



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
30 September, 2019



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019**

	Individual Quarter		Cumulative Quarter	
	Current Period Quarter Ended 30.09.2019 RM'000	Preceding Period Corresponding Quarter Ended 30.09.2018 RM'000	(Unaudited) Current Period- To-Date Ended 30.09.2019 RM'000	(Unaudited) Preceding Period Corresponding Quarter Ended 30.09.2018 RM'000
Revenue	18,543	N/A	120,282	N/A
Cost of Sales	(17,089)	N/A	(107,528)	N/A
Gross Profit	1,454	N/A	12,754	N/A
Other income	172	N/A	353	N/A
Selling and distribution costs	655	N/A	(4,757)	N/A
Administrative expenses	(44,719)	N/A	(47,892)	N/A
Finance costs	(1,694)	N/A	(3,306)	N/A
Loss Before Tax	(44,132)	N/A	(42,848)	N/A
Income tax expenses	(522)	N/A	(1,155)	N/A
Loss for the Period	(44,654)	N/A	(44,003)	N/A
Other Comprehensive Income	-	N/A	-	N/A
Total Comprehensive Income for the Period	(44,654)	N/A	(44,003)	N/A
Loss for the Period attributable to:				
Owners of the Company	(44,654)	N/A	(44,003)	N/A
Non-controlling interest	-	N/A	-	N/A
	(44,654)	N/A	(44,003)	N/A
Total Comprehensive Income attributable to:				
Owners of the Company	(44,654)	N/A	(44,003)	N/A
Non-controlling interest	-	N/A	-	N/A
	(44,654)	N/A	(44,003)	N/A
Earning per Share (Sen)				
Basic	(42.94)	N/A	(42.31)	N/A
Diluted	N/A	N/A	N/A	N/A

There are no comparative figures disclosed for the current quarter and the cumulative period-to-date results following the change in the financial year ended from 30 June 2018 to 31 December 2018. The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December, 2018 and the accompanying explanatory notes attached to the interim financial statements.



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2019**

	(Unaudited) As at 30.09.2019 RM'000	(Audited) As at 31.12.2018 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	165,970	176,852
Intangible assets	600	600
	166,570	177,452
Current Assets		
Inventories	11,687	10,288
Trade and other receivables	60,498	115,766
Tax recoverable	97	103
Cash and bank balances	67	19,014
	72,349	145,171
	238,919	322,623
TOTAL ASSETS		
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	109,647	106,300
Merger reserve	(17,444)	(17,444)
Revaluation reserve	34,728	22,588
Retained earnings	(25,682)	19,466
TOTAL EQUITY	101,249	130,910
LIABILITIES		
Non-Current Liabilities		
Long-term borrowings	2,272	3,472
Deferred tax liabilities	12,117	11,517
	14,389	14,989
Current Liabilities		
Trade and other payables	47,126	95,843
Bank Overdraft	7,379	1,484
Short-term borrowings	68,776	79,391
Tax payable	-	6
	123,281	176,724
	137,670	191,713
	238,919	322,623
TOTAL EQUITY AND LIABILITIES		
Net Assets per Ordinary Share	0.97	1.26

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December, 2018 and the accompanying explanatory notes attached to the interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019**

	Attributable to Equity Holders of the Parent Entity				Total RM'000
	Non - Distributable		Distributable		
	Share Capital RM'000	Merger Reserve RM'000	Revaluation Reserve RM'000	Retained Earnings RM'000	
<u>Current Quarter</u>					
As at 01 January 2019	106,300	(17,444)	22,588	19,465	130,909
Issuance of shares during the period	3,347	-	-	-	3,347
Revaluation Surplus	-	-	12,140	-	12,140
Loss for the period	-	-	-	(44,003)	(44,003)
Total comprehensive income for the period	<u>109,647</u>	<u>(17,444)</u>	<u>34,728</u>	<u>(24,538)</u>	<u>102,393</u>
Dividends paid	-	-	-	(1,144)	(1,144)
As at 30 September 2019	<u>109,647</u>	<u>(17,444)</u>	<u>34,728</u>	<u>(25,682)</u>	<u>101,249</u>
<u>Preceding Corresponding Quarter</u>					
As at 01 January 2018	N/A	N/A	N/A	N/A	N/A
Employees share option scheme	N/A	N/A	N/A	N/A	N/A
Profit for the period	N/A	N/A	N/A	N/A	N/A
Total comprehensive income for the period	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Dividends paid	N/A	N/A	N/A	N/A	N/A
As at 30 September 2018	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

