17.8.2004)	(Independent Non-Executive Director)
Dato' Liew Yew Chung	(Managing Director/CEO)

The Audit Committee Report is attached on page 24 as required under Chapter 15 of the BMSB Listing Requirements.

### Internal Control

A Statement on Internal Control is attached on page 22 as required under Chapter 15 of the BMSB Listing Requirements.



## **SHAREHOLDERS**

### **Dialogue with Investors**

Where required and practical, dialogues are held with research analysts and institutional investors. Information on latest corporate developments affecting the Company are disseminated promptly via the BMSB including quarterly financial results and where appropriate, circulars and press releases.

### **Annual General Meeting**

All shareholders are given notice of the AGM through Annual Reports which are sent out at least twenty one(21) days before the date of the AGM. The Notice of the AGM is also published in major newspapers and released through the BMSB for public information.

Briefings and shareholders queries are dealt with at the AGM and general meeting. It is ensured that ample opportunities and time are provided for questions to be asked and issues to be raised by parties concerned. It is also the practice for the Board to hold press conferences with journalists after the respective general meetings.

## **STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE ON CORPORATE GOVERNANCE**

The Company is committed to achieving high standards of corporate governance throughout the Company and to the highest level of integrity and ethical standards in all its business dealings. The Board considers that it has complied throughout the financial year with the Best Practices as set out in the Code.

Statement made in accordance with the resolution of the Board of Directors dated 20th September, 2004.

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS**

Directors are legally required to prepare financial statements for each financial year to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the results of the Company for the financial year then ended.

The Directors consider that in preparing the financial statements:-

- i) the Company have used appropriate accounting policies and applied them consistently;
- ii) reasonable and prudent judgements and estimates were made; and
- iii) applicable approved accounting standards in Malaysia have been followed.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1965 and applicable approved accounting standards.

The Directors are also responsible for the assets of the Company and hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement made in accordance with the resolution of the Board of Directors dated 20th September, 2004.

## statement on internal control

The Malaysian Code on Corporate Governance require public listed companies to maintain a sound system of internal control to safeguard shareholders' investments and the Company's assets.

Paragraph 15.27(b) of Bursa Malaysia Securities Berhad requires directors of public listed companies to include a statement of their internal control in their published annual reports.

### **DIRECTORS' RESPONSIBILITY**

The Board acknowledge its responsibility for maintaining a sound internal control system and to review and monitor its effectiveness. In order to achieve a sound system of internal control, it is first necessary to provide an environment conducive to meet the objectives.

A sound system of internal control must be able to identify and to evaluate the nature and extent of the principal risks to which the business of LBB is exposed. As such, the system of internal control are reviewed as a continuous process, designed to manage rather than to eliminate risks of failure to achieve objectives. The Board is of the view that the Company's system of internal controls can only provide reasonable and not absolute assurance against material misstatement or loss.

### **INTERNAL AUDIT**

An internal audit department has been established, to undertake internal audit assignments either on specific instructions of the Audit Committee or otherwise on basis of rotational business cycle. This internal audit department draws expertise from staff of LBB from three main departments, namely Purchasing, Inventory and Accounts.

Standard Procedures and Guidelines have been approved and adopted for these three Departments and these procedures and guidelines will be subject to revisions and updates as and when required. Standard procedures and guidelines will be drawn up for other departments in due time. These procedures and guidelines have been designed to adhere to HACCP and ISO standards as set out by Lloyd's Register Quality Assurance.

The internal audit department reports its findings direct to the Audit Committee.

### **RISK MANAGEMENT**

Risk Management is regarded by the Board as an integral part of a good business and management practice.

The Company risk management strategy is the formulation of an effective risk management framework which allows the management in assessing, monitoring and reviewing the Company's risk.

The Audit Committee is in the midst of considering the assistance of external consultants to identify and to evaluate risk profiles, which will be used as a basis for internal auditing purposes.

### **CONTROL STRUCTURE AND PROCESSES**

The key processes of the Company's system of internal control, are described below:-

- an internal audit department which assesses the effectiveness of the internal controls and their implementation
- clear defined delegation of responsibilities and authorities within the Company's operations
- clear documentation of the Company's risk management policies and attitude toward risk and internal procedures
- effective dissemination of the policies and control to key employees
- review by the Board of reports on a regular basis on the key financial statistics, legal and regulatory matters
- submission of business plans and budgets on an annual basis for approval by the Board
- regular visits by the internal audit department, senior management and members of the Board on different operating units
- regular reporting by the internal audit department direct to the Audit Committee

Statement made in accordance with the resolution of the Board of Directors dated 20th September 2004.





## **OTHER COMPLIANCE INFORMATION**

### **Non-Audit Fees**

During the year ended 30th June, 2004, RM60,000 was paid in total to the external auditors in respect of assignments undertaken in conjunction with the Corporate Proposals viz Rights Issue, Bonus Issue, Private Placement, Establishment of Employees Share Option Scheme and the Transfer of listing status to the Main Board of Bursa Malaysia Securities Berhad.

### **Material Contracts**

There was no material contracts entered into by the Company during the year which involve the interest of directors' and major substantial shareholders'.

### **Share Buybacks**

There was no share buybacks by the Company during the year.

### **ADR or GDR Programme**

The Company did not sponsor any American Depository Receipts or Global Depository Receipts programmes during the financial year.

# report of the audit committee

## COMPOSITION

An independent Audit Committee (AC) shall exist to implement and support the functions of the Board. Members of the AC shall elect the Chairman, and all members of the AC including the Chairman shall hold office as long as they serve as Directors of the Company.

Based on the Bursa Malaysia Securities Berhad ("BMSB") Listing Requirements, the AC shall be appointed from amongst the Directors and no alternate Director shall be a member of the AC. The AC shall comprise at least three members but not more than five members, the majority of whom shall be independent Non-Executive Directors. At least one (1) member of the AC shall be:-

- i) a member of the Malaysian Institute of Accountants (MIA); or
- ii) if not a member of MIA, must have had at least three (3) years working experience, and either have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967 or a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
- iii) hold a degree/masters/doctorate in accounting or finance and at least three years' post qualification experience in accounting or finance; or
- iv) have at least seven years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.

The Chairman of the AC shall be an Independent Non-Executive Director.

Members of the AC may relinquish their membership with prior written notice to the Secretary of the AC and may continue to serve as Director of the Company. In the event of any vacancy in the AC, the vacancy shall be filled within three (3) months, and the Nomination Committee shall review and recommend for the Board's approval another appropriate Director to fill the vacancy.

## MEMBERS

The AC was set up on 27th November 2001 and the current members of the AC and their respective designations are:-

Dato' Cheong Siew Kai (Independent Non-Executive Director)	Chairman of AC
Tan Poay Teik (Independent Non-Executive Director)	Member of AC
Dato' Liew Yew Chung (Managing Director/CEO)	Member of AC
Huang Yan Teo (Independent Non-Executive Director) (Appointed on 17.8.2004)	Member of AC

During the financial year, there have been no changes to the composition of the AC.





## OBJECTIVES

In compliance with the BMSB Listing Requirements and the Best Practices recommended in the Malaysian Code on Corporate Governance, it is the objective of the AC to assure the shareholders of the Company that the Directors have complied with specified financial standards and required disclosure policies developed by the BMSB and other approved accounting standard bodies.

Further, the AC shall ensure consistency with BMSB's commitment to encourage high standards of corporate disclosure and transparency. The Committee also endeavours to adopt practices aimed at maintaining appropriate standards of corporate responsibility, integrity and accountability to the Company's shareholders.

## DUTIES AND RESPONSIBILITIES

The principal duties and responsibilities of the AC shall include:-

- reviewing the effectiveness of management information and other systems of control within the Company;
- reviewing with the external auditors the scope of their audit plan, their evaluation of the system of internal control and the audit reports on the financial statements;
- reviewing the quarterly and annual financial statements with management and external auditors prior to the approval by the Board;
- reviewing the scope and recommendations in the internal audit reports and the effectiveness of the internal audit function;
- carry out in-depth-review of major findings on internal investigations and management's response to recommend corrective measures;
- consider compliance of statutory legislation or guidelines as imposed by the relevant authorities which will include but not limited to that imposed by the Securities Commission and the BMSB;
- to review and report any significant related party transactions that may arise within the Company;
- to review any significant transactions which are in the normal course of business of the Company;
- to consider any other matter as may be defined by the Board.
- to verify the allocation of options pursuant to the ESOS.

## AUTHORITY

In conducting its duties and responsibilities, the AC shall have the following rights:-

- i) investigate any activity of the Company and its subsidiaries within the scope of the AC's duties;
- ii) have the necessary resources required to perform its duties;
- iii) have full and unrestricted access to any information pertaining to the Company;

- iv) have direct communication channels with the external auditors and persons carrying out the internal audit functions;
- v) obtain and seek external legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise;
- vi) have discretion to invite other Directors and/or employees of the Company to attend any particular AC meeting to discuss specific issues;
- vii) able to convene meetings with external and internal auditors, excluding the attendance of Executive members of the AC if deemed necessary.

