



KHEE SAN BERHAD

(Company No. 304376-A)
(Incorporated in Malaysia)

("KSB" or "the Company")

Interim Financial Statements
First Quarter Results
For the Financial Period ended
30 September, 2016



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2016**

	Individual Quarter		Cumulative Quarter	
	Current Period Quarter Ended 30.09.2016 RM'000	Preceding Period Corresponding Quarter Ended 30.09.2015 RM'000	(Unaudited) Current Period- To-Date Ended 30.09.2016 RM'000	(Unaudited) Preceding Period Corresponding Quarter Ended 30.09.2015 RM'000
Revenue	36,499	27,687	36,499	27,687
Cost of Sales	(31,429)	(22,853)	(31,429)	(22,853)
Gross Profit	5,070	4,834	5,070	4,834
Other income	140	122	140	122
Selling and distribution costs	(2,766)	(3,291)	(2,766)	(3,291)
Finance costs	(1,096)	(367)	(1,096)	(367)
Profit Before Tax	1,348	1,298	1,348	1,298
Income tax expenses	(52)	(82)	(52)	(82)
Profit for the Period	1,296	1,216	1,296	1,216
Total Comprehensive Income for the Period	1,296	1,216	1,296	1,216
Profit for the Period attributable to:				
Owners of the Company	1,296	1,216	1,296	1,216
	1,296	1,216	1,296	1,216
Total Comprehensive Income attributable to:				
Owners of the Company	1,296	1,216	1,296	1,216
	1,296	1,216	1,296	1,216
Earning per Share (Sen)				
Basic	1.25	1.36	1.25	N/A
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, 2017 and the accompanying explanatory notes attached to the interim financial statements.



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2016**

	(Unaudited) As at 30.09.2016 RM'000	(Audited) As at 30.06.2016 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	165,164	166,380
Intangible assets	800	800
	165,964	167,180
Current Assets		
Inventories	16,150	15,814
Trade and other receivables	55,969	52,983
Amount due from associate company	1,481	1,480
Tax recoverable	-	448
Assets held for sale	11,907	11,885
Cash and bank balances	6,844	5,962
	92,351	88,572
TOTAL ASSETS	258,315	255,752
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	104,000	100,000
Share premium	2,166	2,149
Merger reserve	(17,444)	(17,444)
Revaluation reserve	27,847	27,845
Retained earnings	41,200	39,905
TOTAL EQUITY	157,769	152,455
LIABILITIES		
Non-Current Liabilities		
Long-term borrowings	10,211	12,118
Deferred tax liabilities	4,999	4,954
	15,210	17,072
Current Liabilities		
Trade and other payables	27,162	21,296
Amount due to associate company	6,645	-
Short-term borrowings	51,529	64,924
Tax payable	-	5
	85,336	86,225
TOTAL LIABILITIES	100,546	103,297
TOTAL EQUITY AND LIABILITIES	258,315	255,752
Net Assets per Ordinary Share (RM)	1.52	1.52

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.



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2016**

	Attributable to Equity Holders of the Parent Entity					Total RM'000
	Non - Distributable			Distributable		
	Share Capital RM'000	Share Premium RM'000	Merger Reserve RM'000	Revaluation Reserve RM'000	Retained Earnings RM'000	
<u>Current Quarter</u>						
As at 01 July 2016	104,000	-	(17,444)	27,847	39,905	154,308
Employees share option scheme	-	2,149	-	-	17	2,166
Profit for the period	-	-	-	-	1,295	1,295
Total comprehensive income for the period	104,000	2,149	(17,444)	27,847	1,295	157,769
Dividends paid	-	-	-	-	-	-
As at 30 September 2016	<u>104,000</u>	<u>2,149</u>	<u>(17,444)</u>	<u>27,847</u>	<u>41,217</u>	<u>157,769</u>
<u>Preceding Corresponding Quarter</u>						
As at 01 July 2015	89,070	-	(17,444)	27,423	38,250	137,299
Employees share option scheme	190	-	-	-	-	190
Profit for the period	-	-	-	-	1,216	1,216
Total comprehensive income for the period	-	-	-	-	1,216	1,216
Dividends paid	-	-	-	-	-	-
As at 30 September 2015	<u>89,260</u>	<u>-</u>	<u>(17,444)</u>	<u>27,423</u>	<u>39,466</u>	<u>138,705</u>

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, 2017 and the accompanying explanatory notes attached to the interim financial statements.



