



KHEE SAN BERHAD

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

("KSB" or "the Company")

Interim Financial Statements
Sixth Quarter Results
For the Financial Period ended
31 December, 2018



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIXTH QUARTER ENDED 31 DECEMBER 2018**

	Individual Quarter		Cumulative Quarter	
	Current Period Quarter Ended 31.12.2018 RM'000	Preceding Period Corresponding Quarter Ended 31.12.2017 RM'000 ***	(Unaudited) Current Period- To-Date Ended 31.12.2018 RM'000	(Audited) Preceding Period Corresponding Quarter Ended 31.12.2017 RM'000 ***
Revenue	62,611	N/A	256,508	N/A
Cost of Sales	(53,865)	N/A	(208,480)	N/A
Gross Profit	8,746	N/A	48,028	N/A
Other income	98	N/A	1,294	N/A
Selling and distribution costs	(603)	N/A	(17,769)	N/A
Administrative expenses	(3,162)	N/A	(13,632)	N/A
Finance costs	(1,344)	N/A	(7,394)	N/A
Profit Before Tax	3,735	N/A	10,527	N/A
Income tax expenses	(3,168)	N/A	(4,457)	N/A
Profit for the Period	567	N/A	6,070	N/A
Total Comprehensive Income for the Period	567	N/A	6,070	N/A
Profit for the Period attributable to:				
Owners of the Company	567	N/A	6,070	N/A
	567	N/A	6,070	N/A
Total Comprehensive Income attributable to:				
Owners of the Company	567	N/A	6,070	N/A
	567	N/A	6,070	N/A
Earning per Share (Sen)				
Basic	0.55	N/A	5.84	N/A
Diluted	N/A	N/A	N/A	N/A

As announced on 25 June 2018, the financial year end had been changed from 30 June to 31 December to cover the eighteen (18) months period from 1 July 2017 to 31 December 2018 and thereafter, to end at 31 December for each subsequent year. Accordingly, there are no comparative figures disclosed following the change of financial year end.

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 FINANCIAL POSITION
AS AT 31 DECEMBER 2018**

	(Unaudited) As at 31.12.2018 RM'000	(Audited) As at 30.06.2017 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	177,131	162,332
Intangible assets	800	800
	<u>177,931</u>	<u>163,132</u>
Current Assets		
Inventories	5,835	12,106
Trade and other receivables	116,023	64,703
Amount due from associate company	135	-
Tax recoverable	5	-
Assets held for sale	(11,884)	-
Cash and bank balances	5,646	8,640
	<u>115,760</u>	<u>85,449</u>
TOTAL ASSETS	<u><u>293,691</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	22,677	43,922
TOTAL EQUITY	<u>130,593</u>	<u>155,366</u>
LIABILITIES		
Non-Current Liabilities		
Long-term borrowings	2,997	5,574
Deferred tax liabilities	8,277	8,546
	<u>11,274</u>	<u>14,120</u>
Current Liabilities		
Trade and other payables	71,996	18,045
Short-term borrowings	79,807	60,901
Tax payable	21	149
	<u>151,824</u>	<u>79,095</u>
TOTAL LIABILITIES	<u>163,098</u>	<u>93,215</u>
TOTAL EQUITY AND LIABILITIES	<u><u>293,691</u></u>	<u><u>248,581</u></u>
Net Assets per Ordinary Share (RM)	<u>1.26</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 SIXTH QUARTER ENDED 31 DECEMBER 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	
18 months ended 31 December 2018**						
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)
Adjustment on initial application of MFRS 9	-	-	-	-	(29,723)	(29,723)
Profit for the period	-	-	-	-	6,070	6,070
Total comprehensive income for the period	104,000	152	(17,444)	21,208	6,070	131,633
Dividends paid	-	-	-	-	(1,040)	(1,040)
As at 31 December 2018	<u>104,000</u>	<u>152</u>	<u>(17,444)</u>	<u>21,208</u>	<u>22,677</u>	<u>130,593</u>
18 months ended 31 December 2017**						
As at 01 July 2016	N/A	N/A	N/A	N/A	N/A	N/A
Employees share option scheme	N/A	N/A	N/A	N/A	N/A	N/A
Other comprehensive income:						
- Revaluation surplus on properties	N/A	N/A	N/A	N/A	N/A	N/A
Transfer reserves	N/A	N/A	N/A	N/A	N/A	N/A
Profit for the period	N/A	N/A	N/A	N/A	N/A	N/A
Total comprehensive income for the period	N/A	N/A	N/A	N/A	N/A	N/A
Dividends paid	N/A	N/A	N/A	N/A	N/A	N/A
As at 31 December 2017	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