There are no comparative figures disclosed for the current quarter and the cumulative period-to-date results following the change in the financial year ended from 30 June 2018 to 31 December 2018. The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December, 2018 and the accompanying explanatory notes attached to the interim financial statements.



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019**

	(Unaudited) Current Year- -to-date 30.09.2019 RM'000	(Unaudited) Preceding Year Corresponding period 30.09.2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / Profit before tax	(42,848)	N/A
Adjustments for:-		
Depreciation of property, plant and equipment	4,593	N/A
Interest expenses	3,201	N/A
Provision of doubtful debt	(43,228)	N/A
Revaluation Surplus	12,140	N/A
Unrealised gain on foreign exchange	(1,430)	N/A
Operating profit before changes in working capital	<u>(67,572)</u>	<u>N/A</u>
Changes in inventories	(1,399)	N/A
Changes in trade and other receivables	125,841	N/A
Changes in trade and other payables	<u>(68,804)</u>	<u>N/A</u>
Cash generated from operations	(11,934)	N/A
Tax paid	(555)	N/A
Interest paid	<u>(3,201)</u>	<u>N/A</u>
Net cash from operating activities	<u>(15,690)</u>	<u>N/A</u>
CASH FLOWS FROM INVESTING ACTIVITY		
Purchase of property, plant and equipment	<u>(1,026)</u>	<u>N/A</u>
Net cash used in investing activity	<u>(1,026)</u>	<u>N/A</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(1,144)	N/A
Share Application Monies	3,347	N/A
Net changes in bankers' acceptance	(10,555)	N/A
Repayment of term loans	7	N/A
Repayment of hire purchase payables	<u>(1,266)</u>	<u>N/A</u>
Net cash used in financing activities	<u>(9,611)</u>	<u>N/A</u>
Net Changes in Cash and Cash Equivalents	(26,327)	N/A
Cash and Cash Equivalents at beginning of the period	<u>19,014</u>	<u>N/A</u>
Cash and Cash Equivalents at end of the period	<u>(7,313)</u>	<u>N/A</u>

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

	30.09.2019 RM'000	30.09.2018 RM'000
Cash and bank balances	67	N/A
Bank overdrafts	<u>(7,380)</u>	<u>N/A</u>
	<u>(7,313)</u>	<u>N/A</u>

There are no comparative figures disclosed for the current quarter and the cumulative period-to-date results following the change in the financial year ended from 30 June 2018 to 31 December 2018. The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December, 2018 and the accompanying explanatory notes attached to the interim financial statements.



**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER, 2019**

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

A1. BASIS OF PREPARATION

The 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.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ending 31 December 2019. 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 ending 31 December 2019.

A2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ending 31 December 2019 except as described below. The Group has elected early adoption of MFRS 15 (Revenue from Contract with Customers) & MFRS 9 (Financial Instruments) from 1 July 2017. Other new standards with effective date from 1 January 2018 do not have material effect on the Group's.

a. Adoption of MFRS 15 Revenue from Contract with Customers

The Group has elected early adoption of MFRS 15 Revenue on 1 July 2017. MFRS 15 replaces the guidance in MFRS 111 Construction Contracts MFRS 118, Revenue, IC Interpretation 13, Customer Loyalty Programs, IC Interpretation 15, Agreements for Construction of Real Estate, IC Interpretation 18, Transfer of Assets from Customers and IC Interpretation 131, Revenue - Barter Transactions Involving Advertising Services, MFRS 15 provides a single model for accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligations. The standard specifies that the revenue is to be recognised when control over the goods or services is transferred to customer, moving from the transfer of risks and rewards.