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2016**

	(Unaudited) Current Year- -to-date 30.09.2016 RM'000	(Unaudited) Preceding Year Corresponding period 30.09.2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	1,348	1,298
Adjustments for:-		
Depreciation of property, plant and equipment	1,410	1,419
Interest expenses	1,073	335
Share-based payment	17	-
Operating profit before changes in working capital	3,848	3,052
Changes in inventories	(336)	1,608
Changes in trade and other receivables	(2,986)	8,524
Changes in trade and other payables	12,571	(5,486)
Cash generated from operations	13,097	7,698
Tax paid	(52)	(52)
Tax refunded	448	-
Interest paid	(1,073)	(335)
Net cash from operating activities	12,420	7,311
CASH FLOWS FROM INVESTING ACTIVITY		
Purchase of property, plant and equipment	(238)	(66)
Net cash used in investing activity	(238)	(66)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of shares	-	190
Redeemable of employees share option scheme	4,000	-
Net changes in bankers' acceptance	(13,289)	(2,819)
Repayment of term loans	(197)	(221)
Repayment of hire purchase payables	(1,814)	(1,807)
Net cash used in financing activities	(11,300)	(4,657)
Net Changes in Cash and Cash Equivalents	882	2,588
Cash and Cash Equivalents at beginning of the period	5,962	(5,152)
Cash and Cash Equivalents at end of the period	6,844	(2,564)

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

	30.09.2016 RM'000	30.09.2015 RM'000
Cash and bank balances	6,844	1,170
Bank overdrafts	-	(3,734)
	6,844	(2,564)

The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 30th June, 2017 and the accompanying explanatory notes attached to the interim financial statements.



**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER, 2016**

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

A1. Basis of Preparation

The restated 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. Pursuant to instructions of the Securities Commission vide their letter dated 21 May 2018 post the re-audit completed for Audited Financial Statements 2015 and 2016. The re-statement of the quarterly result is for Financial Year Ended 2017 and 2018

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 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 30 June 2016.

A2. Accounting Policies

The accounting policies and presentation adopted for the interim financial statements are consistent with those adopted for the annual financial statements for the year ended 30 June 2016.

A3. Qualification of Financial Statements

The audit report of the preceding annual financial statements was not qualified, but due to the changes in the re-audit for Audited Financial Statement 2015 and 2016, these has been some changes to the Balance Sheet and Retained Earnings of the Company as stated hereafter.

A4. Seasonality or Cyclical 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 for current quarter and financial year-to-date.

A8. Dividends Paid

There was no dividend paid during the quarter under review.

A9. Segmental Reporting

Segment Revenue and Results	Cumulative Quarter ended 30 Sept, 2016			
	Investment Holding RM'000	Manufacturing and Trading RM'000	Elimination RM'000	Group (total) RM'000
Revenue				
- Export	-	18,522	-	18,522
- Local	-	17,977	-	17,977
Total revenue	-	36,499	-	36,499
Results : Operating profit	-	2,461	-	2,461

Segmental analysis for the period ended 30 September 2017 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) △
			Market Conditions	Level	Factors / Circumstances	Unusual or One off Gains	Other Information
1	Confectionery	7,780	Poor () Average () Good (√) Demand Poor () Average () Strong (√)	>50% () 50.1% > 75% () 75.1% > 100% (√)	Raw Material Prices (√) Market Conditions (√) Product Competition () Market Competiton (√) Prices Increases () New Product Variety () New Product Segment () Capacity Expenditure () Others:- ()	-NA-	-NA-
2	Sweets and Candies	28,719	Poor () Average () Good (√) Demand Poor () Average () Strong (√)	>50% () 50.1% > 75% () 75.1% > 100% (√)	Raw Material Prices (√) Market Conditions (√) Product Competition () Market Competiton () Prices Increases () New Product Variety () New Product Segment () Capacity Expenditure () Others:- ()	-NA-	-NA-
Total		36,499					

The Group's operations are mainly in the manufacturing and trading of sweets and confectionery.



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

Subsequent to the period ended 30 September 2016, the fully paid up share capital of the Company was increased from 100,000,000 to 104,000,000 by way of allotment of 4,000,000 new ordinary shares of RM1.00 each for cash at RM1.00 per share under the Employees Shares Option Scheme which was allotted on 1 October 2016 and listed on 5 October 2016.

There have been no material events subsequent to the end of the quarter that have not been reflected in the financial statements.

A12. Changes in the Composition of the Group

There were no changes in the composition of the Group for the current quarter and financial year-to-date.

A13. Changes in Contingent Liabilities and Contingent Assets

There is a contingent liability amounting to approximately RM62 million being corporate guarantees given to financial institutions for banking facilities granted to a wholly owned subsidiary company.