** As announced on 25 June 2018, the financial year end had been changed from 30 June to 31 December to cover the eighteen (18) months period from 1 July 2017 to 31 December 2018 and thereafter, to end at 31 December for each subsequent year. Accordingly, there are no comparative figures disclosed following the change of financial year end.

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 SIXTH QUARTER ENDED 31 DECEMBER 2018**

	(Unaudited) Current Year- to-date 31.12.2018 RM'000	(Unaudited) Preceding Year Corresponding period 31.12.2017 RM'000 ***
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	10,527	N/A
Adjustments for:-		
Depreciation of property, plant and equipment	8,369	N/A
Interest expenses	7,394	N/A
Unrealised gain on foreign exchange	(1,527)	N/A
Operating profit before changes in working capital	24,763	N/A
Changes in inventories	6,271	N/A
Changes in trade and other receivables	(51,455)	N/A
Changes in trade and other payables	40,753	N/A
Cash generated from operations	20,332	N/A
Tax paid	(1,291)	N/A
Tax refunded	110	N/A
Interest paid	(7,394)	N/A
Net cash from operating activities	11,757	N/A
CASH FLOWS FROM INVESTING ACTIVITY		
Purchase of property, plant and equipment	(23,175)	N/A
Proceed from disposal of property, plant and equipment	6	N/A
Net cash used in investing activity	(23,169)	N/A
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(1,040)	N/A
Net changes in bankers' acceptance	16,329	N/A
Repayment of term loans	(267)	N/A
Repayment of hire purchase payables	(6,604)	N/A
Net cash used in financing activities	8,418	N/A
Net Changes in Cash and Cash Equivalents	(2,994)	N/A
Cash and Cash Equivalents at beginning of the period	8,640	N/A
Cash and Cash Equivalents at end of the period	5,646	N/A

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

	31.12.2018 RM'000	31.12.2017 RM'000
Cash and bank balances	5,646	N/A
	5,646	N/A

** As announced on 25 June 2018, the financial year end had been changed from 30 June to 31 December to cover the eighteen (18) months period from 1 July 2017 to 31 December 2018 and thereafter, to end at 31 December for each subsequent year. Accordingly, there are no comparative figures disclosed following the change of financial year end.



**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER, 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.

A2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 30 June 2017 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 Programmes, 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)

Effects arising from the initial application of the new impairment model and the recognition of equity investments to fair value through profit or loss ("FVTPL") are as follows:

	Impact of adoption of MFRS 9 to opening balance at 1 July 2017
	RM'000
Decrease in retained earnings	29,723
Decrease in trade and other receivables	29,723

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 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 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

There were no dividends 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

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

Cumulative Quarter ended 31 December, 2018				
Segment Revenue and Results	Investment Holding RM'000	Manufacturing and Trading RM'000	Elimination RM'000	Group (total) RM'000
Revenue				
- Export	-	81,515	-	81,515
- Local	-	174,993	-	174,993
Total revenue	-	256,508	-	256,508
Results : Operating profit	-	17,921	-	17,921

Cumulative Quarter ended 31 December, 2017				
Segment Revenue and Results	Investment Holding RM'000	Manufacturing and Trading RM'000	Elimination RM'000	Group (total) RM'000
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 31.12.2018 RM'000	31.12.2017 RM'000
Reconciliation of reportable segment profit:		
Total operating profit for reporting segment	17,921	N/A
Finance costs	(7,394)	N/A
Consolidated profit before tax	10,527	N/A



A10. VALUATION 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.

On 1 November 2018, the Company has announced that

- i) Messrs Kreston John and Gan was appointed as the External Auditor to re-audit the AFS 2015 and AFS 2016
They were also appointed to conduct an assessment of the scope, functions, competency and resources of the Company's financial reporting function.
- ii) PKF Advisory Sdn Bhd was appointed as the independent consultant to assess the effectiveness of the Company's Audit Committee and Internal Control Review of the Company including the assessment of the financial reporting functions.

On 19 November 2018, the Company has announced that SC had vide its letter dated 15 November 2018 granted an extension of time for the re-audit and reissuance of the Company's AFS 2015 and 2016 results to the 15 March 2019

As Messrs KPMG PLT had resigned on 27 August 2018, the Company had on 31 October 2018 announced that Messrs Kreston John & Gan has been appointed as the new External Auditor of the Company for the financial year ending 31 December 2018 and to hold office until the conclusion of the next annual general meeting of the Company.

A12. 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.

A13. CONTINGENT ASSETS/LIABILITIES

Contingent liabilities of the Group as at 31 December 2018 is RM 94.4 million banking facility granted to subsidiary compare to 31 December 2017 is RM 81.4 million.



A14. 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	9,195	5,835
Trade and other receivables	114,885	116,023
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	22,046	22,677
Non-Current Liabilities		
Deferred tax liabilities	6,146	8,277
Current Liabilities		
Trade and other payables	83,737	71,996
Short-term borrowings	79,807	79,807



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.

The Group reported revenue of RM62.6 million with profit before tax of RM3.7 million in the current quarter as compared to revenue of RM35.7 million with profit before tax of RM0.9 million in the previous quarter ended 31 December 2017.

The increase in profit before tax was mainly due to increase in sales.

B2. COMPARISON WITH PRECEDING QUARTER RESULT (2018 Q6 vs 2018 Q5)

The Group recorded a revenue of RM 62.6 million with profit before tax of RM3.7 million for the current quarter as compared to the revenue of RM54.2 million with profit before tax of RM1.6 million in the preceding quarter. The increase in profit before tax for the Group was mainly due to decrease in selling and distribution costs.

B3. GROUP'S CURRENT YEAR PROSPECT

The financial year ending 31 December 2018 was another challenging year. The Management is pressing ahead with its plans to strengthen the overall position the Company by looking to carrying out a market rationalization plan on a gradual basis to re-orient our focus on revenue growth as well as profitability.

Despite the challenges, the prospects of the Group remain positive with continual efforts to strengthen its domestic distribution network supported with selective marketing campaigns in key overseas markets whilst exploring new potential markets via participation in trade fairs. The Management will also remain vigilant in relation to any potential impact resulting from the Sales and Service Tax Act (SST) in terms of market uncertainties and operational challenges. Otherwise, we anticipate that our business segments will remain good and stable for the upcoming financial year ending 31 December 2019 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

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



B5. OPERATING PROFIT

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

	Current Quarter 31.12.2018 RM'000	Cumulative Quarter 31.12.2018 RM'000
Other income including investment income	(98)	(1,294)
Interest expenses	1,344	7,394
Depreciation of property, plant and equipment	1,471	8,369
(Gain) or loss on foreign exchange	246	1,527
	<u>246</u>	<u>1,527</u>

B6. TAXATION

Tax expense comprises of the followings:

	Current Quarter 31.12.2018 RM'000	Cumulative Quarter 31.12.2018 RM'000
Income tax expense		
- Current year	1,168	1,667
Deferred tax		
- Current year	2,000	2,790
Total income tax expense	<u>3,168</u>	<u>4,457</u>

B7. CORPORATE PROPOSAL

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

B8. GROUP BORROWINGS AND DEBT SECURITIES

	The Group 31.12.2018 RM'000
Short-term Borrowings:	
Bankers' acceptance	<u>79,807</u>
	<u>79,807</u>
Long-term Borrowings:	
Hire-purchase payables	<u>2,997</u>
	<u>2,997</u>

B9. CHANGES IN MATERIAL LITIGATION

There is no ongoing litigation that may have any material impact on the financial position of the Group.



B10. PROPOSED DIVIDENDS

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

B11. EARNINGS PER ORDINARY SHARE ("EPS")

a) Basic EPS

Basic EPS is calculated by dividing the net profit for the period by the weighted average number of ordinary shares in issue during the period

(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	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Net profit attributable to ordinary shareholders (RM'000)	567	N/A	6,070	N/A
Weighted average number of ordinary shares - in units ('000)	104,000	N/A	104,000	N/A
Basic EPS (Sen)	0.55	N/A	5.84	N/A

(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**