The application of MFRS 15 does not have a material effect on the Group's financial statements.

b. Adoption of MFRS 9 Financial Instruments

The Group has early adopted MFRS 9 Financial instruments on 1 July 2017. MFRS 9 replaces the guidance in MFRS 139 Financial Instruments. Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, impairment of financial assets and on hedge accounting.

MFRS 9 also replaces MFRS 139 with a forward-looking expected credit loss ("ECL") model. Under MFRS 9, loss allowances, will be measured on either 12 months ECLs or Lifetime ECLs. As allowed by the transitional provision of MFRS 9, the Group elected not to restate the comparatives.



A2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

The following MFRSs and Amendments to MFRSs have been issued by the MASB but are not yet effective to the Group:

<u>MFRSs and IC Interpretations</u> (Including the Consequential Amendments, if any)	<u>Effective Date</u>
• MFRS 16 Leases	1 January 2019
• IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
• Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
• Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
• Annual Improvements to MFRS Standards 2015 - 2017 Cycles	1 January 2019
• Amendments to MFRS 10 and MFRS 128: Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

The initial application of the abovementioned standards, amendments or interpretations are not expected to have any material impacts to the financial statements of the Group upon first adoption, except MFRS 9, MFRS 15 and MFRS 16.

A3. QUALIFICATION OF PRECEDING YEAR'S AUDITED FINANCIAL STATEMENTS

The Auditors' Report of the financial statements for the preceding financial year ending 31 December 2018 was not subject to any qualification.

A4. SEASONALITY OR CYCLICALITY OF OPERATIONS

The business operations of the Group were not significantly affected by any seasonal or cyclical factor.

A5. EXCEPTIONAL / UNUSUAL ITEMS

There were no exceptional or unusual items affecting financial statements of the Group for the current quarter under review

A6. MATERIAL CHANGES IN ESTIMATES

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. 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

A single - Tier Interim Dividend in respect of the financial year ending 31 December 2019 of 1% per ordinary share amounting to RM 1,144,000 was declared on 13 May 2019 and paid on 9 August 2019.



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 the 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

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

	Cumulative Quarter ended 30 September, 2019			
	Investment Holding RM'000	Manufacturing and Trading RM'000	Elimination RM'000	Group (total) RM'000
Segment Revenue and Results				
Revenue				
- Export	-	9,242	-	9,242
- Local	-	9,301	-	9,301
Total revenue	-	18,543	-	18,543
Results : Operating loss	-	(39,542)	-	(39,542)

	Cumulative Quarter ended 30 September, 2018			
	Investment Holding RM'000	Manufacturing and Trading RM'000	Elimination RM'000	Group (total) RM'000
Segment Revenue and Results				
Revenue				
- Export	N/A	N/A	N/A	N/A
- Local	N/A	N/A	N/A	N/A
Total revenue	N/A	N/A	N/A	N/A
Results : Operating profit	N/A	N/A	N/A	N/A

	Cumulative Quarter	
	30.09.2019 RM'000	30.09.2018 RM'000
Reconciliation of reportable segment loss:		
Total operating profit for reporting segment	(39,542)	N/A
Finance costs	(3,306)	N/A
Consolidated loss before tax	(42,848)	N/A



A10. Material Events Subsequent to the End of the Quarterly Period

There are no material events subsequent to the end of the quarter under review.

A11. CHANGES IN THE GROUP'S COMPOSITION

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

A12. CONTINGENT ASSETS/LIABILITIES

Contingent liabilities of the Group as at 30 September 2019 is RM 73.8 million being banking facilities granted to a subsidiary compared to RM 74.9 million as at 30 September 2018



A. ADDITIONAL INFORMATION REQUIRED PURSUANT TO MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES

B1. REVIEW OF THE GROUP PERFORMANCE

Current Quarter against Previous Year Corresponding Quarter (Individual Quarter)

The Group operates only in one business segment. Accordingly, detailed analysis of the performance of each business segment is not presented.

B2. COMPARISON WITH PRECEDING QUARTER RESULT (2019 Q3 vs 2018 Q5)

The Group recorded a revenue of RM 18 million with loss before tax of RM 44.13 million for the current quarter as compared to the revenue of RM 54.2 million with profit before tax of RM 1.6 million in the preceding quarter.