A14. Summary of changes prior to adjustments and after adjustments

	<u>Before Re-Audit</u> <u>RM</u>	<u>After Re-Audit</u> <u>RM</u>
Non-Current Assets		
Property, plant and equipment	165,186	165,164
Intangible assets	1,600	800
Current Assets		
Inventories	10,963	16,150
Trade and other receivables	58,753	55,969
Amount due from associate company	-	1,481
Assets held for sale	-	11,907
Equity attributable to owners of the Company		
Share premium	-	2,166
Revaluation reserve	26,464	27,847
Retained earnings	45,464	41,200
LIABILITIES		
Non-Current Liabilities		
Long-term borrowings	10,211	10,211
Deferred tax liabilities	1,760	4,999
Current Liabilities		
Trade and other payables	14,717	27,162



A. 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)

Turnover of the Group of RM36.499 million for the current quarter represents 31.83% increase over that of RM27.687 million achieved in the preceding year corresponding quarter. The current quarter result reported a profit before income tax of RM1.365 million as compared to the result of the same period last year of profit before income tax of RM1.298 million. This performance is within the Group's expectation

B2. Comparison with the Preceding Quarter's Result

Revenue

The Group posted a lower revenue in the current quarter of RM36.50 million as compared to the preceding quarter ended 30 June 2016 of RM59.90 million representing a decrease of RM23.40 million.

Profit before tax

Profit before tax has decreased from RM1.37 million to RM1.36 million as a result of decrease in sales.

B3. Prospects of the Group

The financial year ending 30 June 2017 will be another challenging year. The Management will continue with its plans to mitigate the impact of currently known challenges including forecasts that sugar prices will be on a higher trend throughout the year. As such, the Management will implement initiatives to strengthen the overall position the Company in the medium to long term such as adopting a conservative foreign exchange rate policy for its export business, conducting a limited market rationalisation plan as well as continual upgrades to production facilities to reduce wastage levels and manpower requirements.

Despite the challenges, the prospects of the Group remain positive with continual efforts to broaden the reach of its domestic distribution network supported with selective marketing campaigns while the priority on the export market is to focus on key destinations whilst exploring new potential markets via participation in trade fairs. As such, we anticipate that these business segments will remain good and stable for the upcoming financial year ending 30 June 2017. In particular, the continued strength of the chewy candy products has been most encouraging while the other candy segments have been shown to be resilient with the wafer segments showing sustained growth. The Group will continue to leverage on the chewy candy and wafer segments for future growth.

There are no changes in business direction which may have an impact on any of the business segments of the Group.

B4. Profit Forecast

The Group has not made any profit forecast or profit guarantee for the year under review.



B5. Tax Expense

Tax expense comprises of the followings:

	Current Quarter 30.09.2016 RM'000	Cumulative Quarter 30.09.2016 RM'000
Income tax expense		
- Current year	7	7
Deferred tax		
- Current year	45	45
Total income tax expense	52	52

B6. Corporate Proposals

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

B7. Group Borrowings

	The Group 30.09.2016 RM'000
Short-term Borrowings:	
Bankers' acceptance	43,856
Hire-purchase payables	7,046
Term loans	627
	51,529
Long-term Borrowings:	
Hire-purchase payables	10,044
Term loans	167
	10,211

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

B8. Material Litigation

There was no pending material litigation against the Group as at the date of this quarterly report.

B9. Dividends Proposed

No dividend is proposed for this 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, are disclosed as follows:-

	Unaudited As at 30.09.2016 RM'000	Audited As at 30.06.2016 RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realised	50,440	46,677
- Unrealised	(4,999)	3,357
	<u>45,441</u>	<u>50,034</u>
Consolidated adjustments	(4,241)	(4,241)
Total Group retained earnings	<u><u>41,200</u></u>	<u><u>39,905</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 the 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 30.09.2016 RM'000	Cumulative Quarter 30.09.2016 RM'000
Other income including investment income	(140)	(140)
Interest expenses	1,073	1,073
Depreciation of property, plant and equipment	1,410	1,410
(Gain) or loss on foreign exchange	906	906
	<u><u>906</u></u>	<u><u>906</u></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 requirements for Public Listed Companies that are listed on the Main Markets of Bursa Malaysia Securities Berhad.



B12. 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	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
Net profit attributable to ordinary shareholders (RM'000)	1,296	1,216	1,296	1,216
Weighted average number of ordinary shares - in units ('000)	104,000	89,260	104,000	N/A
Basic EPS (Sen)	1.25	1.36	1.25	N/A

(b) Diluted earnings per share

Not applicable for the Group.

**BY ORDER OF THE BOARD
KHEE SAN BERHAD**

**PROF. DR. HJ. MOHD AMY AZHAR BIN MOHD HARIF
AUDIT COMMITTEE CHAIRMAN**

Dated: 8 May 2019