## MEETINGS AND ACTIVITIES

The AC held four (4) meetings during the financial year ended 30th June 2004 with all members of the AC in attendance. During the year under review, the activities of the AC included:-

- \* Reviewed the audited accounts for the financial year ended 30th June 2004 and the unaudited quarterly financial results and announcements of the results prior the approval of the Board of Directors;
- \* Reviewed the audit reports with the external auditors;
- \* Reviewed any related party transactions;
- \* Discussed and recommended to the Board, the establishment of internal audit function with the assistance of an external professional firm, where necessary;
- \* Considered the recommendation of the internal audit task force;
- \* Appraised level of corporate governance;
- \* Discussed any other matter raised during the meeting

During the financial year, 2,865,000 options were granted under the ESOS, of which 2,200,000 options were exercised. The AC has verified the allocation of these options pursuant to the ESOS.

A notice of the meeting shall be distributed to AC members and other relevant representatives prior to the meetings. The meetings shall be attended by the Company Secretary who acts as the Secretary of the AC or persons approved by the AC to act as secretary of the AC meeting and to record the minutes of the proceedings. Representative of the external auditors are invited to attend meetings where matter relating to audits of the statutory accounts and/ or external auditors are to be discussed.

Quorum of the meetings shall be met when the majority of members present are Independent Directors. Decisions of the AC shall be made on the basis of majority agreement by the Independent Members.

Minutes of the meetings shall be distributed to each member of the AC and also to members of the Board. The Chairman of the AC who is also a Board member, shall report matters discussed at each meeting to the Board.



## auditors' report to the members of london biscuits berhad

We have audited the financial statements set out on pages 36 to 61. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:-

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of:-
  - (i) the state of affairs of the Company as at 30th June, 2004 and of its results and cash flows for the year ended on that date; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Company;

and

- (b) the accounting and other records, and the registers required by the Companies Act, 1965 to be kept by the Company, have been properly kept in accordance with the provisions of the said Act.

**WONG WENG FOO & CO.**  
**AF: 0829**  
**CHARTERED ACCOUNTANTS**

KUALA LUMPUR  
Dated this: 21st September, 2004

**WONG WENG FOO**  
**1218/03/06 (J/PH)**

## directors' report

The Directors hereby submit their report together with the audited financial statements of the Company for the financial year ended 30th June, 2004.

### PRINCIPAL ACTIVITIES

The principal activities of the Company consist of manufacturing and trading of confectionery and other related foodstuffs. There was no significant change in the nature of these principal activities during the financial year.

### RESULTS

### RM

Profit after taxation	9,493,173
Retained profit brought forward	<u>17,999,928</u>
Profit available for appropriation	27,493,101
Capitalised for bonus issue	(7,608,000)
First and final dividend paid of 5%, tax exempt on 27th February, 2004	<u>(3,300,000)</u>
Retained profit carried forward	<u>16,585,101</u>

### DIVIDENDS

Since the end of the previous financial year, a tax exempt first and final dividend of 5% for the financial year ended 30th June, 2003 was paid on 27th February, 2004 amounting to RM3,300,000, based on the issued and paid-up share capital of 66,000,000 ordinary shares of RM1.00 each.

The Directors propose a tax exempt first and final dividend of 5% amounting to RM3,410,000 in respect of the financial year ended 30th June, 2004, payable upon shareholders' approval after the conclusion of the forthcoming Annual General Meeting.

### ISSUE OF SHARES OR DEBENTURES

During the financial year,

The authorised share capital of the Company was increased from RM50,000,000 to RM100,000,000 by the creation of an additional 50,000,000 new ordinary shares of RM1.00 each.

The issued and fully paid up share capital of the Company was increased from RM40,000,000 to RM68,200,000 as follows:-

- i) Allotment of 10,000,000 new ordinary shares of RM1.00 each in cash from a Rights Issue on 17th July, 2003 at RM1.05 per Rights Share;
- ii) Bonus issue of 10,000,000 new ordinary shares of RM1.00 each at par on 17th July, 2003 by capitalisation of part of the retained profits and share premium of the Company;



- iii) Allotment of 6,000,000 new ordinary shares of RM1.00 each for cash at an issue price of RM1.60 per placement shares from a Private Placement on 23rd October, 2003; and
- iv) Allotment of 2,200,000 new ordinary shares of RM1.00 each for cash at RM2.05 per share, exercised on 2nd March, 2004, out of the 6,600,000 new ordinary shares allocated under the Employees Share Option Scheme.

The purpose of the above issues were meant to raise additional working capital for the Company, equity participation for new shareholders and employees of the Company and to seek transfer of the Company's listing status to the Main Board of Bursa Malaysia Securities Berhad.

The additional 20,000,000 new ordinary shares of RM1.00 each issued pursuant to the Rights Issue and Bonus Issue were granted listing and quotation on the Second Board of Bursa Malaysia Securities Berhad with effect from 1st August, 2003. The Company transferred its listing status to the Main Board of Bursa Malaysia Securities Berhad on 5th September, 2003. The additional 6,000,000 new ordinary shares of RM1.00 each issued pursuant to the Private Placement and 2,200,000 new ordinary shares of RM1.00 each issued pursuant to the Employees Share Option Scheme were granted listing and quotation on the Main Board of Bursa Malaysia Securities Berhad with effect from 6th November, 2003 and 11th March, 2004, respectively.

There were no issue of debentures during the financial year.

## **OPTIONS GRANTED OVER UNISSUED SHARES**

Other than options granted and exercised under the Employees Share Option Scheme, there were no share options granted over unissued shares by the Company during the financial year.

## **EMPLOYEES SHARE OPTION SCHEME**

London Biscuits Berhad Employees Share Option Scheme ("ESOS" or "the Scheme") is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 6th May, 2003.

The principal features of the ESOS are as follows:

- a) The Scheme shall be in force for a period of five years from 20th November, 2003 (the date of the confirmation letter by the Adviser) expiring on 19th November, 2008 but subject to any extension or renewal for a further period of five years as may be approved by the shareholders in a general meeting and any other relevant regulatory authority whose approval is necessary.
- b) Eligible persons are employees of the Company (including full time executive directors) who have been confirmed in the employment of the Company on the date of the offer. The eligibility for participation in the 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 the ESOS shall not exceed 10% of the issued and paid-up share capital of the Company being, the maximum allowable allotment of shares, at any point of time during the duration of the Scheme.

- d) The option price for each new 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 1,000 shares and shall always be in multiples of 1,000 shares.
- f) An offer made by the ESOS Committee to a selected employee shall be valid for a period of twenty one 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 the 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.
- h) The by-laws do not prevent the persons to whom options have been granted no right to participate by virtue of the options in any share issue of any other company.

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

**Number of options over ordinary shares of RM1.00 each**

Option date	Option Price Per Share	Balance at 1.7.2003	Granted	Exercised	Lapsed and available for reallocation	Balance at 30.6.2004
15.1.2004	RM 2.05	-	2,865,000	2,200,000	144,000	521,000

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the list of option holders and their holdings except for those employees who have been granted options of 130,000 and above ordinary shares of RM1.00 each pursuant to the ESOS during the financial year, as disclosed below:

Name of Employee	Number of options over ordinary shares of RM1.00 each
Dato' Liew Kuek Hin, DIMP, PJK, JP	330,000
Dato' Liew Yew Chung, DIMP	330,000
Wah Keng Sen	175,000
Liew Yet Lee	160,000
Liew Yew Cheng	145,000
Loh Chan Keow	131,000





Details relating to options exercised during the financial year as follows:

<u>Exercise date</u>	<b>Fair value of shares at share issue date</b> <u>RM/share</u>	<b>Exercise price</b> <u>RM/share</u>	<b><u>Number of shares issued</u></b>
			<b>2004</b>
2.3.2004	2.03	2.05	2,200,000
			<b>2004 RM</b>
Proceeds received on exercise of share options			4,510,000

## RESERVES AND PROVISIONS

Other than as disclosed in the financial statements, there were no material transfers to or from reserves or provisions during the financial year.

## BAD AND DOUBTFUL DEBTS

Before the income statement and balance sheet 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 are satisfied that there are no known bad debts and adequate allowance had been made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances that would require the writing off of bad debts or render the amount of allowance made for doubtful debts inadequate to any substantial extent.

## CURRENT ASSETS

Before the income statement and balance sheet of the Company were made out, the Directors took reasonable steps to ascertain whether any current assets which were unlikely to realise in the ordinary course of business their values as shown in the accounting records 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 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 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 Company that has arisen since the end of the financial year that secures the liabilities of any other person; or
- (ii) any contingent liability in respect of the Company that has arisen since the end of the financial year.

No contingent liability or other liability 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 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 in the financial statements of the Company that would render any amount stated in the financial statements misleading.

## **ITEMS OF AN UNUSUAL NATURE**

The results of the operations 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 Company for the financial year in which this report is made.

