



KHEE SAN BERHAD

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

("KSB" or "the Company")

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



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

	Individual Quarter		Cumulative Quarter	
	Current Period Ended 31.12.2016 RM'000	Preceding Period Corresponding Quarter Ended 31.12.2015 RM'000	(Unaudited) Current Period- To-Date Ended 31.12.2016 RM'000	(Unaudited) Preceding Period Corresponding Quarter Ended 31.12.2015 RM'000
Revenue	34,895	32,165	71,394	59,852
Cost of Sales	(28,605)	(26,495)	(60,034)	(49,348)
Gross Profit	6,290	5,670	11,360	10,504
Other income	80	139	220	261
Selling and distribution costs	(1,787)	(1,346)	(4,553)	(4,023)
Administrative expenses	(2,151)	(837)	(2,151)	(1,451)
Finance costs	(1,023)	(2,293)	(2,119)	(2,660)
Profit Before Tax	1,409	1,333	2,757	2,631
Income tax expenses	(127)	(90)	(179)	(172)
Profit for the Period	1,282	1,243	2,578	2,459
Total Comprehensive Income for the Period	1,282	1,243	2,578	2,459
Profit for the Period attributable to:				
Owners of the Company	1,282	1,243	2,578	2,459
	1,282	1,243	2,578	2,459
Total Comprehensive Income attributable to:				
Owners of the Company	1,282	1,243	2,595	2,459
	1,282	1,243	2,595	2,459
Earning per Share (Sen)				
Basic	1.23	1.31	2.48	2.59
Diluted	N/A	N/A	N/A	N/A

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 FINANCIAL POSITION
AS AT 31 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	164,495	166,380
Intangible assets	800	800
	165,295	167,180
Current Assets		
Inventories	13,739	15,814
Trade and other receivables	50,783	52,983
Amount due from associate company	1,481	1,480
Tax recoverable	493	448
Assets held for sale	11,907	11,885
Cash and bank balances	7,185	5,962
	85,588	88,572
	250,883	255,752
TOTAL ASSETS		
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	42,482	39,905
	159,051	152,455
LIABILITIES		
Non-Current Liabilities		
Long-term borrowings	8,449	12,118
Deferred tax liabilities	5,074	4,954
	13,523	17,072
Current Liabilities		
Trade and other payables	25,340	21,296
Amount due to associate company	1,678	-
Short-term borrowings	51,286	64,924
Tax payable	5	5
	78,309	86,225
	91,832	103,297
TOTAL LIABILITIES		
TOTAL EQUITY AND LIABILITIES		
	250,883	255,752
Net Assets per Ordinary Share (RM)	1.53	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 SECOND QUARTER ENDED 31 DECEMBER 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	-	-	-	-	2,577	2,577
Total comprehensive income for the period	104,000	2,149	(17,444)	27,847	2,577	159,051
As at 31 December 2016	<u>104,000</u>	<u>2,149</u>	<u>(17,444)</u>	<u>27,847</u>	<u>42,499</u>	<u>159,051</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	5,780	-	-	-	-	5,780
Profit for the period	-	-	-	-	2,607	2,607
Total comprehensive income for the period	-	-	-	-	2,607	2,607
As at 31 December 2015	<u>94,850</u>	<u>-</u>	<u>(17,444)</u>	<u>27,423</u>	<u>40,857</u>	<u>145,686</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 SECOND QUARTER ENDED 31 DECEMBER 2016**

	(Unaudited) Current Year- to-date 31.12.2016 RM'000	(Unaudited) Preceding Year Corresponding period 31.12.2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	2,757	2,631
Adjustments for:-		
Depreciation of property, plant and equipment	2,846	3,052
Interest expenses	2,056	2,597
Share-based payment	17	148
Operating profit before changes in working capital	7,676	8,428
Changes in inventories	2,075	896
Changes in trade and other receivables	2,200	8,398
Changes in trade and other payables	5,722	(3,056)
Cash generated from operations	17,673	14,666
Tax paid	(210)	(91)
Tax refunded	45	-
Interest paid	(2,056)	(2,597)
Net cash from operating activities	15,452	11,978
CASH FLOWS FROM INVESTING ACTIVITY		
Purchase of property, plant and equipment	(1,005)	(171)
Net cash used in investing activity	(1,005)	(171)
CASH FLOWS FROM FINANCING ACTIVITIES		
Redeemable of employees share option scheme	4,000	5,780
Net changes in bankers' acceptance	(13,638)	(7,751)
Repayment of term loans	-	(438)
Repayment of hire purchase payables	(3,586)	(3,474)
Net cash used in financing activities	(13,224)	(5,883)
Net Changes in Cash and Cash Equivalents	1,223	5,924
Cash and Cash Equivalents at beginning of the period	5,962	(5,152)
Cash and Cash Equivalents at end of the period	7,185	772

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	7,185	1,610
Bank overdrafts	-	(838)
	7,185	772



**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER, 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. Significant Accounting Policies

At the date of authorization 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

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, 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 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

During the quarter under review, the fully paid up shares 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 1st October 2016 and listed on 6th October 2016.

Other than the above mentioned, there were no issuances and repayment of debts securities during the quarter under review.

A8. Dividends 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; and
- b) Investment holding



A9. Segmental Reporting (continued)

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

Segment Revenue and Results	Cumulative Quarter ended 31 December, 2016			
	Investment Holding RM'000	Manufacturing and Trading RM'000	Elimination RM'000	Group (total) RM'000
Revenue				
- Export	-	38,806	-	38,806
- Local	-	32,588	-	32,588
Total revenue	-	71,394	-	71,394
Results : Operating profit	-	4,869	-	4,869

Segment Revenue and Results	Cumulative Quarter ended 31 Dec, 2015			
	Investment Holding RM'000	Manufacturing and Trading RM'000	Elimination RM'000	Group (total) RM'000
Revenue				
- Export	-	28,626	-	28,626
- Local	-	31,226	-	31,226
Total revenue	-	59,852	-	59,852
Results : Operating profit	-	5,439	-	5,439

Reconciliation of reportable segment profit:	Cumulative Quarter	
	31.12.2016 RM'000	31.12.2015 RM'000
Total operating profit for reporting segment	4,869	5,439
Finance costs	(2,119)	(2,660)
Consolidated profit before tax	2,750	2,779

A9. Segmental Reporting (continued)

Segmental analysis for the period ended 31 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	14,802	<u>Market Conditions</u>		<u>Level</u>		<u>Factors / Circumstances</u>			
			Poor	()	>50%	()	Raw Material Prices	(√)	-NA-	-NA-
			Average	()	50.1% > 75%	()	Market Conditions	(√)		
			Good	(√)	75.1% > 100%	(√)	Product Competition	()		
							Market Competiton	(√)		
							Prices Increases	()		
							New Product Variety	()		
							New Product Segment	()		
							Capacity Expenditure	()		
							Others:-	()		
2	Sweets and Candies	56,592	<u>Market Conditions</u>		<u>Level</u>		<u>Factors / Circumstances</u>			
			Poor	()	>50%	()	Raw Material Prices	(√)	-NA-	-NA-
			Average	()	50.1% > 75%	()	Market Conditions	(√)		
			Good	(√)	75.1% > 100%	(√)	Product Competition	()		
							Market Competiton	()		
							Prices Increases	()		
							New Product Variety	()		
							New Product Segment	()		
							Capacity Expenditure	()		
							Others:-	()		
Total		71,394								

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 have announced that London Biscuits Berhad (“LBB”), being a major shareholder with a shareholding of 19,920,500 ordinary shares of RM1.00 each (being equivalent to 19.15%) has ceased to be the holding company of KSB by virtue of Section 5(1)(a)(1) of the Companies Act, 1965, due to the composition of the new Board of Directors in KSB. There was 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

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 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.

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	164,517	164,495
Intangible assets	1,600	800
Current Assets		
Inventories	8,552	13,739
Trade and other receivables	53,567	50,783
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	46,746	42,482
Non-Current Liabilities		
Deferred tax liabilities	1,835	5,074
Current Liabilities		
Trade and other payables	12,895	25,340



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)

Revenue

In the current quarter ended 31st December 2016, the Group registered higher revenue of RM34,895,000 compared to previous corresponding quarter ended 31st December 2015 of RM32,165,000 mainly due to increase in export sales.

Profit before tax

Profit before tax has decreased from RM1,481,000 to RM1,385,000 as a result of higher marketing and promotion expenses.

B2. Comparison with the Preceding Quarter's Result

Revenue

The Group posted a lower revenue in the current quarter of RM34,895,000 as compared to the preceding quarter ended 30 September 2016 of RM36,499,000 representing a decrease of RM1,604,000.

Profit before tax

Profit before tax has increased from RM1,385,000 to RM1,409,000.

B3. Prospects of the Group

The financial year ending 30th June 2017 is 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 on the medium to long term such as adopting a conservative foreign exchange rate policy for its export business, conducting a limited market rationalization 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 30th 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

There 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	52	59
Deferred tax		
- Current year	75	120
Total income tax expense	127	179

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	43,820
Hire-purchase payables	6,936
Term loans	530
	51,286
Long-term Borrowings:	
Hire-purchase payables	8,382
Term loans	67
	8,449

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

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

On 5th December 2016, the Directors declared a Single-Tier Interim Dividend of 1% per ordinary share of RM1.00 each for the financial year ending 30th June 2017. The payment date for the interim dividend in respect of the financial year ending 30th June 2017 is on 3rd March 2017. In respect of the deposited securities, entitlement to dividends will be determined on the basis of the record of depositors as at 8th February 2017.

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 31.12.2016 RM'000	Audited As at 30.06.2016 RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realised	51,797	46,677
- Unrealised	(5,074)	3,357
	46,723	50,034
Consolidated adjustments	(4,241)	(4,241)
Total Group retained earnings	42,482	39,905

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 31.12.2016 RM'000	Cumulative Quarter 31.12.2016 RM'000
Other income including investment income	(80)	(220)
Interest expenses	983	2,056
Depreciation of property, plant and equipment	1,436	2,846
(Gain) or loss on foreign exchange	(906)	-
	(906)	-

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	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Net profit attributable to ordinary shareholders (RM'000)	1,282	1,243	2,578	2,459
Weighted average number of ordinary shares - in units ('000)	104,000	94,850	104,000	94,850
Basic EPS (Sen)	1.23	1.31	2.48	2.59

(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**