



KHEE SAN BERHAD

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

("KSB" or "the Company")

Interim Financial Statements
Third Quarter Results
For the Financial Period ended
31 March, 2018



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THIRD QUARTER ENDED 31 MARCH 2018**

	Individual Quarter		Cumulative Quarter	
	Current Period Quarter Ended 31.03.2018 RM'000	Preceding Period Corresponding Quarter Ended 31.03.2017 RM'000	(Unaudited) Current Period- To-Date Ended 31.03.2018 RM'000	(Unaudited) Preceding Period Corresponding Quarter Ended 31.03.2017 RM'000
Revenue	27,649	33,496	96,706	104,890
Cost of Sales	(14,827)	(26,934)	(75,270)	(86,968)
Gross Profit	12,822	6,562	21,436	17,922
Other income	383	81	644	301
Selling and distribution costs	(9,086)	(2,729)	(11,522)	(7,282)
Administrative expenses	(1,212)	(1,499)	(3,537)	(3,650)
Finance costs	(1,178)	(1,023)	(3,323)	(3,142)
Profit Before Tax	1,729	1,392	3,698	4,149
Income tax expenses	(509)	(1,068)	(844)	(1,247)
Profit for the Period	1,220	324	2,854	2,902
Total Comprehensive Income for the Period	1,220	324	2,854	2,902
Profit for the Period attributable to:				
Owners of the Company	1,220	324	2,854	2,902
	1,220	324	2,854	2,902
Total Comprehensive Income attributable to:				
Owners of the Company	1,220	324	2,854	2,902
	1,220	324	2,854	2,902
Earning per Share (Sen)				
Basic	1.17	0.32	2.74	2.80
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 MARCH 2018**

	(Unaudited) As at 31.03.2018 RM'000	(Audited) As at 30.06.2017 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	160,037	162,332
Intangible assets	800	800
	<u>160,837</u>	<u>163,132</u>
Current Assets		
Inventories	12,266	12,106
Trade and other receivables	69,171	64,703
Amount due from associate company	135	-
Tax recoverable	238	-
Assets held for sale	(11,884)	-
Cash and bank balances	9,680	8,640
	<u>79,606</u>	<u>85,449</u>
TOTAL ASSETS	<u><u>240,443</u></u>	<u><u>248,581</u></u>
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	49,183	43,922
TOTAL EQUITY	<u>157,099</u>	<u>155,366</u>
LIABILITIES		
Non-Current Liabilities		
Long-term borrowings	2,251	5,574
Deferred tax liabilities	6,057	8,546
	<u>8,308</u>	<u>14,120</u>
Current Liabilities		
Trade and other payables	2,444	18,045
Amount due to associate company	7,422	-
Short-term borrowings	65,149	60,901
Tax payable	21	149
	<u>75,036</u>	<u>79,095</u>
TOTAL LIABILITIES	<u>83,344</u>	<u>93,215</u>
TOTAL EQUITY AND LIABILITIES	<u><u>240,443</u></u>	<u><u>248,581</u></u>
Net Assets per Ordinary Share (RM)	<u>1.51</u>	<u>1.49</u>

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 THIRD QUARTER ENDED 31 MARCH 2018**

	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 2017	104,000	2,300	(17,444)	22,588	43,923	155,367
Employees share option scheme	-	(2,148)	-	(1,380)	3,446	(82)
Profit for the period	-	-	-	-	2,854	2,854
Total comprehensive income for the period	104,000	152	(17,444)	21,208	2,854	158,139
Dividends paid	-	-	-	-	(1,040)	(1,040)
As at 31 March 2018	<u>104,000</u>	<u>152</u>	<u>(17,444)</u>	<u>21,208</u>	<u>49,183</u>	<u>157,099</u>
<u>Preceding Corresponding Quarter</u>						
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	-	-	-	-	2,919	2,919
Total comprehensive income for the period	-	-	-	-	2,919	2,919
Dividends paid	-	-	-	-	(1,040)	(1,040)
As at 31 March 2017	<u>104,000</u>	<u>-</u>	<u>(17,444)</u>	<u>26,464</u>	<u>46,030</u>	<u>159,050</u>