## **DIRECTORS OF THE COMPANY**

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

Dato' Liew Kuek Hin, DIMP, PJK, JP  
Datin Lim Yook Lan  
Dato' Liew Yew Chung, DIMP  
Liew Yew Cheng  
Liew Yet Mei  
Liew Yet Lee  
Dato' Cheong Siew Kai, DJMK, AMS, JP  
Dato' Mohamed Salleh Bin Bajuri, DPTJ (Resigned on 31.7.2004)  
Tan Poay Teik  
Huang Yan Teo, PIS, PPN



## DIRECTORS' INTEREST

According to the register of directors shareholdings, the interest of directors in office at the end of the financial year in shares of the Company during the financial year ended 30th June, 2004 are follows:-

	No. of ordinary shares of RM1 each			
	Balance at 1.7.2003	Bought	Sold	Balance at 30.6.2004
Dato' Liew Kuek Hin, DIMP, PJK, JP (Executive Chairman)				
- direct	2,147,310	4,993,754	3,723,314	3,417,750
- indirect	21,488,242	20,118,252	9,015,513	32,590,981
Datin Lim Yook Lan (Non-Executive, Non-Independent Director)				
- direct	219,591	109,794	104,898	224,487
- indirect	23,415,961	25,002,212	12,633,929	35,784,244
Dato' Liew Yew Chung, DIMP (Managing Director/ CEO)				
- direct	1,832,591	1,886,294	1,182,000	2,536,885
- indirect	21,802,961	23,225,712	11,556,827	33,471,846
Liew Yew Cheng (Non-Executive, Non-Independent Director)				
- direct	152,186	276,092	353,047	75,231
- indirect	23,483,366	24,835,914	12,385,780	35,933,500
Liew Yet Mei (Non-Executive, Non-Independent Director)				
- direct	71,737	35,868	67,934	39,671
- indirect	23,563,815	25,076,138	12,670,893	35,969,060
Liew Yet Lee (Non-Executive, Non-Independent Director)				
- direct	71,737	195,868	227,934	39,671
- indirect	23,563,815	24,916,138	12,510,893	35,959,060
Dato' Cheong Siew Kai, DJMK, AMS, JP (Independent Non-Executive Director)				
- direct	-	-	-	-
- indirect	-	-	-	-

# **DIRECTORS' INTEREST** (continued)

	No. of ordinary shares of RM1 each			
	Balance at 1.7.2003	Bought	Sold	Balance at 30.6.2004
Dato' Mohamed Salleh Bin Bajuri, DPTJ (Resigned as Non-Executive, Non-Independent Director on 31.7.2004)				
- direct	1,333,600	667,276	1,432,000	568,876
- indirect	200,000	200,000	100,000	300,000
Tan Poay Teik (Independent Non-Executive Director)				
- direct	—	—	—	—
- indirect	561,300	1,149,750	1,710,600	450
Huang Yan Teo, PIS, PPN (Independent Non-Executive Director)				
- direct	—	—	—	—
- indirect	—	—	—	—

No. of options granted over ordinary shares of RM1.00 each						
	Option price per share RM	Entitlement	Balance at 1.7.2003	Granted	Exercised	Balance at 30.6.2004
Dato' Liew Kuek Hin DIMP, PJK, JP	2.05	660,000	—	330,000	330,000	—
Dato' Liew Yew Chung DIMP	2.05	660,000	—	330,000	330,000	—
Liew Yew Cheng	2.05	290,000	—	145,000	145,000	—
Liew Yet Lee	2.05	320,000	—	160,000	160,000	—



## **DIRECTORS' BENEFITS**

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

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

## **AUDITORS**

The auditors, Messrs Wong Weng Foo & Co., have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 20th September, 2004.

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

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

KUALA LUMPUR  
21st September, 2004

## balance sheet as at 30th june 2004

	Note	2004 RM	2003 RM
<b>NON-CURRENT ASSETS</b>			
<b>PROPERTY, PLANT AND EQUIPMENT</b>	3	<b>94,923,509</b>	79,628,467
<b>INVESTMENTS</b>	4	<b>9,171,536</b>	8,190
<b>CURRENT ASSETS</b>			
Inventories	5	<b>8,993,970</b>	8,698,288
Trade receivables	6	<b>16,109,930</b>	20,908,330
Other receivables, deposits & prepayments	7	<b>7,877,432</b>	9,628,500
Deposits, cash & bank balances	8	<b>52,385,989</b>	10,215,557
		<b>85,367,321</b>	49,450,675
<b>LESS: CURRENT LIABILITIES</b>			
Trade payables		<b>4,954,572</b>	7,184,494
Bankers' acceptances & trust receipts	10	<b>27,525,000</b>	29,500,000
Other payables & accruals	11	<b>2,624,782</b>	2,753,291
Hire-purchase creditors	12	<b>3,804,699</b>	3,748,230
Term loans	10	<b>512,820</b>	2,594,423
Bank overdrafts	9	<b>582</b>	261,395
Taxation		<b>688,031</b>	1,013,946
		<b>40,110,486</b>	47,055,779
<b>NET CURRENT ASSETS</b>		<b>45,256,835</b>	2,394,896
		<b>149,351,880</b>	82,031,553
<b>CAPITAL AND RESERVES</b>			
<b>SHARE CAPITAL</b>	13	<b>68,200,000</b>	40,000,000
<b>SHARE ALLOTMENT MONIES</b>		-	7,242,566
<b>RESERVES</b>	14	<b>24,781,364</b>	23,294,579
<b>SHAREHOLDERS' EQUITY</b>		<b>92,981,364</b>	70,537,145
<b>DEFERRED AND LONG TERM LIABILITIES</b>			
Hire-purchase creditors	12	<b>3,694,623</b>	3,305,441
Term loans	10	<b>42,763,893</b>	96,967
Deferred taxation	15	<b>9,912,000</b>	8,092,000
		<b>149,351,880</b>	82,031,553





## income statement for the year ended 30th june 2004

	Note	2004 RM	2003 RM
<b>OPERATING REVENUE</b>		65,510,514	52,743,984
<b>COST OF SALES</b>		(40,314,916)	(32,862,084)
<b>GROSS PROFIT</b>		25,195,598	19,881,900
<b>SELLING &amp; DISTRIBUTION EXPENSES</b>		(2,232,628)	(1,790,340)
<b>ADMINISTRATIVE EXPENSES</b>		(9,113,835)	(5,351,754)
<b>OTHER OPERATING INCOME</b>		1,060,086	327,284
<b>PROFIT FROM OPERATIONS</b>		14,909,221	13,067,090
<b>FINANCE COST</b>	16	(2,801,317)	(1,987,238)
<b>INVESTMENT INCOME</b>	16	1,350	1,260
<b>PROFIT BEFORE TAXATION</b>	16	12,109,254	11,081,112
<b>TAXATION</b>	17	(2,616,081)	(2,134,784)
<b>PROFIT AFTER TAXATION</b>		9,493,173	8,946,328
<b>EARNINGS PER SHARE (sen)</b>			
- Basic	18	14.74	17.89
- Fully diluted	18	13.80	13.00

## statement of changes in equity for the year ended 30th june 2004

	Share capital (Note 13) RM	Share allotment monies RM	Share premium (Note 14) RM	Revaluation reserve (Note 14) RM	Retained profit (Note 14) RM	Total RM
At 1st July 2002	40,000,000	-	3,892,164	1,402,487	11,053,600	56,348,251
First and final dividend paid of 5%, tax exempt on 28th February, 2003	-	-	-	-	(2,000,000)	(2,000,000)
Share application monies received	-	7,242,566	-	-	-	7,242,566
Profit after taxation	-	-	-	-	8,946,328	8,946,328
At 30th June 2003/ 1st July 2003	40,000,000	7,242,566	3,892,164	1,402,487	17,999,928	70,537,145
Rights issue	10,000,000	(7,242,566)	500,000	-	-	3,257,434
Bonus issue	10,000,000	-	(2,392,000)	-	(7,608,000)	-
Private placement	6,000,000	-	3,600,000	-	-	9,600,000
Employees share option scheme	2,200,000	-	2,310,000	-	-	4,510,000
Corporate exercise expenses	-	-	(1,116,388)	-	-	(1,116,388)
First and final dividend paid of 5%, tax exempt on 27th February, 2004	-	-	-	-	(3,300,000)	(3,300,000)
Profit after taxation	-	-	-	-	9,493,173	9,493,173
At 30th June 2004	68,200,000	-	6,793,776	1,402,487	16,585,101	92,981,364



## cash flow statement for the year ended 30th june 2004

	2004 RM	2003 RM
<b>Cash Flow From Operating Activities</b>		
Profit before taxation	12,109,254	11,081,112
Adjustments for:-		
Impairment loss on investments	336,654	7,186
Depreciation	6,506,314	5,539,580
Gain on disposal of property, plant and equipment	(266,340)	—
Dividend income	(1,350)	(1,260)
Interest expense	2,801,317	1,987,238
Interest income	(221,150)	(35,210)
Operating profit before working capital changes	21,264,699	18,578,646
Increase in inventories	(295,682)	(4,084,327)
Decrease/ (Increase) in receivables	6,549,468	(3,553,137)
(Decrease)/ Increase in payables	(2,358,431)	2,247,978
Cash generated from operations	25,160,054	13,189,160
Dividend received	972	958
Dividend paid	(3,300,000)	(2,000,000)
Interest paid	(2,801,317)	(1,987,238)
Tax paid	(1,121,618)	(1,109,388)
Interest received	221,150	36,098
<b>Net cash provided by operating activities</b>	18,159,241	8,129,590
<b>Cash Flow From Investing Activities</b>		
Investment in unit trust fund	(2,000,000)	—
Investment in portfolio investments in quoted shares and in money markets	(3,500,000)	—
Investments in unquoted bonds	(4,000,000)	—
*Purchase of property, plant and equipment	(15,666,462)	(12,355,850)
Proceeds from disposal of property, plant and equipment	535,000	—
<b>Net cash used in investing activities</b>	(24,631,462)	(12,355,850)

## cash flow statement for the year ended 30th june 2004 (continued)

	2004 RM	2003 RM
<b>Cash Flow From Financing Activities</b>		
Proceeds from issue of shares (net of share allotment monies)	17,367,434	-
Corporate exercise expenses	(1,116,388)	-
Share allotment monies	-	7,242,566
Net (decrease)/increase in bankers' acceptances & trust receipts	(1,975,000)	10,200,000
Financing from term loans	43,000,000	-
Repayment of term loans	(3,374,677)	(45,812)
Hire-purchase instalments paid	(4,997,903)	(4,030,094)
<b>Net cash provided by financing activities</b>	48,903,466	13,366,660
<b>Net changes in cash &amp; cash equivalents</b>	42,431,245	9,140,400
<b>Cash &amp; cash equivalents brought forward (Note 19)</b>	9,954,162	813,762
<b>Cash &amp; cash equivalents carried forward (Note 19)</b>	52,385,407	9,954,162

\*Property, plant and equipment at aggregate cost of RM22,070,016 (2003: RM16,477,956) was acquired during the financial year of which RM5,443,554 (2003: RM1,582,106) was acquired by means of hire-purchase and RM960,000 (2003: RM2,540,000) by means of term loans.



