



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, 2017



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2017**

	Individual Quarter		Cumulative Quarter	
	Current Period Quarter Ended 30.09.2017 RM'000	Preceding Period Corresponding Quarter Ended 30.09.2016 RM'000	(Unaudited) Current Period- To-Date Ended 30.09.2017 RM'000	(Unaudited) Preceding Period Corresponding Quarter Ended 30.09.2016 RM'000
Revenue	33,325	36,499	33,325	36,499
Cost of Sales	(29,692)	(31,429)	(29,692)	(31,429)
Gross Profit	3,633	5,070	3,633	5,070
Other income	91	140	91	140
Selling and distribution costs	(521)	(1,861)	(521)	(1,861)
Administrative expenses	(1,063)	(905)	(1,063)	(905)
Finance costs	(1,119)	(1,096)	(1,119)	(1,096)
Profit Before Tax	1,021	1,348	1,021	1,348
Income tax expenses	(188)	(52)	(188)	(52)
Profit for the Period	833	1,296	833	1,296
Total Comprehensive Income for the Period	833	1,296	833	1,296
Profit for the Period attributable to:				
Owners of the Company	833	1,296	833	1,296
	833	1,296	833	1,296
Total Comprehensive Income attributable to:				
Owners of the Company	833	1,296	833	1,296
	833	1,296	833	1,296
Earning per Share (Sen)				
Basic	0.80	1.26	0.80	1.26
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 2017**

	(Unaudited) As at 30.09.2017 RM'000	(Audited) As at 30.06.2017 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	161,276	162,332
Intangible assets	800	800
	162,076	163,132
Current Assets		
Inventories	5,215	12,106
Trade and other receivables	70,021	64,703
Amount due from associate company	135	-
Tax recoverable	68	-
Assets held for sale	(11,884)	-
Cash and bank balances	35,961	8,640
	99,516	85,449
TOTAL ASSETS	261,592	248,581
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	104,000	104,000
Share premium	152	2,300
Merger reserve	(17,444)	(17,444)
Revaluation reserve	21,208	22,588
Retained earnings	48,203	43,922
TOTAL EQUITY	156,119	155,366
LIABILITIES		
Non-Current Liabilities		
Long-term borrowings	4,538	5,574
Deferred tax liabilities	5,637	8,546
	10,175	14,120
Current Liabilities		
Trade and other payables	1,605	18,045
Amount due to associate company	29,260	-
Short-term borrowings	64,284	60,901
Tax payable	149	149
	95,298	79,095
TOTAL LIABILITIES	105,473	93,215
TOTAL EQUITY AND LIABILITIES	261,592	248,581
Net Assets per Ordinary Share (RM)	1.50	1.49

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 2017**

	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	Share Option Reserve RM'000	Retained Earnings RM'000	
Current Quarter							
As at 01 July 2017	104,000	2,300	(17,444)	22,588	-	43,923	155,367
Employees share option scheme	-	(2,148)	-	(1,380)	-	3,447	(81)
Profit for the period	-	-	-	-	-	833	833
Total comprehensive income for the period	104,000	152	(17,444)	21,208	-	833	156,119
Dividends paid	-	-	-	-	-	-	-
As at 30 September 2017	<u>104,000</u>	<u>152</u>	<u>(17,444)</u>	<u>21,208</u>	<u>-</u>	<u>48,203</u>	<u>156,119</u>
Preceding Corresponding Quarter							
As at 01 July 2016	100,000	-	(17,444)	26,464	-	44,151	153,171
Employees share option scheme	-	4,000	-	-	-	-	4,000
Profit for the period	-	-	-	-	-	1,313	1,313
Total comprehensive income for the period	-	-	-	-	-	1,313	1,313
Dividends paid	-	-	-	-	-	-	-
As at 30 September 2016	<u>100,000</u>	<u>4,000</u>	<u>(17,444)</u>	<u>26,464</u>	<u>-</u>	<u>45,464</u>	<u>158,484</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 2017**

	(Unaudited) Current Year- -to-date 30.09.2017 RM'000	(Unaudited) Preceding Year Corresponding period 30.09.2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	1,021	1,348
Adjustments for:-		
Depreciation of property, plant and equipment	1,330	1,432
Interest expenses	1,119	1,096
Share-based payment	-	17
Unrealised gain on foreign exchange	603	-
Operating profit before changes in working capital	4,073	3,893
Changes in inventories	6,891	(336)
Changes in trade and other receivables	4,302	12,150
Changes in trade and other payables	11,026	(2,139)
Cash generated from operations	26,292	13,568
Tax paid	(38)	(52)
Tax refunded	113	-
Interest paid	(1,119)	(1,096)
Net cash from operating activities	25,248	12,420
CASH FLOWS FROM INVESTING ACTIVITY		
Purchase of property, plant and equipment	(280)	(238)
Proceed from disposal of property, plant and equipment	6	-
Net cash used in investing activity	(274)	(238)
CASH FLOWS FROM FINANCING ACTIVITIES		
Redeemable of employees share option scheme	-	4,000
Net changes in bankers' acceptance	4,254	(13,289)
Repayment of term loans	(100)	(197)
Repayment of hire purchase payables	(1,807)	(1,814)
Net cash used in financing activities	2,347	(11,300)
Net Changes in Cash and Cash Equivalents	27,321	882
Cash and Cash Equivalents at beginning of the period	8,640	5,962
Cash and Cash Equivalents at end of the period	35,961	6,844

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

	30.09.2017 RM'000	30.09.2016 RM'000
Cash and bank balances	35,961	6,844
	<u>35,961</u>	<u>6,844</u>

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, 2017**

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 2017. 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 2017.