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 THIRD QUARTER ENDED 31 MARCH 2018**

	(Unaudited) Current Year- -to-date 31.03.2018 RM'000	(Unaudited) Preceding Year Corresponding period 31.03.2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	3,698	4,149
Adjustments for:-		
Depreciation of property, plant and equipment	4,002	4,321
Gain on disposal of property, plant and equipment	-	(1)
Interest expenses	3,323	3,041
Share-based payment	-	17
Unrealised gain on foreign exchange	(4,294)	-
Operating profit before changes in working capital	6,729	11,527
Changes in inventories	(160)	607
Changes in trade and other receivables	(4,603)	10,659
Changes in trade and other payables	8,179	(5,768)
Cash generated from operations	10,145	17,025
Tax paid	(574)	(33)
Tax refunded	114	-
Interest paid	(3,323)	(3,041)
Net cash from operating activities	6,362	13,951
CASH FLOWS FROM INVESTING ACTIVITY		
Purchase of property, plant and equipment	(1,713)	(1,578)
Proceed from disposal of property, plant and equipment	6	-
Net cash used in investing activity	(1,707)	(1,578)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(1,040)	(1,040)
Redeemable of employees share option scheme	-	4,000
Net changes in bankers' acceptance	4,248	(8,473)
Repayment of term loans	(267)	(593)
Repayment of hire purchase payables	(6,556)	(5,011)
Net cash used in financing activities	(3,615)	(11,117)
Net Changes in Cash and Cash Equivalents	1,040	1,256
Cash and Cash Equivalents at beginning of the period	8,640	5,962
Cash and Cash Equivalents at end of the period	9,680	7,218

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

	31.03.2018 RM'000	31.03.2017 RM'000
Cash and bank balances	9,680	7,312
Bank overdrafts	-	(94)
	9,680	7,218

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.



**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH, 2018**

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.

Companies Act 2016

The Companies Act 2016 (“New Act”) was enacted to replace the Companies Act 1965 with the objectives to create a legal and regulatory structure that will facilitate business and promote accountability as well as protection of corporate directors and shareholders, taking into consideration the interest of other stakeholders.

Amongst the key changes introduced in the New Act which will affect the financial statements of the Group upon the commencement of the New Act on 31st January, 2017 includes:

- Removal of the authorized share capital
- Shares of the Company will cease to have par or nominal value
- The Company’s share premium account will become part of the Company’s share capital

The adoption of the New Act did not have any financial impact to the financial statements of the Group, if applicable, the effect of adoption mainly will be on disclosure to the annual report and financial statements.

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*
- Amendments to MFRS 4, *Insurance Contracts - Applying MFRS 9, Financial Instruments with MFRS 4, Insurance Contracts*
- 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*

d) Effective for financial periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

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, MFRS 15 and MFRS 16.

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

The Directors has declared a Single-Tier Interim Dividend in respect of the financial year ending 30 June 2018 of 1% per ordinary share of RM1.00, amounting to RM1,040,000 on 8 December 2017 and paid on 12 February 2018.

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 March, 2018			
	Investment Holding RM'000	Manufacturing and Trading RM'000	Elimination RM'000	Group (total) RM'000
Revenue				
- Export	-	48,866	-	48,866
- Local	-	47,840	-	47,840
Total revenue	-	96,706	-	96,706
Results : Operating profit	-	7,021	-	7,021

Segment Revenue and Results	Cumulative Quarter ended 31 March, 2016			
	Investment Holding RM'000	Manufacturing and Trading RM'000	Elimination RM'000	Group (total) RM'000
Revenue				
- Export	-	58,699	-	58,699
- Local	-	46,191	-	46,191
Total revenue	-	104,890	-	104,890
Results : Operating profit	-	7,291	-	7,291