# notes to the financial statements

## 30th june 2004

### 1. PRINCIPAL ACTIVITIES

The principal activities of the Company consist of manufacturing and trading of confectionery and other related foodstuffs.

### 2. SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following significant accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

#### 2.1 Basis of Preparation

The financial statements of the Company have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies.

The financial statements comply with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965. The new accounting standard adopted in these financial statements is MASB 29 "Employee Benefits". There are no changes in accounting policy that have a material impact on the net profit or shareholders' equity of the Company.

The preparation of financial statements in conformity with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of financial statements and the reported amounts of revenue and expenses during the reported financial year. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results could differ from those estimates.

#### 2.2 Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost as modified by the revaluation of certain freehold land and buildings less accumulated depreciation and accumulated impairment loss.

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

All other property, plant and equipment are depreciated on a straight line basis to write off the cost of each asset over the expected useful lives of the assets concerned. The principal annual rates used are as follows:-

Freehold buildings	1%
Plant & machinery	6 2/3%
Motor vehicles	20%
Furniture & fittings	10%
Office & laboratory equipment	10%
Renovations & electrical fittings	10%

The Company adopts the policy to revalue its freehold land and buildings every 5 years. Surplus arising from revaluation is credited directly to revaluation reserve. Deficit in excess of the revaluation reserve arising from previous revaluation is taken to the income statement.

### **2.3 Inventories**

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

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

### **2.4 Investments**

Investments in quoted shares, quoted unit trust fund, portfolio investment in quoted shares and money market and unquoted bonds held as long term investments are stated at cost less accumulated impairment losses.

### **2.5 Receivables**

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

### **2.6 Cash and Cash Equivalents**

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

### **2.7 Payables**

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

### **2.8 Provisions**

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

### **2.9 Hire-Purchase**

Property, plant and equipment acquired under hire-purchase are capitalised and are depreciated in accordance with the policy stated in Note 2.2 and the corresponding obligations relating to the remaining capital payments are treated as liabilities. Finance charges are charged to the income statement over the period of the plan and accounted for on a straight line method.

### **2.10 Interest-Bearing Borrowings**

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





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

### 2.11 Share Capital

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

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

### 2.12 Income Tax

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

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

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

### 2.13 Foreign Currencies

Foreign currency transactions are converted into Ringgit Malaysia at the rates of exchange ruling on the transaction dates. Monetary assets and liabilities in foreign currencies at balance sheet date are translated into Ringgit Malaysia at the exchange rates ruling at that date. All exchange gains and losses are taken up in the income statement.

The principal closing rates used in translation are as follows:-

Foreign currency	2004 RM	2003 RM
1 US Dollar	3.8	3.8
1 Australian Dollar	2.7	2.5
1 Singapore Dollar	2.2	2.1
1 Euro	4.6	4.3

## 2.14 Impairment of Assets

The carrying values of assets, other than inventories, are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. An impairment loss is charged to the income statement immediately unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of previously recognised revaluation surplus for the same asset.

Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

## 2.15 Financial instruments

- i) Financial instruments are recognised in the balance sheet when the Company has become a party to the contractual provisions of the instruments. The particular recognition methods adopted are disclosed in the individual accounting policy statements associated with each item.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Company has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

- ii) Fair value estimation for disclosure purposes
  - (a) The carrying amounts of financial assets and liabilities with a maturity of less than one year assumed to approximate their fair values.
  - (b) The fair values of publicly traded securities are estimated based on quoted market prices at the balance sheet date.
  - (c) The fair values of long term borrowings and hire-purchase creditors are estimated using discounted cash flow analysis at current market interest rate available for similar types of lending and borrowing arrangements.



## 2.16 Employee Benefits

### i) Short term employees benefits

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

### ii) Post-employment benefits

#### Defined contribution plan

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

### iii) Equity compensation benefits

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

## 2.17 Revenue

Operating revenue of the Company represents invoiced value of goods sold net of returns and discounts.

#### Revenue Recognition

- i) Revenue from sale of goods is recognised when the risk and rewards of ownership of the goods have been transferred to the buyers.
- ii) Other sources of income earned by the Company including interest income, rental income and consultancy income are recognised on an accrual basis.
- iii) Dividend income from investment in quoted shares is accounted for in the Company's income statement when the Company's right to receive payment is established.

### 3. PROPERTY, PLANT AND EQUIPMENT

At valuation										At cost									
2004	Freehold land & buildings		Freehold land & building-in-progress		Plant & machinery		Plant & machinery under installation		Motor vehicles		Furniture & fittings		Office & laboratory equipment		Renovations & electrical fittings		Total		
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM			
COST/ VALUATION																			
At 1st July	11,262,485	-	4,090,931	73,818,582	-	-	2,481,925	2,887,557	1,195,626	3,111,549	98,848,655								
Additions	-	-	1,322,031	4,896,231	11,396,935	1,850,821	451,707	776,658	1,375,633	22,070,016									
Reclassification	-	5,222,462	(5,222,462)	-	-	-	-	-	-	-	-								
Disposals	-	-	-	-	-	(803,047)	-	-	-	-	(803,047)								
At 30th June	11,262,485	5,222,462	190,500	78,714,813	11,396,935	3,529,699	3,339,264	1,972,284	4,487,182	120,115,624									
ACCUMULATED DEPRECIATION																			
At 1st July	231,249	-	-	15,573,239	-	-	1,211,836	513,594	336,408	1,353,862	19,220,188								
Charge for the year	77,083	17,408	-	4,966,030	-	-	603,553	310,876	146,351	385,013	6,506,314								
Disposals	-	-	-	-	-	(534,387)	-	-	-	-	(534,387)								
At 30th June	308,332	17,408	-	20,539,269	-	-	1,281,002	824,470	482,759	1,738,875	25,192,115								
NET BOOK VALUE																			
At 30th June	10,954,153	5,205,054	190,500	58,175,544	11,396,935	2,248,697	2,514,794	1,489,525	2,748,307	94,923,509									



## PROPERTY, PLANT AND EQUIPMENT (continued)

2003	At valuation		At cost					Total
	Freehold land & buildings	Freehold building-in-progress	Plant & machinery	Motor vehicles	Furniture & fittings	Office & laboratory equipment	Renovations & electrical fittings	
COST/ VALUATION	RM	RM	RM	RM	RM	RM	RM	RM
At 1st July	11,262,485	1,500,475	62,733,610	2,416,925	1,210,097	1,021,722	2,225,385	82,370,699
Additions	-	2,590,456	11,084,972	65,000	1,677,460	173,904	886,164	16,477,956
Disposals	-	-	-	-	-	-	-	-
At 30th June	11,262,485	4,090,931	73,818,582	2,481,925	2,887,557	1,195,626	3,111,549	98,848,655

  

ACCUMULATED DEPRECIATION								
At 1st July	154,166	-	11,075,978	775,837	364,863	233,126	1,076,638	13,680,608
Charge for the year	77,083	-	4,497,261	435,999	148,731	103,282	277,224	5,539,580
Disposals	-	-	-	-	-	-	-	-
At 30th June	231,249	-	15,573,239	1,211,836	513,594	336,408	1,353,862	19,220,188

  

NET BOOK VALUE								
At 1st July	11,108,319	4,090,431	63,657,632	1,741,088	2,523,234	862,502	1,073,224	98,743,506
At 30th June	11,031,236	4,090,931	58,245,343	1,270,089	2,373,963	859,218	1,757,687	79,628,467

**PROPERTY, PLANT AND EQUIPMENT** (continued)

- a) Details of independent professional valuation of freehold land and buildings owned by the Company at 30th June, 2004 are as follows:

