



**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, 2017**



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2017**

	Individual Quarter		Cumulative Quarter	
	Current Period Quarter Ended 31.12.2017 RM'000	Preceding Period Corresponding Quarter Ended 31.12.2016 RM'000	(Unaudited) Current Period- To-Date Ended 31.12.2017 RM'000	(Unaudited) Preceding Period Corresponding Quarter Ended 31.12.2016 RM'000
<b>Revenue</b>	35,732	34,895	69,057	71,394
Cost of Sales	(30,751)	(28,605)	(60,443)	(60,034)
<b>Gross Profit</b>	4,981	6,290	8,614	11,360
Other income	170	80	261	220
Selling and distribution costs	(1,915)	(2,692)	(2,436)	(4,553)
Administrative expenses	(1,262)	(1,246)	(2,325)	(2,151)
Finance costs	(1,026)	(1,023)	(2,145)	(2,119)
<b>Profit Before Tax</b>	948	1,409	1,969	2,757
Income tax expenses	(147)	(127)	(335)	(179)
<b>Profit for the Period</b>	801	1,282	1,634	2,578
<b>Total Comprehensive Income for the Period</b>	801	1,282	1,634	2,578
<b>Profit for the Period attributable to:</b>				
Owners of the Company	801	1,282	1,634	2,578
	801	1,282	1,634	2,578
<b>Total Comprehensive Income attributable to:</b>				
Owners of the Company	801	1,282	1,634	2,578
	801	1,282	1,634	2,578
<b>Earning per Share (Sen)</b>				
Basic	0.77	1.24	1.57	2.49
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 30 June, 2017 and the accompanying explanatory notes attached to the interim financial statements.



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2017**

	(Unaudited) As at 31.12.2017 RM'000	(Audited) As at 30.06.2017 RM'000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	160,523	162,332
Intangible assets	800	800
	161,323	163,132
<b>Current Assets</b>		
Inventories	10,787	12,106
Trade and other receivables	73,692	64,703
Amount due from associate company	135	-
Tax recoverable	68	-
Assets held for sale	(11,884)	-
Cash and bank balances	29,016	8,640
	101,814	85,449
<b>TOTAL ASSETS</b>	263,137	248,581
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to owners of the Company</b>		
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	49,004	43,922
<b>TOTAL EQUITY</b>	156,920	155,366
<b>LIABILITIES</b>		
<b>Non-Current Liabilities</b>		
Long-term borrowings	3,522	5,574
Deferred tax liabilities	5,747	8,546
	9,269	14,120
<b>Current Liabilities</b>		
Trade and other payables	2,847	18,045
Amount due to associate company	30,247	-
Short-term borrowings	63,705	60,901
Tax payable	149	149
	96,948	79,095
<b>TOTAL LIABILITIES</b>	106,217	93,215
<b>TOTAL EQUITY AND LIABILITIES</b>	263,137	248,581
Net Assets per Ordinary Share (RM)	1.51	1.49

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 30 June, 2017 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 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	Retained Earnings RM'000	
<b><u>Current Quarter</u></b>						
<b>As at 01 July 2017</b>	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	-	-	-	-	1,634	1,634
Total comprehensive income for the period	104,000	152	(17,444)	21,208	1,634	156,920
<b>As at 31 December 2017</b>	104,000	152	(17,444)	21,208	49,004	156,920
<b><u>Preceding Corresponding Quarter</u></b>						
<b>As at 01 July 2016</b>	100,000	-	(17,444)	26,464	44,151	153,171
Employees share option scheme	-	4,000	-	-	-	4,000
Profit for the period	-	-	-	-	2,595	2,595
Total comprehensive income for the period	-	-	-	-	2,595	2,595
<b>As at 31 December 2016</b>	100,000	4,000	(17,444)	26,464	46,746	159,766

The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 30 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 2017**

	(Unaudited) Current Year- to-date 31.12.2017 RM'000	(Unaudited) Preceding Year Corresponding period 31.12.2016 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	1,969	2,757
Adjustments for:-		
Depreciation of property, plant and equipment	2,661	2,868
Interest expenses	2,145	2,056
Share-based payment	-	17
Unrealised gain on foreign exchange	(2,313)	-
Operating profit before changes in working capital	4,462	7,698
Changes in inventories	1,319	2,075
Changes in trade and other receivables	(9,124)	16,849
Changes in trade and other payables	26,792	(8,928)
Cash generated from operations	23,449	17,694
Tax paid	(68)	(104)
Tax refunded	114	-
Interest paid	(2,145)	(2,056)
<b>Net cash from operating activities</b>	<b>21,350</b>	<b>15,534</b>
<b>CASH FLOWS FROM INVESTING ACTIVITY</b>		
Purchase of property, plant and equipment	(858)	(1,005)
Proceed from disposal of property, plant and equipment	6	-
<b>Net cash used in investing activity</b>	<b>(852)</b>	<b>(1,005)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Redeemable of employees share option scheme	-	4,000
Net changes in bankers' acceptance	3,578	(13,325)
Repayment of term loans	(201)	(395)
Repayment of hire purchase payables	(3,499)	(3,586)
<b>Net cash used in financing activities</b>	<b>(122)</b>	<b>(13,306)</b>
<b>Net Changes in Cash and Cash Equivalents</b>	<b>20,376</b>	<b>1,223</b>
<b>Cash and Cash Equivalents at beginning of the period</b>	<b>8,640</b>	<b>5,962</b>
<b>Cash and Cash Equivalents at end of the period</b>	<b>29,016</b>	<b>7,185</b>