	Cumulative Quarter	
	31.03.2018 RM'000	31.03.2017 RM'000
Reconciliation of reportable segment profit:		
Total operating profit for reporting segment	7,021	7,291
Finance costs	(3,323)	(3,142)
Consolidated profit before tax	3,698	4,149

A9. Segmental Reporting (continued)

Segmental analysis for the period ended 31 March 2018 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) △
			<u>Market Conditions</u>	<u>Level</u>	<u>Factors / Circumstances</u>	<u>Unusual or One off Gains</u>	<u>Other Information</u>
1	Confectionery	4,003	Poor () Average () Good (√)	>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-
			<u>Demand</u>				
			Poor () Average () Strong (√)				
2	Sweets and Candies	92,703	Poor () Average () Good (√)	>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-
			<u>Demand</u>				
			Poor () Average () Strong (√)				
	Total	96,706					

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

On 23 May 2018, the Company has announced that the Securities Commission Malaysia had vide their letter dated 21 May 2018 ("SC letter") reprimanded Khee San and its Directors at the material time for breach of Section 354(1)(a) of the Capital Markets and Services Act 2007 ("CMSA") read together with Regulation 4(1) of the Securities Industry (Compliance with Approved Accounting Standards) Regulations 1999.

The Company has to rectify, re-audit, re-state and re-issue the following :-

- i) The Audited Financial Statements ("AFS") 2015;
- ii) The Audited Financial Statements ("AFS") 2016;
- iii) All the quarterly results and AFS issued subsequent to AFS 2016.

The Company's compliance to the sanctions imposed by SC shall result in additional cost and expenses being incurred in this financial year.

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	15,626	12,266
Trade and other receivables	68,033	69,171
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	48,552	49,183
LIABILITIES		
Non-Current Liabilities		
Long-term borrowings	2,251	2,251
Deferred tax liabilities	3,926	6,057
Current Liabilities		
Trade and other payables	14,185	2,444



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 March 2018, the Group registered lower revenue of RM27,649,000 compared to previous corresponding quarter ended 31 March 2017 of RM33,496,000 mainly due to decrease in export sales.

Profit before tax

Profit before tax has increase from RM1,392,000 to RM 1,729,000 as a result of decrease of cost of sales and administrative expenses.

B2. Comparison with the Immediate Preceding Quarter's Result

Revenue

The Group posted a lower revenue in the current quarter of RM27,649,000 as compared to the preceding quarter ended 31 December 2017 of RM35,732,000 representing an decrease of RM8,083,000.

Profit before tax

Profit before tax has increase from RM 948,000 to RM 1,729,000 as a result of decrease of cost of sales.

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. The Company 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 31.03.2018 RM'000	Cumulative Quarter 31.03.2018 RM'000
Income tax expense		
- Current year	199	274
Deferred tax		
- Current year	310	570
Total income tax expense	509	844

B6. Corporate Proposals

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

B7. Group Borrowings

	The Group 31.03.2018 RM'000
Short-term Borrowings:	
Bankers' acceptance	60,547
Hire-purchase payables	4,602
	65,149
Long-term Borrowings:	
Hire-purchase payables	2,251
	2,251

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 31.03.2018 RM'000	Audited As at 30.06.2017 RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realised	59,481	46,677
- Unrealised	<u>(6,057)</u>	<u>3,357</u>
	53,424	50,034
Consolidated adjustments	<u>(4,241)</u>	<u>(4,241)</u>
Total Group retained earnings	<u><u>49,183</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 31.03.2018 RM'000	Cumulative Quarter 31.03.2018 RM'000
Other income including investment income	(384)	(644)
Interest expenses	1,178	3,323
Depreciation of property, plant and equipment	1,341	4,002
(Gain) or loss on foreign exchange	<u>(1,981)</u>	<u>(4,294)</u>



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	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
Net profit attributable to ordinary shareholders (RM'000)	1,220	324	2,854	2,902
Weighted average number of ordinary shares - in units ('000)	104,000	104,000	104,000	104,000
Basic EPS (Sen)	1.17	0.32	2.74	2.80

(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**