<b>Year of Valuation</b>	<b>Description of Property</b>	<b>Location</b>	<b>Amount RM</b>	<b>Basis of Valuation</b>
2002	Industrial land with office and factory building for manufacturing of corn extruded products	H.S.(D) No. 191719 PTD No. 91908 and H.S.(D) No. 191720 PTD No. 91909 Mukim of Pelentung District of Johor Bahru State of Johor	2,300,000	Comparison Method and Income Approach
2002	Two units of adjoining one and a half storey terrace factory (a corner unit and an intermediate unit) for the manufacturing of bakery products	H.S.(D) No. 191403 PTD No. 89457 and H.S.(D) No. 191404 PTD No. 89458 Mukim of Pelentung District of Johor Bahru State of Johor	1,300,000	Comparison Method and Income Approach
2002	Industrial land with office and factory building for warehouse and manufacturing of bakery products	H.S.(D) No. 237253 Lot PTD No. 115209, H.S.(D) No. 237254 Lot PTD No. 115210, H.S.(D) No. 237255 Lot PTD No. 115211, H.S.(D) No. 237256 Lot PTD No. 115212 Mukim of Plentong District of Johor Bahru State of Johor	6,600,000	Comparison Method and Income Approach
2002	Double storey semi-detached house	H.S.(D) No. 22041 Lot MLO 2485 Mukim of Plentong District of Johor Bahru State of Johor	450,000	Comparison Method and Cost Method
2002	Office lot within Megan Phileo Avenue	Unit No. B-06-09 Megan Phileo Avenue 12 Jalan Yap Kwan Seng 50450 Kuala Lumpur	600,000	Comparison Method and Income Approach





## PROPERTY, PLANT AND EQUIPMENT (continued)

- b) Surplus arising from the valuation of these properties amounted to RM1,402,487 (2003- RM1,402,487). Deferred taxation arising thereon amounted to RM123,669 (2003 - RM243,455) was not provided for in the financial statements as these properties are meant to be held for long term with no immediate intention to resale.
- c) Included herein for the year ended 30th June, 2004, are the following plant and equipment acquired under hire-purchase instalment plans:-

	<b>Net Book Value</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM</b>	<b>RM</b>
Plant and machinery	20,308,851	15,705,491
Motor vehicles	2,088,808	1,171,056
Furniture & fittings	438,275	497,399

- d) All the property, plant and equipment were pledged as securities for banking facilities granted to the Company as mentioned in note 10.
- e) Had the revalued freehold land and buildings been carried at historical cost less accumulated depreciation, the net book value of freehold land and buildings as at 30th June, 2004 would be RM9,566,985 (2003 – RM9,634,636).
- f) Included in the cost of property, plant and equipment of the Company are fully depreciated assets still in use of RM1,044,163 (2003 - RM444,809).

## 4. INVESTMENTS

	<b>Cost</b>	<b>2004 Market Value</b>	<b>Cost</b>	<b>2003 Market Value</b>
<b>Quoted (in Malaysia)</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Shares in a corporation	46,682	10,080	46,682	8,190
Unit trust fund	3,500,000	3,331,808	–	–
Portfolio investment in quoted shares and in money markets	2,000,000	1,829,648	–	–
	5,546,682	5,171,536	46,682	8,190
Less: Impairment loss on investments	(375,146)	–	(38,492)	–
	5,171,536	5,171,536	8,190	8,190
<b>Unquoted</b>				
Bonds	4,000,000		–	
	9,171,536		8,190	

## 5. INVENTORIES

	<b>2004 RM</b>	<b>2003 RM</b>
At cost		
Raw materials	5,149,487	5,113,533
Work-in-progress	895,850	878,732
Finished goods	2,948,633	2,706,023
	<b>8,993,970</b>	<b>8,698,288</b>

All the inventories were pledged as securities for banking facilities granted to the Company as mentioned in note 10.

## 6. TRADE RECEIVABLES

	<b>2004 RM</b>	<b>2003 RM</b>
Trade receivables	16,414,998	21,092,330
Less: Allowance for doubtful debts	(305,068)	(184,000)
	<b>16,109,930</b>	<b>20,908,330</b>

## 7. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	<b>2004 RM</b>	<b>2003 RM</b>
Other receivables	1,011,513	987,615
Less: Allowance for doubtful debts	(535,030)	–
	<b>476,483</b>	<b>987,615</b>
Sundry deposits	287,107	283,855
Deposits for purchase of property, plant and equipment	5,951,862	7,493,075
Prepayments	1,161,980	863,955
	<b>7,877,432</b>	<b>9,628,500</b>

Included in prepayments is an amount of RM800,000 (2003 – Nil) being balance of up front amount for costs and reimbursements relating to an issue and placement of bonds in respect of the RM40 million term loan as disclosed in note 10. This amount is amortised over the period of the tenure of the loan of 5 years.

## 8. DEPOSITS, CASH AND BANK BALANCES

	<b>2004 RM</b>	<b>2003 RM</b>
Fixed deposits with licensed banks	4,115,472	2,002,757
Short term deposits	20,037,726	–
Cash and bank balances	28,232,791	8,212,800
	<b>52,385,989</b>	<b>10,215,557</b>



## DEPOSITS, CASH AND BANK BALANCES (continued)

The fixed deposits placed with licensed banks have been pledged as security for banking facilities granted to the Company as mentioned in note 10.

The average interest rate ranges and maturity periods of fixed deposits at the balance sheet date were as follows:

	2004	2003
Average interest rate ranges	3.0 - 3.7%	4.0%
Average maturity periods	9 - 12 months	12 months

## 9. BANK OVERDRAFTS

The bank overdraft facilities of the Company are secured in the manner as mentioned in Note 10.

The bank overdrafts bear interest between 7.5% to 8.25% (2003 : 7.25% to 8.4%) per annum.

## 10. TERM LOANS AND OTHER CREDIT FACILITIES

	2004 RM	2003 RM
<b>Secured</b>		
<b>Term loan I:</b> interest at 1.75% above the bank's base lending rate per annum, repayable by 119 equal monthly instalments of RM42,735 and one final instalment to be calculated commencing 30th September, 2003	3,276,713	2,540,000
<b>Term loan II:</b> interest at 1.5% above the bank's base lending rate per annum, repayable by 96 equal monthly instalments of RM5,280 each commencing 5th March, 1997	–	151,390
<b>Unsecured</b>		
<b>Term loan III:</b> interest at 6.8% per annum, repayable in one lump sum on the last day of the tenor of the facility on 1st June, 2009	40,000,000	–
	43,276,713	2,691,390

## TERM LOANS AND OTHER CREDIT FACILITIES (continued)

Repayments due:

Within twelve months	512,820	2,594,423
Between 1 and 2 years	512,820	58,386
Between 2 and 5 years	42,051,280	38,581
After 5 years	199,793	–
	42,763,893	96,967
	43,276,713	2,691,390

The term loans, bank overdrafts and other credit facilities obtained from licensed financial institutions are secured as follows:-

- Legal charges over the properties and all the fixed and floating assets of the Company;
- Lien on fixed deposits of the Company; and
- Guaranteed jointly and severally by certain Directors of the Company

The bankers' acceptances bear interest between 2.6% to 4.3% (2003: 6.75% to 8.90%)

## 11. OTHER PAYABLES AND ACCRUALS

	2004 RM	2003 RM
Other payables	1,416,981	2,368,459
Accruals	1,207,801	384,832
	2,624,782	2,753,291

## 12. HIRE-PURCHASE CREDITORS

	2004 RM	2003 RM
Minimum payments:		
- not later than 1 year	4,550,148	4,537,904
- later than 1 year and not later than 5 years	4,118,216	4,068,845
- later than 5 years	336,324	53,508
	9,004,688	8,660,257
Less: Future hire-purchase charges	(1,505,366)	(1,606,586)
Present value	7,499,322	7,053,671
Total payable	7,499,322	7,053,671
Less: Payable within 1 year	(3,804,699)	(3,748,230)
Payable after 1 year	3,694,623	3,305,441



### HIRE-PURCHASE CREDITORS (continued)

The average term for hire-purchase is 4 years. In respect of the financial year ended 30th June, 2004, the average effective borrowing rate ranges from 4.90% to 6.10% (30th June, 2003 : 5.50% to 5.70%) per annum. The interest rates are fixed at the inception of the hire-purchase arrangements.

### 13. SHARE CAPITAL

	<b>2004</b>		<b>2003</b>	
	<b>Number of ordinary shares of RM1 each</b>	<b>RM</b>	<b>Number of ordinary shares of RM1 each</b>	<b>RM</b>
<b>Authorised:</b>				
At 1st July	50,000,000	50,000,000	50,000,000	50,000,000
Created during the year	50,000,000	50,000,000	–	–
At 30th June	100,000,000	100,000,000	50,000,000	50,000,000
<b>Issued and Fully Paid:</b>				
At 1st July	40,000,000	40,000,000	40,000,000	40,000,000
Rights issue	10,000,000	10,000,000	–	–
Bonus issue	10,000,000	10,000,000	–	–
Private placement	6,000,000	6,000,000	–	–
ESOS	2,200,000	2,200,000	–	–
At 30th June	68,200,000	68,200,000	40,000,000	40,000,000

#### Employees Shares Option Scheme("ESOS")

The Employees Share Option Scheme ("ESOS" or "the Scheme") is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 6th May, 2003.

The principal features of the ESOS are as follows:

- The Scheme shall be in force for a period of five years from 20th November, 2003 (the date of the confirmation letter by the Adviser) expiring on 19th November, 2008 but subject to any extension or renewal for a further period of five years as may be approved by the shareholders in a general meeting and any other relevant regulating authority whose approval is necessary.
- Eligible persons are employees of the Company (including full time executive directors) who have been confirmed in the employment of the Company on the date of the offer. The eligibility for participation in the ESOS shall be at the discretion of the ESOS Committee appointed by the Board of Directors.
- The total number of shares to be issued under the ESOS shall not exceed 10% of the issued and paid-up share capital of the Company being, the maximum allowable allotment of shares, at any point of time during the duration of the Scheme.