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

	31.12.2017 RM'000	31.12.2016 RM'000
Cash and bank balances	29,016	7,185
	<u>29,016</u>	<u>7,185</u>

The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 30 June, 2017 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 31 DECEMBER, 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*

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**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 31 December, 2017			
	Investment Holding RM'000	Manufacturing and Trading RM'000	Elimination RM'000	Group (total) RM'000
Revenue				
- Export	-	36,896	-	36,896
- Local	-	32,161	-	32,161
Total revenue	-	69,057	-	69,057
Results : Operating profit	-	4,114	-	4,114

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	-	4,876	-	4,876

Reconciliation of reportable segment profit:	Cumulative Quarter	
	31.12.2017 RM'000	31.12.2016 RM'000
Total operating profit for reporting segment	4,114	4,876
Finance costs	(2,145)	(2,119)
<b>Consolidated profit before tax</b>	<b>1,969</b>	<b>2,757</b>



**A9. Segmental Reporting (continued)**

Segmental analysis for the period ended 31 December 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) △
1	Confectionery	3,285	<u>Market Conditions</u> Poor ( ) Average ( ) Good ( √ )  <u>Demand</u> Poor ( ) Average ( ) Strong ( √ )	<u>Level</u> >50% ( ) 50.1% > 75% ( ) 75.1% > 100% ( √ )	<u>Factors / Circumstances</u> 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	65,772	<u>Market Conditions</u> Poor ( ) Average ( ) Good ( √ )  <u>Demand</u> Poor ( ) Average ( ) Strong ( √ )	<u>Level</u> >50% ( ) 50.1% > 75% ( ) 75.1% > 100% ( √ )	<u>Factors / Circumstances</u> Raw Material Prices ( √ ) Market Conditions ( √ ) Product Competition ( ) Market Competiton ( ) Prices Increases ( ) New Product Variety ( ) New Product Segment ( ) Capacity Expenditure ( ) Others:- ( )	-NA-	-NA-
Total		69,057					

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>
<b>Non-Current Assets</b>		
Intangible assets	912	800
<b>Current Assets</b>		
Inventories	14,147	10,787
Trade and other receivables	72,554	73,692
Amount due from associate company	-	135
Assets held for sale	-	(11,884)
<b>Equity attributable to owners of the Company</b>		
Share premium	-	152
Revaluation reserve	26,464	21,208
Retained earnings	48,373	49,004
<b>Non-Current Liabilities</b>		
Deferred tax liabilities	3,616	5,747
<b>Current Liabilities</b>		
Trade and other payables	14,588	2,847



**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 31 December 2017, the Group registered higher revenue of RM35,732,000 compared to previous corresponding quarter ended 31 December 2016 of RM34,895,000 mainly due to increase in local sales.

**Profit before tax**

Profit before tax has decreased from RM1,409,000 to RM 948,000 as a result of increase of cost of sales expenses.

**B2. Comparison with the Immediate Preceding Quarter's Result**

**Revenue**

The Group posted a higher revenue in the current quarter of RM35,732,000 as compared to the preceding quarter ended 30 September 2017 of RM33,325,000 representing an increase of RM2,408,000.

**Profit before tax**

Profit before tax has decreased from RM1,021,000 to RM948,000 as a result of increase in selling and distributions expenses.

**B3. Prospects of the Group**

The financial year ending 30 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:

	<b>Current Quarter 31.12.2017 RM'000</b>	<b>Cumulative Quarter 31.12.2017 RM'000</b>
<b>Income tax expense</b>		
- Current year	37	75
<b>Deferred tax</b>		
- Current year	110	260
Total income tax expense	147	335

**B6. Corporate Proposals**

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

**B7. Group Borrowings**

	<b>The Group 31.12.2017 RM'000</b>
<b>Short-term Borrowings:</b>	
Bankers' acceptance	58,605
Hire-purchase payables	5,033
Term loans	67
	63,705
<b>Long-term Borrowings:</b>	
Hire-purchase payables	3,522
	3,522

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**

On 8 December 2017, the Directors declared a Single-Tier Interim Dividend of 1% per ordinary share of RM 1.00 each for the financial year ending 30 June 2018. The payment date for the interim dividend in respect of the financial year ending 30 June 2018 is on 7 March 2018. In respect of the deposited securities, entitlement to dividends will be determined on the basis of the record of depositors as at 12 February 2018.

**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:-

	<b>Unaudited As at 31.12.2017 RM'000</b>	<b>Audited As at 30.06.2017 RM'000</b>
Total retained earnings of the Company and its subsidiaries:		
- Realised	58,992	46,677
- Unrealised	(5,747)	3,357
	53,245	50,034
Consolidated adjustments	(4,241)	(4,241)
<b>Total Group retained earnings</b>	<b>49,004</b>	<b>43,922</b>

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):-

	<b>Current Quarter 31.12.2017 RM'000</b>	<b>Cumulative Quarter 31.12.2017 RM'000</b>
Other income including investment income	(170)	(261)
Interest expenses	1,119	2,145
Depreciation of property, plant and equipment	1,330	2,661
(Gain) or loss on foreign exchange	(1,710)	2,313
	<b>(1,710)</b>	<b>2,313</b>



**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	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Net profit attributable to ordinary shareholders (RM'000)	801	1,282	1,634	2,578
Weighted average number of ordinary shares - in units ( '000)	104,000	104,000	104,000	104,000
<b>Basic EPS (Sen)</b>	<b>0.77</b>	<b>1.24</b>	<b>1.57</b>	<b>2.49</b>

**(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