



KHEE SAN BERHAD

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

("KSB" or "the Company")

Interim Financial Statements
First Quarter Results
For the Financial Period ended
31 March, 2019



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED 31 MAR 2019**

	Individual Quarter		Cumulative Quarter	
	Current Period Quarter Ended 31.03.2019 RM'000	Preceding Period Corresponding Quarter Ended 31.03.2018 RM'000	(Unaudited) Current Period- To-Date Ended 31.03.2019 RM'000	(Unaudited) Preceding Period Corresponding Quarter Ended 31.03.2018 RM'000
Revenue	78,582	N/A	78,582	N/A
Cost of Sales	(63,546)	N/A	(63,546)	N/A
Gross Profit	15,036	N/A	15,036	N/A
Other income	79	N/A	79	N/A
Selling and distribution costs	(10,102)	N/A	(10,102)	N/A
Administrative expenses	(2,079)	N/A	(2,079)	N/A
Finance costs	(1,022)	N/A	(1,022)	N/A
Profit Before Tax	1,911	N/A	1,911	N/A
Income tax expenses	(700)	N/A	(700)	N/A
Profit for the Period	1,211	N/A	1,211	N/A
Total Comprehensive Income for the Period	1,211	N/A	1,211	N/A
Profit for the Period attributable to:				
Owners of the Company	1,211	N/A	1,211	N/A
	1,211	N/A	1,211	N/A
Total Comprehensive Income attributable to:				
Owners of the Company	1,211	N/A	1,211	N/A
	1,211	N/A	1,211	N/A
Earning per Share (Sen)				
Basic	1.14	N/A	1.14	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 Dec 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 31 MAR 2019**

	(Unaudited) As at 31.03.2019 RM'000	(Audited) As at 31.12.2018 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	177,038	176,852
Intangible assets	600	600
	<u>177,638</u>	<u>177,452</u>
Current Assets		
Inventories	19,883	10,288
Trade and other receivables	113,180	115,766
Tax recoverable	83	103
Cash and bank balances	556	19,014
	<u>133,702</u>	<u>145,171</u>
TOTAL ASSETS	<u><u>311,339</u></u>	<u><u>322,623</u></u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	106,300	106,300
Merger reserve	(17,444)	(17,444)
Revaluation reserve	22,588	22,588
Retained earnings	20,677	19,466
TOTAL EQUITY	<u>132,122</u>	<u>130,910</u>
LIABILITIES		
Non-Current Liabilities		
Long-term borrowings	3,174	3,472
Deferred tax liabilities	12,117	11,517
	<u>15,291</u>	<u>14,989</u>
Current Liabilities		
Trade and other payables	86,376	95,843
Bank Overdraft	6,490	1,484
Short-term borrowings	71,061	79,391
Tax payable	-	6
	<u>163,926</u>	<u>176,724</u>
TOTAL LIABILITIES	<u>179,217</u>	<u>191,713</u>
TOTAL EQUITY AND LIABILITIES	<u><u>311,339</u></u>	<u><u>322,623</u></u>
Net Assets per Ordinary Share (RM)	<u>1.24</u>	<u>1.23</u>

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 FIRST QUARTER ENDED 31 MAR 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 Jan 2019	106,300	(17,444)	22,588	19,466	130,910
Profit for the period	-	-	-	1,212	1,212
Total comprehensive income for the period	-	-	-	1,212	1,212
As at 31 Mar 2019	<u>106,300</u>	<u>(17,444)</u>	<u>22,588</u>	<u>20,678</u>	<u>132,122</u>
<u>Preceding Corresponding Quarter</u>					
As at 01 Jan 2018	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	N/A	N/A	N/A	N/A	N/A
As at 31 Mar 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 Dec 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 FIRST QUARTER ENDED 31 MAR 2019**

	(Unaudited) Current Year- to-date 31.03.2019 RM'000	(Unaudited) Preceding Year Corresponding period 31.03.2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	1,911	N/A
Adjustments for:-		
Depreciation of property, plant and equipment	1,508	N/A
Interest expenses	1,022	N/A
Unrealised gain on foreign exchange	(2,705)	N/A
	<hr/>	<hr/>
Operating profit before changes in working capital	1,736	N/A
Changes in inventories	(9,595)	N/A
Changes in trade and other receivables	2,586	N/A
Changes in trade and other payables	(9,441)	N/A
	<hr/>	<hr/>
Cash generated from operations	(14,714)	N/A
Tax paid	(100)	N/A
Interest paid	(1,022)	N/A
	<hr/>	<hr/>
Net cash from operating activities	(15,836)	N/A
CASH FLOWS FROM INVESTING ACTIVITY		
Purchase of property, plant and equipment	(485)	N/A
	<hr/>	<hr/>
Net cash used in investing activity	(485)	N/A
CASH FLOWS FROM FINANCING ACTIVITIES		
Net changes in bankers' acceptance	(8,329)	N/A
Repayment of hire purchase payables	(299)	N/A
	<hr/>	<hr/>
Net cash used in financing activities	(8,628)	N/A
	<hr/>	<hr/>
Net Changes in Cash and Cash Equivalents	(24,948)	N/A
Cash and Cash Equivalents at beginning of the period	19,014	N/A
	<hr/>	<hr/>
Cash and Cash Equivalents at end of the period	(5,934)	N/A
	<hr/> <hr/>	<hr/> <hr/>

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

	31.03.2019 RM'000	31.03.2018 RM'000
Cash and bank balances	556	N/A
Bank overdrafts	(6,490)	N/A
	<hr/>	<hr/>
	(5,934)	N/A
	<hr/> <hr/>	<hr/> <hr/>

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 Dec 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 31 MARCH, 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 year 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 year ended 31 December 2018.

A2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2018 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 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

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 Mar, 2019			
	Investment Holding RM'000	Manufacturing and Trading RM'000	Elimination RM'000	Group (total) RM'000
Segment Revenue and Results Revenue				
- Export	-	8,445	-	8,445
- Local	-	70,137	-	70,137
Total revenue	-	78,582	-	78,582
Results : Operating profit	-	2,934	-	2,934

	Cumulative Quarter ended 31 Mar, 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	
	31.03.2019 RM'000	31.03.2018 RM'000
Reconciliation of reportable segment profit:		
Total operating profit for reporting segment	2,934	N/A
Finance costs	(1,022)	N/A
Consolidated profit before tax	1,911	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 13 May 2019, the Directors declared a Single-Tier Interim Dividend of 1 cent per ordinary share for the financial year ending 31 December 2019. The payment date and entitlement to dividends will be determined later.

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 March 2019 is RM 73.8 million being banking facilities granted to a subsidiary compared to RM 67.4 million as at 31 March 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 Q1 vs 2018 Q6)

The Group recorded a revenue of RM 78.6 million with profit before tax of RM1.1 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

The financial year ending 31 December 2019 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. 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 31.03.2019 RM'000	Cumulative Quarter 31.03.2019 RM'000
Other income including investment income	(79)	(79)
Interest expenses	1,022	1,022
Depreciation of property, plant and equipment	1,508	1,508
(Gain) or loss on foreign exchange	<u>(2,705)</u>	<u>(2,705)</u>

B6. TAXATION

Tax expense comprises of the followings:

	Current Quarter 31.03.2019 RM'000	Cumulative Quarter 31.03.2019 RM'000
Income tax expense		
- Current year	<u>100</u>	<u>100</u>
	100	100
Deferred tax		
- Current year	600	600
Total income tax expense	<u><u>700</u></u>	<u><u>700</u></u>

B7. CORPORATE PROPOSAL

Except as disclosed below, there were no other corporate proposals announce as at to-date:-

- a) On 10 May 2019, the Company has announced the implementation of a proposed private placement of new ordinary shares in KSB, representing not more than 10% of the total number of issued shares of KSB to independent third party investor(s) to be identified.

B8. GROUP BORROWINGS AND DEBT SECURITIES

	The Group 31.03.2019 RM'000
Short-term Borrowings:	
Bankers' acceptance	68,816
Hire-purchase payables	<u>2,245</u>
	<u><u>71,061</u></u>
Long-term Borrowings:	
Hire-purchase payables	<u>3,174</u>
	<u><u>3,174</u></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 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	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
Net profit attributable to ordinary shareholders (RM'000)	1,211	N/A	1,211	N/A
Weighted average number of ordinary shares - in units ('000)	106,300	N/A	106,300	N/A
Basic EPS (Sen)	1.14	N/A	1.14	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: 31 May 2019