**Employees Shares Option Scheme("ESOS") (continued)**

- d) The option price for each new RM1.00 share to be offered shall be determined by the ESOS Committee in the following manner:
- i) a price at a discount of not more than ten percent (10%) from the five (5) days weighted average market price of the Company's shares as shown in the daily official list issued by Bursa Malaysia Securities Berhad immediately preceding the Date of Offer; or
  - ii) the par value of the Company's shares of RM1.00 each,
- whichever is the higher.
- e) No option shall be granted for less than 1,000 shares and shall always be in multiples of 1,000 shares.
- f) An offer made by the ESOS Committee to a selected employee shall be valid for a period of twenty one 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 the 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.
- h) The by-laws do not prevent the persons to whom options have been granted no right to participate by virtue of the options in any share issue of any other company.

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

**Number of options over ordinary shares of RM1.00 each**

<b><u>Option date</u></b>	<b><u>Option price per share</u></b>	<b><u>Balance at 1.7.2003</u></b>	<b><u>Granted</u></b>	<b><u>Exercised</u></b>	<b><u>Lapsed and available for reallocation</u></b>	<b><u>Balance at 30.6.2004</u></b>
	<b>RM</b>					
15.1.2004	2.05	—	2,865,000	2,200,000	144,000	521,000



### Employees Shares Option Scheme("ESOS") (continued)

Details relating to options exercised during the financial year as follows:

<u>Exercise date</u>	<u>Fair value of shares at share issue date</u> <u>RM/share</u>	<u>Exercise price</u> <u>RM/share</u>	<b>Number of shares issued</b>
			<b>2004</b>
2.3.2004	2.03	2.05	2,200,000
			<b>2004</b>
			<b>RM</b>
Proceeds received on exercise of share options			4,510,000

## 14. RESERVES

	<b>2004</b> <b>RM</b>	<b>2003</b> <b>RM</b>
Non-distributable:-		
Share premium	6,793,776	3,892,164
Revaluation reserve	1,402,487	1,402,487
Distributable:-		
Retained profits	16,585,101	17,999,928
	24,781,364	23,294,579

## 15. DEFERRED TAXATION

	<b>2004</b> <b>RM</b>	<b>2003</b> <b>RM</b>
At 1st July	8,092,000	6,384,000
Transferred from income statement( Note 17)	1,820,000	1,708,000
At 30th June	9,912,000	8,092,000
The deferred tax liability is principally due to the following temporary differences:		
Surplus of tax capital allowances over book depreciation of property, plant and equipment	9,912,000	8,092,000



## 16. PROFIT BEFORE TAXATION

	<b>2004 RM</b>	<b>2003 RM</b>
a) Profit before taxation is arrived at after charging:-		
Auditor' remuneration	45,000	40,000
Directors' remuneration		
- Fees		
- Current year	363,000	180,000
- Underprovision in prior year	54,000	30,000
- Other emoluments	1,544,450	1,536,200
- Attendance allowances	66,000	84,000
Rental of premises	37,198	57,056
Staff salaries, wages, bonus and allowances	3,874,261	2,974,654
Defined contribution plan - EPF	266,899	201,562
Other staff benefits	606,237	268,033
	<b>4,747,397</b>	<b>3,444,249</b>
Depreciation (Note 3)	6,506,314	5,539,580
Allowance for doubtful debts	656,098	-
Impairment loss on investments	336,654	7,186
Finance cost:		
Interest paid/payable for:-		
Bank overdrafts	248,241	162,242
Hire-purchase	1,008,064	855,998
Term loans	381,239	12,254
Bankers' acceptances & trust receipts	1,092,652	953,732
Others	71,121	3,012
	<b>2,801,317</b>	<b>1,987,238</b>
and crediting:		
Gain on disposal of property, plant and equipment	(266,340)	-
Rental income	(50,705)	(43,931)
Dividend from Malaysian quoted investment (gross)	(1,350)	(1,260)
Consultancy fees receivable from a company in which a director had acted as Company Secretary	(420,000)	(185,000)
Realised gain on foreign exchange differences	(14,891)	(28,413)
Interest income		
- Fixed deposits	(221,150)	(35,210)



	<b>2004 RM</b>	<b>2003 RM</b>
b) Directors' remuneration		
Directors' remuneration is analysed as follows:-		
Executive directors		
- salaries and allowances	1,370,950	1,328,200
- fees	68,000	66,000
- attendance allowances	15,000	18,500
Non-executive directors		
- salaries and allowances	173,500	208,000
- fees	349,000	144,000
- attendance allowances	51,000	65,500

	<b>2004</b>		<b>2003</b>	
	<b>Executive</b>	<b>Non-executive</b>	<b>Executive</b>	<b>Non-executive</b>
The number of directors whose remuneration fell within the following ranges (per annum):-				
RM1 - RM50,000	-	3	-	5
RM50,001 - RM100,000	-	3	-	3
RM100,001 - RM150,000	-	2	-	-
RM150,001 - RM200,000	-	-	1	-
RM200,001 - RM250,000	1	-	-	-
RM250,001 - RM300,000	-	-	1	-
RM300,001 - RM350,000	1	-	-	-

## 17. TAXATION

	<b>2004 RM</b>	<b>2003 RM</b>
Current year:		
Estimated for the year	780,000	536,000
Under/ (Over)provision in prior years	16,081	(109,216)
Deferred taxation:		
Transferred to deferred taxation (Note 15)	1,820,000	1,708,000
	<b>2,616,081</b>	<b>2,134,784</b>
Reconciliation of effective tax rate:		
Profit before taxation	12,109,254	11,081,112
Taxation using statutory tax rate of 28%	3,390,591	3,102,711
Non-deductible expenses for tax purposes	438,823	49,681

## TAXATION (continued)

Reinvestment allowance utilised	(1,364,383)	(1,200,991)
Other items	134,969	292,599
	2,600,000	2,244,000
Under/ (Over) provision in prior years	16,081	(109,216)
	2,616,081	2,134,784

Subject to agreement by the Inland Revenue Board, the Company has sufficient tax credit under Section 108 and tax exempt account under Schedule 7A of the Income Tax Act 1967 and tax exempt account under Section 12 of the Income Tax (Amendment) Act, 2001 to frank the payment of dividends out of all its retained profit as at 30th June, 2004 without incurring any additional tax liability.

## 18. EARNINGS PER ORDINARY SHARE

### Basic

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of ordinary shares in issue during the financial year.

	2004 RM	As restated 2003 RM
Net profit for the year	9,493,173	8,946,328
Weighted average number of ordinary shares in issue	64,389,589	*50,000,000
Basic earnings per share (sen)	14.74	17.89

\* The issued and paid-up ordinary shares in respect of the preceding year was 40,000,000. The number of shares has been restated to 50,000,000 to conform with MASB 13 – Earning Per Share to incorporate the effect of the Bonus Issue of 10,000,000 ordinary shares of RM1.00 each allotted on 17th July, 2003.

### Fully diluted

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

The Company's dilutive potential ordinary shares for the year ended 30th June, 2004 are share options granted to employees.

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



	<b>2004 RM</b>	<b>As restated 2003 RM</b>
Net profit for the year	9,493,173	8,946,328
Weighted average number of ordinary shares in issue	64,389,589	64,389,589
Adjustment for assumed exercise of share option	4,400,000	4,400,000
Adjustment weighted average number of ordinary shares in issue and issueable	68,789,589	68,789,589
Diluted earnings per share (sen)	13.80	13.00

## 19. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statements comprise the following:

	<b>2004 RM</b>	<b>2003 RM</b>
Fixed deposits with licensed banks	4,115,472	2,002,757
*Cash and bank balances	28,232,791	8,212,800
Short term deposits	20,037,726	—
Bank overdrafts	(582)	(261,395)
	52,385,407	9,954,162

\* Include herein for the financial year ended 30th June, 2003 are share allotment monies of RM7,424,566.

## 20. SEGMENTAL REPORTING

The Company is principally involved in the business of manufacturing and trading of confectionery and other related foodstuffs. Accordingly, information by industry segment on the Company's operations is not presented.

The Company operates predominantly in Malaysia and accordingly, information by geographical location on the Company operations is also not presented.

## 21. CAPITAL COMMITMENTS

	<b>2004 RM</b>	<b>2003 RM</b>
Capital expenditure authorised and contracted for but not provided in the financial statements: - in respect of purchase of property, plant and equipment	9,973,960	11,000,000

## 22. CONTINGENT LIABILITY

As at 30th June, 2004, the Company is involved in a legal dispute in respect of goods sold and delivered to the Company. The Company is contesting against this legal suit on the ground that the above mentioned goods were never delivered to the Company. On 11th March, 2004, the Session Court gave judgment favouring the creditor. However, the Company had filed an appeal on 20th March, 2004 to the High Court against the decision of the Session Court. Hearing has been postponed to 29th October, 2004. In the event the Company fail on its defense, the maximum liability is estimated to be not more than RM67,000.

## 23. FINANCIAL INSTRUMENTS

### Financial Risk Management Objectives and Policies

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

#### (a) Credit risk

The Company has a credit policy in place to evaluate customers requiring credit over a certain amount or period. Credit risk is further minimised and monitored via strictly limiting the Company's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via the Company's management reporting procedures.

#### (b) Foreign currency exchange risk

The Company is exposed to currency risk as a result of the Company's transactions with foreign vendors of plant and equipment and foreign trade receivables and payables. The Company monitors the movements in foreign currency exchange rates closely to ensure their exposure is minimised.

