



LONDON BISCUITS BERHAD

(Co. No : 72057-H)
(Incorporated in Malaysia)

(“LBB” or “the Company”)

Interim Financial Statements
Second Quarter Results
for the Financial Period ended
31st December, 2016

LONDON BISCUITS BERHAD

(Company No. : 72057-H)
(Incorporated in Malaysia)



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 31ST DECEMBER, 2016

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 31.12.2016 RM'000	Preceding year Corresponding Quarter Ended 31.12.2015 RM'000	Current year Quarter Ended 31.12.2016 RM'000	Preceding Year Corresponding Quarter Ended 31.12.2015 RM'000
Revenue	95,972	86,666	188,274	177,288
Cost of Sales	(70,519)	(62,376)	(139,330)	(132,378)
Gross Profit	25,453	24,290	48,944	44,910
Other income	418	1,757	711	2,568
Selling and distribution costs	(7,986)	(7,330)	(15,607)	(13,394)
Administrative expenses	(6,667)	(6,644)	(12,966)	(13,066)
Finance costs	(5,122)	(4,620)	(8,098)	(6,632)
Profit Before Tax	6,096	7,453	12,984	14,386
Income tax expenses	(780)	(799)	(1,432)	(1,651)
Profit for the Period	5,316	6,654	11,552	12,735
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income for the Period	5,316	6,654	11,552	12,735
Profit for the Period attributable to:				
Owners of the Company	4,272	5,469	9,484	10,676
Non-controlling interest	1,044	1,185	2,068	2,059
	5,316	6,654	11,552	12,735
Total Comprehensive Income attributable to:				
Owners of the Company	4,272	5,469	9,484	10,676
Non-controlling interest	1,044	1,185	2,068	2,059
	5,316	6,654	11,552	12,735
Earning per Share (Sen)				
Basic	2.24	2.93	4.98	5.72
Diluted	N/A	N/A	N/A	N/A

The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 30th June, 2016 and the accompanying explanatory notes attached to the interim financial statements.

LONDON BISCUITS BERHAD

(Company No. : 72057-H)
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER, 2016

	(Unaudited) As at 31.12.2016 RM'000	(Audited) As at 30.06.2016 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	561,238	569,182
Investments	27	27
Intangible assets	12,660	12,660
	<u>573,925</u>	<u>581,869</u>
Current Assets		
Inventories	25,211	25,600
Trade and other receivables	201,178	221,917
Cash and bank balances	59,456	46,054
	<u>285,845</u>	<u>293,571</u>
TOTAL ASSETS	<u>859,770</u>	<u>875,440</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	190,534	186,534
Share premium	13,774	13,774
Revaluation reserve	34,247	34,247
Retained earnings	172,745	163,261
Shareholders' equity	<u>411,300</u>	<u>397,816</u>
Non-controlling interest	124,104	122,036
TOTAL EQUITY	<u>535,404</u>	<u>519,852</u>
LIABILITIES		
Non-Current Liabilities		
Long-term borrowings	120,508	85,694
Deferred tax liabilities	18,944	18,091
	<u>139,452</u>	<u>103,785</u>
Current Liabilities		
Trade and other payables	31,485	56,163
Short-term borrowings	153,429	195,640
	<u>184,914</u>	<u>251,803</u>
TOTAL LIABILITIES	<u>324,366</u>	<u>355,588</u>
TOTAL EQUITY AND LIABILITIES	<u>859,770</u>	<u>875,440</u>
Net Assets per Ordinary Share (RM)	<u>2.16</u>	<u>2.13</u>

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 30th June, 2016 and the accompanying explanatory notes attached to the interim financial statements.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SECOND QUARTER ENDED 31ST DECEMBER, 2016