B3. GROUP'S CURRENT YEAR PROSPECT

On the backdrop of tight cashflows for the operations, the prospects of the Group remains challenging. The Management is pressing ahead with its plans to strengthen the overall financial position via various options, which may involve a corporate and financial rationalisation plan. Notwithstanding this, the management will continue its efforts to strengthen its distribution network, both domestic as well as export markets, to maintain its revenue. The management anticipates that the demand for its chewy candy and wafer products remain stable for this financial year.

B4. PROFIT FORECAST

The Group has not issued any profit forecast to the relevant authorities and is not subject to any profit guarantee.

B5. OPERATING LOSS

Loss before tax is stated after charging/(crediting):-

	Current Quarter 30.09.2019 RM'000	Cumulative Quarter 30.09.2019 RM'000
Other income including investment income	(172)	(353)
Interest expenses	1,669	3,201
Depreciation of property, plant and equipment	1,535	4,593
(Gain) or loss on foreign exchange	(909)	(1,644)
	<u>(909)</u>	<u>(1,644)</u>



B6. TAXATION

Tax expense comprises of the followings:

	Current Quarter 30.09.2019 RM'000	Cumulative Quarter 30.09.2019 RM'000
Income tax expense		
- Current year	<u>522</u>	<u>555</u>
	522	555
Deferred tax		
- Current year	-	600
	<u>522</u>	<u>1,155</u>
Total income tax expense	<u>522</u>	<u>1,155</u>

B7. CORPORATE PROPOSAL

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

B8. GROUP BORROWINGS AND DEBT SECURITIES

	The Group 30.09.2019 RM'000
Short-term Borrowings:	
Bankers' acceptance	66,590
Hire-purchase payables	2,179
Term loans	<u>7</u>
	<u>68,776</u>
Long-term Borrowings:	
Hire-purchase payables	<u>2,272</u>
	<u>2,272</u>



B9. MATERIAL LITIGATION CHANGES

There is one ongoing litigation against the Group involving Bank of China.

Save as disclosed above and explained below, the Company and its subsidiary companies are not engaged in any other material litigations, claims or arbitration, either as plaintiff or defendant as at the date of this report :-

On 6 August 2019, the Company has received a Writ Summons together with the Statement of Claim dated 1 August 2019 (“the Writ of Summons”) filed by Messrs. Skrine & Co., solicitors of Bank of China (Malaysia) Berhad (“BOC”) on Khee San Food Industries Sdn Bhd (“KSFI”), the wholly-owned subsidiary of the Company, for the following claims as announced on 8 August 2019, the total sum of RM14,619,684.84 as at 30 July 2019 and interests on the sum of RM14,619,684.84 at the rate of 1.25% per annum above BOC’s Base Lending Rate which as at 31 July 2019 is at 6.60% per annum (and such Base Lending Rate which may be fixed from time to time) on daily rests and additional interest of 1.00% per annum thereon from 31 July 2019 till the date of full settlement, costs against KSFI on a solicitor and client basis costs against KSB on a full indemnity basis and such further or other relief as the High Court deem fit and proper to grant.

The Company has also announced that the Company is still solvent regardless of the above Writ of Summons.

On 15 August 2019, the Company has announced that the Company and BOC have appeared before the High Court of Malaya at Kuala Lumpur for the case management and the High Court has fixed for a further Case Management on 30 September 2019 of which KSFI and the Company has to enter their defense on or before 3 September 2019 and BOC to enter its reply to the defense on or before 17 September 2019. On 22 November 2019, there was a further Case management for parties to record an order to resolve the dispute. The terms of the order is being finalised as at this date but the order encompass a resolution with all its creditor banks.

B10. PROPOSED DIVIDEND

The directors did not declare any interim dividend for the financial quarter under review.



B11. EARNINGS PER ORDINARY 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	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
Net loss attributable to ordinary shareholders (RM'000)	(44,654)	N/A	(44,003)	N/A
Weighted average number of ordinary shares - in units ('000)	114,000	N/A	114,000	N/A
Basic EPS (Sen)	(39.17)	N/A	(38.60)	N/A

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

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

Dated: