



KHEE SAN BERHAD

[Registration No.: 199401018697 (304376-A)]
(Incorporated in Malaysia)

("KSB" or "the Company")

Interim Financial Statements
Fourth Quarter Results
For the Financial Period ended
31 December 2019



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2019**

	Individual Quarter		Cumulative Quarter	
	Current Period Quarter Ended 31.12.2019 RM'000	Preceding Period Corresponding Quarter Ended 31.12.2018 RM'000	(Unaudited) Current Period- To-Date Ended 31.12.2019 RM'000	(Unaudited) Preceding Period Corresponding Quarter Ended 31.12.2018 RM'000
Revenue	9,059	N/A	129,350	N/A
Cost of Sales	(12,306)	N/A	(119,834)	N/A
Gross Profit	(3,247)	N/A	9,516	N/A
Other income	102	N/A	455	N/A
Selling and distribution costs	(693)	N/A	(5,450)	N/A
Administrative expenses	(27,618)	N/A	(75,510)	N/A
Finance costs	(235)	N/A	(3,541)	N/A
Profit Before Tax	(31,691)	N/A	(74,530)	N/A
Income tax expenses	(806)	N/A	(1,961)	N/A
Profit for the Period	(32,497)	N/A	(76,491)	N/A
Other Comprehensive Income	-	N/A	-	N/A
Total Comprehensive Income for the Period	(32,497)	N/A	(76,491)	N/A
Profit for the Period attributable to:				
Owners of the Company	(32,497)	N/A	(76,491)	N/A
Non-controlling interest	-	N/A	-	N/A
	(32,497)	N/A	(76,491)	N/A
Total Comprehensive Income attributable to:				
Owners of the Company	(32,497)	N/A	(76,491)	N/A
Non-controlling interest	-	N/A	-	N/A
	(32,497)	N/A	(76,491)	N/A
Earning per Share (Sen)				
Basic	(28.51)	N/A	(67.10)	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 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 period ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 AS AT 31 DECEMBER 2019**

	(Unaudited) As at 31.12.2019 RM'000	(Audited) As at 31.12.2018 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	164,391	176,852
Intangible assets	600	600
	<u>164,991</u>	<u>177,452</u>
Current Assets		
Inventories	8,139	10,288
Trade and other receivables	35,335	115,766
Tax recoverable	103	103
Cash and bank balances	687	19,014
	<u>44,264</u>	<u>145,171</u>
	<u>209,255</u>	<u>322,623</u>
TOTAL ASSETS	<u>209,255</u>	<u>322,623</u>
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	(58,169)	19,466
TOTAL EQUITY	<u>68,762</u>	<u>130,910</u>
LIABILITIES		
Non-Current Liabilities		
Long-term borrowings	1,542	3,472
Deferred tax liabilities	12,117	11,517
	<u>13,659</u>	<u>14,989</u>
Current Liabilities		
Trade and other payables	50,847	95,843
Bank Overdraft	7,693	1,484
Short-term borrowings	68,288	79,391
Tax payable	6	6
	<u>126,834</u>	<u>176,724</u>
	<u>140,493</u>	<u>191,713</u>
TOTAL LIABILITIES	<u>140,493</u>	<u>191,713</u>
TOTAL EQUITY AND LIABILITIES	<u>209,255</u>	<u>322,623</u>
Net Assets per Ordinary Share	<u>0.66</u>	<u>1.26</u>

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the period 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 FOURTH QUARTER ENDED 31 DECEMBER 2019**

	Attributable to Equity Holders of the Parent Entity					Total RM'000
	Non - Distributable				Distributable	
	Share Capital RM'000	Share Application Monies RM'000	Merger Reserve RM'000	Revaluation Reserve RM'000	Retained Earnings RM'000	
<u>Period ended 31 December 2019</u>						
As at 01 January 2019	106,300	-	(17,444)	22,588	19,466	130,910
Issuance of shares during the period	3,347	-	-	-	-	3,347
Revaluation Surplus	-	-	-	12,140	-	12,140
Profit for the period	-	-	-	-	(76,491)	(76,491)
Total comprehensive income for the period	109,647	-	(17,444)	34,728	(57,025)	69,906
Dividends paid	-	-	-	-	(1,144)	(1,144)
As at 31 December 2019	109,647	-	(17,444)	34,728	(58,169)	68,762

There are no comparative figures disclosed for the current quarter and the cumulative period-to-date results following the change in the financial year 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 period ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2019**

	(Unaudited) Current Year- -to-date 31.12.2019 RM'000	(Unaudited) Preceding Year Corresponding period 31.12.2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / Profit before tax	(74,530)	N/A
Adjustments for:-		
Depreciation of property, plant and equipment	6,286	N/A
Interest expenses	3,541	N/A
Provision of doubtful debt	67,926	N/A
Revaluation Surplus	12,140	N/A
Unrealised gain on foreign exchange	(1,064)	N/A
Operating profit before changes in working capital	<u>14,299</u>	<u>N/A</u>
Changes in inventories	2,149	N/A
Changes in trade and other receivables	13,569	N/A
Changes in trade and other payables	<u>(44,996)</u>	<u>N/A</u>
Cash generated from operations	(14,979)	N/A
Tax paid	(1,361)	N/A
Interest paid	<u>(3,541)</u>	<u>N/A</u>
Net cash from operating activities	<u>(19,881)</u>	<u>N/A</u>
CASH FLOWS FROM INVESTING ACTIVITY		
Purchase of property, plant and equipment	(1,026)	N/A
Proceed from disposal of property, plant and equipment	<u>7,201</u>	<u>N/A</u>
Net cash used in investing activity	<u>6,175</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	(10,749)	N/A
Repayment of term loans	7	N/A
Repayment of hire purchase payables	<u>(2,291)</u>	<u>N/A</u>
Net cash used in financing activities	<u>(10,830)</u>	<u>N/A</u>
Net Changes in Cash and Cash Equivalents	(24,536)	N/A
Cash and Cash Equivalents at beginning of the period	<u>17,530</u>	<u>N/A</u>
Cash and Cash Equivalents at end of the period	<u>(7,006)</u>	<u>N/A</u>

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

	31.12.2019 RM'000	31.12.2018 RM'000
Cash and bank balances	687	N/A
Bank overdrafts	<u>(7,693)</u>	<u>N/A</u>
	<u>(7,006)</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 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 period 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 31 DECEMBER 2019**

**A. EXPLANATORY NOTES PURSUANT 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 period ended 31 December 2018. 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 period ended 31 December 2019.

A2. SIGNIFICANT ACCOUNTING POLICIES

In addition to the accounting policies and presentations adopted by the Group for the audited financial statements for the financial period ended 31 December 2018, the Group has further adopted the following MFRS in the interim financial statement, effective from 1 January 2019:

MFRS 16	Leases
Amendments to MFRS 3	Business Combinations ⁽¹⁾
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 11	Joint Arrangements ⁽¹⁾
Amendments to MFRS 112	Income Taxes ⁽¹⁾
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement
Amendments to MFRS 123	Borrowing Costs ⁽¹⁾
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
IC Interpretation 23	Uncertainty Over Income Tax Treatments

(1) Amendments to MFRSs contained in the document entitle Annual Improvements to MFRSs 2015-2017 Cycle.

The Group expect that the adoption of the above Standards, Amendments and IC Interpretation are not expected to have any material financial impacts to the current period and prior period financial statements.

A3. QUALIFICATION OF PRECEDING YEAR'S AUDITED FINANCIAL STATEMENTS

The Auditors' Report of the financial statements for the preceding financial period ended 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 period ended 30 June 2020 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



A9. SEGMENTAL REPORTING

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

	Cumulative Quarter ended 31 December, 2019			
	Investment	Manufacturing		
	Holding RM'000	and Trading RM'000	Elimination RM'000	Group (total) RM'000
Segment Revenue and Results				
Revenue				
- Export	-	28,984	-	28,984
- Local	-	100,366	-	100,366
Total revenue	-	129,350	-	129,350
Results : Operating profit	-	(70,989)	-	(70,989)

	Cumulative Quarter ended 31 December, 2018			
	Investment	Manufacturing		
	Holding RM'000	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	
	31.12.2019 RM'000	31.12.2018 RM'000
Reconciliation of reportable segment profit:		
Total operating profit for reporting segment	(70,989)	N/A
Finance costs	(3,541)	N/A
Consolidated profit before tax	(74,530)	N/A

A10. 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 Unaudited Financial Statements for the quarter under review, other than as follows:

- i) On 6 January 2020, the Company has announced that Bursa Malaysia Securities Berhad (“Bursa Securities”) has approved the following via their letter dated 3 January 2020 and subject to the conditions as stated in the announcement dated 6 January 2020 :-
 - a) Listing of and quotation for 94,000,000 new shares to be issued pursuant to the proposed subscription of shares by
 - b) Listing and quotation for 208,400,000 new shares to be issued pursuant to the proposed rights issue.



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

There are no contingent assets and contingent liabilities as at the date of this interim financial report.

(The rest of the pages is intentional left blank)



B. 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

The Group recorded a revenue of RM 9 million with loss before tax of RM 5.5 million for the current quarter as compared to the revenue of RM 62.6 million with profit before tax of RM 3.7 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 the current 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

	Current Quarter 31.12.2019 RM'000	Cumulative Quarter 31.12.2019 RM'000
Other income including investment income	(102)	(455)
Interest expenses	235	3,541
Depreciation of property, plant and equipment	1,694	6,286
(Gain) or loss on foreign exchange	<u>366</u>	<u>(1,064)</u>



B6. TAXATION

Tax expense comprises of the followings:

	Current Quarter ended Quarter 31.12.2019 RM'000	Cumulative Quarter ended Quarter 31.12.2019 RM'000
Income tax expense		
- Current year	806	1,361
	806	1,361
Deferred tax		
- Current year	-	600
	-	600
Total income tax expense	806	1,961

B7. CORPORATE PROPOSAL

There were no corporate proposals during the current quarter under review that has not been reflected in the Unaudited Financial Statements for the quarter under review, other than as follows:

- i) On 10 October 2019, the Company has announced that the Company and Wah Kong Corporation Sdn Bhd (“Vendor”) has mutually agreed to further extend the effective period of the Heads of Agreement (“HOA”) from 10 October 2019 to 31 October 2019 to enable both, the Company and the Vendor, an additional time to complete the due diligence process and the negotiation on the terms and conditions of the share sale agreement to be entered into.

On 31 October 2019, the Company has further announced that following the expiry of the further extension to 31 October 2019, the HOA entered into between the parties has legally lapsed as it was pending the consents from the banks and certain other creditors and the Company would continue to pursue other potential investors and proposals for the best interest of the Company and its stakeholders.

- ii) On 2 December 2019, UOB Kay Hian Securities (M) Sdn Bhd (“UOBKH”) has announced on behalf of the Company that the Company has proposed to undertake the following proposals :-
- a) A private placement of 94,000,000 new ordinary shares, representing approximately 45.11% of the total enlarged issued in the Company to MDD (“Proposed Subscription”); and
 - b) A renounceable rights issue of 208,400,000 new shares on the basis 1:1 Rights Share for every 1 existing share in the Company held on an entitlement date to be announced later after the completion of the Proposed Subscription (“Proposed Rights Issue”).

On 18 December 2019, UOBKH has announced, on behalf of the Company, that the listing application in relation to Proposed Subscription and Proposed Rights Issue has been submitted to Bursa Securities for its approval.



B8. GROUP BORROWINGS AND DEBT SECURITIES

	The Group 31.12.2019 RM'000
Short-term Borrowings:	
Bankers' acceptance	65,748
Finance Lease payables	2,540
Term loans	-
	68,288
Long-term Borrowings:	
Finance Lease payables	1,542
	1,542

B9. MATERIAL LITIGATION CHANGES

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

Bank of China Malaysia Berhad –v- 1. Khee San Food Industries Sdn Bhd & 2. Khee San Berhad

- A. On 22 November 2019, the Company has announced that the parties have appeared before the Kuala Lumpur High Court Judge for the Case Management and the High Court Judge has given the following directions :-
- the Company's Stay Application (Enclosure 8) and the BOC's Application for Summary Judgment (Enclosure 11) have been fixed for Hearing on 5.12.2019;
 - the Case Management for Enclosure 1 (Main Suit) will be heard together with Enclosures 8 and 11 on 5.12.2019 before the learned High Court Judge; and
 - with regards to the BOC's Striking Out of the Company's Counter Claim (Enclosure 12), instead of the Company to withdrawing its' Counter Claim, the Court had recorded that Parties have agreed to Enclosure 12 and therefore, the Company's Counter Claim has been struck out without cost.
- B. On 5 December 2019, that as agreed by the parties, a consent judgment has been recorded :-
- (1) Khee San Food Industries Sdn Berhad ("KSFI") and the Company ("Defendants") shall pay to BOC, a sum of RM16,762,980.85 as at 20 November 2019 with interest thereon at the rate of 1.25% per annum above the Plaintiff's Base Lending Rate ("BLR") which as at 21 November 2019 is at 6.60% per annum (and such BLR which may be fixed from time to time) on daily rests and additional interest of 1.00% per annum thereon from 21 November 2019 until the date of full settlement and costs of RM15,000.00;
 - (2) Execution on the judgment under paragraph (1) above is stayed for 6 months on the terms and conditions stated in Messrs. Skrine's letter to Messrs. Krish Maniam & Co dated 5 December 2019 ("Letter"); and
 - (3) BOC shall be at liberty to forthwith execute on the judgment at paragraph (1) above (entire sums of which shall be immediately due and payable by the Defendants) in the event of non-compliance of any of the terms and conditions stated in the Letter.



- (4) Meanwhile, since the Consent Judgment has been recorded, the Court has directed that by mutual consent of both Parties, Enclosure 8 and 11 be withdrawn with no order to cost.
- C. On 7 January 2020, the Company's solicitors, Messrs Krish Maniam & Co, has fixed an appointment on 10 January 2020 for clarification with the learned High Court Judge as the interpretation of the terms of the Consent Judgment dated 5 December 2019, entered by the Parties before his Lordship was in dispute.
- D. On 9 January 2020, that the said appointment in relation to the clarification with the learned High Court Judge was vacated from 10 January 2020 to 15 January 2020.
- E. On 22 January 2020, since there were disputes in relation to the terms of the Annexure 1, which is the letter dated 5 December 2019 attached to the Consent Judgment dated 5 December 2019 by BOC's Solicitors, Messrs Skrine addressed to Messrs Krish Maniam & Co. Therefore, giving rise to the Company to instruct its' Solicitors, namely Messrs Krish Maniam & Co to file the Setting Aside Application for the Consent Judgment ("**Setting Aside Application**") and the Stay of Execution Application for the Consent Judgment ("**Stay of Execution Application**").
- F. On 6 February 2020, the Court had then fixed for the hearing of the Set Aside Application and the Stay of Execution Application on 27 April 2020.

ACL Comfort Air-Cond Sdn Bhd –v- Khee San Food Industries Sdn Bhd

- A. On 21 February 2020, the Board has announced that KSFI has received a sealed copy of the Writ of Summon and a Statement of Claim filed by Messrs. S K Song, the solicitors for ACL Comfort Air-Cond Sdn Bhd for the outstanding payments of RM 59,194.61 which the Company is contesting the claim as it was purchased by London Biscuits Berhad previously.
- B. On 25 February 2020, the Board has announced that the Court has given the direction for the KSFI to enter defence before 9 March 2020. Further, the Court has fixed for a Case Management on 9 March 2020 for KSFI's Notice of Application for Transfer of Proceeding.

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	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Net profit attributable to ordinary shareholders (RM'000)	(32,497)	N/A	(76,491)	N/A
Weighted average number of ordinary shares - in units ('000)	114,000	N/A	114,000	N/A
Basic EPS (Sen)	(28.51)	N/A	(67.10)	N/A

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

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