	Attributable to Equity Holders of the Parent Entity					Total RM'000
	Non - Distributable			Distributable		
	Share Capital RM'000	Share Premium RM'000	Revaluation Reserve RM'000	Retained Earnings RM'000	Non- Controlling Interest RM'000	
Current Quarter						
As at 01st July, 2016	186,534	13,774	34,247	163,261	122,036	519,852
Employees share option scheme	4,000	-	-	-	-	4,000
Profit for the period	-	-	-	9,484	2,068	11,552
Total comprehensive income for the period	-	-	-	9,484	2,068	11,552
As at 31st December, 2016	190,534	13,774	34,247	172,745	124,104	535,404
Preceding Corresponding Quarter						
As at 01st July, 2015	186,534	13,774	34,685	144,608	106,870	486,471
Increase in non-controlling interest shares in subsidiaries	-	-	-	-	5,780	5,780
Dilution of interest in subsidiaries	-	-	(2)	(605)	607	-
Profit for the period	-	-	-	10,676	2,059	12,735
Total comprehensive income for the period	-	-	-	10,676	2,059	12,735
As at 31st December, 2015	186,534	13,774	34,683	154,679	115,316	504,986

The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 30th June, 2016 and the accompanying explanatory notes attached to the interim financial statements.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND QUARTER ENDED 31ST DECEMBER, 2016

	Current Year- -to-date 31.12.2016 RM'000	Preceding Year Corresponding period 31.12.2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	12,984	14,386
Adjustments for:-		
Depreciation of property, plant and equipment	11,209	10,318
Interest expense	8,098	6,632
	<hr/>	<hr/>
Operating profit before changes in working capital	32,291	31,336
Changes in inventories	389	2,158
Changes in trade and other receivables	20,739	25,192
Changes in trade and other payables	(24,678)	(7,976)
Cash generated from operations	28,741	50,710
Tax paid	(579)	(691)
Interest paid	(8,098)	(6,993)
Net cash from operating activities	<hr/> 20,064 <hr/>	<hr/> 43,026 <hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(21,123)	(859)
Proceed from disposal of property, plant and equipment	17,858	-
Net cash used in investing activities	<hr/> (3,265) <hr/>	<hr/> (859) <hr/>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contribution from non-controlling shareholders	-	5,780
Redeemable of employees share option scheme	4,000	-
Net changes in bankers' acceptance	(45,652)	(17,085)
Repayment of term loans	41,652	(15,540)
Repayment of hire purchase payables	(3,397)	(5,785)
Net cash used in financing activities	<hr/> (3,397) <hr/>	<hr/> (32,630) <hr/>
Net Changes in Cash and Cash Equivalents	13,402	9,537
Cash and Cash Equivalents at beginning of the period	46,054	13,756
Cash and Cash Equivalents at end of the period	<hr/> 59,456 <hr/>	<hr/> 23,293 <hr/>

Cash and cash equivalents included in the Unaudited Condensed Consolidated Statement of Cash Flows comprise the following:-

	31.12.2016 RM'000	31.12.2015 RM'000
Cash and bank balances	59,456	24,131
Bank overdrafts	-	(838)
	<hr/> 59,456 <hr/>	<hr/> 23,293 <hr/>

The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 30th June, 2016 and the accompanying explanatory notes attached to the interim financial statements.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 31ST DECEMBER, 2016

A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134

A1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134, *Interim Financial Reporting* and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 30th June, 2016. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30th June, 2016.

A2. Significant accounting policies

At the date of authorisation of these interim financial statements, the following MFRSs, Amendments to MFRSs and Issues Committee (“IC”) Interpretations were issued but not yet effective and have not been applied by the Group:-

- a) ***MFRSs, Interpretations and Amendments effective for annual periods beginning on or after 1st January 2017***
 - Amendments to MFRS 107, *Disclosure Initiative*
 - Amendments to MFRS 112, *Recognition of Deferred Tax Assets for Unrealised Losses*
- b) ***MFRSs, Interpretations and Amendments effective for annual periods beginning on or after 1st January 2018***
 - Amendments to MFRS 2, *Classification and Measurement of Share-based Payment Transactions*
 - MFRS 9, *Financial Instruments (2014)*
 - MFRS 15, *Revenue from Contracts with Customers*
- c) ***MFRSs, Interpretations and Amendments effective for annual periods beginning on or after 1st January 2019***
 - MFRS 16, *Leases*
- d) ***MFRSs, Interpretations and Amendments effective for a date yet to be confirmed***
 - Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the financial statements of the Group, except MFRS 9 and MFRS 15.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 15 and MFRS 9.