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 2018

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards*
- Amendments to MFRS 2, *Classification and Measurement of Share-based Payment Transactions*
- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures*
- Amendments to MFRS 140, *Transfers of Investment Property*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*

b) MFRSs, Interpretations and Amendments effective for annual periods beginning on or after 1st January 2019

- MFRS 16, *Leases*

c) 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*

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

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

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.

Detailed segmental reporting is not provided as the Group's primary business segments is principally engaged in the manufacturing and trading of confectionery, sweets and candies and its operation is principally located in Malaysia.

Segment assets, segment liabilities and capital additions were not disclosed as they were not regularly provided to the chief operating decision maker for their day-to-day operation decision making.

Therefore, 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 30 September,2017			
	Investment Holding RM'000	Manufacturing and Trading RM'000	Elimination RM'000	Group (total) RM'000
Revenue				
- Export	-	17,201	-	17,201
- Local	-	16,124	-	16,124
Total revenue	-	33,325	-	33,325
Results : Operating profit	-	2,140	-	2,140

Segment Revenue and Results	Cumulative Quarter ended 30 September, 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	-	2,444	-	2,444

Reconciliation of reportable segment profit:	Cumulative Quarter	
	30.09.2017 RM'000	30.09.2016 RM'000
Total operating profit for reporting segment	2,140	2,444
Finance costs	(1,119)	(1,096)
Consolidated profit before tax	1,021	1,348

A9. Segmental Reporting (continued)

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	2,228	Poor () Average () Good (√) <u>Demand</u> 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	31,097	Poor () Average () Good (√) <u>Demand</u> 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		33,325					

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

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.

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 current quarter under review.

A15. 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		
Intangible assets	912	800
Current Assets		
Inventories	8,575	5,215
Trade and other receivables	68,883	70,021
Amount due from associate company	-	135
Assets held for sale	-	(11,884)
Equity attributable to owners of the Company		
Share premium	-	152
Revaluation reserve	26,464	21,208
Retained earnings	47,572	48,203
Non-Current Liabilities		
Deferred tax liabilities	3,506	5,637
Current Liabilities		
Trade and other payables	13,346	1,605



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 30 September 2017, the Group registered lower revenue of RM33,325,000 compared to previous corresponding quarter ended 30 September 2016 of RM36,499,000 mainly due to decrease in local sales.

Profit before tax

Profit before tax has decrease from RM1,365,000 to RM1,021,000 as a result of lower advertising expenses.

B2. Comparison with the Preceding Quarter's Result

Revenue

The Group posted a lower revenue in the current quarter of RM33,325,000 as compared to the preceding quarter ended 30 June 2017 of RM37,954,000 representing a decrease of RM4,629,000.

Profit before tax

Profit before tax has decreased from RM2,224,000 to RM1,021,000 as a result of decrease in sales.

B3. Prospects of the Group

The financial year ending 30th June 2018 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 2018. 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

Not applicable.

B5. Tax Expense

Tax expense comprises of the followings:

	Current Quarter 30.09.2017 RM'000	Cumulative Quarter 30.09.2017 RM'000
Income tax expense		
- Current year	38	38
	<u>38</u>	<u>38</u>
Deferred tax		
- Current year	150	150
	<u>150</u>	<u>150</u>
Total income tax expense	<u><u>188</u></u>	<u><u>188</u></u>

B6. Corporate Proposals

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

B7. Group Borrowings

	The Group 30.09.2017 RM'000
Short-term Borrowings:	
Bankers' acceptance	58,407
Hire-purchase payables	5,710
Term loans	167
	<u>64,284</u>
Long-term Borrowings:	
Hire-purchase payables	<u>4,538</u>
	<u><u>4,538</u></u>

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 Proposed

There were no dividends proposed by the Company during the current 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 30.09.2017 RM'000	Audited As at 30.06.2017 RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realised	58,081	46,677
- Unrealised	<u>(5,637)</u>	<u>3,357</u>
	52,444	50,034
Consolidated adjustments	<u>(4,241)</u>	<u>(4,241)</u>
Total Group retained earnings	<u><u>48,203</u></u>	<u><u>43,922</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 30.09.2017 RM'000	Cumulative Quarter 30.09.2017 RM'000
Other income including investment income	(91)	(91)
Interest expenses	1,119	1,119
Depreciation of property, plant and equipment	1,330	1,330
(Gain) or loss on foreign exchange	<u>(603)</u>	<u>(603)</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	
	30.09.2017	30.09.2016	30.09.2017	30.09.2016
Net profit attributable to ordinary shareholders (RM'000)	833	1,296	833	1,296
Weighted average number of ordinary shares - in units ('000)	104,000	104,000	104,000	104,000
Basic EPS (Sen)	0.80	1.26	0.80	1.26

(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**