#### (c) Interest rate risk

The Company's exposure to interest rate risk arises from interest-bearing borrowings of which the Company reviews and monitors the interest rates at regular intervals.

#### (d) Liquidity risk and cash flow risk

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

#### (e) Market risk

The Company is principally involved in the manufacture of extruded corn snacks, chocolates, cakes and other snack products and is therefore subject to certain risks inherent in the food-processing industry. These risks include, inter-alia the possible increase in the operating and capital costs due to increase in the cost of labour and raw materials, changes in consumer demands and changes in general economic conditions. The Company seeks to limit these risks through, inter-alia, expansion of both existing and new markets,



developing and maintaining a diversified market network and investment in automated machinery to improve efficiency.

(f) Fair values

The carrying amounts of financial assets and liabilities of the Company at the balance sheet date approximate their fair values except as set out below:-

	2004		2003	
	<u>Carrying amount</u>	<u>Fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>
	RM	RM	RM	RM
<b>Long term liabilities</b>				
Hire-purchase creditors	3,694,623	3,501,248	3,305,441	3,162,713
Term loans	42,763,893	42,614,250	96,967	93,053
	46,458,516	46,115,498	3,402,408	3,255,766

## 24. SUBSEQUENT EVENT

Subsequent to the balance sheet date, the Board was authorised to acquire additional landed properties and equipment at a capital value of approximately RM21,300,000.

## 25. GENERAL INFORMATION

- 25.1 The Company is a public limited company, incorporated and domiciled in Malaysia, and listed on the Main Board of Bursa Malaysia Securities Berhad.
- 25.2 The number of employees in the Company at the end of the financial year were 196 (2003 - 196).
- 25.3 The principal place of business is located at No 1, Jalan Istimewa 2, Taman Perindustrian Desa Cemerlang, 81800 Ulu Tiram, Johor Darul Takzim.
- 25.4 The financial statements of the Company were authorised for issue by the Board of Directors in accordance with a resolution dated 20th September, 2004.

## 26. CURRENCY

All amounts are stated in Ringgit Malaysia.

## 27. COMPARATIVE FIGURES

Certain comparative figures had been reclassified to conform with current year's presentation.

## directors' statement

We, DATO' LIEW KUEK HIN and DATO' LIEW YEW CHUNG, being two of the Directors of the Company, do hereby state that in the opinion of the Directors, the financial statements set out on pages 36 to 61 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of the state of affairs of the Company as at 30th June, 2004 and of its results and cash flow for the year ended on that date.

Signed on behalf of the Board of Directors in accordance with a resolution dated 20th September, 2004.

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

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

KUALA LUMPUR  
21st September, 2004

## statutory declaration

I, **DATO' LIEW YEW CHUNG**, DIMP being the Director responsible for the financial management of **LONDON BISCUITS BERHAD**, do solemnly and sincerely declare that the financial statements set out on pages 36 to 61 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared )  
 )  
by the abovenamed at Kuala Lumpur )  
 )  
this 21st September 2004 )

**DATO' LIEW YEW CHUNG**, DIMP

Before me:-

**K. MARIASOOSAY**  
Commissioner for Oaths, W344  
Kuala Lumpur





## list of properties as at 30th june 2004

Location	Existing Use	Tenure	Approximate Age of Building (Years)	Land Area (sq.m)	Net Book Value at 30 June 2004 RM'000
H.S.(D) No.191719 PTD No.91908 and H.S.(D) No.191720 PTD No.91909 Mukim of Plentung District of Johor Bahru State of Johor	Industrial land with office and factory building for manufacturing of corn extruded products	Freehold	9 years	2,378.32 sq.m	2,239*
H.S.(D) No.191403 PTD No.89457 and H.S.(D) No.191404 PTD No.89458, Mukim of Plentung District of Johor Bahru State of Johor	Industrial land with office and factory building for warehouse and manufacture of bakery products	Freehold	9 years	1,401.26 sq.m	1,265*
H.S.(D) No.237253 PTD No.115209 and H.S.(D) No.237254 PTD No.115210 and H.S.(D) No.237255 PTD No.115211 and H.S.(D) No.237256 PTD No.115212 Mukim of Plentong District of Johor Bahru State of Johor	Industrial land with office and factory building for warehouse and manufacture of bakery products	Freehold	5 years	5,351.21 sq.m	6,436*
H.S.(D) No. 237257 PTD No. 115213 Mukim of Plentong District of Johor Bahru State of Johor	Industrial land with office and factory building for warehouse	Freehold	1 year	5423.0312sq.m	5,205
H.S.(D) No.22041 Lot MLO 2485 Mukim of Plentong District of Johor Bahru State of Johor	Double storey semi-detached house for investment	Freehold	16 years	371.61 sq.m	438*
Unit No. B-06-09 Megan Phileo Avenue 12 Jln Yap Kwan Seng 50450 Kuala Lumpur	Office lot for investment	Freehold	8 years	222.32 sq.m	576*
Total					16,159

\* Revalued on 01 November 2000 and taken up into the Financial Statements in year ended 30 June 2002.

\*\* The Company does not have a revaluation policy on landed properties.  
Please also refer to Note 3(a) to the Financial Statement on page 48.

## analysis of shareholdings as at 17th september 2004

AUTHORISED SHARE CAPITAL	: RM100,000,000 ordinary shares of RM1-00 each
ISSUED AND FULLY PAID-UP CAPITAL	: RM68,200,000 divided into 68,200,000 shares
CLASS OF SHARES	: Ordinary shares of RM1-00 each
NO OF SHAREHOLDERS	: 1,075
VOTING RIGHTS	: One vote per ordinary share

### A) LIST OF SUBSTANTIAL SHAREHOLDERS

No.	Name Of Shareholders	Direct		Deemed interest in shares	
		No. of shares	%	No. of shares	%
1.	Meileelanusa Sdn Bhd	33,031,342	48.43	—	—
2.	Dato' Liew Kuek Hin	3,092,750	4.53	35,862,287 <sup>*1,2</sup>	52.58
3.	Datin Lim yook Lan	224,487	0.33	38,730,550 <sup>*1,3</sup>	56.79
4.	Dato' Liew Yew Chung	2,451,885	3.60	36,503,152 <sup>*1,4</sup>	53.52
5.	Liew Yew Cheng	75,231	0.11	38,879,806 <sup>*1,5</sup>	57.01
6.	Liew Yet Mei	39,671	0.06	38,915,366 <sup>*1,6</sup>	57.06
7.	Liew Yet Lee	39,671	0.06	38,915,366 <sup>*1,7</sup>	57.06
8.	Employees Provident Fund Board	9,076,400	13.31	—	—

**Note :**

- \*1 Deemed interested by virtue of their interest in Meileelanusa Sdn Bhd.  
 \*2 Deemed interested by virtue of the shares held by his spouse, Datin Lim Yook Lan and his children, Dato' Liew Yew Chung, Liew Yew Cheng, Liew Yet Mei and Liew Yet Lee  
 \*3 Deemed interested by virtue of the shares held by her spouse, Dato' Liew Kuek Hin and her children, Dato' Liew Yew Chung, Liew Yew Cheng, Liew Yet Mei and Liew Yet Lee  
 \*4 Deemed interested by virtue of the shares held by his parents, Dato' Liew Kuek Hin and Datin Lim Yook Lan and his siblings, Liew Yew Cheng, Liew Yet Mei and Liew Yet Lee  
 \*5 Deemed interested by virtue of the shares held by his parents, Dato' Liew Kuek Hin and Datin Lim Yook Lan and his siblings, Dato' Liew Yew Chung, Liew Yet Mei and Liew Yet Lee  
 \*6 Deemed interested by virtue of the shares held by her parents, Dato' Liew Kuek Hin and Datin Lim Yook Lan and her siblings, Dato' Liew Yew Chung, Liew Yew Cheng and Liew Yet Lee  
 \*7 Deemed interested by virtue of the shares held by her parents, Dato' Liew Kuek Hin and Datin Lim Yook Lan and her siblings, Dato' Liew Yew Chung, Liew Yew Cheng and Liew Yet Mei

### B) LIST OF DIRECTORS' SHAREHOLDINGS

No.	Name Of Directors	Ordinary Shares				Rights under ESOS	
		Direct		Deemed interest		Direct	Deemed interest
		No. of shares	%	No. of shares	%		
1.	Dato' Liew Kuek Hin	3,092,750	4.53	35,862,287 <sup>*1,2</sup>	52.58	330,000	635,000 <sup>*9</sup>
2.	Datin Lim Yook Lan	224,487	0.33	38,730,550 <sup>*1,3</sup>	56.79	—	965,000 <sup>*10</sup>
3.	Dato' Liew Yew Chung	2,451,885	3.60	36,503,152 <sup>*1,4</sup>	53.52	330,000	635,000 <sup>*11</sup>
4.	Liew Yew Cheng	75,231	0.11	38,879,806 <sup>*1,5</sup>	57.01	145,000	820,000 <sup>*12</sup>
5.	Liew Yet Mei	39,671	0.06	38,915,366 <sup>*1,6</sup>	57.06	—	965,000 <sup>*13</sup>
6.	Liew Yet Lee	39,671	0.06	38,915,366 <sup>*1,7</sup>	57.06	160,000	805,000 <sup>*14</sup>
7.	Tan Poay Teik	—	—	450 <sup>*8</sup>	0.00	—	—
8.	Dato' Cheong Siew Kai	—	—	—	—	—	—
9.	Huang Yan Teo	—	—	—	—	—	—

**Note :**

- \*1 Deemed interested by virtue of their interest in Meileelanusa Sdn Bhd.  
 \*2 Deemed interested by virtue of the shares held by his spouse, Datin Lim Yook Lan and his children, Dato' Liew Yew Chung, Liew Yew Cheng, Liew Yet Mei and Liew Yet Lee



## LIST OF DIRECTORS' SHAREHOLDINGS (continued)

- \*3 Deemed interested by virtue of the shares held by her spouse, Dato' Liew Kuek Hin and her children, Dato' Liew Yew Chung, Liew Yew Cheng, Liew Yet Mei and Liew Yet Lee
- \*4 Deemed interested by virtue of the shares held by his parents, Dato' Liew Kuek Hin and Datin Lim Yook Lan and his siblings, Liew Yew Cheng, Liew Yet Mei and Liew Yet Lee
- \*5 Deemed interested by virtue of the shares held by his parents, Dato' Liew Kuek Hin and Datin Lim Yook Lan and his siblings, Dato' Liew Yew Chung, Liew Yet Mei and Liew Yet Lee
- \*6 Deemed interested by virtue of the shares held by her parents, Dato' Liew Kuek Hin and Datin Lim Yook Lan and her siblings, Dato' Liew Yew Chung, Liew Yew Cheng and Liew Yet Lee
- \*7 Deemed interested by virtue of the shares held by her parents, Dato' Liew Kuek Hin and Datin Lim Yook Lan and her siblings, Dato' Liew Yew Chung, Liew Yew Cheng and Liew Yet Mei
- \*8 Deemed interested by virtue of the shares held by his wife, Mdm Koh Kim Choo
- \*9 Deemed interested by virtue of the shares option granted under ESOS to his children, Dato' Liew Yew Chung, Liew Yew Cheng and Liew Yet Lee
- \*10 Deemed interested by virtue of the shares option granted under ESOS to her spouse, Dato' Liew Kuek Hin and her children, Dato' Liew Yew Chung, Liew Yew Cheng and Liew Yet Lee
- \*11 Deemed interested by virtue of the shares option granted under ESOS to his father Dato' Liew Kuek Hin and his siblings, Liew Yew Cheng and Liew Yet Lee
- \*12 Deemed interested by virtue of the shares option granted under ESOS to his father Dato' Liew Kuek Hin and his siblings, Dato' Liew Yew Chung and Liew Yet Lee
- \*13 Deemed interested by virtue of the shares option granted under ESOS to her father Dato' Liew Kuek Hin and her siblings, Dato' Liew Yew Chung, Liew Yew Cheng and Liew Yet Lee
- \*14 Deemed interested by virtue of the shares option granted under ESOS to her father Dato' Liew Kuek Hin and her siblings, Dato' Liew Yew Chung and Liew Yew Cheng.

## C) DISTRIBUTION OF SHAREHOLDINGS

No. of holders	Holdings	Total Holding	%
32	Less than 100	756	0.0011
570	100 to 1,000	186,394	0.2733
347	1,001 to 10,000	1,348,296	1.9770
77	10,001 to 100,000	2,986,851	4.3795
47	100,001 to less than 5% of issued shares	36,578,035	53.6335
2	5% and above of issued shares	27,099,668	39.7356

## D) TOP 30 LARGEST SHAREHOLDERS

No.	Name	No. of Shares Held	Percentage (%)
1.	Meileelanusa Sdn Bhd	20,338,268	29.82
2.	Employees Provident Fund Board Seksyen Depositori Pusat	6,761,400	9.91
3.	Southern Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Meileelanusa Sdn Bhd	3,350,000	4.91
4.	Perdana Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Meileelanusa Sdn Bhd	3,057,574	4.48
5.	MIDF Sisma Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Meileelanusa Sdn Bhd	2,785,100	4.08
6.	HSBC Nominees (Asing) Sdn Bhd TNTC for Government of Singapore Investment Corporation Pte Ltd	2,540,800	3.73
7.	Alliancegroup Nominees (Tempatan) Sdn Bhd PHEIM Asset Management Sdn Bhd for Employees Provident Fund	2,315,000	3.39

**TOP 30 LARGEST SHAREHOLDERS** (continued)

<b>No.</b>	<b>Name</b>	<b>No. Of Shares Held</b>	<b>Percentage (%)</b>
8.	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Dato' Liew Yew Chung	1,941,000	2.85
9.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Meileelanusa Sdn Bhd	1,850,000	2.71
10.	HDM Nominees (Tempatan) Sdn Bhd EON Finance Berhad for Wah Keng Sen	1,193,400	1.75
11.	HDM Nominees (Tempatan) Sdn Bhd EON Finance Berhad for Dato' Liew Kuek Hin	1,160,000	1.70
12.	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Dato' Liew Kuek Hin	1,143,000	1.68
13.	BHLB Trustee Berhad TA Small Cap Fund	1,016,800	1.49
14.	HSBC Nominees (Asing) Sdn Bhd HSBCIT (S) Ltd for Pheim-Aiziwa Asia Fund	930,000	1.36
15.	Perbadanan Nasional Berhad	900,000	1.32
16.	Mayban Nominees (Tempatan) Sdn Bhd PHEIM Asset Management Sdn Bhd for Lee Hau Hian	850,000	1.25
17.	HDM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Meileelanusa Sdn Bhd	805,500	1.18
18.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee BHD for PHEIM Emerging Companies	800,800	1.17
19.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Meileelanusa Sdn Bhd	790,000	1.16
20.	Cartaban Nominees (Asing) Sdn Bhd Banque Generale Du Luxembourg Sa for NPB Sicav	570,000	0.84
21.	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Zaleha Binti Idris	557,600	0.82
22.	Alliancegroup Nominees (Asing) Sdn Bhd HSBC Trustee (S) Ltd for The Vittoria Fund Ltd	537,000	0.79
23.	Amanah Raya Berhad Amtotal Return	535,600	0.79
24.	HSBC Nominees (Asing) Sdn Bhd HSBC Trustee (S) Ltd for KEP Holdings Limited	512,000	0.75
25.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Liew Yew Chung	505,885	0.74



**TOP 30 LARGEST SHAREHOLDERS** (continued)

<b>No.</b>	<b>Name</b>	<b>No. Of Shares Held</b>	<b>Percentage (%)</b>
26.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Liew Kuek Hin	499,500	0.73
27.	HSBC Nominees (Asing) Sdn Bhd HSBC Trustee (S) Ltd for Fiveca Holdings Limited	480,000	0.70
28.	Perbadanan Nasional Berhad	392,300	0.58
29.	HDM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wah Keng Sen	380,189	0.56
30.	Alliancegroup Nominees (Tempatan) Sdn Bhd PHEIM Asset Management Sdn Bhd for Magnum 4D (Selangor) Sdn Bhd	375,000	0.55
		<hr/> 59,873,716	<hr/> 87.79 <hr/>

# form of proxy

I/We \_\_\_\_\_ [NRIC NO: \_\_\_\_\_]  
of \_\_\_\_\_ being a member/  
members of **LONDON BISCUITS BERHAD** (72057-H) do hereby appoint \_\_\_\_\_  
[NRIC NO: \_\_\_\_\_] of \_\_\_\_\_ or  
failing him \_\_\_\_\_ [NRIC NO: \_\_\_\_\_]  
of \_\_\_\_\_ as \* my/our proxy to  
attend and to vote for \* me/us on \* my/our behalf at the 23rd Annual General Meeting of the Company to be held  
on Wednesday, 10th November 2004 11:00 a.m. at The Conference Room, No.1, Jalan Istimewa 2, Taman  
Perindustrian Desa Cemerlang, 81800 Ulu Tiram, Johor and at any adjournment thereof. \* My / our proxy is to vote  
as indicated below :

No.	RESOLUTION	FOR	AGAINST
1.	Receipt of Audited Financial Statements and the Reports		
2.	Declaration of first & final tax exempt dividend of 5%		
3.	Approval of Directors' Fees		
4.	Re-election of Director - Dato' Liew Kuek Hin		
5.	Re-election of Director - Datin Lim Yook Lan		
6.	Re-appointment of Messrs Wong Weng Foo & Co as Auditors		
7.	Special Business: authorisation to the Board to issue shares under Section 132D of the Companies Act, 1965.		

(Please indicate with a cross (X) in the spaces whether you wish your votes to be cast for or against the resolution.  
In the absence of such specific directions, your proxy will vote or abstain as he thinks fit.)

Number of shares held	
-----------------------	--

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2004

\_\_\_\_\_  
Signature of Member / Members

**Note :**

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company.
2. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same Meeting.
3. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
4. Where a member is an authorized nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
5. Where the Proxy Form is executed by a corporation, it must be either under its Common Seal or under the hand of an officer or attorney duly authorised.
6. The Proxy Form must be deposited with the Company Secretary at the Registered Office, No.1 Jalan Istimewa Dua, Taman Perindustrian Desa Cemerlang, 81800 Ulu Tiram, Johor not less than 48 hours before the time set for the Meeting.

Fold here for sealing

Fold along this line (1)

Postage

**The Company Secretary**  
**London Biscuits Berhad** (72057-H)  
No.1 Jalan Istimewa Dua  
Taman Perindustrian Desa Cemerlang  
81800 Ulu Tiram  
Johor Darul Takzim

Fold along this line (2)