A3. Audit Report Qualification and Status of Matters Raised

The audit report of the preceding annual financial statements was not qualified.

A4. Seasonality or Cyclicity Factors

The operations of the Group were not affected by seasonal or cyclical factors.

A5. Items of Unusual Nature

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the current quarter and financial year-to-date.

A6. Change in Estimates of Amounts Reported

There were no changes in estimates of amounts reported in prior financial year that have a material effect in the current quarter and financial year-to-date.

A7. Changes in Debt and Equity Securities

There were no issuances and repayment of debts and equity securities during the quarter under review.

A8. Dividend Paid

There was no dividend paid during the quarter under review.

A9. Segmental Reporting

MFRS 8 – *Operating Segment* requires separate reporting of segmental information for operating segments. Operating segments reflect the Group's management structure and the way financial information is regularly reviewed by the Executive Board in making decisions.

The Group's operations can be segmented by business activities namely:

- a) Manufacturing and trading of confectionery, sweets and candies, snacks;
and
- b) Investment holding.

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A9. Segmental Reporting (continued)

The segment analysis for the current financial period-to-date:

Segment Revenue and Results	Cumulative Quarter ended 31st December, 2016			
	Investment Holding RM'000	Manufacturing and Trading RM'000	Elimination RM'000	Group (total) RM'000
Revenue				
- Export	-	91,889	-	91,889
- Local	-	96,385	-	96,385
Total revenue	-	188,274	-	188,274
Results : Operating profit	-	21,082	-	21,082

Segment Revenue and Results	Cumulative Quarter ended 31st December, 2015			
	Investment Holding RM'000	Manufacturing and Trading RM'000	Elimination RM'000	Group (total) RM'000
Revenue				
- Export	-	92,285	-	92,285
- Local	-	85,003	-	85,003
Total revenue	-	177,288	-	177,288
Results : Operating profit	-	21,018	-	21,018

Reconciliation of reportable segment profit:	Cumulative Quarter	
	31.12.2016 RM'000	31.12.2015 RM'000
Total operating profit for reported segment	21,082	21,018
Finance costs	(8,098)	(6,632)
Consolidated profit before tax	12,984	14,386

Segmental analysis for the period ended 31st December 2016 by Product Segment:

LEGEND							
* Market Conditions and demand for its goods and services							
^ The level of its operating activities							
# Factors or circumstances affecting the changes to revenue, costs and profit margin of each business activity or segment							
Ω Any unusual or one off gains / losses affecting the revenue or profit							
⊞ Any other information which can provide a better understanding of the Listed Issuer's performance							
No.	Segment	Sales RM'000	(i) *	(ii) ^	(iii) #	(iv) Ω	(v) ⊞
1	Confectionery	64,810	Market Conditions Poor () Average () Good (√)	Level >50% () 50.1% > 75% () 75.1% > 100% (√)	Factors / Circumstances Raw Material Prices (√) Market Conditions (√) Product Competition () Market Competition (√) Prices Increases () New Product Variety () New Product Segment () Capacity Expenditure (√) Others:- ()	Unusual or One off Gains -NA-	Other Information -NA-
2	Sweets and Candies	64,516	Market Conditions Poor () Average () Good (√)	Level >50% () 50.1% > 75% () 75.1% > 100% (√)	Factors / Circumstances Raw Material Prices (√) Market Conditions (√) Product Competition () Market Competition () Prices Increases () New Product Variety () New Product Segment () Capacity Expenditure () Others:- ()	Unusual or One off Gains -NA-	Other Information -NA-
3	Snacks	58,948	Market Conditions Poor () Average () Good (√)	Level >50% () 50.1% > 75% () 75.1% > 100% (√)	Factors / Circumstances Raw Material Prices (√) Market Conditions () Product Competition () Market Competition (√) Prices Increases () New Product Variety () New Product Segment () Capacity Expenditure () Others:- ()	Unusual or One off Gains -NA-	Other Information -NA-
	Total	188,274					

The Group's operations are mainly in the manufacturing and trading of sweets, snacks and confectionery. No geographical segmental reporting is presented as the Group operates predominantly in Malaysia.

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A10. Valuations of property, plant and equipment

The valuations of land and buildings have been brought forward, without any amendments from the previous annual financial statements.

A11. Material Events Subsequent to the End of the Quarterly Period

There were no material events subsequent to the end of quarter that has not been reflected in the Interim Financial Statements for the quarter under review other than as follows:

On 5th January 2017, the Directors announced that the Company, being a major shareholder with a shareholding of 19,920,500 ordinary shares of RM1.00 each (being equivalent to 19.15%) ceased to be the holding company of Khee San Berhad ("KSB") by virtue of Section 5(1)(a)(1) of the Companies Act, 1965 due to the composition of the new Board in KSB. There would be no material dilution and no changes in the shareholding of the equity shares in KSB by LBB.

With the cessation of the subsidiary and holding relationship, the financial results for KSB, from the Quarter ending 31st March 2017 will not be consolidated into the financial results of LBB of the same quarter.

A12. Changes in the Composition of the Group

The effective interest of investment in a subsidiary, KSB, was diluted to 18.96% from 19.72% upon further allotment of 4,000,000 new ordinary shares of RM1.00 each under the Employees Share Option Scheme in Khee San Berhad on 1st October 2016.

A13. Changes in Contingent Liabilities and Contingent Assets

There were no material changes in the contingent liabilities or contingent assets of the Group since the end of the last annual balance sheet date.

A14. Capital Commitments

There were no material capital commitments during the quarter under review.



B. ADDITIONAL INFORMATION REQUIRED PURSUANT TO MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES

B1. Review of Performance

Current Quarter against Previous Year Corresponding Quarter (Individual Quarter)

Revenue

In the current quarter ended 31st December 2016, the Group registered higher revenue of RM95,972,000 compared to previous corresponding quarter ended 31st December 2015 of RM86,666,000 mainly due to increase in local sales.

Profit before tax

Profit before tax has decreased from RM7,453,000 to RM6,096,000 as a result of lower foreign exchange gain.

B2. Comparison with the Preceding Quarter's Result

Revenue

The Group posted a higher revenue in the current quarter of RM95,972,000 as compared to the preceding quarter ended 30th September 2016 of RM92,301,000 representing an increase of RM3,671,000.

Profit before tax

Profit before tax has decreased from RM6,887,000 to RM6,096,000.

B3. Prospects of the Group

The financial year ending 30th June 2017 is another challenging year. The Management will ensure that the Group will continue to maintain positive performance for the year ending 30th June 2017.

The prospects of the confectionery, snacks and candies segment remains good with stable order book and additional capacity in the form of upgraded production facilities allowing new business opportunities to be secured, though challenges are foreseen with business and consumer sentiment impacted due to bearish news both domestic and internationally. We expect the potato chip segment, in particular, to continue to be a strong performer for the Group as evidenced by its global appeal during our recent trade exhibitions.

In respect of the manufacturing operations, cost of raw material remains a volatile factor with various commodity prices experiencing fluctuations and it is forecasted that sugar prices will be on a higher trend with flour prices is on the hike in 2017. These fluctuations have also been compounded by the Ringgit's value and altogether resulting in increased manufacturing cost. The Management will endeavor to improve operational efficiencies in order to mitigate the impact of the above and to account for forex fluctuations via its practice of setting prices based on a conservative valuation.

**B4. Profit Forecast**

The Group did not publish any profit forecast or profit guarantee for the year under review.

B5. Tax Expense

Tax expense comprises of the followings:

	Current Quarter 31.12.2016 RM'000	Cumulative Quarter 31.12.2016 RM'000
Income tax expense		
- Current year	384	579
- Prior year	-	-
	384	579
Deferred tax		
- Current year	396	853
	780	1,432
Total income tax expense	780	1,432

B6. Corporate Proposals

There were no corporate proposals during the current quarter under review.

B7. Group Borrowings

	The Group 31.12.2016 RM'000
Short-term Borrowings:	
Bankers' acceptance	128,940
Hire-purchase payables	9,059
Revolving credits	9,000
Term loans	6,430
	153,429
Long-term Borrowings:	
Bankers' acceptance	-
Hire-purchase payables	15,452
Revolving credits	-
Unrated medium term notes	100,000
Term loans	5,056
	120,508
	120,508

Bank overdraft and credit facilities of a subsidiary company are secured by corporate guarantees given by the Company.

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B8. Material Litigation

The directors do not have any knowledge of any proceedings pending or threatened against the Group as the date of this report.

B9. Dividends

No dividend has been declared for the quarter under review.

B10. Retained Earnings

The Group's breakdown of realised and unrealised retained profits pursuant to Paragraphs 2.06 and 2.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad in, are disclosed as follows:-

	Unaudited As at 31.12.2016 RM'000	Audited As at 30.06.2016 RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realised	234,189	187,670
- Unrealised	<u>(18,944)</u>	<u>18,091</u>
	215,245	205,761
Consolidated adjustments	(42,500)	(42,500)
Total Group retained earnings	<u><u>172,745</u></u>	<u><u>163,261</u></u>

The determination of realised and unrealised profits is based on the Guidance on Special Matter No. 1: Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure pursuant to Main Market Listing Requirements of Bursa Malaysia Securities Berhad, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

B11. Profit Before Tax

Profit before tax is stated after charging/(crediting):-

	Current Quarter 31.12.2016 RM'000	Cumulative Quarter 31.12.2016 RM'000
Interest income	-	-
Other income including investment income	(418)	(711)
Interest expenses	4,864	7,841
Depreciation of property, plant and equipment	5,665	11,209
Provision for and write off receivables	-	-
Provision for and write off inventories	-	-
(Gain) or loss on disposal of property, plant and equipment	-	-
Impairment of assets	-	-
(Gain) or loss on foreign exchange - realised	<u>(1,454)</u>	<u>(1,301)</u>

Save as disclosed in the above, there were no (gain) or loss on derivatives, exceptional items and the other items required to be disclosed under the additional disclosure requirement for Public Listed Companies that are listed on the Main Markets of Bursa Malaysia Securities Berhad.

**B12. Disclosure of Nature of Outstanding Derivatives**

There were no outstanding derivatives as at the end of the reporting period.

B13. Rationale for Entering into Derivatives

The Group did not enter into any derivatives during the period ended 31st December 2016 or the previous financial year ended 30th June 2016.

B14. Risks and Policies of Derivatives

The Group did not enter into any derivatives during the period ended 31st December 2016 or the previous financial year ended 30th June 2016.

B15. Disclosure of Gains/Losses Arising from Fair Value Changes of Financial Liabilities

The Group did not have any financial liabilities measured at fair value through profit or loss as at 31st December 2016 or the previous financial year ended 30th June 2016.

B16. Earnings per share (EPS)**(a) Basic earnings per share**

The calculation of basic earnings per share is based on the net profit attributable to ordinary shareholders over the weighted average number of ordinary shares in issue during the period.

	Current Quarter		Cumulative Quarter	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Net profit attributable to ordinary shareholders (RM'000)	4,272	5,469	9,484	10,676
Weighted average number of ordinary shares - in units ('000)	190,534	186,534	190,534	186,534
Basic EPS (Sen)	2.24	2.93	4.98	5.72

(b) Diluted earnings per share

Not applicable for the Group.

**BY ORDER OF THE BOARD
LONDON BISCUITS BERHAD**

MR LESLIE LOOI MENG
Dated : 28 February 2017